Sustainable Living Annuity Drawdown Rates

What You Need to Know

As part of helping you plan for a comfortable retirement, it's essential to understand how much income you can safely draw from your living annuity each year, without running out of money too soon.

What Is a Living Annuity?

A living annuity gives you flexibility: you choose how much to draw each year and the balance remains invested.

What the FSCA and ASISA Recommend

South Africa's **FSCA** (Financial Sector Conduct Authority) and **ASISA** (Association for Savings and Investment South Africa) work together to guide financial professionals on best practices. Their suggested drawdown rates (as seen in the table below) are based on age and life expectancy.

The recommended drawdown rates

Age	Recommended Drawdown	Max Drawdown	Life Expectancy
60	4.5%	7.0%	21–25 years
65	5.0%	8.0%	18–21 years
70	5.0%	8.0%	14–17 years
75	5.5%	8.5%	11–13 years
80	6.0%	9.5%	8–10 years

Why This Matters for You

- Drawing more than the recommended amount increases the risk of depleting your savings too soon.
- It's ideal to keep your drawdown rate at:
    - 5% or less in your first decade of retirement
    - 6% or less in your second decade

Most retirees draw between 6% and 7%, which can be risky if investment returns don't keep up.

What Is ASISA and Why Is It Important?

ASISA (Association for Savings and Investment South Africa) sets the industry standards for fair and responsible financial advice. They help ensure that:

- Advisors follow ethical practices
- Clients receive consistent, realistic projections

- Retirement planning is sustainable and transparent

Their guidelines are backed by actuarial data and industry consensus, making them a trusted source for retirement sustainability.

Proposed Action Plan

Our recommended drawdown rate for your retirement income falls within the sustainable guidelines outlined by ASISA and the FSCA. This ensures that your income needs are met without placing unnecessary strain on your retirement capital. By aligning your drawdown with these norms—ideally 5% or less in the first decade and 6% or less in the second—we aim to protect your long-term financial security and reduce the risk of depleting your investment prematurely. We review your drawdown annually, taking into account market conditions, inflation, and any changes in your personal circumstances. This disciplined and measured approach helps balance your current lifestyle needs with the longevity of your savings, giving you greater peace of mind throughout retirement.