



How to manage a client's post retirement income stream effectively

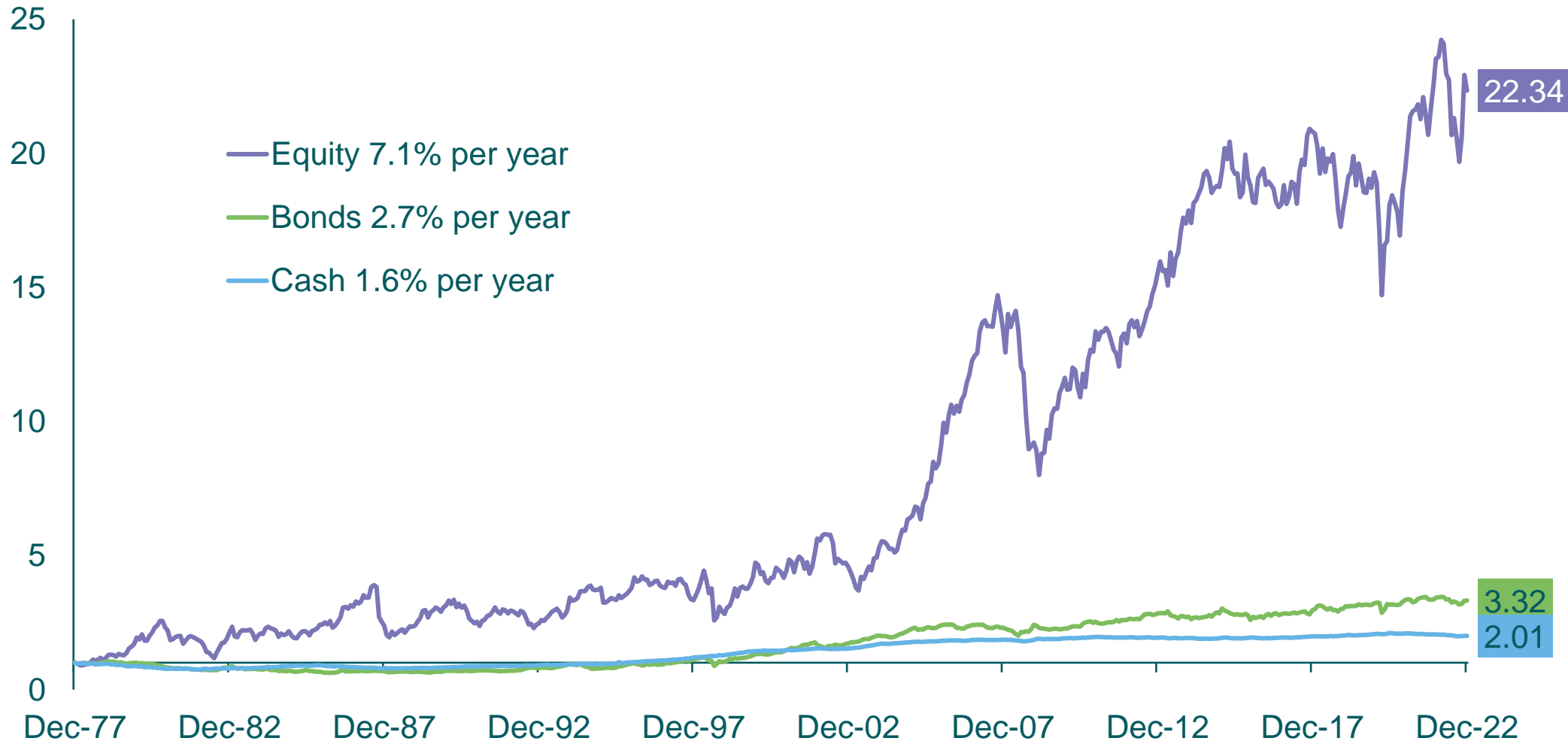
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Glacier Investment Summit Gauteng

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1. Clarity on what the **main objective** is
2. The appropriate level of **risk**
3. Continuous management of **drawdown rate**

Does solving the secondary objectives lead us to compromise on the primary objective?

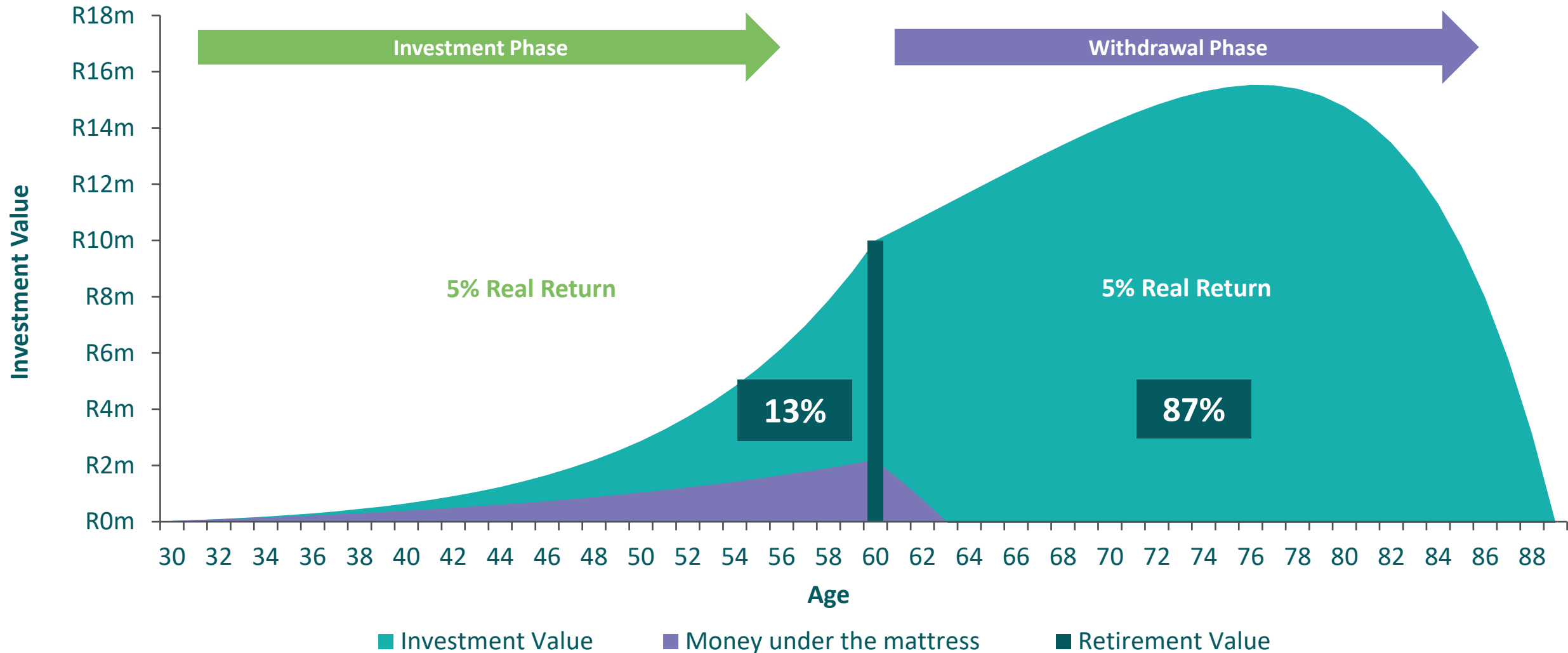


Sequence & Behaviour Risk

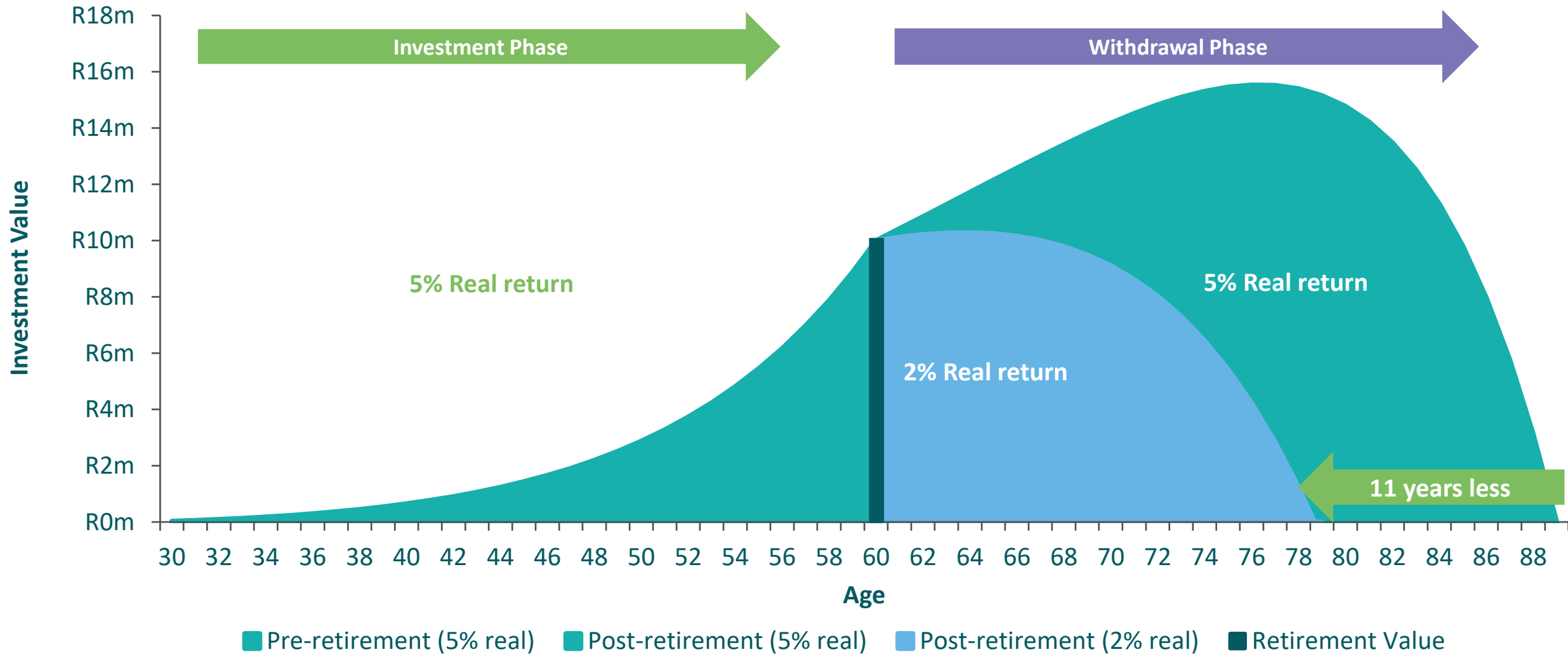


Longevity Risk

Longevity: Don't give up growth in retirement

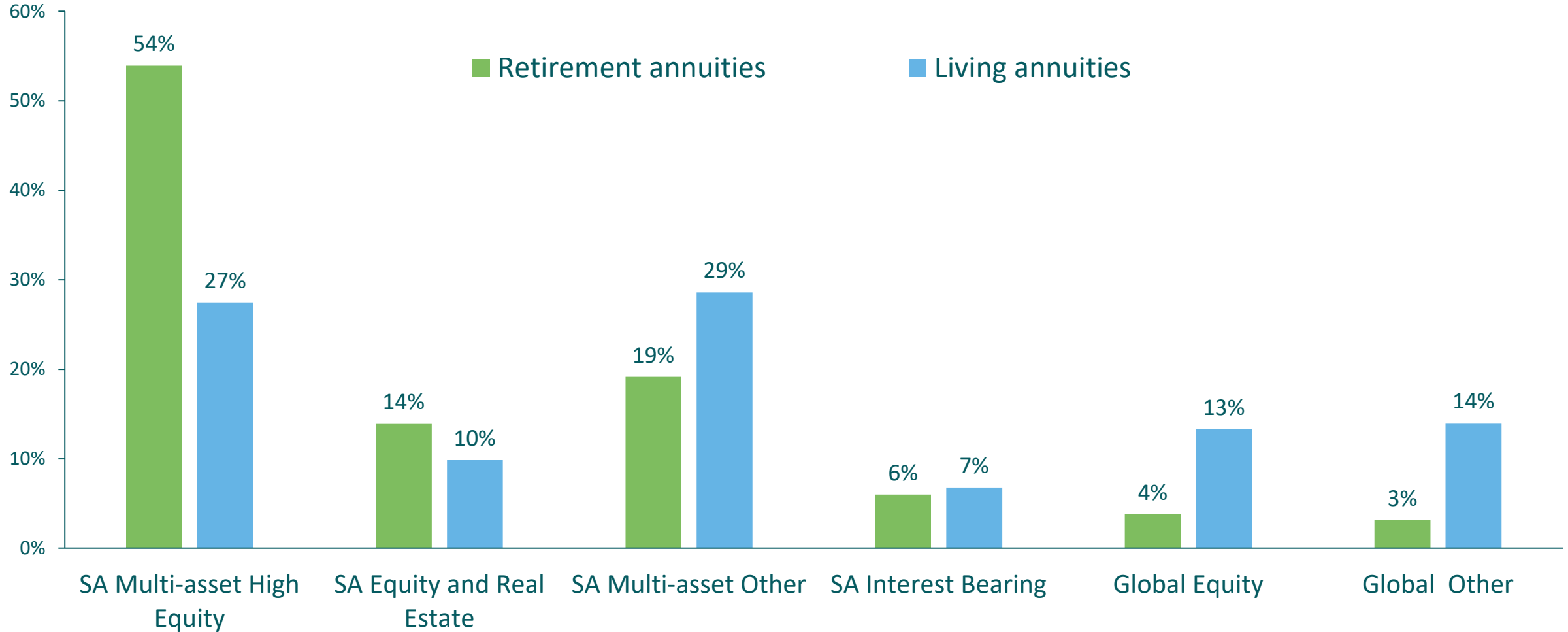


Longevity: understanding the real cost of de-risking at retirement



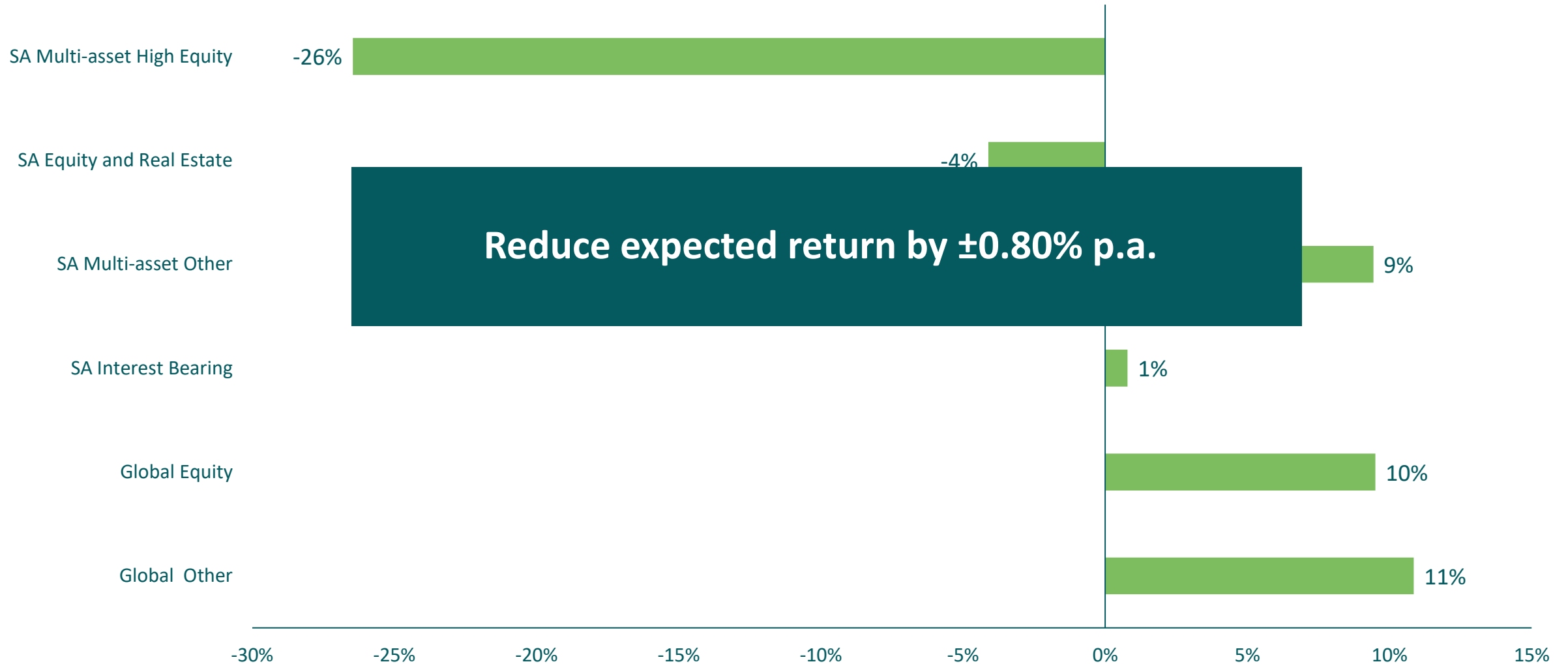
Analysis of pre- and post-retirement books

Significant shift out of MA High Equity



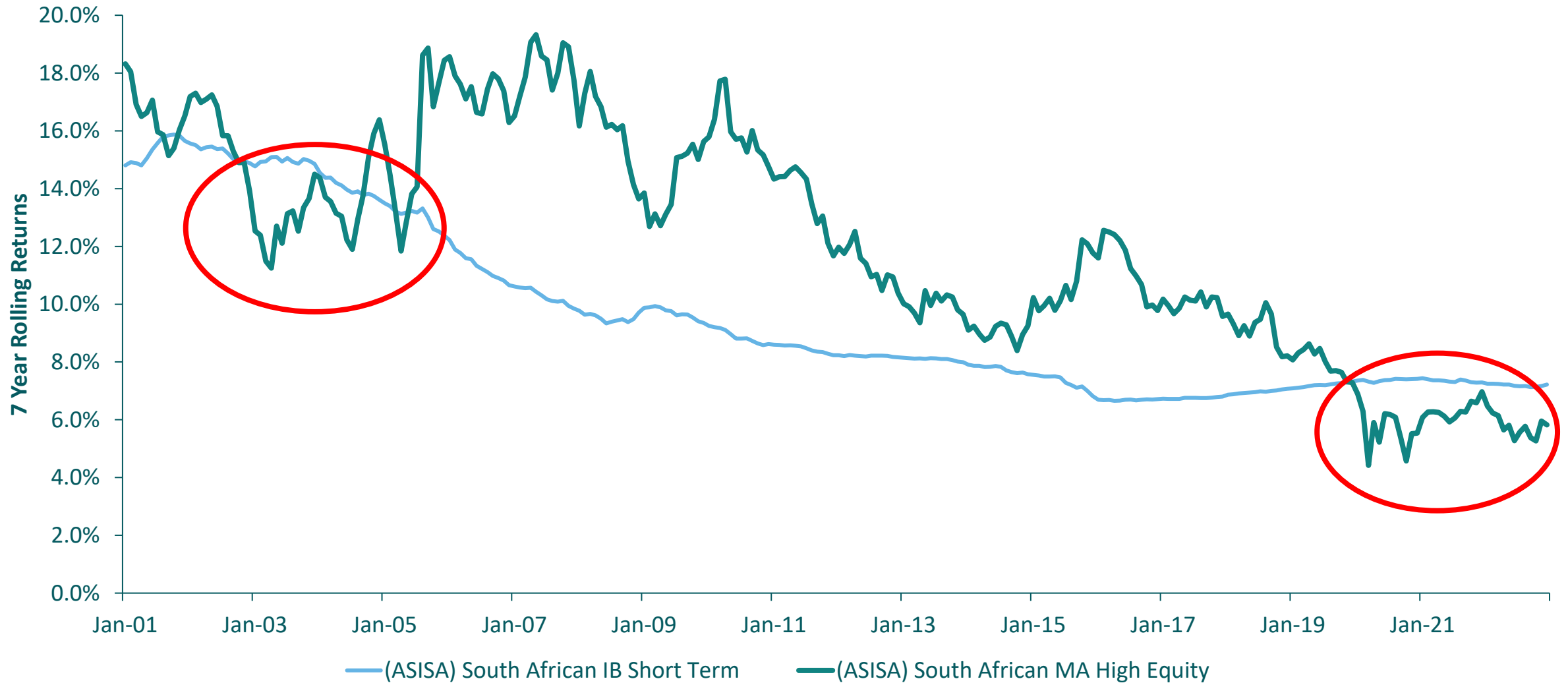
De-risking from pre- to post-retirement

Move From Retirement Annuities to Living Annuities



Extended periods of below average market beta

We have seen this before...but it remains difficult to stay the course



Living Annuity scenario modelling per ASISA fund category

Low drawdown rate works across all fund categories

2.5% Drawdown					
	SA IB Short Term	SA MA Income	SA MA Low Equity	SA MA High Equity	SA EQ General
10 Years	0.0%	0.0%	0.0%	0.0%	0.0%
15 Years	0.0%	0.0%	0.0%	0.0%	0.1%
20 Years	0.0%	0.0%	0.0%	0.1%	0.3%
25 Years	0.0%	0.0%	0.0%	0.2%	0.8%
30 Years	0.0%	0.0%	0.0%	0.4%	1.9%
35 Years	0.0%	0.0%	0.1%	1.2%	3.5%
40 Years	0.0%	0.0%	0.2%	2.5%	4.9%

Living Annuity scenario modelling per ASISA fund category

Increased drawdown rate resulting in increased failure rates

5.0% Drawdown					
	SA IB Short Term	SA MA Income	SA MA Low Equity	SA MA High Equity	SA EQ General
10 Years	0.0%	0.0%	0.0%	0.0%	0.3%
15 Years	0.0%	0.0%	0.0%	1.4%	3.9%
20 Years	0.0%	0.3%	2.6%	10.4%	12.9%
25 Years	98.8%	26.9%	29.3%	27.1%	23.0%
30 Years	100.0%	83.8%	65.9%	43.7%	32.0%
35 Years	100.0%	98.5%	86.1%	55.6%	39.4%
40 Years	100.0%	99.9%	94.6%	65.1%	45.0%

Living Annuity scenario modelling per ASISA fund category

7.5% Drawdown					
	SA IB Short Term	SA MA Income	SA MA Low Equity	SA MA High Equity	SA EQ General
10 Years	0.0%	0.0%	0.0%	3.9%	8.2%
15 Years	100.0%	58.6%	51.1%	40.5%	33.9%
20 Years	100.0%	99.9%	97.2%	75.2%	57.0%
25 Years	100.0%	100.0%	99.9%	89.0%	69.7%
30 Years	100.0%	100.0%	100.0%	94.6%	77.2%
35 Years	100.0%	100.0%	100.0%	97.2%	81.7%
40 Years	100.0%	100.0%	100.0%	98.2%	84.6%

Understanding the impact of alpha on living annuity outcomes

5.0% Drawdown						5.0% Drawdown					
	SA IB Short Term	SA MA Income	SA MA Low Equity	SA MA High Equity	SA EQ General		M&G Income Fund A	M&G Enhanced Income Fund A	M&G Inflation Plus Fund A	M&G Balanced Fund A	M&G Equity Fund A
10 Years	0.0%	0.0%	0.0%	0.0%	0.3%	10 Years	0.0%	0.0%	0.0%	0.0%	0.1%
15 Years	0.0%	0.0%	0.0%	1.4%	3.9%	15 Years	0.0%	0.0%	0.0%	1.0%	1.0%
20 Years	0.0%	0.3%	2.6%	10.4%	12.9%	20 Years	0.0%	0.0%	1.0%	4.6%	2.9%
25 Years	98.8%	26.9%	29.3%	27.1%	23.0%	25 Years	34.9%	2.0%	4.3%	10.0%	4.9%
30 Years	100.0%	83.8%	65.9%	43.7%	32.0%	30 Years	99.9%	16.3%	9.8%	15.3%	6.5%
35 Years	100.0%	98.5%	86.1%	55.6%	39.4%	35 Years	100.0%	43.6%	15.9%	20.2%	7.9%
40 Years	100.0%	99.9%	94.6%	65.1%	45.0%	40 Years	100.0%	67.3%	22.2%	24.2%	8.8%

1. Clarity on what the main priorities are to solve for
2. Sufficient exposure to growth assets – otherwise insurance
3. Continuous management of drawdown rate
4. Managing client behaviour
5. Active management: returns and volatility



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