

# CUMULUS ECHO PENSION AND PROVIDENT PRESERVERS

For your clients, leaving an employer is part of building a career. Help them preserve and grow their hard-earned retirement savings in a product which rewards them for staying invested, and offers certain guarantees.



THINK WORLD CLASS

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# CUMULUS ECHO PENSION AND PROVIDENT PRESERVERS BY



## INTRODUCING THE CUMULUS ECHO PENSION AND PROVIDENT PRESERVERS

The Cumulus Echo Pension and Provident Preservers are investment vehicles in which clients can preserve their retirement capital when they leave an employer's pension or provident fund. It offers a bonus for staying invested, and optional protection against a declining market.



Loyalty bonus



Optional protection against declining markets



A selection of quality investment funds



## HOW IT WORKS

Invest your clients' retirement savings in a selection of quality investment funds, chosen by you and your clients in accordance with their investment objectives and tolerance for risk.

Clients receive a reward at termination or retirement in the form of an Wealth Bonus, the size of which is linked to the investment duration. Clients can also invest in Sanlam Escalating funds, which aim to limit capital losses in a declining market.

| Cumulus Echo Pension Preserver  | Cumulus Echo Provident Preserver  |
|---|---|
| <ul style="list-style-type: none"> <li>Can pay up to one-third of the benefit as a lump sum on retirement. The remaining two-thirds must be paid into a product that provides an income, such as a guaranteed life annuity or an investment-linked living annuity.</li> </ul> | <ul style="list-style-type: none"> <li>Can pay up to one-third of the benefit as a lump sum on retirement. The remaining two-thirds must be paid into a solution that provides an income, such as a living annuity or a life annuity, or a combination thereof. Contributions made to a provident fund or provident preservation fund before <b>1 March 2021*</b> are available as a lump sum on retirement. Where a member was 55 and older on <b>1 March 2021</b>, the full retirement benefit is available as a lump sum at retirement.</li> </ul> |

Preserving retirement benefits in the Cumulus Echo Preservers requires the client to become a member of the Sanlam Preservation Pension Fund or the Sanlam Preservation Provident Fund, who will take out an insurance policy on the client's life with Sanlam Life. The relevant Sanlam Preservation Fund will be the policyholder.

## WHO SHOULD INVEST?

Clients who are leaving their employer and wish to preserve the retirement savings from their employer's pension or provident fund in a rewarding solution.

### The Cumulus Echo Preserver Funds offer:

- Continuity:** The client's accumulated retirement capital is preserved. On retirement, they can effortlessly transfer their retirement savings to a retirement income product on the Glacier platform, or at Sanlam Life.
- A **loyalty bonus** on termination or retirement, in the form of a **Wealth Bonus**.
- An **optional built-in guarantee** on the Sanlam Escalating funds, offering protection of savings.
- Flexibility:** Clients can choose from a range of quality investment funds, and can change their investment fund selection at any time, with fees only becoming applicable after four changes within a plan year.
- Freedom from concern** if a client selects the lifetime investment option and requests Sanlam to invest their capital in more conservative funds as they get closer to retirement.
- Protection:** Should the client become insolvent, their preservation fund investment will be protected against creditors.
- Tax-efficiency:** No tax is payable on interest, dividends or capital gains.
- Access to money:** The client can make one withdrawal before retirement.

### \*LEGISLATIVE CHANGES AFFECTING PROVIDENT FUNDS & PROVIDENT PRESERVATION FUNDS FROM 1 MARCH 2021

Before 1 March 2021, at retirement, members of Provident Funds or Provident Preservation Funds could elect to take their entire retirement benefit as a lump sum. Alternatively, members had the option, but not obligation, to take part of their benefit as a lump sum and annuitise the remainder by purchasing a compulsory annuity to provide them with an income during retirement.

As of 1 March 2021, however, the treatment of benefits at retirement will be determined by whether the benefits have vested or non-vested rights attached to them:

#### For existing members younger than 55 on 1 March 2021, plus new members who joined from 1 March 2021 onwards:

- Contributions made to a Provident Fund or a Provident Preservation Fund before 1 March 2021 plus growth thereon will have vested rights attached to them.
- Contributions made from 1 March 2021 plus growth thereon will not have vested rights attached to them, in this context meaning that the member will be required to annuitise the proceeds at retirement, which means place at least two-thirds in a product that will provide him with an income during retirement.
- Should the value of the non-vested fund benefit be R247 500 or less at retirement, the full benefit can be taken in cash.

#### For members aged 55 or older on 1 March 2021:

- Contributions made to a Provident Fund or a Provident Preservation Fund before 1 March 2021 plus growth thereon will have vested rights attached to them.
- If the member remains a member of the same fund until retirement, all contributions from 1 March 2021 onwards will also form part of the amount that has vested rights attached to it.



## MAKING THE INVESTMENT

A client can contribute to a preservation fund by transferring their benefits from other approved funds where their membership has been terminated. A minimum lump sum investment of R25 000 is required.

Clients can invest in a way that suits their particular tolerance for risk and unique financial circumstances. They may choose to invest only in a range of funds which are all Regulation 28 compliant (the **Comprehensive R28 option**) or a wider range of mixed - Regulation 28 compliant and non-compliant - funds (the **Comprehensive option**). Both these options include Sanlam Escalating funds, which offer some protection against market volatility.

On the Comprehensive R28 option, a lifetime investment option is available, whereby Sanlam Life manages the risk of

fluctuating markets on the client's behalf by gradually shifting the allocation of the investment to more conservative collective investment funds as the client gets closer to retirement.

They can choose from a range of quality collective investment funds with our without investment guarantees.

MINIMUM LUMP SUM INVESTMENT OF  
**R25 000**

### Comparison between investment options

| Product features                  | Comprehensive option   | Comprehensive R28 option  |
|-----------------------------------|--|---|
| Investment funds                  | A choice of a wide selection of investment funds, including Regulation 28 compliant and non-compliant investment funds | A choice between: <ul style="list-style-type: none"> <li>• Lifetime investment option, and</li> <li>• Regulation 28 compliant funds</li> </ul>      |
| Sanlam Escalating funds           | Available  | Sanlam Escalating funds that are Regulation 28 compliant are available  |
| Switches between investment funds | Allowed  | <ul style="list-style-type: none"> <li>• Not allowed for lifetime investment option</li> <li>• Allowed for Regulation 28 compliant funds</li> </ul> |



# TAX WILL ONLY AFFECT THE INVESTMENT WHEN AN AMOUNT IS PAID OUT

## Interest and dividends

Interest or dividends received are not subject to income tax.

## Capital gains

Capital gains tax is not applicable.

## Tax on withdrawal amount

Tax is payable when the client exits the fund at retirement, disability or death, or if a portion of their investment is withdrawn.

# ACCESS TO THE FUNDS

## Investment term

The minimum investment term is one year if the investment portfolio does not include the Vesting Bonus Fund, and five years if it does.

### Vesting Bonus Fund

The unit price of an investment fund is not guaranteed, and may increase or decrease over time. The unit price of the Vesting Bonus Fund, however, is guaranteed not to decrease over time.

For the Vesting Bonus Fund the following applies instead of using the market value directly:

- Fully vesting bonuses are declared regularly to give the fund a smooth growth.
- A bonus rate is declared monthly and added to the fund by increasing the unit price with the daily equivalent of the bonus rate.
- The bonus rate is calculated according to the expected long-term return of the fund, while taking into account the monthly market value change.

## Withdrawal

Up to 100% of the underlying fund value can be withdrawn, provided there are no restrictions placed on the investment by the transferring fund. Any remaining amount will remain invested until retirement, death or disability.

## Retirement (including early retirement due to disability)

Clients may retire from the fund at any time from the age of 55. They will be able to take up to one-third of the benefit as a lump sum. The remaining amount must be used to buy an annuity to provide the client with an income during retirement.

Contributions made to the Cumulus Echo Provident Preserver before 1 March 2021\* are also available as a lump sum on retirement.

## Death

If the client dies before becoming entitled to a retirement benefit, the value of the underlying investments will be available to dependants. In accordance with law, the trustees of the fund make the final decision about how and to whom the benefit is to be allocated, after taking into account the dependants' needs.

# WEALTH BONUS

The Wealth Bonus is an additional amount which is added to the benefit payable at termination or retirement. It is a percentage of the sum of the invested amounts and the investment return. Generally, the longer a client is invested in the product, the larger their Wealth Bonus will be.





# FEES AND CHARGES ARE PAYABLE

Fees are charged for the administration and management of the investment. Fees are indicated on the quote and investment confirmation.

## Administration charges

- **An annual marketing and administration charge**, calculated as a percentage of the fund value, which is deducted monthly by selling units from the investment.
- **A guarantee charge**, which is only applicable to Sanlam Escalating funds. It is a percentage of the fund value and taken into account when the daily unit price of each investment fund is calculated.
- **A transaction charge**, for taking an early retirement benefit, taking a withdrawal benefit, or switching between collective investment funds (although there is no transaction charge for the first four switches in a plan year).
- **A monthly Regulation 28 administration charge**, for monitoring and adjusting the investment for compliance with Regulation 28 of the Pension Funds Act. It is only applicable if the Comprehensive option was selected.
- **Asset manager charges**, which include the annual asset management charge, performance charge, and direct investment expenses. It is included in the daily unit price of the relevant collective investment fund.



## Financial intermediary charges

- The initial commission can be recovered in two ways. An initial marketing charge is used to recover the initial intermediary commission negotiated with your client. It is deducted from the investment amount via a once-off payment. If the initial intermediary commission is not deducted via this initial once-off charge, a fixed monthly amount (called a smooth marketing charge) is deducted for 60 months, by selling units from the investment. If the funds have been transferred from another preservation fund, the initial marketing charge is 0%.
- An ongoing advice fee can be negotiated with your client. This is an optional service and not part of the services for which you get commission. The fee is specified as a percentage per year of the fund value.

## Value added tax (VAT) payable on fees

VAT is payable on fees where applicable.



# SANLAM ESCALATING FUNDS EXPLAINED

Most of the investment funds available under the Sanlam Cumulus Echo Preservers offer a corresponding Sanlam Escalating fund version which includes a built-in guarantee. This guarantee ensures that the unit price of a Sanlam Escalating fund is always at least 80% of the highest unit price it has ever reached since the original start date of that Sanlam Escalating fund.

The guaranteed minimum unit price can only go up, because the escalating nature of the guarantee ensures that returns are locked in whenever markets go up.

These funds reduce the volatility of returns compared to the corresponding investment fund, and aim to limit capital losses in a declining market while also allowing clients to benefit from rising markets.

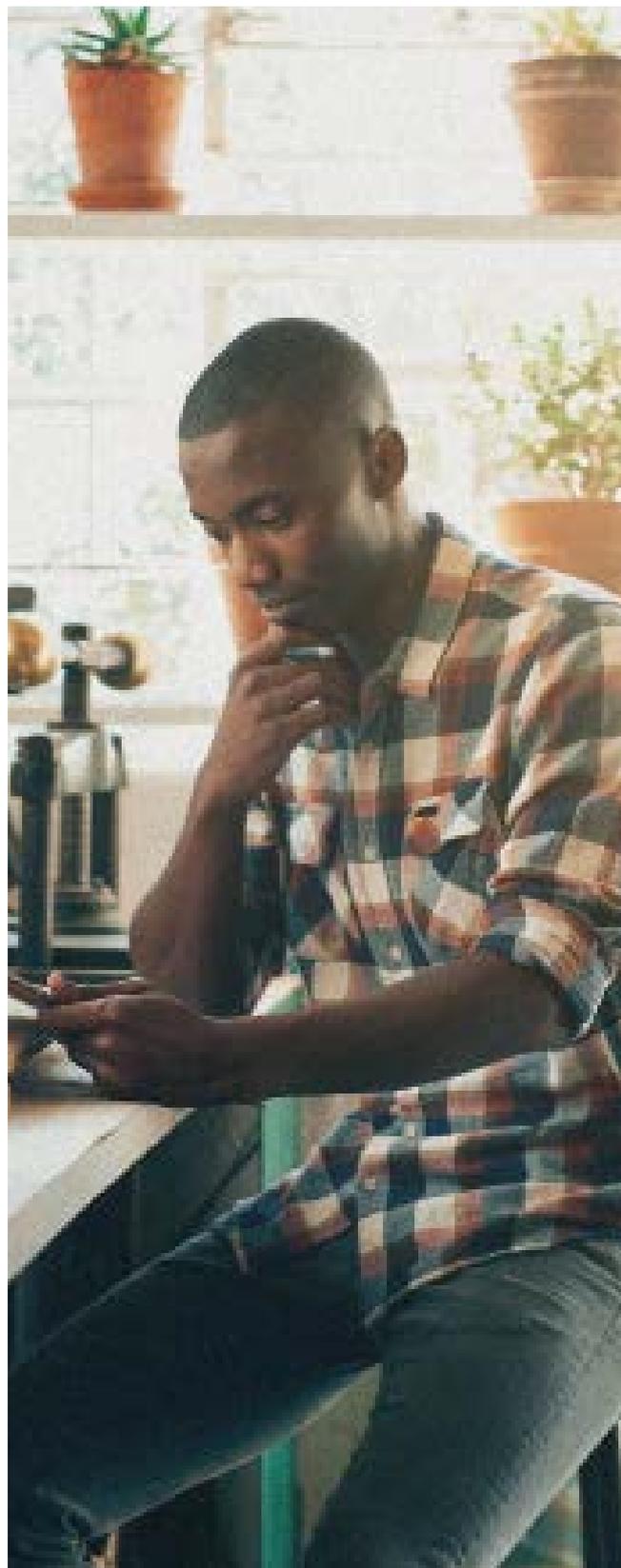
## How it works

A Sanlam Escalating fund invests in a combination of the corresponding investment fund and cash. Accordingly, the investment return on the fund is a combination of the investment returns on the corresponding investment fund and cash, and it can differ substantially from that of the corresponding investment fund.

The allocation between the corresponding investment fund and cash is not fixed, but varies according to market conditions:

- When the market value of the corresponding investment fund decreases, the percentage of assets allocated to cash will be increased to protect the capital value.
- When the market value of the corresponding investment fund increases, the percentage of assets allocated to the corresponding investment fund will be increased, allowing the Sanlam Escalating fund to benefit from the rising market.

In market downturns the cash component of a Sanlam Escalating fund may increase substantially and the fund may invest the bulk of its assets in cash.



## Contact us

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