

Life Annuity Sales Soar Amid Lockdown Losses

Cape Town, 19 May: Amid the market instability brought on by COVID-19, retirement income specialist **Just** has reported record demand for life annuity solutions from South African pensioners looking to lock in an income for life.

Sales for life annuities have doubled relative to 2019 since the COVID-19 market crash in mid-March 2020. CEO Deane Moore attributes this growth to attractive annuity rates and pensioners seeking to de-risk their retirement income in an unpredictable financial climate.

“Despite current uncertainty, COVID-19 is not *all* bad news for South African pensioners,” says Moore. “While investment assets may have taken a knock, the cost of purchasing income has also come down and represents a reduction that offsets the decline in market values. This means that pensioners may still be able to restore the sustainability of income for life, even though the market value of their investments may have declined.”

In basic terms, if a pensioner had R1 million invested before the crash, it may only be worth R950k in the current market. But, as the cost of purchasing income is now cheaper, a typical married couple in their mid-60’s may still be able to buy R75k per annum of retirement income with just R950k. A similar income to what they could have bought with R1 million back in January.

“While we aren’t sure when markets will recover, we do know that guarantees are the cheapest they have been in decades. And it is now possible to secure these guarantees inside certain living annuities. In this fallen market, the sustainability of living annuities has reduced by three to four years, but by moving away from an old-style living annuity and into a blended annuity, pensioners can restore this sustainability with less risk now and in years to come.”

Advisers show resilience

A further takeaway from the recent sales numbers is how it reflects the resilience of the South African advisory market. The practicalities of lockdown have presented significant challenges to financial advisers, whose relationships with clients traditionally depend on a more personalised, face-to-face management style.

Moore believes that many advisers are successfully reinventing themselves to be able to create and develop meaningful client relationships despite an isolated working environment. “The growth in annuity sales demonstrates that advisers are in tune with their clients’ need for peace of mind, and a sustainable retirement income in these volatile and uncertain times.”

While Moore acknowledges that the sales numbers are exciting, he reiterates that his driving force is the firm’s innovation to enable a blended living annuity solution, which meets a critical need for pensioners: “A secure and sustainable income for life, rather than a promise that may lose its conviction in a failing market. It’s a great time to be offering guarantees when there is so much uncertainty in the world.”

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