BLENDED ANNUITIES

CASE STUDIES

JUST.

RETHINK RETIREMENT

JUST LIFETIME INCOME (JULI) IS AVAILABLE AS A LIFETIME INCOME PORTFOLIO IN A BLENDED LIVING ANNUITY

What is a blended annuity?

A blended living annuity offers a guaranteed life annuity (JuLI) as an investment portfolio inside a living annuity's legal structure. Features of both products are provided in one solution.

Research shows that a combination of a living annuity and a guaranteed life annuity is an optimal solution, compared to either product on its own.

What are the benefits?

- The combination improves the sustainability of a living annuity
- It allows an optimal balance between income security, flexibility, and capital legacy
- You can secure an amount to cover essential expenses and provide a safety net
- It allows for a more aggressive investment strategy to be adopted on the non-JuLI assets

How to blend?

Just has developed JustBlend, a web-based tool for financial advisers to compare blends and generate quotes. Projections show the impact of different blend percentages on income and capital over time, which aims to help advisers and clients decide how much to allocate to the JuLI portfolio.

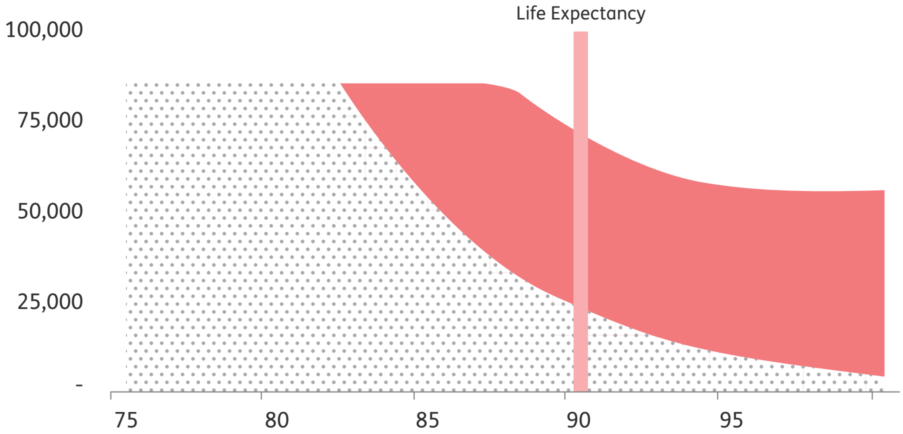
These case studies show a range of sustainable, enhancing blends that can be adapted to individual circumstances.

THE VULNERABLE WIDOW

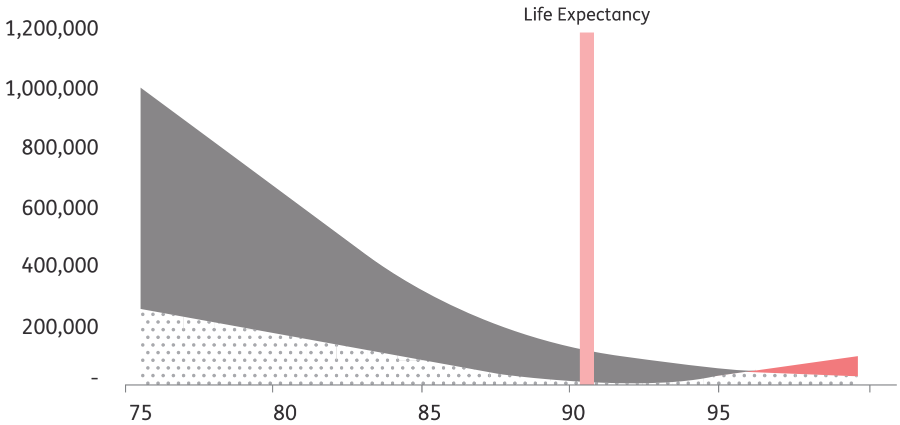
Life expectancy of a female is three to four years longer than a male. And it is likely that a woman is married to, or in a relationship with someone who is a few years older. In cases where a woman is reliant on their partner to fund their living expenses, financial vulnerability is a common concern.

Margaret is 75 and widowed. Her husband always made the financial decisions. She has a living annuity with a drawdown rate of 8,5%. She leads a simple lifestyle with few luxuries but considering her life expectancy of 90 (using standard mortality tables), she is likely to see a dramatic reduction in real income in her final years of life.

A blend of 75% in Just Lifetime Income and 25% in a balanced asset portfolio provides her with a sustainable income for life. She purchases the coral portion of income by selling the grey portion of her self-funded death benefit in her living annuity (which is an insignificant amount if she lives to the age of 90, as expected).



* *Income paid from living annuity as per selected drawdown rate*



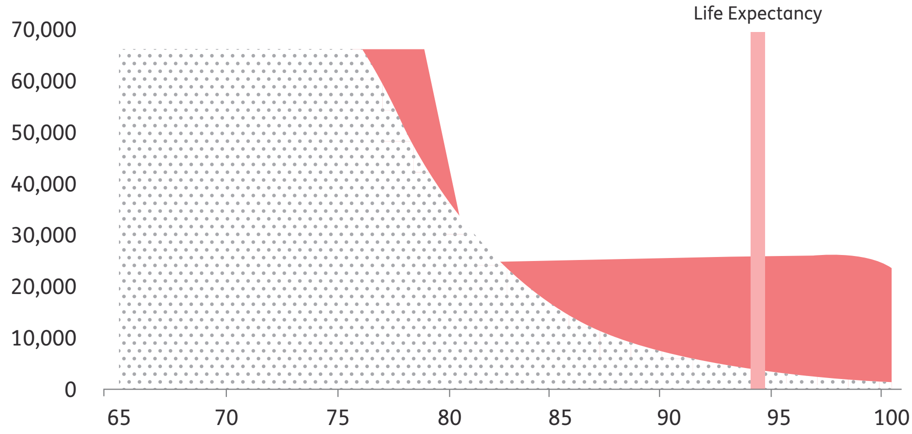
* *Remaining value of living annuity at date of death*

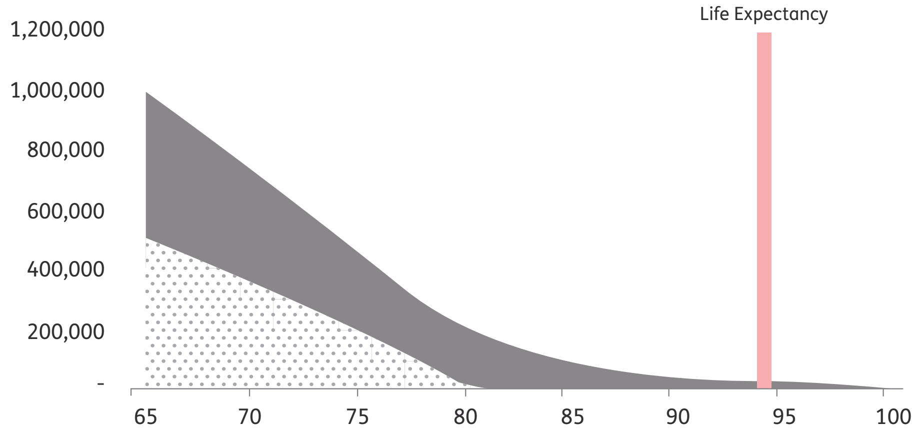
TYPICAL COUPLES AT RETIREMENT

Our research shows that, across all income bands, people typically regard 65% to 75% of their expenses as essential. At lower incomes this essential expenditure is weighted towards food and utilities, and at higher incomes to accommodation. After a spouse dies, the remaining spouse's essential expenses are about 65% of their joint expenses (or about 50% of current total expenses).

Samuel is 65 and his wife Patience is 61. Their living annuity drawdown rate is 6,6%. If they invest in a portfolio with around 50% to 55% in equities, they may be targeting long-term investment returns of 3% above inflation after investment management fees and before administration and adviser fees. They will only have 13 years before their income starts reducing in real terms. Standard mortality tables suggest Samuel's life expectancy is 18 years, Patience's is 26 years and their joint life expectancy is 29 years.

They spend 65% of their income on the essential expenses of food, accommodation, utilities, insurance, transport and medical costs. With a blend of 50% in Just Lifetime Income and 50% in a balanced asset portfolio they can improve their sustainability of income and create a safety net for Patience. They purchase the coral portion of income by selling the grey portion of their self-funded death benefit in their living annuity (which is an insignificant amount if one of them lives to their joint life expectancy of 94). However, to improve the sustainability, they should consider reducing their current level of spending by cutting down on non-essential expenditure.



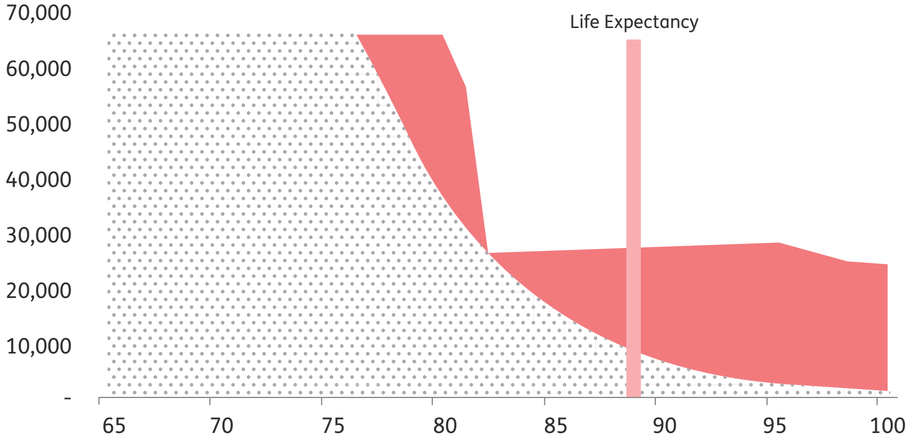


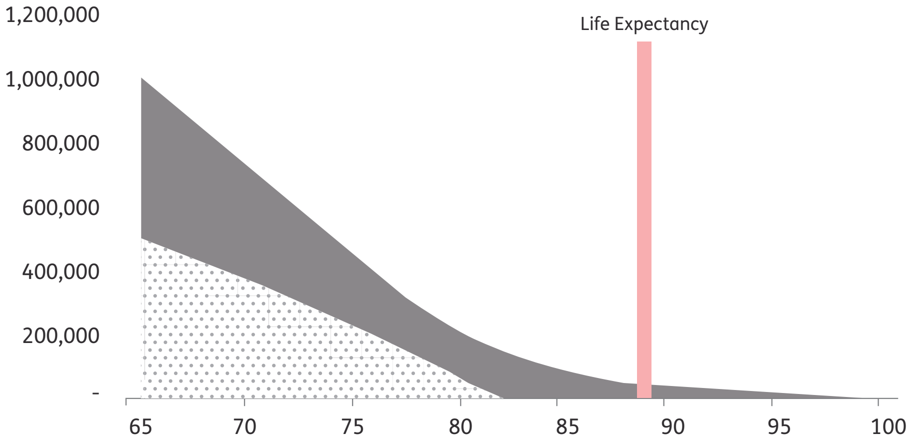
RETIRED COUPLES WITH MEDICAL CONDITIONS

People reaching retirement with a medical condition face the double financial challenge of meeting basic living expenses and covering increasing medical costs. Where the medical condition is serious enough to shorten life expectancy, they could benefit from an enhanced income.

Donald is 65 and his wife Lynn is 61. Their drawdown rate is 6,6%. Lynn has got terminal cancer and Donald recently suffered a heart attack. They both smoke. Because of their health and lifestyle factors, they qualify for a 10% enhancement in Just Lifetime Income because they went through the underwriting process.

They are in a very similar position to Samuel and Patience and could use a similar blend of 50% in Just Lifetime Income and 50% in a balanced asset portfolio. The enhancement to their Lifetime Income and their shorter life expectancies mean they can sustain



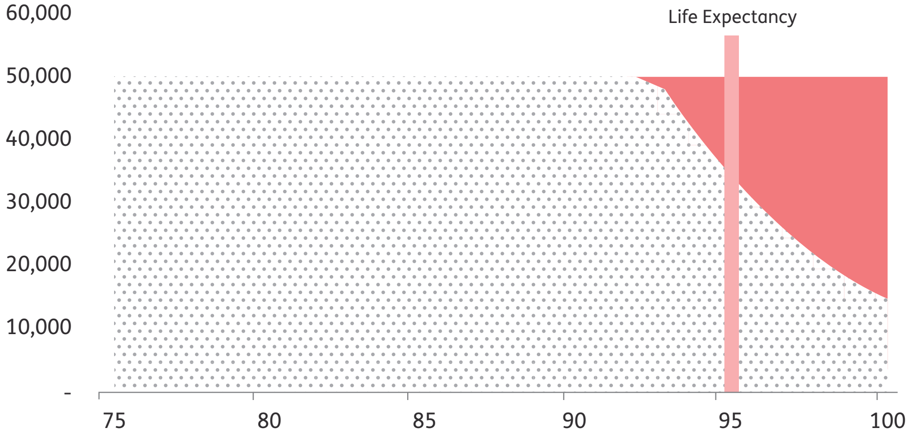


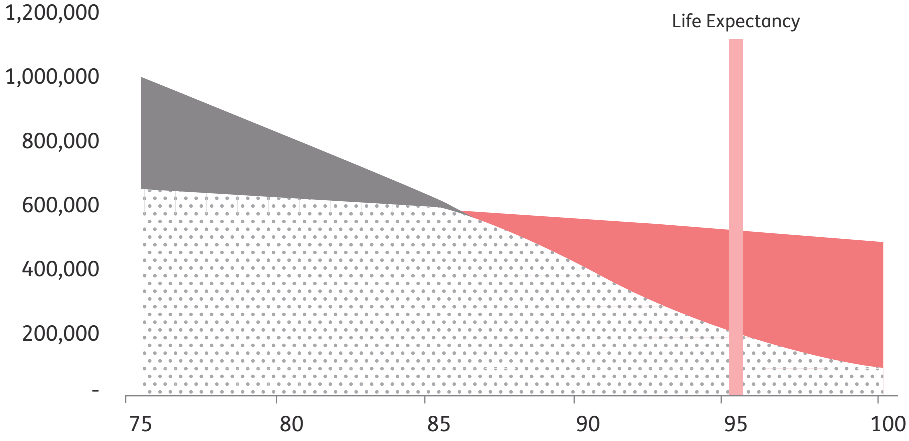
a higher level of income for life and a safety net for the last survivor. They purchase the coral portion of income by selling the grey portion of their self-funded death benefit in their living annuity (which is an insignificant amount if the last survivor lives to the age of 89, as expected).

THE CHALLENGES OF GROWING OLD

Retirement planning typically doesn't factor in dementia. Levels of treatment provided can vary significantly and better care at this time comes at a price. It can take you by surprise and at the point when you should be considering a change in investment strategy, your mental capacity to do this is reduced. It is also impossible in a standard living annuity for the main member to set out a plan for how their spouse will use the assets to secure their lifetime income.

Barry, age 75, and Melissa, age 71, both earned well in their careers. Barry was a financial analyst comfortable with making investment decisions. Melissa was a creative designer at a marketing agency and finds financial models unappealing. They currently have a 5% drawdown rate. In Barry's family there is a strong history of dementia from age 80 onwards, so he wants to secure an essential income for Melissa for life, and an income that would cover the cost of frail care if dementia strikes.





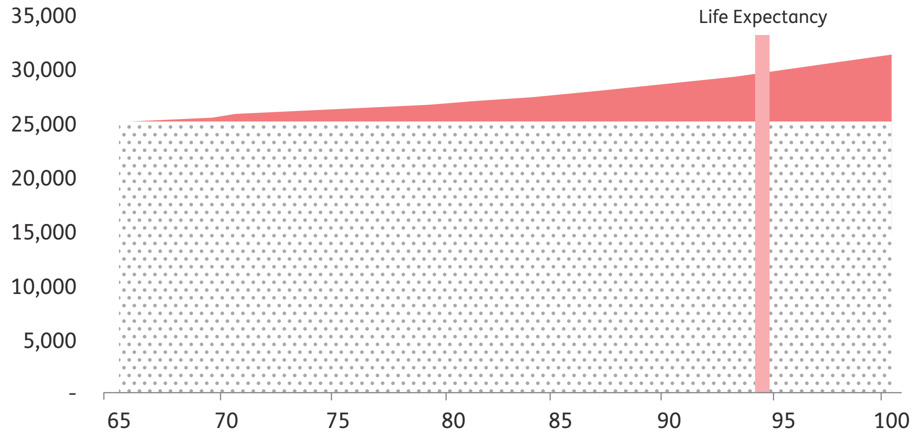
A blend of 35% in Just Lifetime Income and 65% in a living annuity would give them an inflation-protected income beyond their joint life expectancy, whilst leaving sufficient funds to call on for dementia care and other unplanned expenses. This strategy will leave them more assets at the last expected death than a standard living annuity. They purchase the coral portion of income and future death benefits by selling the grey portion of their self-funded death benefit in their living annuity.

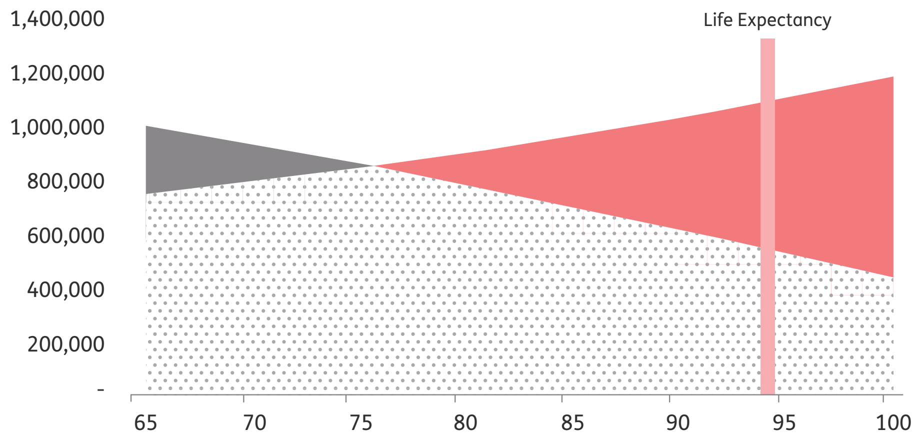
DIVERSIFYING ASSET CLASS

The benefits of a diversifying asset class which can grow your legacy should not be underestimated.

Patrick is 65 and Lindi is 61. Their drawdown rate is currently 2,5%. Family history on both sides shows longevity well into the 90s. They want to leave their children a legacy with the tax benefits of a living annuity and they also want a diversifying asset class.

A blend of 20% in Just Lifetime Income and 80% in an aggressive asset portfolio gives them a diversified asset portfolio and they don't need to draw capital from volatile asset classes in a market downturn. They purchase the coral portion of income and future death benefits by selling the grey portion of their self-funded death benefit in their living annuity.





ABOUT JUST SA

Just is a retirement income and life annuity specialist. We partner with best-of-breed independent asset managers and administrators to provide an enhanced value proposition to meet the different needs of South African retirees.
We believe our life annuities address important gaps left by traditional providers of life and living annuities in South Africa.

Visit justsa.co.za for more information.

DO YOU NEED MORE INFORMATION?

Our specialist team is on hand to speak to both advisers and individuals regarding your specific retirement income requirements.

If you would like to discuss our offering in more detail, or to request a quote:

Email: sales@justsa.co.za
Call: 087 238 2690

A reminder that JustTools allows registered advisers to request quotes for your clients direct to your inbox. If you are not registered, please email **info@justsa.co.za** and we will gladly assist you.