



Discovery Invest

**A SOLUTION FOR RETIREMENT
IN A WORLD OF LONGER LIFE**





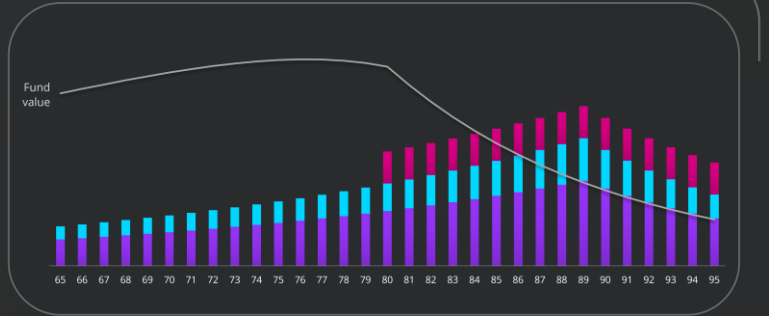
The longevity revolution



Traditional solutions in the market



A solution to provide income flexibility, market exposure, longevity protection and wealth transfer on death





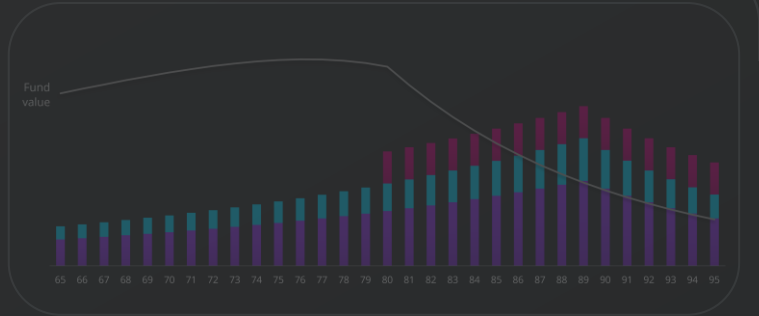
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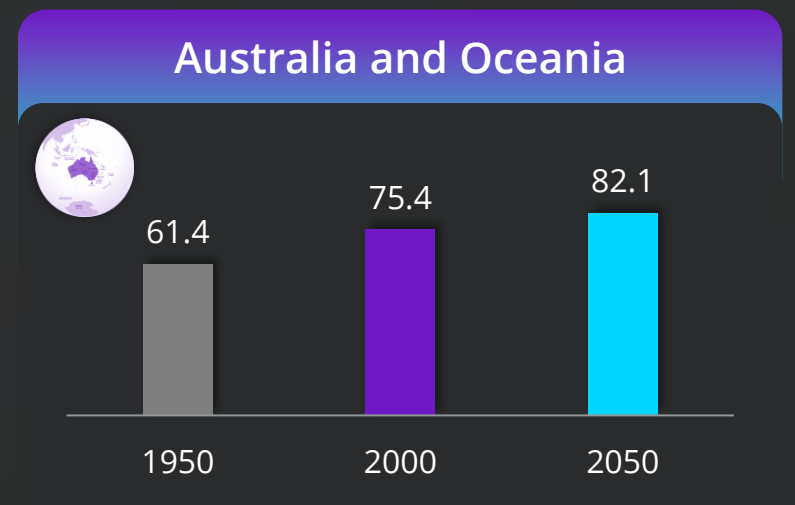
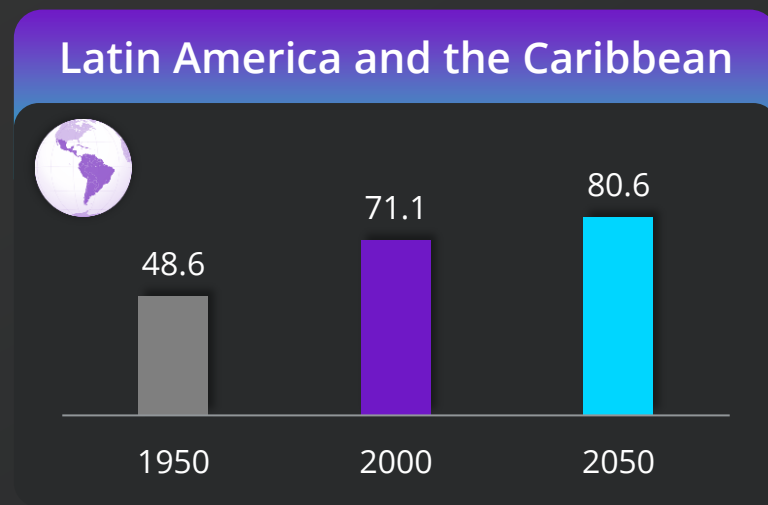
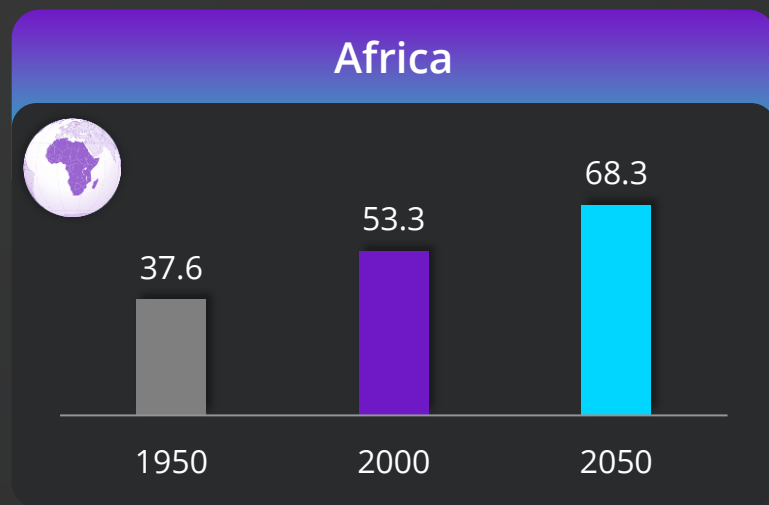
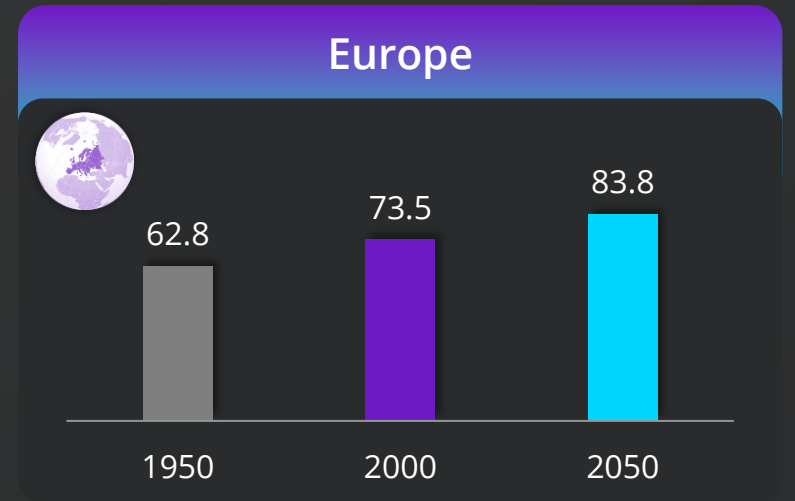
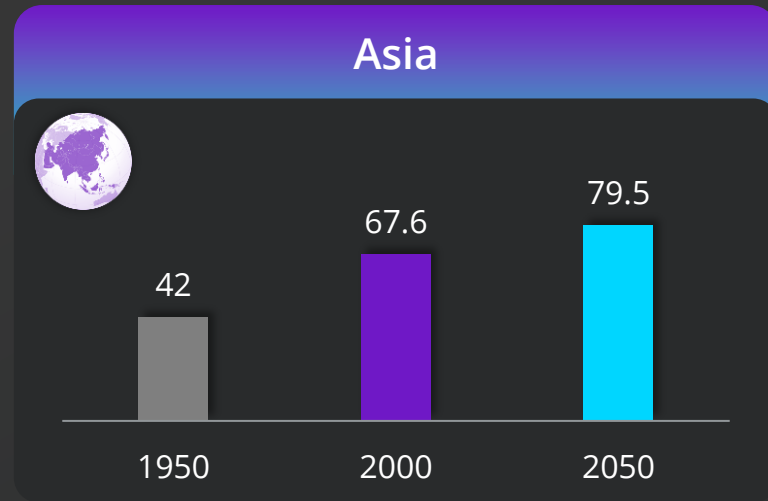
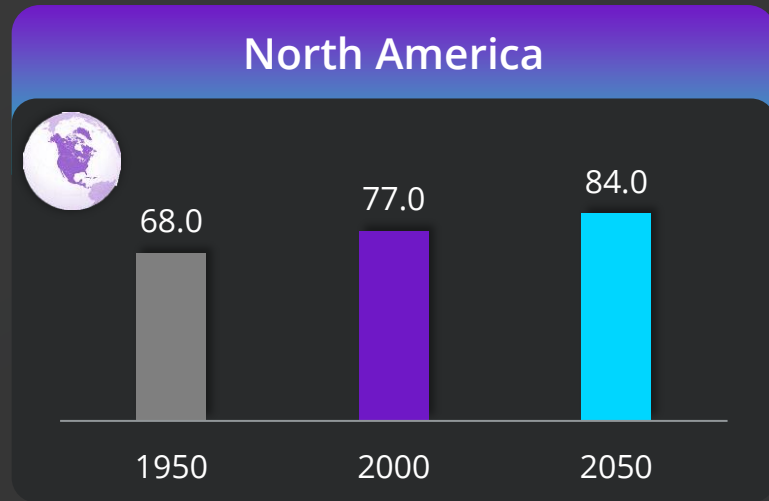
Traditional solutions
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A solution to provide income
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People are living longer everywhere





45%

of severe illness claims in males older than 60 are for cancer

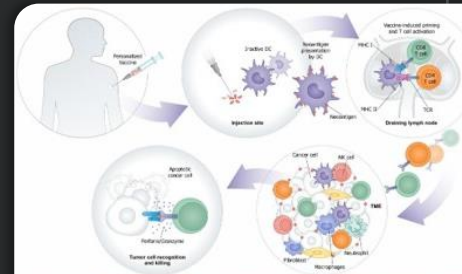


1 in 4 deaths

of men older than 60 is due to cancer

Recent cancer treatment developments

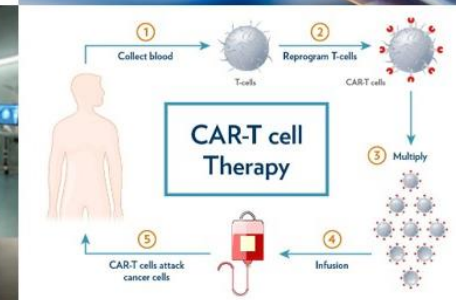
Personalised cancer vaccines designed to prime the immune system to target cancer cells and reduce recurrence risk



Seven-minute cancer treatment to speed up treatment process and free up time for medical practitioners



Using artificial intelligence to help screen for common cancers, leading to early diagnosis

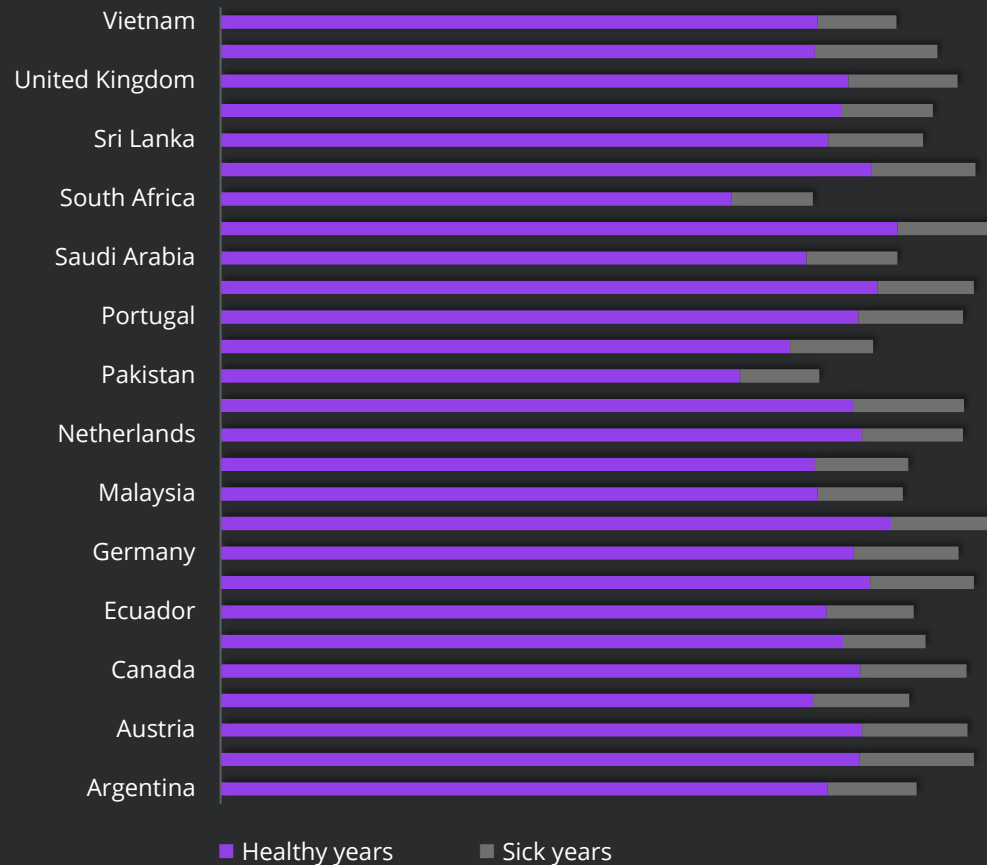


CAR-T-cell therapy to remove and genetically alter immune cells to target, recognise and destroy cancer cells

Understanding of longevity and its impact on retirement outcomes



On average, more than 10 years are spent in poor health



Clients' health is a crucial aspect of their financial plan

3x

sick retirees spend more on out-of-pocket expenses than healthy retirees

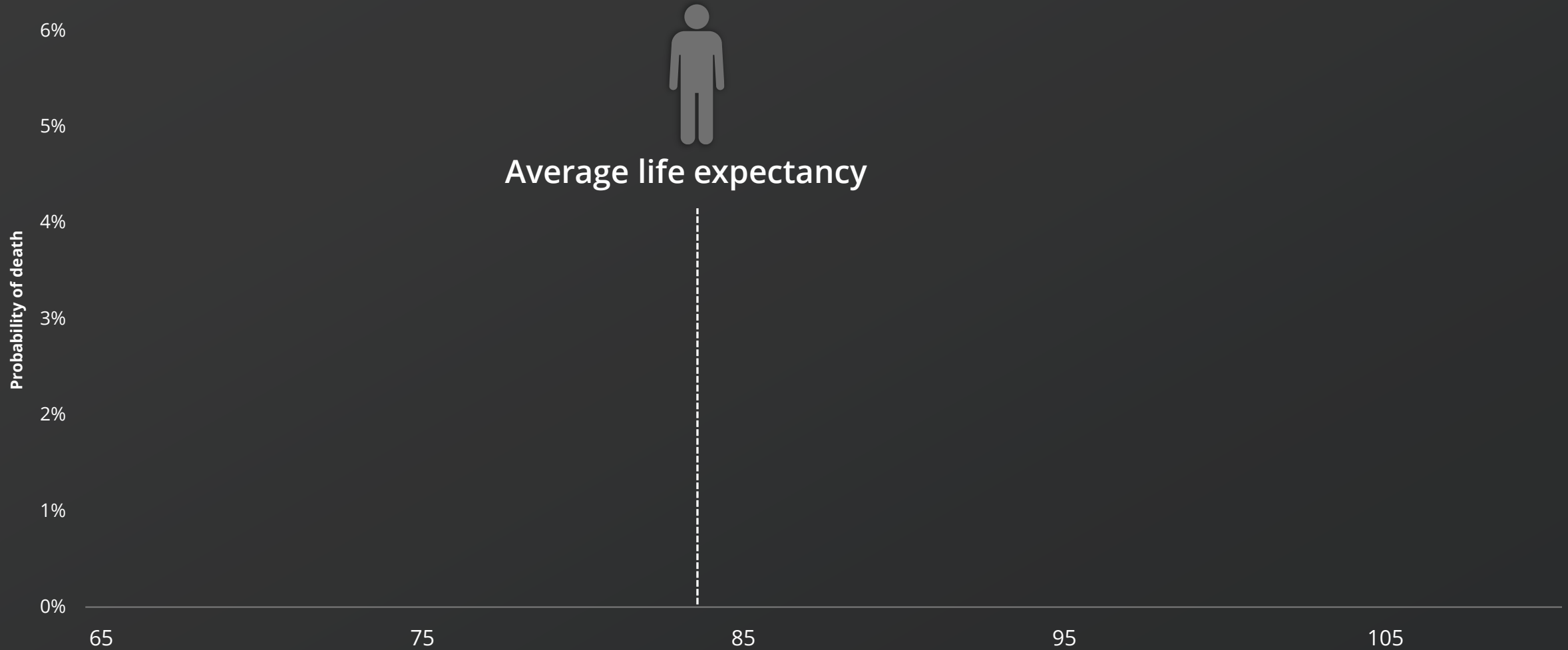
70%

of individuals aged 65 will develop the need for long-term care

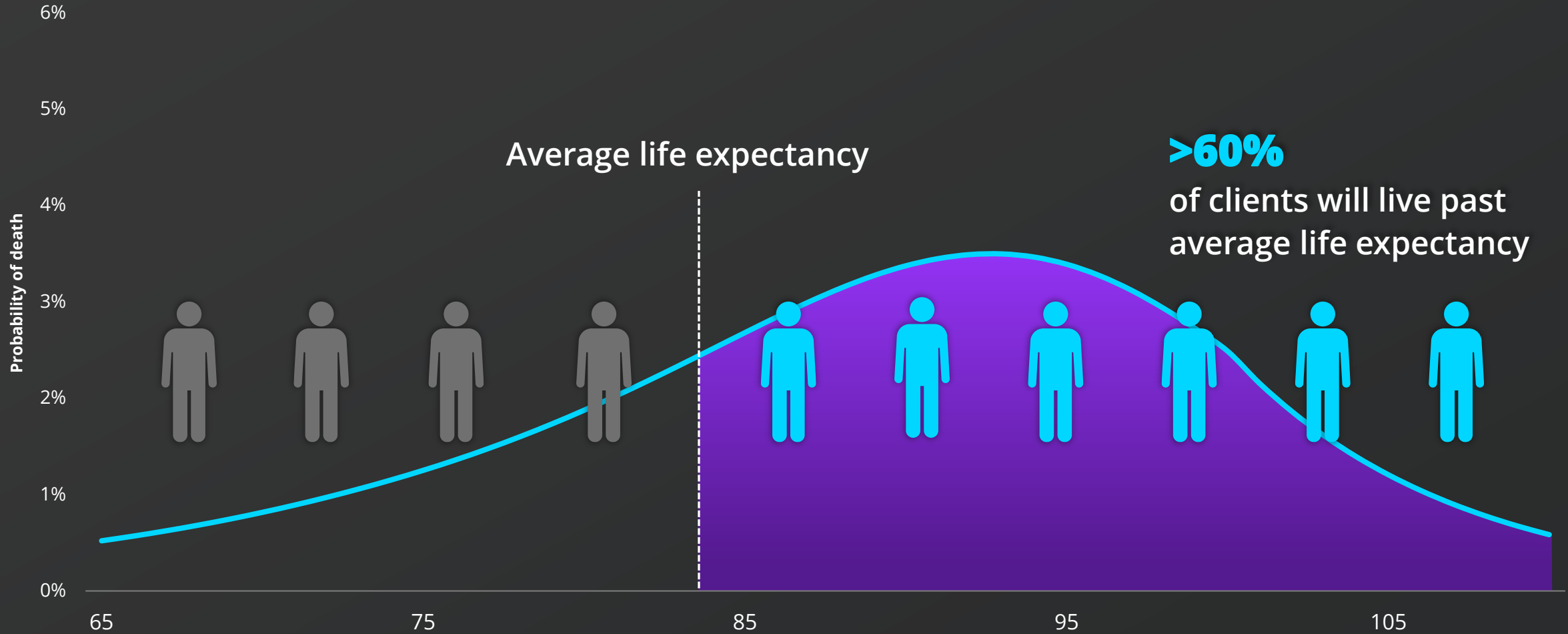
R75,000

monthly cost of long-term care services

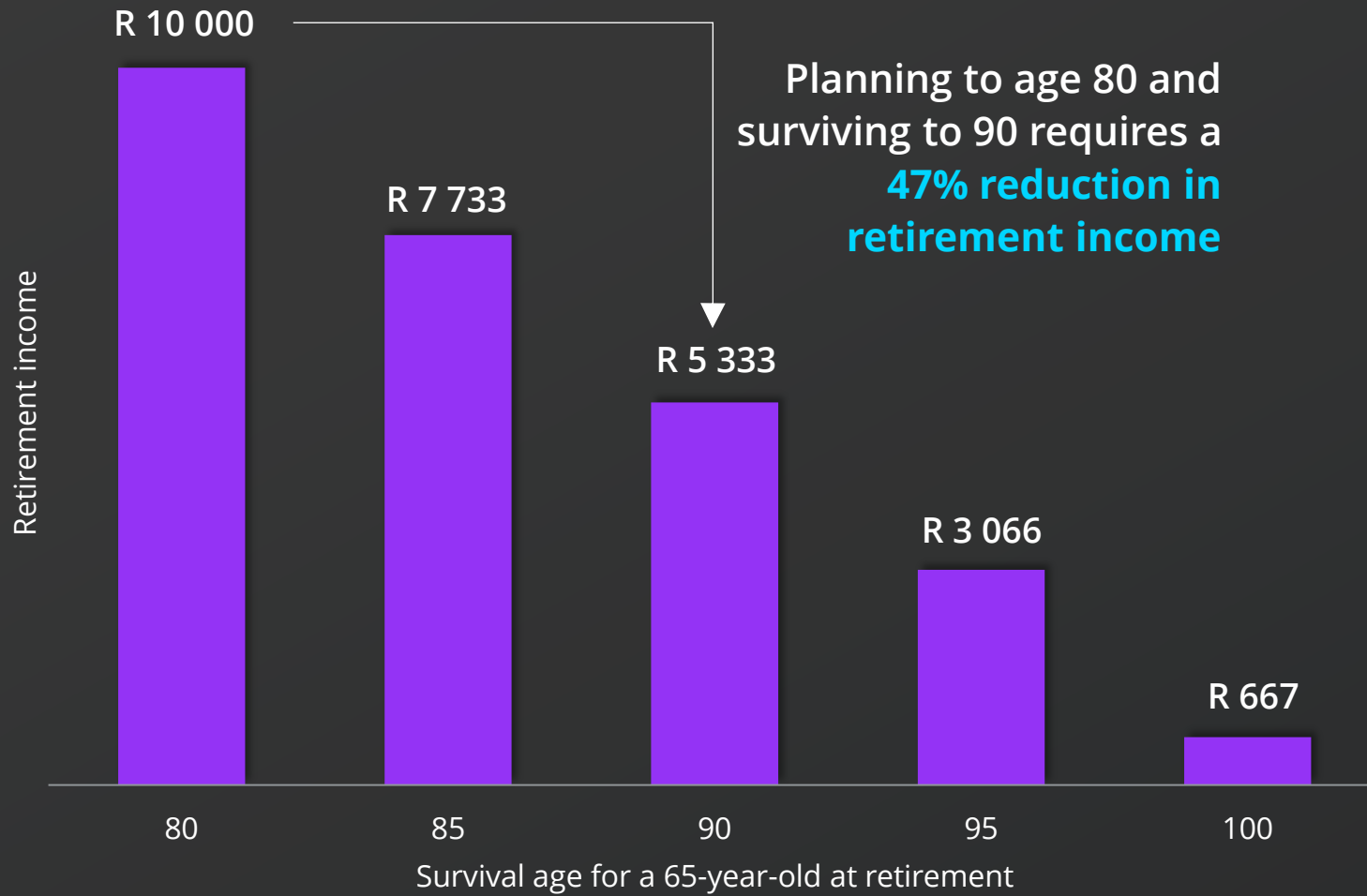
Financial planning is often centred around life expectancy



But life expectancy is highly uncertain



Longevity significantly impacts retirement income



Source: Discovery Internal Analysis

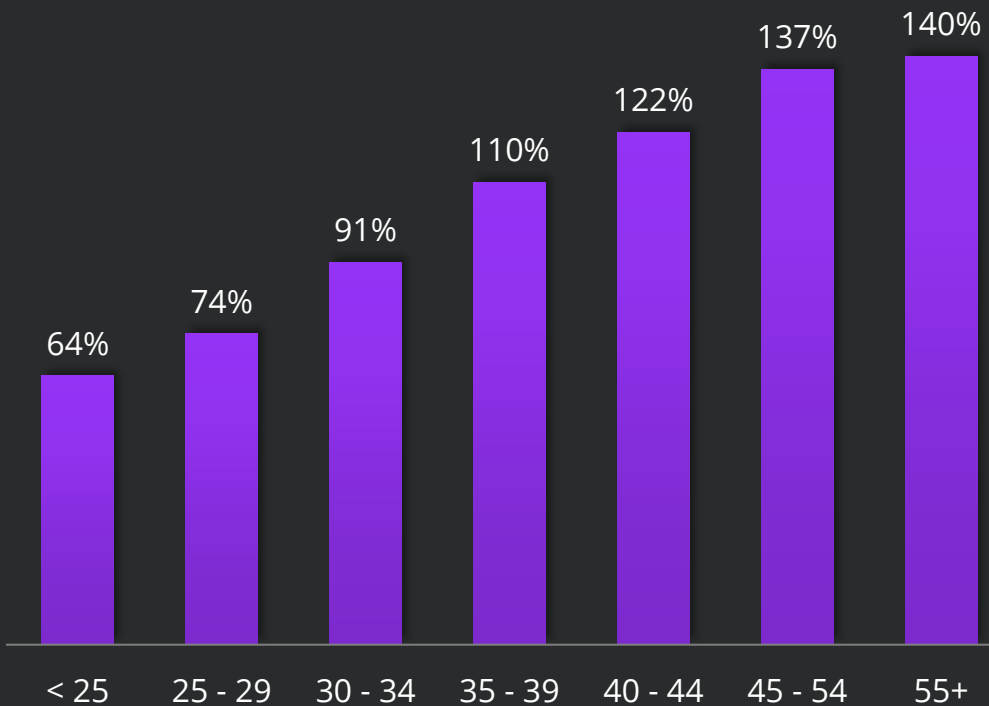


Retirement income under pressure

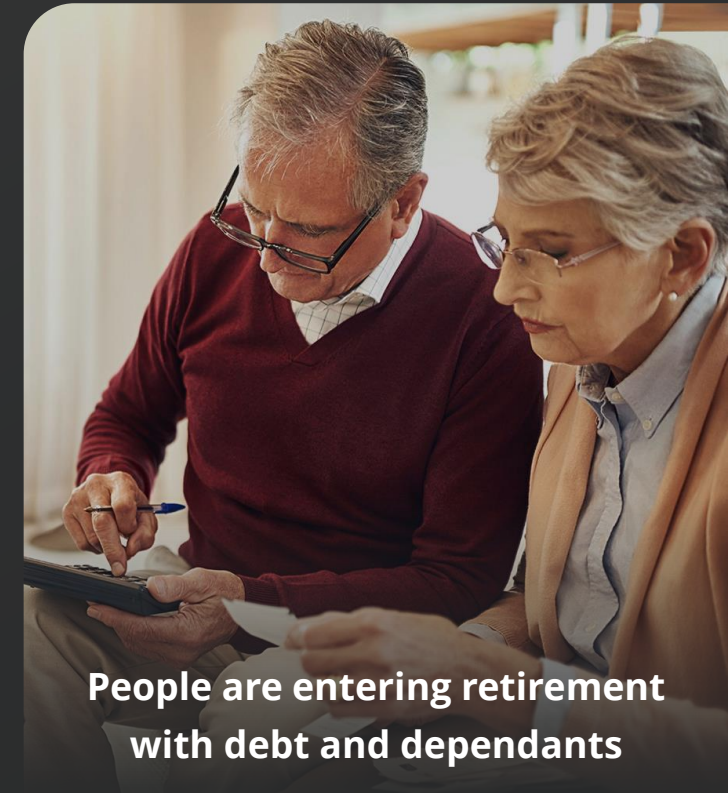
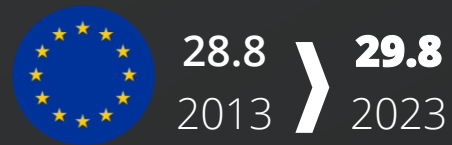
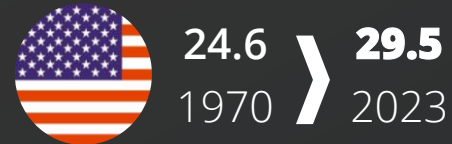


Individuals are over-leveraged

Debt exposure to net income

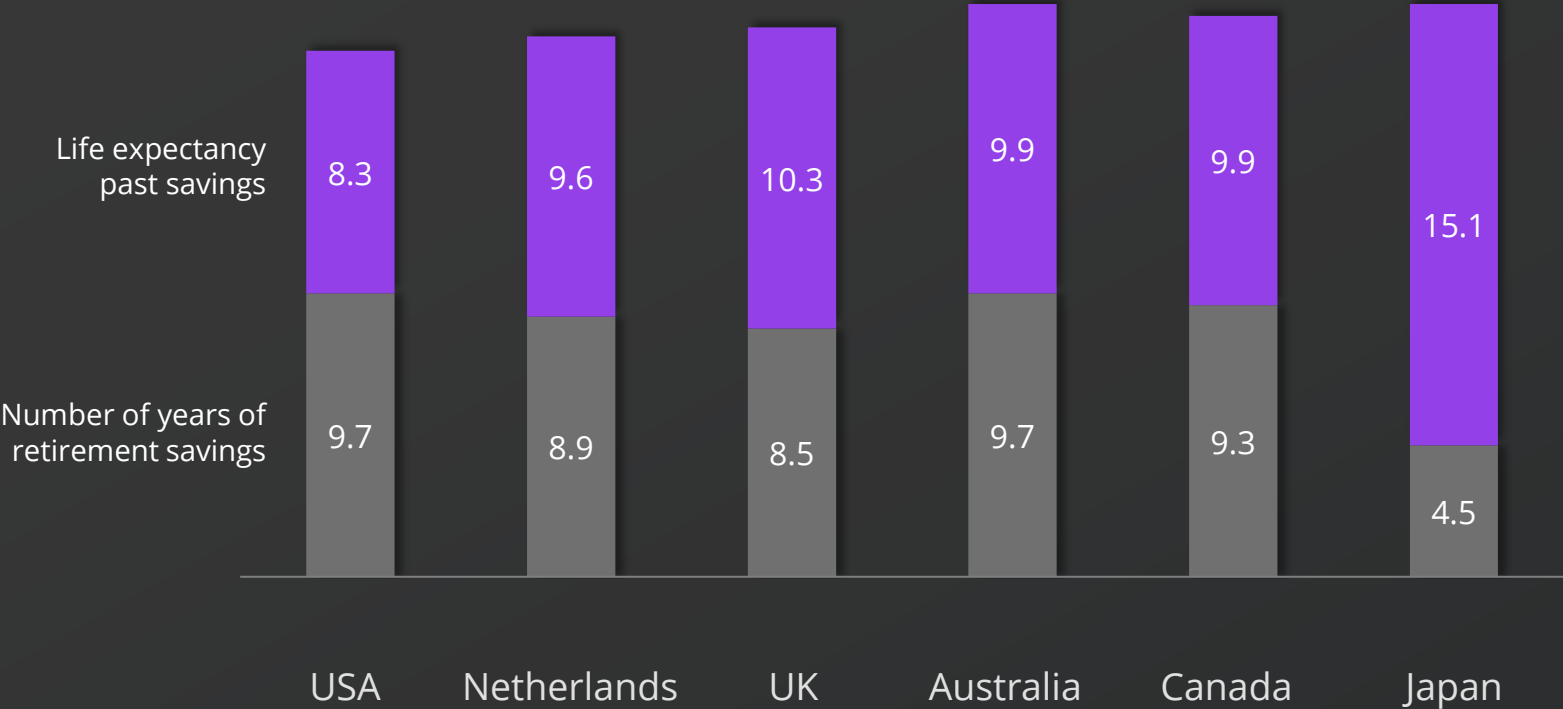


Average age of mothers having children



People are entering retirement with debt and dependants

Across the world, retirees are outliving their savings by more than a decade



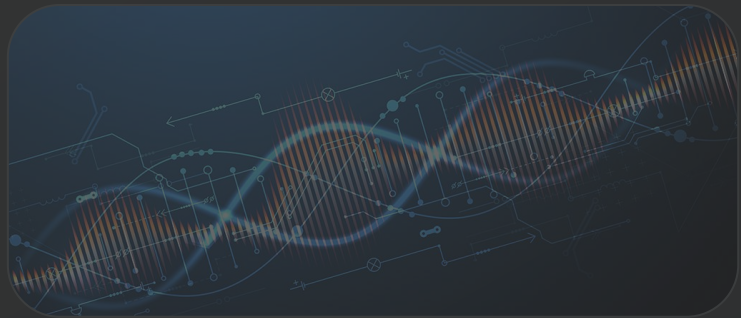
Females outlive their savings by 13 years on average



Source: World Economic Forum Analysis (2019)



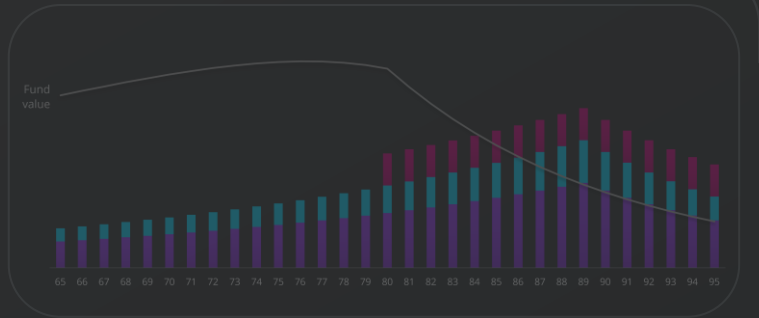
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Fixed annuity



Fixed income guaranteed for life



No income flexibility to meet changing needs



Loss of capital on death
(available at a significant cost)

Living annuity



Flexible income: choose between 2.5% and 17.5% withdrawal



Market exposure

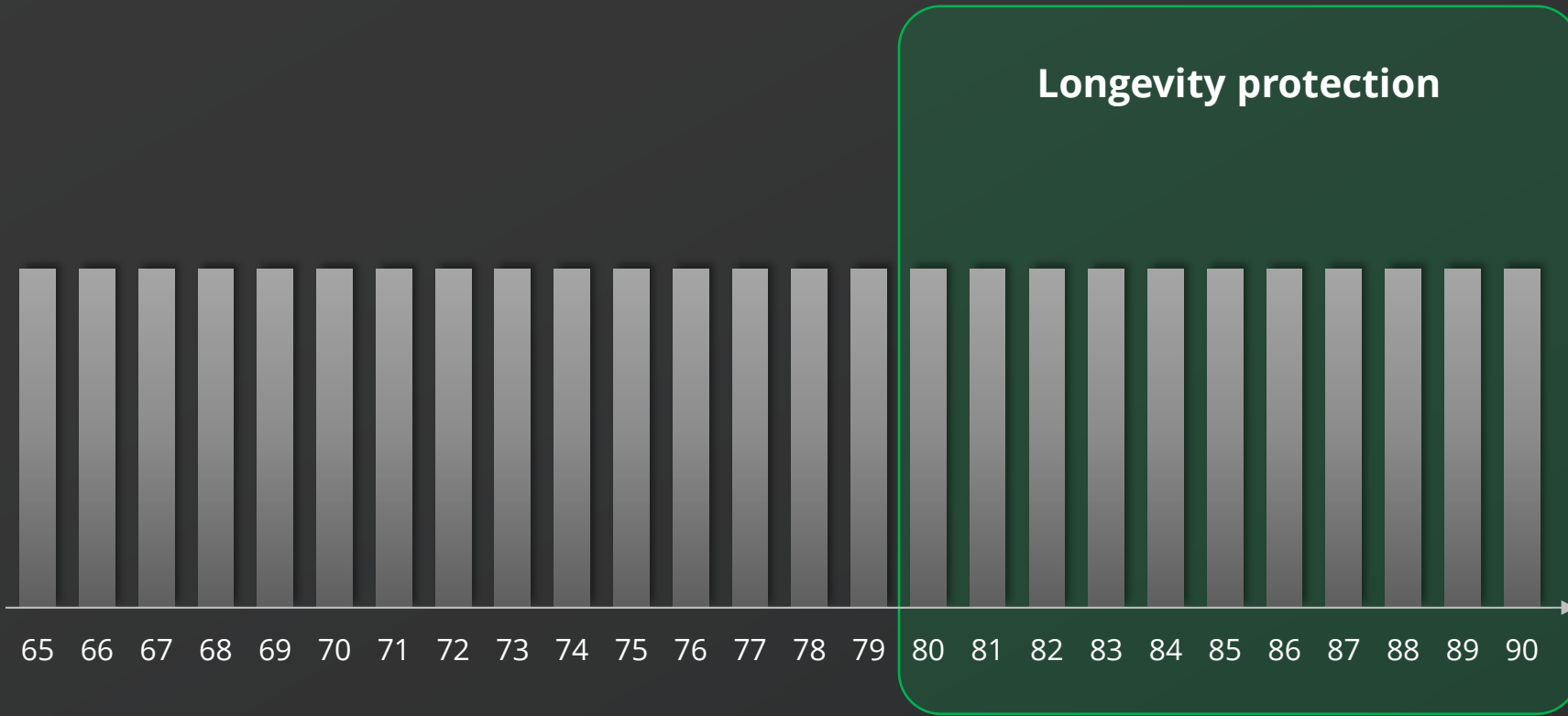


Remainder of fund paid on death



Risk of outliving savings

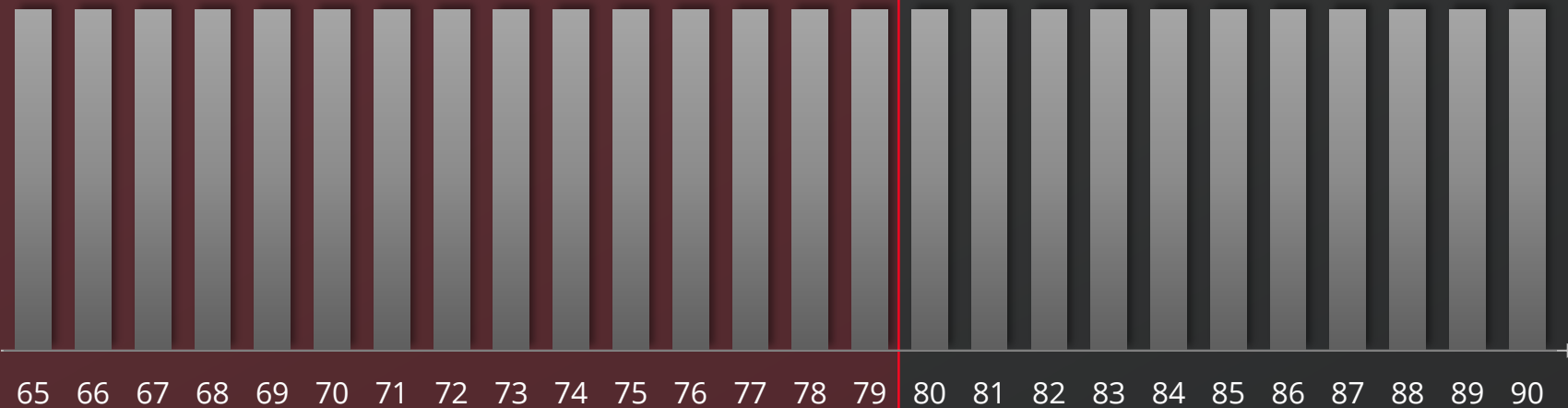
Fixed annuities provide longevity protection...



...but are inflexible and inefficient



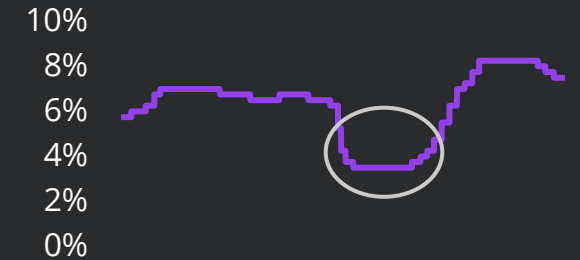
Income inflexibility



92% average replacement ratio needed at the start of retirement

19% decrease in average spend between age 65 and 80

Interest rates can significantly impact income for life



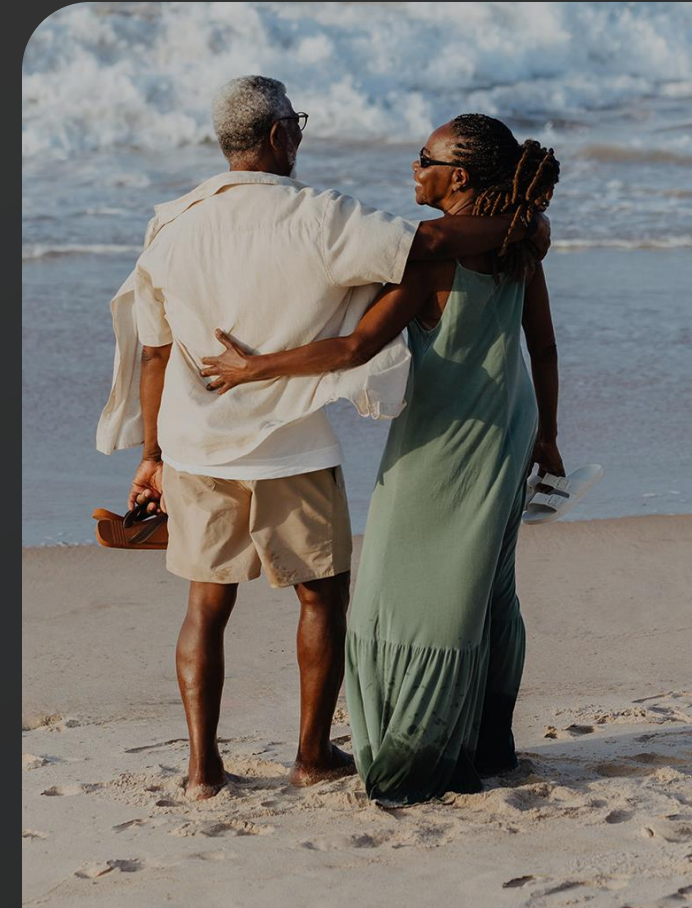
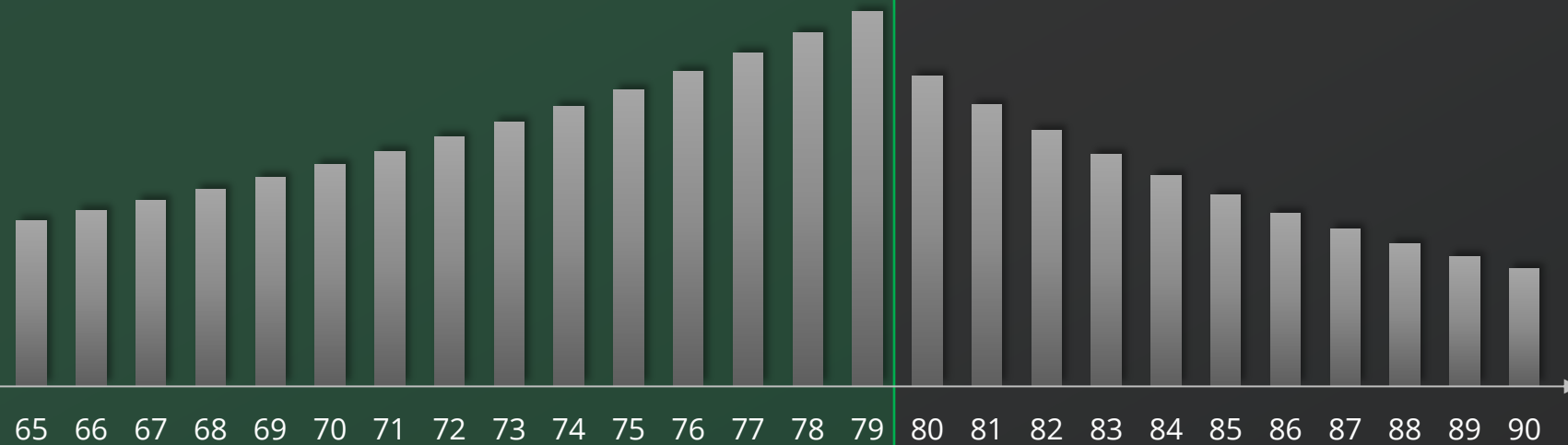
Guarantees and escalations reduce starting income by **10% - 40%**

Living annuities provide more flexibility...

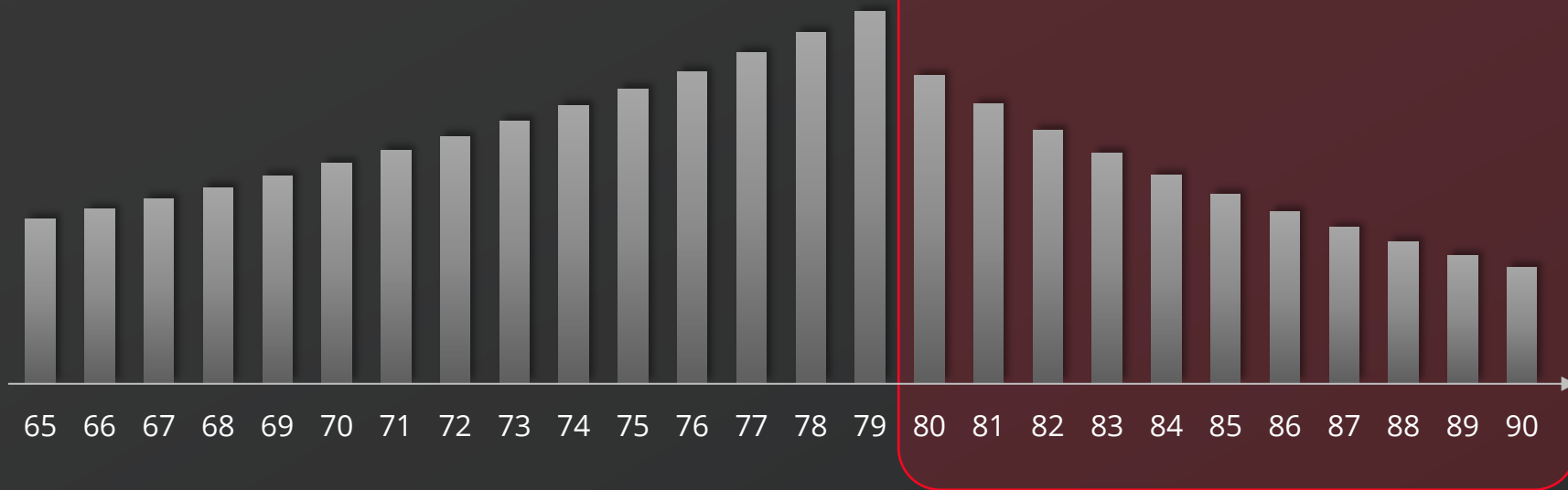


Ability to change income in line with needs

Fund value paid on death



...but clients bear the risk of outliving their savings

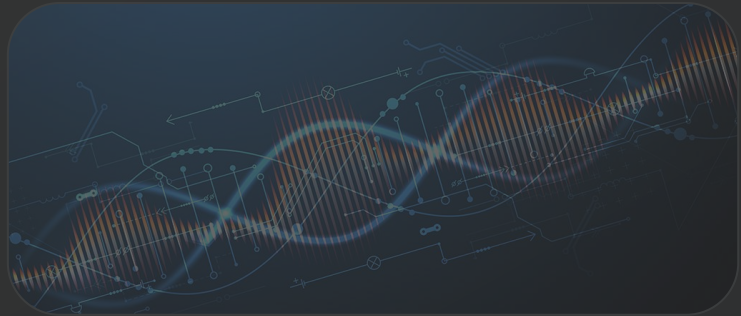


7 in 10

of those aged
65 will survive
to age 80+



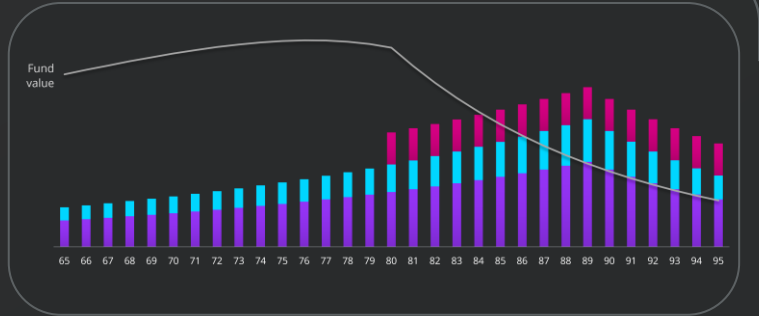
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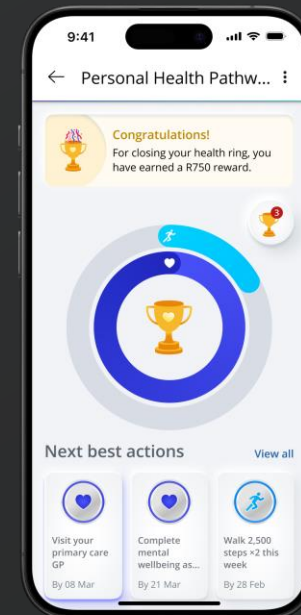
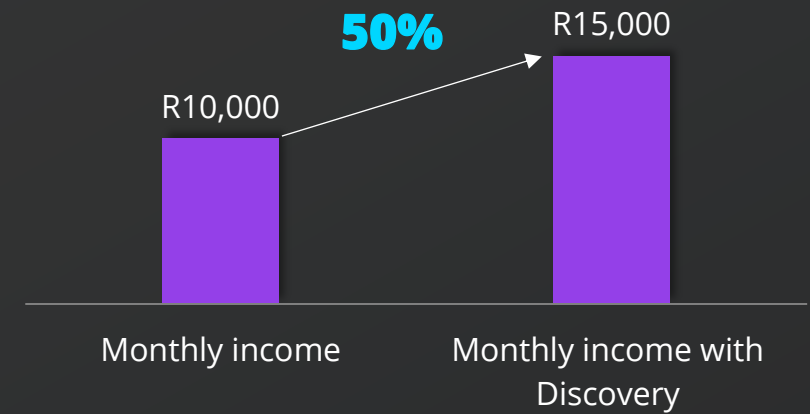


Step 1 | Encourage the right behaviour



Income boosts for living well and withdrawing wisely

Withdrawal level	Income Boosts by Level					
	None	Blue	Bronze	Silver	Gold	Diamond
2.50% - 3.00%	12.5%	12.5%	20.0%	30.0%	40.0%	50.0%
3.01% - 3.50%	7.5%	7.5%	13.5%	20.0%	25.0%	35.0%
3.51% - 4.00%	5.0%	5.0%	10.0%	13.5%	16.5%	20.0%
4.01% - 4.50%	3.5%	3.5%	7.5%	10.0%	12.5%	15.0%
4.51% - 5.25%	2.5%	2.5%	5.0%	7.5%	7.5%	10.0%
5.26% - 6.00%	0.0%	0.0%	3.5%	5.5%	5.5%	7.5%
6.01% - 8.00%	0.0%	0.0%	2.0%	3.5%	3.5%	4.5%
8.01% - 10.00%	0.0%	0.0%	0.0%	2.0%	2.0%	2.5%

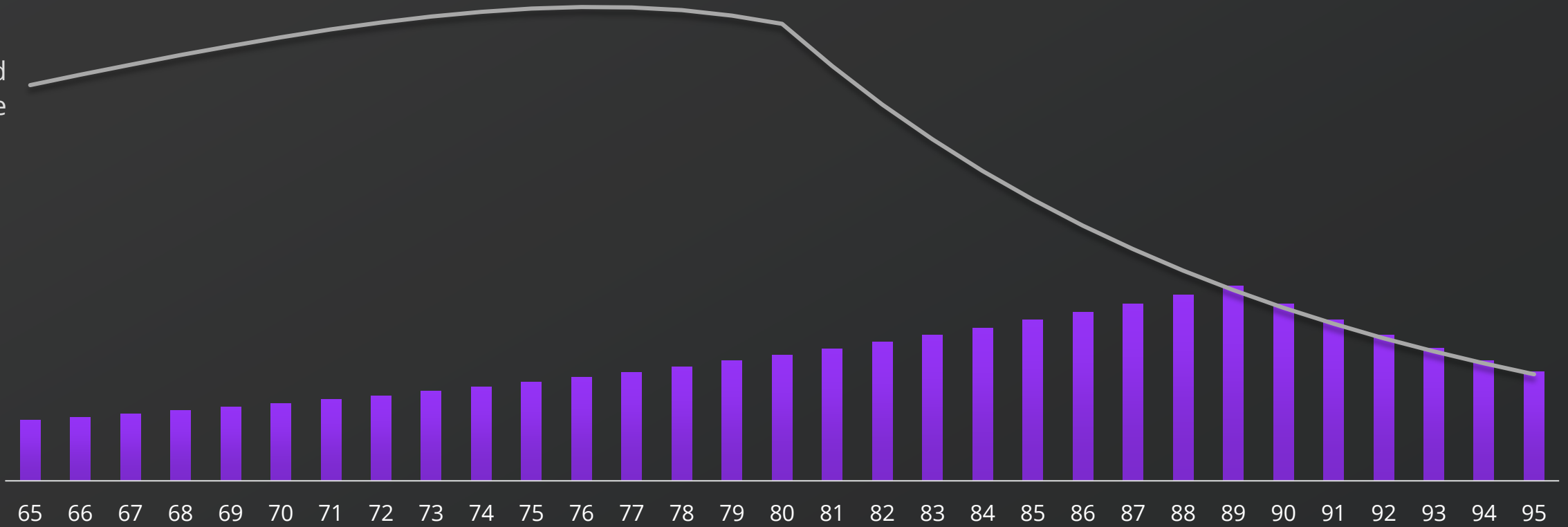


Extra income in the following month for closing Personal Health Pathway rings

Encouraging better withdrawal behaviour every month



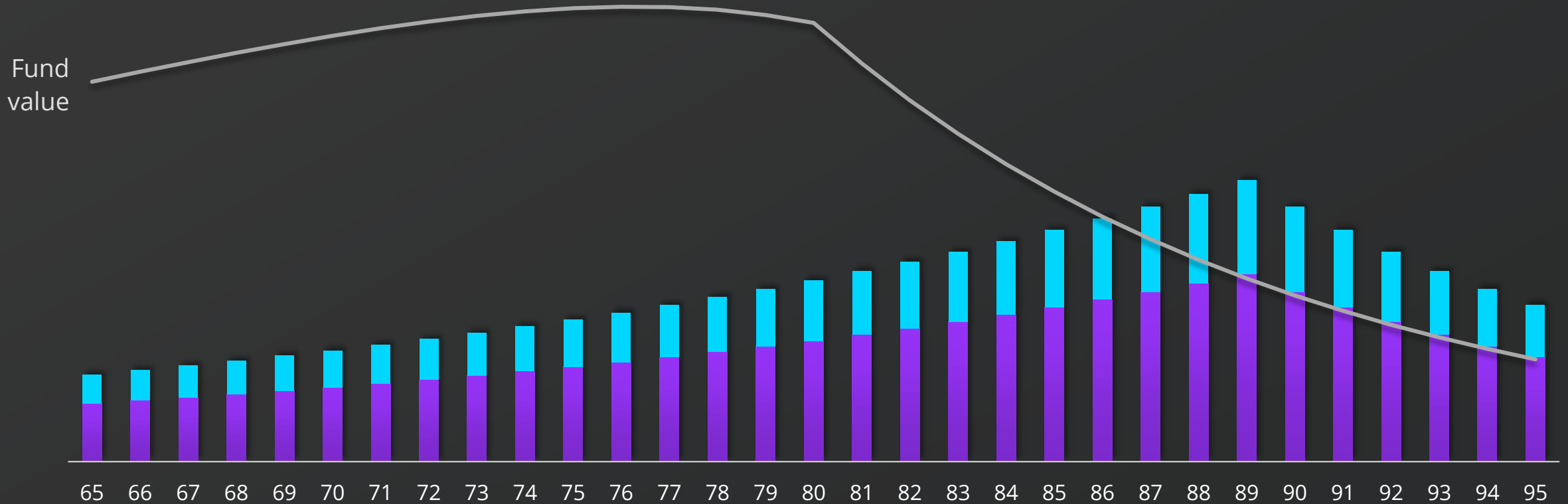
Fund value



Encouraging better withdrawal behaviour every month



Income boosts of
up to 50%
for living well and withdrawing wisely



Step 2 | Longevity risk protection



Guaranteed income for life from age 80



Automatically included in the plan



Funded through a small charge



Full investment flexibility and fund choice



Charge refunded on early death



90%

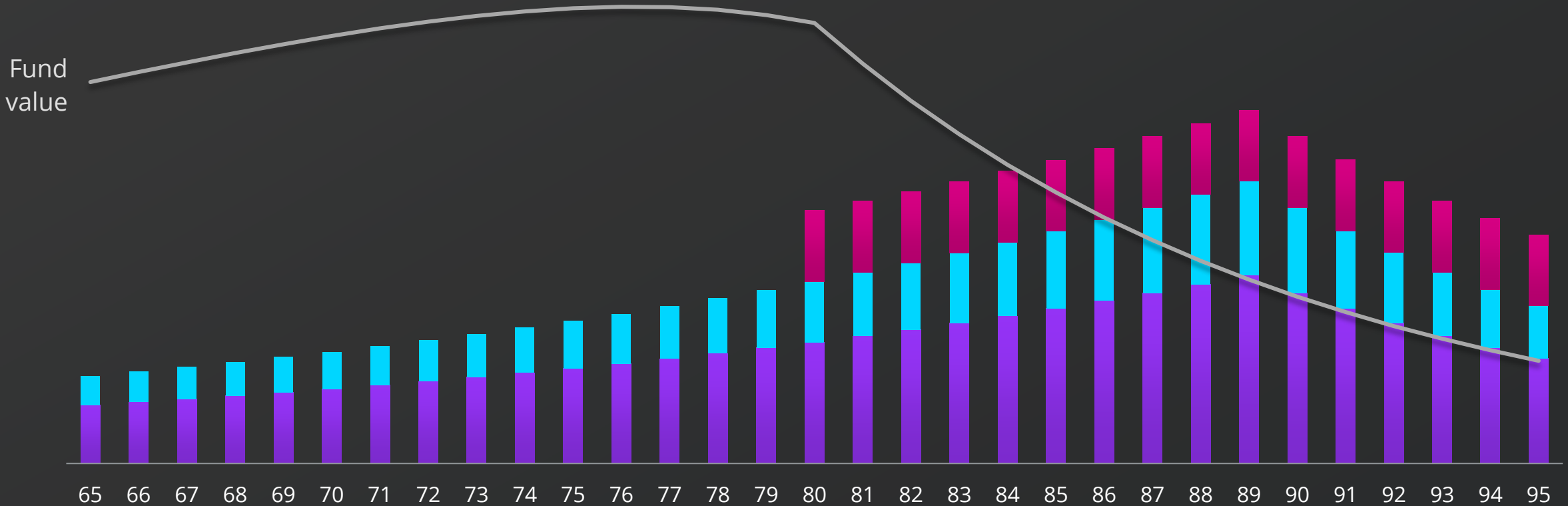
more cost-efficient than a
fixed annuity from age 65

The Lifespan Linked Income Plan | A breakthrough in longevity protection

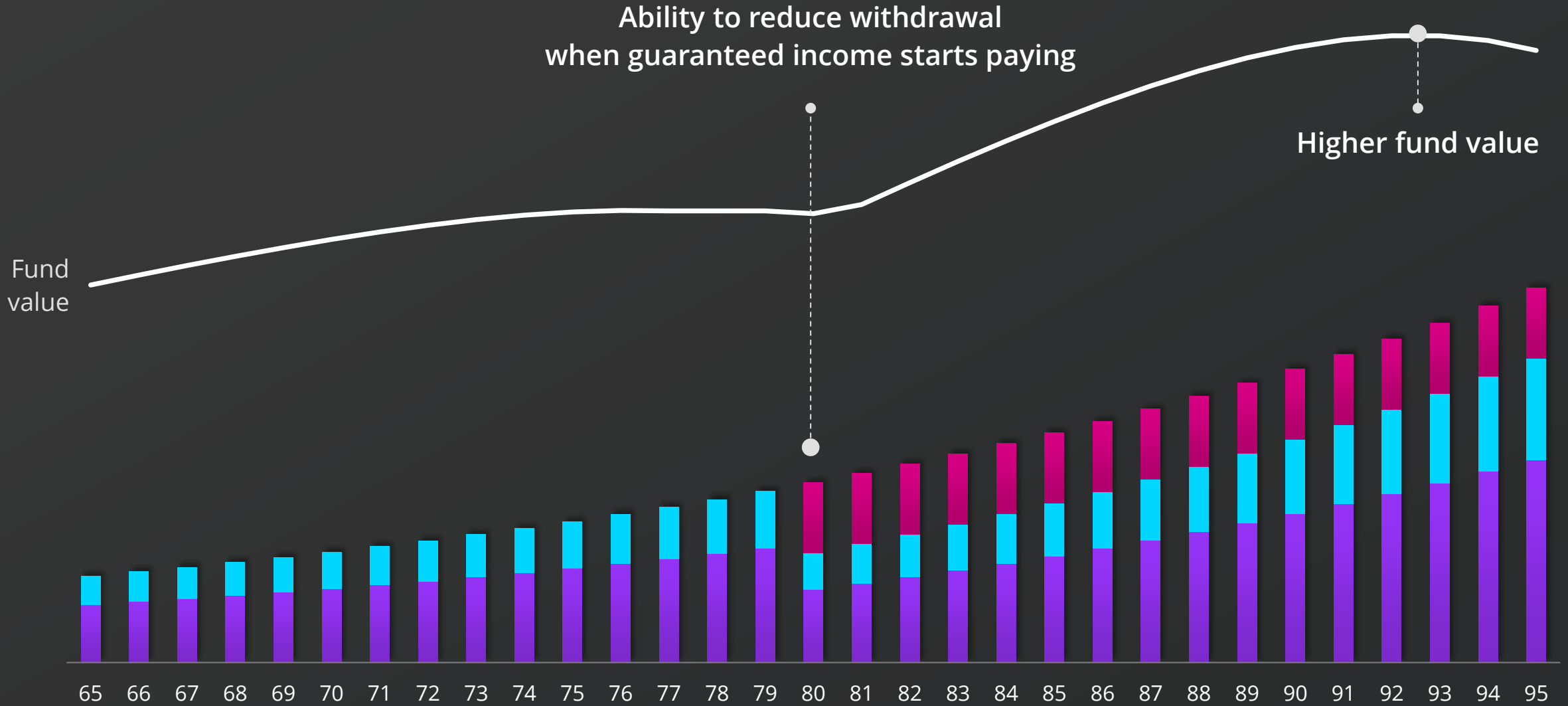


Income boosts of
up to 50%
for living well and withdrawing wisely

Guaranteed income
from age 80 for life



Enabling wealth preservation





Case study

Meet Greg

Age 65

R3 million

invested in a Lifespan
Linked Income Plan



Guaranteed income of **R19,432 pm** from age 80

He starts with a 3% withdrawal. He increases his withdrawal over the term to match his lifestyle needs. At age 80 he is withdrawing 9% of his fund.

	Traditional solution	Discovery solution
Starting income (3% starting withdrawal)	R90,000	R90,000 + 50% boost = R 135,000
Income at age 80	R395,924	R395,924 + guaranteed income (R233,184) = R629,108
Income at age 90	R332,861	R332,861 + guaranteed income (R233,184) = R566,045

Assuming a growth rate of 8% pa

Lifespan Linked Income Plan withdrawals are calculated to match the rand amount of the traditional solution



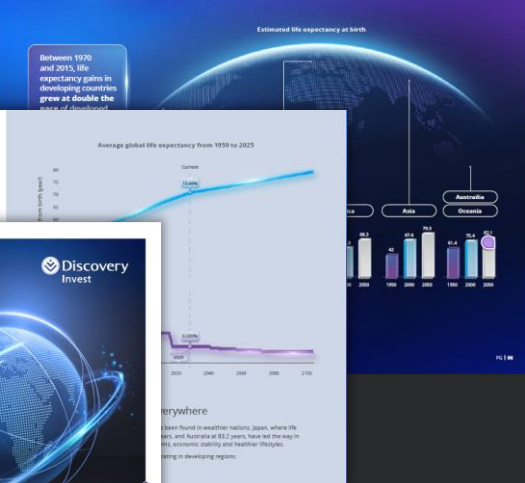
	Fixed annuity	Living annuity	Discovery Lifespan Linked Income Plan
Market exposure	No growth potential	Market growth	Market growth
Wealth transfer to beneficiaries	Loss of capital on death/expensive guarantees	Remaining fund value on death	Remaining fund value on death
Income flexibility	Inflexible income	2.5% - 17.5% withdrawal	2.5% - 17.5% withdrawal plus up to 50% extra income
Longevity protection	Whole of life	Risk of outliving savings	Whole of life



Targeting longevity tail risk through efficient, powerful lifetime guarantees

The concept of mortality credits involves utilizing money at younger ages to pay exclusively for income needed in the long term. This has the effect of dynamically reducing the required capital upfront to provide income for those in old age. Therefore, through careful targeting of the tail end of longevity risk, only 5 - 10% of the entire fund value is needed to provide appropriate guaranteed income at older ages. This is achieved through a specially designed fund strategy that defers the majority of payments and is therefore approximately 90% cheaper for clients than making payments immediately. The Discovery Cheaper Lifetime Income Plan also allows for this to be funded via a small monthly fee instead of being deducted upfront. This enables up to 100% allocation of a client's money to their own set of funds. Importantly, the full fund value is available on death.

Importantly, the probability of a 65 year old repurchasing their real income in retirement will depend on their living annuity withdrawal asset rate and their risk profile. If an individual withdrawing 5% income and investing in a multi asset high equity fund would have had just over 90% probability of a comfortable retirement, this percentage reduces to just 60% if they instead invest in a multi asset low equity fund, and to 2% if they were to hold their money in cash. The below graph shows the living annuity fund value over the retirement term for different asset allocations using an average annual drawdown of 5.7%. Importantly, conservatism is often the weakest investment strategy.



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THANK YOU

Discovery Invest

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