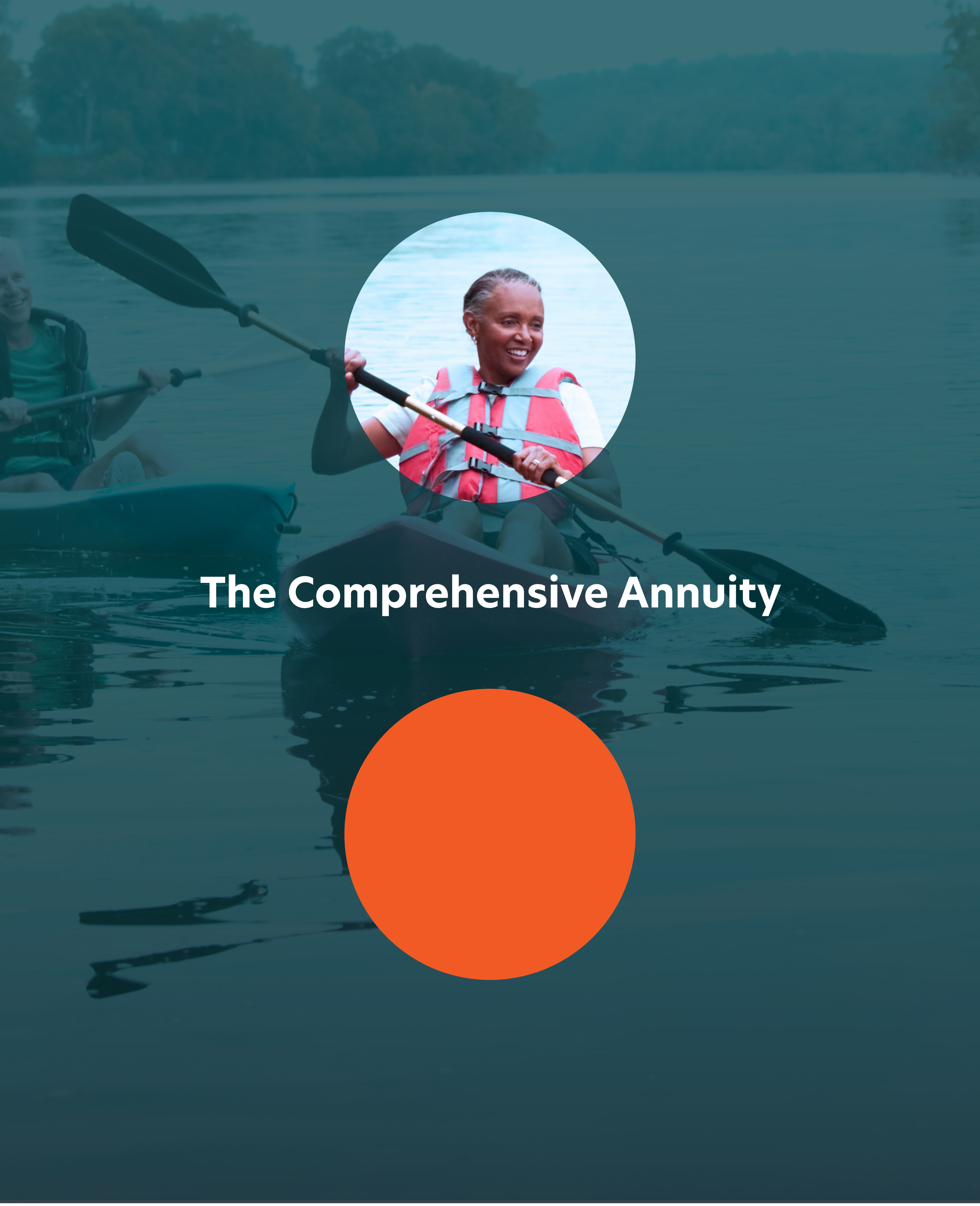

The Comprehensive Annuity

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The Comprehensive Annuity

What is it?

The Comprehensive Annuity is a combination of the *Living Annuity and AF Consolidator.*

- On retirement, you buy a living annuity with the aim of providing the lowest possible level of income.
- This allows the capital in your Living Annuity to grow without being subject to tax on the growth.
- The AF Consolidator portion will be used to fund the bulk of your regular income payments, as growth in a unit trust is subject to tax.

What is the Living Annuity?

- This is a secure, tax-efficient investment vehicle with access to a variety of investment portfolios.
- You choose to receive regular income between 2.5% and 17.5% of the total value of your Living Annuity.
- Your regular income will be taxed at your marginal tax rate.
- You can adjust your income level each year on your anniversary date.
- You can choose to receive your income monthly in arrears or quarterly, half-yearly or yearly in advance.
- Your income can be drawn from one portfolio or proportionately from each of your portfolios.

What is the AF Consolidator?

- It's a unit trust with no administration fee.
- It allows you to invest post-tax proceeds in various unit trusts and select an income level and frequency that suits your needs.
- There are no restrictions regarding the level of income you choose to draw and your income level can be changed at any time.
- You can structure your income to be drawn from one or more portfolios.
- Your income payments from AF Consolidator will not be taxed.
- The AF Consolidator portion will be used to fund the bulk of your regular income payments, as growth in a unit trust is subject to tax.

Who is it aimed at?

Members retiring from a pension, provident or retirement annuity funds and want to structure an annuity which wraps their tax-free transfers to a living annuity with after-tax proceeds in a unit trust.

What is the minimum investment amount?

- Living annuity:
  R600 000
  lump sum
- AF Consolidator:
  R30 000
  lump sum

About the Living Annuity

What are the features?

Governance

This fund is registered and will be regulated in terms of the:

- Long-Term Insurance Act
- Income Tax Act
- Financial Advisory and Intermediary Services Act

Death

The full value of your investment at date of death will be paid to your nominated beneficiary, by their choice of an annuity or as a lump sum.

Contractual term

To provide an income for life

Contributions

You can only top-up your Living Annuity with transfers from other retirement funds.

Medical scheme

You can choose to have your medical contributions paid from your income.

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.

What are the tax benefits?

Your benefit transferred from an approved pension, provident or retirement annuity fund to the Living Annuity is not taxed.

- Living Annuity is not taxed. Living Annuity is not subject to capital gains tax.
- Returns earned in the annuity are not taxed.

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 South African Reserve Bank's exchange-control restrictions.

About the Consolidator

What are the features?

Governance

The investment will be regulated in terms of the:

- Collective Investment Schemes Control Act
- Securities Services Act
- Income Tax Act
- Financial Advisory and Intermediary Services Act

Contributions

Additional contributions are accepted by debit order or on an ad-hoc basis.

Investment term

The investment term is flexible.

Withdrawals

- You can make regular or ad-hoc withdrawals.
- You can make regular withdrawals from one particular unit trust or a combination of unit trusts.

Death

- You cannot nominate beneficiaries.
- If you die, your investments will be paid to your deceased estate.

Security cession

You can transfer this policy as security for any debts.

Outright cession

You can transfer your investment by way of an outright cession.

What are the tax benefits?

Your benefit transferred from an approved pension, provident or retirement annuity fund to the Living Annuity is not taxed.

- The lump sum transferred from a pension, provident or retirement fund to the AF Consolidator at retirement will be subject to the tax exemptions allowed in any particular tax year.
- During investment, your AF Consolidator will be subject to income tax and capital gains tax.
- Alexander Forbes Individual Client Administration will send you a tax certificate at the end of each tax year.

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.
- You are encouraged to seek accredited financial advice when choosing investment portfolios.

Are there **any fees?**

The Living Annuity

Administration fees

Percentage of assets under administration each year:

- 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 R7.5million

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.

AF Consolidator

Administration fees

0% administration fee

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.

Important information

In terms of your living annuity, the level of income you select is not guaranteed for the rest of your life. 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 the capital being significantly depleted before your death
- the return on the 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.

Yearly income rate selected at the beginning	Years before your income will start to reduce. Yearly investment return (before inflation and after all fees)				
	2.5%	5.0%	7.5%	10.0%	12.5%
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

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).

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

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

The above 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. It should be noted that the Financial Services Conduct Authority is of the view that should your asset composition be at variance with this, your annuity may be at risk as explained.

What are the general disclosures you should know about?

Transferability:

- Where 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 Directive 135A (read with Directive 135) issued by the Registrar of Long-term Insurance or any replacement or its supplement.

Convertibility:

- Where the living annuity is in the form of a long-term insurance policy, it 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 Directive 135 issued by the Registrar of Long-term Insurance 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.

Yearly policy fees:

- This fee covers the cost 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.

Yearly service fees:

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

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.

Fees paid to Alexander Forbes Individual Client Administration:

- Alexander Forbes Individual Client Administration Proprietary Limited is the sponsor and administrator of the Comprehensive Annuity, and earns fees in respect of administration services provided to the fund.
- Alexander Forbes Individual Client Administration Proprietary Limited receives a platform fee from certain collective investment scheme management companies.
- You can get information about these fees on request.