



Helping you make an informed decision

Financial products, such as life insurance and investment policies, are designed to give you financial security. There are many products out there and the choice can be overwhelming.

To help you make an informed decision about some of these products, we have prepared an overview of some of the products we offer. We have grouped these into investment, retirement and risk products.

Investment products

These products let you save for the medium to long term or for a specific event, like your child's education.

Retirement products

These products let you save for your retirement, usually over the long term.

For both investment and retirement products, you can save regularly - for example every month or once a year - or you can make a lump-sum contribution, setting aside money you don't want to use now.

Risk products

These products protect you and your loved ones from the loss of income arising from events such as disability, dread disease or death, by paying out an agreed amount in such an event.

Find out more online

For information on Liberty Life products

Investments, endowments and risk

Go to www.liberty.co.za and click on **Products**.

For information on STANLIB products

Investments and unit trusts

Go to www.stanlib.com and click on **Investment for Individuals**.

Speak to your financial adviser



This document gives a broad view of the kinds of financial products that are available.

Speak to your financial adviser before you invest in or buy a financial product. Your financial adviser will help you draw up a financial plan and guide you in choosing the products that are right for you.



Investment: saving for the medium- to long-term

Unit trust

A portfolio of assets which is managed by a fund manager

How it works

You buy units in a portfolio of assets, known as a unit trust fund or collective investment scheme.

The fund manager invests your money in assets such as equities, bonds and cash that are suitable for the fund. Unit trusts management companies offer a range of funds with different investment objectives to meet different investment needs and risk profiles.

What you pay

- Contributions can be paid on regularly or as a single lump sum.
- The management company charges fees for managing the fund. These are charged at an annual rate and deducted monthly from your investment.
- You may also pay fees from your investment to your financial adviser.

When you get your money

- Unit trusts can be bought and sold at any time.
- The unit price depends on the value of the portfolio of assets held by the fund.
- The value of your investment is the unit price times the number of units that you have.

Useful definitions

Portfolio: a collection of investments, like property, shares (equity), bonds and cash.

Redeem or repurchase: the term used for selling unit trusts.

Endowment

How it works

An endowment is an investment policy with life insurance. You invest money in a policy which has a fixed term of investment of at least 5 years. The policy reaches maturity after this period.

Your money is invested in the portfolios that you choose, depending on the type of policy and your risk profile. Some policies may offer a guaranteed value at the end of the investment term, smoothed bonus returns or investment in assets that can't be held in other investment types

The tax rate paid by the life insurance company on the portfolio returns may be lower than the rate you would have to pay on the same underlying portfolio of assets.

What you pay

- Contributions can be paid regularly or as a single lump sum.
- The insurance company charges fees for managing the fund and administering the policy.
- You may also pay an advisory fee to your financial adviser.
- If you withdraw your money before the maturity date, there may be additional charges.



When you get your money

Investment portion

- Your money is available at the end of the investment term when the policy matures. Depending on how the policy is structured, this means you will have unrestricted access to your money.
- You can keep your money in the policy so that your investment keeps growing.
- Access to all or some of your money before maturity may also be allowed.

Life cover portion

Life cover on an endowment policy usually falls away at the end of the investment term. If the life assured on the policy dies before the end of the investment term, the greater of the sum assured and the investment value of the policy is paid to the beneficiaries.

Investment value: the value of the investment part of the premiums, bonuses and any other growth.



Retirement savings

Retirement annuity fund

How it works

A retirement annuity fund is a registered fund that invests in insurance policies or unit trusts for you.

You invest your money in a retirement annuity fund which is managed by trustees. The trustees appoint an insurance company or unit trust company to manage and administer the fund. You can choose where to invest your money within the limitations and available portfolios of the fund.

Your retirement annuity:

- is independent of your employer so your retirement funding is not affected if you change jobs; and
- cannot be attached or used as collateral, so your retirement money is protected from creditors.

What you pay

- Contributions can be paid regularly or as a single lump sum.
- Contributions are tax-deductible, up to certain limits.
- The charges and fees that you pay will depend on the policies and unit trusts which hold your portfolio of assets.
- There is no tax payable on investment returns earned on your retirement annuity

When you get your money

When you retire, you can:

- Take up to one-third of your investment as a lump-sum payment. The rest of your investment must be used to buy an annuity that pays out regular installments for the rest of your life.
- Choose not to take the lump-sum payment so that your monthly annuity payments are higher.

At retirement, a certain amount of your lump sum may be tax free.

Annuity: a series of payments made in return for a lump sum investment.



Pension fund

How it works

An organisation like a company or government department sponsors a scheme which is set up to pay pension benefits to retired employees. There may be other benefits such as death, withdrawal and ill-health retirement.

The scheme sponsor and employees choose trustees to manage the fund. The basis of benefits and contributions are defined in a set of rules which are registered with the registrar of pension fund and approved by the South African Revenue Service (SARS). There are tax advantages on the contributions to and investment returns on a registered retirement fund.

Different kinds of funds

Defined benefit fund

- The retirement benefit is worked out based on the employee's salary and length of service.
- The employer's contribution to the fund is fixed.
- The employer carries the investment risk.

Defined contribution fund

- The retirement benefit is the accumulation of the member's and the employer's contributions, with investment income.
- The employer's contribution to the fund changes depending on how much money is needed to make sure the fund can pay out the benefits promised.
- The member carries the investment risk.
- The trustees decide which assets to invest in, but may offer the members of the fund some choice in the case of a defined contribution scheme.

What you pay

The expenses of running the fund and buying insurance for risk benefits are negotiated regularly between the trustees and the service providers.

When you get your money

When you resign, you can take your benefits as cash but you will pay tax on the cash payout. If you choose to transfer your benefits to another registered fund you will not have to pay tax.

When you *retire*, either at retirement age or earlier (because of ill health), you can take up to one-third of your retirement and death benefits as a lump sum payment. The balance must be used to purchase an annuity for life.

If you die before retirement, money is paid to your beneficiaries.

Provident fund

A provident fund is similar to a pension fund but only provides benefits as lump sums. This means that you do not have to take your benefits as an annuity when you retire.

The tax on contributions and investment returns is also different to that of a pension fund.



Preserver plan

How it works

A preserver or preservation plan is a registered pension or provident fund that does not depend on an employer as a scheme sponsor.

If you leave a company that has a pension or provident fund, you can transfer the money from this fund to a preserver fund without having to pay tax.

What you pay

You would usually pay charges to the product provider (the administrator of the fund) and to the asset manager who manages the portfolio of assets in which you choose to invest.

You may also pay an upfront fee to a financial adviser who assists you.

When you get your money

Same as for a pension or provident fund.



Risk products

Risk products protect you and your loved ones by 'covering' you financially for unexpected events. Different types of risk cover are described below. Some products allow you to structure the benefits to provide some or all types of cover.

Risk cover: the pillars of protection

Life cover

Covers the risk of dying and the financial impact this will have on your surviving loved ones because of loss of income and debts that need to be paid

Disability cover

Covers the risk of the high costs of becoming disabled such as modifying your home, settling debt or investing to supplement a disability income benefit.

Dread disease cover

Covers the risk of the high costs of surviving and recuperating from a dread disease. This benefit is also known as critical illness cover.

Income protection cover

Covers the risk of losing the ability to earn an income because of disability or impairment.

Policy protection cover

Covers the risk of losing your risk cover in the future because of not being able to make premium payments for a period of time because of retrenchment or ill health.

Accident plan

Covers the risk of dying or becoming disabled because of an accident.

Funeral cover

Covers the risk of leaving your family with debt arising from your funeral or the risk of you not being able to pay for a family member's funeral.

How risk cover works

Underwriting, loading and exclusions explained

Your age, health and occupation are some of the factors that influence the extent of cover you get, and how much you pay for this cover. This is determined by a process called underwriting.

Underwriting protects the company from taking on risks that could lead to losses and increases in future premiums. Underwriters work out how much cover you should get and what you should pay for that cover.

You may be offered a policy with *exclusions*. This means that you cannot claim in certain events. Or, you may have to pay a higher premium to be covered for certain events. This is known as *loading*.

Speak to your financial adviser if you are not sure about your cover or are concerned about any exclusions.