Notes

- This chapter should be read in conjunction with the contract documents. If there is any conflict or inconsistency between the contents of the contract documents and this chapter, the provisions of the contract documents will prevail.
- Take note that information contained in this technical guide is with regard to the latest versions of the applicable products/benefits. Refer to the contract documents for information about the existing products/benefits of a life insured.
- Any reference to "you" or "your" refers to the life insured. Any reference to "we", "us", "our" or "ours" refers to Sanlam Life Insurance Limited (Sanlam Life)

Cumulus Flexi Retirement Plan

Why Cumulus Flexi Retirement Plan?

Any reference to "you" or "your" in this section refers to the life insured.

As part of our on-going commitment to offer retirement savings solutions for a range of market segments and client needs, we offer the Cumulus Flexi Retirement Plan for clients who require flexibility of contributions or those with large one-off contributions.

The features of the product include the following:

- A simple and transparent unit trust type charge structure;
- No alteration or transaction charges will be levied if you reduce or stop paying recurring payments, or if you terminate your plan early;
- It is easy to establish the value of your investments, as the unit prices for all investment funds are updated on the Sanlam website daily;
- If you experience a temporary decrease in income, you can skip payments by making use of our payment holiday facility at no extra cost, provided our conditions at the time are met. You do not have to repay the payments that are skipped.

What is a retirement annuity?

The Cumulus Flexi Retirement Plan is a retirement annuity which is structured to provide a client with a pay-out at any age from 55. Legally, a part of this pay-out may be taken in cash, with the rest to be reinvested and the proceeds used to pay the client a regular income for life. The fact that the capital is only available from age 55 onwards, ensures that clients have access to the money only when they need it most, and that it is used for the purpose it was designed for: to provide income after retirement.

Why choose a retirement annuity?

Retirement annuities have proved to be beneficial savings instruments for millions of people, because they encourage disciplined savings with tax incentives. For many people, their disciplined savings efforts pay off when they retire with an intact nest egg.

A retirement annuity is an excellent investment instrument for tax-efficient savings as retirement annuity fund members receive three tax breaks:

- Payments are income tax deductible up to each contributor's limit. For each R100 invested in an RA plan, R40 (for someone taxed at a 40% marginal rate) is effectively paid back to the investor by the South African Revenue Service (SARS). The implication is that for the original R100 invested, the investor will pay R60 and SARS R40.
- Monies in the retirement fund receive favourable tax treatment. Tax is not payable on rental income and interest, and no tax is payable on either capital gains or dividends received.
- The cash lump sum at retirement also receives favourable tax treatment. On retirement a part of the lump sum could be tax-free, while the rest of the lump sum will be taxed at favourable rates. Refer to the *Tax* chapter for more information.

Some of the important features related to retirement annuities, in addition to the tax incentives mentioned above, are the following:

- Money transferred from any retirement fund such as a pension or provident fund to a retirement annuity is tax-free.
- A retirement annuity is protected against creditors, which provides protection in the event of insolvency.
- Any of the following compulsory annuities can be taken at retirement:
  - A conventional life annuity, with or without capital protection
  - A linked annuity, which is riskier as a client has to choose underlying investment funds and the percentage income
  - A composite life annuity, which is a combination of a conventional life annuity and a linked annuity.
- The full benefit amount payable at death may be paid as a lump sum, or it can be used to provide regular income payments. The lump sum and income are subject to income tax, but exempt from estate duty.

Products, benefits and investment funds

Products and product codes

The available products and their product code is indicated in the table below:

Product	Product code
Cumulus Flexi Retirement Plan	R10C
Cumulus Flexi Retirement Plan for Graduates	
Cumulus Flexi Retirement Plan for Professionals	

The Core product option is not available for new bussines anymore.

Waiver of payment benefits not available

Waiver of payment benefits (OGG and OPG) are not available.

Investment funds

The choices are the following:

- Comprehensive R28 option:
    - One of the available life time investment options, or
    - A choice between only Regulation 28 compliant investment funds.
- Comprehensive option: a choice between any investment funds, including Regulation 28 compliant and non-compliant investment funds.

All these investment choices are indicated on the quotation.

If a life time investment option is not selected, up to 10 investment funds may be selected, including Sanlam Escalating Funds with a built-in guarantee. The Sanlam Escalating Funds are only applicable to the Comprehensive product option.

Apart from the built-in guarantee of the Sanlam Escalating Funds, we do not guarantee the performance of the investment funds. The value of units may increase or decrease, and past performance is no guarantee of future performance. For example, the value of assets in foreign currencies may increase or decrease materially due to changes in exchange rates.

Information about all investment funds we offer, is available on the Sanlam website at http://www.sanlam.co.za.

Available options per product

A choice between a Comprehensive option and a Comprehensive R28 option is available for the different products, as indicated in the table below.

Product	Comprehensive product option	
	Comprehensive option	Comprehensive R28 option
Cumulus Flexi Retirement Plan	√	√
Cumulus Flexi Retirement Plan for Graduates	√	√
Cumulus Flexi Retirement Plan for Professionals	√	√

Comparison between product options

The main differences between the Comprehensive product options are indicated in the table below. In this table, LTIO refers to a life time investment option.

Product feature	Comprehensive product option	
	Comprehensive option	Comprehensive R28 option
Investment funds	Choice between any investment funds, including Regulation 28 compliant and non-compliant investment funds	Choice between: • LTIO, or • Only Regulation 28 compliant investment funds
Sanlam Escalating Funds	Available	Sanlam Escalating Funds which are Regulation 28 compliant are available
Switches between investment funds	Allowed	• Not allowed for LTIO • Allowed for Regulation 28 compliant investment funds

Role players

Number of role players

The minimum and maximum number of role players are indicated in the table below.

Number of role players*		
Role player	**Minimum**	**Maximum**
Life insured	1	1
Nominee	0	10

*The Central Retirement Annuity Fund (the FUND) is the planholder for a Cumulus Flexi Retirement Plan.

Life insured

A life insured must be a natural person.

Nominee

The benefit amount payable at death is equal to the fund value on the date that we receive notice of the death of the life insured.

Section 37C of the Pension Funds Act requires the trustees of the FUND to determine who should receive any amount payable at the death of a life insured. Details of appointed nominees, as well as of all the dependants of the life insured must be provided, including spouses, children (including adopted and illegitimate children) of all ages and other persons who are financially dependent on the life insured.

The trustees have to consider all the dependants of the life insured, even if nominees were appointed.

Is it necessary to appoint nominees?

Yes. A nominee is someone the life insured appoints to receive the benefit available at death, or a part of it. We, and the trustees of the FUND, will then know what the wishes of the life insured are. A nominee may only accept or reject the appointment after the death of the life insured.

Conditions for appointment of nominees

We recommend that nominees are appointed, although doing so is not compulsory. If nominees are appointed, the following applies:

- the life insured may appoint one or more nominees, up to a maximum of 10;
- a nominee can be a natural person, trust, tax-paying institution or tax-exempt institution;
- the percentage, between 0% and 100%, allocated to each nominee, must be specified separately. However, the total percentage allocated to nominees may not be more than 100%;
- if the total percentage allocated to nominees for a benefit amount is less than 100%, the remaining part of that benefit amount will be paid to the life insured's estate.

May the appointment of a nominee be changed?

An appointment may be added, cancelled or changed at any time. It must be in writing and signed by the life insured, and must reach Sanlam Life's head office before the life insured's death.

Payments

All payments must be made in South Africa in South African currency.

Payment options

- A choice between
  - Only one-off payment
  - Only recurring payments
  - Combination of one-off and recurring payments.

The payment option of a plan cannot be changed after the start date of the plan.

Payment frequency for recurring payments

Choice between:

- Monthly
- Yearly.

Payment method for recurring payments

- A choice between
  - Debit order
  - Stop order
  - Internal funding.

A monthly or yearly payment frequency is allowed for a debit order payment method. Only a monthly payment frequency is allowed for other payment methods.

The same payment applies for all payment methods.

Payment limits

No maximum applies.

The minimum amount that may be invested in an investment fund is R50 per month. Other conditions that apply to minimum payments on a plan, are indicated below.

Minimum payments

The minimum payments are indicated in the table below.

Payment option	One-off payment (R)	Additional one-off payment (R)	Recurring payment per month (R)	Recurring payment increase per month (R)
Only one-off payments	25 000	5 000	-	-
Only recurring payments	-	5 000	500	250
Combination of one-off and recurring payments	5 000	5 000	500	250

One-off payments

One-off payments may be made, provided that they are not less than our minimum allowed. If the transaction date for a payment, as indicated in the statement, is more than one day later than the payment date, we will adjust the payment to allow for the delay from the day following the payment date to the transaction date.

Recurring payments

The first recurring payment is payable on the contract start date. If the first payment is not made on the contract start date, the plan will lapse. Our obligations take effect after the first payment is made.

Recurring payments are allowed, but then they should apply from the start of the plan. They cannot be added later. A recurring payment, if applicable, is due on the same day of each month or year, as indicated in the statement.

If recurring payments are made by debit order, and the requested day on which we have to collect the payment does not fall on a working day, or a month does not have the particular day, we will collect it on the following working day.

The transaction date for a recurring payment is the later of the payment due date and the actual payment date. If this is not a working day, the transaction date will be the first working day thereafter. We will not adjust a recurring payment to allow for early payment if it is made before the transaction date.

If a recurring payment is not made in full within a 30 day period of grace, we may consider the recurring payment stopped.

Payment growth

If the plan has payment growth, the recurring payment will be increased according to the conditions of the type of payment growth, as chosen. Payment growth is compulsory if the plan has only recurring payments, and the recurring payment is less than R500 per month, or less than R6 000 per year. Payment growth is not compulsory in other instances.

We offer the following type(s) of payment growth:

- Fixed growth
- Sanlam inflation
- Flexi growth.

The payment growth type that applies for a plan is indicated in the statement.

Fixed growth

The recurring payment will be increased each year by the chosen fixed percentage. Currently the minimum is 5% and the maximum 20% per year.

Sanlam inflation

The recurring payment will be increased each year by the inflation rate, as determined by us. In setting the rate, we will take into account the change in the consumer price index, or any other commonly accepted method of measuring inflation that may apply at the time. The Sanlam inflation rate may differ from official rates, due to differences in calculation methods. A minimum increase applies, which may change from time to time.

Flexi growth

Flexi growth is only available for a plan that forms part of a scheme. The recurring payment will be increased on request. Any number of increases per year may be requested. Any amount or percentage may be requested for an increase, subject to a minimum which may change from time to time.

General information

Fund build up

Unlike our existing products where one-off and recurring payments are accounted for in two separate funds, with separate administration charges applying to these two funds, one-off and recurring payments for this product will be allocated to a single fund, with an administration charge applying to this fund in total.

Start date of a plan

The payment option of a plan cannot be changed after the start date of a plan. The start date of a plan will be determined by the payment option, the date all applicable payments are received by us, and the date all information regarding the plan is captured in our system.

Start date for only one-off payment

The start date of a plan can be any day of the month.

The start date of a plan will be the later of the payment date of the one-off payment and the date all the applicable information, including any additional information requested by us, is captured in our system.

Start date for only recurring payments

The date of a payment and the start date of a plan may differ, e.g. a stop order may be paid on 15 May, while the start date of the plan may then be 1 June of the same year. The start date will be determined as follows:

- If a recurring payment is made by stop order, the start date of the plan will be the 1st of the month following the first payment.
- For all other payment methods, the start date of the plan will be
  - the same as the payment date, if the payment date is from the 1st of a month, up to and including the 28th of the same month.
  - the 1st of the month following the first payment, if the payment date is from the 29th up to and including the 31st of the month.

Start date for combination of one-off and recurring payments

The start date of a plan depends on the payment date of the recurring payment of the combination, while the payment date of the one-off payment has no influence on the start date.

To determine the start date of a plan, refer to "Start date for only recurring payments" above.

Backdating

No backdating allowed.

Limits for inception age

The minimum and maximum inception ages of a life insured are indicated below.

Role player	Inception age next birthday	
	Minimum	Maximum
Life insured	1	-

Chosen retirement date

The planned retirement date must be indicated on the quotation system. Any reference to “chosen retirement date” in this *Cumulus Flexi Retirement Plan* chapter and in the contract documents refers to this planned retirement date. Incomplete years from the start date of the plan are allowed, for example, the chosen retirement date can be 10 years, 2 months and 4 days after the start date of the plan.

The fund value will not be paid out automatically after the chosen retirement date, but the plan will continue with or without further payments until the planholder terminates the plan.

The minimum and maximum periods from the start date of the plan up to the chosen retirement date are indicated below.

Minimum

The chosen retirement date must be on or after the life insured’s 55th birthday. In addition to this, the following minimum periods up to the chosen retirement date apply.

- If the Vesting Bonus Fund is **included** in the investment portfolio: 5 years.
- If the Vesting Bonus Fund is **not** included in the investment portfolio:
  - Only one-off payment: 1 year
  - Only recurring payments: 5 years
  - Combination of one-off and recurring payments: 5 years.

Maximum

The maximum periods up to the chosen retirement date are:

- the period from the start date of the plan up to 65 actual age, for actual age on start date of plan < 55
- 10 years after actual age on start date of plan, for actual age on start date of plan ≥ 55.

Working day

Any reference to “working day” in this *Cumulus Flexi Retirement Plan* chapter refers to any day of the week from Monday to Friday, excluding public holidays.

Definition of spouse

The following applies to a spouse:

- a spouse is a person to whom the life insured is legally married, or
- a spouse is a person with whom the life insured has a relationship regarded as a marriage in terms of any law or custom, provided the life insured can satisfactorily convince us that he or she is living with the other party as if they were legally married;
- the life insured and spouse may be of the same gender.

Cooling-off period

If the plan really does not meet the life insured’s requirements, and if the life insured has not made any changes to it, he or she may cancel it by notifying us in writing within 31 days (the cooling-off period) of receiving the contract documents. Any payments already made will then be refunded to the life insured. If the assets in which the payments were invested have decreased in value, or if the life insured has already received benefits from the plan, the amount to be refunded will be reduced accordingly.

The life insured will not be able to cancel the plan if he or she has received a tax certificate in connection with the transfer, or if the money has been transferred from a retirement fund and that fund is not prepared to reverse the situation.

The cooling-off period is not applicable to a re-issue.

Changes to a plan

Changes between products

The following changes are allowed:

- Change from the Cumulus Flexi Retirement Plan to the Cumulus Flexi Retirement Plan for Graduates.
- Change from the Cumulus Flexi Retirement Plan to the Cumulus Flexi Retirement Plan for Professionals.
- Change from the Cumulus Flexi Retirement Plan for Graduates to the Cumulus Flexi Retirement Plan for Professionals.

Changes between product options

- Change from the Comprehensive option to the Comprehensive R28 option, or vice versa.

Other changes

The following changes to a plan are allowed, provided that our conditions at the time are met:

- Make additional one-off payments
- Increase, decrease or stop recurring payments
- Add, cancel or change payment growth
- Add, cancel or change nominees
- Take an early retirement benefit

Terminate a plan, subject to legislation.

Continuations and conversions not allowed

Continuations and conversions to Cumulus Flexi Retirement Plans are not allowed

Loans not allowed

Loans are not allowed against a plan.

Description for Cumulus Flexi Retirement Plan

A person who wants to receive retirement annuity benefits, must be a member of a retirement annuity fund. To provide the benefits to the member, the retirement annuity fund holds a plan for the member. The retirement annuity fund, and not the member, is the planholder.

The person referred to as the life insured in this *Cumulus Flexi Retirement Plan* chapter and the contract documents, is a member of the Central Retirement Annuity Fund (the FUND). The FUND holds a plan with us, Sanlam Life Insurance Limited (Sanlam Life), on the life of the member, to provide the retirement annuity benefits.

As required by the Pension Funds Act, contributions must be paid directly to us, and not to the FUND. We receive the contributions as the payments of the plan.

The plan is an insurance policy as described under, and regulated by the Long-term Insurance Act, 1998 and the Insurance Act, 2017. The plan is a contract between the planholder and us.

The contract consists of the following:

- the quotation;
- the application for the plan;
- the plan description, as updated from time to time, and available on the Sanlam website at http://www.sanlam.co.za;
- the statement, as updated from time to time;
- other documents, correspondence and information, if any, that by implication form part of the contract.

Investment

We invest a one-off payment and a recurring payment less charges, if applicable, in the respective chosen investment funds.

Compliance with Regulation 28

Regulation 28 of the Pension Funds Act, 1956 requires that savings towards retirement must be protected. For this reason, the regulation limits the exposure to different asset classes for retirement fund plans. Currently the maximum limits are, amongst others, 75% in equities, 25% in property assets and 10% in hedge funds. It is essential for retirement fund plans to comply with the limits of Regulation 28.

The regulation also limits the exposure to offshore assets at a retirement fund level, currently to 45% as prescribed by the South African Reserve Bank. To ensure compliance at a retirement fund level, this limit is also applied at an individual plan level, except in cases where the mandate of the underlying investment fund is within Sanlam Life's control and the offshore exposure can be reduced should the retirement fund run out of offshore capacity.

Some investment funds are Regulation 28 compliant which means that the asset managers of those funds ensure that the funds always comply with the limits of Regulation 28. If a retirement fund plan has only Regulation 28 compliant investment funds or a life time investment option, the plan will always be Regulation 28 compliant.

If a retirement fund plan has one or more investment funds which are not Regulation 28 compliant, market movements could result in the asset allocations of the plan exceeding the limits stipulated by Regulation 28. For this reason we are obliged to monitor the plan on a regular basis to determine whether it is still Regulation 28 compliant. If the plan is no longer compliant, we will inform the life insured about the required actions to rebalance the asset allocation as well as the implications if this is not done.

Life time investment option

If the Comprehensive R28 option with a life time investment option was chosen and as the life insured gets closer to the chosen retirement date, we will gradually shift the allocation of the investment by switching the investment funds as indicated in the statement. When we switch investment funds we sell units of the investment funds out of which a switch is done, and buy units of the investment funds into which a switch is done.

How and when is the amount allocated to a specific investment fund, invested?

We use the amount allocated to a specific investment fund to buy units in that investment fund on the transaction date.

Unit price

A unit price is calculated daily in South African currency, on the basis of the market value of the assets in the investment fund.

The following are taken into account when the unit price is calculated for a specific investment fund:

- tax, as levied in the applicable policyholders' fund. Currently no tax is levied in the policyholders' fund for retirement funds;
- the guarantee charge for Sanlam Escalating Funds;
- the fees charged by the asset managers.

The unit price of an investment fund is not guaranteed, and may increase or decrease over time, unless it is specifically stated otherwise in the contract.

For stabilised investment funds, the unit price is linked to bonus declarations that aim to smooth growth over time, instead of using the market value directly. The working of these stabilised investment funds is explained in the "Principles and Practices of Financial Management" document. This document is available on the Sanlam website at http://www.sanlam.co.za/Legal/Principles and Practices of Financial Management (PPFM)/Sanlam Personal Finance Individual Smoothed Bonus Products.

May an investment fund be closed?

Yes. This may occur if, for example, legislation changes or certain classes of assets become unavailable or it is in our opinion no longer prudent to invest in the specific investment fund. If the plan is affected, we will request the life insured to choose another investment fund allowed at that stage for this type of plan, and to inform us of the choice made. If we receive no response to such a request, we will decide in which investment fund to invest the affected part of the plan.

Switching of investment funds

Switching of investment funds allowed at the time for this type of plan may be done on request. We will sell units of the investment funds out of which a switch is done, and buy units of the investment funds into which a switch is done. We do this on the first working day after receiving the switch request.

Future payments may be allocated to any investment fund allowed for this type of plan. The payments already allocated to the current investment funds, will then remain in these investment funds.

If a life time investment option is active when any requested switch is done, or payments are allocated differently on request, the option will be cancelled.

Although switching between the stabilised investment funds may be done on request, only one stabalised fund can be active on the plan.

Cost to switch investment funds

Currently there is no transaction charge for the first four switches in a plan year. For each subsequent switch in a plan year, we will levy a transaction charge, which will be determined at the time. The current transaction charge is indicated in the statement. We may change the number of free switches from time to time.

Any switch of investment funds that we do according to the chosen life time investment option, will be free of charge. No transaction charge will be levied.

Trading of assets

We may use the assets in the investment funds for transactions such as scrip lending. Any income or loss arising from these transactions will be for our own account, and therefore will not affect the plan benefits.

Fund value

The fund value of a specific investment fund is the number of units multiplied by the unit price for that investment fund.

The fund value of the plan is the total fund value of all the investment funds for that plan.

For the Vesting Bonus Fund stabilised investment fund the fund value will be equal to the number of units in the Vesting Bonus Fund stabilised investment fund multiplied by its unit price on any of the following dates only:

- the date on which we receive notice of the death of the life insured, or
- the retirement date as chosen at the start date of the plan, or
- a date every five years after the retirement date as chosen at the start date of the plan.

For the SATRIX Smooth Growth Fund stabilised investment fund, the fund value will be equal to the number of units in this investment fund multiplied by its unit price on any of the following events only:

- the death of the life insured, or
- at retirement, or
- at ill-health retirement.

On any other date or event the fund value will be equal to the lower of the number of units in a stabilised investment fund multiplied by its unit price and the market value of the underlying assets, which may increase or decrease over time. If a benefit is paid, or if a charge is levied for reduction or stopping of the recurring payment, at a time when the market value of the underlying assets is the lower of the two values, a market value adjustment will be applied to the number of units in the stabilised investment fund. This will be done by selling a number of units equal in value to the difference between the number of units multiplied by the unit price and the market value of the underlying assets. The remaining units in the stabilised investment fund, if any, will therefore be less than they would have been if a benefit had been paid at a time when the number of units multiplied by the unit price was lower than or equal to the market value of the underlying assets.

Sanlam Escalating Funds with guarantees

Any reference to "Escalating Fund" in this section refers to a Sanlam Escalating Fund.

For a number of investment funds there is a corresponding Escalating Fund with a built-in guarantee available. These Escalating Funds are separate investment funds and therefore their unit prices differ from that of the corresponding investment funds. The built-in guarantee will ensure that the unit price of an Escalating Fund is always at least 80% of the highest unit price ever reached on that Escalating Fund since its inception date, despite what happens to the underlying investments.

An Escalating Fund invests in a combination of the corresponding investment fund and cash. Accordingly, the investment return on an Escalating Fund is a combination of the investment returns on the corresponding investment fund and cash, and can thus differ substantially from that of the corresponding investment fund. For an Escalating 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 allocated to cash will be increased to protect the capital value. Similarly, when the market value of the corresponding investment fund increases, the percentage allocated to the corresponding investment fund will be increased, allowing the Escalating Fund to benefit from a rising market.

A Escalating Fund reduces the volatility of returns, compared to the corresponding investment fund, and aims to limit capital losses in a declining market, while also benefiting from rising markets. In market downturns the cash component of a Escalating Fund may increase substantially and a Escalating Fund may invest the bulk of its assets in cash. Therefore it is not unlikely that the cash component of a Escalating Fund may exceed 50% from time to time. In extreme downturns, a Escalating Fund could become 100% invested in cash. However, interest earned on the cash coupled with a recovery in the market will result in a Escalating Fund gradually switching out of cash and into the corresponding investment fund again.

Charges

Tax included in charges

Tax is levied according to the applicable policyholders' fund. Currently no tax is levied in the policyholders' fund for retirement funds.

Charges for the plan

The current charges are indicated in the statement and can be one or more of the following:

- An **initial marketing charge**, deducted from each payment, depending on the level of commission negotiated.
- A **payment charge**, deducted from recurring payments, if payments are made by stop order. The charge is calculated as a percentage of the recurring payment.
- If the investment in the Vesting Bonus Fund is increased, other than through normal savings payments, within 5 years before the option date, we may levy a **participation charge** on the increased part. This charge is deducted from the fund value by selling units to the value of the charge.
- A monthly **Regulation 28 administration charge** for monitoring the plan and, if necessary, ensuring that the plan is adjusted to be Regulation 28 compliant. This charge will be increased from time to time to allow for inflation, as determined by us. It is deducted monthly from the fund value by selling units to the value of the charge.
  If the Comprehensive R28 option is chosen, the plan will always be Regulation 28 compliant as all the investment funds available for the Comprehensive R28 option are Regulation 28 compliant. Therefore, the Regulation 28 administration charge will not apply to the Comprehensive R28 option.
- A yearly **marketing and administration charge**, which is calculated as a percentage of the fund value. This charge is subject to a minimum monthly rand amount which will be increased from time to time to allow for inflation, as determined by us. The charge is calculated on a monthly basis, which means the percentage is divided by 12 to calculate the monthly amount. The charge is deducted monthly from the fund value by selling units to the value of the charge.
  For the stabilised investment funds, the marketing and administration charge will always be calculated on a fund value equal to the number of units in the stabilised investment funds multiplied by its unit price.
- A yearly **guarantee charge** for Sanlam Escalating Funds, which is a percentage of the fund value and may differ for different investment funds. It is taken into account when we calculate the daily price of the units.

Deductions made by the asset managers

An asset manager charges fees for investment research and for selecting the underlying assets of an investment fund. These fees are taken into account in the calculation of the daily unit price of an investment fund. The published performance figures of an investment fund are therefore net of these fees. More information on these fees and their current values are available in the statement part of the contract.

Asset management discount

Some asset managers provide a discount on the asset management charge because we offer their investment funds for this type of plan and meet their conditions. The size of the discount may differ between investment funds and can change over time.

One way an asset manager may provide the discount is to reduce the asset management charge of an investment fund with the discount. The value of the discount is therefore passed on to the fund value of the plan. In this case the asset management charge indicated in the statement for the specific investment fund is already reduced by the discount.

Alternatively, an asset manager may pay the rand value of the discount to us at the end of each month. In this case we pass the discount on to the fund value of the plan by adding additional units on a monthly basis. This means that the yearly discount percentage indicated in the statement, if applicable, is divided by 12 to calculate the monthly amount.

Alteration charge

A plan may be changed at any stage, provided we agree to the alteration. We will not levy an alteration charge.

Transaction charge

We will levy a transaction charge for each of the following alterations before the retirement date as chosen at the start date of the plan:

- Taking an early retirement benefit;
- Termination of the plan.

The amount of this transaction charge is determined by means of regulatory measures and it will change in future if such regulatory measures or legislation changes.

We will also levy a transaction charge for switching of investment funds. This transaction charge will be increased from time to time to allow for inflation, as determined by us. We will continue to levy the transaction charge for switching of investment funds after the retirement date as chosen at the start date of the plan.

Every transaction charge will be taken from the fund value by selling the required number of units.

Reduction or stopping of the recurring payment

The recurring payment may be reduced or stopped on request, provided that our conditions at the time are met.

One of the conditions for stopping the recurring payment is a minimum fund value. If recurring payments are stopped despite this condition not being met, the plan will lapse. The minimum fund value is indicated in the statement.

If recurring payments are stopped due to emigration, the plan's termination value may be taken as a lump sum*, provided that the emigration has been confirmed in writing by an authorised Reserve Bank dealer. The termination value is equal to the fund value less the transaction charge, if applicable.

If the total fund value of the plan for a life insured is less than R15 000 after stopping contributions, such a life insured may also request the FUND to terminate his or her membership and pay out his or her benefits*.

*In both instances it will be taxed as a lump sum withdrawal benefit.

Investment advice agreement between the life insured and the FUND

Not available when a life time investment option was chosen.

The life insured, as a member of the FUND, may request the FUND to pay a fund-based fee, including VAT if applicable, for ongoing investment advice for his or her retirement investment. We, as the administrator of the FUND and on instruction of the FUND, will pay this fee monthly on behalf of the FUND to the intermediary who provides this advice.

This investment advice is a discretionary service that is provided by an intermediary nominated by the life insured. It is not part of the intermediary services for which we pay commission.

The fund-based fee for the investment advice is specified as a percentage per year of the fund value. The life insured must specify the percentage. The fund-based fee is calculated on a monthly basis, which means that the specified percentage is divided by 12. It is deducted monthly from the fund value by means of a withdrawal. Because the fund-based fee is based on the fund value, the rand value of the fee will fluctuate. For example, a fund-based fee of 0.50% implies R41.67 per month if the fund value equals R100 000.00.

For the stabilised investment funds, the fund-based fee will always be calculated on a fund value equal to the number of units in the stabilised investment funds multiplied by its unit price.

If the retirement annuity benefits of another fund have been transferred to this FUND, the fund-based fee must be renegotiated every 12 months. The current fund-based fee, if applicable, is indicated in the statement.

Retirement benefit

The retirement benefit may be taken at any time from the life insured's 55th birthday, except if the life insured qualifies for disability benefits as defined in the rules of the FUND, when it may be taken earlier. The retirement benefit amount is equal to the plan's termination value, which is the fund value less the transaction charge, if applicable.

How will the retirement benefit be provided?

Depending on legislation the life insured may take a part of the retirement benefit amount as a lump sum. The balance must be used to provide regular pension payments. Or, the life insured can choose that the full benefit amount be used to provide regular pension payments.

If the total interest of the life insured in the FUND, which includes the benefit amount, does not exceed the amount prescribed by legislation from time to time, the life insured may take the full benefit amount as a lump sum. Refer to the *Tax* chapter for more information.

Whichever way the benefit amount is taken, the plan will then end. An annuity plan will be taken out to provide the regular pension payments. This plan must be taken out with an insurer who is licensed as a life insurer under the Insurance Act, 2017.

Tax on retirement benefit

According to current tax legislation, and depending on the life insured's tax situation,

- the lump sum benefit could be tax-free within certain limits, and
- regular pension payments will be fully taxable as income.

Refer to the *Tax* chapter for more information.

Benefit payable at death

The benefit amount is equal to the fund value on the date that we receive notice of the death of the life insured.

The full benefit amount may be paid as a lump sum, or it can be used to provide regular pension payments. An annuity plan will be taken out to provide the regular pension payments. This plan must be taken out with an insurer who is licensed as a life insurer under the Insurance Act, 2017. Refer to the *Tax* chapter for more information.

Who will receive the benefit payable at death?

Section 37C of the Pension Funds Act requires the trustees of the FUND to determine who should receive any amount payable at the death of a life insured. Details of appointed nominees, as well as of all the dependants of the life insured must be provided, including spouse(s), children (including adopted and illegitimate children) of all ages and other persons who are financially dependent on the life insured.

The trustees have to consider all the dependants of the life insured, even if nominees were appointed.

How much will be paid to each dependant or nominee?

The trustees of the FUND will decide whether the needs of dependants have been adequately provided for. They will therefore decide each dependant's share, if any, of an amount payable. If a nominee is not a dependant, the trustees will also decide whether the nominee qualifies for any benefits and if so to what extent the nominee will share with the dependants in an amount payable.

Who is a dependant?

Dependants are:

- The spouse of the life insured.
- A child of the life insured, including an adopted or illegitimate child.
- A person who, in law or in fact, depends on the life insured for financial support.
- A person who, in law or in fact, would have depended on the life insured for financial support had the life insured not died. For example, a child of the life insured who is born after the life insured's death.

Appointment of nominees

Refer to "Nominee" under "Role players" in this *Cumulus Flexi Retirement Plan* chapter for more information.