

GLACIER'S INVESTMENT-LINKED LIFETIME INCOME PLAN

Providing retirees with a sustainable investment-linked income in retirement.

The Investment-Linked Lifetime Income Plan is an innovative new retirement income solution that provides clients with the certainty of a lifetime retirement income that is linked to the growth of an underlying investment portfolio.

THINK WORLD CLASS

glacier
by Sanlam



The Investment-Linked Lifetime Income Plan is available from Glacier, and backed by the financial strength of Sanlam Life Insurance Limited ("Sanlam Life").

The product is underwritten by Sanlam Life.

Sanlam Life's details are:

Full registered name and abbreviation: Sanlam Life Insurance Ltd - Sanlam Life

Postal address: PO Box 1, Sanlamhof, 7532

Physical address: 2 Strand Street, Bellville, RSA

Contents

1. Advice at retirement
 2. A retirement income solution for the future
 3. How it works
 4. About the income
 5. Product flexibility and options available
 6. Investment choice matters
 7. Examples
 8. Fees and charges
 9. Technical notes
-

Advice at retirement

One of the most crucial decisions retirees have to make is how to best invest their retirement savings to generate an income that will meet their needs for the rest of their lives. And you will need to help clients find the right balance between the appropriate level of income and the most suitable portfolio to sustain that level of income.

A RETIREMENT INCOME SOLUTION
FOR THE FUTURE:

The Investment-Linked Lifetime Income Plan.

The Investment-Linked Lifetime Income Plan is an innovative new retirement income solution that provides clients with the certainty of a lifetime retirement income that is linked to the growth of an underlying investment portfolio.



How it works

The solution combines the advantages of a guaranteed life annuity and an investment-linked living annuity into a single product by providing the certainty of a lifelong income linked to the growth of an underlying investment portfolio.

1. An investment-linked income for life

- The investment amount is used to purchase a **guaranteed number of retirement income units per year** – payable for life.
- The **guaranteed number of retirement income units** is calculated and fixed at inception. It is **determined by the investment amount, the client's gender, the client's age** at the time of purchasing the product, as well as additional product options chosen, such as the income frequency, the addition of a second life insured, the selection of a guaranteed income payment term, and the choice of an income acceleration rate to enhance the starting income.
- At inception, **the price of each retirement income unit is R1.00**. The price changes thereafter in line with the investment performance of the client's chosen investment portfolio, after fees, charges and the income acceleration rate have been taken into account.
- **The rand amount of the annual retirement income** is calculated as the guaranteed number of retirement income units multiplied by the retirement income unit price.
- **The annual income amount is recalculated each year on the investment anniversary**, paid into the Glacier Money Market Fund (referred to as the Income Account), and then accrues to the client in equal amounts at the chosen frequency.

2. The opportunity to benefit from market-related income growth

- **The value of the retirement income units is linked to the performance** of the investment portfolio constructed by you and your client.
- By investing in asset classes that are expected to provide returns in excess of inflation, your client's **income has the potential to keep pace with, or beat inflation***.

* The higher the income acceleration rate, the higher the starting income will be, but the future income growth will be lower and may not keep up with inflation.

About the income

Frequency

The client can choose at inception to receive an income monthly, quarterly, half-yearly or yearly.

From where is the income paid?

At inception and yearly thereafter on anniversary date, the income is calculated and the full year's income is transferred from the **reserve value** of the plan to the Glacier Money Market Fund (referred to as the Income Account).

The reserve value of the plan is the amount which is invested in the investment funds that make up the investment portfolio. The amount transferred to the Income Account will be repurchased proportionally from the underlying investment funds.

The income accrues to, and is paid from the Income Account in equal amounts in the frequency that the client selected. The interest earned on the Income Account will be added to the following year's income.

Will tax affect income payments?

The total income payable is taxable. We will calculate and deduct income tax according to Pay As You Earn scales, or the fixed tax rate as indicated on a valid tax directive obtained from the South African Revenue Service (SARS). This amount is paid over to SARS on the client's behalf.



Product flexibility and options available

Investment options available

Local collective investment funds and wrap funds

Monthly Bonus Fund

For protection against market volatility, clients may choose to invest in the Monthly Bonus Fund as part of their investment portfolio. This investment fund will assist in the protection of their retirement income unit price against market slumps or negative market movements by smoothing investment returns.

Investment returns are added in the form of bonuses declared on a monthly basis. Once a bonus has been declared, it cannot be reversed, and negative bonuses will never be declared.

Escalating Funds

For protection against market downturns while still having exposure to positive market movements, clients may choose to invest in Escalating Funds as part of their investment portfolio. An Escalating Fund's guarantee will

ensure that the market value per unit of the fund is always at least 80% of the highest market value ever reached since the inception date of the Escalating Fund, despite what happens to the underlying investments. This ensures that, at all times, the investment has some protection against adverse market conditions.

Flexibility

The income plan terminates at the death of the plan holder. However, there is an option to select a second life insured, which will ensure that the income continues for a second life. There is also flexibility to determine whether the income will decrease on the death of the first life insured. Clients may also choose a guaranteed income payment term during which the income is guaranteed to continue. If one of these options has been chosen, the plan will terminate at the death of the second life insured or at the end of the guaranteed income payment term. No further benefits are payable thereafter.

Client need	Product flexibility
Income for the life of the retiree	<p>SINGLE-LIFE ANNUITY WITHOUT A GUARANTEED INCOME PAYMENT TERM The income is payable until the death of the client. If the client dies, all income payments will stop immediately and the plan will end.</p>
Income for the life of the retiree + Income for a guaranteed period	<p>SINGLE-LIFE ANNUITY WITH A GUARANTEED INCOME PAYMENT TERM Sanlam Life guarantees that income will be paid for life, with a minimum of 5, 10 or 15 years (as selected by the client at inception).</p> <p>If the client dies within the guaranteed income payment term, the plan will continue in the name of the beneficiary/beneficiaries and the income will be paid until the end of the guaranteed income payment term.</p> <p>If there are no beneficiaries under the plan, Glacier will continue to pay the income to the estate until instructed otherwise by the executor.</p> <p>If the client dies after the expiry of the guaranteed income payment term, all income payments will stop immediately and the plan will end.</p>
Income for the life of the retiree + Income for the life of a second life insured and the option to include a guaranteed income payment term	<p>JOINT-LIFE ANNUITY The plan provides an income to the first life insured and to the second life insured after the death of the first life insured. The following options are available:</p> <p>A joint-life annuity without a guaranteed income payment term.</p> <ul style="list-style-type: none"> • The income is payable up to the death of the last survivor. If both the lives insured die, all income payments will cease immediately and the plan will end. <p>A joint-life annuity with a reduction in income on first death.</p> <ul style="list-style-type: none"> • The income is reduced by a selected percentage at the death of one of the lives insured. • If a guaranteed income payment term was selected at inception, the income will only reduce by the selected percentage at the end of the guaranteed income payment term. <p>A joint-life annuity with a guaranteed income payment term.</p> <ul style="list-style-type: none"> • The full income payment is payable until the end of the guaranteed income payment term. • At the death of one of the lives insured: <ul style="list-style-type: none"> - The plan will continue in the name of the surviving life insured. - If the death occurs within the guaranteed income payment term and a reduction in income amount was chosen at inception, the income payment amount will only reduce at the end of the guaranteed income payment term. - If the death occurs outside of the guaranteed income payment term and a reduction in income amount was chosen at inception, the income payment amount will reduce immediately. - The income is payable until the death of the surviving life insured. • At the death of the surviving life insured: <ul style="list-style-type: none"> - If the surviving life insured dies outside of the guaranteed income payment term, the income payments will cease immediately and the plan will end. - If the surviving life insured dies within the guaranteed income term, the plan will continue in the name of the beneficiary/beneficiaries and the income will be paid until the end of the guaranteed income payment term. - If there are no beneficiaries under the plan, Glacier will continue to pay the income to the estate, until instructed otherwise by the executor. The estate must inform Glacier who the beneficiaries are.

The addition of a guaranteed income payment term or joint-life option under the product will reduce the guaranteed number of retirement income units.

Income acceleration rate

Clients can increase the guaranteed number of retirement income units that they will receive by making use of an income acceleration rate. Acceleration rates of 0%, 1%, 2% and 3% are available.

The income acceleration rate takes account of potential future income growth in order to enhance the guaranteed number of retirement income units. At income recalculation date the income acceleration rate is applied to the investment return achieved in the manner shown in the example to determine the retirement income unit price for the next year. This means that, effectively, the investment return after fees and charges has to exceed the income acceleration rate in order for the income to grow from one year to the next.

A higher income acceleration rate will result in a higher starting income but lower future income growth. An income acceleration rate can only be chosen at inception, after which it will remain fixed for the lifetime of the plan.

Investment choice matters

Glacier's support to you

Given that the value of the retirement income units will fluctuate based on market performance, it is critical to make appropriate investment decisions about the underlying funds. We provide support for the advice you provide in the form of various tools and calculators, including the Glacier

ICE Tool, a financial needs analysis tool that can help you project a client's income. Glacier's Research team supports our intermediaries by providing objective and independent views on investment funds. Their publication, the Glacier Shopping List, which identifies the top-performing funds in each category, has become a valuable source of information for intermediaries in the industry.

Things to consider when you advise clients on the underlying investment options

Although there are no specific limits prescribed for Investment-Linked Lifetime Income Plan investments, there are for pre-retirement investments done through any approved retirement fund. These limits are there to give guidance to what may be considered prudent investment limitations, and it may be useful to refer to these guidelines to help you assess the overall asset composition of the plan, even though these limits don't take specific personal circumstances into account.

Broadly speaking, the maximum exposure that retirement funds may have to the various asset classes are as follows:

75.00% Equity

25.00% Property

30.00% Foreign*

*Of which not more than 25.00% may be invested in foreign assets outside Africa.



Examples

Calculation of the guaranteed number of retirement income units

The client, a 65-year-old male, opts for a single-life option with no guaranteed income payment term and a 3% income acceleration rate. The retirement capital is R3 000 000. At inception, the guaranteed number of retirement income units per year is calculated at 200 000.

How chosen product options affect the number of retirement income units:

- Had the client opted for a lower income acceleration rate, the guaranteed number of retirement income units would have been lower.
- Had the client opted to add a second life insured, or a guaranteed income payment term, the number of retirement income units would have been lower.

Income recalculation

At inception

Guaranteed number of retirement income units per year	= 200 000
Retirement income unit price	= R1.00
Initial gross yearly income	= 200 000 x R1.00 = R200 000
Chosen income frequency	= Monthly
Gross monthly income in first year	= R16 667

The number of retirement income units is guaranteed and starts at a value of R1.00 at inception. This price will move in line with the performance of the underlying investment portfolio minus fees, charges and the income acceleration rate.

WITH NET INVESTMENT RETURN OF 10.00%:

On income recalculation date (next investment anniversary)

Guaranteed number of retirement income units per year	= 200 000
Net investment return for the year in the underlying investment portfolio*	= 10.00%
Retirement income unit price before adjustment for income acceleration rate	= R1.10
Income acceleration rate	= 3.00%
Retirement income unit price after adjustment for income acceleration rate: $R1.10 \times (1 - 3\%)$	= R1.067
Gross yearly income excl. income account interest	= 200 000 x R1.067 = R213 400
Interest earned on the income account	= R5 000
Gross yearly income	= R213 400 + R5 000 = R218 400
Gross monthly income in second year	= R18 200

WITH NET INVESTMENT RETURN OF 0.00%:

On income recalculation date (next investment anniversary)

Guaranteed number of retirement income units per year	= 200 000
Net investment return for the year in the underlying investment portfolio*	= 0.00%
Retirement income unit price before adjustment for income acceleration rate	= R1.00
Income acceleration rate	= 3.00%
Retirement income unit price after adjustment for income acceleration rate: $R1.00 \times (1 - 3\%)$	= R0.97
Gross yearly income excl. income account interest	= 200 000 x R0.97 = R194 000
Interest earned on the income account	= R5 000
Gross yearly income	= R194 000 + R5 000 = R199 000
Gross monthly income in second year	= R16 583.33

*After deduction of all fees and charges but before income acceleration rate has been taken into account.



Fees and charges

1. Product administration fees

No initial fees are payable.

Annual fees

The annual fees are set out in the investment confirmation and on investment statements. Annual fees accrue daily and are deducted monthly by repurchasing units from the underlying investment funds.

Fees will not affect a client's guaranteed number of retirement income units, but will affect the growth of the retirement income unit price.

2. Financial intermediary fees

Initial fee

The financial intermediary receives an initial fee (if applicable) as negotiated with the client, up to a maximum of 1.50% of the starting capital amount.

Annual service fee

The financial intermediary may negotiate an annual service fee, up to a maximum of 1.00% with the client. Sanlam Life will deduct an amount equal to the negotiated annual service fee and pay this amount to Glacier as a further administration fee. Glacier will pay an equal amount to the financial intermediary. If the negotiated fee is not specified, it will default to 0.00%

The fee may be renegotiated by the client at any time.

If the client has selected a money market fund as part of his/her investment portfolio, the fees will automatically be paid out of this money market fund. Otherwise the fees will be deducted proportionally from each of the underlying investment funds.

Reserve value

- The reserve value of the plan is the amount which is invested in the investment funds that make up the investment portfolio, and from which the client's future retirement income payments will be made. The plan's reserve value is not available on death.
- All fees and charges under the plan will be calculated as a percentage of the plan's reserve value plus the value of the plan's income account, and deducted from the retirement income unit price.

3. Investment management fees

Initial fund manager fees

Although most of the funds available via Glacier do not charge any initial fees some fund managers charge up to 0.25% on domestic funds. A higher initial fee may apply in the case of funds with offshore exposure.

Annual fund manager fees

Fund managers either charge a fixed annual fee or a variable performance fee related to the fund's benchmark.

The annual fee is deducted by the fund manager before the calculation of prices and declaration of income. These fees are included in the total expense ratio and are shown on the investment statement.

4. Wrap fund fees

If a client invests in a wrap fund, a wrap fund fee will apply to the proportion of the plan invested in a wrap fund. The fee will be indicated on the relevant wrap fund's mandate. The fee accrues daily and is deducted monthly by repurchasing units from the underlying investment funds.

5. Tax and other statutory charges

The tax treatment of income and investment returns depends on the tax status of the plan owner and any legislation or measures that prescribe the taxation with regard to assets held for the plan.

The investment returns generated by the underlying investments of the Investment-Linked Lifetime Income Plan are not taxable in terms of current legislation. This may change over the duration of the plan. Any statutory charges will be deducted from the investment returns.

The total income payable is taxable. Glacier will calculate and deduct income tax and pay it over to SARS on the client's behalf.

6. Mortality adjustment charge

The guaranteed number of retirement income units promised under this product is based on the investment amount, the ages and genders of the lives insured, the guaranteed income payment term, the income acceleration rate and other product options chosen. The number of retirement income units is guaranteed as long as one or both of the lives insured are alive (subject to any chosen reduction after the first death in the case of the joint-life option), and has been calculated using Sanlam Life's best estimate of future mortality and mortality improvements in South Africa.

However, should improvements in medical science and other factors result in people living even longer than expected, the provisions that Sanlam Life has made for future mortality improvements may not be sufficient. Should this happen, Sanlam Life will not reduce the number of guaranteed retirement income units for existing policyholders but Sanlam Life reserves the right to levy a mortality adjustment charge. As with other charges on this product, the mortality adjustment charge, if levied, will affect the retirement income unit price. There will be no immediate impact on a client's retirement income. No mortality adjustment charge will be levied during the first 10 years of a policy after which Sanlam Life may impose a maximum charge of 0.50% per annum. An additional

charge of up to a maximum of 0.50% per annum may be imposed every five years thereafter.

When the charge is reviewed, Sanlam Life will analyse actual as well as industry mortality experience on this and similar products, the expected impact of future medical advances and practices, and other trends and/or practices that are expected to influence future mortality. Sanlam Life will then compare the assumptions applicable at the time of the charge review with those that were previously used and, by reference to that comparison, use a fair and reasonable method of calculating any adjustment to the charge. A mortality adjustment charge will never depend on a client's age, health or other personal circumstances at that stage.

Value added tax (VAT) payable on fees:
VAT will be paid on fees where applicable.

Sanlam Life reserves the right to change the fees, the frequency of fees and investment minimums after writing to clients to tell them about this.

Technical notes

Who may invest?

Clients retiring from any of the following pre-retirement funds (subject to the rules of the relevant fund):

- Retirement annuity
- Employer's pension fund
- Preservation pension fund
- Employer's provident fund
- Preservation provident fund

Minimum entry age: 55 next birthday.

Switch to and from other post-retirement products

Switching to other post-retirement products from this solution is not allowed. A client can, however, switch from an investment-linked living annuity to this solution.

Management of the plan

The client, in collaboration with his/her intermediary, is responsible for the management of his/her plan – specifically the underlying investment fund choices. Sanlam Life has appointed Glacier as the administrator of the Investment-Linked Lifetime Income Plan.

In cases where a wrap fund is chosen, the relevant wrap fund manager will be responsible for the management of the underlying investment funds as indicated in a signed mandate, and Glacier will be responsible for the administration of the investment.

Contact us

This document is intended for use by intermediaries only, and its objective is to assist intermediaries in the understanding of the offering.

Contact your Glacier representative or our Communication Centre to find out more about how we can provide you with product, technical, client service and marketing support when it comes to advising your clients at retirement.

Tel: +27 21 917 9002

Fax: +27 21 947 9210

Email: client.services@glacier.co.za