

## Unit trust-based retirement annuities Flexible, tax-efficient and transparent access to investment performance

If you, like many South Africans, are not yet saving enough for your retirement please consider the following facts:

- Inflation reduces the buying power of your money. Once you retire it becomes critical to have invested enough money to enable you to increase your income level with inflation or plan to live a reduced lifestyle with less money.
- You are likely to live longer than your parents. This increases the risk that you may run out of money or 'outlive' your retirement capital.
- As you get older, you are likely to need more medical care. It is a well publicised fact that the cost of this care is rising. You need to plan for healthcare expenses to take up a significant portion of any savings.

Added to the above is that many people today aspire to retire early. Even if you plan to continue working until you are 65, we all need to make greater provision for a comfortable retirement.

### Why invest now? The high cost of delay

Starting to save at 35 rather than 25 can cut 40% off your retirement fund benefits\* as the table below shows.

Impact of delaying contribution to your pension assets		
Starting age	Number of years final salary	Percentage reduction in benefits vs. starting at age 25
25	9.4	-
30	7.3	22%
35	5.6	40%
40	4.2	55%
45	3.0	68%
50	2.1	78%

Source: Allan Gray (\*Based on the following assumptions: Contribution of 10% of monthly salary; CPI (Inflation) of 6%; Salary inflation of CPI+1%; Investment return of CPI+5%; Retirement age of 65)

### The benefits of a retirement annuity (RA)

An RA provides you with a tax-efficient and disciplined way to save for your retirement. It is a pre-retirement contractual savings vehicle that ensures that your savings are preserved for retirement purposes. Capital can only be drawn when you reach retirement age (between 55 and 70), or if the total value of your interest in the fund is less than R7000 (subject to fund rules). The biggest benefit of RAs is their tax-efficiency:

- Investors who do not contribute to a pension fund can contribute 15% of their taxable income to a RA tax-free.
- Investors who do currently contribute to a pension fund can contribute 15% of any income that is not taken into account when calculating their pension contribution tax-free.
- Any additional payments made (over the 15% limit) may be carried forward and offset against future taxable income.
- By lowering an investor's taxable income, a RA may result in the investor's taxable income falling into a lower tax bracket.

### RA's also offer access to investment performance, value for money and a choice of underlying investment

Unit trust-based RAs such as the one available from Allan Gray provide a flexible and transparent way to access investment performance. Since 1974, Allan Gray has consistently achieved superior returns at lower risk of loss. This performance track record has been achieved by consistently applying a simple, clearly defined investment philosophy based on sound business principles. All investment decisions are based on proprietary, fundamental research.

Our core source of income is a performance-based investment management fee. We aim to provide our clients with superior performance after deducting our investment management fee.

We provide access to an uncomplicated range of unit trust funds; designed to enable you and your Adviser to select an underlying unit trust to suit your risk profile. You also have the flexibility to switch between funds as your needs change.

### To take advantage of the tax benefits of contributing to the Allan Gray Retirement Annuity Fund for the 2007/2008 tax year-end please take note of the following:

#### 1. Funds must reflect in our bank account on 29 February 2008

Please deposit contributions directly into the Allan Gray Retirement Annuity Fund bank account. Contributions must reflect in this account on 29 February 2008. Deposits made after this date will not be included in the current 2007/2008 tax year. Electronic transfers can take up to two days to reflect in the Allan Gray Retirement Annuity Fund bank account. If you would like us to collect the money from your bank account we will need to receive the forms and supporting documentation by 14h00 on Thursday 28 February 2008.

#### 2. Completed paperwork to be received before 14h00 on 29 February 2008

This should include:

- A completed Allan Gray Retirement Annuity Fund application/additional contribution form (completed with a pre-investment disclosure (PID) version number).
- Proof of payment (copy of deposit slip/electronic transfer).
- FICA documentation (this includes a copy of the identify document, proof of residential address and proof of bank details).

Forms are available from our website [www.allangray.co.za](http://www.allangray.co.za) or from the Allan Gray Client Service Centre on 0860 000 654. Please fax the completed forms and required documentation to 0860 000 655 or email the forms to [instructions@allangray.co.za](mailto:instructions@allangray.co.za)

*Commentary by Richard Carter, Head of Product Development, Allan Gray Investor Services*

The Allan Gray Retirement Annuity Fund is administered by Allan Gray Investment Services Limited, an approved fund administrator. Allan Gray Investment Services Limited is also an authorised administrative Financial Services Provider. The underlying investment options of the Allan Gray individual life and retirement products are Collective Investment Schemes in Securities (CIS). CIS are generally medium- to long-term investments. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Therefore the value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Forward pricing is used. Unit trusts may be capped at any time in order to be managed in accordance with their mandates. A schedule of fees and charges and maximum commissions are available upon request from Allan Gray Unit Trust Management Limited. Commission and incentives may be paid and if so will be included in the overall costs. Different classes of units apply to the funds and are subject to different fees and charges. A feeder fund is a portfolio that, apart from assets in liquid form, consists solely of participatory interests in a single portfolio of a CIS. A fund of funds is a portfolio that invests in portfolios of CIS, which levy their own charges, which could result in a higher fee structure for these portfolios. Allan Gray Unit Trust Management Limited is a member of the ACI.