

The Coronation Living Annuity is a policy issued by Coronation Life Assurance Company Limited (hereafter referred to as "Coronation Life") under the provisions of the Long-term Insurance Act, No. 52 of 1998. The Coronation Living Annuity is administered by an administrator appointed by Coronation Life from time to time. The current administrator is Old Mutual Investment Administrators (Pty) Limited (hereafter referred to as "the Administrator"). The current investment options available to investors are those unit trust funds managed by Coronation Management Company Limited (hereafter referred to as "Coronation Manco") and made available by Coronation Life as the investment options under the Coronation Living Annuity.

## 1 INVESTMENT OPTIONS

- 1.1 The Coronation Living Annuity allows investors the opportunity to invest in the unit trust funds offered by Coronation Manco. This does not imply any endorsement by Coronation Life and that you retain the risk of and remain responsible for the selection between the various funds at all times.
- 1.2 The investments in the investment funds are made and will be administered subject to the provisions of the Collective Investment Schemes Control Act, No. 45 of 2002, in accordance with the deeds of such funds and subject to Coronation Manco's fee structure as amended from time to time.
- 1.3 Coronation Life will invest the net pension consideration into the investment option(s) chosen by you from time to time. Coronation Life shall reinvest all income and accruals arising from the investment options from time to time, which shall be regarded as forming part of your Coronation Living Annuity.
- 1.4 Coronation Life does not provide any guarantees in relation to any investment performance. Values of units within unit trust funds fluctuate relative to the market values of the underlying securities comprising the portfolio. The investor carries the investment risk inherent in the chosen underlying investment option(s).
- 1.5 All investments held under the Coronation Living Annuity are owned by Coronation Life and you have no right to specific investments held under the Coronation Living Annuity.

## 2 FEES AND CHARGES

- 2.1 The annual management fee on the underlying investment option(s) selected will be charged by Coronation Manco as indicated on the Unit Trust Fee Schedule and as amended from time to time.
- 2.2 An annual administration fee of 0.228% per annum, charged monthly in arrears, will be levied on the market value of the investment portfolio which includes an amount calculated to compensate for VAT costs. The annual administration fee will be subsidised in full by Coronation Investment Services (Pty) Limited.
- 2.3 Financial advice fees as agreed to in *Section L - Financial Advice Fees* of the application form below will be levied.
- 2.4 All fees and charges are subject to amendment by Coronation Life and Coronation Manco as the case may be, provided that due notice is given when the fee or charge is increased or a new fee or charge is added. Coronation Life shall not change the Financial Advisor initial and annual advice fees unless instructed in writing by the investor.
- 2.5 There is no charge for switching between the available investment options.

## 3 SPECIFIC NOTIFICATION FOR INVESTORS

Investors must note the following:

- 3.1 If the Coronation Living Annuity is your only source of income and if you require a pre-tax annual income of greater than inflation plus 2%, based on the capital available to purchase the annuity, you should, in consultation with your appointed Financial Advisor (if applicable), consider a different type of annuity.
- 3.2 It is important that you, in conjunction with your appointed Financial Advisor (if applicable), review your lifestyle objectives and income requirements at least annually. If an income level that exceeds the expected average annual growth rate on the investment portfolio should be elected, this may lead to an erosion of the capital base of the Coronation Living Annuity.
- 3.3
  - 3.3.1 The value of the investment will increase or decrease in line with market fluctuations.
  - 3.3.2 The risk associated with living annuities as compared to conventional annuities, particularly in the light of your personal assumption of longevity risk.
  - 3.3.3 The impact that a downturn in the market will have on your investment and that capital may be eroded in order to maintain the required level of income.
- 3.4 The income restrictions imposed by the Commissioner of SARS in circular RF 1/96 (or its amendment or replacement), particularly that income levels may only be varied annually on the income anniversary date.
- 3.5
  - 3.5.1 In terms of Directive 135 issued by the Financial Services Board, you have the right to transfer your Coronation Living Annuity to another registered insurer under the Long-term Insurance Act, No. 52 of 1998.
  - 3.5.2 Your living annuity may be converted to a conventional life annuity administered by another insurer. This is a once off and the conversion cannot be reversed. The conversion will be subject to the provisions of Directive 135 issued by the Registrar of Long Term Insurance or any replacements thereof or supplement thereto.

- 3.6 The tax consequences of your Coronation Living Annuity are as follows:
- 3.6.1 Annuities (i.e. regular income payments) are taxed at your marginal rate of tax.
  - 3.6.2 In terms of current legislation, the investment returns generated by the Coronation Living Annuity are not subject to tax.
  - 3.6.3 Where applicable, should a beneficiary elect to take the remaining capital as a lump sum within six (6) months of the death of the annuitant, the lump sum will be taxed at the annuitant's average rate of tax. The lump sum may also be subject to Estate Duty.
  - 3.6.4 Income tax, if applicable, will be deducted at source in accordance with the relevant tax rates determined by SARS. The onus is on the investor to provide tax directives where applicable.
- 3.7 You will be obliged to draw an income of between 2.5% and 17.5% per annum of the investment value at the anniversary date. These limits are set by SARS and may change from time to time. Income will be generated by the repurchasing of the underlying investments. All income generated on the underlying investments will be reinvested.
- 3.8 Annuity for pension considerations received by Coronation Life on or before the 14th of the month will be paid at the end of that month. Annuity for pension considerations received after the 14th of the month will only be paid at the end of the following month.

## 4 GENERAL TERMS AND WARRANTIES

- 4.1 Subject to compliance with Coronation Life's requirements, investments into the underlying investment option(s) will be made within **four (4) working days (excluding Saturdays, Sundays and public holidays)** after the receipt of a fully completed application form and the investment amount by Coronation Life. Coronation Life requires proof of transfer or deposit before this application can be processed. Electronic transfers may not reflect immediately. Switches will be processed within **three (3) working days** after receipt of a valid instruction. The aforementioned is subject to Coronation Life's requirements having been complied with. Where applicable, interest on pension considerations may be applied from one day after the pension contribution has been paid into Coronation Life's bank account until transferred from that account.
- 4.2 The Coronation Living Annuity is subject to a 30-day cooling off period. This gives you the right to withdraw from the Coronation Living Annuity by giving Coronation Life written notice within 30 days of receipt of your policy summary and terms and conditions. A disinvestment will be made at the earliest opportunity after the date the written request is accepted by Coronation Life, at the price applicable then. The amount to be refunded will take market fluctuations into account and may therefore be less than the initial pension consideration. No interest or investment return will be paid or accrued to you. The refund will not be made to yourself, but to the transferor insurer, retirement fund or another registered insurer as the case may be. This option is not available where, during the 30-day period, you have switched from the portfolios originally invested in, or if any benefit or claim has been paid.