

Real income solutions: too good to be real?

Rocco Carr, business development manager at Glacier by Sanlam highlighted that Glacier Invest Real Income Solutions are ideal for people needing an income, and more importantly, retirees requiring a stable income.

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Longevity risk, or the risk of running out of retirement capital, creates a necessity for more exposure to growth assets, but these require a long-term horizon, and do come with more volatility which may not be ideal for those drawing an income from their investment.

The Glacier Invest Real Income and Real Growth Solutions (CPI plus 5% or 6%) offer high levels of exposure to growth assets – but with lower volatility. The Real Income Solutions are available via retirement products and the Real Growth Solutions are available via the endowment or sinking fund solutions.

Combining a Real Income Solution with guaranteed products could help achieve a sustainable income with low volatility.

Unpacking the Glacier Invest 5% Real Income Solution

This moderate aggressive Solution, which targets CPI + 5%, offers downside protection when markets are falling due to the inclusion of hedge funds which can sometimes give a positive return even when markets are down.

Compared to the average balanced fund, the Glacier Invest 5% Real Income Solution provides additional return for a lot less risk. It's ideal for an investor wanting the experience of a cautious fund but with the growth potential of a moderate aggressive fund.

The Glacier Invest 6% Real Income Solution has a higher level of offshore exposure and is suited to clients who are able to tolerate more volatility.

Using the Real Growth Solutions (+5% or 6%) in a life insurance policy (Vantage Life Plan)

These are just some of the advantages of investing in an endowment:

- A good vehicle to save for future income

- Tax-free income after five years
- Interest and capital gains are taxed within policy at 30% and 12% respectively
- Low volatility with good returns
- Ideal opportunity for the lump sum component from public sector retirements.

Why consider these solutions? Over time, these Solutions outperform the average balanced fund and with a lot less volatility. This lets investors experience a smoother ride and reduce sequence risk (the risk of a market downturn just before or after retirement) too.

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