

What is the purpose of this document?

Where the client is a member of the Allan Gray Living Annuity at the time of their passing, there may be a death benefit due to their appointed beneficiaries. We have compiled this document to answer some of the questions you may have regarding beneficiary appointments and the various options at death to help make the administration process easier.

You are welcome to contact the Allan Gray Client Service Centre on 0860 000 654 or email info@allangray.co.za if you have any further questions or need assistance.

Who receives the death benefit?

The death benefit is received by the beneficiary(ies) appointed by the deceased client.

How is the death benefit determined?

The death benefit is determined by the market value of the underlying investments of the deceased client's investment account(s), less applicable tax, fees and charges. This amount is not determined on the client's date of death or the date that Allan Gray is notified of their death, but rather once the units of all the underlying unit trusts in the investment account(s) have been sold and the applicable fees and charges deducted.

How are primary and secondary beneficiaries appointed and treated?

The client may appoint one or more primary beneficiaries to receive the benefit when they die. A beneficiary can be a natural person, trust or legal entity; these can be updated at any time. Where the client has multiple Allan Gray Living Annuity accounts, they are allowed to appoint different beneficiaries for each account. This differs from Allan Gray retirement funds, where beneficiaries must be appointed at fund level, i.e. the nomination applies to all accounts in a specific retirement fund.

Secondary beneficiaries can be appointed for an Allan Gray Living Annuity investment. However, they can only receive the death benefit if there are no surviving primary beneficiaries.

If a primary beneficiary dies before the client, and the client did not amend their beneficiary appointments prior to their own death, that beneficiary's share will accrue proportionately to the remaining primary beneficiaries. The same will apply if the beneficiary declines the benefit. If there are no remaining primary beneficiaries or the remaining primary beneficiaries decline the benefit, the death benefit will accrue to the secondary beneficiaries in line with the proportions specified by the deceased client.

What if there are no appointed beneficiaries when the client dies?

If there are no appointed beneficiaries when the client dies, a cash lump sum will be paid to the deceased client's estate. Allan Gray will only act on instructions received from the executor of the estate if there is no appointed beneficiary.

Beneficiary appointments received after the client's death will be invalid.

What can the beneficiary do with the death benefit?

When a client dies, their appointed beneficiaries – whether they are a natural person or a South African registered trust – will have the option to:

1. Purchase an annuity, such as a living annuity or guaranteed life annuity, from a South African registered insurer of their choice.
2. Take the full benefit as a cash lump sum (from which tax may be deducted).
3. Take a portion as a cash lump sum (from which tax may be deducted) and purchase an annuity with the remainder.

If the beneficiary is a legal entity or a non-South African registered trust, the benefit must be paid as a cash lump sum.

What are the tax implications at death?

If the beneficiary(ies) choose to take a portion or the full benefit as cash, we will apply for a single tax directive for their combined lump sum value from the South African Revenue Service (SARS), and the cash portion will be taxed in the hands of the deceased client. The tax directive will indicate the amount of tax payable to SARS, which will be deducted from the lump sum. The beneficiary(ies) will receive the after-tax amount. All beneficiaries need to submit their signed instructions before we can proceed with the process.

If there are multiple beneficiaries of the death benefit, tax will be deducted proportionately from the beneficiaries' cash portion amounts. **Table 1** below will be applied when considering the total lump sum payable to beneficiaries.

Table 1: Retirement tax table

Taxable income for lump sum benefits	Rate of tax
R0 – R550 000	0% of taxable income
R550 001 – R770 000	18% of taxable income above R550 000
R770 001 – R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

The deceased client's contributions to retirement funds which did not previously qualify for a deduction, will qualify as a deduction before applying the table above. The first R550 000 in lump sum withdrawals at retirement is tax-free, i.e. taxed at 0%. This is a once-off amount and applies across all the deceased client's retirement funds and living annuities (i.e. those from Allan Gray and other third-party providers).

The following will be taken into account in the lump sum tax calculation:

- Retirement fund lump sum benefits which accrued on/or after **1 October 2007**.
- Retirement fund lump sum withdrawal benefits which accrued on/or after **1 March 2009**.
- Severance benefits accruing since **1 March 2011**.

The tax-free portion of the beneficiary's cash lump sum will be determined by SARS; it may be reduced by any such amounts previously received by the deceased.

If the beneficiary would like to consider the tax implications of withdrawing a cash lump sum before making their decision, they can request a tax simulation by visiting the Lump Sum Calculator tool available on their SARS eFiling profile. The tool will give them an estimate of their tax liability. Once we have applied for a tax directive it cannot be cancelled.

For more information about how tax is calculated, please refer to the [Lump sum payments and tax directives](#) document, available via our website at www.allangray.co.za/forms-and-documents/#3.

How will transfers be taxed?

If the beneficiary chooses to transfer all or part of their benefit to a living annuity or guaranteed life annuity in their name, they will not be required to pay tax on the portion they transfer. The retirement income paid to the beneficiary will be taxed at their marginal tax rate.

If the beneficiary is a trust (except for special trusts), the annuity income received will be taxed at a rate of 45%.

Estate duty and executor fees

A living annuity is not subject to estate duty when the client dies, irrespective of whether it was payable to the estate or to a beneficiary. This, however, does not include disallowed/excess retirement fund contributions used on death to determine the taxable lump sum of the lump sum death benefit (if the beneficiary decides to take a cash lump sum when the client dies).

If the benefit is paid to the estate (and not directly to the beneficiary), it will be subject to executor fees.

What steps will be taken once we are notified of the Allan Gray Living Annuity client's death?

- The entire benefit will be switched to the Allan Gray Money Market Fund.
- All communication subscriptions (e.g. our Quarterly Commentary and quarterly statements) will be cancelled.
- All applicable standing instructions (e.g. annuity payments and phase-ins) will be cancelled.
- If the deceased client had an independent financial adviser, the adviser fees will be cancelled.
- The deceased client's transactional and viewing rights for their secure online account, and any other accounts they may have had authorisation for, will be cancelled. The same will apply to third parties that may have online access to the deceased client's account. If there is a financial adviser on record, they will still be able to view the account online, but they will not be able to submit instructions.

Contact details

Please email all documents to instructions@allangray.co.za.

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Allan Gray is an authorised financial services provider.

Information for investors in a living annuity

The Allan Gray Living Annuity is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider, and underwritten by Allan Gray Life Ltd, an insurer licensed to conduct investment-linked life insurance business as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual products are portfolios of collective investment schemes in securities (unit trusts or funds).