

THE TORTOISE AND THE HARE – A NEW VERSION

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THINK WORLD CLASS

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ONCE UPON A TIME....



The tortoise and the hare decided to race, to determine who was faster.



The race started, with the hare first out of the blocks.



Noticing that he was way ahead, the hare decided to **rest** and he fell asleep.



While the hare slept, the tortoise completed and won the race.



The moral of the story? **Slow and steady** wins the race.

This is the version of the story we all know.



OUR VERSION OF THE STORY CONTINUES



The hare was **disappointed** to have lost.



The hare realised he was **over-confident and lax**, and that if he applied himself, there was no way he could lose a race against the tortoise.



They decided to race again and this time the hare **never lost focus and won easily**.

The moral of the story? **Fast and consistent** will always beat **slow and steady**



STILL THE STORY CONTINUES



The moral of the story? **Identify your core competency** and use it on different playing fields.

The tortoise realised there was no way that he would be able to beat the hare in the current race structure.

So he challenged the hare to another race, but on a different route.

The hare was consistently fast, but then came to a river which he could not cross.

The tortoise was able to swim across and won the race.





FINALLY..



The tortoise and the hare decided to **put their heads together**.



They realised the last race could have been run much better and they **decided to run it together**.



This time the hare carried the tortoise to the river bank, the tortoise carried the hare through the river and the hare carried the tortoise to the end.

The moral of the story? It's good to be individually brilliant with strong core competencies. However, working as a team and harnessing each other's strengths will help you to outperform. Individually, you may underperform as there are always situations when one strength will outperform another.



THE CASE FOR DISCRETIONARY COMBINATIONS



DISCRETIONARY SAVINGS PRODUCTS HAVE DIFFERENT CORE COMPETENCIES

**Cash
Option:**
liquidity

**Investment
Plan:**
income,
flexibility

**Term
Annuities:**
tax-efficient
income

Harnessing all
these core
competencies will
produce a better
end result.

**Capital
Enhancer:**
protected
equity,
offshore
exposure

**Wealth
Edge:**
tax-efficient
growth,
protection

**Global
Life Plan:**
tax-efficient
growth in
offshore
currency



CLIENT NEEDS

Clients have different investment needs

Stable
income

Capital
preservation

Inflation-
beating
growth –
local or
offshore

Tax-
efficient
investing

Legacy

Short-term
liquidity

Recurring
premium
savings

No single product can fulfil all these needs





CHALLENGES THAT CLIENT NEEDS PRESENT

Stable income

Money Market can provide this but interest rates are low, not providing enough income

No inflation protection if 100% Money Market

Capital preservation

Markets are volatile

Moving to cash won't protect capital in real terms

Income can provide additional pressure

Inflation-beating growth

Money Market will not provide this in the long term

Achievable in the long term, but comes with short- to medium-term volatility



CHALLENGES THAT CLIENT NEEDS PRESENT



Tax-efficient investing

Interest earnings can cause a **tax problem**
Estate duty a consideration



Legacy

Balancing **sustainable income** with the need for legacy



Short-term liquidity

Higher rates require **longer term**



Recurring premium savings

Require **flexibility** with monthly contributions



THREE CLIENT SCENARIOS

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1

STABLE INCOME /
CAPITAL
PRESERVATION



LET'S CONSIDER A CLIENT...

MEET ROGER

He is 63 years old

R2 million investment in his bank's money market

The massive drop in income over the past six months has been because of the decline in the repo rate.

His capital projection has reduced from R2 038 950 to R1 874 950, so Roger will not even receive his initial capital back after five years.

In a time of volatility, Roger is asking for certainty from an income and capital growth perspective.

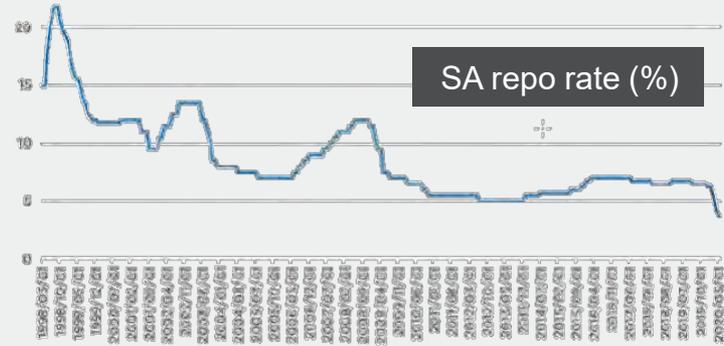
We have a solution for Roger which will **protect his capital** and achieve a **consistent monthly income return.**



SETTING THE SCENE

1 Money market rates are declining and this is putting pressure on clients who rely on income from the money market.

2 Money market rates decrease when the repo rate decreases.



3 Since January 2020 the repo rate has been cut by **3% to 3.5%**.

4 If one looks at the 3-month (4.23%), 6-month (4.53%) and 12-month (4.78%) negotiable certificate of deposit yields, which is the instrument bought in money market funds, clients should expect lower returns going forward.



IS THERE A SOLUTION?

1

Consider the aim of the investment and then diversify accordingly

Receiving a growing income

Better capital values

Stability via asset allocation

Saving tax

2

A combination of income funds paired with a term annuity could provide a solution



BUT WHAT IS A TERM ANNUITY?

1

A **term annuity (guaranteed income)** offers a client guaranteed regular income payments until the end of a specified term (5-15 years).

2

Purchased with own funds (discretionary money).

3

Capital portion of the income payments is tax-free (section 10A).

4

New term annuities can be affected by changes in the repo rate, but marginally.

5

Underwritten by Sanlam with **most competitive rate**.

6

Quotation available on Sanport.

Guaranteed income payment term: 5 years. Level income

Investment amount

R500 000

Company	% compared to Sanlam	Monthly income
Sanlam Group	100.00%	R9 340.59
Old Mutual	96.79%	R9 041.59
Momentum	97.07%	R9 067.56
Metropolitan	97.11%	R9 071.55

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THE SOLUTION FOR ROGER

In the example below, we provide a projected income that Roger may receive using three different products to achieve the best combination of growth and income, i.e.

1

Money market fund –
Glacier Investment Plan

2

Income fund –
Glacier Investment Plan
using the Glacier Flexible Income Wrap

3

Term Annuity –
guaranteed income (asset allocation decision / sequence risk)

Example for Roger's R2 000 000

90% Income Funds (R1 800 000)

5% Money Market (R100 000)

5% Term Annuity (R100 000)



2

LIQUIDITY /
INFLATION-
BEATING GROWTH /
TAX EFFICIENCY

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LET'S CONSIDER A CLIENT...

MEET THANDI

She is 45 years old

R3 million inherited from her father

She is considering purchasing a property at the end of 2022 using R1 million of the capital.

For the remaining R2 million, she has a five-year horizon. She is concerned about markets, but wants to target inflation-beating growth.

Thandi has a 41% marginal tax rate.

We have a solution for Thandi which will provide liquidity as well as tax-efficient growth over a five-year term.



THE SOLUTION FOR THANDI

In the example below, we provide a solution that Thandi can consider to achieve the best combination of liquidity and tax-efficient growth.

1

Income fund –
Glacier Cash
Option using the
Glacier Flexible
Income Wrap

2

Wealth Edge
Endowment – tax
efficient growth,
protection
available

Example for Thandi's R3 000 000

33% Cash Option (R1 000 000)

67% Wealth Edge (R2 000 000)

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3

RECURRING
PREMIUM
SAVINGS /
GROWTH
OFFSHORE

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LET'S CONSIDER A CLIENT...

MEET SAM

He is 35 years old

R500 000 lump sum and
R3 000 recurring p.m.

Sam would like to purchase a car in three years' time and is able to save R3 000 p.m. towards this goal. He wants to be able to increase and decrease the contributions.

He also has a lump sum of R500 000 to invest for five years. He would like offshore exposure, but he is aware that markets can be volatile and requires protection.

Sam has a 45% marginal tax rate.

We have a solution for Sam which will provide flexibility on his monthly contributions as well as protected offshore equity exposure for the lump sum.



THE SOLUTION FOR SAM

In the example below we provide a solution that Sam can consider to achieve the best combination of monthly saving and protected offshore growth.

1

Glacier Investment Plan
– flexibility for monthly contributions

2

Glacier Capital Enhancer –
protected offshore growth
/ tax efficient

Example for Sam's R500 000 + R3 000 p.m.

R3 000 p.m. – Glacier Investment Plan

R500 000 – Glacier Sustainable World Enhancer



THE
MORAL
OF THE
STORY

Harness the
core competencies
of each product
in combinations,
to produce the
best result.



THANK
YOU

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