



OCTAGON AFRICA ANNUITIES

OCTAGON ANNUITIES



What's an Annuity?

A specified income payable at stated intervals for a fixed or a contingent period, often for the recipient's life, in consideration of a stipulated premium paid either in prior installment payments or in a single payment.

Characteristics of Annuities

- ✓ **Payments may be made monthly, quarterly, semi-annually or annually.**
Once an annuity is in payment, cannot rescind the decision of purchase and one cannot opt out.
- ✓ **Annuities can be in constant level (non-escalating) or increasing (escalating)**
- ✓ **Annuities that increase by a fixed % annually are appropriate to offset the effects of inflation**
- ✓ **Annuities can be guaranteed or non-guaranteed**
- ✓ **Guaranteed - Payments are assured for a minimum period regardless of when the annuitant dies**
- ✓ **For instance, an annuity guaranteed for ten years will be payable for life or ten years, whichever is longer. If the annuitant dies during guaranteed period, balance of the guaranteed installments will be payable to the nominated beneficiary**

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Characteristics of Annuities *(cont.)*

- ✓ Annuities can be on single life or joint life (or last survivor annuity)
- ✓ Option used to provide retirement income for a married couple, since a single life annuity ceases if main annuitant dies first, leaving the spouse with no source of income
- ✓ Payments usually continue in full after the first death but sometimes reduce by, say one-third, one-half or even one-fifth
- ✓ If both lives die before the expiry of the guaranteed period, the balance of the guaranteed installments will be payable to the couple's nominated beneficiary
- ✓ They can either be escalating or level depending on choice
- ✓ Escalating annuities usually starts on a lower rate than the level annuity
- ✓ Enjoy a tax relief of up to Ksh 25,000 per month and at time of purchase
- ✓ Are issued by life insurance companies
- ✓ Provide income you can not outlive

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Type: Immediate Single Life Guaranteed Annuity

RETIREMENT AGE	60 YEARS	
PURCHASE PRICE	KSH. 1,000,000	
GENDER	MALE	FEMALE
ANNUITY p.a (Ksh.)	124,200	118,320
ANNUITY p.m (Ksh.)	10,350	9,860

GUARANTEED FOR 10 YEARS & LIFE THEREAFTER



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TYPES OF ANNUITIES



Immediate Annuity

Income stream begins immediately upon payment of the first premium

01



Deferred Annuity

Income stream begins later (or not at all, at the owner's discretion)

02



Joint Life Last Survivor Annuity

On death the annuity is payable to the spouse or nominated beneficiary

03

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ANNUITY EXAMPLE

Assume a member has a retirement benefit of KShs. 2,500,000.00 at the age of 60 years. 1/3 of his benefits Shs.833,333.33 is payable as a cash lumpsum and the remaining 2/3rds KShs. 1,666,666.67 is used to purchase an annuity.

Name: CROWN						
Annuity Purchase Price: KShs. 1,666,666.67						
	Service Provider A			Service Provider B		
Single Life Annuity	No Guar	5 yr. Guar	10 Yr. Guar	No Guar	5 yr. Guar	10 Yr. Guar
Annuity @ 0% esc	17,976.00	17,716.00	17,061.00	16,440.00	16,282.00	15,901.00
Annuity @ 3% esc	15,049.00	14,850.00	14,280.00	13,158.00	13,044.00	11,049.00
Annuity @ 5% esc	13,196.00	13,034.00	12,528.00	11,140.00	11,049.00	10,794.00

Put your trust where it belongs



Octagon Insurance Brokers Limited is regulated by the Insurance Regulatory Authority of Kenya

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