



# OLD MUTUAL LINKED RETIREMENT INCOME

**The Old Mutual Linked Retirement Income is a unit trust-based living annuity that provides investors with a retirement income based on the returns of a market-linked investment portfolio. It enables you to diversify your retirement capital across regions, sectors and economies via Old Mutual's comprehensive range of unit trusts.**

It is an option to consider if you want to expose a portion of your retirement capital to the growth potential of the markets in order to outpace inflation. However, your income is not guaranteed and the value of your investment will fluctuate in line with the markets. We recommend that you consult with a qualified financial planner to obtain advice on retirement savings options.

## YOUR RETIREMENT INCOME

You can choose your level and frequency of income, and both can be reviewed annually on the anniversary date of your investment.

### Income frequency

You can receive your income payment monthly (in arrears), quarterly, bi-annually or annually (in advance). Please note that legislation requires that you receive at least one payment annually. No withdrawals, other than the regular income withdrawals, are allowed.

### Income level

You can review your income level annually on the anniversary date of the annuity. This income level is currently between 2.5% and 17.5% p.a. of the portfolio value, but it may be reviewed from time to time. From 1 March 2022, when considering the purchase of two or more compulsory annuities by an individual member at retirement, the investment value for each annuity must be at least R165 000. Where an individual member has less than R165 000 available for use towards the purchase of a compulsory annuity, the member may only purchase one annuity. As performance is dependent on the underlying unit trusts selected, the value of the annuity (and consequently annuity payments) can increase or decrease. This annuity is not guaranteed. Selecting a high initial income level may further impair your ability to generate an income in future, especially if the income level is in excess of the growth of the portfolio and you are eroding capital. The Association for Savings & Investment SA (ASISA) recommends that this should not be your sole source of retirement income. In addition, if you require a pre-tax annuity of more than inflation plus 2% of the consideration in order to sustain your lifestyle, then rather consider a different type of investment.

\* You only pay the standard ongoing fees of the unit trusts you select.

## BENEFITS

- **Income flexibility:** Select your own level and frequency of income.
- **Beat inflation:** Expose your retirement capital to the growth potential of the investment markets.
- **Choice:** Tailor your portfolio to suit your needs, using funds from our entire range of close to 40 funds.
- **Cost efficiency:** No additional product fees\*.
- **Legacy:** Ensure the beneficiary you choose receives the death benefit.

In light of the current economic environment ASISA recommends a maximum income level of 12%. We urge you to consider the following guidelines when deciding on your annuity income level.

Under age 70: Maximum 12% p.a. .

Between 70 and 80: Maximum 15% p.a.

Over age 80/ill health\*: Maximum 17.5% p.a

\* If you are suffering from ill health or some other impairment that will significantly reduce your life expectancy.

The table below gives you an indication of how your income may reduce over time. If the number of years indicated are reached, your income will start to diminish rapidly. The table assumes that you will adjust your percentage income to maintain the same amount of real income by allowing for inflation of 6% per year.

## YEARS BEFORE YOUR INCOME WILL START TO REDUCE

		Investment return per annum (before inflation & 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



## STRUCTURING YOUR PORTFOLIO

Old Mutual Retirement Income gives you the flexibility to tailor a portfolio of Old Mutual's unit trusts that is designed to meet your specific needs based on your risk appetite, income requirements and time frame. You can choose from our Classic Investment Collection, which is a selection of funds designed to meet most investment needs, or from our entire range of close to 40 funds.

Your investment capital in the Old Mutual Linked Retirement Income will be impacted by the investment returns of the selected unit trust funds, and by the level of income drawn. If the level of income exceeds the return on your investment, it will fail to provide you with a sustainable income for life. All risks associated with this investment are carried in full by you, the annuitant.

It is recommended that you speak to a qualified financial planner for assistance in selecting suitable funds, and keeping your portfolio relevant to your changing needs. If appropriate, you can switch between the full range of Old Mutual unit trust funds without incurring any charges.

The Financial Services Conduct Authority (FSCA) urges investors to be aware of the different levels of risk that are associated with the various types of asset classes, as too many higher-risk funds in your portfolio could put your retirement capital at risk in times of negative market performance. Yet, taking too little risk could mean that your returns will be too low to offer you a sustainable level of income.

The following investment regulations of the Pension Funds Act, supported by the FSCA, can be used as a general guide to assess the overall asset composition of your portfolio.

- Maximum 75% exposure to equity (local and foreign)
- Maximum 25% exposure to property (local and foreign)
- A maximum exposure of 45% to assets outside of South Africa (including Africa)

Important: You (and your planner) can structure and manage your portfolio online by registering for access to our secure site. Simply click on login at the top of [www.oldmutualinvest.com](http://www.oldmutualinvest.com) to sign up for the many benefits of being an online investor.

## INVESTMENT MINIMUMS

Investments can be transferred from approved retirement annuities and pension/provident funds without incurring tax.

**Investment Minimum:** R50 000.

## NOMINATING A BENEFICIARY

Please be sure to nominate at least one beneficiary. Upon your death, your beneficiaries will receive the residue of the retirement income investment value in proportion to the percentage you

allocated to them. If you do not nominate a beneficiary, the value of your investment will accrue to your estate at death. If you have nominated a beneficiary, your investment does not form part of your estate.

When you die your beneficiary/ies can choose between:

- Continuing the annuity, i.e. they will receive your income, taxed at their marginal tax rate.
- Having the balance of the investment, including capital growth and income, paid out over five years – called an accelerated annuity.
- A lump sum payment.

## TAX CONSIDERATIONS

- The income is taxed at your marginal rate of tax, while any capital appreciation in the value of your units is currently free of capital gains tax.
- No local dividend tax or tax on interest is charged.
- Any lump sum benefit payable to a beneficiary of the original pensioner (i.e. the ex-member of the pension fund from which the funds were derived) will be taxed as per the scales outlined in Part 1 of Appendix 1 (Item 10b) of the Income Tax Act. Currently amounts of R500 000 and less incur 0% tax while the maximum rate on sums of R1 050 000 or more is R130 500 plus 36% taxable income exceeding R1050000. This does not apply to subsequent beneficiaries, should the original beneficiary die.
- Beneficiaries who opt to receive an income from the investment will be taxed at their marginal rate of tax.
- This investment does not form part of your estate and thus incurs no executor's fee, unless no beneficiary is nominated (see above).

## LIFE ANNUITY

A life annuity is a retirement income-generating product that pays a guaranteed income for life, but it does not offer the same flexibility or growth potential as a living annuity. As the insurer will pay an income until your death, irrespective of how long you live, there is no remaining value for beneficiaries upon your death.

## LIVING ANNUITY

A living annuity is a market-linked product that does not offer any guarantees. The value of the living annuity will fluctuate in line with the performance of the underlying investments you have selected. You can choose the frequency and level of your income. As you take the responsibility for paying yourself an income, any residue in your investment on death is paid to the beneficiaries you nominate.



## FEES AND CHARGES

These charges are used by Old Mutual to cover all management and administration costs as well as any planner fees payable to the intermediary.

### (a) Initial fee

No initial administration fee is charged on the product but, if you have used the services of a qualified financial planner, you may negotiate an initial planner fee of a maximum of 1.73% (incl. VAT).

### (b) Charges against the underlying unit trust funds

These fees are jointly reflected in the Total Expense Ratio (TER) and Transaction Costs (TC) of a unit trust, disclosing the historical fees paid over a three-year period:

- An annual service fee is calculated on the market value of a unit trust's assets. It is deducted daily from each underlying unit trust's portfolio. This fee may include planner fee payments.
- Further fees that may be deducted from the unit trust's portfolio are compulsory and bank charges, brokerage, securities transfer tax, other taxes and levies, custodian and trustee fees, and audit fees.
- Total Investment Charge is the sum of the Total Expense Ratio (TER) and the Transaction Costs (TC). Please refer to the unit trust fund fact sheet for more detail on the fee structure of each individual unit trust.

### (c) Administration fees

- There is no administration fee applicable to this investment however an administration fee of R90.00 will be applicable when the value of your investment drops to R90.00 or less.

## INVESTMENT AND OWNERSHIP

The Old Mutual Linked Retirement Income is a long-term insurance contract issued by Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA). The underlying assets of Old Mutual Linked Retirement Income belong to Old Mutual Life Assurance Company of South Africa (OMLACSA). In terms of the provisions of the contract with OMLACSA you are entitled to receive an annuity at a level and frequency selected by yourself. Your death benefit will include any remaining balance in your investment. As it is a member-owned annuity, you can only invest in the Old Mutual Linked Retirement Income if the rules of the retirement fund from which you are transferring your retirement capital permit it.

### Important Notes

- Interest (where applicable Shari'ah Permissible Income) and dividends are automatically reinvested. Historical income distributions are reflected on the

individual fund fact sheets available on our website, [www.oldmutualinvest.com](http://www.oldmutualinvest.com).

- If you have opted to invest 100% into a Shari'ah-compliant fund(s), please be advised that all impermissible interest will be paid to a charitable trust. However, in the event of retirement, death or not being compliant in terms of regulation 28, you might earn interest as the investment will be moved to a money market fund.
- Your Old Mutual Linked Retirement Income may at any stage be converted into a conventional life annuity, administered by the same assurer or another assurer. A conversion is based on the market value of the units as at the date of conversion, and subject to ruling legislation at the time.

## INVESTMENT SERIES

The Investment Series is a core range of funds, handpicked and tailor-made to meet the needs of any investor, at any stage of life.

Old Mutual **Money Market** Fund

Old Mutual **Real Income** Fund

Old Mutual **Stable Growth** Fund

Old Mutual **Moderate Balanced** Fund

Old Mutual **Balanced** Fund

Old Mutual **Flexible** Fund

Old Mutual **Maximum Return** Fund

Old Mutual **Investors** Fund

Old Mutual **Equity** Fund

Old Mutual **Global Equity** Fund

More information on our entire range of unit trust funds, can be found at [www.oldmutualinvest.com](http://www.oldmutualinvest.com)



## CONTACT DETAILS

### Old Mutual Investment Services (Pty) Ltd

(Registration no. 1996/000452/07)

Mutualpark, Jan Smuts Drive, Pinelands 7405, South Africa, PO Box 207, Cape Town 8000, South Africa

Telephone no.: +27(0)21 503 1770, Compliance Department: +27(0)21 503 1770, Email: [retire@oldmutual.com](mailto:retire@oldmutual.com) Website: [www.oldmutualinvest.com](http://www.oldmutualinvest.com)

Old Mutual Investment Services (Pty) Ltd (OMIS) is a Licensed Administrative Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act. OMIS is referred to as "the administrator" in this form

**Helpline** 0860 234 234

**Internet** [www.oldmutualinvest.com](http://www.oldmutualinvest.com)

OLDMUTUAL