

# FIXED RETURN INVESTMENTS

In uncertain times, many investors want security. We offer your cautious clients attractive investment opportunities with the Fixed Return Plan and the Fixed Return Plan with Income - five-year investment solutions which provide a specified return at the end of the investment term, and the option of receiving a specified income throughout the term.



THINK WORLD CLASS

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## INTRODUCING THE FIXED RETURN INVESTMENTS BY SANLAM

### A fixed maturity amount

The **Fixed Return Plan** is a five-year, single-premium investment, underwritten by Sanlam Developing Markets Ltd. which provides a specified return at the end of the term. A specified income, payable throughout the investment term, can be added.

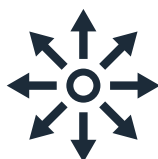
### For cautious clients

The **Fixed Return Plan** is aimed at clients with a cautious risk profile looking for a fixed return over a five-year period and the option to receive an income throughout the investment period.



### Capital preservation

Having the assurance of a fixed return reduces the concern investors may have about portfolio fluctuations over time and the potential of not meeting investment objectives due to market volatility.



### Diversification

Using the Fixed Return Plan within an investor's overall portfolio, provides diversification, which in turn leads to better risk-adjusted returns over the long term.



### Peace of mind

The return and income (if selected) are specified at the outset, giving investors peace of mind.



## ADDING AN INCOME

The Fixed Return Plan can be combined with a Stratus Guaranteed Income Policy (a term annuity policy underwritten by Sanlam Life). This combination, known as the **Fixed Return Plan with Income**, will provide clients with a monthly guaranteed income during the investment term *and* the certainty of a fixed lump sum at the end of the term.

The Fixed Return Plan with Income		
	Fixed Return Plan	Stratus Guaranteed Income Policy
Type of investment	Five-year investment policy	Term annuity <sup>1</sup>
Return	Fixed return, paying original investment amount at maturity <sup>2</sup>	Guaranteed monthly income <sup>1</sup> with optional growth rate of up to 10% per year
Risk of default <sup>3</sup>	Carried by client	Carried by Sanlam Life
Administrator	Sanlam Life Insurance Ltd.	Sanlam Life Insurance Ltd.
Underwriter	Sanlam Developing Markets Ltd.	Sanlam Life Insurance Ltd.

<sup>1</sup> Guaranteed by Sanlam Life

<sup>2</sup> In the unlikely event of a default of one or more of the banks (Absa Bank, First National Bank, Standard Bank, Nedbank) to which your investment is exposed, the maturity value will be reduced.

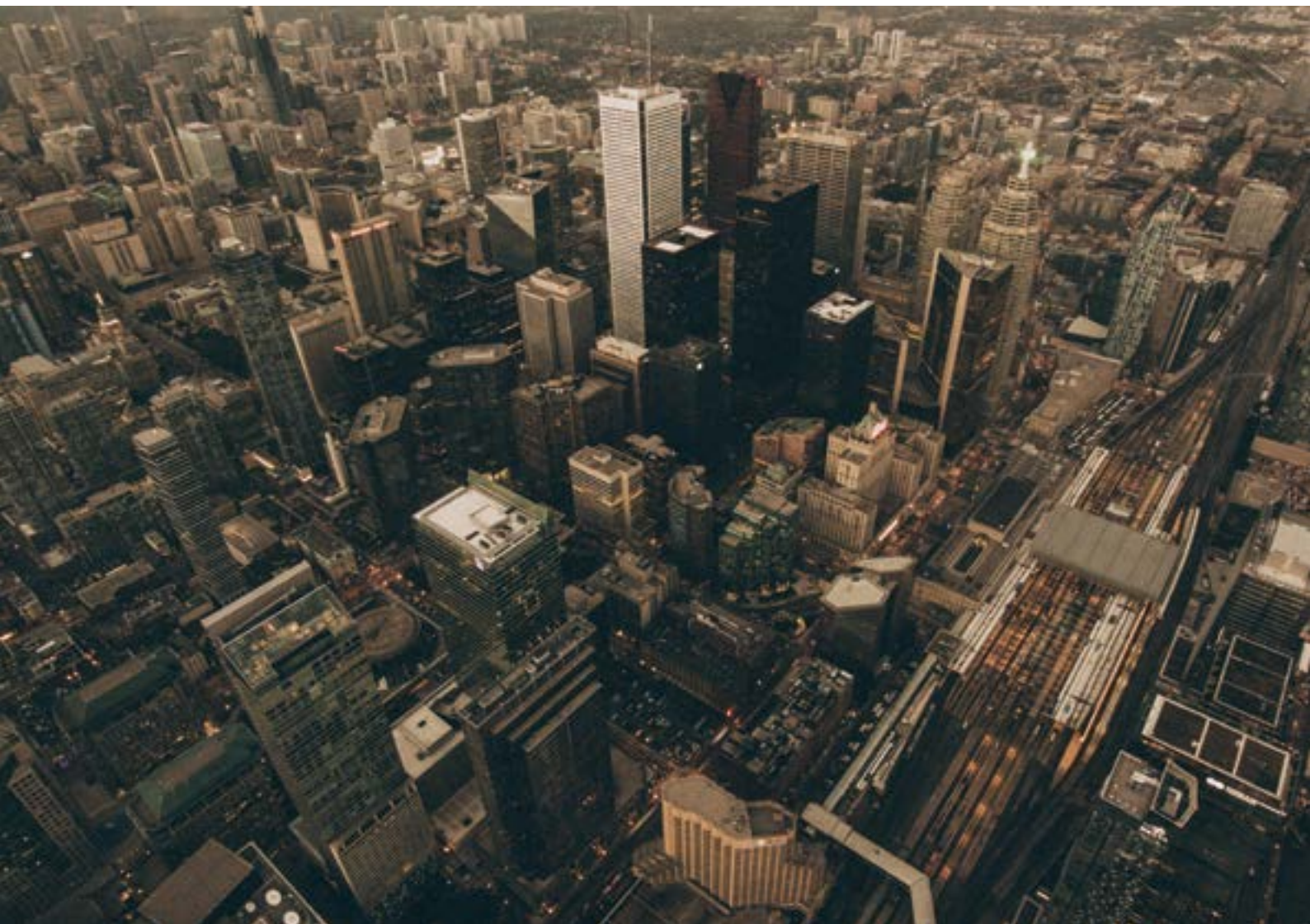
<sup>3</sup> Default risk is the chance that a borrower is unable to make the required payments on its debt obligations.

### Income will be paid from the plan monthly in arrears

#### Clients can choose between:

- No income growth, or
- Fixed income growth at a rate of 1% to 10% per year

The yearly adjustment of income payments, if applicable, will take place on plan anniversary. Income payments are administered and guaranteed by Sanlam Life.



## IS THE MATURITY AMOUNT GUARANTEED?

The maturity amount is exposed in equal proportions to the risk of default of the following four banks: Absa Bank, First National Bank, Standard Bank and Nedbank. The client carries the risk of default; therefore, if any of these banks default, the maturity amount may be reduced.

### **Default risk**

Default risk is the chance that a borrower is unable to make the required payments on its debt obligations.

It is related to the credit-worthiness of the borrower. With the maturity amount exposed to the default risk of the top four banks, the risk that it may be reduced should be minimal.



# PRACTICAL DETAILS

## Making the investment

A minimum lump sum investment amount of R100 000 is required, and ad hoc investments are not allowed.

## Access to funds is restricted initially

### Restriction period

During the five-year term, only one withdrawal is allowed which will attract a termination fee. No loans and no switches are allowed. In the case of the **Fixed Return Plan with Income**, the client has restricted access to the funds during this period in the form of a monthly income payment.

## Tax will affect the investment

### Tax on maturity amount

No tax is currently payable on the proceeds of a Fixed Return Plan.

### Income tax

The income received from the **Stratus Guaranteed Income Policy** consists partly of a repayment of the capital amount, called “the capital portion” of the income payment. The capital portion is only taxable where the investment is not **Section 10A** exempt. The remaining part of the income payment, the non-capital portion, is taxable.

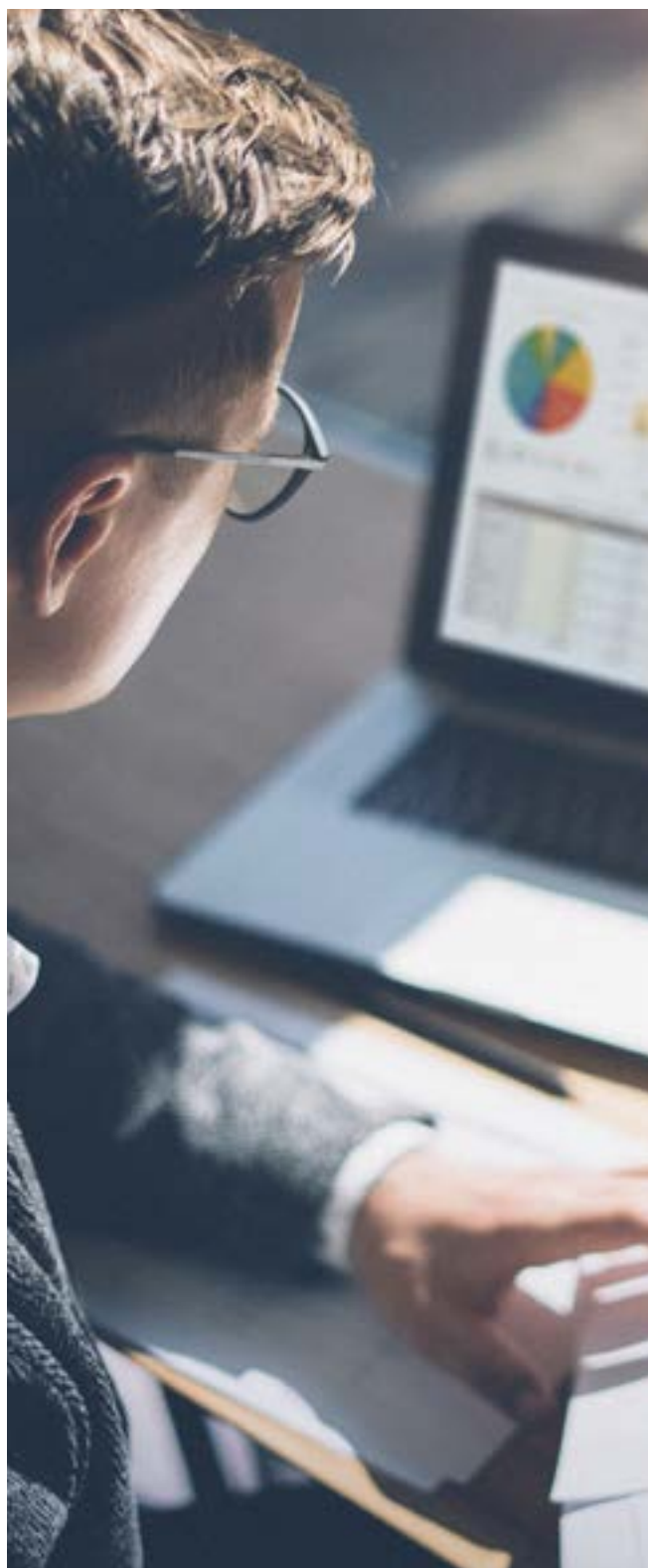
#### **If the requirements of Section 10A of the Income Tax Act are complied with, that is:**

- the recipient of the term annuity is the investor,
- the investor is not taking out the term annuity contract in a representative capacity for the benefit of somebody else, and
- the investor is an individual

**only the taxable element (the non-capital portion of the income payment) will be subject to income tax.**

## A nominee for ownership may be appointed

The policyholder may appoint a nominee for ownership on the Fixed Return Plan. On the death of the policyholder, that nominee will become the new policyholder if he/she accepts the nomination, and the policy will continue until the end of the term. If there is no such nominee, the policy will be paid to the deceased estate.





## FEES AND CHARGES ARE PAYABLE

### Early termination fee

**The Fixed Return Plan** or the **Stratus Guaranteed Income Policy**, or both, may be terminated before the end of the fixed term. A termination fee will be charged.

### Effective annual cost

The effective annual cost (EAC) is a simplified measure that makes it easier for a client to compare financial products. The EAC combines all possible costs for a financial product, which is then expressed as a percentage of the investment amount.

### Financial intermediary fees

The client and intermediary agree on initial commission where applicable. Up to 1.5% initial commission (excl. VAT) may be paid upfront on the **Stratus Guaranteed Income Policy**, and initial commission of up to 3% (excl. VAT) may be paid upfront on the **Fixed Return Plan**.

### Value added tax (VAT) payable on fees

VAT is payable on fees where applicable.

### Accessing the investment

These solutions are available on the Life Annuities & Investment Quote system on Sanport. The application form is also available there.

## Contact us

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Glacier Financial Solutions (Pty) Ltd. | A member of the Sanlam Group  
Private Bag X5 | Tyger Valley 7536

Email [client.services@glacier.co.za](mailto:client.services@glacier.co.za)  
Tel +27 21 917 9002 / 0860 452 364  
Fax +27 21 947 9210  
Web [www.glacier.co.za](http://www.glacier.co.za)  
Twitter @GlacierBySanlam

Reg No 1999/025360/07 | Licensed Financial Services Provider

Sanlam Life Insurance Ltd.

Email [life@sanlam.co.za](mailto:life@sanlam.co.za)  
Tel +27 21 916 5000 / 0860 726 526  
Fax +27 21 947 9440

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