

# INVESTMENT FRONTIERS RETIREMENT CAPITAL PORTFOLIO (RETIREMENT ANNUITY INVESTMENT)



## PRODUCT OVERVIEW

The Investment Frontiers Retirement Capital Portfolio is an option within the South African Retirement Annuity Fund (SARAF), which is underwritten by Old Mutual.

The Investment Frontiers Retirement Capital Portfolio offers the member a flexible, tax-efficient vehicle with access to a wide range of underlying investment options for the purposes of retirement capital accumulation.

Lump sum, ad hoc and recurring investments may be made at any stage and recurring investments may cease and then continue as and when members are able to contribute. Contributions are tax deductible within limits.

## INVESTOR PROFILE

The fund is suited to investors seeking independent funding. This includes anyone who recognises the need for a retirement savings plan, including members of pension or provident funds who wish to supplement their retirement income. Members can tailor their investments to suit their particular financial needs, investment objectives and/or risk profile. Investors should be aware that they will no have access to their money until the age of 55.

## FEATURES & BENEFITS

### A choice of asset managers

- Access to a range of leading asset managers.

### A choice of underlying investment options

- Access to international and local investment markets.
- Members 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 the SA Money Market Fund.

### Phased-in investment option

- Members may also phase in their investments from the SA Money Market Fund or the Secured Money Market Fund at intervals of their choice.

### Investment parameters

- Investors may invest in the Investment Frontiers Retirement Capital Portfolio, offered by SARAF, at any stage.

### Additional investments

- Investors may add to their investment at any time on an ad hoc basis.

### Scheduled investments

- Scheduled investments may be made monthly, quarterly, half-yearly or yearly.
- Scheduled investments may be stopped or started with no adverse cost implications or arrear contribution payments.

### Liquidity

- Members can retire at any time from the age of 55, although earlier retirement may be permitted in the event of permanent disability.
- On retirement, up to a maximum of one-third of the value of the investment can be taken in the form of a lump sum. The balance must be used to purchase an approved compulsory annuity.

### Loans

- Not allowed.

### Switching flexibility

- Members may switch between underlying investment options, subject to the terms and conditions of the options available at the time, and according to their changing investment needs.

### Income tax efficiency

- Contributions are annually deductible from taxable income, subject to limitations set by the Income Tax Act, to a maximum of the greatest of:
  - 15% of non-retirement funding taxable income, or
  - R3 500 less allowable pension fund contributions, or
  - R1 750.

\* Changes to these limits have been proposed in the 2011 budget.



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- Any contributions that exceed these allowances can be rolled over into the following year. To the extent that they have not been utilised they may be used to enlarge the tax-free portion of the payout on maturity.
- Of the lump sum payout at retirement, up to R315 000 may be tax free within certain limits. The balance will be taxed at between 18% and 36%, subject to limits as determined by the Income Tax Act.
- No Retirement Funds Tax on net rental income, foreign dividends and gross interest income is payable within the fund.
- Currently, retirement annuities are Capital Gains Tax exempt.
- No tax is payable on transfer from another approved pension, provident\* or retirement annuity fund into SARAF.

\* Transfers from provident funds to retirement annuities are generally not advisable.

### Outright cessions

- Not allowed.

### Collateral cessions

- Not allowed.

### Estate planning

- Upon the death of the member, the investment proceeds are not subject to estate duty.
- Members may nominate beneficiaries. However, the trustees of the fund are obliged to meet the needs of dependants first before giving effect to a member's nomination (Pension Funds Act).

### Insolvency protection

- In terms of current legislation, the member's benefit is protected in the fund should the member become insolvent.

### Ownership

- The investment is in the form of a contract that is issued to SARAF by Old Mutual.

## UNDERLYING INVESTMENT OPTIONS

All Investment Frontiers investment options are available, including:

- 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

### Asset Limits

- The asset composition of your investment must comply with the investment regulations of the Pension Funds Act (Regulation 28). These limits may be broadly stated as follows:
  - A maximum of 75% exposure to equity
  - A maximum of 25% exposure to international investments
  - A maximum of 25% exposure to property
  - A maximum of 40% exposure to equity and property

## PRODUCT SPECIFICATIONS

### Investment limits

INVESTMENT MINIMUMS	Lump sum investments	R100 000
	Additional investments	R10 000
	Scheduled investments	R2 000 p.m. (or R24 000 p.a.)

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, subject to asset limitations in terms of Regulation 28.
- These limits are designed to ensure that our capacity for rand-denominated international funds is distributed equitably among our investors. At times, the funds may be temporarily closed to new investments to maintain their 100% international exposure.
- Investments into international unit trusts are not subject to these limits.



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### Term

- The investment is not subject to a minimum contractual term. However, by law a member of a retirement annuity fund may only retire from the age of 55, although earlier retirement may be permitted in the event of permanent disability.

### GOVERNING LEGISLATION

The Investment Frontiers Retirement Capital Portfolio, as an option within SARAF, is mainly governed by the rules of SARAF, the Pension Funds Act, the Income Tax Act and any specifications made in the contract.

The rules of the South African Retirement Annuity Fund (SARAF) are registered with the Registrar of Pension Funds and approved by the Commissioner for the South African Revenue Services.

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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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