

## LONGEVITY PROTECTION IN A DEFAULT LIVING ANNUITY?

---

Retirement fund members will now be able to secure longevity protection within a living annuity. This comes after the Financial Services Conduct Authority (FSCA) announced an exemption from its criteria for living annuities in a default annuity strategy.

In announcing this development, the FSCA said in its August 1st circular that qualifying hybrid annuities should deepen the annuities markets, enhance customer choice, provide value to customers and thereby encourage retirees to annuitise and be protected from old age poverty.

Retirement income specialist Just, which has been a strong advocate for incorporating a level of lifetime income protection within a living annuity to meet essential expenses, has welcomed the announcement.

CEO Deane Moore said: “We are delighted that the FSCA has introduced this exemption which expands customer choice and will help improve the financial outcomes of people in retirement.”

Just’s Lifetime Income portfolio provides members with an option to secure a level of income that will never decrease, regardless of how long they live or what happens to investment markets, while retaining the flexibility offered by a living annuity.

Just currently provides the Lifetime Income portfolio in three living annuities and is included in the annuity strategy of over 100 retirement funds.

Moore says that over a 30-year retirement planning horizon, Just Lifetime Income provides a return of 2,5% p.a. above the investment performance of the underlying balanced fund to which it is linked. This allows pensioners to draw a higher income in retirement with greater confidence that the income level will be sustainable for life.

“Just Lifetime Income within a living annuity is a practical solution to the important gaps left by traditional providers of life and living annuities in South Africa,” says Moore. “Whilst the FSCA considers industry comment on its proposed drawdown limits on default living annuities, Just Lifetime Income allows trustees to offer members the option of securing a guaranteed income for life in a living annuity that is higher than these limits.”

In conclusion Moore said that Just is proud to have introduced this innovation to South Africa, which draws on its global expertise as an international retirement decumulation specialist.

END