

Life Annuities: Product Information

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Ideal solution for

The Life Annuity is a perfect solution for a healthy individual that requires a guaranteed income for life.

Benefits

- The Life Annuity provides peace of mind for the annuitant knowing that the selected guaranteed income will be paid for life and the annuitant will not run out of an annuity income.
- It provides an income that will keep up with inflation, by selecting the income to increase yearly by a fixed percentage (0% - 15%), inflation (CPI), or inflation plus a fixed percentage (CPI + 0% - 5%).
- Annuitants can add a guaranteed term which ensure that the income will be paid to the beneficiaries for the remainder of the term, in event of early death.
- A Life Annuity removes the uncertainty of investment markets and safeguards a future income stream.
- The annuity rate provided are after all fees are taken into account, including adviser fee and platform fee.
 - This means that the income cannot decrease because of increasing costs.

Features

- Life Annuities are long-term insurance products issued under the Long-term Insurance Act.
- It pays a regular guaranteed income for the rest of the annuitants life, in return for a lump sum purchase amount.
- The Life Annuity can be purchased with either voluntary or compulsory monies.
- The annuitant has the option between a Single-life annuity or Joint-life annuity.
 - The annuitant can also decide whether the income must decrease after the death of the first annuitant. The maximum reduction allowed is 50%.
 - Annuitants cannot be changed or be removed after the investment has started.

General Rules

Type of Investors	<p>The Life Annuity is available for individuals only.</p> <ul style="list-style-type: none"> • Compulsory source <ul style="list-style-type: none"> ◦ Only South African citizens • Voluntary source <ul style="list-style-type: none"> ◦ South Africans or Foreigners ◦ Foreigners must have a South African bank account as Momentum cannot pay in foreign currency.
Minimum age at inception	<p>The minimum age to purchase a voluntary or compulsory Life Annuity</p> <ul style="list-style-type: none"> • Minimum age: 15 years (age next birthday) • Maximum age: 85 years (age next birthday)
Term	<p>The Life Annuity does not have a fixed term as it pays out for life.</p> <ul style="list-style-type: none"> • A guaranteed term can be added to ensure Momentum pays the income for a minimum of that specified term. • The term can be between 5 to 25 years <ul style="list-style-type: none"> ◦ The maximum age at end of the term is 95 years.
Minimum investment amounts	<p>The minimum investment amount is R50 000.</p> <ul style="list-style-type: none"> • As long as it is enough to cover the minimum income of R100 per month.
Additional investments	<p>No additional investments can be made as the Life Annuity is purchased with an annuity rate valid for that week.</p> <ul style="list-style-type: none"> • Momentum can however accommodate pension money from the same source if interest or dividends was declared after the Section 14 transfer.
Underlying investment solutions	<p>There is no choice of underlying investment solutions.</p>
Switches	<p>As there are no funds linked to the product, switches are not available.</p>
Collateral cessions	<p>Not allowed</p>
Ownership change	<p>Not allowed</p>

Cancellation

A cool-off option allows the annuitant to end it within 31 days after receiving the investment confirmation, but not later than 60 days of the starting date of the investment.

- If the investment is cancelled, it might pay out less than what was invested.
- The investment value is determined by changes in the investment market and exchange rates between currencies.
- Momentum will also refund any administration fees and financial adviser commission.
- The refund can only be made after Momentum have received the proceeds from the investment components.

If the source was compulsory monies, the cancellation can only be done if the original retirement fund is willing to reverse the transaction.

Phase-in

No phase-in allowed as there is no market risk.

Insured Persons

A Life Annuity can be either a single-life annuity or a joint-life annuity.

- The single-life annuity pays an income for the lifetime of the annuitant.
- The joint-life annuity has a second insured person who will continue to receive the income after the death of the first annuitant.
 - Joint-life annuities can select a reduction in the income after the death of the first annuitant.

Momentum can, at any time, ask for proof that the annuitants are still alive. If we do not receive this proof, we can stop paying the income until we receive this proof.

Beneficiaries

The Life Annuity only allows Beneficiary of proceeds if the annuitant have chosen a guarantee term. It can be one or multiple beneficiaries.

The beneficiaries will receive the remaining income for the guarantee term in event of the annuitants death.

- The annuitant may cancel the nominated beneficiary at any time and nominate a new beneficiary.
- If a nominated beneficiary dies before the end of the guaranteed term, the beneficiary nomination will be cancelled.

If the life assured dies within the guaranteed term but do not add beneficiaries, Momentum is contractually obligated to pay the remaining income to the Estate.

- The executor will distribute according to the will.

Estate planning

The source of the funds (voluntary or compulsory) as well as who the beneficiary is, will determine how the Life Annuity will be treated in the estate.

Investment Type	Beneficiary	Executors fee	Subject to Estate Duty	Notes
Compulsory	Spouse	No	No	The funds originate from retirement funds and therefore is not included in the estate in terms of Section 3 (2)(i). All retirement savings, irrelevant of the beneficiary will be exempt from Estate Duty Tax.
	Other party	No	No	
	None	Yes	No	
Voluntary	Spouse	No	No	Section 4(q) of the Estate Duty Act of 1955) applies where proceeds to a surviving spouse, are exempt from estate duty.
	Other party	No	Yes	The fund value will be an asset in the estate of the annuitant.
	None	Yes	Yes	The fund value will pay out to the estate and will be a deemed asset in the deceased estate.

Tax

Tax will be deducted from the income, prior to Momentum paying it out to the annuitant. Momentum will take all the annuity income received from Momentum into consideration when calculating the tax.

- The annuitant can provide Momentum with a Tax Directive if they wish that more or less tax be deducted.

In the event of a change in legislation governing the taxation of long- term insurers, or any other legislation that will affect the income of this investment, Momentum will change it to take into account the effect of this change.

The source of the monies will determine how the Life Annuity income is taxed.

Voluntary

The income will be taxed according to Section 10A of the Income Tax Act, which states that if the payer of the purchase amount is also the annuity owner, only the interest portion is taxed at the client's marginal tax rate.

The income/return consists of a capital element and an income element. A portion of the income paid to the annuitant is in fact a return of the capital invested and the balance is the income/return earned on the capital amount invested.

- The capital portion of the income is exempt from tax.
- The interest portion is taxed according to the investor's marginal tax rate.

Section 10A of the Income Tax act is only applicable if the investment payer (Applicant) is also the policy owner (Insured Life).

- If they are not the same, Section 10A of the Income Tax act becomes null and void and the full income is taxable.
- The only exemptions are if one is a spouse, or a trust created by a court order for disabled persons.

Momentum facilitates the tax payments to SARS and tax certificates are issued to the annuitant to show the capital and income portion.

Compulsory

The gross income will be taxable according to the marginal tax rate of the annuitant. The reason why the full income is taxable is due to the tax relief the annuitant received while contributing towards the retirement funds.

- Pay as you earn (PAYE) will be deducted from the income by the administrator.
- If an annuitant had disallowed contributions to retirement funds during his lifetime, the section 10C exemption could result in some or all of the income being exempt from income tax during any given year of assessment (Please consult the ASAP on Disallowed contribution for more information).

Momentum facilitates the tax payments to SARS and tax certificates are issued to the annuitant.

Access to funds

It is important to note that once you have selected the Life Annuity there is no access to the funds.

- The annuitant cannot withdraw any cash from the investment or transfer it to another provider.

If the annuitant emigrates the income will be remitted to the clients offshore account.

- It is advisable that the income frequency will then be changed to bi-annually or annually due to the bank cost of the transfer.

Protection against creditors

Life Annuities will be protected in terms of Section 63 of the Long-Term Insurance Act, 1998 and the funds are not accessible by the annuitant or their creditors.

- This is the same for both voluntary and compulsory Life Annuities.

Product operations

Guaranteed term

The Life Annuity offers the annuitant the option to add a guaranteed term to the product to ensure the minimum number of income payments are made in the event of the annuitants premature death.

Momentum will pay the annuitant a guaranteed income for as long as they live or to nominated beneficiaries until the end of the chosen term, whichever happens last.

Below are different scenario's and how Momentum will act.

Single-life annuity with no guaranteed term

Momentum will pay the final annuity in the month of the death of the annuitant.

- Momentum retains the remainder of the capital and the contract ends.

Single-life annuity with a guaranteed term

Annuitant dies after the guaranteed term

- Momentum pays the final annuity in the month of the death of the annuitant and the contract ends.

Annuitant dies within the guaranteed term

- Momentum will pay the income for the remainder of the term, to the nominated beneficiaries.
- The beneficiaries must collectively decide if they wish to continue receiving the income until the end of term, or commute the income and take a lump sum.

Joint-life annuity with no guaranteed term

Momentum will pay the income until the death of the last annuitant.

- If the first annuitant dies, the second annuitant will become the annuitant and receive the income.
- The income will decrease on the death of the first annuitant as indicated on the contract.
- Momentum will pay the final annuity payment in the month of the death of the second annuitant and the contract ends.

Joint-life annuity with a guaranteed term

In event of the death of the first life insured inside the guaranteed term

- If the first annuitant dies, the second annuitant will become the annuitant and receive the income.
- Momentum will continue to pay the second annuitant the original income until the end of the guaranteed term, and only then decrease according to the percentage indicated on the contract.
- Momentum will continue to pay the income until the death of the last annuitant
 - The final payment will be made in the month of the death and the contract will end.

If both annuitants dies within the guaranteed term

- Momentum will pay the income for the remainder of the term, to the nominated beneficiaries.
- The beneficiaries must collectively decided if they wish to continue receiving the income until the end of term, or commute the income and take a lump sum.
- The contract will end after the last income for the guaranteed term was paid out.

Service Contacts

Please contact the Annuities service team.

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