

# LIVING ANNUITIES

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Wealth

## WHAT IS A LIVING ANNUITY?

A living annuity is a post-retirement product that allows you to re-invest your accumulated retirement savings in a market linked investment portfolio, thus enabling diversification into different asset classes, sectors and economies to suit your risk profile, whilst ensuring the provision of an ongoing income at retirement.

## WHAT CAN BE INVESTED IN LIVING ANNUITIES?

- ◆ Pension fund, provident fund, preservation fund and retirement annuity proceeds.
- ◆ Transfers from another living annuity.

## KEY BENEFITS OF LIVING ANNUITIES

- ◆ Income frequency can be selected as monthly, quarterly or annually.
- ◆ Investment returns within the product are completely tax-free.
- ◆ A wide range of underlying investment funds are available.
- ◆ The funds are protected against claims by creditors.
- ◆ The investment is generally excluded for estate duty and executors' fees purposes.
- ◆ Beneficiaries can be nominated for the proceeds.

## KEY CONSTRAINTS

- ◆ Income levels and payment frequency can only be amended annually, on the product anniversary date and no ad-hoc withdrawals are permitted.
- ◆ Income withdrawals are limited to between 2,5% and 17,5% per annum of the value of the fund on each anniversary date.
- ◆ The investment may not be ceded or pledged as security.
- ◆ The investment is subject to the market risk associated with the underlying investments and negative returns will therefore negatively impact the level of future withdrawals.
- ◆ No lumpsum withdrawal is permissible on emigration – only the monthly annuity, after the deduction of income tax, may be remitted offshore.

## TAX IMPLICATIONS BEFORE RETIREMENT

- ◆ Income withdrawals are taxed at individual marginal income tax rates.
- ◆ All investment returns within the product are tax-free.
- ◆ Any contributions that did not qualify for deduction pre-retirement are deductible against withdrawals after retirement.

## IMPLICATIONS ON DEATH

- ◆ Beneficiaries can be nominated to receive the proceeds.
- ◆ A lump sum benefit, annuity or a combination of the two may be elected by beneficiaries.
- ◆ Both lump sum and annuity benefits are free from Estate Duty but are subject to taxation.
- ◆ The proceeds (generally) fall outside of the deceased estate and are protected against creditors.

You can obtain advice and more detailed information from Hewett Wealth directly by calling 010 597 7506 or by emailing [enquiries@hewettwealth.co.za](mailto:enquiries@hewettwealth.co.za)

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Ver20190501

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