

# Living Annuity Policy Document



## 1 Interpretation and preliminary

The headings of the clauses in this Policy Document do not affect the interpretation of this Policy Document nor any clause hereof. Unless a contrary intention clearly appears:

- 1.1 words importing:
  - 1.1.1 any one gender include the other two genders; and
  - 1.1.2 the singular include the plural and vice versa.
- 1.2 In this Policy Document:
  - 1.2.1 **“Administrator”** means Silica Financial Administration Solutions Services (Pty) Ltd; who has been appointed by M&G Life;
  - 1.2.2 **“Application Form”** means the application form completed by the Client in respect of this Policy entitled “Living Annuity Application Form – Individuals”;
  - 1.2.3 **“Business Day”** means a day other than a Saturday, Sunday or official public holiday in the Republic of South Africa;
  - 1.2.4 **“CIS”** means a Collective Investment Scheme registered in terms of the Collective Investment Schemes Control Act, No. 45 of 2002;
  - 1.2.5 **“Client”** or **“you”** means you, the client;
  - 1.2.6 **“Drawdown Amount”** means the selected drawdown amount applicable to the Policy as specified by the Client in the Application Form;
  - 1.2.7 **“Drawdown Rate”** means the selected drawdown rate applicable to the Policy as specified by the Client in the Application Form;
  - 1.2.8 **“FAIS”** means the Financial Advisory and Intermediary Services Act, No. 37 of 2002;
  - 1.2.9 **“FICA”** means the Financial Intelligence Centre Act, No. 38 of 2001;
  - 1.2.10 **“Financial Adviser”** means the financial adviser appointed by the Client;
  - 1.2.11 **“FSP”** means MandG Investment Managers (Pty) Ltd (Registration Number 2013/051515/07) a discretionary financial services provider authorised in terms of FAIS;
  - 1.2.12 **“Income Frequency”** means the frequency of the payment of your income in respect of this Policy as stipulated by the Client;
  - 1.2.13 **“Initial Adviser Fee”** means the initial adviser fee payable to your Financial Adviser;
  - 1.2.14 **“Investment Amount”** means the initial lump sum amount invested by the Client in the Investment Portfolio as indicated in the Application Form;
  - 1.2.15 **“Investment Portfolio”** means the M&G Funds as selected by the Client and specified on the Application Form;
  - 1.2.16 **“ITA”** means the Income Tax Act, No. 58 of 1962;
  - 1.2.17 **“LTIA”** means the Long-term Insurance Act, No. 52 of 1998;
  - 1.2.18 **“Insurance Act”** means Insurance Act 18 of 2017
  - 1.2.19 **“Net Investment Amount”** means the Investment Amount less any Initial Adviser Fee;
  - 1.2.20 **“Ongoing Adviser Fee”** means the ongoing fee payable by you to your Financial Adviser in respect of this Policy;
  - 1.2.21 **“Parties”** means M&G Life and the Client, and **“Party”** shall mean either one of them as the context requires;
  - 1.2.22 **“Payment Date”** means your preferred date of payment of the income in respect of this Policy as indicated on the Application Form;

- 1.2.23 **“Policy”** means the living annuity policy contemplated in this Policy Document, as read with the Application Form;
- 1.2.24 **“Policy Document”** means this policy document, as amended from time to time;
- 1.2.25 **“M&G Life”**, **“we”** or **“us”** means MandG Investment Life South Africa (RF) Ltd (Registration Number 2008/013338/06), a licenced insurer under the Insurance Act;
- 1.2.26 **“SARS”** means the South African Revenue Services; and
- 1.3 any reference to an Act is to that Act as amended from time to time;
- 1.4 when any number of days is prescribed in this Policy Document, those days shall include the first and exclude the last day unless the last day falls on a day which is not a Business Day, in which case the number of days shall be reckoned to the next Business Day;
- 1.5 in the event that the day for performance or payment of any amount due in terms of this Policy Document falls on a day which is not a Business Day, that day shall be the immediately preceding Business Day;
- 1.6 expressions defined in this Policy Document shall apply to all schedules or annexures, to the extent that there are no conflicting definitions therein;
- 1.7 references to **“include”**, **“including”** and **“in particular”** are without limitation;
- 1.8 the rule of construction that a contract will be interpreted against the party responsible for the drafting or preparation of the contract, will not apply; and
- 1.9 any reference to an agreement, trust deed or other document shall be to such agreement, trust deed or other document as amended, supplemented, varied, novated or restated from time to time.

## 2 Introduction

- 2.1 M&G Life has been licenced in terms of Section 23 of the Insurance Act to carry on certain long term insurance business and as such, M&G Life is duly authorised to enter into this Policy Document.
- 2.2 This Policy is a long-term policy issued in your name by M&G Life in terms of which you transfer the lump sum from a matured retirement fund investment or another living annuity to us in return for regular income.
- 2.3 This is a linked policy in terms of which the amount of the policy benefits is not guaranteed by M&G Life and is to be determined solely by reference to the value of the Investment Portfolio.
- 2.4 The income under this Policy over your lifetime will ultimately depend on the length of that lifespan, the Drawdown Rate selected by you and the investment performance of the Investment Portfolio.

## 3 Appointment of FSP and administrator

It is recorded that M&G Life has appointed the FSP to manage and the Administrator to administer the assets comprising the Investment Portfolio in accordance with an investment management agreement concluded between M&G Life and the FSP on a discretionary basis, as amended from time to time.

## 4 Investment amount

The Client will pay the Investment Amount to M&G Life who will invest the Net Investment Amount in the Investment Portfolio in the manner contemplated in this Policy Document within five Business Days of receiving the Investment Amount.

## 5 Your living annuity

- 5.1 Together with your Financial Adviser you will have chosen an annual income at a level between 2.5% and 17.5%, being the current regulatory limits. Each income option is supported by an actively managed portfolio consisting of a CIS fund typically investing in cash, bonds, property and equities.
- 5.2 The regular income payments are generated via the repurchase of units on a pro rata basis from the underlying CISs which you have selected.
- 5.3 Switching between Unit Trust Funds

The procedure for all switches will be as follows:

- **Funds switched from:**  
The specified value will be withdrawn at the ruling price of the fund on the date of withdrawal.
- **Funds switched to:**  
Units will be purchased at the ruling price in the new fund(s) on the day following receipt of the funds. No initial charge is payable on such switch.

- 5.4 Income distributions
  - 5.4.1 Most CISs have income distributions which occur either monthly, quarterly or half-yearly. The income distribution consists of dividends (on equity-based funds) and interest payments.
  - 5.4.2 These income distributions are automatically re-invested in the underlying CISs which you have selected.

## 6 Living annuity product standards

The following extract is taken from the ASISA Standard on Living Annuities, 2018.

- 6.1 Appropriate drawdown
  - 6.1.1 A living annuity allows you to set your income level subject to constraints imposed by the authorities from time to time and allows you to select a wide range of investments in respect of the capital that will generate the annuity.
  - 6.1.2 The level of income you select is not guaranteed for the rest of your life. The level of income you select may be too high and may not be sustainable if:
    - 6.1.2.1 you live longer than expected, with the result that the capital is significantly depleted before your death; or
    - 6.1.2.2 the return on the capital is lower than that required to provide a sustainable income for life.
  - 6.1.3 It is your responsibility (in consultation with your Financial Adviser) to ensure that the income that you select is at a level that would be sustainable for the rest of your life. You need to carefully manage your income drawdown relative to the investment return on the capital in order to achieve this. The table below can be used as a guide.

		Investment return per annum (before inflation and after all fees)				
		2.50%	5.00%	7.50%	10.00%	12.50%
Annual income rate selected at inception	2.50%	21	30	50+	50+	50+
	5.00%	11	14	19	33	50+
	7.50%	6	8	10	13	22
	10.00%	4	5	6	7	9
	12.50%	2	3	3	4	5
	15.00%	1	1	2	2	2
	17.50%	1	1	1	1	1

Source: ASISA Standard on Living Annuities; 2009

- 6.1.4 It is important to note that the table above assumes that you will adjust your percentage income selected over time to maintain the same amount of real income (i.e. allowing for inflation of 6% per annum). Once the number of years in the table above has been reached, your income will diminish rapidly in the subsequent years.
- 6.1.5 Please ensure that your Financial Adviser has explained both the advantages and the risks of the living annuity and compared these against conventional annuities (where the insurer carries the full investment risk and the risk of you living longer than expected).
- 6.1.6 The table is a general guideline and should be considered taking into account each investor's financial situation and all other sources of income. It is an indicative guideline only, to assist you in making informed decisions in respect of your annuity.

## 6.2 Assessment of appropriateness

It is important to note that investments held in your living annuity are made up of various types of asset classes such as equities, bonds, property or cash. These underlying assets have different levels of risks and returns associated with them. You and your Financial Adviser are therefore reminded to carefully consider the overall composition of your living annuity in terms of the exposure to these various asset classes. Too high a proportion of risky assets means there is a greater risk of losing capital while too low a proportion of risky assets means there is a risk that investment returns may be too low to sustain your income. Although there are no specific limits prescribed for living annuity investments, there are for pre-retirement investments done through any approved retirement fund. In order to protect a member's 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 there to give guidance to what may be considered prudent investment limitations. As a way to provide similar guidance to those with living annuities, it may therefore be useful to refer to these guidelines to assess the overall asset composition of your living annuity. However, this should never be seen as a substitute for obtaining professional advice and does not take your specific personal circumstances into account. Broadly speaking the maximum exposure that retirement funds may have to the various asset classes are as follows:

- 75% to equity investments
- 50% to non-government debt instruments
- 30% to offshore investments
- 10% to Africa excl. South Africa
- 25% to property investments
- 15% to hedge funds, private equity funds and any other asset not specifically mentioned aggregated together

- 10% to commodities like gold

This regulated exposure will apply while you are saving up to your retirement through an approved retirement fund. After retirement, when you are normally dependent on receiving a regular and stable income, a more conservative approach to asset selection may be desirable. As a result, should your asset composition on your living annuity exceed these limits, you are encouraged to review your living annuity investment strategy, as your capital within your living annuity may be exposed to undue risk.

## 7 Investment portfolio

- 7.1 Through investment in this Policy you gain exposure to participatory interests in the underlying M&G Funds selected by the Client in the Application Form. These participatory interests are the assets comprising the Investment Portfolio to which this Policy is linked.
- 7.2 The assets comprising the Investment Portfolio are managed by the FSP and shall be registered in the name of M&G Life, or alternatively such other nominee company as may be appointed at the discretion of M&G Life.
- 7.3 The assets comprising the Investment Portfolio remain the property of M&G Life. Neither the Client, nor any beneficiary shall have any interest, undivided share, title or real right in relation to such assets which shall at all times be and remain the unencumbered property of M&G Life.

## 8 Market value of the investment portfolio

- 8.1 The prices in respect of participatory interests in a portfolio of a CIS shall be calculated on a net asset value basis. This means that the price is the total net market value of all assets of the particular portfolio of the CIS divided by the total number of participatory interests in such portfolio of the CIS. Any market movements (for example in share prices, bond prices, money market prices or currency fluctuations) relevant to the underlying assets comprising the applicable portfolio in which participatory interests are held may cause the value of such underlying assets to go up or down. As a result, the price of the participatory interests linked to your Policy may go up or down.
- 8.2 Participatory interests in CIS are traded at the ruling forward price of the day, meaning that transactions are processed during the day before you or the FSP know what the price at the end of the day will be. The price, and therefore the number of participatory interests involved in the transaction are only known on the following day.

## 9 Beneficiary nominations

- 9.1 You may nominate one or more natural persons or legal entities as beneficiaries to receive the remaining capital within your investment in the event of your death.
- 9.2 If you are married in community of property, you may not nominate a beneficiary other than your spouse without their written consent.
- 9.3 Upon death, the nominated beneficiary may choose to invest in a living annuity in their name, take the capital as a lump sum or choose a combination of a living annuity and a capital lump sum. These options are subject to the ITA and related legislation and may be subject to estate duty.
- 9.4 You are entitled to change your nominated beneficiaries at any time.
- 9.5 In the event that you have not nominated a beneficiary or there is no surviving beneficiary at the date of your death, the proceeds of the remaining capital of the investment will be paid to your estate.

- 9.6 Upon death, the Fund allocation remains the same until such time as instructed by the nominated beneficiary or the executor of the estate.
- 9.7 If a beneficiary dies before you, and you do not amend your nominations, on your death the deceased beneficiary's share will be split proportionally amongst the surviving beneficiaries.

## 10 Procedure on death

- 10.1 On notification of your death, M&G Life requires the following original or certified documents:
- Death certificate
  - ID of the deceased
  - Marriage certificate (if married in community of property) or anti-nuptial contract (if married out of community of property with accrual)
  - Letters of Executorship (or other mandate in respect of an authorised representative)
  - Written instruction from the Executor (or other authorised representative) regarding payment
  - A completed Living Annuity Details of Dependents form

## 11 Appointment of Financial Adviser

- 11.1 Your Financial Adviser is responsible for giving you appropriate advice, product and fee information (including in relation to this Policy).
- 11.2 Your Financial Adviser should advise you in respect of your selection of the relevant M&G Funds to be included in your Investment Portfolio, your Drawdown Rate and the implications of changing the Drawdown Rate.
- 11.3 Your Financial Adviser needs to be accredited by M&G. M&G will only accept business from a Financial Adviser registered under Financial Advisory and Intermediary Services Act ("FAIS") as a financial services provider (FSP). It is the responsibility of the Financial Adviser to act within their FSP licence.

## 12 Reporting

M&G Life will provide the Client with a quarterly statement in respect of the Investment Portfolio, reflecting information such as the market value of the Investment Portfolio and all fees applicable to the relevant period. Additional and/or interim statements will be made available to you upon request.

## 13 Instructions

- 13.1 Your investment is administered by Silica Financial Administration Solutions Services (Pty) Limited (the "Administrator") on behalf of M&G Life. The Administrator will process all your investment instructions on behalf of M&G Life. There may be instances where the Administrator does not process an instruction, for example when it does not receive a fax that you sent. It is your responsibility to contact M&G Life if you do not receive a notification that your instruction has been processed within twenty days of you sending the instruction. A fax confirmation slip will not be proof that M&G Life received the fax.
- 13.2 Your investment will only be accepted once we have received the correct details for you, as well as the Investment Amount. If we have received the completed Application Form, all the required documents and the Investment Amount by 11:30am on or after the 19th day of the month, you will only receive an income the following month, paid into your bank account stated in your Application Form. Only instructions via an official M&G Online or paper form will be processed.

Any instruction received while another transaction is in progress will only be processed after the other transaction has been completed.

- 13.3 You can revise your Drawdown Amount/Rate and Income Frequency annually on your anniversary date unless otherwise provided by the legislation. M&G Life will notify you prior to your anniversary date to give you the opportunity to revise your income.

## 14 Additional investments

- 14.1 M&G Life requests that another Living Annuity Application Form be completed for any further investments. Only compulsory monies will be accepted as additional contributions and no voluntary contributions are allowed.
- 14.2 The transferor fund, from which the additional funds are transferred, may make a deposit into the bank account listed on the Application Form.
- 14.3 Should a cheque deposit be made, it is essential that you state your name and account number in the reference field of the deposit slip. Once completed, the deposit slip should accompany the additional Application Form.

## 15 Withdrawing your funds

You may withdraw the full value in the policy if the value is equal to or less than the amount prescribed in the relevant legislation as amended from time to time, which is currently R125 000.

## 16 Tax application to living annuity

- 16.1 Each income payment is fully taxable in your hands at your marginal tax rate. You will therefore receive the net income amount after we have deducted income tax (where applicable), which is payable to SARS on your behalf.
- 16.2 If you want us to deduct a lower tax rate than the rate in the most recent SARS income tax table, you will need to provide us with a tax directive every tax year issued by SARS.
- 16.3 If you want us to deduct a higher tax rate than the rate in the most recent SARS income tax table, you will need to provide us with a written instruction indicating your preferred tax rate or indicate it in the Application Form
- 16.4 We will send you an annual tax certificate, showing the total income that you have received from your Policy, which you will need to declare to SARS in your annual income tax return.
- 16.5 No income tax or capital gains tax is payable on the investment remaining within the living annuity.

## 17 Fees and charges

- 17.1 Financial Adviser fees:
- 17.1.1 We will deduct the Initial Adviser Fee payable to your Financial Adviser from the Investment Amount transferred to us, before processing the Net Investment Amount to the Investment Portfolio.
- 17.1.2 By law, no initial adviser fee is permitted on a transfer of funds from another living annuity to the living annuity contemplated in this Policy Document.
- 17.1.3 The Initial Adviser Fee as agreed between you and your Financial Adviser is subject to a maximum of 1.5% (excluding VAT) of your Investment Amount.



- 17.1.4 An Ongoing Adviser Fee is also negotiable between you and your Financial Adviser and is subject to a maximum of 1%p.a. (excluding VAT). In this regard we will deduct the Ongoing Adviser Fee by selling participatory interests in one of the underlying CISs forming part of the Investment Portfolio and paying the proceeds of such sale to the Financial Adviser monthly.
- 17.2 Asset management fees:
- 17.2.1 Annual asset management fees are charged within each underlying CIS in the Investment Portfolio. Certain performance fees may also be payable. The fee is expressed in annual terms but raised daily and is included in the daily calculated price in respect of the participatory interest.
- 17.2.2 Your Financial Adviser should inform you of all fees relating to this investment.
- 17.3 The FSP shall be entitled to unilaterally switch groups of investors from one class of participatory interests in any portfolio to another class of participatory interests in that same portfolio. The FSP shall only be entitled to switch affected investors upon notice to such investors and provided that the switch does not result in an increase in fees or capital gains tax for such investors. M&G Life shall be required to notify investors of its intention to switch such investors, and to the extent that an investor does not consent to such a switch, such investor may notify M&G Life accordingly, in which case they shall remain in their current class where the terms and conditions of that class will continue to apply to such investors.

## 18 Amendments

- 18.1 No amendments to the Policy Document shall be of effect unless agreed to in writing between M&G Life and the Client.
- 18.2 Amendments to this Policy Document shall be effected by means of endorsements.

## 19 Applicable legislation

This Policy Document is to be interpreted and implemented in accordance with the laws of the Republic of South Africa.

## 20 Complaints

- 20.1 If you are dissatisfied with M&G Life's service, you may address a complaint in writing to M&G Life. M&G Life undertakes to acknowledge receipt of any such complaint to you in writing and to provide you with the details of the person involved in resolving the complaint. You may also lodge a formal complaint to the compliance officer of M&G Life at:
- Email: [info@mandg.co.za](mailto:info@mandg.co.za); or  
Address: PO Box 44813 Claremont 7735
- 20.2 If you are not satisfied with the response, you can contact the Ombudsman for Long-Term Insurance at:
- Web address: [www.ombud.co.za](http://www.ombud.co.za)  
Email: [info@ombud.co.za](mailto:info@ombud.co.za)  
Tel: 0860 103 236 or +27 (0)21 657 5000  
Address: Private Bag X45, Claremont 7735
- 20.3 Should you be dissatisfied with the outcome of the procedure set out in clause 17.1 above, you may address the issue in writing to the FAIS ombudsman (the "Ombudsman") at:
- Web address: [www.faisombud.co.za](http://www.faisombud.co.za)

Email: [info@faisombud.co.za](mailto:info@faisombud.co.za)  
Tel: 012 470 9080  
Fax: 012 348 3447  
Address: PO Box 74571 Lynnwood Ridge 0040

- 20.4 The Ombudsman is legally empowered to investigate and adjudicate complaints.

## 21 Consent to the use of personal information

M&G Investments may collect, verify, use, disclose or otherwise process your personal information for the purposes of providing the products and/or services which you have requested from M&G Investments. Your personal information may be collected directly from you, your agent, an authorised financial service provider, or where appropriate a regulator or state body. M&G Investments may process your personal information for the purpose of administration, marketing, complying with legal and audit requirements, for record keeping purposes, to improve our service, products, and your experience. M&G Investments are required to process and keep investor and investor representative information to perform its obligations lawfully, fairly and competently. M&G Investments will only process your personal information for the purposes it was collected for, and any other legitimate purposes related to the original purpose. M&G Investments have controls and security measures in place to protect personal information from unauthorised use, for security and servicing purposes. M&G Investments may monitor, and record telephone calls and other instructions submitted by other means. We may share your personal information with our employees, agents, subcontractors, with our related entities, with your adviser and/or their duly appointed agent or service provider, where directed. Personal information may be transferred to offshore providers. In such instances M&G Investments will ensure that sufficient legislation or agreements are in place for the information to remain adequately protected. You are entitled to request access to the information we have collected, processed and shared. All processing of personal information will be done in accordance with applicable laws and M&G Investments' privacy policy, which can be obtained at [www.mandg.co.za/personal-investor/terms-and-conditions/](http://www.mandg.co.za/personal-investor/terms-and-conditions/).

## 22 Liability

- 22.1 M&G Life and the FSP are not responsible for, and will be indemnified against, any tax, duty, levy or similar charge by a government authority as a result of your investment. You will be liable for any tax and will obtain a tax opinion from a tax consultant, where required.
- 22.2 You will carry any losses due to market fluctuations and consequent changes in the price of the participatory interests in the underlying CISs comprising the Investment Portfolio.
- 22.3 Neither the income nor the capital in this investment is guaranteed.
- 22.4 M&G Life and the Administrator will not be liable for any losses that you may suffer if:
- 22.4.1 M&G Life rejects any forms or notices received from you in terms of your investment;
  - 22.4.2 the Administrator did not process your instruction and you did not notify us within 20 days of sending the instruction;
  - 22.4.3 your Financial Adviser acts outside of their FSP licence; and/or
  - 22.4.4 the manager of an underlying CIS portfolio included in your Investment Portfolio does not comply with its turnaround times.

## 23 Transferability and convertibility

- 23.1 Transferability:
- 23.1.1 You may transfer this Policy to another life insurer by written request to M&G Life. Such a transfer will be subject to the provisions of the Insurance Act.

### 23.2 Convertibility:

- 23.2.1 You may convert this Policy to a conventional life annuity administered by another insurer by transferring the Policy to another insurer (as applicable). Once such decision to convert is made it cannot be reversed.

## 24 Cession

Your benefits under the Policy may not be transferred or pledged to someone else.

## 25 Cancellation and cooling-off

You may not cancel this Policy and no cooling-off period shall apply to this Policy.