

# INVESTMENT FRONTIERS INCOME PORTFOLIO



## PRODUCT OVERVIEW

The Investment Frontiers Income Portfolio provides lump sum investors with immediate regular, guaranteed income for a specified number of years (5 or 10 years). The investment consists of two contracts – one of which is identical to the Investment Frontiers Capital Portfolio and serves as the growth portion of the investment, while the other constitutes a voluntary purchase annuity, which provides the income.

By using only a portion of the lump sum investment to generate the income, the investment is able to provide potential investment capital growth. At the end of the specified term, withdrawals may also be taken from the growth portion of the investment.

## INVESTOR PROFILE

This investment is ideally suited to anyone seeking the benefit of a guaranteed regular income, while enjoying the growth potential of a comprehensive range of underlying investment options. The Investment Frontiers Income Portfolio does not cater for investors wanting ad hoc liquidity at any time.

## FEATURES & BENEFITS

### CAPITAL PORTFOLIO PORTION

#### A choice of asset managers

- The Capital Portfolio offers access to a range of leading asset managers.

#### A choice of underlying investment options

- The Capital Portfolio offers access to international and local investment markets.
- Investors may choose from a broad spectrum of investment options, including a comprehensive range of risk-profiled funds, multi-manager funds and guaranteed options, depending on their risk profile and investment objectives.
- Capital depreciation risk may be reduced during volatile market conditions or when nearing planned withdrawal, by switching into the Secured Money Market Fund or SA Money Market Fund.

#### Phased-in investment option

- Within the Capital Portfolio portion, investors may phase in their investments from the SA Money Market Fund or the Secured Money Market Fund at intervals of their choice.

#### Switching flexibility

- Investors may switch between underlying investment options in the Capital Portfolio at any stage, subject to the terms and conditions of the options available at the time of the switch, and according to their changing investment needs.

#### Additional investments

- Additional investments may be made into the Capital Portfolio portion of the investment during each contract year, to a maximum of 120% of the highest investments made during the previous two contract years (and subject to the minimum investment limits applicable at the time). This is commonly referred to as the "20% rule".

#### Liquidity

- Two withdrawals (one loan and one disinvestment) are allowed from the Capital Portfolio portion during the first five years, or during any additional or extended restriction period.
- The total withdrawal amount/s, whether by loan or disinvestment, during the first five years or during any extended restriction period, may not exceed the investments made plus 5% p.a. compounded.
- Outside of a restriction period, unlimited access to funds is available as follows:
  - Investors may request ad hoc withdrawals (loans or disinvestments).
  - Scheduled disinvestments may be made.
  - Investors who opt for regular withdrawals should consider using the low risk funds or money market funds. This is because capital invested in these options is more stable and less exposed to market volatility, compared to equities.
  - Payment to any party other than the investor is not permitted.

#### Loans

- Non-interest bearing loans are available against most investment options (subject to section 54 restrictions).

#### Non-interest bearing loan

- This loan is granted by Old Mutual and secured against the investment.
- Investors are requested to cede their investment contract to Old Mutual as security for the loan.
- This loan attracts no interest.



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- Investors must switch units from one or more underlying investment options within the contract to the Capital Secure Fund.
- Old Mutual will grant a loan equal to the value of the units in the Capital Secure Fund. This fund does not participate in any growth.
- If the loan is repaid, the investor must switch out of the Capital Secured Fund into an investment option of their choice.
- A repayment of a non-interest bearing loan does not constitute an investment and therefore the 20% rule does not apply.
- No monthly administration charges are deducted from, nor is interest added to, the outstanding loan balance.

### Income tax efficiency

- Any taxable returns within the Capital Portfolio portion are taxed in Old Mutual's hands as determined by the four-fund approach to taxation. In terms of this rule, investments by individuals are placed in a fund where taxable returns are taxed at 30% as opposed to their marginal rate in their own hands.
- Capital Gains Tax (CGT) is also deducted within the investment in terms of the four-fund approach.
- No income tax and CGT administration is required by the investor.
- The investment proceeds represent an after-tax return and in terms of current Revenue practice are tax free in the investor's hands.

NB: Second-hand policies may, however, be liable for additional CGT over and above that deducted in terms of the four-fund approach. For unit trust funds, CGT will be deducted on disinvestments and switches.

## INCOME PORTION

### Guaranteed regular income

- The term-certain annuity provides a regular guaranteed income.

### Income options

- The Investment Frontiers Income Portfolio offers the following income options:

**Capital returned:** The amount invested in the Capital Portfolio, the growth portion, is determined by discounting the return of the original investment amount at an assumed growth rate over a 5-year period. Actual investment return will depend on the performance of the chosen underlying investment options. The balance of the investment is utilised to purchase a term-certain annuity and to generate the guaranteed income.

**Specified income:** The selected guaranteed income level determines the amount invested in the term-certain annuity, with the balance being allocated to the Capital Portfolio. Actual investment return will depend on the performance of the chosen underlying investment options.

**Capital guaranteed:** The investment amount is guaranteed back at the end of five years by means of an investment into a Fixed Bond. The balance of the investment is utilised to purchase a term-certain annuity and to generate the guaranteed income.

- The income provided by the term-certain annuity can escalate yearly by 0%, 5%, 7.5% or 10%.
- Income frequency can be monthly, quarterly, half-yearly or yearly.

### Switching flexibility

- Not allowed.

### Additional investments

- Not allowed.

### Liquidity

- The term-certain annuity may be commuted (subject to limitations). However, this is generally not advisable.

### Loans

- Not allowed.

### Income tax efficiency

- Only part of the income is taxable during the term of the annuity (where section 10A Income Tax Act exemption applies). The capital element of the term-certain annuity may be tax free while the income element will be subject to income tax in the investor's hands.

### Investment parameters

- Investors may invest in the Investment Frontiers Income Portfolio at any stage during their lifetime.

### Outright cessions

- Ownership of the investment may be transferred to another legal entity provided that the necessary documentation authorising the transfer has been received.
- No transfer costs are incurred.
- There may be negative tax consequences on cession of the term-certain annuity.

### Collateral cessions

- The investment may be ceded as security provided that the relevant authorisation has been received.

### Estate planning

- In terms of current practices, investors may nominate beneficiaries for ownership of the investment, which facilitates the estate planning process and can result in significant savings.
- Beneficiaries may then restructure the investment according to their own needs.
  - Savings on executor's fees of up to 3.99% (incl. VAT).
  - Savings on new investment fees for the nominated beneficiary.
- Upon the death of the investor, the investment forms part of the deceased's estate and may be subject to estate duty.





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### Ownership

- Ownership of the annuity contract and the investment contract vests in the investor. The underlying assets are held by Old Mutual.

## UNDERLYING INVESTMENT OPTIONS - CAPITAL PORTFOLIO

The range of investment options for the Capital Portfolio portion only, from which investors may select, include:

- Elite Range of Funds
- Defender Funds
- Multi-manager Funds
- Multi-manager World Funds
- Specialist Funds (including SA sector funds, international regional funds and bond funds)
- Bonus Funds
- Money Market Funds
- Fairbairn Capital Bonds
- Over 80 local and rand-denominated Unit Trust Funds

## PRODUCT SPECIFICATIONS

### Investment limits

INVESTMENT MINIMUMS	Lump sum investments	R100 000 (of which at least R30 000 to the Capital Portfolio and at least R15 000 to the term-certain annuity)
	Additional investments	R10 000 (to Capital Portfolio only)
	Scheduled investments	R2 000 p.m. (or R24 000 p.a.) (to Capital Portfolio only)

UNDERLYING INVESTMENT OPTION MINIMUMS (SUBJECT TO THE OVERALL INVESTMENT MINIMUMS)		SINGLE INVESTMENTS	SCHEDULED INVESTMENTS
	Frontier Funds	R5 000	R1 000
	Unit Trust Funds	R5 000	R1 000
	Fairbairn Capital Bonds	R10 000	Not allowed

### Offshore fund limits

Due to legislative restrictions, International Frontier Funds carry a general limitation on maximum investment amounts. Currently, total investments into these funds are limited to a maximum of R25 million per investor.

These limits are designed to ensure that our capacity for rand-denominated international funds is distributed equitably among investors. In addition, the funds may be temporarily closed to new investments at certain times to maintain their 100% international exposure.

Investments into international unit trusts are not subject to these limits.

### Term

#### Income portion

- The minimum term for the term-certain annuity is five years.

#### Capital Portfolio portion

- The investment term is an automatically renewable term of five years. This means that investors do not need to request to reinvest at the end of each five-year period. Investors who wish to access their investment at any time, are required to request a loan (non-interest bearing) or a disinvestment (full or part) in writing.
- During the first five years or during any extended restriction period, two withdrawals (one loan and one disinvestment) may be made. The total withdrawal amount/s during any such restriction period may not exceed the investments made plus 5% p.a. compounded. Any additional growth may be accessed outside of the restriction period.
- Complete liquidity of invested capital will occur after the five-year restriction period, on condition that no additional restriction periods have been imposed during that period.
- The restriction period does not impact on the investor's ability to switch within the Capital Portfolio portion, should they wish to do so.

## GOVERNMENT LEGISLATION

The Investment Frontiers Income Portfolio is mainly governed by the rules of the Long Term Insurance Act and the Income Tax Act, and any specifications made in the contract.

Note: If the investor is not a natural person, please consult our Service Centre regarding any additional documentation required.

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#### For Unit Trust funds only:

Unit trusts are generally medium- to long-term investments. The value of the units may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices. A schedule of fees and charges and maximum commissions is available on request from the management company. Commission and incentives may be paid, and if so, would be included in the overall costs. Forward pricing is used. In the case of Money Market Funds, a constant unit price will be maintained.

#### Other funds:

These are generally medium- to long-term investments. The value of the units may go down as well as up and past performance is not necessarily a guide to the future.

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