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Life Investments Summit 2023

Certainty in an uncertain world

Smart solution choices to mitigate longevity risk

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Financial planning considerations

Key risks faced in retirement

INVESTMENT RISK

Poor returns deplete capital and income drawdown exceed investment returns

SEQUENCE RISK

The 'sequence' in which returns are generated and withdrawals are made from a portfolio

The risk of **INVESTING TOO CONSERVATIVELY** during retirement

DEPENDANT RISK

The risk of not leaving sufficient income/capital for dependants

INFLATION RISK

Your income doesn't keep up with inflation



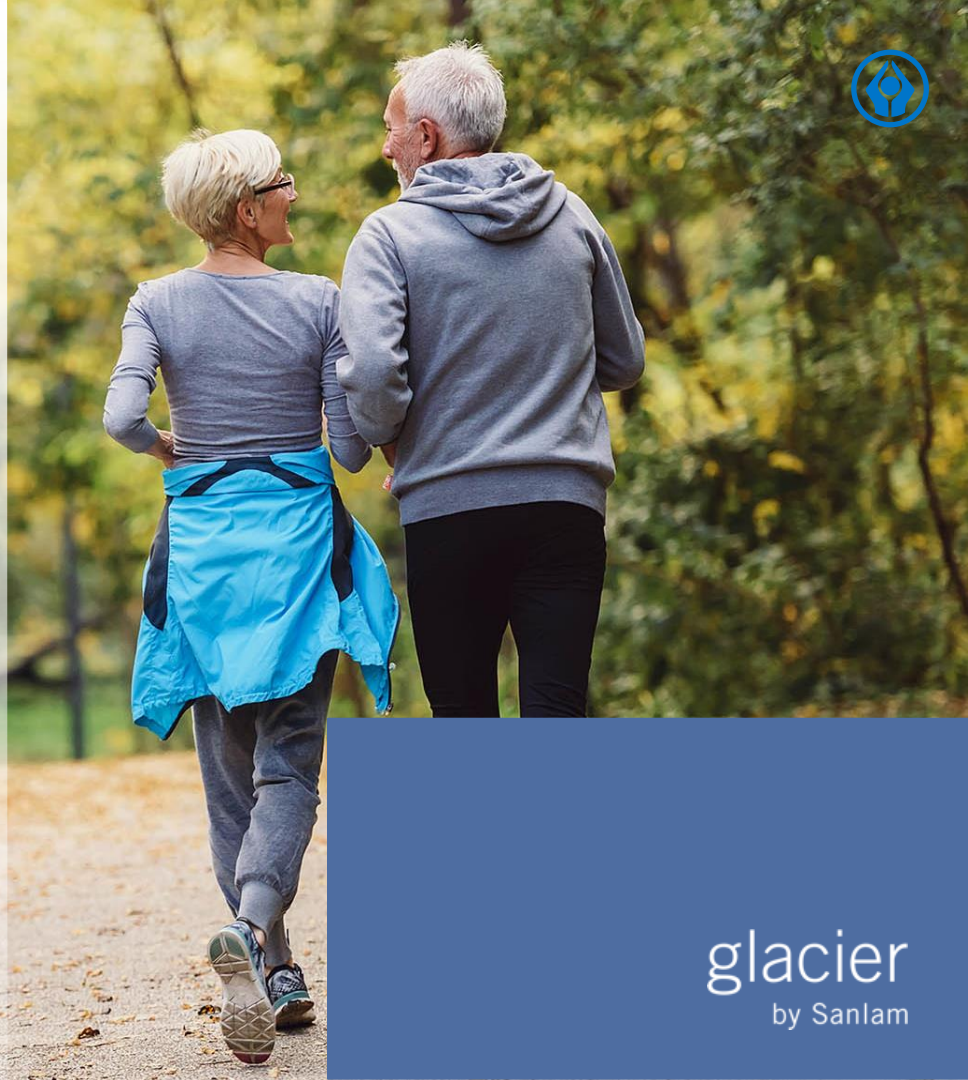
- **Medical inflation** outstrips consumer inflation by between **3% to 5% each year** without considering additional medical expenses that arise as a result of ageing.



Source: 1 June 2023
<https://www.moneyweb.co.za/financial-advisor-views/planning-for-medical-costs-in-retirement-hope-is-not-a-strategy/>

Old age is not
for sissies.

Malcolm S. Forbes



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The cost of ageing

SOUTH AFRICANS OVER THE AGE OF 60



Chronic medication
38%



Assisted devices
20%



Hearing aids
10%
(R5 – R60 000 per ear)



Wheelchairs
5%
(R2 – R60 000)



Problems communicating
11%



Walking or climbing stairs
45% have difficulty



Remembering or concentrating
34%
Making some form of at-home care essential



Mental illness
Depression and anxiety increases by +/- 40% after formal retirement



Dementia
20% - 40% of South Africans over 65.
Average life expectancy 8-12 years. R50 000 - R75 000 per month



Full-time home nursing
R16 000 to R30 000 per month



Hoping for good health during one's retirement years is simply not a strategy!



Financial planning considerations

Key risks faced in retirement



1



Longevity risk

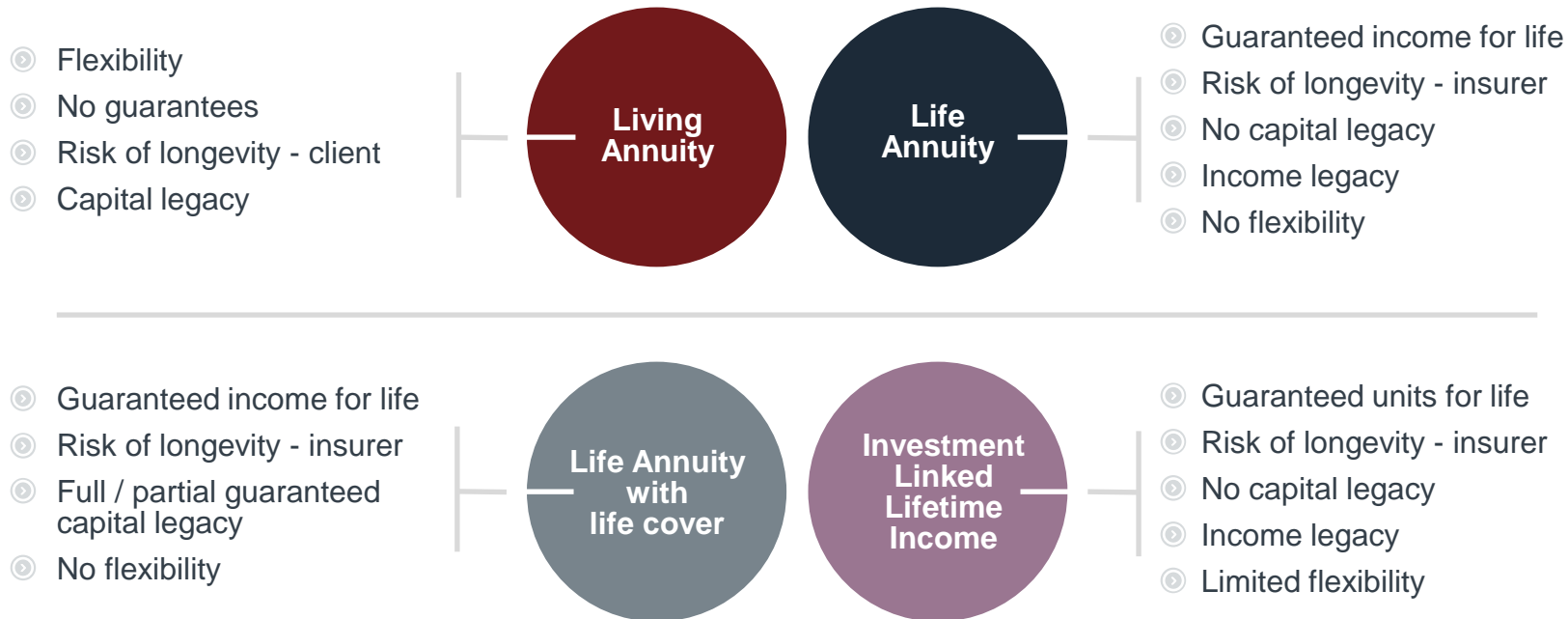
Lifespans can be longer than expected

Chance of survival	65-year old male	65-year old female	65-year old couple*
50%	85 yrs	89 yrs	94 yrs
30%	91 yrs	95 yrs	99 yrs
25%	93 yrs	97 yrs	100 yrs
20%	95 yrs	99 yrs	102 yrs
10 %	100 yrs	104 yrs	106 yrs

* at least one surviving



Post-retirement solutions





Post-retirement solutions

③ Flexibility

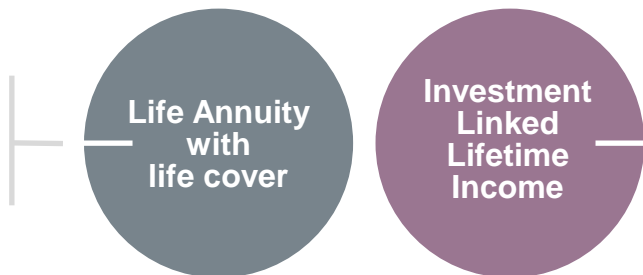
- ③ No guarantees
- ③ Risk of longevity - client
- ③ Capital legacy



- ③ Guaranteed income for life
- ③ Risk of longevity - insurer
- ③ No capital legacy
- ③ Income legacy
- ③ **No flexibility**

- ③ Guaranteed income for life
- ③ Risk of longevity - insurer
- ③ Full / partial guaranteed capital legacy

③ No flexibility



- ③ Guaranteed units for life
- ③ Risk of longevity - insurer
- ③ No capital legacy
- ③ Income legacy
- ③ **Limited flexibility**



Post-retirement solutions

- ⦿ Flexibility
- ⦿ No guarantees
- ⦿ Risk of longevity - client
- ⦿ **Capital legacy**

Living
Annuity

Life
Annuity

- ⦿ Guaranteed income for life
- ⦿ Risk of longevity - insurer
- ⦿ **No capital legacy**
- ⦿ Income legacy
- ⦿ No flexibility

- ⦿ Guaranteed income for life
- ⦿ Risk of longevity - insurer
- ⦿ **Full / partial guaranteed capital legacy**
- ⦿ No flexibility

Life Annuity
with
life cover

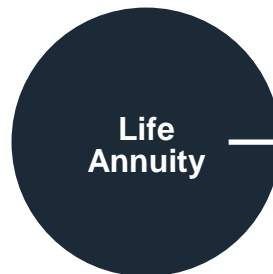
Investment
Linked
Lifetime
Income

- ⦿ Guaranteed units for life
- ⦿ Risk of longevity - insurer
- ⦿ **No capital legacy**
- ⦿ Income legacy
- ⦿ Limited flexibility



Post-retirement solutions

- ⊙ Flexibility
- ⊙ **No guarantees**
- ⊙ Risk of longevity - client
- ⊙ Capital legacy



- ⊙ **Guaranteed income for life**
- ⊙ Risk of longevity - insurer
- ⊙ No capital legacy
- ⊙ Income legacy
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- ⊙ **Guaranteed units for life**
- ⊙ Risk of longevity - insurer
- ⊙ No capital legacy
- ⊙ Income legacy
- ⊙ Limited flexibility



A single solution can't reasonably provide for all your clients' requirements

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Let's talk about Living Annuities

➤ FLEXIBILITY

2.5% to 17.5% per annum income drawdown

Underlying funds can be changed

➤ MARKET RISK

No guarantees

Poor returns deplete capital and income drawdown exceed investment returns

➤ LEGACY

The underlying value of a living annuity will pay out to the beneficiaries at death **(not guaranteed)**

➤ LONGEVITY RISK

The risk of outliving your capital and running out of income before you die

A guideline for maximum withdrawal levels



Based on a portfolio that generates a real return of 2% per annum (after inflation and fees)

Age range	55 - 59	60 - 64	65 - 69	70 - 74	75 - 79	80 - 84	85 +
Male	4.0 - 4.3%	4.4 - 4.8%	4.9 - 5.5%	5.6 - 6.2%	6.3 - 7.2%	7.3 - 8.6%	8.7%
Female	3.5 - 3.7%	3.8 - 4.1%	4.2 - 4.6%	4.7 - 5.1%	5.2 - 5.7%	5.8 - 6.9%	7.0%



Age 65 | 6,5 less 1 = 5.5%

Source: Glacier ICE Illustration





A guideline for maximum withdrawal levels

Based on a portfolio that generates a real return of 2% per annum (after inflation and fees)

Age range	55 - 59	60 - 64	65 - 69	70 - 74	75 - 79	80 - 84	85 +
Male	4.0 - 4.3%	4.4 - 4.8%	4.9 - 5.5%	5.6 - 6.2%	6.3 - 7.2%	7.3 - 8.6%	8.7%
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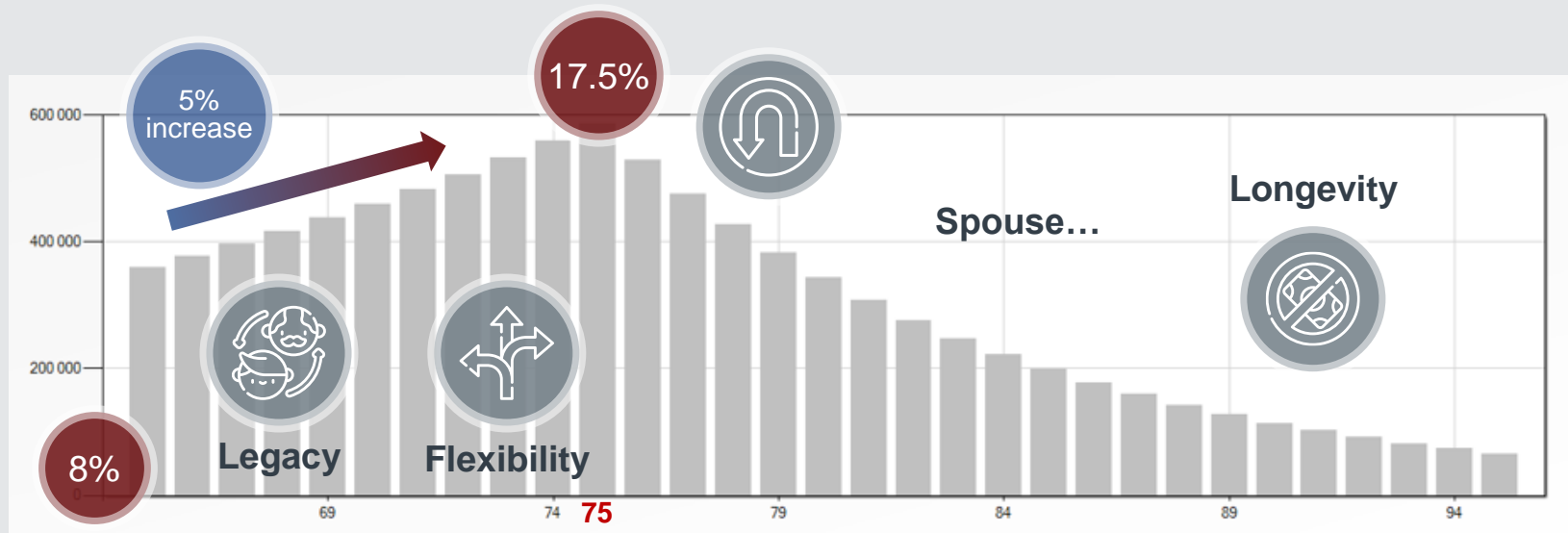
The average income drawdown rate on our living annuity book is approximately **8%**

Source: Glacier ICE Illustration





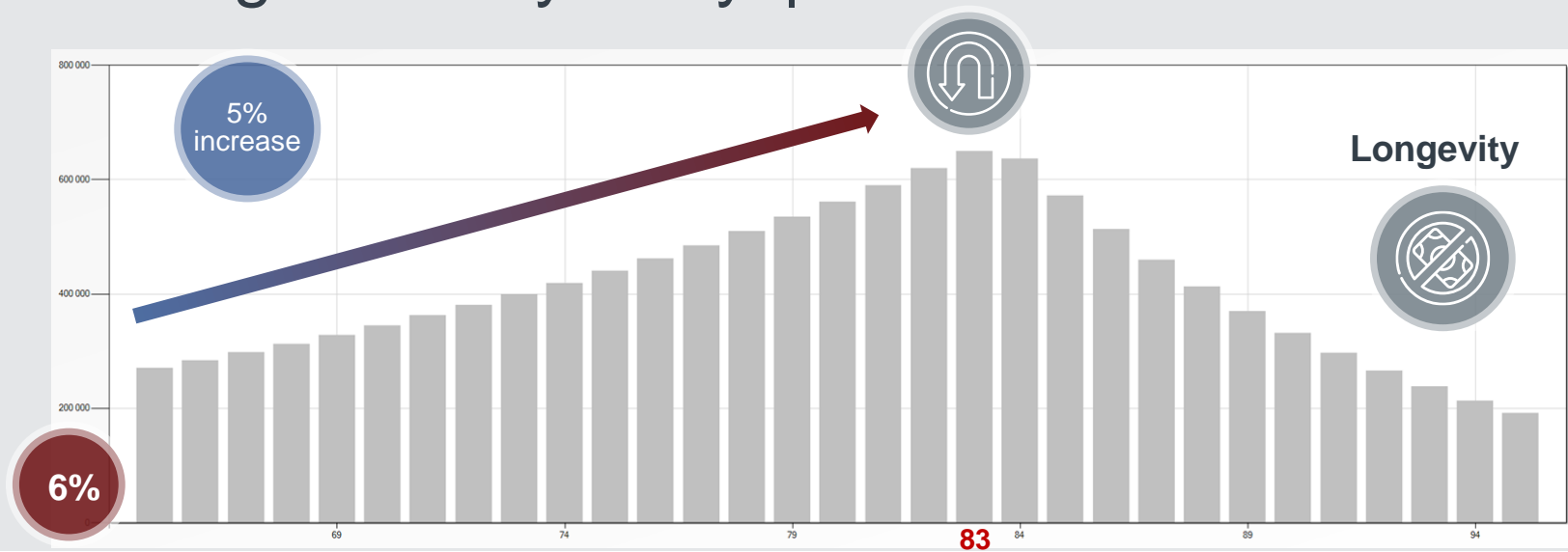
Living annuity only (8% drawdown)



- Retirement age 65
R4 500 000; R30 000 per month increasing at 5%
- 8% income drawdown (recommended 4.9% to 5.5% male 65-69)
- Cautious risk profile (CPI + 3%); Inflation assumption 6%



Living annuity only | 6% drawdown



➤ Retirement age 65
R4 500 000; R22 500 per
month increasing at 5%

➤ 6% income drawdown
(recommended 4.9% to
5.5% male 65-69)

➤ Cautious risk profile
(CPI + 3%); Inflation
assumption 6%



Let's talk about life annuities

▶ GUARANTEED INCOME FOR LIFE

Single or Joint life

▶ NO FLEXIBILITY

▶ GUARANTEED ESCALATION

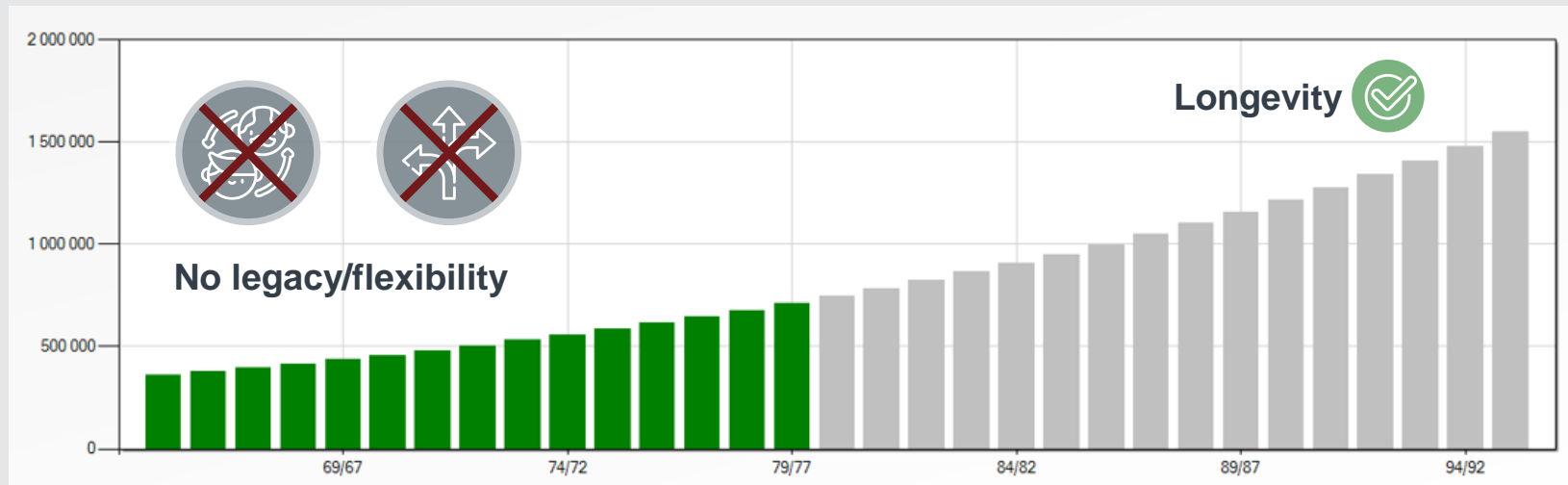
Annual fixed escalation or CPI if chosen means a guaranteed yearly increase

▶ NO CAPITAL LEGACY

Income legacy if chosen but no capital legacy at death



Life Annuity



➤ Joint life annuity (age 65 and 63); R4 500 000; R30 200 per month increasing at 5%

➤ 15-year guarantee term

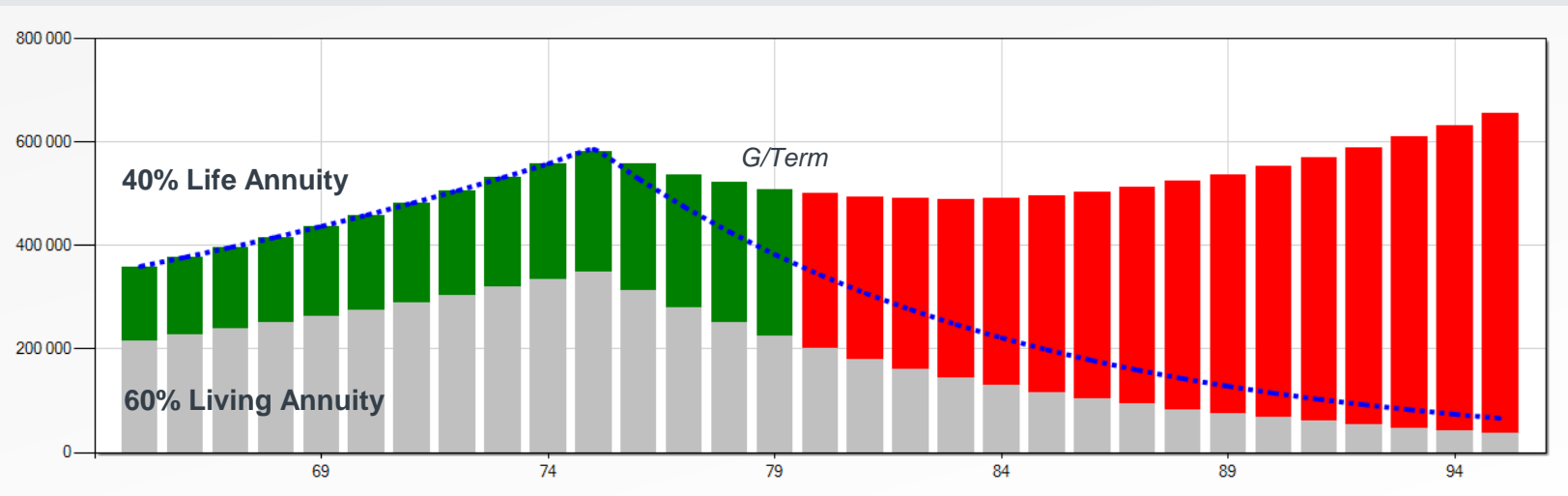
➤ Inflation assumption 6%

➤ Reduction at first death 30%

➤ Rate date: 10 July 2023



And now for some magic...



Legacy



Flexibility



Certainty

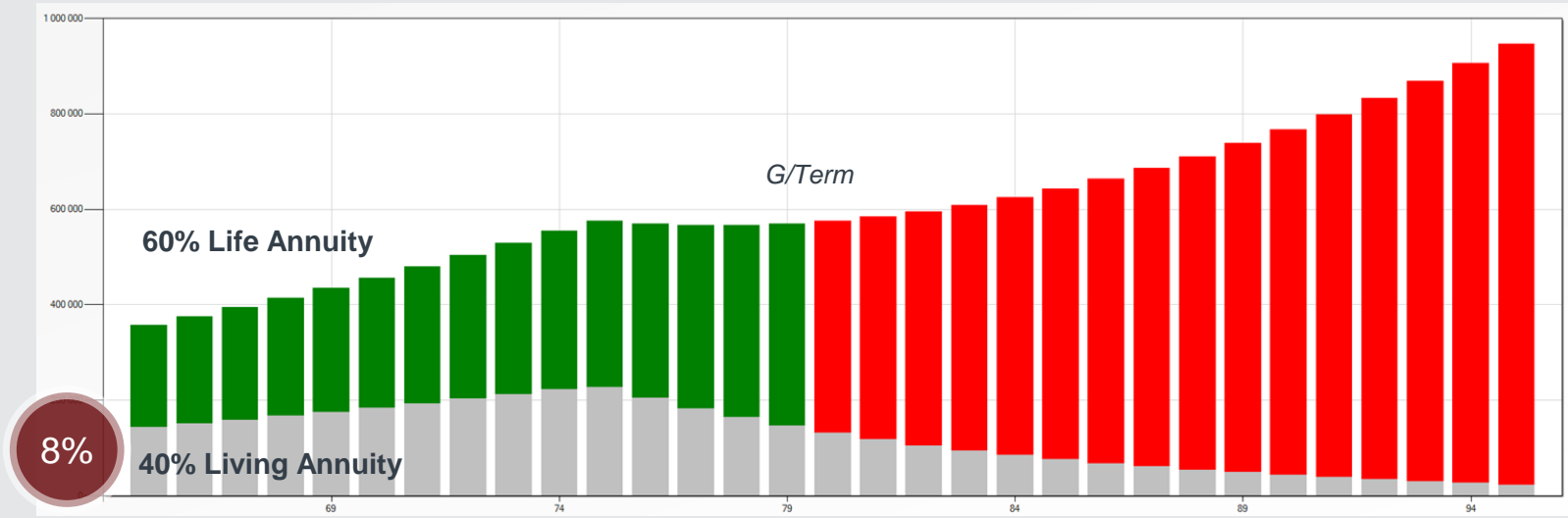


Longevity





60% Life Annuity 40% Living Annuity (8%)



8%

Legacy



Flexibility



Certainty

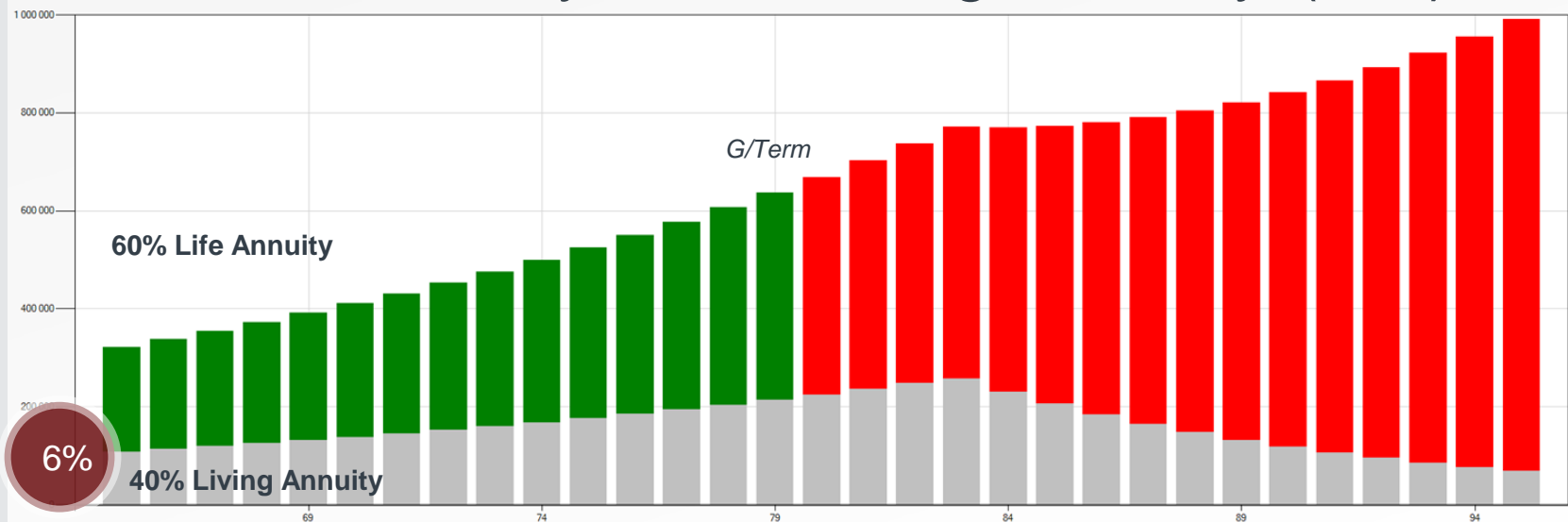


Longevity





60% Life Annuity 40% Living Annuity (6%)



6%

Legacy



Flexibility



Certainty



Longevity



How do you mitigate
the risk of
longevity?



INVEST IN A
COMBINATION
SOLUTION!



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THANK YOU



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