

Living Annuity

Product Description

A living Annuity can be described as a personal pension fund that is paying an income to the member of the fund and the level of income may be adjusted on a flexible basis annually.

Suitability

A living annuity is a suitable investment product for those individuals who want to be able to manage their affairs at and after retirement in such a way that their retirement income may be adjusted annually, depending on their specific needs from time to time.

How does it work?

Legislation makes it compulsory for an investor to withdraw between 2.5% and 17.5% of the capital value as a pension income per annum. This income can be paid on an annual, semi-annual, quarterly, or monthly basis. The withdrawal rate can be adjusted once a year on the anniversary date of the living annuity and no ad-hoc withdrawals can be made from the investment. It is important to manage the withdrawal rate to ensure sustainability of income over the long term.

Registered with the authorities?

A living annuity must be registered with the Financial Services Board and is issued under the Long-term Insurance Act.

Unit trust linked living annuities

Unit trust linked living annuities are flexible in that linked investment service providers (LISPs) allow the investor to move his/her funds from one unit trust to another. This allows for active management and construction of an investment portfolio that fits the individual's personal needs and risk profile.

Nature of returns

The underlying asset classes used in the fund can earn interest, dividends and have capital gains or losses.

Guarantees

Investment capital and investment returns in the underlying unit trusts are not guaranteed.

Taxation

Any interest or dividends accrued in the living annuity, as well as any capital gains realized, are tax free. The investor is taxed in his/her own name based on the income paid from the living annuity and the tax rate is dependent on the level of income paid and income earned from other sources.

Accessibility of funds

Money invested in a living annuity may only pay an income. The capital may only be transferred to beneficiaries at the death of the member of the fund and only if the amount is reasonably small, may the capital be fully accessible. In all other cases the capital is not accessible as it may only pay out an income