JUST.

RETHINK RETIREMENT

YOUR RETIREMENT JOURNEY

An information booklet on your retirement needs and the retirement benefit options available to meet those needs

This booklet provides information, but not advice, on your retirement journey.

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Section A

Your needs in retirement

1. Cash to clear debt
2. A monthly income for life to cover regular expenses
3. Additional assets to provide flexible income and leave to beneficiaries when you pass away

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Section B

Retirement options to meet your long-term needs

1. A guaranteed life annuity, focusing on Just Lifetime Income
2. A living annuity
3. Blending Just Lifetime Income with a partner living annuity
4. How to invest

Your retirement needs and options to meet those needs

1

Need:

An immediate sum of money to clear debt and cover once-off expenses

Retirement option:

CASH LUMP SUM

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2

Need:

A monthly income for life for yourself and your spouse, which grows with inflation, to pay regular expenses

Retirement option:

GUARANTEED LIFE ANNUITY

A few people can achieve this in a living annuity

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3

Need:

A pool of assets to provide flexible income for irregular expenses and tax planning, or to leave to beneficiaries when you pass away

Retirement option:

LIVING ANNUITY

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Do you need advice?

It is worth considering advice from a qualified financial adviser, especially if you need help:

- *understanding your options;*
- *taking account of your personal financial circumstances;*
- *considering how your retirement savings can be used with other savings and investments, including a house, to meet your financial needs;*
- *considering the tax implications of your choices.*

For a list of financial advisers accredited to provide advice on Just's products, contact us at info@justsa.co.za

A.1

CLEARING DEBT AND COVERING IMMEDIATE ONCE-OFF EXPENSES

What to think about when taking a cash lump sum:

- You are allowed to take a cash lump sum of:
  - one third of your retirement savings if you are in a pension fund or retirement annuity (or the full amount if your retirement savings is less than R247 500);
  - your full retirement savings if you are in a provident fund.
- You will pay tax according to the SA Revenue Services Retirement Lump Sum Benefits tax table once you have made withdrawals of more than R500 000 over your lifetime.
- You will pay tax on future investment returns (there is no tax payable while your money is in a pension, provident or retirement annuity fund).
- Whilst in a pension, provident or retirement annuity fund, your assets are protected from creditors. You lose this protection once you withdraw this money.
- Once you spend this money, it is no longer available to secure an income for life.

Consider whether you need independent financial advice that takes account of your personal circumstances and allows you to compare features and pricing of different options

A.2
MONTHLY INCOME FOR LIFE TO COVER REGULAR EXPENSES FOR SELF AND DEPENDANTS

What to think about when securing a monthly income to cover regular expenses:

a

What are your regular (monthly or annual) expenses?

- Essential expenses to survive: food, medical, accommodation, water, electricity, telephone, transport, insurances, and maybe frail care costs in the future.
- Other expenses like clothing, entertainment, education of dependants and donations.

b

How will these expenses grow with inflation?

- Most expenses will increase with inflation.
- The inflation in some categories, for example medical expenses, has been consistently higher than Consumer Price Inflation for a long time.
- Some of your expenses may reduce: for example, if you move to smaller accommodation.
- You may need to do research on expenses that start later in life: for example, frail care.

c

How much annual income can you receive from annuities, with a reasonable chance of this growing with inflation?

The table on page 6 shows the annual income that is regarded as being sustainable for life, and targeted to grow with inflation, in a guaranteed life annuity and a living annuity, expressed as a percentage of the purchase amount at each age. This income is taxed at your marginal tax rate.

For example, in the year after retirement, a male age 65 with retirement savings of R1,000,000 could expect to receive:

- 8,0% of this (R80,000) from the guaranteed life annuity, guaranteed for life; or
- 5,5% of this (R55,000) from the living annuity, with a 90% probability of sustaining this level of drawings for life.

In both cases, the income is targeted to grow with inflation each year on consistent assumptions.

Similarly, in the year after retirement, a female age 60 with retirement savings of R1,000,000 could expect to receive:

- 5,5% of this (R55,000) from the guaranteed life annuity, guaranteed for life; or
- 4,5% of this (R45,000) from the living annuity, with a 90% probability of sustaining this level of drawings for life.

In both cases, the income is targeted to grow with inflation each year on consistent assumptions.

Continued on next page

A.2

Monthly income for life to cover regular expenses for self and dependants

Continued

	Guaranteed life annuity[1]		Living annuity[2]	
Age	**Males**	**Females**	**Males**	**Females**
55	6,0%	4,5%	4,5%	4,0%
60	6,5%	5,5%	5,0%	4,5%
65	8,0%	6,5%	5,5%	5,0%
70	9,5%	8,0%	5,5%	5,0%
75	12,0%	10,0%	6,0%	5,5%
80	15,5%	12,5%	7,0%	6,0%
85	20,0%	16,5%	8,0%	7,0%

[1] The guaranteed life annuity rates are for the Just Lifetime Income HiGro with-profit annuity (see section B.1 of this booklet), using mortality and investment return assumptions consistent with the rates calculated for the living annuity.

[2] The maximum sustainable living annuity drawdown rates published for consultation by the Financial Sector Conduct Authority on 7/11/2018 in their Draft Conduct Standard for Living Annuities in a Default Annuity Strategy.

Retirement experts from insurance companies and asset managers produced this table using a model which showed that, if individuals withdraw income at these rates, they have a 90% chance of being able to sustain their income for at least as long as their average life expectancy i.e. their income will keep up with inflation until their expected death.

- *The maximum sustainable living annuity drawdown rates shown above assume 60% of the assets invested in growth assets (like equity and property), and 40% in conservative assets (like fixed interest bonds and cash), but your actual investment strategy may vary by age, drawdown rate or known short-term income needs. If your investment strategy has a smaller allocation to growth assets, you may need to consider a lower drawdown rate.*

Both sets of rates used consistent investment return assumptions of 11-12% on equities, 8-9% on fixed interest, 5-6% on cash and 5-6% inflation.

Section B.3 of this booklet compares guaranteed life annuities and living annuities.

Annuity rates are lower for females than males because females live four years longer on average than males.

d

Do you qualify for the State Old Age Grant?

3,5 million South Africans received State Old Age Grants in December 2018. You qualify if you are a South African citizen or permanent resident older than 60 and living in SA and:

- you are single, earn less than R78,600 a year and have assets worth less than R1,122,000 (excluding the home you live in);
- you are married, earn household income of less than R157,200 a year and have assets worth less than R2,244,000 (excluding the home you live in);
- you do not receive any other social grant and you are not cared for in a State institution.

The grant depends on your level of household income and assets, and can be a maximum of R1,780 per month (or R1,800 if you are older than 75). To apply, you can find the information you need at: www.sassa.gov.za

A.3

ADDITIONAL ASSETS TO PROVIDE FLEXIBLE INCOME AND LEAVE TO BENEFICIARIES WHEN YOU PASS AWAY

What to think about when managing a pool of assets to draw a flexible income and leave the remainder to beneficiaries when you pass away:

a

What is an appropriate planning horizon?

There is a 10% probability of:

- a 60-year-old male surviving to age 95
- a 60-year-old female surviving to age 100.

b

What investment strategy will you follow?

In the long term, retirement industry professionals expect growth assets like equities and property to provide higher returns than more conservative investments like fixed interest and cash, but the returns from growth assets are also more volatile from year to year.

c

Apart from the regular expenses discussed in section A.2 of this booklet, what irregular future expenses do you expect up till the age of 100?

- These could include changing accommodation, changing motor cars, holidays, visits to grandchildren, mobility assistance, and unexpected medical costs not covered by a medical plan.
- All these expenses will be affected by inflation.

d

Are you able to vary your drawdown rate from your assets?

- When investment markets fall:
  - if you draw the same percentage from your assets as the previous year, then you will receive less income than the previous year;
  - if you increase your income with inflation, the drawdown rate from your assets will increase and may not be sustainable, i.e. you may not be able to continue to increase your income with inflation over your remaining lifetime.
- You may wish to draw less income in certain years for tax planning.
- Consider the risk of dementia affecting your ability to make decisions about investments and annual drawdown.

e

How do you balance covering your expenses over your lifetime with leaving money to beneficiaries?

- It is worth projecting your income, expenses and assets over your planning horizon to work out how much of your assets:
  - you will need to cover your expenses over your lifetime;
  - you will have left when you pass away.
- You can then compare your desire to leave assets to beneficiaries with the risk of not having a guarantee that income will continue for life.

Will your spouse or beneficiaries need financial advice on managing these assets after you pass away?

B.1

GUARANTEED LIFE ANNUITIES

What to think about when considering a guaranteed life annuity:

a

What types of guaranteed life annuities are available?

All guaranteed life annuities provide an income that is guaranteed to be paid for your life, no matter how long you live or what happens to investment markets:

- A with-profit annuity targets future increases of inflation, or a percentage of inflation.
- An inflation-linked annuity provides a guarantee that future increases will be equal to Consumer Price Inflation.
- A fixed escalation annuity provides a guarantee that future increases will be equal to a fixed percentage each year.

b

How do you compare relative value between guaranteed life annuities?

- Relative value is a combination of the starting income and increase potential (after all fees), and level of guarantee.
- With-profit annuities that target inflation typically offer higher starting income than the inflation-linked annuity and the 6% fixed escalation annuity.
  - The main reasons for this are that insurers have to hold less capital and have a wider investment opportunity set if they target, rather than guarantee, future increases.

c

What death benefits are available?

Guaranteed life annuity death benefits are designed to continue paying a monthly income to your spouse and dependants to enable them to cover their regular expenses after you pass away. You may choose one or both of these two types of death benefits:

- Minimum payment period
  - The full monthly income will be paid for the minimum payment period, regardless of when you, your spouse or dependants pass away.
  - You could consider setting this as the length of time until your last dependant reaches the age of 18 or 21.
- Spouse's income
  - Between 50% and 100% of monthly income will be paid to your spouse for the remainder of their life after you pass away.
  - After you pass away, some household expenses may reduce: for example, food, medical, transport, insurance and possibly accommodation.
  - Families who do this budgeting exercise typically find the household expenses will reduce to:
    - 50% to 65%, for a spouse with no other dependants, or where the dependants' needs are already covered by the minimum payment period;
    - 65% to 75%, for a spouse with one or two dependants;
    - 75% to 90%, for a spouse with more than two dependants.
- The higher the death benefit you add (a longer minimum payment period or higher spouse's income), the lower the income that will be paid whilst you are alive.

The rest of this section (B.1) considers a specific guaranteed life annuity: Just Lifetime Income.

Consider whether you need independent financial advice that takes account of your personal circumstances and allows you to compare features and pricing of different options

JUST LIFETIME INCOME (JuLI)

A default with-profit guaranteed life annuity

What to think about when considering Just Lifetime Income (JuLI):

JuLI is a guaranteed life annuity: it provides an income that is guaranteed to be paid for your life, no matter how long you live or what happens to investment markets.

It is a with-profit annuity targeting future increases of inflation, or a percentage of inflation.

d

What are your annual increase options?

- You can choose one of three increase options:

JuLI HiGro provides the highest increases. These target inflation when the average long-term investment return (after asset management fees) is 4% p.a. above inflation.

JuLI StableGro provides increases that target inflation when the average long-term investment return (after asset management fees) is 6% p.a. above inflation.

JuLI HiYield provides increases that target 70% of inflation when the average long-term investment return (after asset management fees) is 6% p.a. above inflation.

Continued on next page

Consider whether you need independent financial advice that takes account of your personal circumstances and allows you to compare features and pricing of different options

B.1

Just Lifetime Income (JuLI) - A default with-profit guaranteed life annuity

Continued

- These three increase options are priced to provide identical value for money over your life expectancy. The higher the increase option you choose, the lower your starting income. The following table shows relative starting income for the three options:

	HiGro		StableGro		HiYield	
Age	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
55	6,0%	4,5%	7,0%	6,0%	8,0%	7,0%
60	6,5%	5,5%	8,0%	6,5%	9,0%	7,5%
65	8,0%	6,5%	9,0%	7,5%	10,0%	8,5%
70	9,5%	8,0%	11,0%	9,0%	12,0%	10,0%
75	12,0%	10,0%	13,5%	11,0%	14,0%	12,0%
80	15,5%	12,5%	16,5%	13,5%	17,5%	14,5%
85	20,0%	16,5%	21,0%	17,5%	22,0%	18,5%

- If you will be supplementing your income with the State Old Age Grant, it is important to consider which increase option will maximise your income over your lifetime:
  - JuLI HiYield provides the highest starting income, but the higher income may mean you qualify for a lower State Old Age Grant. Whilst JuLI HiYield targets increases of 70% of inflation, the State Old Age Grant usually increases with inflation.
  - It is worth comparing this to your total income if you choose JuLI StableGro and supplement this with the State Old Age Grant.

Continued on next page

B.1

Just Lifetime Income (JuLI) - A default with-profit guaranteed life annuity

Continued

e

Which investment portfolios can you choose to drive your increases?

You can choose to link the increases you will receive from JuLI to an investment portfolio managed by one of the following independent asset managers:

- Alexander Forbes Investments
- Allan Gray Investment Management
- Coronation Fund Managers
- GTC Asset Management
- Ninety One Asset Management
- Nest Asset Management
- Prudential Investment Managers
- Sygnia Asset Managers
- 27four Investment Managers

All the portfolios have a similar asset allocation: about 70% in growth assets (like equities) and 30% in more conservative assets (like fixed interest bonds and cash). Just smoothes investment returns over six years to make the increases more stable from year to year.

f

What are the fees and charges and the track record of increases after all fees and charges?

- The fact sheets of the different JuLI investment portfolios and increase options are available on our website. These provide details of:
  - the increase track records (after all fees);
  - the increase formula which links JuLI increases to the investment performance of the portfolio;
  - all the fees and charges.

g

What is underwriting at retirement and how can it benefit you?

- Underwriting at retirement is a 20-minute confidential phone call by a trained professional to establish whether health or lifestyle factors could reduce your life expectancy – if they do, you may qualify for a higher income from JuLI that will be paid for life.
- For example, if you have:
  - earned lower income over your lifetime, which might have meant less access to health care and nutritional food; and/or
  - a lifestyle that exposed you to health risks, such as underground work, smoking, drinking or high body mass; and/or
  - a life-shortening illness;

  you may qualify for a higher income.
- Underwriting is optional, but Just will never reduce your income based on this information.

B.2
LIVING ANNUITIES

What to think about when considering a living annuity:

a

What type of lifetime income guarantees are available?

- Living annuities do not guarantee the income you will receive for life.
- There are, however, three living annuities that provide access to Just Lifetime Income (described in section B.1 above) as an investment portfolio. This structure provides certainty of a sustainable income for life, targeting increases of inflation, over a portion of your assets and is described more fully in section B.3.
- These three living annuities are accessible through financial advisers. For a list of financial advisers accredited to provide advice on this product, contact us at info@justsa.co.za

b

How do you compare relative value between living annuities?

- Relative value is a combination of being able to access the investment options that meet your needs, and the asset management fees and administration charges of these options in the living annuity.
- The most important measure of relative value is the long-term investment performance of your chosen option, after deducting all fees and charges.

c

What death benefits are available?

- When you pass away, the assets that remain in your living annuity are paid to your nominated beneficiaries.

d

What are your annual increase options?

- You can choose the amount you draw from your assets each year, between a minimum of 2,5% and a maximum of 17,5%.
- The table in section A.2 sets a maximum drawdown rate per age if you are to have a good chance of sustaining your income for life.

e

What are the fees and charges?

- These vary between living annuities and are available in fact sheets.
- In comparing investment options, consider the single regulated measure that includes all fees and charges, which is called the Total Investment Charge.
- There is also usually an administration fee payable.

f

Which investment portfolios can you choose?

- This varies between living annuities.
- In comparing asset managers, if one has produced consistently high returns relative to other managers over five to ten years, consider whether this is because they have a robust process for evaluating and selecting investment options. Past investment performance is not necessarily a good measure of future investment returns.

Consider whether you need independent financial advice that takes account of your personal circumstances and allows you to compare features and pricing of different options

B.3

BLENDING JuLI WITH A PARTNER LIVING ANNUITY

Guaranteed life annuities and living annuities have been designed to meet different retirement needs, and it is not necessary to choose one or the other – you can also have both.

	The JuLI guaranteed life annuity	Living annuity
Purpose of design	To provide a monthly income for life for yourself and your spouse, which grows with inflation, to pay regular expenses.	To provide the ability for those with sufficient assets to manage a pool of assets, draw income flexibly for efficient tax planning and leave the balance to beneficiaries at death.
Sustainability of income for life	Income is guaranteed to be paid for life, no matter how long you live or what happens to investment markets.	There is a 90% probability that if you draw income at the rate shown in the table in section A.2, you will be able to sustain income for life.
Annual increases	Your income increases each year at an amount that targets inflation or a percentage of inflation. You have no flexibility on how much income to draw each year.	You have flexibility to vary the income you draw each year. If you draw more than what is shown in the table in section A.2, then you reduce your probability of sustaining income for life, and if you draw less you increase it.
Limit on annual income	There is no cap on the income payment.	Your income drawdown rate is capped at 17,5% of the value of the assets in your living annuity.
Death benefits	You can choose to have death benefit options that target the income needs of your financial dependants e.g. an income paid to your spouse for life, or to your dependants for a certain period.	On death, the balance of your assets is paid to your beneficiaries. You have no flexibility to reduce the death benefit in order to increase your income whilst you are alive.
Choice of investment options	At retirement, you can choose to link your annual increases to one of the independent investment portfolios.	You retain full control over your investment strategy.
Transferability	Legislation does not permit a life annuity to be transferred to a living annuity. JuLI cannot be transferred to another life annuity provider, because of the guarantee that is provided for life. You can change your investment portfolio when JuLI is used as an investment option in a living annuity.	Your living annuity can be transferred to another living annuity provider, or to a life annuity. If JuLI is an investment portfolio in the living annuity, it can be transferred to another living annuity that will accept JuLI as an investment portfolio.

Source: Just

You can split your investment and place a portion in JuLI and a portion in a living annuity.

- At retirement, these two portions can be in separate products.
- After retirement, you can invest in JuLI as an investment portfolio in certain living annuities.

Continued on next page

Consider whether you need independent financial advice that takes account of your personal circumstances and allows you to compare features and pricing of different options

B.3

Blending JuLI with a partner living annuity

Continued

How much to invest in JuLI in a blended solution

- A "blended solution" allows you to combine the benefits of JuLI and a living annuity:
  - the security of a guaranteed income for life, targeting growth in line with inflation, to meet regular expenses;
  - and the flexibility of being able to choose how much to invest and how much to draw each year from the rest of your assets.
- This table shows how the annual income that is regarded as being sustainable for life in a living annuity, and targeted to grow with inflation, can be increased by investing a portion (0%, 50% or 100%) in JuLI as an investment portfolio. The income is expressed as a percentage of the purchase amount at each age.

	Males			Females		
Age	**0% JuLI**	**50% JuLI**	**100% JuLI**	**0% JuLI**	**50% JuLI**	**100% JuLI**
55	4,5%	5,3%	6,0%	4,0%	4,3%	4,5%
60	5,0%	5,8%	6,5%	4,5%	5,0%	5,5%
65	5,5%	6,8%	8,0%	5,0%	5,8%	6,5%
70	5,5%	7,5%	9,5%	5,0%	6,5%	8,0%
75	6,0%	9,0%	12,0%	5,5%	7,8%	10,0%
80	7,0%	11,3%	15,5%	6,0%	9,3%	12,5%
85	8,0%	14,0%	20,0%	7,0%	11,8%	16,5%

Source: Just

These sustainable annual drawdown rates are based on consistent assumptions to the tables shown in section A.2.

- If you are investing 100% in JuLI it may be cheaper to purchase this as a guaranteed life annuity and not an investment portfolio in a living annuity.
- If you choose to access JuLI and a living annuity as separate products, the same blending principles apply as set out.

B.4

HOW TO INVEST IN JuLI

If you would like to invest in JuLI, there are three ways to do this:

1

Contact a financial adviser who is authorised to provide advice on JuLI. The financial adviser can do a full financial needs analysis, taking account of all your assets and liabilities, and provide comprehensive advice on your financial and tax position, and how this product could help you. For a list of financial advisers accredited to provide advice on Just's products, contact us at info@justsa.co.za

2

If you are a member of a pension fund, provident fund or retirement annuity fund that has appointed Just as a default annuity provider, the Fund's retirement benefit counselling process could guide you to the option which trustees have approved as being appropriate for its members. They should also be able to provide you with a JuLI quotation.

3

If you are confident that you have a good understanding of your financial needs and tax position, and sufficient information to make an informed choice that JuLI meets your needs, you can contact us at info@justsa.co.za or on 087 238 2690. As part of this process, we will require you to sign a disclaimer saying that you have chosen to proceed without advice.

Regardless of which route you follow to request a quote, you will need the following information:

- Full name (of self and spouse, if applicable)
- Identity number
- Telephone number

And you will be required to choose:

- a minimum payment period;
- a spouse's income percentage;
- an increase option and investment portfolio; and
- a time that will be convenient to you to receive a call, if you choose underwriting.

Consider whether you need independent financial advice that takes account of your personal circumstances and allows you to compare features and pricing of different options

B.5

HOW TO INVEST IN A LIVING ANNUITY THAT PROVIDES ACCESS TO JuLI

There are a few living annuities that provide access to JuLI. A financial adviser authorised to advise on JuLI can give you more information.

The financial adviser can do a full financial needs analysis, taking account of all your assets and liabilities, and provide comprehensive advice on your financial and tax position, and how this product could help you. For a list of financial advisers accredited to provide advice on this product, contact us at **info@justsa.co.za**.

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