

Media Release

Association for Savings and Investment South Africa (ASISA)

18 November 2024

Living annuity drawdown rate average lowest in five years at 6.6%

Living annuity policyholders withdrew, on average, 6.6% of their invested capital as income in 2023, the lowest average living annuity drawdown rate recorded in the past five years.

The 2023 living annuity statistics, released today by the Association for Savings and Investment South Africa (ASISA), show that South African retirees had R682.2 billion of their retirement savings invested in 535 509 living annuities at the end of 2023.

Jaco van Tonder, deputy chair of the ASISA Marketing and Distribution Board Committee, says while the decrease in the average drawdown rate was marginal—from 6.7% in 2022 to 6.6% in 2023—it is noteworthy because it was achieved in an environment of rising living costs for South Africans.

A living annuity is a compulsory purchase annuity that does not guarantee a regular income. Instead, living annuity policyholders must select an income drawdown of between 2.5% and 17.5% of the value of their living annuity assets. This can be reviewed once a year on the policy's anniversary date.

Van Tonder explains that in order to prevent the erosion of invested capital over time, the percentage of income drawn may not exceed the real returns of the investment portfolio supporting the living annuity. Three key factors determine how long the capital will be able to produce a regular income:

- The level of income selected;
- Performance of selected investments; and
- The lifespan of the annuitant.

According to Van Tonder, annual drawdown rates of 4% to 5% in the first decade of retirement and below 8% in the later retirement years are generally considered prudent, providing annuitants with a high probability of preserving their purchasing power for their lifetime.

He says it is encouraging that 34.7% of assets (R236.8 billion) held in living annuities at the end of 2023 fell into the 2.5% to 5% income band, followed by 24.1% (R164.1 billion) in the 5% to 7.5% income band.

A 5-year overview of South Africa's living annuity book

Period	Average Living Annuity Drawdown Rates*	New inflows	Number of Living Annuities**	Total Assets Under Management
2019	6.7%	R63.9bn	491 286	R486.1bn
2020	6.7%	R74.2bn	516 989	R507.2bn
2021	6.9%	R85.6bn	515 234	R614.1bn
2022	6.7%	R67.1bn	527 038	R625.9bn
2023	6.6%	R78.3bn	535 509	R682.2bn

* The average income drawdown level is weighted by fund size (the total value of the drawdowns against the total value of the living annuity book).

** The number of living annuities does not imply the same number of policyholders. It is not uncommon for policyholders to have more than one living annuity.

Ends

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Issued on behalf of:

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ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.