

## Retirement Annuity

### Product Description

A retirement annuity can be described as a personal retirement fund.

### Suitability

A retirement annuity is ideal for investors that want to preserve retirement capital; and/or save towards retirement, in a tax-effective way. This vehicle is also often used by people whose employers do not provide a pension or provident fund.

### How does it work?

Retirement capital can be transferred from a retirement fund to a retirement annuity without paying tax on the transfer amount. Investors who are saving towards retirement may make tax deductible contributions to a retirement annuity subject to certain maximums. It works like a savings vehicle, but with significant tax benefits both before and at retirement. At retirement an amount of up to 1/3 may be taken as a lump sum and the balance must be used to purchase a pension annuity.

### Registered with the authorities?

A retirement annuity must be registered with the Financial Services Board and may only invest in assets as prescribed by the Pension Funds Act.

### Unit trust linked retirement annuities

Unit trust linked retirement 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 more active management and construction of an investment portfolio to fit the individual's personal needs. The unit trust linked retirement annuity also allows the individual to change his/her contributions, to make lump sum contributions or even to stop and start contributions without being penalised in the process.

### Nature of returns

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

### Guarantees

Investment capital and investment returns in the underlying unit trusts cannot be guaranteed.

### Taxation

There is no tax payable on interest earned, dividends received, or any capital gains made when the units are sold in the retirement annuity. Tax is only paid on the withdrawal of retirement annuity capital at death, disability or at retirement and then tax is payable in accordance with the taxation laws that apply at the time of withdrawal. However, a certain portion of the lump sum withdrawal is tax-free.

### Accessibility of funds

Money invested in a retirement annuity is accessible at death, disability or age fifty-five.