

When you retire you will typically need to use your retirement investment(s) to buy a product that can pay you an income in retirement. Regulation requires all retirement funds to identify one or more income-providing options for members to consider for this purpose. There are many annuities available for you to choose from. The trustees of the Allan Gray retirement funds, whose main role is to **protect your interests as a member**, have identified two annuities for you to consider – the Allan Gray Living Annuity and the Just Lifetime Income Annuity, which is a guaranteed life annuity.

The information contained in this document is not financial advice. Your financial adviser is best placed to explain the above two options to you and to advise whether either, or a combination of the two, is appropriate for you, taking into consideration your individual circumstances, holistic financial plan and all your other options at retirement. When choosing an annuity, it is also important to understand the characteristics of the product, as well as the fees you will pay.

### 1. The Allan Gray Living Annuity

A living annuity gives you flexibility and control of your investment. With the assistance of your financial adviser, you choose both the underlying unit trust(s) your money is invested in, and your level of income. You are able to transfer the annuity to another service provider or to a guaranteed life annuity at any time, and any money left over when you die will be paid to your beneficiaries, after any tax has been deducted.

Your income is not guaranteed, and whether your money lasts for the rest of your life depends on how much you invest in the living annuity, the amount of income you draw each year, the performance of the underlying unit trust(s) you select, and how long you live. Some of the key elements of the product are described below.

#### Your retirement income



How much of your investment you take as income each year is important as it determines how long your savings will last. By drawing an income **between 2.5% and the percentages provided in Table 1** on page 2, your savings are **expected, but not guaranteed, to last for life**. While regulation allows you to draw up to 17.5%, drawing more than your sustainable amount puts you at greater risk of outliving your savings.

#### Your underlying investment



The trustees consider the **Allan Gray Balanced Fund** to be a suitable unit trust for many annuity investors. This is because of the diversity of its underlying investments both locally and offshore, its expected long-term return, the extent to which the value of your investment may go up and down over time, and its long-term track record. If you feel that the Allan Gray Balanced Fund is not suitable for you, you can invest in other available unit trusts that have different objectives and are managed by Allan Gray or other investment managers.

#### Changes to your annual income



You can change your income amount and frequency once a year, on the anniversary date of your investment. It is prudent to increase your income by no more than inflation each year.

**Table 1** on the next page shows the maximum income levels that are expected to be sustainable, expressed as a percentage of your total investment. This income is calculated based on your age, gender and whether you want to leave an income for your spouse or partner when you die. The percentages in the table are calculated assuming that 60% of your investment will be allocated to growth assets such as equities and property, which is aligned with the Allan Gray Balanced Fund's mandate.

If you would like your income to last for your lifetime and that of your partner or spouse, find the percentages applicable to both you and your partner or spouse, take the lower of the two and deduct a further 0.5%. This gives you an expected sustainable amount for you and your spouse to draw, expressed as a percentage of your total investment. For example, if you are a 62-year-old male, your percentage is 5.0%. If your partner or spouse is a 58-year-old female, her percentage is 4.0%. The lower of the two percentages is 4.0%, which means that the income level expected to last for both of your lives is 3.5% (4.0% - 0.5%) of your investment per year.

Table 1: Sustainable annual income levels expressed as a percentage\* of total investment

Age	Male	Female
55 - 59	4.50%	4.00%
60 - 64	5.00%	4.50%
65 - 69	5.50%	5.00%
70 - 74	5.50%	5.00%
75 - 79	6.00%	5.50%
80 - 84	7.00%	6.00%
85+	8.00%	7.00%

Source: Financial Sector Conduct Authority (FSCA) draft conduct standard. At the time of going to press, this conduct standard on sustainable income levels was not yet finalised and is therefore subject to change. The table above may be replaced once finalised.

\*The above percentages do not guarantee that your money will last for the rest of your life. They have been calculated based on probabilities using historical market data. Your individual circumstances, such as your health and any other sources of income, are important factors to consider when choosing how much income to draw from your investment. Your financial adviser is best placed to help you choose how much income to draw in retirement.

## 2. The Just Lifetime Income Annuity

If you value the certainty of a guaranteed income for the rest of your life (regardless of how long you live), you may want to consider investing in a **guaranteed life annuity**. While your **income is guaranteed for life**, you may not be able to leave money to your beneficiaries unless you purchase income protection features and die within the number of years that your capital is protected, or you have selected a spousal benefit and you die before your spouse. The more your income is protected, the lower your starting income will be. When investing in a guaranteed life annuity, it is important to consider not only your starting income, but also by how much your income is expected to increase each year, and the extent to which your increases are guaranteed. Your financial adviser is best placed to explain this annuity to you and to help you decide whether it is suitable, depending on your needs and circumstances.

Allan Gray does not offer a guaranteed life annuity. While there are different types of guaranteed life annuities available, offered by a number of financial services providers, the trustees of the Allan Gray retirement funds have identified a with-profit annuity offered by **Just Retirement Life (Just)** for you to consider. Just is an external long-term insurer and a subsidiary of the UK-listed global financial services group, Just Group plc. **It is not affiliated with Allan Gray.** Some of the key elements of the product are described below.

### Your underlying investment

The trustees consider the Allan Gray Balanced Fund to be a suitable unit trust for your underlying investment, given the Fund's objectives.



### Your retirement income

The starting income you receive is **guaranteed for life**. Your starting income depends on a number of factors, including your age and gender, as well as that of your partner or spouse, where applicable. You have the option of securing an income which is guaranteed for your partner or spouse's life, in addition to your own as the primary member. If you select this option, your partner or spouse will continue to receive 75% of your income for the rest of their life if you die before them. Your starting income will likely be less than if it were guaranteed for your life only.



### Changes to your annual income

Your income is **expected, but not guaranteed, to keep up with inflation over time**. If you invest in the Just Lifetime Income Annuity, your income increases are calculated based on the performance of your underlying unit trust, which is the Allan Gray Balanced Fund. If the Allan Gray Balanced Fund outperforms inflation by an average of 4% per year (after fees) over six years, your income will keep up with inflation over time. However, if the Allan Gray Balanced Fund does not outperform inflation by 4% per year over a six-year period, the buying power of your income will decrease over time.



## Fees and charges for both annuity options

The fees you pay will differ depending on the annuity you select, as shown in Table 2 below.

**Table 2: Fees and charges**

Fees and charges*	Allan Gray Living Annuity	Just Lifetime Income Annuity
Guarantee charge	Not applicable	Annual: 1.1%
Investment management fee	Please refer to the Allan Gray Balanced Fund factsheet, available on our website at <a href="http://www.allangray.co.za/what-we-offer/unit-trusts">www.allangray.co.za/what-we-offer/unit-trusts</a>	Please refer to the Just Lifetime Income Annuity factsheet, available on Just's website at <a href="http://www.justsa.co.za">www.justsa.co.za</a>
Administration fee	Annual: 0.2%	Initial: 1.0% (capped at R25 000) Annual: R652.20**
Advice fee (agreed between you and your financial adviser)	Initial: Up to 1.5% Annual: Up to 1.0%	Initial: Up to 1.5%

\*The fees shown exclude VAT, unless stated otherwise.

\*\*As at December 2024, including VAT.

If you have any feedback or questions on the options available to you, please speak to your financial adviser, contact our Client Service Centre on 0860 000 654 or email us at [info@allangray.co.za](mailto:info@allangray.co.za).

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### Information for investors in the 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) or policies issued by other registered life insurers.

### Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)11 301 6335 or [www.rmb.co.za](http://www.rmb.co.za).