



# Golden Income With-Profit Annuity

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Helping you to be financially secure during retirement is at the heart of what we do.

## Did you know that people are living a lot longer nowadays?

This means retirement can easily be 20 years or longer. Secure a guaranteed retirement income for life with Momentum's Golden Income With-Profit Annuity.

## The Golden Growth With-Profit Annuity

When you purchase a retirement income, you need to carefully consider how to invest your retirement savings so that you and your loved ones have a sufficient income when you no longer have a salary.

When you buy the Golden Income With-Profit Annuity with your retirement savings, you will have the security of a guaranteed income for life. In addition, annuity increases are declared every year and once an increase is granted it can never be taken away. The new higher amount is guaranteed for the rest of your life. The Golden Income With-Profit Annuity is a good choice if you want:

- A guaranteed monthly income for life, which will never decrease.
- Annual annuity increases that cannot be taken away once granted.
- Annual annuity increases based on the investment returns of the underlying assets.
- The option to include an annuity for your spouse after you pass away.
- The option to choose a guarantee period. The guarantee period is the minimum period over which the annuity will be paid, and is not dependent on you being alive.
- You have at least R100 000 to invest.

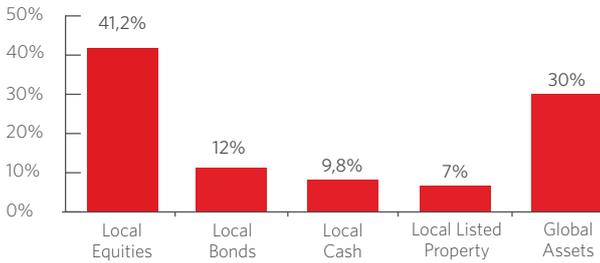


## Investment strategy

- **A Bonus Generating Portfolio.** The returns generated by the assets in this portfolio are the main consideration when deciding on the annual bonus which determines your annuity increase each year. This portfolio, which consists of a range of different asset classes, is called the Bonus Generating Portfolio.
- **A Matching Fixed Income Portfolio.** Assets in this lower risk portfolio are carefully selected to make sure that the current guaranteed level of the annuity can be met in the future.

Assets are moved dynamically between the Bonus Generating Portfolio and the Matching Fixed Income Portfolio to manage risk within the Golden Income With-Profit Annuity, resulting in very competitive annual management costs.

The strategic asset allocation of the Bonus Generating Portfolio is:



The Matching Fixed Income Portfolio consists of assets such as bonds, money market investments and bank instruments.

The assets of the Bonus Generating Portfolio are managed in terms of Momentum Investments' outcome-based investing philosophy. Outcome-based investing (OBI) means constructing a portfolio that is capable of maximising the probability of achieving the investment goals.

## Important decision: your post-retirement interest rate

When you purchase your Golden Income With-Profit Annuity, you also need to choose your post-retirement interest rate (PRI). The PRI determines the size of your initial annuity and the level of future annuity increases.

- The higher the PRI, the higher your initial annuity but the lower the future expected increases.
- The lower the PRI, the lower your initial annuity but the higher the future expected increases.

The Golden Income With-Profit Annuity offers a range of PRIs from 2% to 3,5% in increments of 0,5%. Each PRI represents the minimum return that the underlying investments must earn before increases can be granted. Returns above the PRI are used to grant increases, which is why lower PRIs are associated with higher annuity increases.

PRI	Targeted inflation protection (% of CPI)
<2,0%	> 100%
2,0%	100%
2,5%	90%
3,0%	80%
3,5%	70%

**Please note** that the targeted inflation protection is based on a long-term CPI rate of 4% per annum.

The actual increase relative to CPI could vary due to these factors:

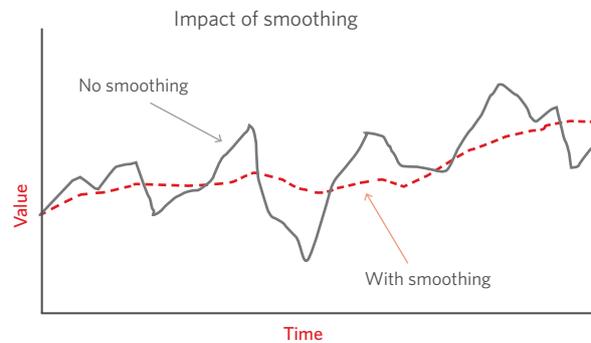
- The actual nominal level of CPI is different to 4%;
- The actual gross investment returns on the Bonus Generating Portfolio relative to CPI differ from the target; and/or
- The impact of experience adjustments on the annuity increases, which we assumed to be zero over the long term.

## Annual annuity increases

Annual increases to your annuity are awarded based on the investment returns of the underlying portfolio. The long-term aim is to generate increases in line with each PRI's targeted inflation protection. This is done through active portfolio management and using our OBI philosophy.

### Smoothing for stable long-term annuity increases

You wouldn't want your annuity increases to be significantly different from year-to-year because of market volatility. Smoothing is applied so that your annuity increases remain relatively stable over the long term.



Once investment returns are smoothed, an annual bonus is declared. To determine the value of this bonus, the following is considered:

- 75% of the smoothed return earned on the Bonus Generating Portfolio.
- Mortality profits or losses.
- Other factors impacting the Matching Fixed Income Portfolio investment strategy, such as credit defaults in instruments used in the investment strategy and persistently high investment portfolio volatility.

The annual bonus is important as, along with your PRI, it will determine the increase you will receive.

## Increases over time

The table shows the annuity increases for the Golden Income With-Profit Annuity with a PRI of 2% compared to inflation (measured by the Consumer Price Index - CPI).

Year	Increase	Inflation for previous year
2022	4,50%	5,47%
2021	0,00%	3,17%
2020	4,01%	3,56%
2019	3,13%	5,18%
2018	5,00%	4,62%
2017	3,82%	6,61%
2016	5,58%	4,77%
2015	7,35%	5,80%
2014	6,37%	5,35%
2013	6,86%	5,60%
<b>Annualised increases</b>		
3 years	2,82%	4,06%
5 years	3,31%	4,40%
10 years	4,64%	5,01%

**Notes:**

Year-on-year inflation to November of the preceding year is used.

Please always remember that past performance is no guarantee of future increases.

## What about your loved ones?

Depending on the guarantee period you have selected, your nominated beneficiaries like your spouse or children will receive your full monthly annuity for the rest of the guarantee period. For example, if you choose a guarantee period of five years and you pass away two years after buying the annuity, your spouse will receive your full monthly annuity for the rest of the five year period, that is for three years. After that, the annuity will reduce to the level of the spouse's annuity you selected or stop if your spouse died before this date or if no spouse's annuity was selected.

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# Frequently asked questions



**Why are 75% of smoothed returns used in calculating the bonus?**

75% of returns on the Bonus Generating Portfolio are used to grant increases. This allows us to provide you with a relatively higher starting income for a given PRI compared to the Golden Growth With-Profit Annuity where 100% of the returns on the Bonus Generating Portfolio are used for annuity increase purposes. This means that for the same purchase amount and PRI, you would have a higher initial annuity when you buy a Golden Income With-Profit Annuity compared to a Golden Growth With-Profit Annuity, but your future increases are expected to be lower. Both annuities invest in the same underlying Bonus Generating Portfolio and they offer equivalent value for money for a pensioner with an average life expectancy.

**How does a spouse's annuity work?**

You have the option to include an annuity for your spouse after you pass away. You choose the level of your spouse's annuity, expressed as a percentage of your annuity at the time of your death. This percentage is called a spouse's reversion percentage. For example, if you choose a spouse's reversion of 75% and received an annuity of R1 000 per month at the time of your death, your spouse will receive an annuity of R750 per month after you pass away.

**What is a guarantee period?**

A guarantee period makes sure that a minimum number of annuity payments are made.

**What is inflation?**

The easiest way to explain inflation is by an example. Over a 10-year period the price of white bread increased from R3,75 to R11,59. This difference in price is because of inflation. So inflation means that the general level of prices is going up, so you will need more money today to buy the same loaf of bread than you did 10 years ago.

**What is CPI?**

CPI stands for consumer price index. CPI is an average percentage of the increase of a basket of consumer goods and services over a period of time, usually per year.

**What tax will I pay?**

You will only pay tax on the monthly income you receive, based on SARS' income tax tables. All growth in the form of interest, dividends and capital gains on the investment portfolios you have chosen, is tax free.

**What is an asset class?**

Investment portfolios invest in various asset classes such as equities or shares, bonds, property and money invested in the bank.

**What are mortality profits or losses?**

To provide an annuity for your lifetime we need to make an assumption about your life expectancy. A mortality profit or loss is incurred as a result of differences in the actual length of your life and the assumed length of your life.

**What is active portfolio management?**

An investment strategy that involves an ongoing buying and selling activity by the portfolio manager with the aim to exploit profitable opportunities.

**What is dynamic asset allocation?**

An investment strategy where we invest in long-term investments (the Bonus Generating Portfolio and the Matching Fixed Income Portfolio), frequently monitor the allocation between them and transfer money between them in order to keep the allocations in the optimal proportions to maximise the probability of achieving the investment objectives.

**What is smoothing?**

Smoothing means holding back some of the returns in the good years and giving them back in the bad years. This allows your increases to remain relatively stable over the long term despite the uncertainty of future market movements. You still get the full market return over time, but without experiencing the big variation in increases if no smoothing was done.

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## corporate

For more information please contact your Corporate Specialist or email [emailus@momentum.co.za](mailto:emailus@momentum.co.za).

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02/2022

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Why a **with-profit annuity** is a good solution for many retirees

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## Making decisions at retirement

**As people approach retirement they are faced with some very important decisions, the consequences of which will be experienced for the remainder of their life.**



Their retirement savings is typically one of their largest assets, and when buying an annuity, they will generally decide between two, often competing, objectives. The first is being able to retire and maintain the same standard of living, and then to leave a legacy for their family.

The advancements in medical science mean that many pensioners enjoy extended life spans. This may increase their risk of outliving their retirement savings. For this reason, they should consider an annuity that will pay them an income for life.

Alternatively, they will need an investment strategy to avoid this scenario by investing appropriately and ensure that their drawdown rate is sustainable for the remainder of their life.

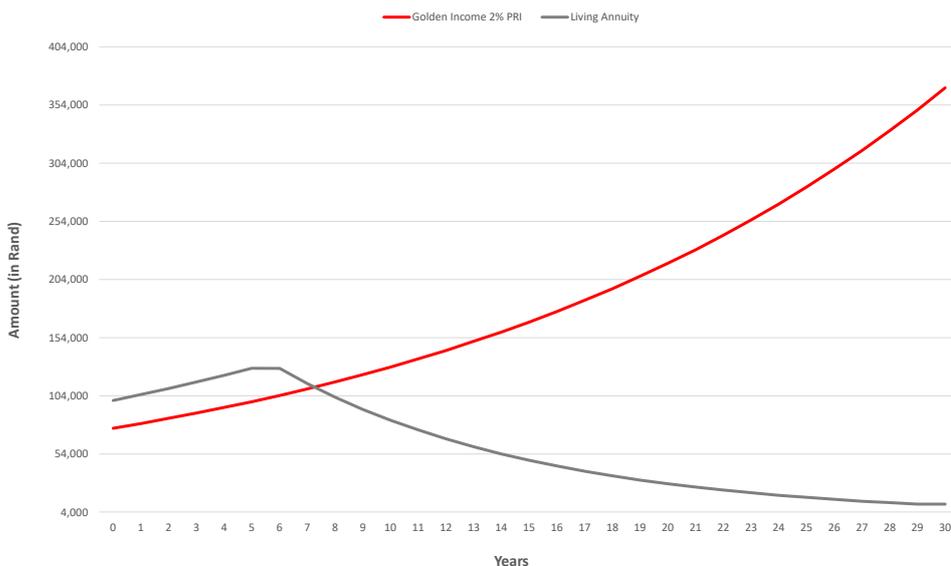
The first key decision a retiree needs to make, is to decide between a living or a life annuity. A living annuity is an investment solution where the pensioner is taking on the risk that they may outlive their retirement savings.

A life annuity is an insurance and investment solution where the pensioner secures a guaranteed income for the rest of their life. Different life annuities allow for a pensioner to select how this starting pension will increase over time.

# The graph highlights this principle

- The red line shows the expected Momentum Golden Income With-Profit Annuity pension that can be bought for R1 million, allowing for a 5-year guarantee period and a 50% spouse's pension on the death of the main member. The projection assumes that increases are in line with inflation (estimated to be 5% pa).
- The grey line shows the expected pension for a retiree investing R1 million into a living annuity and drawing down 10% pa increasing with inflation of 5% pa. We assume the investment portfolio earns 8% pa.

## Expected Annuity Projections - Rands (p.a.)



After 5 years, the regulatory draw down limit is reached. From then, the pensioner will be limited to an annual pension of 17,5% of the investment amount as set out in the regulations. Because the draw down is more than the investment earned, the account will be depleted progressively, and result in a continuous decline in the nominal pension amount. The Momentum Golden Income With-Profit Annuity continues to pay a pension throughout the pensioner's life.

The life annuity allows the retiree to benefit from and manage these risks:

- **Longevity protection** - the annuity is guaranteed for life and the pensioner will not run out of money in retirement.
- **Survival credits** - being part of a pensioner pool, all pensioners benefit from longevity protection with higher starting pensions and greater increases the longer they live. For this reason the term is called 'survival credit'.
- **Manage investment risk** (including sequencing risk) - with a living annuity the pensioner assumes all the investment risk, while with a life annuity the investment risk is transferred to the insurer, or in the case of a with-profit annuity, the with-profit annuity pool. By buying a life annuity, the investment risk is largely mitigated, including the sequencing risk, which is the risk that the pensioner makes withdrawals from their living annuity during a depressed market.

Like other life annuities, with-profit annuities offer pensioners protection against these risks.

# Why invest in a with-profit annuity?

- It provides a guaranteed income for rest of the pensioner's life, as well as for the remainder of their spouse's life if they selected a spouse's pension. Their pension, including all pension increases, will never decrease or be taken away.
- When comparing the with-profit annuity with an inflation-linked annuity that provides increases in line with inflation, the with-profit annuity will usually provide a higher starting pension, typically around 20% more.
- The annual increases for the Momentum Golden Income With-Profit Annuity are determined by a growth orientated balanced fund (the Bonus Generating Portfolio). This provides pensioners with an appropriate investment strategy aimed at maintaining the real value of their pension over the long term.
- The Bonus Generating Portfolio is managed by Momentum Investments using their outcome-based investing philosophy.
- There is still potential to leave a legacy by adding a guarantee term, that is the minimum period during which the pension will be paid and is not dependent on the pensioner surviving to the payment dates.

## With-profit annuities – get more out of a life annuity

### The with-profit annuity provides a guaranteed pension for life that will never decrease or be taken away.

At the start of the contract, the retiree decides on their desired level of inflation protection, by choosing the appropriate post-retirement interest rate (PRI). For example, a pensioner wanting increases that target 100% inflation will select the Momentum Golden Income With-Profit Annuity with a PRI of 2%. Increases are granted annually and the revised pension provides the new guaranteed amount.

The starting pension of a with-profit annuity is typically around 20% higher than an inflation-linked annuity.

Given that the annuities target the same level of expected increases, the with-profit annuity offers a better value proposition as pensioners will receive greater payments during their lifetime.

### So how is this possible?

There are two reasons for this:

#### The guarantee provided

The with-profit annuity targets, rather than guarantees, increases that provide inflation protection, while the inflation-linked annuity guarantees increases in line with CPI. This creates more investment freedom to secure better increases for the pensioners.

There is a guarantee that increases can never be negative and any excess performance above the objective accrues to the pensioners.

#### The investment strategy

The inflation-linked annuity is invested in inflation-linked bonds to support the guarantee provided, while the increases of the Momentum Golden Income With-Profit Annuity are funded from the Bonus Generating Portfolio which is a multi-asset portfolio with a high allocation to growth assets. Such an investment strategy is potentially more appropriate for pensioners and is expected to provide better returns over the long term relative to inflation-linked bonds.

## With-profit annuities provides the optimal balance.

A with-profit annuity is a good the solution for many retirees by:

1. **Ensuring the pensioner will never run out of money** and have an income for life.
2. **Maximising the starting pension** by targeting, and not guaranteeing inflation-linked increases.
3. **Maintaining the real value of the pension over the long term** by providing inflation-targeting increases.
4. **Allowing for an appropriate investment strategy** with exposure to growth assets, a good match for long-term liabilities that are required to maintain their purchasing power.

# Momentum Golden Income With-Profit Annuities overview



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## What is a with-profit annuity?

- The retiree buys a with-profit annuity with their retirement savings from the insurer. The insurer then pays them a guaranteed pension for life.
- There is an increase to the pension each year and the new pension amount is guaranteed.
- The increase granted targets a % of inflation, but is not guaranteed and is based on the investment returns of the underlying Bonus Generating Portfolio (BGP).

## Momentum with-profit annuities

These are the with-profit annuities that we offer:

- The Momentum Golden Income With-Profit Annuity (GIWPA), where the BGP is the Momentum Enhanced Growth portfolio, and is managed by Momentum Investments.
- The Momentum Golden Income With-Profit Annuity - Performer Life (GIWPA - PL), where the BGP is the Alexander Forbes Performer Life portfolio, and is managed by Alexander Forbes Investments.

## What is the BGP?

- This portfolio is the engine driving the potential future increases.
- Momentum Investments' and Alexander Forbes Investments' respective strategies aim to maximise the probability of meeting the specific objectives.

The strategic asset allocations are:

Asset classes	GIWPA	GIWPA - PL
Equities	41,2%	45% - 75%
Bonds	12%	5% - 35%
Cash	9,8%	5% - 30%
Property	7%	0% - 15%
Global	30%	Max 30%
Africa		Max 10%
Alternatives		0% - 15%

## Post-retirement interest rate

The post-retirement interest rate (PRI) influences the:

- Level of the initial guaranteed pension (the higher the PRI, the higher the starting pension).
- Level of inflation targeting for future increases (see the next table).
- The minimum investment return that must be earned on the BGP before increases are declared.

A range of PRI rates is available, each targeting a % of inflation for the increases:

PRI	Targeted inflation (% of CPI)
2%	100%
2,5%	90%
3%	80%
3,5%	70%

## How annual increases are determined

Increases are determined annually in December based on the weighted annual investment returns of the BGP over the previous 6 years. The measurement date is 30 November.

	Year	t-6	t-5	t-4	t-3	t-2	t-1
GIWPA	Weight %	5	7,5	15	17,5	25	30
GIWPA - PL	Weight %	16,66	16,66	16,66	16,66	16,66	16,66

The annual bonus declared is calculated using 75% of the smoothed returns, then deducting the annual product fee and adjusted by the impact of any experience items, eg mortality profits/losses:

$$\text{Increase} = (1 + \text{bonus} - \text{risk fee}) / (1 + \text{PRI})$$

Historical increases for the 2% PRI (100% CPI targeting):

Year	GIWPA	GIWPA - PL	CPI
2013	6,86%	5,31%	5,60%
2014	6,37%	5,51%	5,35%
2015	7,35%	8,85%	5,80%
2016	5,58%	7,79%	4,77%
2017	3,82%	6,42%	6,61%
2018	5,00%	6,63%	4,62%
2019	3,13%	3,88%	5,18%
2020	4,01%	2,57%	3,56%
2021	0,00%	1,96%	3,17%
2022	4,51%	3,92%	5,47%
3-year average	2,82%	2,81%	3,89%
5-year average	3,31%	3,78%	4,29%
10-year average	4,64%	5,26%	4,96%

## Fees

Fees	GIWPA	GIWPA - PL
Ongoing: product fee	1,00% pa	0,90% pa
Ongoing: net priced assets*	0,25% pa	0,48% pa
Ongoing: risk fee	0,05% for each 0,5% above a 2,5% PRI	
Once-off: premium fee (initial)	R3 900 (individual)	
Recurring administration fee	R63,01 per month (2022)	

\*Estimate as at 30 June 2021

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# Application for With-Profit Annuity

(Compulsory purchase only)

NOTE: Ensure that all sections are completed in full, each page initialed and declaration signed

## 1. Personal details of first life

Member title     Initials

First name/s

Surname

Date of birth   -   -     Gender  Male  Female

Marital status  Married  Single  Divorced  Widowed

RSA ID  Yes  No  ID/Passport No.

Country of issue of Passport

Income tax reference No.  Income tax office

Telephone No. (H)  (C)

E-mail address

### Postal Address

Address Line 1  
(eg PO Box or Private Bag)

Address Line 2

Address Line 3

Address Line 4  Postal code:

### Residential address

As above

Unit no.  Complex

Street number  Street / Farm name

Suburb

City / Town  Postal code:

Country

Our default method of communication to our annuitants is email. Where no email address is available, we will post all correspondence.

## 2. Second life

Title     Initials

First name/s

Surname

Date of birth   -   -

RSA ID  Yes  No  ID/Passport No.

Country of issue of Passport

Relation to 1st life

Client Initial



## 7. Intermediary details

Commission  Yes  No (If Yes complete sections 7&8)

### External Consultant

Broker representative name

Broker representative code

Broker House name

Broker House code

VAT registration No.

### Momentum Internal Consultant

Name

Commission No.

Sales channel

Sales channel region

## 8. Brokerage banking details (please attach formal proof of bank details)

Name of bank

Branch name

Name of account holder

Account number  Branch no.

Account type

Savings, cheque, etc

## 9. Investment Annuities banking details

Name of bank  F N B Type of account  C h e q u e Account No.  6 2 5 0 7 0 0 5 7 0 1

Name of account holder  MMI Group Limited – Annuities – EBI

Branch name  G e n e r i c Branch code  2 5 5 0 0 5

REF: Use as Reference Client Surname

## 10. Annuities Contact Details

### Annuity Operations: New Business Implementations

Momentum Corporate  
PO Box 2212, Bellville, 7535.

Fax: +27 (21) 940 6600  
E-mail: [EBAnnuityImplementat@momentum.co.za](mailto:EBAnnuityImplementat@momentum.co.za)

### Annuity Operations: Complaints

Momentum Corporate  
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E-mail: [EBAnnuitiesComplaint@momentum.co.za](mailto:EBAnnuitiesComplaint@momentum.co.za)

Client Initial