



OPTIMISING
YOUR FINANCIAL
PEACE OF MIND

FINANCIALLY FIT SERIES

THE NEXT ADVENTURE

In the last 10 years of your career, you should start thinking about the next adventure... your retirement.

There are a few key considerations at this stage of your life:

- In preparation for your retirement, you should start researching and carefully considering the most appropriate annuity (pension) option for your next phase.
- Now is the time to start aligning your pre-retirement investment strategy with your annuity choice. This may require restructuring your investment portfolio to increase or decrease risk by switching your

investment into a fund with a strategy that matches the annuity you hope to purchase.

This brochure looks at comparing the benefits and advantages of Guaranteed or Life Annuities and Living Annuities as a follow up to the presentations offered to members of the Altron Pension and Provident Funds.

This is the introduction to the last phase of your financial planning and should be followed up with a retirement benefit counselling session with one of the CERTIFIED FINANCIAL PLANNERS® from Optimate Financial Solutions.

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RETIREMENT CHOICES

At retirement there are a number of choices to be made. Understanding the difference between a Guaranteed/Life Annuity and a Living Annuity

is vital to facilitate the right decisions. Below, is a brief overview to help you make a more informed choice.

Guaranteed Annuities	Living Annuities
Features and Benefits	
Payable for life	Not necessarily payable for life
Insurer has to ensure there are funds to last your whole life	You have the worry to ensure the funds lasts until you die (returns/ life expectancy)
Cannot leave funds to your children (except via guaranteed term)	Can leave benefits to children (whatever funds are left at death)
You can provide for a spouse's pension	You can provide for a spouse's pension (whatever funds are left at death)
The insurer quotes a starting pension based on the future increases you want	You choose a starting pension based on legal limits – 2.5% to 17.5% of your funds
Future increases are paid by insurer as per your agreement (policy) with them	Future increases are decided by you based on affordability
Income never drops or runs out	Income level depends on affordability and can run out
Once you are in, you can't change	Can switch to guaranteed annuity in the future
Advantages	
Pension won't decrease	You can choose your own level of income (2.5% - 17.5%)
Guaranteed income	You decide on the underlying investments
Guaranteed for life – can't outlive the capital	When you die funds can be left to your beneficiaries
No need to worry about investments	There is no estate duty tax payable
Risk lies with the insurance company	
Disadvantages	
Pension will be low if interest rates are down	No guarantees / certainty
Pension will be low if pensioner is "young" at retirement	Risk of outliving the money
Pension will be low if increases are lower than inflation	Pension too high causing money to run out
Terminates on death	Low increases due to poor investment growth
No flexibility	Administration costs

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