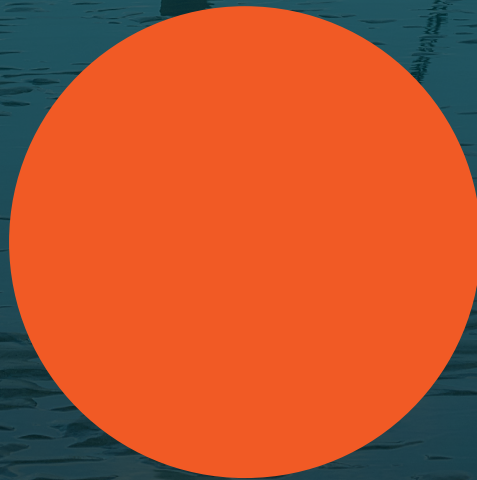




Living Annuity



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Living Annuity

About this investment

Glacier Financial Solutions (Pty) Ltd (Glacier) is a licensed financial services provider authorised to act as an administrative FSP. Glacier will administer this investment through their Glacier Partners: Alexforbes division. We provide the investment platform and execute your instructions. You select the underlying investments and instruct us when and how to adjust your investment.

Your Alexforbes appointed financial adviser will provide you with advice and help you manage your investment to make sure that you stay on track with your goals.



What is it?

- This is a secure, tax-efficient investment vehicle that has access to a variety of investment portfolios.
- It allows you to choose the level and frequency of your income during retirement.



Who is it aimed at?

Retiring members who want to receive regular pension payments in retirement.



What are the tax benefits?

The following will not be taxed:

- An investment transferred from an approved pension, provident or retirement annuity fund to the Living Annuity
- Capital gains
- Investment returns in the annuity



Which portfolios can you invest in?

- You can choose a maximum of five investment portfolios to invest in.
- You can also switch between portfolios from time to time.
- Your investment portfolio selection must comply with the exchange-control restrictions by the South African Reserve Bank.
- You can choose between a selection of unit trusts and life portfolios.



What is the minimum investment?

R600 000 single premium.

About Living Annuity



What are the features?

Regular income

- You must choose an annuity income of between 2.5% and 17.5% of the market value of your living annuity each year.
- You can increase or decrease the level of your income each year on your anniversary date.
- You can choose to receive your income monthly in arrears, quarterly in advance, half-yearly in advance or annually in advance.
- Your annuity may be structured in such a way that your income is drawn from one or more portfolios.
- Your annuity income is taxed.

Governance

This product is regulated in terms of the:

- Insurance Act
- Income Tax Act
- Financial Advisory and Intermediary Services Act.

Death

The full value of your Living Annuity will be paid to your nominated beneficiaries. The payment can be made as a lump sum or an annuity.

Security cession

You can't transfer this policy as security for any debts.

Outright cession

The policy can't be transferred by way of an outright cession.

Contributions

Transfers from other funds can be accepted as a top-up to your Living Annuity. No regular or ad-hoc contributions are accepted.

Are there any fees?



Advice fees

- We'll deduct the advice fee you have agreed with your financial adviser.
- We'll pay your financial adviser this fee every month.

Administration fees

Standard administration fee for direct clients and clients serviced by independent financial advisers incl. VAT where applicable

- 0.862% on the first R250 000
- 0.575% on the next R500 000
- 0.287% on the next R250 000
- 0.258% on the next R9 000 000
- 0.115% on amount above R10 million
- Minimum fee of R34.50 per month

Discounted administration fee incl. VAT where applicable

If you're invested in a select range of investment portfolios through Alexforbes financial planning consultants, the below discounted administration (including VAT) fee will apply

- 0.517% on the first R1 000 000
- 0.287% on the next R1 500 000
- 0.230% on the next R5 000 000
- 0.1437% on amount above R7.5 million

Setting your level of income

The level of income you select can be too high and as such, might not be sustainable if:

- you live longer than expected resulting in your capital being significantly depleted before your death
- the return on your capital is lower than that required to provide a sustainable income for life.

It's your responsibility (in consultation with your financial adviser) to ensure that the income level you select is set at a level that would be sustainable for the rest of your life. You need to carefully manage the level of your income relative to the investment return earned on the capital of your living annuity in order to achieve this.

The table below can be used as a guide.

		Years before your income will start to reduce. Yearly investment return (before inflation and after all fees)				
		2.50%	5.00%	7.50%	10.00%	12.50%
Yearly income rate selected at the beginning	2.50%	21	30	50+	50+	50+
	5.00%	11	14	19	33	50+
	7.50%	6	8	10	13	22
	10.00%	4	5	6	7	9
	12.50%	2	3	3	4	5
	15.00%	1	1	2	2	2
	17.50%	1	1	1	1	1

Source: ASISA Standard on Living Annuities; 2009

The table above is only an indicative guideline to assist you in making informed decisions in respect of your annuity.

It's important to note that the table above assumes that you'll adjust your percentage income selected over time to maintain the same amount of real income (in other words allowing for inflation of 6% yearly).

Once the number of years in the table above has been reached, your income will reduce rapidly in the following years.

Ensure that your financial adviser explains both the advantages and the risks of the living annuity.

Compare the living annuity against conventional annuities (where the insurer carries the full investment risk and the risk of you living longer than expected).

You'll need to decide on your level of income, taking your personal financial position into account, by including all sources of income.



What are the general disclosures you should know about?

Transferability:

- As the living annuity is in the form of a long-term insurance policy, the policy may be transferred from one insurer to another at your request.
- This transfer will be subject to the provisions of Section 50 of the Insurance Act or any replacement or its supplement.

Convertibility:

- This living annuity may be converted to a conventional life annuity administered by the current insurer or by another insurer, if the living annuity policy is transferred to such other insurer for this purpose.
- This is typically a once-off option meaning you cannot reverse this decision. If another insurer is to be involved, the conversion will be subject to the provisions of Section 50 of the Insurance Act or any replacement or its supplement.

Appropriate investments:

- The investments held in your living annuity are made up of various types of asset classes (equities, bonds, property, cash). These underlying assets have different levels of risk and return associated with them.
- You should consider the overall composition of your living annuity in terms of these underlying assets. Too high a proportion of risky assets means there is a risk of losing capital and too low a proportion of risky assets means there's a risk that investment returns will be too low to sustain your level of income.

The following is a broad reflection of the provisions of the investment regulations under the Pension Funds Act and can be used as a general guide to assess the overall asset composition of your annuity. The Financial Sector Conduct Authority thinks that if your asset composition varies from this, your annuity may be at risk as explained above:

- 75% to equity investments
- 50% to non-government debt instruments
- 45% to offshore investments
- 25% to property investments
- 15% to hedge funds, private equity funds and any other asset not specifically mentioned aggregated together
- 10% to commodities like gold

Notes

Performance fees payable to investment managers:

- Investment managers may in some cases share in a percentage of returns generated by out-performance of their benchmarks.
- Performance fees are levied against the relevant portfolios over and above the yearly fees.

Yearly service fees applicable to unit trust funds:

- These fees are charged by the investment manager of each unit trust.
- Additional charges acquired by the management company can be deducted from a unit trust.
- These include trustee or custodian charges, bank charges, audit fees, brokerage fees and VAT.

Yearly policy fees applicable to life portfolios:

- Alexander Forbes Investments charges a yearly policy fee for their portfolios administered on their life licence.
- This fee covers the costs of the underlying investment managers making up the portfolio.
- You can get more information about the cost of the policy fee on the fund fact sheets.
- Alexander Forbes Investments does not charge yearly policy fees in respect of their unit trusts.

Glacier Financial Solutions (Pty) Ltd administers the policy and is a licensed financial service provider (FSP 770). A member of the Sanlam Group.
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