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# RETIREMENT INCOME PLANS

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# CHOOSE YOUR FUNDS AND INCOME IN RETIREMENT OR BUY A GUARANTEED INCOME FOR LIFE

Discovery Invest is an award winning provider of investment products in South Africa and is part of the Discovery Group. Our investment and retirement offerings are comprehensive and built on our solid reputation for customer centric innovation, quality and care.

When you retire, it is important to choose a product that will evolve with your changing needs. You may not know exactly what your needs will be, or how they will change, but it is important to have the assurance that your retirement income product gives you flexibility and a range of choices.

If you need certainty, such as a fixed income for the rest of your life, you should choose a product that gives you the maximum income based on your retirement savings. Alternatively, you may wish to have a more hands-on

approach and actively manage your retirement income and choose underlying funds to invest in. In this case, you should choose a product with investment flexibility where you can make your own decisions.

A unique approach from Discovery Invest is to offer you the best of both worlds by giving you the flexibility to choose underlying funds to invest in while providing a guaranteed income for life. We believe in offering retirement products that work around your changing life circumstances.

## AT DISCOVERY INVEST, WE OFFER THREE TYPES OF RETIREMENT INCOME PLANS:

### 01 | THE FIXED RETIREMENT INCOME PLAN

Provides you with income certainty and the choice to have your income paid for a guaranteed term or for the rest of your life (or for the rest of your spouse's life if you pass away).

### 02 | THE LINKED RETIREMENT INCOME PLAN

Gives you the flexibility to choose how much income you want to receive. You can increase or decrease your income each year and you can choose underlying funds to invest in.

### 03 | THE GUARANTEED ESCALATOR ANNUITY

Gives you the best of both worlds, with income certainty and investment flexibility. You can choose how much income you want to receive and you can increase or decrease it every year. You also get the guarantee of an income for life.

Speak to your financial adviser to decide which plan suits your needs best.

## HOW OUR RETIREMENT PLANS WORK

This table shows you a summary of the benefits you can get with each product. In the next section we explain each benefit in detail.

	Guaranteed income	Choice of underlying investment funds to manage your own income	Your beneficiaries are paid your remaining retirement savings on your death	LifeBooster	Life Plan Optimiser	Ill-health Income Booster
Fixed Retirement Income Plan	✓	✗	✗	✗	✓	✓
Linked Retirement Income Plan	✗	✓	✓	✓	Uses your unneeded risk cover (from your Discovery Life Plan) to provide you additional tax-free income for life.	Boosts your retirement income to reduce the risk of exhausting your retirement savings in the event of a serious illness or disability.
Guaranteed Escalator Annuity	✓ Plus participation in market upside.	✓	✓	✗		

## HOW MUCH YOU NEED TO INVEST

The minimum investment into any of the Retirement Income Plans is R60 000.

# HOW WE HELP YOU GET THE MOST OUT OF YOUR RETIREMENT INCOME PLANS

## MANAGE YOUR OWN RETIREMENT PORTFOLIO

### The Linked Retirement Income Plan

This plan is based on a living annuity, which gives you income and investment flexibility. With this plan, you stay invested in the market during your retirement. You choose underlying investment funds to make up your retirement portfolio and are responsible for managing your portfolio to make sure it achieves appropriate growth for your needs. This plan gives you the flexibility of being able to choose your own investments and offers the potential of significant growth based on returns from your chosen funds. In addition, this plan pays the remainder of your retirement savings to your beneficiaries on your death. However, it is a more risky retirement product because your portfolio is exposed to market swings, which could be positive or negative. This plan typically suits individuals who have other sources of income and a higher tolerance for investment risk.

This plan is based on a living annuity structure, which allows you to choose an income of between 2.5% and 17.5% of your retirement savings each year. You can increase or decrease the income you withdraw each year.

This plan does not provide a guaranteed income for life. It is your responsibility to make sure that your retirement savings and the growth you receive, is enough to sustain you for the rest of your life.

When you pass away, your remaining retirement portfolio is paid to your beneficiaries.

If you decide at any stage during your retirement that you prefer the certainty of a fixed income for life, you can convert this plan to our Fixed Retirement Income Plan, which will provide you with a guaranteed income for life.

### LifeBooster

This benefit protects the value of your Linked Retirement Income Plan if you pass away and your underlying investments have to be sold when it's not a favourable time to sell out of the markets. The LifeBooster protects your retirement portfolio by boosting your investment value by as much as 15% to protect the value of your retirement portfolio when you pass away (if before the age of 70).

The size of your investment boost depends on your Vitality status (Vitality is Discovery's wellness programme). The table below shows what percentage you may qualify for based on your Vitality status.

### The Vitality status is used to determine the LifeBooster

	Non-Vitality	Blue	Bronze	Silver	Gold	Diamond
LifeBooster	5%	6%	8%	10%	12%	15%

## INCOME CERTAINTY FOR THE REST OF YOUR LIFE

### The Fixed Retirement Income Plan

This plan is based on a life annuity, which gives you a guaranteed income throughout your retirement. It is a low risk option because you have no exposure to the market or underlying investment funds. This plan typically suits individuals who have no other source of income and are looking for income certainty. There is very little effort required from you and you have the assurance that you won't outlive your retirement savings.

At the start of your plan, you must decide at what rate your income should increase every year. Once you have chosen an increase rate, it cannot be changed later, so it is important to get advice from your financial adviser.

If you choose a joint annuity, you will receive an income for life and your spouse will continue to receive an income for life after your death.

If you choose a guaranteed term, your income will be paid for a set period of between five and 20 years. If you pass away before the end of the guaranteed term, we will continue paying your income to your beneficiaries.

The income that you receive will be taxed by SARS (the South African Revenue Service).

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## FLEXIBILITY AND CERTAINTY – THE BEST OF BOTH WORLDS

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### The Guaranteed Escalator Annuity

As you consider your retirement choices, you may find that you want the flexibility to change your investment and income decisions in retirement, but you also need income certainty. The Guaranteed Escalator Annuity allows you to manage your own income and choose underlying investment funds while benefiting from a guaranteed minimum income for life.

You can choose any funds from our range of Escalator Funds, which are designed specifically for this plan and have a built-in guarantee (the unit price of any of the funds you choose will never fall below 80% of the highest unit price it has ever reached).

Every year we will recommend an income for you. You can choose an income of between 2.5% and 17.5% of your retirement savings, but if you choose to withdraw more than we recommend, your guaranteed minimum income will be reduced.

As your fund grows, your guaranteed minimum income increases according to the fund growth achieved, your age and the annuity income you have selected.

Your initial guaranteed minimum income at retirement is calculated as a percentage of your retirement savings and is based on your gender (women typically have a longer life expectancy than men) and age when you retire. The table below shows your guaranteed minimum income at retirement:

Age at retirement	Guaranteed minimum income	
	Male	Female
56 to 60	3.25%	3.00%
61 to 65	3.50%	3.25%
66 to 70	3.75%	3.50%
71 and older	4.25%	4.00%

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## ADDITIONAL BENEFITS FOR INDIVIDUALS WITH A DISCOVERY RETIREMENT OPTIMISER

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(retirement annuity linked to a Discovery Life Plan)

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## MAKING THE BEST USE OF YOUR UNNEEDED RISK COVER IN RETIREMENT

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### Life Plan Optimiser

Once you retire, your lifestyle and personal circumstances change. Your risk cover needs also change as your beneficiaries rely less on you to provide for them when you die. The Life Plan Optimiser works by increasing your retirement income using your unneeded risk cover. The value of your Life Fund (your Life Fund is the value of your risk and life cover) decreases as the Life Plan Optimiser pays added tax-free instalments for the rest of your life.

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## GIVING YOU RISK COVER WHEN YOU NEED IT MOST

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### Ill-health Income Booster

The older you get, the more likely you are to suffer from a severe illness or become disabled due to an accident. At this stage of your life, your needs and personal circumstances are different, so your risk cover should reflect your needs more accurately. A severe illness or disability can have a significant effect on your retirement income as your medical expenses escalate. The Ill-health Income Booster increases your retirement income by up to 25% in the event that you suffer from a severe illness or disability. The extra income that is paid to you is based on your average income over the 12 months before the accident.

# IMPORTANT INFORMATION YOU SHOULD KNOW

## UNDERSTANDING THE FEES YOU NEED TO PAY

Any investment or retirement product typically includes initial and annual fees paid to the product provider (Discovery Invest), your financial adviser and the fund manager. You may also have to pay other transaction fees. Below is an explanation of the fees that apply to this product.

### Initial fees

#### Fixed Retirement Income Plan

The fees for the Fixed Retirement Income Plan are included in the pricing of the plan. This means that the guaranteed income you receive already includes all fees that you need to pay for this plan.

#### Initial fees charged by Discovery Invest for Linked Retirement Income Plan and Guaranteed Escalator Annuity

For lump sum contributions and ad hoc lump sum contributions **no initial fees** will be charged by Discovery Invest.

#### Initial fee charged by your financial adviser

You may need to pay an initial fee to your financial adviser for advice relating to your investment. You can negotiate with your financial adviser to determine your initial fee. The maximum that a financial adviser may charge as an initial fee for lump sum investments into this product is 1.5% plus VAT.

#### 100% allocation

You can choose the 100% allocation option when making a lump sum investment, which means that you avoid the initial fee to your financial adviser being deducted from your investment upfront. The value of the fee is instead increased and paid in monthly instalments over the next five years. However, if you exit your plan within the first five years, unpaid fees resulting from 100% allocation will be charged on your plan.

#### Initial fee charged by the fund manager

Some fund managers charge an initial fee for investing in their funds. The initial fee varies between fund managers. The initial fees applicable to each fund can be found on their respective funds factsheets. Please ask your financial adviser or visit [www.discovery.co.za](http://www.discovery.co.za).

### Annual fees

#### Annual fee charged by Discovery Invest

Discovery Invest charges an annual fee for administering your plan, which includes servicing your policy, providing quarterly statements on your investment returns, tax certificates at the end of each tax year and other ancillary services.

The administration fee is based on the size of your investment. It is an annual fee, which is divided by 12 and deducted from your plan every month. The table below shows the annual fees that apply to your plan based on the size of your investment:

Size of your investment	Annual fee
First R250 000	0.75% plus VAT
Next R250 000	0.65% plus VAT
Next R250 000	0.60% plus VAT
Next R250 000	0.45% plus VAT
Over R1 million	0.30% plus VAT

An annual Annuity Guarantee Premium of 0.75% (where no VAT applies) on Escalators based on Discovery Funds and 1.25% on Escalators based on external funds is charged for providing the Guaranteed Minimum Income if you have chosen the Guaranteed Escalator Annuity. This is a percentage of the fund value.

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### **Annual fee charged by your financial adviser**

Your financial adviser will typically charge an annual fee for monitoring your investment, executing any instructions from you and providing advice on your choice of funds. You can negotiate with your financial adviser to determine the annual fee you will pay. The maximum that a financial adviser may charge as an annual fee for this product is 1% plus VAT.

### **Annual fee charged by the fund manager**

Fund managers charge an annual fee for investing in their funds. These fees are priced within the unit price of the fund. Typically, these fees range from 0.50% for a money market-type fund, up to 3% plus VAT for an equity fund. The annual fees that apply to each fund can be found on their respective fund factsheets available on [www.discovery.co.za](http://www.discovery.co.za).

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### **Transaction fees**

#### **Switch fees**

Discovery Invest allows you four free switches between funds per year. After that, a fee of 0.25% plus VAT of the amount switched is charged (up to a maximum of R500).

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## **THE TAX YOU NEED TO PAY**

### **Linked Retirement Income Plan and Guaranteed Escalator Annuity**

All growth (income, dividends and capital gains) on the underlying investment funds that you choose is tax free.

### **All Retirement Income Plans**

The income payments that you receive from our Retirement Income Plans will be taxed according to tax tables that are released by SARS.

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## **WHEN WILL YOU START RECEIVING AN INCOME?**

You start receiving an income on the date that you have chosen to retire. Individuals can choose to retire from age 55.

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## **WHAT HAPPENS TO YOUR INVESTMENT IF YOU DIE?**

### **Linked Retirement Income Plan and Guaranteed Escalator Annuity**

If you die, we will pay any remaining fund value to your nominated beneficiaries as a lump sum or an annuity or a combination of both.

### **Fixed Retirement Income Plan**

Your income will stop if you die, unless you have chosen a joint life annuity or an annuity with a guaranteed term.

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## **WANT TO LEARN MORE?**

There are different options available under this plan, so before taking this product out and during your retirement, it is important that you seek financial advice. Discovery Invest can only provide information about this product and service and cannot provide investment advice based on individual circumstances and financial objectives.

This brochure is only a summary. To help you understand the differences between the Linked and Fixed Retirement Income Plans and the Guaranteed Escalator Annuity, we have produced a case study to compare the benefits in real terms. The latest Retirement Income Plans Fact File contains full details on our retirement products. Descriptions of each investment fund, including charges that apply and other benefits, can be found on the fund's factsheet. All marketing material is available on the Discovery Invest website ([www.discovery.co.za](http://www.discovery.co.za)).



## WHAT NEXT?

Once you have chosen one of our Retirement Income Plans, your financial adviser will help you complete an application form and send it to us. If you have chosen the Linked Retirement Income Plan or the Guaranteed Escalator Annuity, you will need to choose the underlying funds to invest in. Your financial adviser will take you through the process of risk profiling and asset allocation and will answer any questions you have about fund selection.

After we have received your application form, we will send you, or your financial adviser, a policy schedule for your chosen plan.

## HOW TO CONTACT US

Contact your financial adviser for any investment related queries. Alternatively, you can call us on 0860 67 5777. Our lines are open Monday to Friday from 08:00 to 17:00.

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### Discovery Invest

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