

Introducing the Allan Gray Endowment

We are proud to announce the launch of the Allan Gray Endowment – a pure investment linked policy. It is ideally suited to investors wanting to build wealth with after tax returns over the medium- to long-term. The minimum investment amounts are a lump sum of R50 000 and/or a monthly debit order of R1 500 for a minimum period of five years.

Investors may choose any one or a combination of the Allan Gray unit trusts, depending on their risk profile, as the underlying investment options. Switching between unit trust funds is allowed at any stage.

After tax returns: Although premiums paid by the investor are not deductible for income tax purposes, the proceeds are tax-free in the investor's hands. These proceeds represent an after-tax return because the taxable income realised on the investment (interest, rental income and foreign dividends) is taxed on behalf of policyholders at 30% in the life insurer's hands in terms of current legislation. In the case of individuals this rate is lower than the current maximum marginal income tax rate of 40%. As with income tax, the life insurer pays tax on any capital gains that may arise in the fund, currently at a rate of 7.5%. This presents opportunities for taxpayers in cases where their personal CGT position may be higher than 7.5%. The current maximum CGT rate for individuals is 10%. Upon maturity of the policy, the investor has the option of rolling the investment over for an unspecified term or electing to receive a tax-free lump sum or choosing to make tax-free withdrawals.

Additional contributions: The investor has the option to make additional contributions during each contract year subject to a maximum of 120% of the highest contributions made during the previous two contract years, and subject to the minimum investment limits set by Allan Gray.

Regulation: Endowment policies are well regulated by the Long Term Insurance Act under the supervision of the Financial Services Board. The regulations are there to ensure that the life insurer manages its affairs in the interests of policyholders, and to ensure that the marketing of Endowment policies is conducted in a transparent and responsible way. Consumer rights and protection are enshrined in the Policyholder Protection Rules.

Estate Planning: The policyholder may nominate beneficiaries for ownership of the benefits of the policy. Upon the death of the policyholder the proceeds bypass the estate and are paid directly to the nominated beneficiary by the life insurer. Executor's fees of 3.5% plus VAT on the proceeds will be saved. The proceeds will however form part of your estate and will be subject to Estate Duty.

Liquidity: The investor may elect to make a full or partial surrender of the policy, during the first five years, subject to certain limits. In terms of current legislation, the maximum surrender benefit from the policy within the first five years or during any extended restriction period, is the total of premiums paid plus 5% interest thereon, compounded annually. The balance is required to remain in the policy for the remainder of the five-year period or extended restriction period. Only one such full or partial surrender is allowed within the first five years of the policy, or any extended restriction period. Allan Gray will not grant loans against this policy.

Fee structure: Allan Gray does not charge an initial fee and there is no fee on early termination. An annual administration fee of 0.35% (excl VAT) is charged on the market value of the investment and an annual unit trust investment management performance-based fee will be levied within the unit trust funds selected. The switching fee is 0.1% (excl VAT) on the market value of the amount switched.

Financial Adviser fees include an initial fee with a maximum of 3% (excl VAT) and an annual fee with a maximum of 1% (excl VAT). Where an initial fee in excess of 1.5% is selected, the maximum annual fee is 0.5% (excl VAT).

For more information on the Endowment, please contact one of our Client Service Centre consultants on 0860 000 654.

*Commentary by **Richard Bedford**, Operations Manager of Allan Gray Unit Trust Management Limited*

The underlying investment options of the Endowment are the Allan Gray unit trusts. Unit trusts are medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available from the management company/scheme. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Allan Gray Unit Trust Management Limited is a member of the ACI. The Endowment is underwritten by Allan Gray Life Limited.