



Individual  
Consulting

Getting more when  
you retire with our  
retirement fund

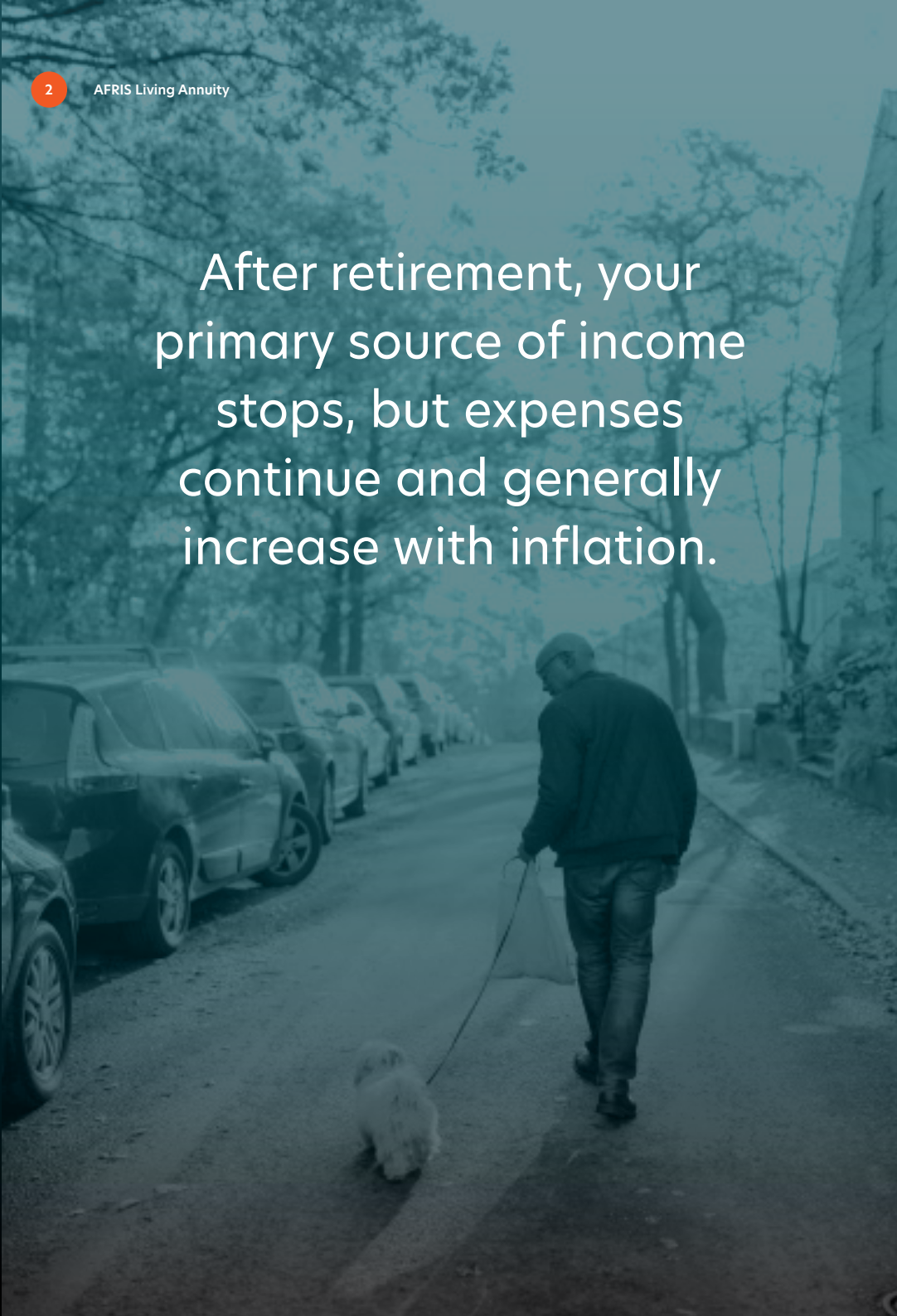
**AFRIS Living Annuity**



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A man in a dark jacket and cap is walking a small, light-colored dog on a leash down a residential street. The street is lined with parked cars on the left and trees on the right. The scene is captured in a muted, teal-toned photograph.

After retirement, your primary source of income stops, but expenses continue and generally increase with inflation.

Sadly, most people don't have enough retirement savings to sustain their standard of living in their retirement years. If you have at least **R600 000** to invest, buying a living annuity is a popular option because you can:

- decide how much money to draw as income each year and where to invest your retirement savings within the portfolio options
- leave money to your loved ones when you die

The Alexander Forbes Retirement Income Solution (AFRIS) living annuity is a pension plan which is available to you because your trustees have adopted this solution. The **Options on retirement** brochure sets out all the various options available to you on retirement – and if a living annuity is your choice, then this is a great option for you.

**Our solution combines the benefits of a living annuity and a life annuity by allowing you flexibility of pension income, leaving a legacy for your beneficiaries and providing you with a guaranteed income.**

# Living annuity

## What's the benefit to you?







	Extra years	OR	Extra income
How much money you have to buy a pension at retirement	<b>R1 000 000</b>		<b>R1 000 000</b>
Standard retail living annuity	24 years		R4 166 income per month
AFRIS living annuity	28 years		R4 525 income per month
	 <b>4 extra years</b> of receiving a retirement income before income reduces		 <b>R359 extra income</b> per month over the same period

**Note:** Calculations are based on assumptions and are for illustrative purposes only. The amounts shown are not guaranteed and are based on the following: a drawdown rate of 5% for both annuities for extra years | a drawdown rate of 5% for the standard retail living annuity and a drawdown rate of 5.4% for the AFRIS living annuity for the extra income. We assume the drawdown rates increase by CPI inflation each year | CPI inflation of 6% | an investment return of CPI inflation of +3.5% | cost savings of 0.63% with the AFRIS living annuity compared with the standard retail living annuity.

Terms and conditions apply.

# What you need to know

-  A living annuity is an investment where your retirement money is invested after retirement to provide an income.
-  Each year you choose the amount of income you want to receive (within the limits of between 2.5% and 17.5% of the remaining money), usually paid as a monthly income.
-  During your lifetime you may not withdraw lump sums from the living annuity.
-  Any money that remains after your death will be available to your nominated beneficiaries or, if you don't nominate any, to your estate.

## Benefits of our combined life and living annuity

### Living annuity

You can pass any remaining money on to your beneficiaries when you die.

### Life (guaranteed) annuity

You get paid a pension for life, no matter how long you live.

If you choose a spouse's annuity or a minimum payment period, there is cash or income for beneficiaries if you pass away.



So how do we combine the best of both annuities **to give you more when you retire?**

Our solution combines the benefits of a living annuity and a life annuity by allowing you flexibility of pension income, leaving a legacy for your beneficiaries and providing you with a guaranteed income.

In the AFRIS living annuity you can access a guaranteed income through the **Just Lifetime Income portfolio**.



## Key features of the **Just Lifetime Income portfolio**

- + Gives you a minimum lifetime income to use for your essential needs.
- + Targets inflation increases.
- + Offers protection so that you don't outlive your money.
- + Your lifetime income payment will never reduce – guaranteed.
- + You can choose a guaranteed minimum payment period.
- + You can extend the lifetime income payment to cover the life of your spouse.

- This pension option is only available if you have at least R600 000 (including any other retirement savings you combine) to invest after tax and other deductions.
- This living annuity has low investment fees when compared to the individual market. This means improved investment returns, so your income is higher or your pension will last longer.
- You can combine other retirement savings into this living annuity to boost your pension income.
- You can leave your money to your beneficiaries, for example family members, if you pass away while you still have money left in the living annuity.
- The income from the Lifetime Income portfolio is paid into your living annuity.

You may:

- draw the income as part of your chosen pension draw or
- save it for your dependants
- You may not transfer any amounts invested in the Just Lifetime Income portfolio to another portfolio. You may add to the portfolio over time should you wish.



### The first monthly pension payment

You can expect to receive your first monthly pension payment at the end of the month after your first month of retirement. This means that if you retire on 31 May, you can receive your first payment on 25 July. It's important to plan for this period.

## Choosing the income level you want to draw

Between

2.5%

17.5%

Although the law allows you to draw between 2.5% and 17.5% of your money each year, it's important to draw your income sustainably so that it will last you throughout your retirement.



Your age at last birthday	Income withdrawal as a percentage of your money held in a living annuity
Under 60	4%
60-64	4.5%
65-69	5%
70-74	5.5%
Over 75	5.75%

It's extremely important to note that these percentages are merely a guideline of appropriate income withdrawal at retirement, taking several assumptions into account. This information should not be viewed as financial advice. You need to consider your personal circumstances when selecting a sustainable level of income, which is why it's a good idea to speak to a qualified financial adviser.

# More options

## Health and lifetime assessment

If you complete a health and lifestyle assessment, this could increase your Just lifetime income payment:

- If you have a life expectancy that is shorter than average, you may receive a higher lifetime income payment, regardless of how long you actually live. You will, therefore, require less of your living annuity capital to cover your essential expenses than if you had been healthy.
- If you have a life expectancy longer than average, you will benefit from receiving a lifetime income payment for longer. For every five years that you survive beyond the normal life expectancy, you may earn the equivalent of additional investment return of 1% a year over your full lifetime.



### Note

To take advantage of the discretionary drawdown plan, please speak to a qualified financial adviser.

## Adding a discretionary drawdown plan

Add a discretionary drawdown plan to your living annuity and make your savings last even longer.

When you invest in the AFRIS living annuity, you get access to an optional discretionary drawdown plan in which you can invest any portion of your retirement money taken in cash or any other savings you might have. With this discretionary drawdown plan, you can choose from a range of underlying unit trust funds, while having easy and constant access to your money.

### Benefits of the unit trust

**Full access to your money** – access your savings at any time in small increments or larger amounts.

**Investment growth** – choose from a range of underlying unit trust funds to provide further growth on your savings.

**Flexibility** – in consultation with your financial adviser, decide how much you want to draw and how regularly. You can change this at any time.

**Tax savings** – with guidance from your financial adviser, you can benefit from tax efficiencies of the combined discretionary drawdown plan and AFRIS living annuity, (which can make your savings go further).



# Important considerations

## Minimum amount

You need to have an invested amount of at least **R600 000** (including any other retirement savings you combine) to use for your pension after deductions such as:

- any portion of the retirement benefit taken in cash
- tax
- home loans
- divorce orders
- any other deductions allowable by law

## Risks in a living annuity

- investment risk
- inflation risk
- outliving your savings

You face these risks because of how much you decide to withdraw and the level of income you require. However, by switching amounts into the Just Lifetime Income portfolio, you can reduce these risks. This means your income will target inflation and it's unlikely that you'll outlive your savings.

Retirement decisions are complex. Choosing a pension is a serious and important life decision and, although it is not compulsory to do so, you are encouraged to seek advice from a qualified financial adviser. If you access the Just Lifetime Income portfolio, advice is compulsory.

## If you pass away

If you pass away while you're in the AFRIS living annuity, the full value of the remaining capital will be paid to your nominated beneficiaries. If you select the Just Lifetime Income portfolio, including a spouse's annuity, it will pass to your spouse but not to any other beneficiaries. Beneficiaries can choose one of the following options:

- Continue to get a living annuity income
- Buy a guaranteed annuity from an insurer
- Choose to take all or part of the money as a cash lump sum



**If no nomination is made, the benefit will be paid to your estate.**





## Costs

The administrator does not charge any **upfront** administration or investment fee. An upfront advice fee may be payable as agreed between you and your accredited financial adviser.

### Living annuity

#### Administration fee scale (including value-added tax) – linked to your combined assets within this living annuity

0.388% on the first R1 000 000

0.216% on the next R1 500 000

0.173% on the next R5 000 000

0.11% on any amount above R 7 500 000

The investment fee depends on the investment portfolio you choose. It varies for the trustee choice portfolios from a policy fee of 0.35% a year for passively managed portfolios to around 0.70% a year as a policy fee for actively managed more aggressive portfolios. In addition to policy fees, some portfolios may have performance fees, offshore fees and others costs. The total investment charges for each portfolio can be found in the investment portfolio brochure.

Yearly **administration and investment fees** as disclosed in the application form are calculated on your invested amount. This excludes the fees for advice as agreed between you and your accredited financial adviser.

### Just Lifetime Income portfolio

If you choose the **Just Lifetime Income portfolio**, you pay the following fees in addition to the living annuity fees shown on the left.

#### Initial fee allowed for in determining starting income

1.00% product provider fee

#### Ongoing fee allowed for in determining annual income

0.86%\* asset management fee (Performer Managed)

1.10%\* product management fee

*\*Included in the income increase formula and included in the total investment ratio (TIC) of the portfolio. Read the portfolio fund fact sheet for more information.*



## Tax

You pay no tax on earnings on your investment in the living annuity portfolio. However, any income you withdraw as a pension is taxed according to your current personal income tax rate.



You are encouraged to seek advice from a qualified financial adviser when choosing a pension.

However, if you access the **Just Lifetime Income portfolio** or the **discretionary income plan**, then advice is compulsory.

# The value of advice

The value of getting financial advice from a qualified financial adviser should not be underestimated and is highly recommended. They:

- 
- > are experts in their field and are dedicated to helping others reach their financial goals
  - > gather information that is relevant to develop a financial roadmap for you and make objective decisions on the most appropriate route to take
  - assess the likelihood of reaching your goals and aspirations in retirement and help you structure your affairs to get maximum benefit from your hard-earned savings
  - > will also assess your other needs in retirement and make appropriate recommendations
-

# Next steps

## About your investment

The living annuity policy is underwritten by Alexander Forbes Investments Limited, a licensed life insurer and financial services provider. Glacier Financial Solutions (Pty) Ltd (Glacier) is a licensed financial services provider authorised to act as an administrative FSP. Glacier Partners: Alexforbes, a division of Glacier, is the appointed administrator for this policy.

We provide the investment platform and execute your instructions. You select the underlying investments and instruct us when and how to adjust your investment.

Your Alexforbes appointed financial adviser will provide you with advice and help you manage your investment to make sure that you stay on track with your goals.

**1**

**Inform your employer if you want to choose the AFRIS living annuity** by filling in the retirement claim form.

**2**

**Complete the application form** to tell the living annuity administrators how you'd like your pension to be invested and how the income should be paid.

**3**

If you have **any questions** about the AFRIS living annuity, please contact the Client Contact Centre.

**4**

Consider the following:

- **Do you need advice regarding your retirement options.** Remember that if you select the Just Lifetime Income portfolio, advice is compulsory. You can call the number below if you need advice and do not have an adviser already.
- **Would you like to consolidate any other retirement savings in your living annuity?** You can do this. It is suggested that you consult your accredited financial adviser to assist with this process.
- **Do you want to invest in the discretionary drawdown plan?** Remember, you'll need to speak to an a qualified financial adviser if you choose this option.



**For general queries, contact the Glacier Partners: Alexforbes Interaction Centre:**

Share call number: 0860 66 44 44 • Email: [GlacierPartners@Alexforbes.com](mailto:GlacierPartners@Alexforbes.com)

**For financial planning advice, contact the Individual Advice Centre:**

Share call number: 0860 100 444 • Email: [iac@alexforbes.com](mailto:iac@alexforbes.com) • Website: [www.alexforbes.com](http://www.alexforbes.com)

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