

# INVESTMENT FRONTIERS RETIREMENT INCOME PORTFOLIO



## PRODUCT OVERVIEW

The Investment Frontiers Retirement Income Portfolio provides a flexible investment vehicle for the compulsory portion of retirement annuity, pension or provident fund (approved retirement fund) payouts in order to secure regular income payments.

This is a compulsory purchase annuity underwritten by Old Mutual.

Investors can select their level of income, within predefined parameters, as well as the level of risk they prefer. Through the use of a flexible market-linked annuity (also known as a living annuity), investors are able to select from a range of investment options that offer potential capital growth and generate a regular income.

Investors can also choose to receive a portion or all of their income as a guaranteed income, either at inception or on each contract anniversary date. The combination of a guaranteed annuity, the Guaranteed Income Option, with a flexible market-linked annuity transforms the investor's retirement capital into the ideal mix of guaranteed income, potential income growth, income flexibility and potential retirement capital growth to combat the effects of inflation.

## INVESTOR PROFILE

The Investment Frontiers Retirement Income Portfolio is aimed at investors who need to invest the compulsory portion of their approved retirement fund payout to provide regular income payments, and is suitable for investors who want to structure their retirement benefit into a flexible income for life. Through the use of a flexible market-linked annuity, investors are able to adapt their income, within certain limits, on an annual basis, balancing cash needs and tax efficiency.

## FEATURES & BENEFITS

### Flexible Market-linked Annuity

#### Income options

- SARS requires by law that living annuities must provide clients with an income for life. In the current inflation environment there is a significant risk that clients who draw above 12% will deplete their capital.

- Investors may select an annual income rate of between 2.5% and 17.5% of the total asset value, reviewable on the investment anniversary date, offering the potential to balance income needs and tax efficiency. This percentage may be adjusted annually by the annuitant on the anniversary date of the annuity.
- Choice between monthly, quarterly, half-yearly and yearly income, in advance only.
- Income may be withdrawn from across all underlying investment options, or investors have a choice from which funds income should be paid.

Note: It is essential to select an income rate that will not deplete the capital. If the income withdrawn plus administrative, management and advice charges is greater than the investment return generated, retirement capital will be whittled away.

### A choice of asset managers

- Access to a range of leading asset managers.

### A choice of underlying investment options

- Access to global and local investment markets.
- Investors may choose from a broad spectrum of investment options, including a comprehensive range of risk-profiled funds and multi-manager funds, depending on their risk profile and investment objectives.
- Selection of funds which comply with the investment regulations laid down in the Pension Funds Act. [copy removed]
- Capital depreciation risk may be reduced during volatile market conditions by switching into the Secured Money Market Fund or the SA Money Market Fund.

### Phased-in investment option

- Investors may also phase in a lump sum from the Secured Money Market Fund or the SA Money Market Fund at intervals of their choice.

### Switching flexibility

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



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### Additional investments

- Generally not allowed. (Additional investments are only allowed under certain conditions, e.g. late payments from originating funds. Please contact the Fairbairn Capital Service Centre for more details.)

### Liquidity

- Other than the income, no withdrawals of capital are allowed.

### Income tax efficiency

- Retirement proceeds from an approved retirement fund which are used to purchase an Investment Frontiers Retirement Income Portfolio are not subject to tax.
- The Investment Frontiers Retirement Income Portfolio is currently untaxed and capital accumulates free of tax within the investment.
- Income derived from this annuity is taxed in the investor's hands.

### Outright cessions

- Not allowed.

### Collateral cessions

- Not allowed.

### Estate planning

#### Member-owned Annuities (GN18)

- Members may nominate beneficiaries.
- Upon the death of the investor, the investment is not subject to estate duty.
- Capital in the market-linked annuity is preserved for beneficiaries upon the death of the member.
- The Guaranteed Income option is closed to new business.

### Insolvency protection

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

### Ownership

- The underlying assets are held by Old Mutual.

## UNDERLYING INVESTMENT OPTIONS

The flexible market-linked annuity's range of underlying investment options from which investors may choose, includes:

- 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)
- Secured Money Market Fund
- Money Market Funds
- Over 80 local and rand-denominated Unit Trust Funds

The following investment options are not available within the Retirement Income Portfolio:

- Smoothed Performance Fund
- Fairbairn Capital Bonds
- Secured Index Bonds

### Asset Limits

- The ASISA standard on living annuities requires that the asset allocation complies with the asset limits prescribed for retirement funds in terms of Regulation 28 of the Pension Funds Act. 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.
- The following are suitable investment options:
  - Optimised Balanced Fund
  - Optimised Defensive Fund
  - Defender Funds
  - Multi-manager Balanced Fund
  - Multi-manager Defensive Fund
  - SA Money Market Fund
  - SA Bond Fund
  - Managed Prudential unit trusts within the Investment Frontiers range



## INVESTMENT FRONTIERS RETIREMENT INCOME PORTFOLIO

### PRODUCT SPECIFICATIONS

#### Investment limits

Investments must originate from an approved retirement fund and no voluntary money may be accepted.

<b>INVESTMENT MINIMUMS</b>	Lump sum investments	R100 000
	Additional investments	Not allowed*
	Scheduled investments	Not allowed*

#### Flexible Market-linked Annuity Portion

Minimum allocation, if selected, subject to the overall investment minimums	R5 000
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<b>UNDERLYING INVESTMENT OPTION MINIMUMS (SUBJECT TO THE OVERALL INVESTMENT MINIMUMS)</b>		<b>LUMP SUM INVESTMENTS</b>	<b>PHASED SWITCHING</b>
	Frontier Funds	R5 000	R1 000
	Unit Trust Funds	R5 000	R1 000
	Fairbairn Capital Bonds	Not allowed	Not allowed

\* Additional investments are only allowed under certain conditions. Please contact the Fairbairn Capital Service Centre for more details.

#### Term

##### Flexible Market-linked Annuity

- On death, the remaining benefit may be paid to beneficiaries as an annuity over five years or longer (or in certain circumstances as a lump sum if originated from a pension or provident fund).

### GOVERNING LEGISLATION

- The Investment Frontiers Retirement Income Portfolio is governed by the rules of the Long Term Insurance Act, the Income Tax Act, the Pension Funds Act, the requirements of the relevant authorities and any specifications made in the contract.

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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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