

Allan Gray individual life and retirement products provide transparent access to a choice of fund providers.

Allan Gray individual life and retirement product administration

During September letters were sent out to investors in the Allan Gray retirement annuity, preservation funds, endowments and living annuities advising them that Allan Gray Investor Services would be taking over the administration of these investments from Old Mutual Investment Administrators (OMIA). You will be pleased to know that we have now successfully taken over the policyholder and member records. The above products are now administered on the Allan Gray Investor Services investment platform thereby:

- reducing costs of administration,
- offering investors with an Adviser the choice of a number of fund providers and;
- providing the benefit of consolidated reporting.

The decision to in-source the administration of all our product lines, whilst presenting a number of new and different challenges, has provided us with the unique opportunity to further streamline our processes, consolidate reporting to our clients across all products and, in exercising greater control, take our service offering to a new level.

Fee transparency

At a time when fees and fee transparency are increasingly under the spotlight, you will be reassured to find that the fees charged across our retail product range are consistent with our approach to fees across our business: transparency and investor interests aligned with our own.

As an investor, you essentially pay for three things, should you choose to use all three: investment management, administration and advice. We are committed to the disclosure of these discrete parts of the overall cost, as we believe that it is important to understand and be able to identify exactly what you are paying for. If, as the case may be, our in-house administrator receives a discount from a fund provider, this saving is passed directly through to you and will in future be itemised on your quarterly statement as a fund provider fee discount. Moreover, adviser fees are transparent and individually agreed to in the investment contract. As a result, not only is the aggregate fee clear, but so are the individual components. Along with this transparency, our operating and fee model has resulted in an overall reduction in aggregate fees which is in line with our commitment to create long-term wealth for clients.

We have set new industry standards in transparency with the pricing structure on the platform, disclosing and passing on any fund provider fee discount. No initial fee or cancellation fee is charged at a product level. In addition, provided that the underlying investments of the policy are in Collective Investment Schemes managed by Allan Gray, the fund provider discount means that there is no net initial or annual administration fee other than the annual investment management service charge.

Recent Supreme Court ruling on the benefits of nominating beneficiaries of life policies

If you are investing in a life policy such as the Allan Gray Endowment, it is well worth noting a recent Supreme Court ruling that highlights the benefit of nominating beneficiaries of life policies. In the ruling, **Shroobree NO v Love 2005 (1) SA 309 ('Shroobree')**, the Supreme Court of Appeal (SCA) recently resolved a conflict that had existed between two High Court decisions. In one of the High Court decisions, the court had found that, where a person dies insolvent, the proceeds of a policy form part of the estate and must therefore be used to pay creditors (clearly prejudicial to the nominated beneficiaries). Another division of the High Court had found that the policy proceeds bypassed the estate and accrued directly to the nominated beneficiary. In Shroobree, the SCA found that, when a person takes out a life policy and nominates a beneficiary, the contract is *stipulatio alteri* (a contract for the benefit of a third person) meaning that on the death of the life insured, the beneficiary has an enforceable right against the insurer and the estate does not enter the picture at all. This case clearly illustrates the importance of nominating beneficiaries on life policies. The proceeds of the life policy are still subject to estate duty but the executor is not entitled to his fee and, most importantly, the beneficiaries' proceeds are protected from creditors.

Individual life and retirement products can play a valuable role in personal financial planning and by using the Allan Gray Investor Services platform, investors can get cost effective and transparent access to such products with a range of unit trust investment options.

Commentary by Johan de Lange, Director, Allan Gray Investment Services