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How flexibility is fuelling the living annuity boom



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South Africans are putting more retirement capital into living annuities than at any point on record. According to the Association for Savings and Investment South Africa (ASISA), net inflows reached a record R104.5 billion in 2025, 17% higher than the R89.3 billion recorded in 2024, pushing total assets under management past R900 billion for the first time.



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The number of living annuities in force has more than doubled since 2011, from 278 000 to 579 205, and inflows have grown more than fourfold over the same period, from R23.9 billion to R104.5 billion.

ASISA's numbers don't explain why. But the explanation the industry keeps returning to is flexibility. Retirement is increasingly treated as a series of stages rather than a single event, and while a living annuity doesn't guarantee a fixed income, it gives retirees a level of control a traditional guaranteed annuity never could: control over how the money is invested, control over how much income is drawn each year within the 2.5% to 17.5% band prescribed, and control over exactly what happens to the balance when the investor dies.

That third form of control is the one advisors should consider bringing more into their conversations with clients, and arguably the one that matters most to the people left behind.

Two laws, two different outcomes

Retirement funds, meaning pension funds, provident funds, preservation funds and retirement annuities, fall under section 37C of the Pension Funds Act. Section 37C exists to protect dependants, not to enforce a member's instructions. When a member dies, the fund's trustees decide who receives the benefit, not the member's nomination form, which serves only as a guide. Trustees have up to 12 months to trace dependants, including spouses, children and anyone else who relied on the member financially, and the nomination is only one factor they weigh. A member's clearly stated wishes can be overridden if trustees decide someone else has a stronger claim. For many South Africans, a retirement fund is their only significant asset, so that delay isn't just an inconvenience: it can leave their loved ones with no money to draw on for months.

Living annuities purchased in the client's own name work differently because they fall under the Long-Term Insurance Act and Insurance Act, not the Pension Funds Act. Products like the Ninety One Living Annuity are contracts between the client and the insurer, and the beneficiary nomination on that contract is binding on the insurer. There's no trustee discretion, no 12-month investigation and no dependant search. The proceeds go directly to whoever the client named, in the proportions the client chose.

Put plainly: one system asks a board of trustees what's fair (and can take up to 12 months to decide) and the other simply does what the client instructed, straight away.

That delay could explain why we're increasingly seeing clients over the age of 55 making a lump sum contribution into a retirement annuity, then retiring from that RA and transferring to a living annuity almost immediately, rather than leaving it invested in the RA. It means the money doesn't stay inside the section 37C framework for long before moving into a structure with far more flexibility and where the nomination is binding.

What “flexible” actually means

Binding nominations and immediate distributions are only half the story. Because the nomination is made in terms of a contract rather than a fund’s rules and legislation, it can also be shaped with far more precision than simply writing down one person’s name. Here’s how that flexibility works on the Ninety One Investment Platform.

1

Splitting proceeds by percentage, across as many beneficiaries as the client names, instead of naming one person or defaulting to the estate by omission.

2

Nominating a trust directly for a minor child or a dependant with special needs. This is a genuine point of difference from section 37C, where only natural persons can be nominated; trustees there can still decide to pay a dependant’s allocation to a trust in certain scenarios, but the client can’t instruct that outcome in advance. It also matters which platform holds the annuity. On certain platforms, nominating a trust simply pays out a lump sum to the trust net of retirement tax, which can erode up to 36% of the value. On the Ninety One Investment Platform, the trust can instead continue the annuity itself, providing an ongoing income to cover the dependant’s living costs while shielding them from direct access to the capital, particularly important in vulnerable cases where addiction, dementia or learning difficulties are involved.

3

Nominating the estate, without losing flexibility. If a client nominates their estate as beneficiary, the Ninety One Investment Platform allows the executor to, in effect, act as a nominee: identifying someone not named as a beneficiary who could take over the annuity tax neutral, rather than the net proceeds being paid out to the estate, again net of up to 36% tax.

4

Continuing the income instead of taking a lump sum. In our view this is the most underutilised option. When a living annuity holder dies, the nominated beneficiary doesn’t have to take a lump sum. They can elect to continue the annuity in their own name, keep the underlying investment intact and keep drawing an income. The transfer to the living annuity itself is not a taxable event, and the income is taxed in the beneficiary’s hands at their own marginal rate as it’s drawn, rather than triggering a lump sum tax event in the deceased hands under the retirement lump sum tax table. It’s only available if the nomination was structured to allow it.

However, none of this survives an out-of-date nomination form. If a client names a spouse as sole beneficiary with no alternative nominated, and that spouse dies before the client, or they die together, the full benefit falls into the estate, and is taxed in the deceased hands as a retirement fund lump sum benefit, and every advantage described above falls away. The living annuity's flexibility only works if the paperwork keeps pace with the client's life.

The estate-planning case

From our conversations with advisors, a recurring concern they hear from their clients is how they create liquidity on death, for both the estate and their beneficiaries. A living annuity's beneficiary nomination offers a practical, useful solution to that specific worry.

Proceeds from a life-wrapped product bypass the deceased's estate. Beneficiaries aren't waiting for an executor to finalise administration, a process that can typically take two years or longer. There's no executor's fee on that portion either, which can be up to 3.5% of the asset value plus VAT. Because the transfer happens directly between insurer and beneficiary, there's also no forced sale of underlying assets to fund a liquidity shortfall while an estate is still being wound up.

The investment case

Two structural shifts further make the case for living annuities. The first is a tax rule: South African tax law puts no age limit on retirement annuity contributions. A client can keep contributing to an RA well past 70 and still claim the deduction, up to 27.5% of the greater of taxable income or remuneration, capped at R430 000 a year from March 2026, with any excess carried forward under section 11F(4). For example, a client can make a fresh RA contribution at 72, claim the deduction to the extent it falls within the section 11F limits, and retire from the RA into a living annuity within the same tax year. The income usually isn't the point; many of these clients are still consulting or working and don't need it. The point is everything already covered here: freedom from Regulation 28's asset allocation limits, more efficient estate planning, and getting out of the section 37C framework into a structure where the beneficiary nomination binds the insurer from day one.

The second is investment freedom. Living annuities fall outside the investment limits imposed on retirement funds by Regulation 28, although the insurer's asset swap limits will still apply. Clients can hold as much equity as suits their risk profile, and can swap between local and global assets, including share portfolios, within the annuity as circumstances change. On the Ninety One Investment Platform, that global asset swap carries no additional fee.

Layer that freedom on top of the beneficiary flexibility, and it's easy to see why living annuities keep attracting flows.

The advisor's checklist

A living annuity is only as flexible as the paperwork behind it.

- ✓ Confirm every client's nomination reflects their current wishes, including at least one alternative beneficiary, not what was ticked at inception years ago.
- ✓ Ask explicitly whether a client wants the continuation option available to beneficiaries, and check it's structured correctly on the policy.
- ✓ Where a trust is nominated for a minor or special needs dependant, make sure the trust is registered as a special trust (if it qualifies) so the trust isn't taxed at the flat 45% rate by default. This process is becoming administratively difficult, so in practice, the trust may need to pay tax on the income at 45% and then claim back the difference between that and the beneficiaries' marginal tax rates.
- ✓ Revisit offshore exposure on life-wrapped annuities case by case. Capacity limits on these products aren't always fixed, and it's worth confirming directly with the provider before assuming a client is capped.

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