

The National Treasury has recognised the effect that lockdown measures to contain the spread of the COVID-19 has had on the citizens of South Africa. As a result, living annuity clients will temporarily be allowed to change their income drawdown rate to anywhere between 0.5% and 20% of their contract value (as at their previous anniversary date) for a limited period. Clients will not have to wait until their next contract anniversary date to amend their income

Question: What are the new drawdown rate limits on living annuity?

Answer: Customers will be able to select a drawdown rate between 0.5% and 20%.

Question: Can a Rand income be specified instead of a drawdown percentage on living annuity?

Answer: Yes, a Rand income can be specified as long as the Rand amount falls within the 0,5% and 20% threshold.

Question: When will the new drawdown rate limits on living annuities be effective from?

Answer: National Treasury specified the relief period as from the 01 June 2020 to 30 September 2020. In order to process these changes timeously, please communicate these requests 10 working days before the next income payment date. For example, if your income payment date is the 31st of the month, please ensure that your request is received by the 18th of the month. Late requests will result in the revised income only being paid in the following month (or not at all if requests fall outside the relief period).

Question: Do all customers have to update their drawdown rate on living annuities to align with the new drawdown rate limits?

Answer: No, if customers are happy with the income they are receiving, they do not have to make any change to their current drawdown rate.

Question: Can the drawdown rate be changed on living annuity's more than once during the relief period?

Answer: No, the drawdown rate can only be changed once, during this period.

Question: Are the new drawdown rate limits on annuity's applicable to new business as well?

Answer: Yes, the new drawdown rate limits are applicable to new business.

Question: Can the income from a guaranteed annuity be changed?

Answer: No, regulations do not allow for income changes to guaranteed annuities

Question: Can the payment frequency on living annuities be changed?

Answer: The payment frequency can only be changed on plan anniversary.

Question: Can switches between investment portfolios happen during this time?

Answer: Yes, investment portfolio switches can be submitted at any time (as per the current business process) and will be processed accordingly.

Question: Can income payments on living annuities be stopped altogether until markets have stabilised?

Answer: No, since this is an annuity, it is meant to pay out at regular intervals without any interruptions. The minimum drawdown limit, however, can be reduced to 0,5% during the relief period.

Question 14: What happens if the living annuity plan anniversary falls outside of the period 01 June 2020 and 30 September 2020?

Answer: Customers will be able to change their drawdown rate once during the period from 01 June to 30 September, and then again on plan anniversary.

Question 15: What are the implications if the drawdown rate is increased on living annuity's?

Answer: Customers who increase their drawdown rate will effectively be receiving a higher Rand amount of income. In order to receive this higher Rand amount, more units need to be disinvested from the applicable fund, which could potentially jeopardise the ability of the living annuity providing an income for the rest of the customer's life.

Question 16: What are the implications if the drawdown rate is decreased on living annuity's?

Answer: Customers who decrease their drawdown rate will be receiving a lower Rand amount of income. In order to receive this lower Rand amount, less units are disinvested from the applicable fund, which could potentially assist the customer in preserving the fund value for a longer period of time.