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# Temporary changes to living annuity benefits in light of COVID-19 FAQ

## What does the temporary relief under COVID-19 entail?\*

The proposed temporary measures aim to assist individuals who either need cash flow immediately, or who do not want to be forced to realise living annuity investments that have underperformed. Government proposes amending GN290, Government Gazette 32005 of 11 March 2009 by expanding access to living annuities for a limited period of **four months**, beginning on the date of the gazetted changes and ending on 30 September 2020 as follows:

- Allowing individuals who receive funds from a living annuity to temporarily either increase (up to a maximum of 20% from 17.5%) or decrease (down to a minimum of 0.5% from 2.5% or 5%) their annuity income drawdown, instead of waiting until their next contract “anniversary date”;
- Allowing individuals to adjust their drawdown rates at any time during this period, irrespective of whether or not their anniversary date falls within the period; and
- Any COVID-19 elections made during this period will only be applicable for the relief period. When this period lapses, the drawdown rates will automatically revert to the drawdown rate selected at the annuitant’s most recent anniversary date.

## How do annuitants take advantage of the temporary relief?

The functionality to amend the income drawdown percentage as it relates to COVID-19 relief, will be made available on the new Ninety One transactional website from 11 May. The functionality is available to all annuitants who draw a monthly income.

## What happens after the temporary relief period ends?

As stated above, annuitants who elected to change their drawdown percentage by making use of the COVID-19 relief, will revert to the drawdown rate selected at their most recent anniversary date.

**What happens if an annuitant's income anniversary falls within the temporary relief period and they also want to take advantage of the COVID-19 relief?**

Annuitants will continue to receive their annual income review letters during this period. Should annuitants want to temporarily amend their income and specify an income for the coming year they would be required to submit two instructions:

1. To take advantage of the temporary relief measures, they would need to use the COVID-19 functionality on the [new transactional website](#).
2. A second instruction would be required to amend their income drawdown percentage for the coming year. They can make this instruction as per the normal process by either submitting the instruction online using the old transactional website, or by submitting a signed PDF living annuity income change form.

The second instruction (income drawdown for the coming year) will be effective after the temporary relief period ends.

**What happens if an annuitant's income anniversary falls within the temporary relief period and they don't want to take advantage of the COVID-19 relief?**

Annuitants will continue to receive their annual income review letters during this period. Should annuitants choose not to take advantage of the COVID-19 temporary relief, they should continue to follow the normal process of amending their income drawdown percentage for the coming year. They can make this instruction as per the normal process by either submitting the instruction online using the old transactional website, or by submitting a signed PDF living annuity income change form.

**How do we manage new policies issued within the temporary relief period?**

On completion of an application for a new policy, the annuitant must select an income percentage of between 2.5% and 17.5%. Should the annuitant want to take advantage of the COVID-19 temporary relief, this would need to be captured as an income change request on the new transactional website, after the account has been opened.

**What happens to annuitants who are on the 5-20% regime and elect to draw less than 5%?**

Any elections made during the relief period to reduce a drawdown to below 5%, will only be applicable during this period. When the temporary relief period lapses, the drawdown will revert to the drawdown rate selected at the annuitant's most recent anniversary date.

**How is tax calculated?**

Tax is calculated using the gross annual drawdown for the tax year in question and will automatically be amended to take account of the new drawdown percentage.

**What value is used to calculate the income based on the new percentage?**

The rand value of the drawdown selected for the temporary relief period will be calculated by applying the new percentage to the value of the annuitant's contract as at the most recent anniversary date. Please note that the current market value cannot be used.

### **What happens if the relief period is extended?**

Should the temporary relief be extended, the annuitant's selected drawdown percentage made under COVID-19, will continue to apply until the end of the extension.

### **What other changes have been proposed?**

The living annuity amount that can be commuted has been increased to a single threshold of R125 000 from R75 000, and R50 000 (in the case of previous lump sum commutations). The proposed amendments to the de-minimis amount to R125 000, will not be limited to the four-month period and will continue to apply thereafter.

\*This is based on our view of what the final notice will contain, and is subject to change.

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