

PRESCIENT LIFE D AND D SINKING FUND POLICY



WHAT IS A PRESCIENT LIFE D AND D SINKING FUND POLICY?

A sinking fund policy has also been labelled as an endowment policy in the industry but it is, strictly speaking, a different type of policy. Section 1 of the Long-term Insurance Act defines a 'sinking fund policy' as a policy, excluding a life policy, which provides one or more sums of money at a fixed or determinable future date. A sinking fund was introduced to allow business entities to invest via a long term insurance policy.

HOW DOES A SINKING FUND POLICY WORK?

The rules regarding a Sinking Fund Policy is similar to the Rules of the Endowment Policy. In this instance, the key difference between a true 'endowment' and a 'sinking fund' is that there is no need for a life assured. The beneficiary will be for ownership as opposed to proceeds. If you are comfortable with a minimum five-year investment term, want a tax-efficient way to save, and wish to create liquidity in your estate, our Sinking Fund Policy may meet your needs.

The benefits of investing in the Sinking Fund Policy are:

- Offers you a tax-efficient way to save
- By nominating a beneficiary (proceeds or ownership), one can avoid paying executors fees upon the death of the Policy Holder.
- Offers you transparent and easy access to our range of unit trusts and other portfolios managed by External Fund Managers.

IMPORTANT DEFINITIONS THAT I NEED TO KNOW

Policy Holder

This is the person who owns the investment.

Beneficiary for ownership

This person is nominated to become the new policy owner when the initial owner dies. Only one natural person or trust (with natural persons as beneficiaries) can be nominated for ownership.

On death of the owner of the policy, the ownership will be transferred to the nominated beneficiary. The most notable benefit of this is that it prevents beneficiaries from having to incur re-investment costs upon receiving the benefit as well as potentially having to enter into a new contract and having the five year restriction period being imposed.

This guide has been compiled to provide factual information on the product offered and does not constitute advice

Prescient Life Limited is a Financial Services Provider authorised under the Financial Advisory and Intermediary Services Act of 2002 (FSP 44077).

The appointment of a nominee of ownership will lapse in the case of an outright cession.

CAN I ACCESS MY MONEY?

Legislation provides that during any restriction period, you may make one withdrawal.

The maximum amount you may withdraw is the lesser of:

- your contributions during the restriction period, including any market value in the policy the day before the restriction period started plus 5% compound interest; or
- the market value of the investment account less fees and charges. Any remaining balance (more than R2 500) in must stay invested until the restriction period ends.

If the policy is not in a restriction period:

- You may withdraw part or all of the value of the policy, which is the market value in the investment account less fees and charges, and/or
- You may also schedule regular withdrawals from your Policy

CAN I ADD CONTRIBUTIONS TO MY POLICY?

You may make additional contributions to your policy at any time. However, should these contributions exceed 120% of your annual contributions in the prior two-year period your investment will enter an extended restriction period for another five years from the date of the exceeding contribution.

WHAT IS THE TAX TREATMENT OF THE POLICY?

In terms of income tax legislation we (Prescient Life) are required to pay income tax and capital gains tax (CGT) at a rate which depends on how you are classified. For this purpose, you are classified as a natural person, company, or an untaxed policyholder. Trusts are taxed according to the classification of the beneficiary.

Income tax is incurred and recovered from the policy when income distributions made within a unit trust are received. We pay tax on any capital gains that may arise. This means that on the sale of units to pay a benefit from the policy, the benefit may be reduced by a provision for CGT. Any sale of units to pay fees or charges or a sale of units to effect a switch from one unit trust to another may create a CGT liability which will be recovered from the policy benefit when it is paid out.

Who can invest and what tax rates apply:

A net capital gain is multiplied by the inclusion rate applicable to the person to arrive at the taxable capital gain. The inclusion rates are set out in the table below:

Policy Holder	Rate of Tax	Capital Gains Tax inclusion rate
Natural person	30%	33.3%
Company / Close Corporation	28%	66.6%
Retirement Fund	0%	0%
Non tax paying organisation	0%	0%
Trusts	Look through principle	Look through principle

This guide has been compiled to provide factual information on the product offered and does not constitute advice.

Prescient Life Limited is a Financial Services Provider authorised under the Financial Advisory and Intermediary Services Act of 2002 (FSP 44077).

WHAT HAPPENS IF I DIE?

In the case of a sinking fund, no death benefit is payable on the death of the policy holder. The policy continues until it is surrendered. If a nominee for ownership was appointed, he/she will become the new owner if the original policy owner dies. The surrender value of the policy will be an asset in the estate of the deceased owner for the purpose of estate duty.

CAN THE POLICY BE USED AS SECURITY?

Your investment may be ceded as a security or an outright cession.

CAN I TAKE A LOAN AGAINST THE POLICY

Loans cannot be taken against the policy. You are only allowed to make one surrender within your restriction period.

CAN I TRANSFER THIS POLICY TO ANOTHER INSURER?

You may not transfer this investment to another policy or transfer another policy to Prescient.

WHAT IS IT GOING TO COST ME?

You will pay an on-going administration fee which depends on the size of your investment. All fees are quoted as a percentage of assets under management on an annual basis:

	Investments < R5m	Investments R5m-R10m	Investments > R10m
Prescient Administered Funds	0.4218%	0.342%	0.285%

The on-going administration fee includes all the costs apart from the expenses associated with the management of the investments. The investment management costs are shown in the "Investment Options" brochure in the Total Expense Ratio column. Prescient does not charge initial fees when you purchase a policy or switching fees should you decide to switch your underlying investment options.

WHAT DO I NEED TO DO TO GET STARTED?

1. Complete the Prescient D And D Sinking Fund Policy application form.
2. Send the completed application form and supporting documentation to D and D:

Fax	+27 21 700 3700
Email	prescient@thecycle.co.za

WHAT HAPPENS AFTER I SIGN UP?

The administrator of the policy will provide you with the following:

1. A transaction confirmation statement and a policy document
2. Quarterly statements

This guide has been compiled to provide factual information on the product offered and does not constitute advice.

Prescient Life Limited is a Financial Services Provider authorised under the Financial Advisory and Intermediary Services Act of 2002 (FSP 44077).

HOW CAN I GET HELP?

If any of the above is not clear, you can obtain further information from Prescient:

Website	www.thecycle.co.za
Email	prescient@thecycle.co.za
Telephone	+27 11 706 3542

DISCLOSURE

The Prescient D and D Sinking Fund Policy is a policy underwritten by Prescient Life Ltd. The assets in this policy will be kept separate from other assets and liabilities underwritten by Prescient Life Ltd. The benefits offered under the Sinking Fund are linked to the investment returns achieved. Neither the investment returns nor the benefits offered are guaranteed. Prescient Life has outsourced certain aspects of the administration function to D And D The Cycle (Pty) Limited (Reg. No: 2013/157477/07) who is also an approved retirement benefit administrator (reference number 24/766) and an approved Financial Services Provider (FSP NO 45863, specifically in relation to Personal Share Portfolios selected by Members. The current investment options available to policyholders are selected Collective Investment Schemes in Securities (CISs) registered with Prescient Management Company (Pty) Ltd, selected fund policies underwritten by Prescient Life Ltd and approved external funds, inclusive of PSP's with your preferred asset manager, which are managed and administered by approved third party managers and administrators. The value of units may go down as well as up and past performance is not necessarily a guide to the future.

This guide has been compiled to provide factual information on the product offered and does not constitute advice.

Prescient Life Limited is a Financial Services Provider authorised under the Financial Advisory and Intermediary Services Act of 2002 (FSP 44077).