

PPS Investments Products

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BASIC INVESTMENTS

In order to advise your clients on which asset class or investment options to invest in, you will need to understand the different asset classes and investment options available. There is no perfect investment product that can satisfy all the investment needs of a client. An investor should spread their risk across a spread of asset classes, since every investor will reach a time when they need money available for emergencies.

The way an investor decides to spread his/her risk is one of the most important decisions they could make because this decision will affect his/her overall investment performance and can also in a way reduce the investor's risk. The reduction in risk or the spread of risk is due to the different economic conditions that cause the asset classes to perform all differently.

INTRODUCTION

It is generally a well-known fact that South Africans do not save and do not have sufficient money on which to retire. Retirement benefits offered by employers are mostly insufficient to maintain a comfortable lifestyle through retirement. The key to ensuring that an individual has sufficient means to maintain the lifestyle they would like to enjoy in retirement is through savings themselves.

PPS offer a range of Retirement and Savings products that will assist in securing a comfortable lifestyle for the future. The PPS Retirement and Savings products make it possible for investors to generate savings in a transparent cost environment with competitive product fees. These products offer the investor a wide array of underlying investment choices and the ability to mix and match investments on an ongoing basis in order to balance investment needs and lifestyle requirements.

The underlying investments are multi-managed PPS unit trusts and/or third party unit trusts. These can be selected according to the investor's investment risk profile.

The PPS Retirement and Savings products are:

- PPS Preferred Funds (comprising PPS multi-managed unit trusts and single manager unit trusts)
- PPS Endowment Plan
- PPS Living Annuity
- PPS Personal Pension
- PPS Preservation Provident Fund
- PPS Preservation Pension Fund

In addition, PPS offers PPS Investments to investors who have any of the PPS risk products e.g. SPPI, the opportunity to receive a special profit allocation into their Surplus Rebate Account (SRA) on an annual basis.

COMMON FEATURES OF THE PPS RETIREMENT AND SAVINGS PRODUCTS

- Either the owner or payer must meet the PPS membership eligibility criteria.
- The payer of the contract may be third party; this is applicable to the PPS Personal Pension, PPS Endowment Plan and PPS Preferred Funds investment products.

For Example:

Mr. Policyholder takes out a PPS Personal Pension for his wife. He is the owner and payer of the contract, his wife is the beneficiary on the contract and will receive the benefits of the contract. Mr. Policyholder must meet the PPS eligibility criteria, she is not required to.

- If a company or business applies for membership of the PPS Pension or Provident Preservation Fund, the majority of members must be eligible for PPS membership.

Student Investors

- Individuals' who meet the student eligibility criteria, are also able to invest in the **PPS Preferred Funds, the PPS Endowment Plan and PPS Personal Pension.**

How is a Student defined?

A student is defined as a person who is younger than 30 years of age and is studying towards a qualification eligible for PPS membership by either:

- being enrolled for the fourth year of study of a eligible degree consisting of four or more years; **or**
- being enrolled for an additional eligible qualification, following the completion of a three-year degree.

Note: If the student has not qualified or supplied PPS with the required proof of qualification by the time he/ she attains 30 years of age, he/ she will not be able to make any further contributions to the investment.

Legislation

The following legislation is applicable to the PPS Retirement and Savings Products:

- Income Tax Act (including Second Schedule and SARS practice and general notes)
- Financial Advisory and Intermediary Services (FAIS) Act
- Financial Intelligence Centre Act (FICA) Act
- Security Services Act
- Collective Investment Scheme Control Act (CISCA)
- Exchange Controls (SARB)
- Pension Funds Act No 24 of 1956 (including regulations, circulars, amendments)
- Retirement Fund Tax Act No. 38 of 1996
- Long Term Insurance Act of 1998
- Policyholder Protection Rules

Investment Options

Available Unit Trusts

The following range of risk-profiled PPS multi-managed unit trusts are available to investors investing in the PPS Retirements and Savings products:

- PPS Enhanced Cash Fund
- PPS Flexible Income Fund
- PPS Conservative Fund
- PPS Moderate Fund
- PPS Managed Flexible Fund
- PPS Equity Fund

See Fund Fact sheets for more information on these unit trusts

In addition there is a selection of third party unit trusts, which include:

- Allan Gray
- Coronation
- Fraters
- Investec
- NedGroup
- Prudential
- RMB

See Fund Fact sheets for more information on these unit trusts

Guarantees

- There are no investment guarantees on the PPS Retirement and Savings products i.e. the investor carries the investment risk.

Prudential Investment Guidelines

- Although there are no investment guarantees, the PPS Preservation funds, PPS Living Annuity and PPS Personal Pension comply with the Prudential Investment Guidelines of Regulation 28 of the Pension Funds Act.
- These guidelines describe the prudential guidelines applicable to the Retirement Annuity Funds i.e. a prescription of the Fund's asset allocation i.e. Max 75% equities, Max 25% property Max 15% international exposure.
- This ensures that the investor is not exposed to too much risk with regard to retirement savings.
- These requirements are monitored by PPS Investments at investor level, when an investor makes the initial investment as well when any investments are switched.

Number of unit trust funds per product.

- There are no limits to the number of unit trust funds per product, however a sub-minimum debit order of R 200 per fund is applied.

Switching

- There are **no transactional fees** for switching on the PPS Preferred Funds.
- Switching fees may **apply** if an investor switches between any of the third Party Unit trusts, where the receiving management company applies initial fees
- There are no restrictions to the number of switches permitted.
- Switching is permitted on any product selected.
- No advice fees are incurred in the switching process.

For example:

An investor invests R 100 000. He invests 70% in PPS unit trusts. No initial fee will be charged. He invests 30% in third party funds. An initial fee of 0.25% will be charged on this by some of the third party managers.

A year later, he decides to switch the assets in the PPS unit trusts to other PPS unit trusts. There is no switching fee, and no initial fee. He decides to switch 15% of the initial 30% he placed in third party funds. He is charged 0.25% on the 15% by certain of the third party Funds.

Note: 0.25% is exclusive of VAT

Lump Sum Phasing In

- The investor has the option of phasing in the initial lump sum through the PPS Enhanced Cash Fund.
- The phasing in period can be selected, over 3, 6 or 12 months in pre-selected proportions.
- No switching between unit trusts is allowed during phasing in.
- There is no charge for phasing in.
- Phasing in is permitted on any product selected.

Allocation amount

- The allocation amount (the actual amount invested) is the net contribution amount less the financial adviser fee and other initial charges.

Premiums

Regular Premium Frequency

- The investor is able to select monthly, quarterly, semi-annually or annually premium payments.
- The investor is able to choose the debit order date as either the 1st, 7th, 15th or 28th of the month.

Automatic Increase in Regular Premiums

- The investor must select either 5%, 10% or 15% p.a. i.e. not 0%

Minimum Investments (new Investments)

	Recurring	Lump Sum	Ad hoc
PPS Endowment Plan	R 500 p.m. R 200 p.m.*	R 10 000	R 5 000
PPS Living Annuity	N/A	R 100 000	N/A
PPS Preferred Funds	R 500 p.m. R 200 p.m.*	R 2 000	R 500
PPS Preservation Funds	N/A	R 50 000	N/A (unless it comes from the same fund that the original transfer to the PPS Preservation Fund was derived from)
PPS Personal Pension	R 500 p.m. R 200 p.m.*	R 10 000	R 5 000

* **Note:** The minimum premium of R 200 per month is applicable to students and to policyholders under the age of 30. This minimum premium will automatically increase to R 500 per month when the student or policyholder reaches the age of 30

Loans

No loans are allowed on any of the PPS Retirement and Savings products.

Special Profit Allocation

- If the PPS member, who is either the owner or the payer, has any one of the PPS risk products he/she will have a Surplus Rebate Account (SRA).
- The PPS Investments profit allocation will be allocated to the PPS member on record for the investment.
- This amount will be proportionate to the investor's average fund value for the year to the total fund value, for all PPS Investments clients, for that year. This ensures that PPS members share in the applicable profits in accordance with their overall investments with PPS Investments.

Fees

All fees stated below exclude VAT.	
Initial Fees	Initial Product Charges None – there are no initial product charges
On-Going Product Fees	Annual Platform Administration Fee 0.7% less any rebate The rebate on PPS Unit Trusts is 0.7% therefore the net annual platform admin fee is zero
Unit Trust Fees	Initial Unit Trust Fees PPS Unit Trusts: 0% Other Unit Trusts: Vary from fund to fund Annual Management Fees Vary from fund to fund Performance Fees PPS Unit Trusts: None Other Unit Trusts: Vary from fund to fund
Transactional Fees	Switching None Withdrawal/ Surrender None
Adviser Fees	Adviser fees will be negotiated between the client and financial adviser and will be deducted on an as-and-when basis Initial advice fee 0% - 3% Initial advice fee (Living Annuity) 0% - 1.5% Ongoing 0% - 1% Ongoing (Living Annuity) 0% - 0.5% If Up-Front was greater or equal to 1.5%, then the maximum on-going fee is 0.5%
Member Relationship Consultant Fees	The investor can elect to use a independent financial adviser or a Member Relationship Consultant (MRC). For MRC's the fees are fixed as follows: Initial advice fee 2%* *the initial advice fee for the PPS Living Annuity is 1.5% Ongoing advice fee 0.5%

Note: For the PPS Endowment Plan and PPS Living Annuity, the fees will be quoted inclusive of VAT.

PPS PREFERRED FUNDS

PPS multi-managed unit trusts - Description

The PPS Investments investor has the option to invest in a range of risk-profiled, multi-managed PPS unit trusts and/ or third party unit trusts. It will be possible to switch between the underlying investments at any time and no transactional charges (excluding third party funds) will be levied when switching between funds. This flexibility ensures that the investor can align his/her risk profile with the risk level of the underlying investment portfolios throughout the term of the investment.

The PPS unit trusts allows investors to generate savings in a transparent environment, the costs, historical performance and information on the underlying investments are readily available.

The investments can take the form of a lump sum or recurring investments and it is possible to make ad-hoc contributions.

The following range of risk-profiled PPS multi-managed unit trusts are available to investors:

- PPS Enhanced Cash Fund
- PPS Flexible Income Fund
- PPS Conservative Fund
- PPS Moderate Fund
- PPS Managed Flexible Fund
- PPS Equity Fund

Refer to Fund Fact sheet for more information about these unit trusts

In addition there is a selection of third party unit trusts, which include:

- Allan Gray
- Coronation
- Fraters
- Investec
- NedGroup
- Prudential
- RMB

Refer to Fund Fact sheet for more information about these unit trusts

General Features of the PPS Preferred Funds

Entry Ages

There are no minimum or maximum age limits for the investor or the payer.

Term

There is no fixed term for a PPS Preferred Fund investment.

Termination

The investment will terminate when the balance in the investment account is reduced to zero.

Additional Investments

Additional investments can be made, subject to the specified minimum ad-hoc amount of R 500.

Withdrawals

- It will be possible to make regular withdrawals from the investment. The frequency of the withdrawals can either be annually; half-yearly; quarterly; or monthly.
- The minimum regular withdrawal benefit is R 500 per month per fund.

Income Distribution

- Income is generated from dividends and interest
- Distribution of income depends on the fund selected i.e. could be monthly, quarterly semi-annually or annually.
- All income earned is automatically re-invested.

Surrenders

- The investment can be surrendered at any time and the surrender value will be the market value of the investment less any applicable charges.
- There is **no transaction fee** charged for a surrendering an investment.

Cessions

PPS unit trusts may be ceded as a Collateral/Security cession.

Transfer Options

It is not possible to transfer this investment to other unit trusts or transfer other unit trusts into the PPS unit trust investment.

Benefits

Retirement/Maturity benefits

The contract has no fixed term therefore no maturity date is defined.

Death Benefits

- The value of the investment (subject to the decision of the executor) is paid to the estate.
- The value of the proceeds will be the market value of the investment less any applicable charges.

Tax Implications - Investor

Income Benefits

- At present, interest earned is fully taxable in excess of R 21 000 (under 65) or R 30 000 (65 and older).
- Under current legislation, local dividends are fully exempt from tax.
- Foreign interest and dividends are exempt up to a max sub limit of R 3 500 of the total interest exemption.
- Income tax is payable in the hands of the investor.
- PPS Investments will issue IT3B's after the tax year ended February of each year.

Death

Proceeds are paid to the estate, free of tax.

CGT

- Proceeds from the sale of unit trust funds will be subject to CGT, at an inclusion rate of 25%.
- At present an annual exemption of R 17 500 applies.
- CGT is payable in the hands of the investor.
- PPS Investments will issue IT3C's after the tax year ended February of each year.

Marketing Opportunities

- Easy and affordable way of investing in the financial markets.
- Diversification of risk – investment across a spread of different shares and asset classes.
- Professionals manage the portfolios.
- Accessibility – liquid and easily sold at any time.
- Transparency – fees, charges and investment performance available to investor.
- Competitive product fees – PPS multi-managed unit trusts have 0% initial fees.
- Regulatory Oversight – regulated by the FSB and Association of Collective Investment Schemes.
- Flexibility – lump sums, regular premiums and ad hocs are allowed.
- Managed exposure to income generation opportunities

PPS ENDOWMENT PLAN

Description

The PPS Endowment Plan is a pure endowment (no risk cover) where the proceeds are linked to the performance of investment portfolios selected by the investor. It is essentially a medium to long-term investment contract, which presents the investor with the opportunity to achieve capital growth with after-tax returns.

The PPS Endowment Plan is a cost-effective investment plan with tax benefits. The investor can choose between single or recurring contributions and premiums can be stopped, resumed, increased or decreased at any time (subject to restrictions of Long Term Insurance Act). There will be no penalties levied if the investor stops paying premiums.

Investors can choose from a variety of risk-profiled, Multi-Managed PPS unit trusts and/ or Third Party unit trusts. It will be possible to switch between the underlying investments at any time. No transactional charges will be levied when switching between funds. This flexibility ensures that the investor can align his/her risk profile with the risk level of the underlying investment portfolios throughout the term of the contract.

General Features of the PPS Endowment Plan

Entry Ages

There are no minimum or maximum age limits for the investor or the payer.

Term

- A minimum investment term of 5 years, (as per the Long Term Insurance Act).
- After the initial term, the investment will continue until the PPS Endowment Plan is terminated.

Termination

The PPS Endowment Plan will terminate when the balance of the investment is reduced to zero.

Restriction Period

The PPS Endowment Plan has an initial restriction period of 5 years as per the Long Term insurance Act.

Additional Investments

- Additional investments may be made, subject to the specified minimum ad hoc investment amount of R 5 000.
- All additional Investment are subject to the maximum increase i.e. Part 4 of the regulation to the Long Term Insurance Act - 20% increase per contract per two year cycle rule.

Question:

Year 1: debit order of R 1 500 p.m. & R 25 000 lump sum

Year 2: debit order of R 1 750 p.m. & R 20 000 lump sum

In year 3, what is the highest debit order that can be paid per month to avoid breaching the restriction period?

Answer:

Year 1: $R 18\ 000 + R 25\ 000 = R 43\ 000$

Year 2: $R 21\ 000 + R 20\ 000 = R 41\ 000$

Year 3: debit order = $(R 43\ 000 + 20\%) / 12 = R 4\ 300$ per month

Withdrawals and Surrenders

There are no transactional fees on withdrawal or surrender.

During the Restriction Period

- Only one partial or full surrender benefit may be paid
- The amount of this withdrawal is limited to contributions paid plus annual compound interest of 5% on the contributions paid.
- If the market value of the investment account (after all fees and charges have been taken into account) is less than the legal limit, then the market value may be paid.
- If the market value exceeds the legal limit by less than R 2 500, the full market value may be paid out (as per Legislation)
- PPS Insurance is entitled to request that an individual fully surrender the PPS Endowment Plan when he/she request withdrawal and the market value exceeds the legal limit by less than R 2 500.
- If the difference between the market value and the legal limit is more than R 2 500, then only the legal limit may be paid and the unpaid portion will have to remain invested until the end of the restriction or extended restriction period.

After the Restriction Period

- After expiry of the restriction or extended restriction period, the payment of a partial or full surrender value is not restricted in number or amount.
- The amount that an individual may receive will depend on the market value of the investment account (less all applicable fees and/ or charges).
- If an individual requests a withdrawal when the PPS Endowment Plan is not in a restriction or extended restriction period and the remaining value is R 2 500 or less, PPS Insurance is entitled to request that he/she fully surrender the PPS Endowment Plan.

Cessions

- The PPS Endowment Plan may be ceded as an Outright and/or Security/Collateral cession.
- The PPS Endowment Plan cannot be used as security for a loan from PPS Insurance.

Cooling-Off Period

- The investor has a 30- day period to reverse investment decision that he/she has made.
- This gives the investor the right to withdraw from the PPS Endowment Plan within 30 days of receipt of the policy summary and terms and conditions.
- This right can be exercised by giving PPS Insurance written notice.
- A disinvestment will be made at the earliest opportunity after the date the written request is accepted by PPS Insurance, at the price applicable then.
- The amount to be refunded will take market fluctuations into account and may therefore be less than the initial contribution amount. No interest or investment return will be paid or accrue to the investor.
- This option is not available where, during the 30-day period, the investor has switched from the portfolios originally invested in, or if any benefit or claim has been paid.

Transfer Options

It is not possible to transfer this investment to another endowment contract or transfer another endowment into the PPS Endowment Plan.

Insolvency

In the event that the investor is declared insolvent, the first R 50 000 of the aggregated value of his/ her life products will be protected from creditors.

Example:

If an individual owns a PPS Endowment Plan with market value R 70, 000, then R 50, 000 will be protected in the event of insolvency.

Benefits

Retirement/Maturity Benefits

- There is no fixed term therefore no maturity date is defined.
- After the initial restriction period, the market value of the investment account is payable to the policyholder as requested.

Death Benefits

- In the event of the death of the life insured (natural person) the proceeds are payable to the nominated beneficiary.
- If the investor and the life insured are not the same person, the benefit will be paid to the investor.
- If more than one investor owns the PPS Endowment Plan, beneficiary nominations **may not** be made.

Tax Implications - Investor

Contributions

Contributions are paid from after tax income funds; therefore the proceeds paid are tax-free.

Income Tax

The income (interest and rental) return is taxed at **30% in the Assurer's hands**. This means that for individuals with a marginal tax rate greater than 30%, the PPS Endowment Plan offers a very tax-efficient investment opportunity. (The current maximum marginal rate for individuals is 40 %.)

On Death / Maturity and Surrender

The proceeds are paid free of tax.

CGT

- CGT is payable within the fund on capital gains in terms of the Four Funds Tax Regime.
- Proceeds of a long term insurance policy are not subject to CGT in the hands of the original owner or the spouse, dependant or beneficiary of the original owner.

Tax Implications - Assurer

- All taxes due and payable are paid by PPS and are recovered by PPS Insurance.
- Four Fund Approach - Individual Policyholder Fund – taxable income derived from this fund is taxed at 30%.
- CGT inclusion rate is 25%, tax is at 30%, so the effective CGT rate on Capital gains is 7.5%. (Individual Policyholder Fund)
- Taxes payable by PPS Insurance will be met by the cancellation of units.
- Different tax rates apply for investments by Corporates.

Marketing Opportunities

- Tax efficient savings product for investors with marginal tax rate greater than 30% and at least a 5-year time horizon.
- Competitive product fees.
- Choosing PPS multi-managed unit trusts incurs no additional platform costs.
- Negotiated and bounded range of Advice fees payable “as-and-when” invested.
- A focused range of unit trusts to select from.

PPS LIVING ANNUITY

Description

The PPS Living Annuity is a compulsory linked annuity that is purchased with retirement benefits providing the investor/annuitant with post retirement income. The PPS Living Annuity enables an individual to transform maturing retirement funds into a flexible, personalised investment portfolio that matches their risk profile.

The PPS Living Annuity provides the annuitant with regular income, which is funded by growth on capital and income from interest and dividends. The level of income drawn annually is flexible; however legislation requires that the annuitant withdraws between 2.5% and 17.5% of the capital in the living annuity annually, these percentages are subject to review.

As the annuitant's needs and lifestyle change, the combination of underlying funds in the investment portfolio and/ or the level of income can be changed. It is important that annuitants review their lifestyle objectives and income requirements at least annually. The PPS Living Annuity provides the investor with exposure to the risk and associated rewards of an equity-based portfolio.

General Features of the PPS Living Annuity

Entry Ages

- The minimum entry age 55, age last birthday, unless retirement is due to ill health or disability.
- The maximum entry age is 69 age last birthday.

Term

There is no fixed term, but capital can be depleted, so a Living Annuity might not run for the life of the investor.

Termination

- The PPS Living Annuity will end when there is a zero balance in the investment account.
- An annuitant may request to have the full annuity paid out if the value is less than R 50 000.

Additional Investments

- Additional investments from the same source fund will be invested, into the existing investment, according to the existing investment option split (if the investment option is open to investors).

Surrenders

No surrenders are permitted on the PPS Living Annuity, as it falls under the Pension Funds Act.

Withdrawals

No withdrawals are allowed from the PPS Living Annuity, besides the regular income.

Cessions

The PPS Living Annuity cannot be ceded.

Cooling-off Period

- The investor has a 30 day period to reverse investment decision that he/she has made.
- This gives the investor the right to withdraw from the PPS Living Annuity within 30 days of receipt of the policy summary and terms and conditions.
- This right can be exercised by giving PPS Insurance written notice.
- A disinvestment will be made at the earliest opportunity after the date the written request is accepted by PPS Insurance, at the price applicable then.
- The amount to be refunded will take market fluctuations into account and may therefore be less than the initial contribution amount. No interest or investment return will be paid or accrue to the Investor.
- This option is not available where, during the 30-day period, the investor has switched from the portfolios originally invested in, or if any benefit or claim has been paid.

Transfer Options

Transfer from another Living Annuity to the PPS Living Annuity is permitted and vice versa.

Insolvency

In the event that the investor is declared insolvent, the total value of his/ her living annuity will be protected from creditors.

Income

Income Frequency, Level and Mode

- Income may be taken monthly in arrears, **or**
- Annually, half annually or quarterly in advance.
- The annuitant may select an income level between 2,5% and 17,5% of the market value of the investment amount per annum.
- The first payment must be made within 1 month of the start date.
- The investor may review the income level, annually on the contract anniversary date.
- The investor is required, by legislation, to take at least one annuity payment per tax year and it is not possible to defer the payment of the annuity to the next tax year.

Balancing Income against return

- The market value of the PPS Living Annuity will be dependent upon the growth of the underlying investments.
- If the rate of withdrawals plus the fees charged exceeds the total growth on the underlying investments, the capital value of the PPS Living Annuity will decline over time.
- The responsibility for ensuring a sustainable level of income from the PPS Living Annuity lies with the investor.

Benefits

Death Benefits

If the initial investment is a result of retiring from a Retirement Annuity:

- Up to one-third of the investment value may be commuted as a lump sum by the dependants.
- The balance must be used to purchase an Annuity for a minimum of 5 years.

If the initial investment is a result of retirement from a Pension or Provident fund:

- The dependants may commute the full benefit as a lump sum within 6 months after death.

Tax Implications - Investor

Contributions

Contributions can only be made from an approved retirement fund therefore no tax is payable.

Income Benefits

- Income received by the annuitant is taxed as per the PAYE tables, unless a tax directive is supplied by the investor to substantiate a lower rate.
- PPS issues a tax certificate to the annuitant on an annual basis.

Investment Return

- No tax is payable on the investment returns in the PPS Living Annuity.
- No CGT

On Death

- The lump sum death benefit is taxable at the Annuitant's average rate of tax.
- The income death benefit is taxable at the beneficiary's marginal rate of tax.
- If no beneficiaries have been nominated, estate duty will apply for the 4Q deduction only.

Marketing Opportunities

- Investor has control over the nature of the underlying assets.
- Investor has control over their required income levels.
- Investor has control over the speed at which they draw down on their capital.
- Transfers to a Living Annuity are tax-free.
- Competitive product fees.
- Choosing PPS risk profiled units trust incurs no additional platform costs.
- PPS Flexible Income Fund and PPS Conservative Fund.
- Negotiated and bounded range of Advice fees payable “as-and-when” invested a variety of unit trusts to select from.
- A focused range of unit trusts to select from.

PPS PERSONAL PENSION

Description

The PPS Personal Pension is a flexible retirement annuity investment contract allowing for single, ad hoc or recurring premiums. It provides investors with a tax-efficient savings vehicle to pre-fund for their retirement needs.

The PPS Personal Pension offers investors the opportunity to supplement their existing retirement savings. Individuals can invest in the PPS Personal Pension while also being a member of their employer's Pension or Preservation Fund. It is also possible for an individual to invest in more than one Retirement Annuity contract.

Premiums can be stopped, reduced and resumed at any time **without incurring any penalties**, making the PPS Personal Pension ideally suited to individuals with irregular earning patterns. If premiums cease, invested assets will continue to participate in investment returns.

Investors are able to switch between the underlying investment options at any time without incurring any fees or penalties.

At retirement a maximum of one third of the retirement capital can be taken as a lump sum (a portion of which will be tax-free) and at least two thirds of the capital must be invested in a pension-providing vehicle, such as the PPS Living Annuity.

The PPS Personal Pension is the same as any other retirement fund in that Trustees are appointed to ensure that the money in the fund is managed properly and that benefits are correctly paid out.

General Features of the PPS Personal Pension

Entry Ages

The maximum entry age for the PPS Personal Pension is 69.

Retirement Age

- An investor can retire anytime after reaching age 55. There is no maximum age limit.
- Retirement before the age of 55 is allowed in the case of disability and will be treated as retirement.

Term

There is no fixed term on the PPS Personal Pension.

Contributions

- The PPS Personal Pension is offered as both a single and recurring premium retirement annuity contract.
- The investor must elect the chosen form of investment at the inception of the contract.
- It is possible to cease, decrease or increase premiums at any time, without incurring any penalties.
- Contributions can be resumed at any time.

Additional investments

Additional investments are allowed, subject to a minimum investment amount of R 5 000.

Withdrawals

No withdrawals are allowed on the PPS Personal Pension.

Investment Choices

- The PPS Personal Pension allows the investor to have access to a variety of unit trust investments.
- The PPS Personal Pension complies with the Prudential Investment Guidelines of Regulation 28 of the Pension Funds Act.
- These requirements are monitored when an investor makes the initial investment into the PPS Personal Pension and also when underlying investments are switched.

Cessions

The PPS Personal Pension cannot be ceded.

Transfer Options

- If rules of another retirement annuity fund permit it, transfer to the PPS Personal Pension is encouraged.
- Penalties may be incurred in certain legacy products.
- PPS Personal Pension rules allow for transfer from the PPS Personal Pension to any other approved retirement annuity fund.
- **NO** penalties will be incurred if transferring from the PPS Personal Pension.

Sequestration

The capital in the PPS Personal Pension cannot be attached in the event of the investor's sequestration.

Benefits

Retirement Benefits

- One third may be paid out as a lump sum.
- A portion of the lump sum will be tax-free.
- The balance must be used to purchase a Compulsory Annuity for example the PPS Living Annuity.

Disability

- Early retirement due to disability is permitted prior to age 55 and is treated as retirement.
- Disability means that the investor is permanently disabled due to injury or illness which in the opinion of the Board of Trustees and based on medical evidence renders the investor permanently incapable of satisfactorily performing his/ her occupation or any occupation for which he/ she is qualified by virtue of his/ her experience.

Death Benefits

- On death, dependants and beneficiaries may, within 6 months of the death of the member, commute the member's contributions, plus 7% pa. compounded interest, plus one third of the balance as a lump sum.
- Tax on the lump sum is calculated as follows:

Taxable Amount	Rate of Tax
First R 300 000 lump sum	tax free
R 0 to R 300 000	18% for each R 1
R 300 0001 – R 600 000	R 54 000 + 27% tax on the amount above 300 000
R 600 001 and above	R 135 000 + 36% tax on the amount above 600 000

- The balance must be used to purchase a Compulsory Annuity e.g. PPS Living Annuity.
- Tax on the annuity income will be at the marginal rate of the nominated beneficiary or dependent.

Tax Implications - Investor

Contributions

As per the Income Tax Act, contributions are tax deductible subject to a maximum of the greater of:

- 15% of taxable Non-Retirement Funding Income, **or**
- R 3 500 – Deductible Pension Fund contributions, **or**
- R 1 750

(Limited to the actual contributions)

For Example:

Mr. Investor's annual non-retirement taxable income is R 34 000 per annum. He contributes R 5 250 to a pension fund and is allowed this as a deduction. What tax deduction will he be allowed for his PPS Personal Pension Plan?

- 15% of R 34 000 = R 5 100, **or**
- R 3 500 – R 5 250 = 0, **or**
- R 1 750

Mr. Investor is allowed R 5 100 as a deduction against his PPS Personal Pension contributions. If he contributed more than R 5 100 per annum to the PPS Personal pension, he would only be able to deduct R 5 100.

- In addition, reinstatement contributions up to R 1 800 p.a. are allowed to be deducted for tax purposes.
- Reinstatement contributions are allowed where a fund member has discontinued premiums temporarily and he would have qualified for a deduction in the year that he did not make it.
- If the reinstatement contribution exceeds R 1 800 then the excess will be carried forward to the following tax year.

For example:

In the 2002/2003-tax year, Ms. Investor contributed R 4 000 to a PPS Personal Pension. These contributions are fully deductible. In the 2003/2004-tax year she is unable to make contributions to her PPS Personal Pension. In the 2004/2005-tax year, she reinstates herself as a full member of the PPS Personal Pension and pays the full contribution for the 2003/2004-year and the current contributions for the current year. Her allowable deductions in the succeeding years are:

- 2004/2005 R 4 000 + R 1 800
- 2006/2007 R 4 000 + R 1 800
- 2007/2008 R 4 000 + R 400

Investment return

- No tax is payable on the local dividends or investment returns received by the PPS Personal Pension.

On Maturity/Retirement

- One third is paid out as a lump sum and taxed as follows:

Taxable Amount	Rate of Tax
First R 300 000 lump sum	tax free
R 0 to R 300 000	18% for each R 1
R 300 0001 – R 600 000	R 54 000 + 27% tax on the amount above 300 000
R 600 001 and above	R 135 000 + 36% tax on the amount above 600 000

- The balance must be used to purchase a Compulsory Annuity e.g. Living Annuity, which is taxed at a marginal rate of tax.

On Death

- The lump sum (if taken within 6 months of the death of the investor and after the tax free portion is calculated) is taxed as follows:

Taxable Amount	Rate of Tax
First R 300 000 lump sum	tax free
R 0 to R 300 000	18% for each R 1
R 300 0001 – R 600 000	R 54 000 + 27% tax on the amount above 300 000
R 600 001 and above	R 135 000 + 36% tax on the amount above 600 000

- The annuity benefit of the beneficiary is taxed at the beneficiary's marginal rate of tax.
- After 6 months from the death of policyholder, no lump sum commutation is provided for.

CGT

- Lump sums from retirement funds are not subject to CGT.
- switching has no CGT impact.

Tax Implications - Assurer

Four Fund Approach - Tax paid on behalf of the investor by the Assurer on interest, foreign dividends and net rental income. The current rate is 0%.

Marketing Opportunities

- PPS Personal Pension – enticed savings for retirement.
- Contributions to a PPS Personal Pension are tax deductible, especially favorable for someone with no Retirement Funding Income or operating in a performance bonus driven environment.
- Competitive product fees.
- Negotiated and bounded range of Advice fees payable “as-and-when” invested.
- Flexible product i.e. individual may cease payments and then resume at a later stage.
- No Penalties applied when contributions cease / reduce.
- A focused range of unit trusts to select from.

PPS PRESERVATION PENSION AND PROVIDENT FUNDS

Description

An individual has the opportunity to transfer their retirement savings tax-free from an employer's retirement fund, upon termination of membership of such a fund, to the PPS Preservation Pension or Provident Fund where this capital can grow in value until the individual retires.

The PPS Preservation funds are sponsored by PPS Investments and are registered Provident and Pension funds. The Preservation funds are managed by an independent Board of Trustees.

The investor has a wide range of underlying investment choices and the ability to mix and match investments on an ongoing basis. It is possible to switch between the underlying investment options, as the investor's circumstances change, without incurring any penalties.

At retirement from the PPS Preservation Provident fund, the entire retirement benefit can be taken as a lump sum, a portion of which will be tax-free and the remainder taxed at a sliding scale implemented by SARS.

At retirement from the PPS Preservation Pension Fund, a maximum of one third of the capital can be taken as a lump sum, while a minimum of two thirds must be used to purchase a pension providing vehicle such as the PPS Living Annuity.

General Features of the PPS Preservation Provident and Preservation Pension Funds

Term

There is no fixed term on the PPS Preservation funds, besides the restrictions placed on retirement.

Entry Ages

The maximum entry age for the PPS Preservation fund is 69.

Retirement Age

An individual may retire from the PPS Preservation Fund when actual retirement from employment occurs, but this must be after the age of 55.

Additional investments

Additional investments are allowed, providing the funds come from the same transferring fund as the original consideration in the PPS Preservation fund.

Withdrawals

One pre-retirement withdrawal is allowed, of which the first R 1 800 is tax-free and the remainder is taxed at the highest average rate paid by the investor in the tax year of withdrawal or the preceding year but from 55 full retirement.

Investment Choices

- The PPS Preservation funds allow the investor to have access to a variety of unit trust investments.
- The Preservation funds comply with the Prudential Investment Guidelines of Regulation 28 of the Pension Funds Act.
- These requirements are monitored when an investor makes the initial investment into the PPS Preservation fund and also when underlying investments are switched.

Cessions

The PPS Preservation Funds cannot be ceded.

Sequestration

The capital in the PPS Preservation Pension or Provident cannot be attached in the event of the investor's sequestration.

Transfer Options

- An individual may transfer funds from the PPS Preservation fund to the Pension or Provident fund of a new employer. (S14 transfer).
- If the retirement savings are in a Preservation Pension fund and are transferred into a Provident fund, the amount transferred will be subject to tax.
- The transfer from a PPS Preservation Fund to a RA is not permitted.

Retirement Benefits

PPS Preservation Provident Fund

- At retirement from the PPS Preservation Provident Fund, the full market value of the investment (less any applicable charges) is paid as a lump sum to the investor.
- An investor is not compelled to take the full amount as a lump sum and may purchase a Voluntary Purchase Annuity.

PPS Preservation Pension Fund

- At retirement from the PPS Preservation Pension fund, a maximum of one third of the market value of the investment (less any applicable charges) is paid out as a lump sum to the investor.
- The balance must be used to purchase a compulsory Annuity e.g. the PPS Living Annuity.

Disability

- Early retirement due to disability is permitted prior to age 55 and is treated as retirement on the PPS Preservation funds.
- Disability means that the investor is permanently disabled due to injury or illness which in the opinion of the Board of Trustees and based on medical evidence renders the investor permanently incapable of satisfactorily performing his/ her occupation or any occupation for which he/ she is qualified by virtue of his/ her education, training and experience.

Death Benefits

PPS Preservation Provident Fund

On death, the proceeds of the PPS Preservation Provident fund will be paid as a lump sum to the dependents.

PPS Preservation Pension Fund

- On death, the proceeds of the PPS Preservation Pension fund will be used to provide an income for dependents.
- Dependents may convert the income to a lump sum within 6 months of the death of the member.

Tax Implications - Investor

Contributions

Transfers between Provident and Pension funds attract no tax.

Investment return

- No tax is payable on the local dividends or investment returns received by the PPS Preservation Funds.

On Withdrawal

The first R 1 800 of the withdrawal is tax free, the remainder is taxed at the highest average tax rate in the last 2 tax years.

On Retirement

PPS Preservation Provident Fund

- The full amount is paid as a lump sum and taxed as follows:

Taxable Amount	Rate of Tax
First R 300 000 lump sum	tax free
R 0 to R 300 000	18% for each R 1
R 300 0001 – R 600 000	R 54 000 + 27% tax on the amount above 300 000
R 600 001 and above	R 135 000 + 36% tax on the amount above 600 000

- A member is not compelled to take the full amount as a lump sum and may purchase a Voluntary Purchase Annuity.

Preservation Pension Fund

- One third is paid out as a lump sum and taxed as follows:

Taxable Amount	Rate of Tax
First R 300 000 lump sum	tax free
R 0 to R 300 000	18% for each R 1
R 300 0001 – R 600 000	R 54 000 + 27% tax on the amount above 300 000
R 600 001 and above	R 135 000 + 36% tax on the amount above 600 000

- The balance must be used to purchase a Compulsory Purchase Annuity for example PPS Living Annuity, which is taxed at a marginal rate of tax.

On Death

PPS Preservation Pension Fund

- The lump sum (if taken within 6 months of the death of the investor and after the tax free portion is calculated) is taxed as follows:

Taxable Amount	Rate of Tax
First R 300 000 lump sum	tax free
R 0 to R 300 000	18% for each R 1
R 300 0001 – R 600 000	R 54 000 + 27% tax on the amount above 300 000
R 600 001 and above	R 135 000 + 36% tax on the amount above 600 000

- The Annuity benefit of the beneficiary is taxed at the beneficiary's marginal rate of tax.

CGT

- The lump sums from retirement funds are not subject to CGT.

Tax Implications - Assurer

Four Fund Approach - Tax paid on behalf of the investor by the Assurer on interest, foreign dividends and net rental income. The current rate is 0%.

Marketing Opportunities

- Investor has control over the nature of the underlying assets.
- Proceeds from Retirement funds are preserved (often lost when individuals move between employment) – Treasury's suggested a move towards compulsory preservation of retirement funds.
- Tax benefits from previous occupational fund are preserved.
- Transfer to a Preservation Fund is tax-free.
- One withdrawal allowed prior to retirement i.e. accessibility as opposed to a RA.
- Competitive product fees.
- Negotiated and bounded range of Advice fees payable "as-and-when" invested
- Focused selection of unit trusts to select from.
- Choosing PPS risk profiled unit trusts incurs no additional platform costs.

