

Linked Investment or Life Assurance?

Where to invest for your retirement

When taking out a retirement annuity (RA) you can invest through a life insurance company or a Linked Investment Services Provider (LISP). Knowing the differences between the two will help you decide on which is more suitable for your retirement needs.

What they have in common

- Tax and estate duty benefits
- Protect your retirement savings against creditors.
- Are governed by the Pension Funds Act, so normal retirement fund restrictions, like only being able to access funds after age 55, apply.
- Require you to choose an investment portfolio.

Where they differ

	Investment-based RA Linked Investment Services Provider (LISP)	Insurance-based RA (Liberty) Life insurer
Investment choices	Choose from a broad range of underlying unit trusts.	Choose a portfolio that is managed by the insurer, or external unit trusts. The range of unit trusts is often not as extensive as on LISP products.
Asset classes	Unit trusts can only invest in assets that are listed on a stock exchange.	Offers other asset classes like physical property. The Liberty Property portfolio, for example, has consistently provided inflation-beating returns.
Portfolio management	This option is more flexible and is very attractive if you are prepared to make your own investment decisions or have a financial adviser to assist you.	The internal range of portfolios is managed by a single internal asset manager or follows a multi-managed approach. Multi-managed portfolios give you access to external asset managers without you having to choose the managers yourself.
Costs	The costs of offering a wide range of unit trusts have an impact on the cost of the product.	The range of internal portfolios come at a lower cost than external unit trusts. Changes to commission regulations and lower early termination charges have resulted in new RAs offering better value to clients.
Guarantees	Not usually provided for.	A range of minimum investment guarantees that will protect your investment against negative investment performance if the market hits a low.
Additional benefits	Not usually provided for.	Benefits such as premium waivers on disability and retrenchment will fund regular premium payments if you become disabled or are retrenched.

Speak to your financial adviser about which investment structure best meets your needs.