Single Life Annuity (Plan 2), Joint Life Annuity (Plan 3) and Guaranteed CPI Annuity

The certainty of a lifelong retirement income.

How it works

The proceeds of a client’s retirement savings (in a registered retirement fund) or a client’s own money is used to provide regular, guaranteed income payments for the rest of his/her life.

About the income

The amount of income a client will receive, depends on the following factors at inception:

- Prevailing interest rates at the date of payment of the capital amount
- The age and gender of the lives insured
- The expected term of payment (determined by age and gender of lives insured)
- Product options chosen (such as a minimum term, additional life cover, income payment growth, etc.)

The income is paid monthly until the death of the last life insured, or the end of the guaranteed income payment term, whichever occurs last.

Growth of income payments

The client can choose that income payments remain level throughout the term, or that it grows annually at a fixed rate, from 1% to 7%. With the Inflation-Linked Income Product (Guaranteed CPI Annuity), the client’s income payments will be adjusted annually at the South African headline inflation rate.

Product flexibility

Option to add a second life insured

A client can select a second life insured to ensure that the income continues to be paid for the lifetime of a second life.

Option to add a guaranteed income payment term

A guaranteed income payment term, during which the income is guaranteed to continue, can also be selected. This period can be five or ten years.
Where a second life insured was added and a guaranteed income payment term was selected, the income is payable until the end of the guaranteed income payment term, or the death of the last life insured, whichever occurs last. On the death of one of the lives insured, the plan will continue in the name of the surviving life insured.

**Option to reduce income on first death**

If a second life insured was added, there is also the option of reducing the income payment on the first death. If a guaranteed income payment term was selected at inception, the income will only reduce by the selected percentage at the end of the guaranteed income payment term, and the income is payable until the death of the surviving life insured.

On the death of the surviving life insured:

- If the surviving life insured dies outside of the guaranteed income payment term, the income payments will cease and the plan will end.
- If the surviving life insured dies within the guaranteed income payment term, income will continue to be paid to the dependants and/or nominees. If there are no dependants or nominees, the income will continue to be paid to the deceased estate until the end of the term.

**Benefits**

**Certainty of a regular income during retirement for the rest of the client’s life**

Clients will have certainty about the income they receive every month, for as long as they live.

**Option to provide for dependants after the client’s death**

If a second life insured was selected, an income will continue to be paid to this person after the client’s death. If a guaranteed income payment term was chosen, the income will continue to be paid to the beneficiary/beneficiaries specified in the event of the client’s death during this term. The income will then be paid until the end of the remainder of the guaranteed income payment term.

**Important considerations**

**No payment is made on death**

If neither a second life insured nor a guaranteed income payment term was selected, the plan will terminate on the death of the plan holder and no further benefits are payable thereafter.

**Access to funds is restricted**

The purpose of a post-retirement income product is to provide income during retirement, and therefore access to the funds is exclusively through regular income payments.

The amount the client receives monthly will be determined at the start of the plan according to the investment amount, the client’s age and gender, and the various product options selected.

Other withdrawals cannot be made, and the capital cannot be taken in cash. The plan is protected against creditors, and therefore it cannot be pledged or offered as security. It can also not be cancelled.

**Tax is payable on income**

The full income payment qualifies as an annuity and is therefore taxable in the hands of the annuitant as gross income [refer to the definition of ‘gross income’ in section 1 of the Income Tax Act].

At the end of each tax year, an IRP5 certificate will be provided to each life annuitant, indicating the gross income as well as the tax that has been paid over to the South African Revenue Service.
Capital Protection Option: Whole Life (Plan 27)

A Sanlam Life Annuity that provides for loved ones after the death of the policy holder.

How it works

Two policies will be issued: a Sanlam Life Annuity (Plan 2) policy, and a life cover policy. While the life annuity policy will provide monthly income payments until the death of the life insured, the life cover policy will provide a life cover amount - equal to the original capital amount – at the death of the life insured.

The life insured

Only one life insured is allowed.

Beneficiaries of life cover amount

The life insured may appoint up to ten beneficiaries to receive the life cover amount after his/her death. A beneficiary can be a natural person, trust, tax-paying institution or tax-exempt institution. If there are no beneficiaries, the life cover amount will be paid to the estate of the life insured.

The appointment of a beneficiary may be changed at any time.

Inflation-linked Income with Capital Preservation (Plan 29)

How it works

Three policies will be issued:
- a Life Annuity policy (an Inflation-Linked Income Policy),
- a second Life Annuity policy (a Capital Preserver Annuity) and
- a life cover policy (called the Capital Preserver Policy).

The Inflation-Linked Income Policy

The Inflation-Linked Income policy is a Life Annuity policy of which the income payments are adjusted each year (on policy anniversary date) at the South African headline inflation rate*. This policy will provide monthly income payments until the death of the life insured.

The Capital Preserver Annuity

The Capital Preserver Annuity’s income payments will be used to fund the life cover policy premiums.

The Capital Preserver Policy

This life cover policy will provide a life cover amount - equal to the original capital amount – at the death of the life insured. Its premiums will increase by 7% each year on policy anniversary.

The Capital Preserver Annuity

The Capital Preserver Annuity’s income payments will be used to fund the life cover policy premiums.

* Headline inflation rate: The percentage change in the South African consumer price index for the historical metropolitan areas, for all expenditure groups, for the relevant period as calculated by Statistics South Africa.
The Capital Preserver Policy

This life cover policy will provide a life cover amount - equal to the original capital amount – at the death of the life insured. Its premiums will increase by 7% each year on policy anniversary.

Beneficiaries of life cover amount

The life insured may appoint up to ten beneficiaries to receive the life cover amount after his/her death. A beneficiary can be a natural person, trust, tax-paying institution or tax-exempt institution. If there are no beneficiaries, the life cover amount will be paid to the estate of the life insured.

The appointment of a beneficiary may be changed at any time.

Minimum investment amount

The minimum investment amount is R500 000.

Product flexibility

Option to add a second life insured

A client can select a second life insured to ensure that the income continues to be paid for the lifetime of a second life.

Option to add a guaranteed income payment term

A guaranteed income payment term, during which the income is guaranteed to continue, can also be selected. This period can be five or ten years.

Where a second life insured was added and a guaranteed income payment term was selected, the income is payable until the end of the guaranteed income payment term or the death of the last life insured, whichever occurs last.

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