

Liberty Evolve

FREQUENTLY ASKED QUESTIONS



LIBERTY

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LIFE INVESTMENTS HEALTH CORPORATE PROPERTIES ADVICE



Liberty Evolve just got better. Now your clients can:

- Invest less into a mandatory Capped Tracker portfolio
- Invest their own choice of portfolios in unit trusts available in the GateWay, with full allocation
- Invest in the money market, free of platform charges and use money market investments to reduce the platform charge
- Use the GateWay to meet Evolve's minimum premium
- Use the GateWay to increase the additional investment from Liberty in Evolve

Answers to the questions we get asked the most for the new Liberty Evolve.

TWO TARGET RETURNS

Now, there are two Target Returns, each with their own Capped Tracker portfolios:

- The Lower Capped Tracker Portfolio - this requires 40% of the client's money to be invested for full allocation at standard initial advice fees. It has a Target Return of 8% for the Investment Plan and 9% for the Retirement Annuity Plan and Preserver Plan.
- The Higher Capped Tracker Portfolio - this requires 60% of the client's money to be invested for full allocation at standard initial advice fees. It has a Target Return of 13% for the Investment Plan and 14% for the Retirement Annuity Plan and Preserver Plan.

What is the difference between the lower and higher Target Return Capped Tracker portfolios?

The level of Target Return and the mandatory investment required in these portfolios.

A lower Target Return means:

- Your client needs to invest less in the Capped Tracker portfolio - this is the benefit of potentially sharing growth sooner with Liberty.
- Your client may start sharing growth with Liberty sooner than they might have had the Target Return been higher.

A lower Target Return does not mean:

Your client will share more growth with Liberty. This is because your client can invest more in their choice of portfolios.

Currently clients need to invest:

- 40% to the Lower Capped Tracker Portfolio, or
- 60% to the Higher Capped Tracker Portfolio.

Will selecting the Lower Capped Tracker Portfolio mean that your client always share more growth with Liberty because Growth Sharing starts at an earlier stage?

Not always. This is because returns are only capped on a proportion of the **total** investment. A lower Target Return goes hand-in-hand with less into the Capped Tracker.

In fact, with the Lower Capped Tracker Portfolio, clients will share more growth with Liberty where returns on the ALSI 40 (including dividends) are between 9% and 21% in any of the first three years of the investment. If returns on the ALSI 40 (including dividends) are more than 21% in any of the first three years, clients will share more growth with Liberty with the Higher Capped Tracker Portfolio.

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If I have two policies in an Investment Plan bundle, can I invest in the Higher Capped Tracker Portfolio in one policy and in the Lower Capped Tracker Portfolio in the other?

No. The Capped Trackers have been designed to work across the policies in the Investment Plan bundle. This means that you can't mix two types of Capped Tracker portfolios in the same bundle.

Will the growth sharing on the Lower Capped Tracker Portfolio be limitless?

No. Just like the higher Target Return Capped Tracker portfolio, if returns on the ALSI 40 (including dividends) soar in any one year, the client will get all the returns above 40%.

How will clients' Preservers and Retirement Annuities be Regulation 28 compliant and have the correct risk profiles, given that 60% (or 40%) will be invested in the Capped Tracker portfolio?

Regulation 28 allows for up to 75% investment in equities. With the new Lower Capped Tracker Portfolio it's easier to comply, because only 40% is required to be invested in this portfolio (which is 100% equity). This means that there is more choice for the client of how to invest the remaining 60%.

The Evolve Retirement Annuity and Evolve Preserver may not meet the risk profiles of all clients, but a risk profile tool is available

on Blueprint Online Calculators. This assists in selecting portfolios to provide the required risk profile. The client can use their choice of portfolios that meet their risk profile.

My client has to invest at least 60% in equities, could that be a bit risky for some?

Yes, but they can add guarantees to the Capped Tracker and to most of the other portfolios. With their remaining 40% clients can choose non-equity portfolios like the Bond Tracker.

Alternatively, clients can invest 40% in the Lower Capped Tracker Portfolio. This will mean less is invested in equities and more freedom to choose what to do with the remaining 60% to be invested in their choice of portfolios.

What should I do with conservative clients?

For more conservative clients, one will have to look at the client's total assets and time horizon. Guarantees are also offered to be more consistent with a conservative risk profile. You can use the Evolve risk profile tool on Blueprint Online Calculators to see what the overall risk profile of the selected portfolios is.

Now clients can choose the Lower Capped Tracker Portfolio which requires less to be invested in equities.

GETTING THE BUSINESS ONTO THE BOOKS

Some things have changed from the way you're used to doing business with a life insurance investment company.

What are the requirements for new business?

- A completed investment confirmation (application form) and a completed STANLIB Multi-Manager client mandate available on Standard Forms.
- A completed investment proposal (quote).
- The SARS Tax Number. This is because with a LISP, the client is responsible for the tax payable.
- You can print the forms directly from Standard Forms.

Must I always submit the completed investment confirmation to New Business?

Yes. Because the investment confirmation is a legal document for the GateWay, you must always submit this to new business – signed and filled in. The signed investment confirmation, together with the GateWay's Terms and Conditions, forms what you might think of as a 'policy document'.

Why must my client make two separate deposits: one for GateWay and another for the rest of the money?

- We'd have loved to have the money payable into one bank account. Essentially, the reason you can't is because the "on balance sheet" money is invested in Liberty Group Ltd's client bank account, and the money "off balance sheet" is invested in GateWay Investments, as required by legislation.
- The amount paid into the GateWay Investments' bank account is the 'Your investment' amount you see in the investment proposal. This is the amount **before** advice fees and the additional investments from Liberty.

Why do I need to do a combined quote when I want to combine an Evolve and GateWay investment?

By combining the two investments, your client could qualify for a higher additional investment from Liberty. This will also allow the client to pay advice fees on their GateWay investment.

I've heard some people refer to a "hybrid product". Is this it?

You may think of this as "a hybrid product", however, technically (in terms of FAIS) it is still two separate financial products – one an endowment/RA/preserver, and the other a LISP.

Evolve lets you "combine" the two products so that you can get the best of both worlds.

Does a client receive two policy numbers when investing into a hybrid Evolve?

No. Clients receive one investor number for the GateWay and for clients' Evolve on balance sheet investments, they receive a policy number. Each Evolve policy can have different portfolios, beneficiaries and lives assured.

Can multiple owners invest in the "hybrid" proposition? In other words, can an Evolve investment with more than one owner be combined with a GateWay investment?

No. Because the GateWay investment is taxed in the client's hands at their marginal tax rate. For this reason there can only be one owner on the GateWay Investment Plan. This means you can only combine the GateWay with a single policyholder for Evolve (on-balance sheet). A client could, however, specify more than one life assured for Evolve.

If I've invested in Evolve and GateWay through the same quote, how will that affect my death benefit? Will my initial consideration still be guaranteed?

The portion invested in the Evolve on-balance sheet is guaranteed. In other words, if clients invest R60 000 in Evolve and R90 000 in GateWay through the same quote, only the R60 000 is guaranteed on death. The portion invested on the GateWay is not guaranteed and will be subject to market fluctuations.

Also remember that the portion invested in Evolve is net of tax in the client's hands and is paid to the client's nominated beneficiaries. The portion invested in GateWay will form part of the client's estate and is paid out according to his/her will, with the associated Estate Duty.

If the client selects the lowest proportion in the Capped Tracker, i.e. 40%, and invests 60% off into the GateWay, what is stopping them from withdrawing their GateWay money (with the additional investment from Liberty) on day 1?

Absolutely nothing.

How do I "service" this combined investment, i.e. process withdrawals, make ad-hoc contributions etc.?

The "combined" investment exists on day 1 (i.e. at quote stage) so that clients can benefit from the overall enhancements. The client has investments in two separate products so, should they want to change anything, they must complete separate servicing requests for the separate products.

You should therefore follow the normal way of doing business with Evolve and GateWay.

What do I do with a client that is already invested in Evolve on-balance sheet and wants to transfer some money to the GateWay?

Any money invested in Evolve on-balance sheet is subject to Section 54 of the Long-term Insurance Act, as are other Life Insurance investments. You are therefore only allowed to take out the legislative maximum advances/withdrawals from the policy.

What you need to do, is complete the relevant Evolve withdrawal/advance forms to process the withdrawal/advance as Liberty would normally.

- **If your client doesn't have an existing GateWay Investment Account**, they must invest in the GateWay first (by completing the GateWay Investment Confirmation). After Liberty has paid the advance/withdrawal, the client can then invest the advance/withdrawal into the GateWay.

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- **If your client already has a GateWay Investment Account**, they can complete an Additional Investment Instruction.

How do I move money from the GateWay (off-balance sheet) on to Evolve (on-balance sheet)?

You must complete the GateWay Withdrawal Instruction. Here you can specify where you want the proceeds to go, i.e. into your own bank account or another Liberty product (policy). You can also specify how the proceeds should be paid into that policy: as a repayment of an advance, as an ad-hoc contribution etc.

For Investment Plans on-balance sheet, your client will be restricted by Section 54 of the Long-term Insurance Act. They can only invest a maximum of 1.2 times the higher of the total amount invested in either of the previous two years. The amount of additional investments is unlimited in the first year.

For RAs, additional investments are not limited by the Long-term Insurance Act.

How do I transfer money from another LISP?

Simply complete:

- the Transfer to Administrator Instruction available on Standard Forms, and
- an Investment Confirmation, and
- a STANLIB Multi-Manager client mandate
- an investment statement from the other LISP.

How do I access Standard Forms?

- Log in to Blueprint Online.
- Click on Standard Forms in the right section of the page and then click on Liberty Linked Investment Platform.
- Instructions are also available on:
<http://www.liberty.co.za/our-products/Pages/change-your-gateway-investment.aspx>

Can I get a debit-order only investment proposal?

Yes, you can. Request a debit order-only investment proposal here:

<http://adobeformscentral.com/?f=5LL3viO5flUHibQMvXoQkw>

What is the Benefits and Charges Schedule?

The benefits and charges schedule is available here:
<http://www.liberty.co.za/Documents/gateway-investment/benefits-and-charges-schedule-eng.pdf>.

The Benefit and Charges Schedule shows initial advice fees, ongoing advices fees, and the platform charge. This is all that clients pay the adviser and the Administrator (the Liberty Linked Investment Platform).

Clients also pay a portfolio charge to the Investment Manager. The portfolio charges are summarised in the Benefits and Charges Schedule too. If there are performance fees, then clients may pay more or less than the portfolio charge at benchmark, depending on how their investment performs.

There are no early termination charges and no servicing charges.