

CLIENTÈLE ULTIMATE FOUNDATION PLAN

EFFECTIVE ANNUAL COST: CLIENTÈLE ULTIMATE FOUNDATION PLAN

The ASISA (Association for Savings and Investments South Africa) has introduced a standard measure that allows policyholders to compare the effective costs of different investment products. This is known as the Effective Annual Cost.

The Effective Annual Cost (EAC) is a measure which has been introduced to allow you to compare the charges you incur and their impact on investment returns when you invest in different Financial Products. It is expressed as an annualised percentage. The EAC is made up of four components, which are added together, as shown in the table below. The effect of some of the charges may vary, depending on your investment period (i.e. how long you continue to pay your policy). The EAC calculation assumes that an investor (policyholder) terminates (surrenders) his or her investment in the Financial Product (Clientèle Ultimate Foundation Plan) at the end of the relevant periods shown in the table.

The table below is illustrative and based on an assumed monthly Savings Foundation premium of **R250** (such a policy would have a total premium of **R360** including R110 for the Life Foundation Benefit):

IMPACT OF CHARGES	SURRENDER AFTER				
	1 YEAR	3 YEARS	5 YEARS	10 YEARS	20 YEARS
Investment Management*	1.0%	1.0%	1.0%	1.0%	1.0%
Advice**	0.0%	0.0%	0.0%	0.0%	0.0%
Administration***	9.5%	3.5%	2.2%	1.1%	0.6%
Other****	41.2%	10.7%	4.8%	0.5%	0.0%
Effective Annual Cost	51.7%	15.2%	8.0%	2.6%	1.6%

* The Investment Management Charge is a reduction in the actual investment return because of investment management charges. The actual reduction in return may vary significantly as it will depend on how the markets perform during your investment in this product. The above assumes an annual investment return of 6%. For the Clientèle Ultimate Foundation Plan these charges are:

- Clientèle's participation in 10% of net interest, investment income, capital appreciation and/or losses.
- The management charge levied by the external fund manager which is 0.3% of asset value plus 1% of investment returns.

** As the services of an advisor was not engaged, the Advice Management Charge is set to zero.

*** The Administration Charge consists of unallocated premiums.

This is a fixed charge of 5% of the monthly Savings Foundation premium you pay.

**** Other Charges is a catch-all, which measures other charges that you will incur.

If you surrender within 10 years these are a percentage of the Investment Account (refer to table in policy document) and zero percentage of Investment Account if you surrender after 10 or more years plus R300 Policy Surrender Charge, where the total charge is limited to 30% of the Investment Account.

Notes:

- **The Effective Annual Cost is an annualised cost, this means the calculation takes into consideration the extra annual return that one needs to earn on the amount after charges to get back to the same closing balance one would have had if there were no charges deducted.**
- **The amount invested will be the Savings Foundation premium only and does not include the Life Foundation premium or the IFA Business Fee.**
- **The values in the table above are for illustrative purposes only based on the following assumptions:**
 - **An initial monthly Savings Foundation premium of R250.**
 - **All future premiums are paid (an Unpaid Premium Charge, currently R27.50, will be deducted from your Investment Account for every missed premium).**
 - **There are no partial surrenders during the period.**
 - **An investment return of 6% per annum (before any charges but net of tax).**
 - **A 10% annual premium increase.**

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- *The Effective Annual Cost shown above would apply if the above assumptions hold, and you terminate your policy at the end of the period in each case.*
- *The periods indicated in the table refer to full years i.e. 1 year = 12 months and 12 paid premiums, 3 years = 36 months and 36 paid premiums, 5 years = 60 months and 60 paid premiums, 10 years = 120 months and 120 paid premiums, 20 years = 240 months and 240 paid premiums.*

This means that the longer you keep paying the policy, the lower the Effective Annual Cost will be. For example if you surrender your Clientèle Ultimate Foundation Plan after 3 years, the Effective Annual Cost will be 15.2% but if you surrender after 20 years, this cost drops to 1.6%. Remember that you will get the maximum benefit from your Clientèle Ultimate Foundation Plan if you invest for the full term.