

LIFE INVESTMENTS HEALTH CORPORATE PROPERTIES ADVICE



LIBERTY

# BOLD LIVING ANNUITY

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## SUMMARY

# RETIRE WITH A **LIBERTY RETURN GUARANTEE** IN SA'S TOP FUNDS

You've worked hard to save for your retirement, and the older you get, the more it feels like certain investment options are off limits. They're just too risky.

## WHY **BOLD** LIVING ANNUITY?

**Liberty Bold** is the only living annuity that allows you to invest in any combination of SA's top funds and change them whenever you like with a return guarantee that rises as your returns do.

### Fund Selection

- A choice of **190 funds** from 15 investment managers.

### Offers wide range of choice

- Complete flexibility
- You can **switch your funds at any time** without losing or affecting your return guarantee.

### The power of a Living Annuity

- A living annuity has a **wide choice of portfolios** but in order to outperform a life annuity, investors must harness the power of equity returns.
- **Insurers effectively rely on fixed interest type of returns** to give you a guaranteed life-long income in a life annuity.

### The benefit of risk and reward

- To harness the **power of higher expected returns** from the top performing funds in a Living Annuity, you need to take higher risk with your choice of funds (typically through exposure to more equities).
- However, it is difficult for most to accept the risk of a significant fall in **value of your retirement money**.

### The Bold solution

- We combine higher expected return funds with a unique, five-year, **guarantee of 80% of your highest aggregate return**.
- This gives you peace of mind to choose higher risk funds with higher expected returns – to be bolder in your investment strategy.
- The return guarantee is an **optional benefit**.
- The **return guarantee** is rolled over every five years.

### An aggregate return guarantee

- The return guarantee applies to 80% of the **highest total aggregate return** of your chosen funds, as measured at every three-month interval.
- For example:
  - If you have two funds equally split, returning 10% and 20% then the **combined return** is 15%.
  - The return guarantee has then risen by 12% (80% of 15%) from its starting level of -20%.

## How is your highest total aggregate return determined?

- From inception and at every ensuing three-month interval, we review the **total aggregate return** of your chosen funds.
- If the total aggregate return hits a new high at this point then this return becomes your new **High Quarterly Watermark Return** and your return guarantee increases with it.
- A return guarantee protects 80% of your high watermark which means on the first day, when your total return is zero, the most your return can drop is 20%.

## Protects 80% of your highest watermark return

- The return guarantee increases** if the total aggregate return, measured every three months, hits a new high.
- If the total aggregate return is 25% at the end of a quarter, then the **return guarantee** is now at no negative returns (the original "-20%" worse-case scenario at day one plus 20% [80% of 25%], which is now locked-in).
- Later if the total aggregate return increases** to 50%, the return guarantee becomes 20% ( $80\% \times 50\% = a 40\% rise$  on the original -20% starting guarantee).

## When does the return guarantee apply?

- If you have selected the **return guarantee**, it applies to any income withdrawals, at the five year point or if you pass away.

## Renewable five year return guarantee

- You can renew the **return guarantee** after five years.
- It does not apply if the return guarantee is stopped before five years, or if you transfer to another company's Living Annuity, or commute your investment value.

## What are the return guarantee costs?

- The **return guarantee** is valuable, because you can choose any combination of funds and change them at any time.
- For a return guarantee you pay:
  - A low 1% **once off** initial guarantee charge, (less than 0.2% a year for the five years).
  - Growth Sharing above a certain **Target Return** level each year for five years.

## Growth Sharing and initial fee

- Growth sharing works like this:**
  - You pay **20% of any aggregate return** above the target return of 14% p.a. (or 0.2% of each 1% above 14% at the end of each year).
  - You pay at the end of each year (or if the guarantee is stopped), but only if the total combined return from the start of the year is above the **Target Return level**, irrespective of the fund mix you have chosen.

## What are the other costs?

- Platform fees
- Investment Management Fees (for investment funds)
- Advice fees.

## Low costs for Bold Living Annuity

- Entire platform fee** depends on total Assets Under Management (unlike many other LISP platforms):
  - 0.5% for investments up to R1 million,
  - 0.35% for investments greater than R1 million,
  - And 0.25% for investments greater than R3 million.
- Trackers funds offer **considerable value**.

## Is Bold Living Annuity less flexible?

- Not at all. There is **complete flexibility** in terms of choice of funds at any time.
- You can also stop the **return guarantee** at any time.
- Stopping the **return guarantee** will activate a deduction for Growth Sharing for the year-to-date.

## Stopping the return guarantee early

- If the **return guarantee** is stopped before the total aggregate return is 14%, then Growth Sharing deduction is zero.
- If the **return guarantee** is stopped when the total aggregate return is above the Growth Sharing Target Return (e.g.14%), for instance, 24%, the deduction would be just 2% [24% less 14% = 10% times the Growth Sharing percent of 20% = 2%].

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