

# AlliedAnnuities

This is a proposal for AlliedAnnuity, an online platform with the purpose of channeling stable cash flows for pensioners in emerging markets. The platform is currently in the planning phase. If interested, please contact CEO Lars Kroijer, [lars.kroijer@alliedcrowds.com](mailto:lars.kroijer@alliedcrowds.com).

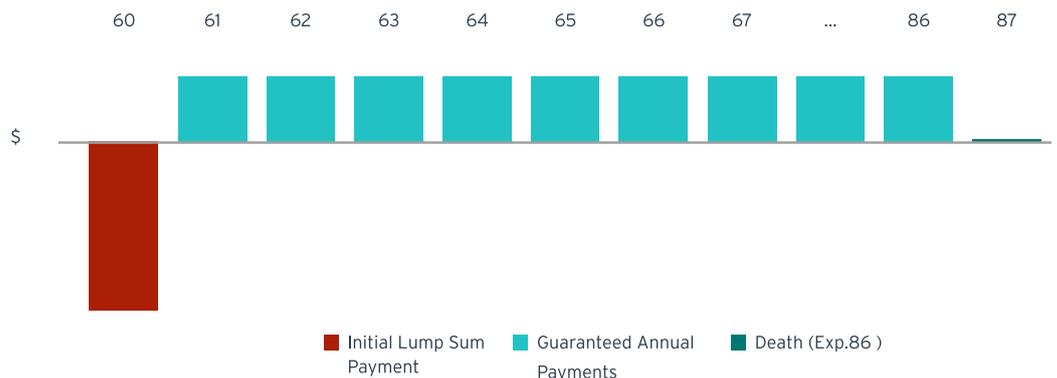
## Overview

In nearly every country in the world, people are living longer lives. This creates opportunities and also poses challenges for governments, financial organizations, and individuals. One of these challenges is around savings for retirement -- too **many poorly funded people retiring** and too few young workers saving. With the number of people aged 60 or over expected to increase from 962m in 2017 to 2.1b in 2050, this is a growing problem. In developed countries, retirees can rely on pension payments which they accumulated during their career, supplemented by government initiatives and pensions. They can also supplement their income with an annuity: a way for retirees to turn one lump sum into annual payments for the rest of the annuitant's life. In the developing world, pensions are rarely available to individuals, and political instability means government-run social security schemes are unreliable. AlliedAnnuity aims to bring annuities to emerging markets, allowing people around the world to better plan for retirement, and to ensure they do not run out of money at an old age.

## Product

In emerging markets, the elderly have few options when it comes to saving for retirement. Many invest their money in real estate or local capital markets, both of which are highly risky and can lose value quickly. Annuities work by splitting a single lump sum into guaranteed annual payments over the course of an individual's expected lifetime.

To illustrate in a simplified example, imagine a 60 year old retiree purchases an annuity with \$100,000 saved up over a lifetime; the life expectancy is 87. The annuity pays a fixed rate of 3.6% annually (\$3,600), meaning an annuitant will reclaim \$97,200 if he or she dies at the expected age of 87. He or she will receive a guaranteed payment of \$3,600 regardless of what age the annuitant dies; so, if he or she dies at 95, the \$100,000 would have returned \$126,000. Because the payments are guaranteed, the retiree will not run out of money in the course of his or her lifetime. This security of a guaranteed income until death means retirees are able to plan for their retirement and invest capital productively rather than hoarding money. It also means they do not risk running out of money in old age, when they are least able to generate income.



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The amount of money paid out to the annuitant depends on several factors, including: age at purchase of annuity, life expectancy, return on capital, cost of selling and managing the annuity, required expected profit to provider, and annual increases in payment to counteract inflation, if any. The recurring payment amount is agreed at the start of the contract and is paid at predetermined intervals until the annuitant dies.

The AlliedAnnuity platform opens up the annuity market to individuals around the world, with a particular focus on the emerging markets. It will be registered in the UK (and elsewhere as needed), but we will market it to individuals in emerging markets. The platform will offer individuals the ability to purchase an annuity in hard currency, as well as potentially local currency. The site will offer annuities via an easy to use, scalable, and low-fee online platform, reducing costs considerably when compared to the incumbent offline-heavy annuities providers. We will offer only a few simple products that will appeal to individuals looking for guaranteed income in retirement. The online nature of the platform will allow us to identify and market to highly targeted groups of individuals (e.g., Facebook ads to individuals in the 45-55 age group), negating the need for a strong presence on the ground.

The annuities platform can also be tailored to corporates, governments, NGOs, and other employers as desired. For example, it can be structured as an incentive for individuals to save for retirement: if an employee contributes a predetermined amount to an annuity, the employer will match or enhance that by paying toward an annuity that will start paying out at retirement, effectively creating a pension. This will nudge employees toward saving for retirement, and can be an effective recruiting tool for employers. Alternatively, donor organisations or individuals could contribute directly towards the creating a pension for people who are unable to pay for one themselves. There are many examples where the project can be suited to specific needs.

The project's profitability will depend on a number of factors: regulatory capital requirements, how the capital is invested, realized longevity, marketing and sales costs, administration costs, and more. (We have put together a simple spreadsheet to showcase how these affect the platform's profitability.) Overall, this will be an attractive business to invest in, especially if there are other, related products that can be sold to the existing customer base (such as life insurance or related products).

## Next Steps

To date, we have **put together a simple financial model** (see below) for how this platform would work and how to make it profitable; this model is based on numerous conversations with relevant industry stakeholders.

In order to take the platform forward, we are seeking a partner to support in the development of the business plan, regulatory approvals, and creating the marketing plan. This will cost \$100,000 over six months and will display the partner's willingness to engage in a longer term partnership. As this project would secure pensioners' money from around the world, we are ideally seeking a government-backed organization or a well-respected corporation with a solid brand in order to signal stability to retail annuitants. Guaranteeing annuity payments decades into the future typically require the kind of credit rating that a startup can't provide (AA or above) so the backing of a credible institution with a strong development objective will be key to ensure the success of this project.

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AlliedCrowds will work with the partner in order to develop a business plan that is mutually beneficial. For instance, if the partner is exploring a certain geography (e.g., East Africa), we will focus the business case analysis on that market. More specifically, we will research and include in the business plan the following points:

- Existing solutions for pensioners
- Competitor landscape
- Regulatory registration roadmap and preparation (in UK and potentially elsewhere)
- Capital requirements (if any)
- Longevity data
- Payment challenges and opportunities (e.g., mobile money)
- Technology needs
- Platform design
- Theory of change and monitoring and evaluation framework
- Pricing
- Marketing plan
- Organigram
- Pitch presentation
- Updated financial model

We will also identify local insurance partners to explore this opportunity with; this would be a natural complement to the business as a lot of the data on potential customers is the same (including, critically, the longevity data, and other information). The ideal partner to fund the development of this concept will then be in a position to move forward and get the platform to launch.

In addition to potentially being a very profitable and interesting business, AlliedAnnuity will also have tremendous positive impact on the lives of retirees around the world. By having the safety net of a guaranteed income for the rest of their lives, the annuity offers the same kind of security and related benefits that come from the pension systems traditionally seen in the developed world. This includes: the absence of inefficient hoarding of money (therefore increased investments); less dependence on relatives in retirement; not running out of money when you are most vulnerable (old); preventing leakage of retirement funds (e.g., buying an expensive car at retirement); smaller tax burden on a country's taxpayers; enhanced financial literacy and long-term planning; and a more developed financial ecosystem.

If you are interested in learning more, please contact CEO Lars Kroijer, [lars.kroijer@alliedcrowds.com](mailto:lars.kroijer@alliedcrowds.com) or Anton Root, [anton.root@alliedcrowds.com](mailto:anton.root@alliedcrowds.com).