

## Glacier FlexiGuarantee Life Annuity

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# Glacier FlexiGuarantee Life Annuity

## Product description

The Glacier FlexiGuarantee Life Annuity (FGLA) is a **conventional annuity** which will consist of two components. One component will be a guaranteed life annuity whilst the other component will have some features that are similar to that of a living annuity.

The contract consists of the following:

1. the FGLA quotation;
2. the guaranteed life annuity quotation;
3. the application for the policy;
4. the key feature

The Glacier FGLA is underwritten by Sanlam Life.

## Purpose of an FGLA

The solution is aimed at clients who want to consider buying a retirement income stream which consists both of a guaranteed and flexible, market-linked component. The solution can also address investors' various needs either to provide an income or capital legacy to dependents. This solution is aimed at living annuity clients who wish to transfer their living annuity to a more sustainable and diversified solution but can also be accessed at retirement.

## The FGLA offers investors:

- access to flexible and guaranteed income streams within a single product
- custom allocation between the two components (subject to minima)
- guaranteed income for life on guaranteed life annuity component
- flexible investment options and income selection on living annuity component
- the ability to provide for dependants either through the remaining capital on living annuity component or through annuity income to spouse (joint life) or beneficiaries (guaranteed term)
- combined monthly income payment

## Guaranteed life annuity component

The component that is structured on the basis of a guaranteed life annuity is purchased from Sanlam. The following options are available:

- Single life (plan 2)
- Joint life (plan 3)

On both the single or joint life annuities, an investor can select:

- Income growth (0%-7%)
- Guaranteed payment term (0, 5 or 10 years)

The options that the investor chooses in respect of this component is final and cannot be changed.

## Living annuity component

This is the component that is structured on the basis of a living annuity and administered by Glacier. It allows investors flexible investment options, either in a wrap fund or CIS and share portfolios. Multiple plans are currently not available on this product

The living annuity component of the FGLA is not a living annuity as per the definition of the Income Tax Act. This component cannot:

1. be transferred to another provider;
2. be commuted once the value falls below the legislated threshold; or
3. at death the beneficiary cannot continue with an annuity at another provider (see more detail under the beneficiary section below).

## Product features

### Investor type

The FGLA is available to individual investors.

### Investments allowed

- Lump sums
- Ad hoc amounts (on living annuity component only)

### Investment option

On the living annuity component, investors are allowed to invest in either a wrap fund or CIS and share portfolios. Multiple plans are not available on this product.

The investments held in the living annuity component are made up of various asset classes such as equities, bonds, property or cash. These underlying assets have different levels of risk and return associated with them. Consideration should be given to the overall composition of the living annuity component in terms of these underlying assets. If the risky assets proportion is too high, there is a risk of losing capital; if the proportion is too low, there is a risk that investment returns will be too low to sustain the income.

Although there are no specific limits prescribed for living annuity investments, there are limits for pre-retirement investments done through any approved retirement fund. In order to protect retirement savings, the Pension Funds Act regulates the maximum limits to the different asset classes that a retirement fund may expose itself to. These limits are in place to give guidance to what may be considered prudent investment limitations. As a way to provide similar guidance to investors with living annuities, it may be useful to refer to these guidelines to assess the overall asset composition of the living annuity component.

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

- 75% equity
- 25% property
- 40% foreign (of which not more than 30% may be invested in foreign assets outside of Africa)
- 10% hedge

## Funding an FGLA

An FGLA is only available for money from a **compulsory** source, which includes a retirement or death benefit from a pre- or post-retirement product such as:

- living annuity (transfer from Glacier or external provider);
- retirement annuities;
- employer's pension/provident funds;
- pension/provident preservation funds.

**Note:** At retirement, investors have the option to split their retirement capital to buy separate living annuity and guaranteed life annuity policies. This allows investors more flexibility on both policies compared to purchasing an FGLA.

*The investor is therefore enabled to do the following:*

- *transfer living annuity to another product or provider*
- *commute living annuity*
- *receive quarterly, bi-annual or annual income*
- *select guaranteed life annuity plans with capital protection*
- *subsequently transfer the living annuity to another life annuity*

## Minimum investment amount

The minimum investment amount is subject to the following allocations:

- R100 000 to be invested in the living annuity component
- R50 000 to purchase the life annuity component.

## Income

Investors will receive a **monthly** income. The incomes from the two components are combined and tax is calculated on the total amount.

- For the guaranteed life annuity component, the income is determined based on options selected on this component.
- For the living annuity component, an income amount or percentage may be selected. This income is paid from the underlying funds. The allowable drawdown on the living annuity component will align with the legislated drawdown rates of retail living annuity products.

## Beneficiary to a FGLA

### If single-life guaranteed annuity

You may appoint one or more beneficiaries to receive the death benefit of your living annuity component when you pass away. These beneficiaries will automatically apply to the guaranteed life annuity component where a guaranteed term was selected. If the term selected on the guaranteed life annuity is zero, the beneficiaries indicated only apply to the living annuity component.

### If joint-life guaranteed annuity

On the guaranteed life annuity component, monthly income payment will be made until the death of the last surviving spouse.

You may also appoint one or more beneficiaries to receive the death benefit of your living annuity component when you pass away. These beneficiaries will automatically apply to the guaranteed life annuity component where a guaranteed term was selected. If the term selected on the guaranteed life annuity is zero, the beneficiaries indicated only apply to the living annuity component.

These beneficiaries may differ from the second life insured on the joint life annuity component.

### Changing beneficiaries

Beneficiaries on both components can be changed by submitting a maintenance instruction on either component.

**Note:** When buying separate living annuity and guaranteed life annuity policies at retirement, investors are not required to align beneficiaries as is required at the issuing stage of a FGLA.

### Initial beneficiary selection example – the investor chooses A and B as beneficiaries on the application form for an equal amount.

|                                  | Guaranteed life annuity component  | Living annuity component  |
|----------------------------------|--|---|
| Single life                      | n/a  | Remaining capital to:<br>Beneficiary A (50%)<br>Beneficiary B (50%) |
| Single life with guaranteed term | Annuity income for the remainder of the guaranteed term when the policyholder passes away: Beneficiary A (50%), Beneficiary B (50%)  | Remaining capital to:<br>Beneficiary A (50%)<br>Beneficiary B (50%) |
| Joint life                       | Annuity income when the policyholder passes away: second life insured  | Remaining capital to:<br>Beneficiary A (50%)<br>Beneficiary B (50%) |
| Joint life with guaranteed term  | Annuity income when the policyholder passes away: second life insured<br><br>Annuity income for the remainder of the guaranteed term if both lives insured passed away: Beneficiary A (50%), Beneficiary B (50%) | Remaining capital to:<br>Beneficiary A (50%)<br>Beneficiary B (50%) |

## Transactions

### Transactions not allowed:

#### **Transfers**

The FGLA is a conventional annuity and neither component can be transferred to another product or provider.

#### **Commutation**

The living annuity component of the FGLA cannot be commuted, even when the value is less than the amount defined for living annuities (as per Government Gazette/Notice).

#### **Cooling-off**

There is no cooling off period that applies to the FGLA. The allocation between the two components, or options chosen on the guaranteed life annuity component are final and cannot be changed.

#### **Divorce**

The FGLA income does not fall within the ambit of 'pension interest' as defined in the Divorce Act. Once an FGLA is purchased, the underlying capital or income is no longer accessible.

### Transactions allowed:

#### **Living annuity component**

- ad hocs
- maintenance
- phasing in
- switching

#### **Guaranteed life annuity component**

Only maintenance can be done on this part of the investment.

# Investment procedure

## New business requirements

The following documents need to be submitted to Glacier:

- FGLA application form
- Guaranteed life annuity quote (signed)
- FGLA quote

## Quotations

FGLA quotations are generated on the Glacier Investment Hub.

Under the **Product tab**, intermediaries need to pick **Living Annuity** and indicate the allocation to the guaranteed life annuity on the **Investments** screen.

Net estimated investment amount

1 000 000.00

Of the gross estimated investment, do you wish to invest in a guaranteed plan?

☒ Yes ☐ No

Amount allocated to guaranteed annuity

100 000.00

Office quote number

Office quote number

On the **Income** screen, intermediaries need to indicate the **gross income** amount from the guaranteed life annuity (per life annuity quotation).

Income

Amount on which income is calculated

900 000.00

How often should income be paid?

Monthly

First payment payable

The first income date will always be the first of the next month, provided the application form and quotation is received before the 15th of the month. Failing that, the first income date will default to the first day of the following month.

Income option

☐ Amount ☒ Percentage per year

Fixed percentage % per year R 0.00 per payment

Income from guaranteed annuity:

R Income from guaranteed annuity

INCOME TAX RATE:

☒ PAYE ☐ Fixed rate of Tax rate: percent %

NOTE: The tax is calculated on the standard income only. The actual tax will be calculated on all personal portfolio life annuities.

Intermediaries need to generate a **Sanlam Life Annuity quote** (Plan 2 or Plan 3).

The payment date indicated on this quotation influences the income amount. However, if the investment is processed at a different date and the income is materially lower than indicated on the original quote, investors will be required to sign an updated quotation.

**Note:** This quote package does not make allowance for 0% commission. However, the guaranteed life annuity component will be processed without any additional commission and investors' income will be adjusted accordingly.



## New business process

|                          | Section 37 transfer from <b>Glacier</b> Living Annuity   | Retirement from <b>Glacier</b> pre-retirement Funds.   |
|--------------------------|--|--|
| Documents required       | <ul style="list-style-type: none"> <li>- FGLA quote</li> <li>- Guaranteed life annuity quote</li> <li>- Application form</li> <li>- Annexures</li> </ul>   | <ul style="list-style-type: none"> <li>- FGLA quote</li> <li>- Guaranteed life annuity quote</li> <li>- Application form</li> <li>- Retirement option form</li> </ul>  |
| Payment method           | Cash transfer  | Cash transfer  |
| Processed as             | Withdrawal and new business  | Withdrawal and new business  |
| Initial intermediary fee | No initial intermediary fee is allowed.  | Initial intermediary fee is allowed on the full investment value. This value is recovered and paid by Glacier before the portion is allocated to the life annuity component.   |
| Annual intermediary fee  | The annual intermediary fee can be negotiated on the living annuity component  | The annual intermediary fee can be negotiated on the living annuity component.   |
| Guaranteed income        | The guaranteed income on the life annuity quotation is based on an initial intermediary commission of 1.5%. However, the guaranteed income is issued without initial commission, which should result in a higher income. | The guaranteed income on the life annuity quotation is based on an initial intermediary commission of 1.5%. However, the guaranteed income is issued without initial commission, which should result in a higher income. |

|                          | Section 37 transfer from <b>other</b> living annuities  | Retirement from other pre-retirement Funds  |
|--------------------------|---|---|
| Documents required       | <ul style="list-style-type: none"> <li>- FGLA Quote</li> <li>- Guarantee life annuity quote</li> <li>- Application form</li> <li>- Annexures</li> </ul>   | <ul style="list-style-type: none"> <li>- FGLA Quote</li> <li>- Guarantee life annuity quote</li> <li>- Application form</li> <li>- Retirement option form</li> </ul>                            |
| Payment method           | Cash transfer   | Cash transfer   |
| Annuity rate             | The payment date equals the rate date. The rate of the week that the payment is made will be used to issue the case. If the annuity rate is significantly lower, a new quote will be requested. | The payment date equals the rate date. The rate of the week that the payment is made will be used to issue the case. If the annuity rate is significantly lower, a new quote will be requested. |
| Initial intermediary fee | No initial intermediary fee is allowed.   | Initial intermediary fee is allowed on the full investment value. This value is recovered and paid by Glacier before the portion is allocated to the life annuity component.                    |

|                         |   |   |
|-------------------------|---|---|
| Annual intermediary fee | The annual intermediary fee can be negotiated on the living annuity component.  | The annual intermediary fee can be negotiated on the living annuity component.  |
| Guaranteed income       | <p>The guaranteed income on the life annuity quotation is based on an initial intermediary commission of 1.5%. However, the guaranteed income is issued without initial commission, which should result in a higher income.</p> <p>In the event that the guaranteed income is significantly lower than quoted, a new guarantee life annuity quote will be required.</p> | <p>The guaranteed income on the life annuity quotation is based on an initial intermediary commission of 1.5%. However, the guaranteed income is issued without initial commission, which should result in a higher income.</p> <p>In the event that the guaranteed income is significantly lower than quoted, a new guarantee life annuity quote will be required.</p> |

## Inception and income dates

The inception date of the FGLA will be the day that the plan is issued. Investors will receive monthly income payment on the 1<sup>st</sup> of the month.

- If the proceeds are received **before or on the 15<sup>th</sup> of the month**, the first income will be paid at the end of that month.
- If the proceeds are received **after the 15<sup>th</sup> of the month**, the first income will only commence at the end of the next month.

**Income payment example assuming income from components: living annuity R20 000; guaranteed life annuity R10 000**

| Payment date of investment | Combined income 1 Feb | Combined income 1 March |
|----------------------------|-----------------------|-------------------------|
| 10 January                 | R30 000               | R30 000                 |
| 17 January                 |                       | R30 000                 |

## Transferring a living annuity to an FGLA

A client can transfer their living annuity, from an external provider or from Glacier, to an FGLA.

When transferring their Glacier Living Annuity, units will be sold (unit transfer not available) and transferred from the living annuity plan into a new FGLA plan. New business requirements apply, and investment options and beneficiaries will not automatically be carried into the FGLA.

**Note:** It is advisable that transfers are done just after the client has received the income of their living annuity, to allow sufficient time to process the FGLA before the next income is due.

## Client documents

### Key feature

The policyholder will receive a single Investment confirmation document that sets out the details for both components of the investment.

### Statements

Investors will receive one statement which includes both components of the FGLA. So, where income detail is displayed on a statement, the income detail of the life annuity component will be combined with the income detail of the living annuity.

### Income revision letters

An income revision letter is sent to the client annually where the variable income on the living annuity component can be selected. The income revision letter includes the guaranteed life annuity income detail.

## Death claim

Once Glacier is informed about the death of the policyholder, the death claim on an FGLA will be handled by Glacier for the living annuity component and by Sanlam for the life annuity component, respectively.

On the living annuity component, there are three options available to the beneficiaries, subject to the relevant legal requirements:

- The total value of the underlying investment options will be available to the beneficiaries as a FlexiGuarantee Life Annuity or a guaranteed life annuity underwritten by Sanlam Life.
- The payment of a cash lump sum.
- A combination of the above.

If no beneficiary has been nominated, the death benefit will form part of the deceased estate's assets.

On the guaranteed life annuity component, monthly income will be paid until the latter of:

- the death of the second life insured (if joint life was selected)
- the end of the guaranteed term (if a five- or 10-year term was selected).

Where a guaranteed term was selected, the income will be split between the selected beneficiaries, who become the new annuitants.

Where the income from both components is paid to the same person, the client will receive the income via the FGLA product. In the event that the income is paid to different beneficiaries/annuitants, the components will be dealt with separately.

## Fees

### Intermediary fees

#### Initial fees

- No initial commission is allowed on transfer from a living annuity to the FGLA
- The maximum initial commission if the product is selected at retirement, is 1.5%.
- The intermediary receives commission on the full amount and the commission is paid by Glacier.
- Therefore, the intermediary will receive no commission from Sanlam on the life annuity component.

**Note:** The guaranteed life annuity quotation, prepared on Office Quote, does not make allowance for 0% commission. However, the guaranteed life annuity will be processed without any additional commission and investors will receive a higher income as a result.

**Initial advice fee example for product purchased at retirement. The example below simulates the impact of a R1 million investment where R300 000 is allocated to the life annuity component:**

|   |            |
|---|------------|
| Gross investment in FGLA                      | R1 000 000 |
| Less 1.5% initial intermediary                | R15 000    |
| Net investment in FGLA                        | R985 000   |
| Allocation to life annuity component          | R300 000   |
| Balance allocated to living annuity component | R685 000   |

#### Annual fees

The intermediary may receive an annual advice fee on the portion invested in the living annuity component.

### Administration fees

Standard fees for the components apply as disclosed in the quotations and contract. A sliding scale on the living annuity component is only applied to this amount.

### Score on an FGLA

The DIF is split as follows:

- 0.85% on the amount invested in the living annuity component
- 1.30% on the amount invested in a life annuity component

The score is split as follows:

- 0.90% on the amount invested in the living annuity component
- 1.25% on the amount invested in a life annuity component

## Important notes to remember

### One policy with two components

The FGLA consists of two components and is marketed as one policy. The client completes one application form, receives one investment confirmation and receives one income. The detail of the guaranteed income is reported to the client annually in the income revision form. The components are administered on two systems, but one policy is issued. The detail of the guaranteed income is reported to the client via Glacier reporting.

### Can I commute/transfer the FGLA?

The Glacier FlexiGuarantee Life Annuity (FGLA) is a **conventional annuity** which will consist of two components. These two components are structured on the basis of a **living annuity** and a **guaranteed life annuity**. So, neither the living annuity component nor the life annuity component can be transferred to another provider or commuted.

### Can different beneficiaries be appointed?

You may appoint **one or more beneficiaries** to receive the death benefit of your living annuity component when you pass away. At new business, these beneficiaries will automatically apply to the guaranteed life annuity component where a guaranteed income payment term is selected.

Investors have flexibility to amend beneficiaries later as the policies are issued on separate systems. In the case of a life annuity component being issued without a guaranteed term, no beneficiaries are loaded on the guaranteed life annuity component.

## Comparison

### Differences between the FlexiGuarantee Life Annuity, consisting of two components, and a stand-alone living annuity and life annuity

At retirement, clients have the option to diversify their retirement savings into several retirement income solutions to suit their unique needs. As an example, they could purchase a living annuity and a life annuity in order to have the certainty of a guaranteed and stable income on the one hand, and income flexibility and continued capital growth on the other.

Clients who purchased only a living annuity at retirement may, over time, require more stability and certainty with regard to their income. These clients have the option to convert their living annuity to something with more certainty.

The **FlexiGuarantee Life Annuity** is a single product that offers the benefits of both living annuity and life annuity solutions. The table below shows the differences between the FlexiGuarantee Life Annuity and a normal living annuity / life annuity combination.

|                      | FlexiGuarantee Life Annuity   | Stand-alone living annuity<br>+ life annuity   |
|----------------------|---|--|
| Structure            | One conventional annuity that consists of two components.   | Two separate policies  |
| Availability         | After retirement, transfer existing living annuity to FlexiGuarantee Life Annuity<br><br>OR<br>At retirement from:<br>- retirement annuities;<br>- employer's pension/provident funds;<br>- pension/provident preservation funds. | At retirement from:<br>- retirement annuities;<br>- employer's pension/provident funds;<br>- pension/provident preservation funds.<br>(unable to split existing living annuity). |
| Life annuity options | Single or joint life options available.   | Single or joint-life options, and capital protection options available.  |
| Beneficiary options  | Beneficiary of both components must be aligned at inception stage. Investors have flexibility to amend beneficiaries later as the policies are issued on separate systems.  | Different beneficiaries can be nominated on the two policies.  |
| Transferability      | Neither component can be transferred.   | A living annuity can be transferred to another provider or product; a life annuity cannot.   |

|                 |   |   |
|-----------------|---|---|
| Commutation     | Neither component can be commuted   | The living annuity can be commuted if the value falls below a specified amount.   |
| Take-on process | <p>Living annuity quote and additional Life annuity quote required.</p> <p>Combined application form.</p> <p>Transfer one lump sum to Glacier.</p>  | <p>Separate quotes and application forms required for each product.</p> <p>Separate amounts to be paid for each product.</p>  |
| Contracts       | A single contract, incorporating both components is received.   | Separate contracts are received.  |
| Death           | <p>On the living annuity component options are:</p> <ul style="list-style-type: none"> <li>• The total value of the underlying investment options will be available to the beneficiaries as a FlexiGuarantee Life Annuity or a guaranteed life annuity underwritten by Sanlam Life.</li> <li>• The payment of a cash lump sum.</li> <li>• A combination of the above.</li> </ul> <p>On the guaranteed life annuity component, the monthly income will be paid until the latter of:</p> <ul style="list-style-type: none"> <li>• the death of the second life insured (if joint life was selected)</li> <li>• the end of the guaranteed term (if a five- or 10-year term was selected).</li> </ul> | <p>Living annuity options:</p> <ul style="list-style-type: none"> <li>• a living annuity;</li> <li>• payment of a cash lump sum;</li> <li>• combination of a part as a cash lump sum and the remaining amount invested in a living annuity.</li> </ul> <p>On the guaranteed life annuity, a monthly income will be paid until the latter of:</p> <ul style="list-style-type: none"> <li>• the death of the second life insured (if joint life was selected)</li> <li>• the end of the guaranteed term (if a five- or 10-year term was selected).</li> </ul> |

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