momentum corporate

Golden Income

With-Profit Annuity

Helping you to be financially secure during retirement is at the heart of what we do.

Did you know that people are living a lot longer nowadays?

This means retirement can easily be 20 years or longer. Secure a guaranteed retirement income for life with Momentum's Golden Income With-Profit Annuity.

The Golden Income With-Profit Annuity

When you purchase a retirement income, you need to carefully consider how to invest your retirement savings so that you and your loved ones have a sufficient income when you no longer have a salary.

When you buy the Golden Income With-Profit Annuity with your retirement savings, you will have the security of a guaranteed income for life. In addition, annuity increases are declared every year and once an increase is granted it can never be taken away. The new higher amount is guaranteed for the rest of your life. The Golden Income With-Profit Annuity is a good choice if you want:

- A guaranteed monthly income for life, which will never decrease.
- Annual annuity increases that cannot be taken away once granted.
- Annual annuity increases based on the investment returns of the underlying assets.
- The option to include an annuity for your spouse after you pass away.
- The option to choose a guarantee period. The guarantee period is the minimum period over which the annuity will be paid, and is not dependent on you being alive.
- You have at least R100 000 to invest.

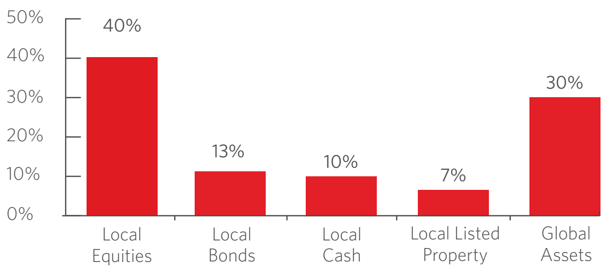
Investment strategy

- **A Bonus Generating Portfolio.** The returns generated by the assets in this portfolio are the main consideration when deciding on the annual bonus which determines your annuity increase each year. This portfolio, which consists of a range of different asset classes, is called the Bonus Generating Portfolio.

- **A Matching Fixed Income Portfolio.** Assets in this lower risk portfolio are carefully selected to make sure that the current guaranteed level of the annuity can be met in the future.

Assets are moved dynamically between the Bonus Generating Portfolio and the Matching Fixed Income Portfolio to manage risk within the Golden Income With-Profit Annuity, resulting in very competitive annual management costs.

The strategic asset allocation of the Bonus Generating Portfolio is:



The Matching Fixed Income Portfolio consists of assets such as bonds, money market investments and bank instruments.

The assets of the Bonus Generating Portfolio are managed in terms of Momentum Investments' outcome-based investing philosophy. Outcome-based investing (OBI) means constructing a portfolio that is capable of maximising the probability of achieving the investment goals.

Important decision: your post-retirement interest rate

When you purchase your Golden Income With-Profit Annuity, you also need to choose your post-retirement interest rate (PRI). The PRI determines the size of your initial annuity and the level of future annuity increases.

- The higher the PRI, the higher your initial annuity but the lower the future expected increases.
- The lower the PRI, the lower your initial annuity but the higher the future expected increases.

The Golden Income With-Profit Annuity offers a range of PRIs from 0% to 3,5% in increments of 0,5%. Each PRI represents the minimum return that the underlying investments must earn before increases can be granted. Returns above the PRI are used to grant increases, which is why lower PRIs are associated with higher annuity increases.

PRI	Targeted inflation protection (% of CPI)
<2,0%	> 100%
2,0%	100%
2,5%	90%
3,0%	80%
3,5%	70%

Please note that the targeted inflation protection is based on a long-term CPI rate of 4% per annum.

The actual increase relative to CPI could vary due to these factors:

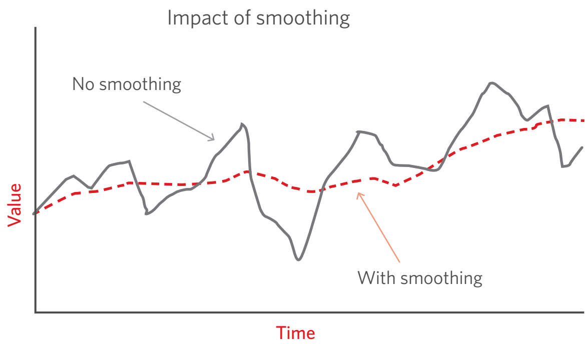
- The actual nominal level of CPI is different to 4%;
- The actual gross investment returns on the Bonus Generating Portfolio relative to CPI differ from the target; and/or
- The impact of experience adjustments on the annuity increases, which we assumed to be zero over the long term.

Annual annuity increases

Annual increases to your annuity are awarded based on the investment returns of the underlying portfolio. The long-term aim is to generate increases in line with each PRI's targeted inflation protection. This is done through active portfolio management and using our OBI philosophy.

Smoothing for stable long-term annuity increases

You wouldn't want your annuity increases to be significantly different from year-to-year because of market volatility. Smoothing is applied so that your annuity increases remain relatively stable over the long term.



Once investment returns are smoothed, an annual bonus is declared. To determine the value of this bonus, the following is considered:

- 75% of the smoothed return earned on the Bonus Generating Portfolio.
- Mortality profits or losses.
- Other factors impacting the Matching Fixed Income Portfolio investment strategy, such as credit defaults in instruments used in the investment strategy and persistently high investment portfolio volatility.

The annual bonus is important as, along with your PRI, it will determine the increase you will receive.

Increases over time

The table shows the annuity increases for the Golden Income With-Profit Annuity with a PRI of 2% compared to inflation (measured by the Consumer Price Index - CPI).

Year	Increase	Inflation for previous year
2023	4,01%	7,41%
2022	4,50%	5,47%
2021	0,00%	3,17%
2020	4,01%	3,56%
2019	3,13%	5,18%
2018	5,00%	4,62%
2017	3,82%	6,61%
2016	5,58%	4,77%
2015	7,35%	5,80%
2014	6,37%	5,35%
Annualised increases		
3 years	2,82%	5,33%
5 years	3,12%	4,95%
10 years	4,36%	5,19%

Notes:
Year-on-year inflation to November of the preceding year is used.
Please always remember that past performance is no guarantee of future increases.

What about your loved ones?

Depending on the guarantee period you have selected, your nominated beneficiaries like your spouse or children will receive your full monthly annuity for the rest of the guarantee period. For example, if you choose a guarantee period of five years and you pass away two years after buying the annuity, your spouse will receive your full monthly annuity for the rest of the five year period, that is for three years. After that, the annuity will reduce to the level of the spouse's annuity you selected or stop if your spouse died before this date or if no spouse's annuity was selected.

Frequently asked questions

Why are 75% of smoothed returns used in calculating the bonus?	75% of returns on the Bonus Generating Portfolio are used to grant increases. This allows us to provide you with a relatively higher starting income for a given PRI compared to the Golden Growth With-Profit Annuity where 100% of the returns on the Bonus Generating Portfolio are used for annuity increase purposes. This means that for the same purchase amount and PRI, you would have a higher initial annuity when you buy a Golden Income With-Profit Annuity compared to a Golden Growth With-Profit Annuity, but your future increases are expected to be lower. Both annuities invest in the same underlying Bonus Generating Portfolio and they offer equivalent value for money for a pensioner with an average life expectancy.
How does a spouse's annuity work?	You have the option to include an annuity for your spouse after you pass away. You choose the level of your spouse's annuity, expressed as a percentage of your annuity at the time of your death. This percentage is called a spouse's reversion percentage. For example, if you choose a spouse's reversion of 75% and received an annuity of R1 000 per month at the time of your death, your spouse will receive an annuity of R750 per month after you pass away.
What is a guarantee period?	A guarantee period makes sure that a minimum number of annuity payments are made.
What is inflation?	The easiest way to explain inflation is by an example. Over a 10-year period the price of white bread increased from R3,75 to R11,59. This difference in price is because of inflation. So inflation means that the general level of prices is going up, so you will need more money today to buy the same loaf of bread than you did 10 years ago.
What is CPI?	CPI stands for consumer price index. CPI is an average percentage of the increase in price of a basket of consumer goods and services over a period of time, usually per year.
What tax will I pay?	You will only pay tax on the monthly income you receive, based on SARS' income tax tables. All growth in the form of interest, dividends and capital gains on the investment portfolios you have chosen, is tax free.
What is an asset class?	Investment portfolios invest in various asset classes such as equities or shares, bonds, property and money invested in the bank.
What are mortality profits or losses?	To provide an annuity for your lifetime we need to make an assumption about your life expectancy. A mortality profit or loss is incurred as a result of differences in the actual length of your life and the assumed length of your life.
What is active portfolio management?	An investment strategy that involves an ongoing buying and selling activity by the portfolio manager with the aim to exploit profitable opportunities.
What is dynamic asset allocation?	An investment strategy where we invest in long-term investments (the Bonus Generating Portfolio and the Matching Fixed Income Portfolio), frequently monitor the allocation between them and transfer money between them in order to keep the allocations in the optimal proportions to maximise the probability of achieving the investment objectives.
What is smoothing?	Smoothing means holding back some of the returns in the good years and giving them back in the bad years. This allows your increases to remain relatively stable over the long term despite the uncertainty of future market movements. You still get the full market return over time, but without experiencing the big variation in increases if no smoothing was done.

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For more information please contact your Corporate Specialist or email emailus@momentum.co.za.

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