

# Sanlam Tax-free Investments

Sanlam Tax-Free Investments, a Sanlam Life product, offers clients the opportunity to earn tax-free returns on their investment. It is designed within National Treasury's principles of simplicity, transparency and flexibility.

## The cornerstones of this product are:

**Tailored investment options**

Comprehensive from R500 per month  
Core from R300 per month

**Simple and transparent charge structure**

Explicit charges for administration, asset management and advice

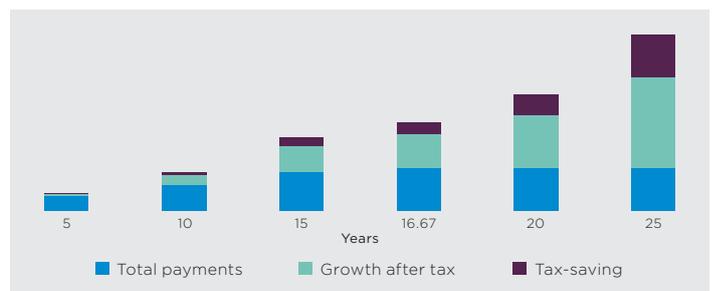
**Social savings groups**

An opportunity for clients to further reduce their administration charge percentage

**Flexibility to accommodate clients' needs**

No charges if payments are reduced / stopped and for full / partial withdrawals

The effect of compound interest, or earning investment return on investment return, is increased in a tax-free savings account due to the tax relief on the investment return. The longer clients invest the more benefit they will get.





## Tailored investment options

Within Sanlam Tax-free Investments there are two investment options:

Comprehensive Option	Core Option
Under this option clients will have the flexibility to make their own investment fund choices from a range of SIM, SATRIX and external asset manager's funds available at the lowest possible cost to the client.	This is a simplified option that has no investment fund choices and instead offers a lifetime investment option.
An initial payment of at least R500 per month is required.	An initial payment of at least R300 per month is required.
Clients cannot move from the Comprehensive Option to the Core Option.	Clients will be able to upgrade to the Comprehensive Option once they have reached the minimum payment level and they require fund choices. A once-off transaction charge of R300 will apply.

## Simple and transparent charge structure

In line with National Treasury's intentions, Sanlam Tax-free Investments have a simplified charge structure. There are explicit charges for the administration, asset management and advice.

### Administration charge

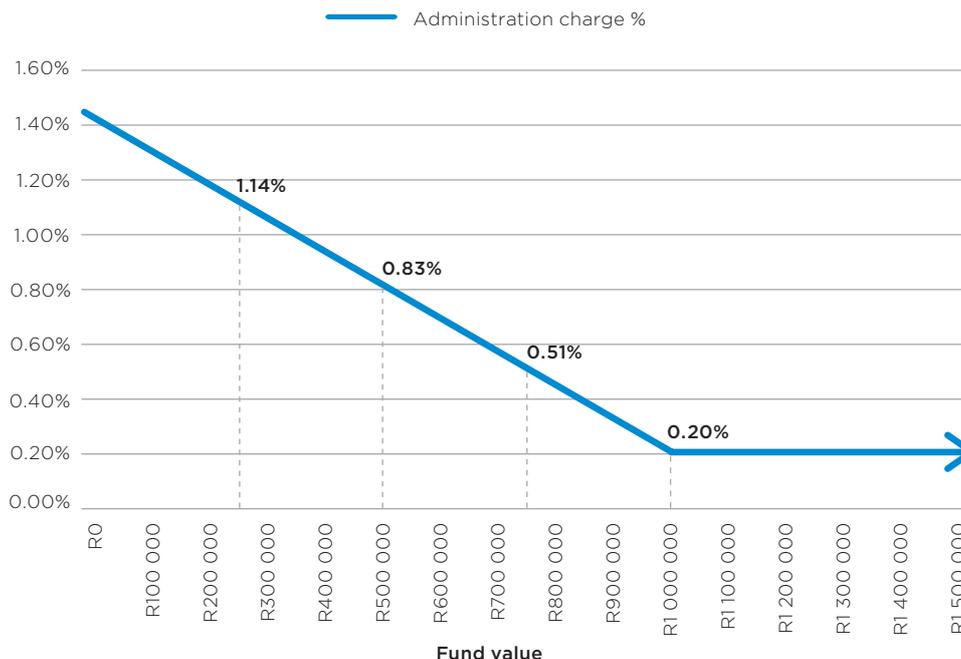
For every payment added, or for every rand of growth earned on the plan, the administration charge percentage will reduce from 1.45% per annum to 0.20% per annum when the fund value reaches R1m at which point the charge percentage will remain level.

This charge is calculated on a monthly basis as a percentage of the combined fund value of the recurring and one-off payments, which means the percentage is divided by 12 to calculate the monthly amount. It is deducted monthly from the fund value by selling units to the value of the charge.

Fund value	Administration charge as a percentage of the fund value	
R0	1.45% per annum	For fund values between R0 and R1 000 000, we determine the percentage to be used as an interpolation between the two percentages shown in this table.
R1 000 000 and above	0.20% per annum	

### For example:

For a fund value of R500 000, the administration charge percentage applicable *on the entire fund value* is 0.825% per annum. When the fund value reaches R1 000 000, the administration charge percentage applicable *on the entire fund value*, remains level at 0.20% per annum.



Clients will also have the **option to reduce the administration charge percentage** on their individual plan by joining or creating a social savings group. Clients in a social group will have their administration charge percentage calculated based on the combined fund value of the group rather than based on the size of their individual fund values. (See 'Social groups to encourage more individuals to save' later in this document.)

The administration charge is subject to a minimum Rand amount that will be adjusted with inflation annually. The minimum administration charge is R25 per month for the Core Option and R40 per month for the Comprehensive Option. This minimum Rand amount applies to each individual plan, and is not affected by the combined fund value of a social group.

For stop order payments we levy a payment charge of 3.5% of each payment. It will be subtracted from the payment before it is invested. There is no payment charge for debit order payments.

## Asset management charge

An asset management fee is charged by an asset manager. This charge for each fund is taken into account when the daily unit price is calculated. It is a percentage of the plan's part of the market value of the assets in the fund. The charge is calculated on a daily basis, which means the percentage is divided by 365 to calculate the daily amount. **All investment funds offered on this product levy zero performance charges.**

### Asset management discount

Some asset managers provide a discount on their asset management charge. We use clean fee classes where available or alternatively use the rebates we receive to reduce the asset management charge by buying extra units for the client. The size of the discount differs between investment funds and can change over time.

## Initial marketing charge

The initial marketing charge is used to recover the negotiated intermediary remuneration. The charge can range from 0% to 2.85% of each payment and will be subtracted from the recurring and one-off payments before they are invested.



# Social groups to encourage more individuals to save

To dovetail with National Treasury’s aim of encouraging more individuals to save, we have taken Sanlam Tax-free Investments to the next level by introducing the concept of social savings groups.

➤ Social savings groups give clients an opportunity to reduce the administration charge percentage on their Sanlam Tax-free Investments by encouraging friends and family to take out their own plan and join their social group. The more people in a social group, the lower the administration charge percentage for everyone in that group.

In each social group clients will have their administration charge percentage calculated based on the combined fund value of all the plans in that group, and the bigger the fund value (See ‘Simple and transparent charge structure’ earlier in this document), the lower the administration charge percentage.

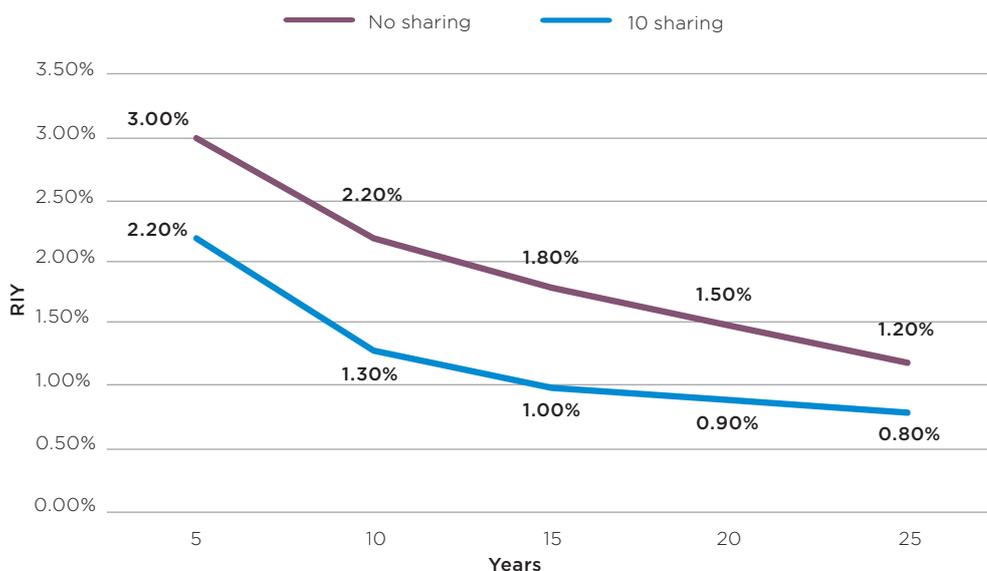
Clients can join a social group with complete anonymity. Their personal and plan details will not be made available to the other clients in their social group at any time. An unlimited number of clients may belong to a social group. We may however in future limit the number of plans in a social group.

### Social groups can be setup in different ways:

- Intermediaries can create groups for their different clients, or clients can create their own social savings groups and invite friends and family to join.
- At new business, clients must indicate whether they are setting up a new social group or joining an existing social group. If the latter is chosen, the client needs to indicate the unique identifier of the social group they want to join on their application form.

➤ The potential benefit of joining a social group will be shown on new business quotations through two reduction in yield (RIY) percentages: the RIY based on a single client (no sharing) and the RIY based on (for example) a group of 10 clients in a social group sharing.

For example:



Assumptions: R2 500 p.m. escalating at 5% p.a.; Comprehensive Option: SATRIX Balanced Index Fund; Commission = 2.50% of each payment; Gross illustrative investment return 10% per annum



## Flexibility to accommodate clients' needs

### Target savings date

This product is open-ended, but, to assist with financial planning, clients will be able to select an expected savings term on their new business quotation. The end of the selected term is called the "target savings date". This term will be used for the reduction in yield calculations and the switching under the lifetime investment option.

### Minimum payments

	Recurring payments	One-off payment only	One-off payment in combination with recurring payments
Core Option	R300 per month	R5 000	R2 500
Comprehensive Option	R500 per month	R5 000	R2 500

- › Ad hoc recurring payment increases: R250 per month
- › Ad hoc one-off payments: R2 500
- › One-off payments can be added at the start of the plan or at any time thereafter. Recurring payments can only be added at the start of the plan.
- › Ad hoc payments will be limited based on payments already made and future expected recurring payments for the full tax year.
- › Contractual annual payment growth is optional.

### Alteration charge

No alteration charge will be levied for partial withdrawals, early termination (i.e. before the target savings date) or if payments are reduced or stopped. There is also no transaction charge applicable for any of these events.

### Surrenders, withdrawals and loans

Full and partial surrenders are allowed at any time, but not loans.

The minimum remaining fund value after a partial withdrawal or partial transfer out to another service provider's tax-free savings account, is R5 000. (See "Transfers" later in this document.)

Regular withdrawals are permitted on the Comprehensive Option if the fund value is R40 000 or more. The minimum regular withdrawal amount is R150 per month. If the fund value reaches R2 500, regular withdrawals will cease. Regular withdrawals are not possible while recurring payments are being made.

Withdrawals and partial surrenders reduce the benefits clients can get from investing in tax-free savings accounts, because any payments to replace previously withdrawn amounts are subject to the annual and lifetime payment limits.



# How do we help to manage payments within the limits?

## Maximum payments

According to legislation, the following payment limits per individual apply:

- › An annual payment limit (currently) R30 000 per tax year
- › A lifetime limit of R500 000.

We may adjust the contractual payment growth (if applicable on a plan) so that the annual payment limit is not exceeded.

If money from another tax-free savings account is transferred to this product (See “Transfers” later in this document), the annual payment limit will not apply to the amount transferred.

## Declaration on application form

Clients will be required to declare whether payments were made to other tax-free savings accounts at Sanlam or other product providers within the current tax year.

If “Yes”, the intermediary must assess the total payments made to other tax-free savings accounts during the current tax year and discuss the implications of over-contributing to these accounts:

- › Individuals will be responsible for ensuring that their total annual payments to tax-free savings accounts remain within the annual payment limit.
- › If the total payments exceed the annual payment limit, the excess amount will be taxed at 40%. A similar penalty will apply on payments in excess of the lifetime limit of R500 000.

## Informing clients about their capacity for a tax year

We will communicate in January every year with clients about their available capacity for the tax year. We will indicate the Rand amount of the capacity the client will have at the end of the tax year, assuming that they continue to contribute according to their payment frequency.

# General information

This product is available for individuals only, and only one life insured is allowed on a plan.

Beneficiaries may be appointed to receive the proceeds at the death of the life insured. If the proceeds are paid to beneficiaries, no executor fees would be paid, but it will still form part of the deceased client’s estate for estate duty purposes.

## Cessions

A cession is not allowed on this plan.

## Transfers

Transferring between tax-free savings accounts will not be allowed between product providers for the first year until further clarity is given by National Treasury.

## Reporting for SARS

Annual IT3(s) statements for the South African Revenue Service (SARS) will be sent to clients. As is currently the case, clients will receive an annual benefit statement that shows information about their investment. This benefit statement can also be obtained from Secure Services on the Sanlam website at any time.



## Investment funds

### Comprehensive Option

Clients may select one or more investment funds to invest in. They can switch between any of the investment funds available for this option at any time. The first four switches in a plan year are free of charge. For each subsequent switch in the plan year, a transaction charge (currently R600) applies.

Fund number	Fund name	Risk level / Asset class	Asset Management Charge <sup>1</sup>
841	SATRIX Balanced Index Fund	Moderate	0.29%
855	SATRIX Low Equity Balanced Index Fund	Cautious	0.29%
847	SIM Active Income Fund	Fixed interest	0.46%
842	SIM Balanced Fund	Moderate	0.68%
844	SIM General Equity Fund	Equity	0.68%
830	SIM Inflation Plus Fund	Cautious	0.68%
822	SIM Managed Conservative Solution	Conservative	0.68%
823	SIM Managed Cautious Solution	Cautious	0.68%
824	SIM Managed Moderate Solution	Moderate	0.68%
825	SIM Managed Moderately Aggressive Solution	Moderately Aggressive	0.68%
826	SIM Managed Aggressive Solution	Aggressive	0.68%
845	SIM Money Market Fund	Cash	0.23%
843	SIM Value Fund	Equity	0.68%
846	Absa Absolute Fund	Cautious	0.97%
828	Coronation Money Market Fund	Cash	0.17%
848	Coronation Property Equity Fund	Property	0.97%
839	Coronation Strategic Income Fund	Conservative	0.51%
840	Investec Opportunity Fund	Moderate	1.14%
838	Investec Property Equity Fund	Property	0.97%

<sup>1</sup> Asset management fee inclusive of asset management discount and VAT (where applicable)  
All investment funds levy zero performance charges.

The SATRIX Lifetime Investment Option (described below) is also available.

### Core Option

Under this option, the investment is split between the SATRIX Balanced Index Fund and the SATRIX Low Equity Balanced Index Fund, with the proportion allocated to each fund depending on the outstanding term of the plan.

Fund number	Fund name	Risk level / Asset class	Asset Management Charge <sup>1</sup>
841	SATRIX Balanced Index Fund	Moderate	0.29%
855	SATRIX Low Equity Balanced Index Fund	Cautious	0.29%

As the plan approach the target savings date, we will gradually shift the allocation of the investment from the **SATRIX Balanced Index Fund** to the **SATRIX Low Equity Balanced Index Fund** to ensure that the investment is fully invested in a stable investment fund at the target savings date. When we switch the investment funds, we sell units in the SATRIX Balanced Index Fund and buy units in the SATRIX Low Equity Balanced Index Fund. No transaction charge will be levied for these switches.



## Intermediary remuneration

### ▶ Payment-based commission

The maximum payment-based commission negotiable is 2.50% of each recurring and one-off payment. This applies to new business and increases, whether at the client's request or due to contractual payment increases.

For recurring payments, the commission is discounted for 5 years and paid in advance at the start of the plan and at every 5th plan anniversary if payments are active.

For payment increases, the commission for the increase will be discounted from the end of the current 5 year period to the start date of the increase.

The payment-based commission vests over sixty months, according to the frequency of the payment.

Unvested commission will be clawed back if the commission is renegotiated downwards, the plan lapses, on death of the life insured, or if the payment is reduced or stopped.

### ▶ Fund-based fee

A fund-based fee is only available on the Comprehensive Option that has investment fund choices. It is however not allowed if the lifetime investment option is the underlying fund.

Up to 1.14% per annum of the fund value of an individual client's plan is allowed, depending on the level of the negotiated payment-based commission.

*For example:*

Negotiated ....	Then, maximum allowed ...
Payment-based commission 2.5% of each payment	0% p.a. of fund value
Fund-based fee 1.14% p.a. of fund value	0% of each payment
Combination 1.25% of each payment	Up to 0.57% p.a. of fund value

If a fund-based fee is negotiated on a plan, it will be deducted in the form of a withdrawal (equal to the amount of the fund-based fee) on the plan. The withdrawal will be taken by cancelling units to the value.

As is currently the case with all fund-based fees, the amount paid in any given year will be disclosed to the clients in their annual benefit statement.

The fund-based fee may be renegotiated at any time during the term.

**Application form:** AEB2003 **Product code:** E99