

Retirement (RA) and Living Annuity (LA) Funds

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Client Seminar / Webcast – 31 January 2023



The Home of Retirement Funds

For Retirement and Living Annuity solutions



The Home of Exchange Traded Funds®

About Retirement Annuities

- They are retirement savings in your **own name**, you choose:
 - The date of your retirement (after 55)
 - The portfolios used to house your investment
 - Your contributions and frequency of contributions
 - Your options on retirement.
- 27,5% of your taxable income, up to a ceiling of R350 000 can be paid into a RA Fund and is tax deductible. This results in immediate tax savings.
- If you contribute more than 27,5% (or R350k) in a tax year, the balance can be commuted to the following tax year(s).



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More About Retirement Annuities

- All dividends and interest received is not taxable.
- If the asset manager changes the portfolio holdings, there is no Capital Gains Tax (CGT) payable.
- RAs are EET products:
 - Contributions – tax exempt
 - Investment growth – tax exempt
 - Income drawn - taxed.



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More About Retirement Annuities

- They do not form part of your estate, so contributions to a RA means you eliminate Estate Duties and save on Executor fees, when these assets are passed on to your beneficiaries.
- You can start up a new RA Fund at any time, even if you are retired, so:
 - You can claim tax deductions for such contributions at any stage of your life
 - You can move assets into a RA to save on Estate Duties (R200 000 for every R1 million left to beneficiaries in an Estate).



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Living Annuities

- For post-retirement
- You can commute your retirement annuities, preservation funds or your pension savings, into a living annuity, from age 55.
- One-third of retirement benefits can be taken as a lump sum – at beneficial tax rates (first R500 000 is tax free).
- The two-third balance has to buy an annuity, from which you can draw a pension.

More About Living Annuities

- A LA enables you to choose:
 - Your annual drawdown percentage from 2,5% to 17,5% of the total capital (every 12 months, you can change this).
 - You can choose the investment portfolio amongst the options offered by the LA provider.
 - Portfolios do not have to be Regulation 28 compliant, so you can invest 100% in equities, for instance.

More About Living Annuities

- Living annuities do not form part of your Estate.
- The capital retained in the LA can be passed on to your beneficiaries, without Estate Duty, or Executor fees.
- The Trustees of the LA fund will award the proceeds of the death benefits to the nominated beneficiaries, which shortens the time period to receive benefits.

Living Annuities versus Life Annuities

Life Annuities

- Are insurance policies.
- The insurer controls and keeps the capital.
- Fixed term.
- You elect upfront the drawdown, product, etc. and this stays fixed over the term of the policy: **INFLEXIBLE.**
- Guarantees your income pay-out.
- Participation rate on the growth in your investment is often 75% or lower.
- Insurer keeps your capital when you die.

Living Annuities

- Are investment products.
- You have more control and full ownership of the capital.
- Indefinite term.
- You can change drawdowns (annually) and investment portfolios (at any time): **FLEXIBLE.**
- Depends on investment performance but you get 100 participation rate.
- Capital goes to your beneficiaries , without Estate Duties.

The “Proposed” Two Pot System (actually Three Pots)



Vested Pot

For retirement sums
at the time of
implementation of
new system



Savings Pot

For one-third of
contributions from
1 March 2024



Retirement Pot

For the balance of
all contributions
from 1 March 2024



Vested Pot



- All contributions and growth that accumulate before 1 March 2024, will have to be valued at the date immediately prior to the two pot implementation.
- The vested pot operates under the same rules that were in place before the two pot amendments.
- On retirement, can take one-third as a lump sum and the rest goes to an annuity.
- Before retirement, if you withdraw from the vested pot, pre-retirement lump sum tax tables are used.

Savings Pot



- For one-third of retirement fund contributions after 1 March 2024.
- Contributions are tax deductible up to 27,5% of taxable income or R350 000 per annum.
- No accommodation for seed finance or other capital into this savings pot.
- One withdrawal from savings pot allowed on a 12 months rolling basis.
- Minimum withdrawal allowed is R2 000.
- Withdrawals taxed at the marginal rate of the payer (maximum 45%).
- Funds withdrawn from savings pot on death or retirement can be taken as lump sum (taxed at retirement fund rates, or transferred in full to the retirement pot).

Retirement Pot



- For two-thirds of retirement fund contributions after 1 March 2024.
- If contributions are more than 27,5% of taxable income or R350 000, the “excess” contribution can only flow to the retirement pot.
- No withdrawals before retirement allowed.
- On retirement, all retirement pot benefits must be commuted to an annuity.
- Government considering allowing limited income-based withdrawals from retirement pot, for members who are retrenched.
- Transfers between different retirement funds for savings and retirement pots will be allowed, but they must maintain their original identity.

etfSA Retirement and Living Annuity Funds

- Only substantial South African RA Fund using only listed ETP securities for all investments
- Portfolio switches can be made at any time without costs.
- Five different risk adjusted portfolios offered:
 - Can use mix of these portfolios.
- **RA Funds:** total “all-in” costs 1% per annum (VAT included).
- **LA Funds:** from 0,89% to 1,29% (incl. VAT), depending on size of investments.



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RA Fund Portfolio Returns

Total Investment Returns (with dividends reinvested)					
Portfolio	Type	Investment Strategy	Investment Returns		
			6 Months (%)	3 Years (% p.a.)	5 Years (% p.a.)
Wealth Protector	Cash	Short-term money market	3,2%	5,2%	6,1
Wealth Conservator	Income	Bonds, high yielding equities, cash	5,3%	2,8%	3,2%
Wealth Builder	Balanced (conservative)	Equities, bonds, property, alternatives	5,1%	3,4%	3,6%
Wealth Enhancer	Balanced (more aggressive)	Equities, bonds, property alternatives	5,0%	3,1%	3,6%
Wealth Default		Fixed asset allocation	9,2%	8,2	n/a

Source: etfSA RA Fund Fact Sheets (December 2022).



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etfSA.co.za Offers

- Retirement Annuity Funds
- Preservation Pension and Preservation Provident Funds
- Living Annuity Funds
- Transfers into, or out of, other retirement funds to these products are arranged seamlessly and at no cost on our side.



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Contact Details

Discretionary and/ or Tax-free :

Investor Hub

RA Funds

Living Annuity Funds

Portfolio Management Service

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