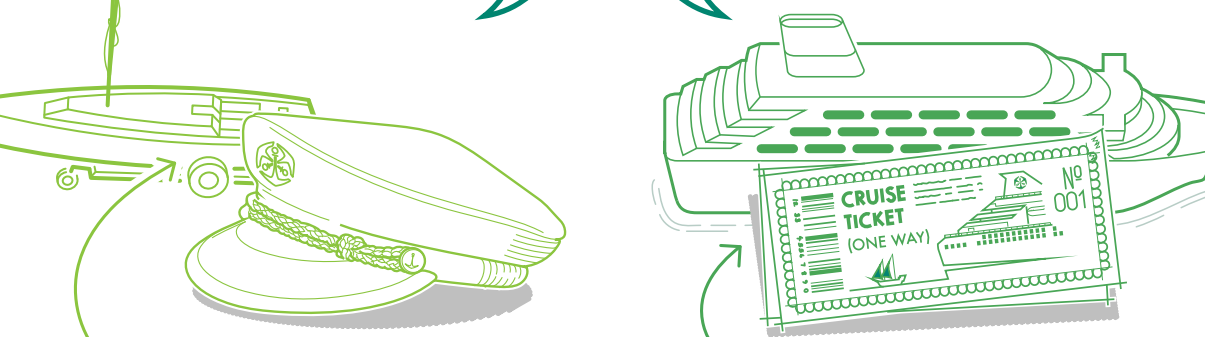


ALL ABOARD!



LIVING ANNUITY OR LIFE ANNUITY

UNDERSTANDING THE DIFFERENCE AND MAKING THE BEST DECISION

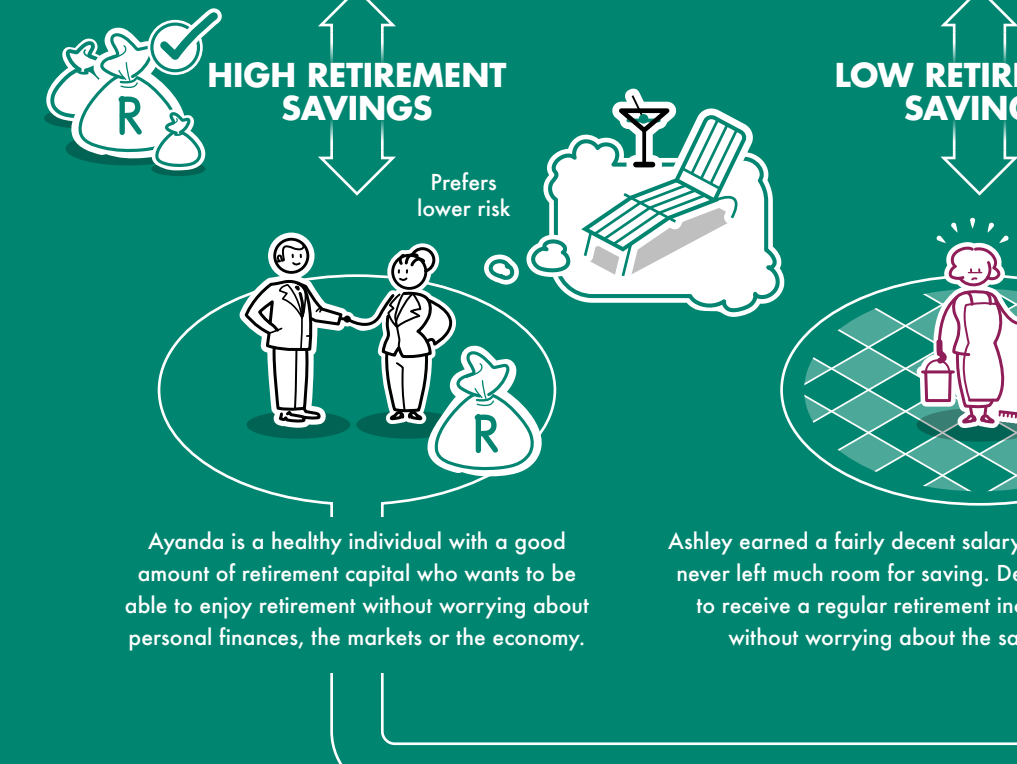
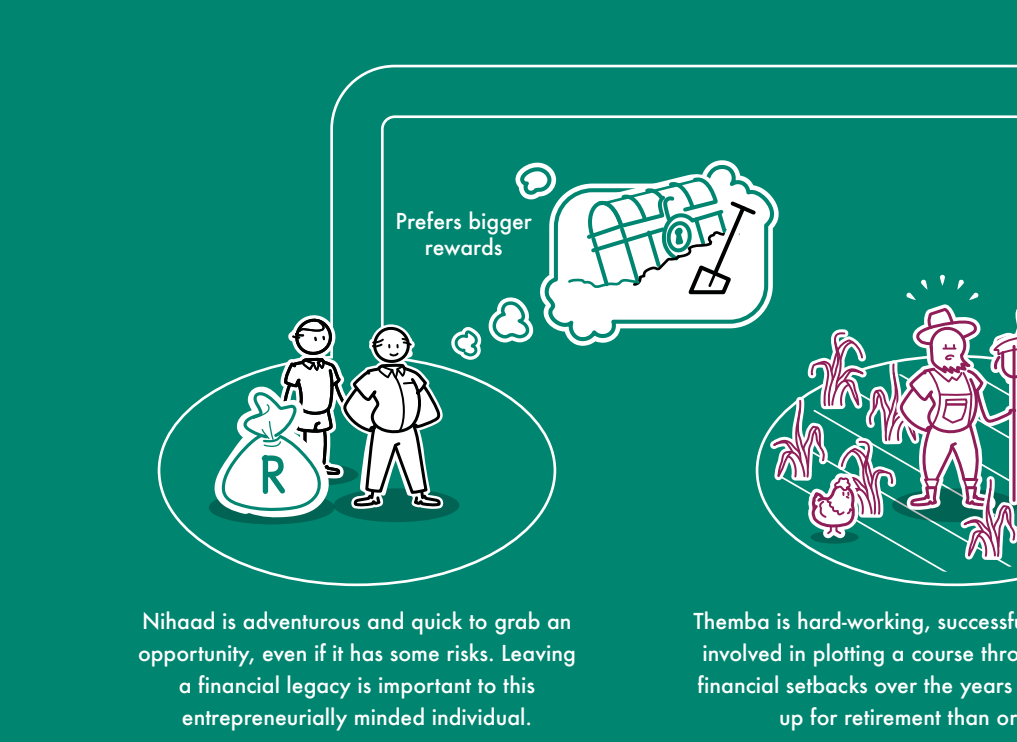
Most of us are required, by law, to invest at least two thirds of our retirement savings in an annuity when we retire. This is to ensure that we receive a monthly income, or pension, after we stop earning a salary. But choosing an annuity can be difficult. And it is vital that you make the right decision so that you can enjoy the retirement you deserve. Old Mutual Corporate created this leaflet to help you do just that.



Old Mutual is a Licensed Financial Services Provider

MAKING THE BEST DECISION

Investing in a retirement fund is only one part of a successful retirement. The real retirement journey starts on the day you stop working - and the decisions you make about where to invest the money you have saved over the years will impact the type of retirement you get to experience.



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LIVING ANNUITY

Nihaad has opted for a Living Annuity investment. It's a bit like buying his own boat to sail through his retirement because it lets him make many of his own choices and plot his own course.



ROBUST LIVING ANNUITY

Themba decides to build his own annuity by applying himself and learning everything he can about investing. While this allows him to determine his own income, it also means that he needs to manage his annuity carefully, or he may run out of money and have to get some additional work to make ends meet.



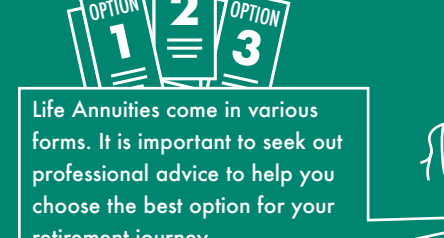
DIY LIVING ANNUITY

Ashley cannot afford a Life Annuity that will cover her monthly expenses. Her only option is to carry on working to supplement the annuity she CAN afford and radically reduce her living expenses.



LIFE ANNUITY

Ayanda has chosen to invest in a Life Annuity. It's a safe option that's a bit like buying a ticket to board a vessel that will take a fixed route through her retirement and allow her to simply sit back and enjoy the ride.



CAUTION: While Nihaad benefits from owning his Living Annuity and being able to structure the income stream from it, he also has to manage the risks associated with it.

Themba decides to build his own annuity by applying himself and learning everything he can about investing. While this allows him to determine his own income, it also means that he needs to manage his annuity carefully, or he may run out of money and have to get some additional work to make ends meet.

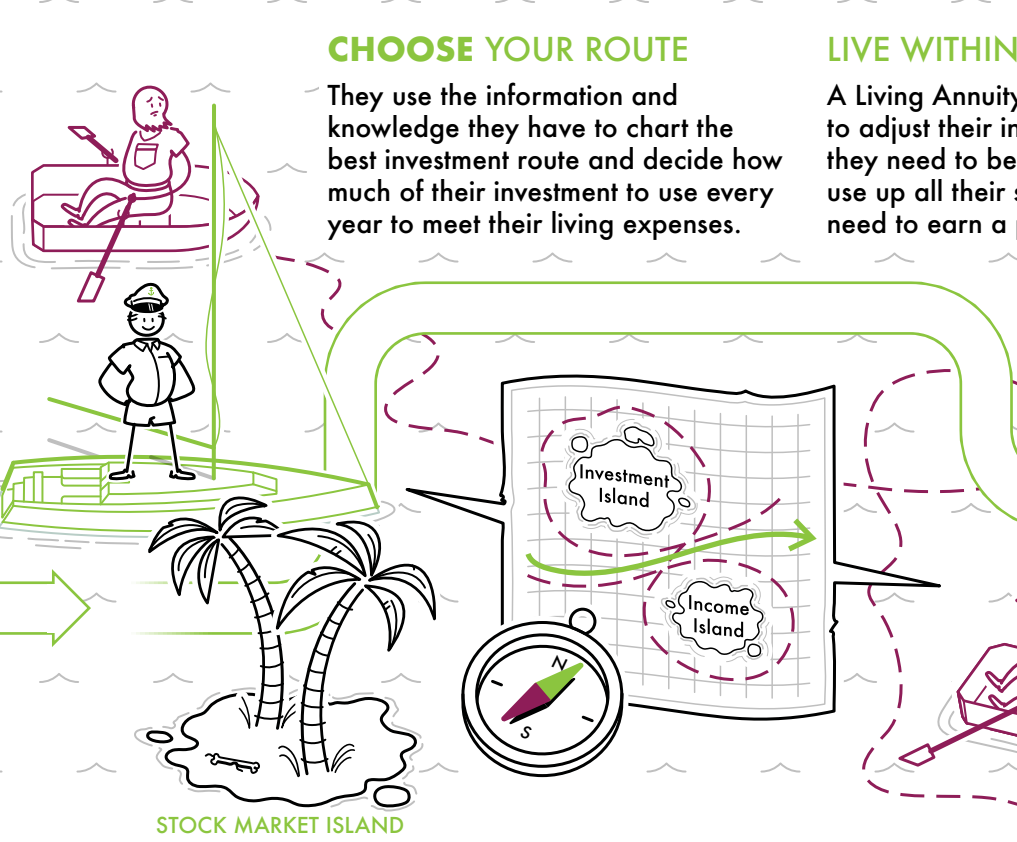
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Ayanda has chosen to invest in a Life Annuity. It's a safe option that's a bit like buying a ticket to board a vessel that will take a fixed route through her retirement and allow her to simply sit back and enjoy the ride.

Life Annuities come in various forms. It is important to seek out professional advice to help you choose the best option for your retirement journey.

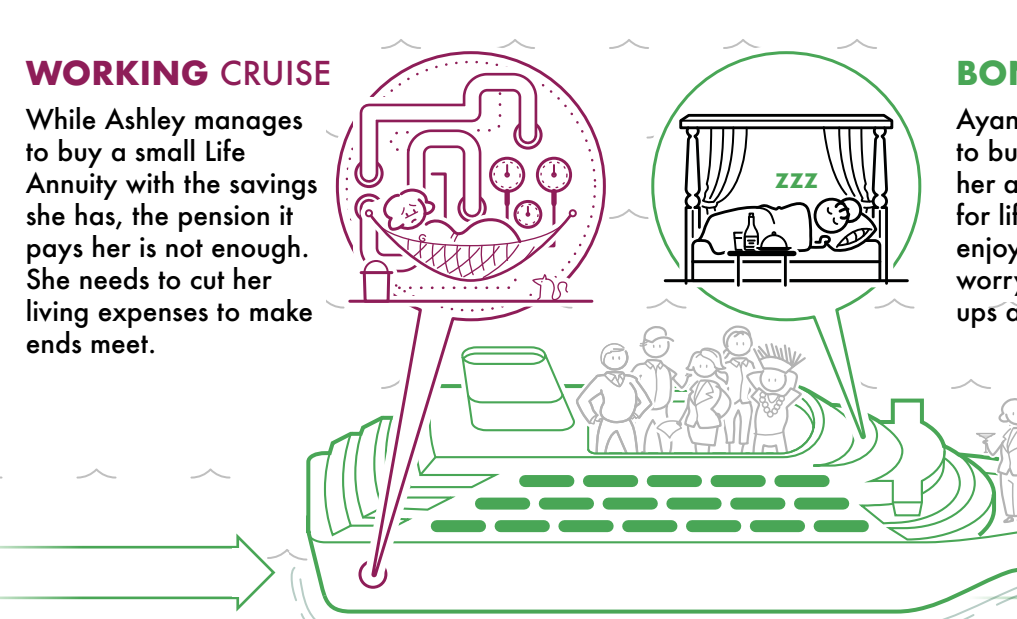
THE LIVING ANNUITY JOURNEY

A Living Annuity allows Nihaad and Themba to decide how much income they would like to receive every year. It also allows them to decide where and how their retirement savings should be invested.



THE LIFE ANNUITY JOURNEY

When Ashley and Ayanda invest in a Life Annuity, they effectively buy a steady pension for the rest of their lives. The insurer accepts the investment risks and the responsibility to pay them an income until they pass away. But they don't get to choose their pension amount - that is worked out according to how much they have to invest.



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LIVING ANNUITY

LIVING ANNUITIES IN A NUTSHELL

- A retirement income option that allows you to decide how much income you earn.
- Capital exposure to the investment markets - could go up or down depending on market performance.
- You need to ensure that your drawdown rate (income) is sustainable so that you don't run out of capital.
- If there is still capital left when you die, your beneficiaries can keep on receiving your pension payments or get a lump sum payment.

PENSION INCOME

- You choose how much income you want to receive as a percentage of your invested capital (drawdown rate).
- But if the amount you take out is more than the growth of your investment, your money could run out.

PROTECTION AGAINST

OPTIONS	DRAW DOWN YOUR INCOME	INFLATION	POOR INVESTMENT RETURNS	LUMP SUM BENEFIT
HIGH DRAW DOWN	4%	No	Unlikely	No
MED DRAW DOWN	3%	Maybe	Maybe	Yes
LOW DRAW DOWN	2.5%	Maybe	Maybe	Yes

ASSUMPTIONS: Single Male | 60 yr | R 1m Invested | CPI 6% | Investment return net of fees 7.5%

MONTHLY REAL INCOME	MONTHLY REAL INCOME			
	5	10	20	30
HIGH DRAW DOWN	R 6 700	R 6 700	R 1 200	R 2 000
MED DRAW DOWN	R 3 300	R 3 300	R 3 300	R 2 400
LOW DRAW DOWN	R 2 100	R 2 100	R 2 100	R 2 100

LIFE ANNUITY (ALSO KNOWN AS A GUARANTEED ANNUITY)

LIFE (GUARANTEED) ANNUITIES IN A NUTSHELL

- A constant, predetermined income for as long as you live.
- Your income in retirement is guaranteed for life. There is no risk of receiving less income if markets perform badly, and you cannot outlive your retirement capital.
- No capital for beneficiaries when you pass away - but you can buy limited guarantees or insure a second life.

WHAT HAPPENS WHEN YOU DIE?

- There will be no money to leave to beneficiaries when you pass away, but you can choose a **guaranteed term option** where your pension gets paid to a beneficiary for the guarantee period after you die OR **insure a second life** - that person will get an income even if you pass away.
- Both of these will reduce the income you receive from your annuity in retirement.

OPTIONS	INDICATOR INCOME	PROTECTION AGAINST				MONTHLY REAL INCOME			
		OUTLIVING YOUR INCOME	INFLATION	POOR INVESTMENT RETURNS	LUMP SUM BENEFIT	5	10	20	30
WITH PROFIT	R 5 800	YES	YES	YES	YES	R 5 600	R 5 400	R 5 400	R 5 200

The table above provides an example of the possible real income, over time, a 60-year-old male could receive if he invested R1m into a with-profit guaranteed annuity at the age of 60. It also shows the risks from which such an annuity protects you.

WEATHERING THE STORM

While a robust Living Annuity with sound investments can help Nihaad enjoy a comfortable retirement, this is not guaranteed and his investments are still exposed to any market or economic storms - which could place his pension income at risk if he isn't careful.

RIGHT ADVICE

If Nihaad lacks the expertise to make good decisions, he can always ask an expert for help. Of course, this will cost him extra money and he has to be sure it is the best advice to keep his retirement journey on the right course.

GOOD CONDITIONS & DECISIONS

With favourable market conditions and an expertly managed portfolio, Nihaad could see his investments doing well and growing by more than the amount he is taking as a pension every year.

HELP!

Any poor decision that Themba or Nihaad make increases the risk of outliving their retirement capital and losing their pensions. Nihaad is better prepared for market volatility, but even a small downturn could mean that his family is forced to come to the rescue.

TOUGH CHOICES

Ashley is forced to supplement her income by coming out of retirement and working as many hours as she can. Her advancing age makes this an unpleasant prospect.

REST AND RELAXATION

Ayanda has all the time in the world to focus on her hobbies and the things that matter to her, knowing that her Life Annuity is being managed by professionals who know what they're doing.

BACK TO PORT

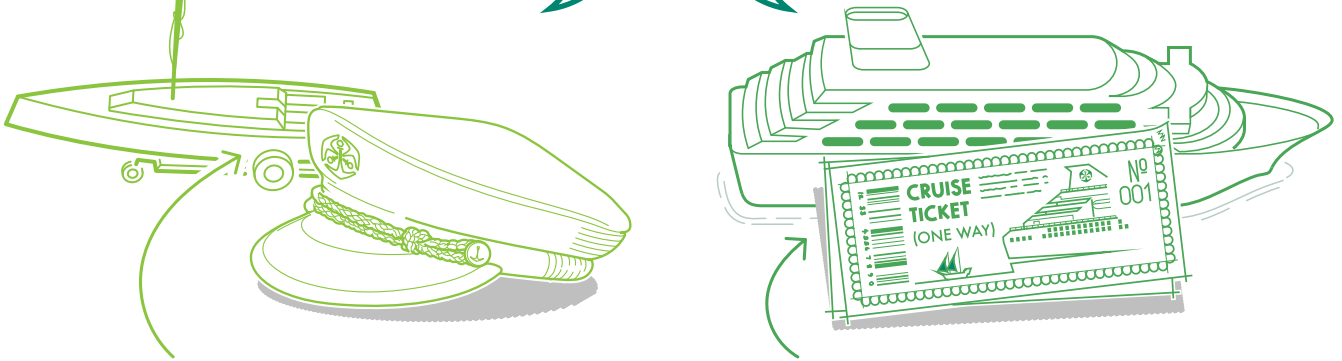
Since Ayanda and Ashley bought Life Annuities, they transferred their retirement savings to an insurer. In return, the insurer provided the security of knowing that their 'ship' would get them to their destination. So, when they get to the end of their journey they don't have any assets to pass on.

OLD MUTUAL CORPORATE CONSULTANTS - CONTACT DETAILS:

Western Cape	021 530 9600 / 9608	KwaZulu-Natal	031 581 0600 / 0705
Pretoria	012 360 0000 / 0001	Eastern Cape	041 391 6300 / 6304
Johannesburg	011 217 1280 / 1990 011 217 1537 / 1990	Bloemfontein	051 430 9787

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ALL ABOARD!



LIVING ANNUITY OR LIFE ANNUITY

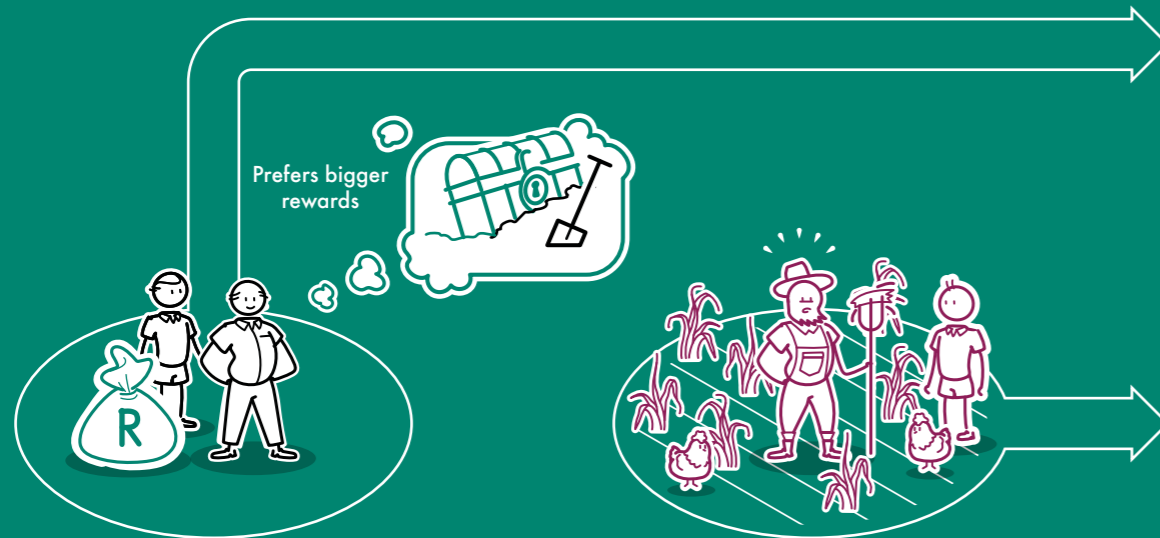
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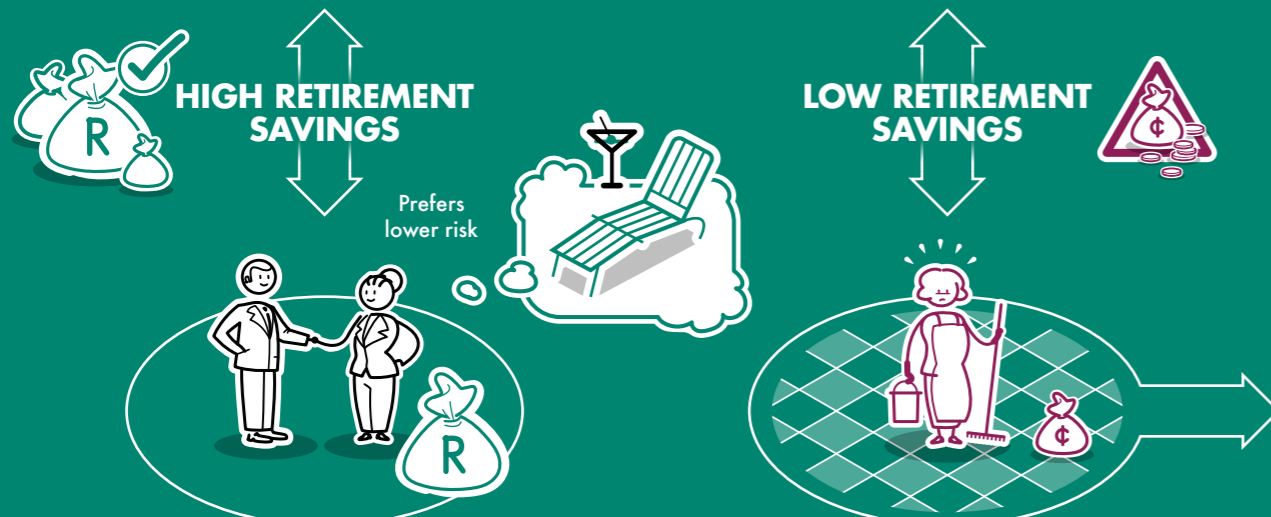
MAKING THE BEST DECISION

Investing in a retirement fund is only one part of a successful retirement. The real retirement journey starts on the day you stop working - and the decisions you make about where to invest the money you have saved over the years will impact the type of retirement you get to experience.



Nihaad is adventurous and quick to grab an opportunity, even if it has some risks. Leaving a financial legacy is important to this entrepreneurially minded individual.

Themba is hard-working, successful, and likes to be actively involved in plotting a course through life. However, a few financial setbacks over the years means there is less saved up for retirement than originally planned.

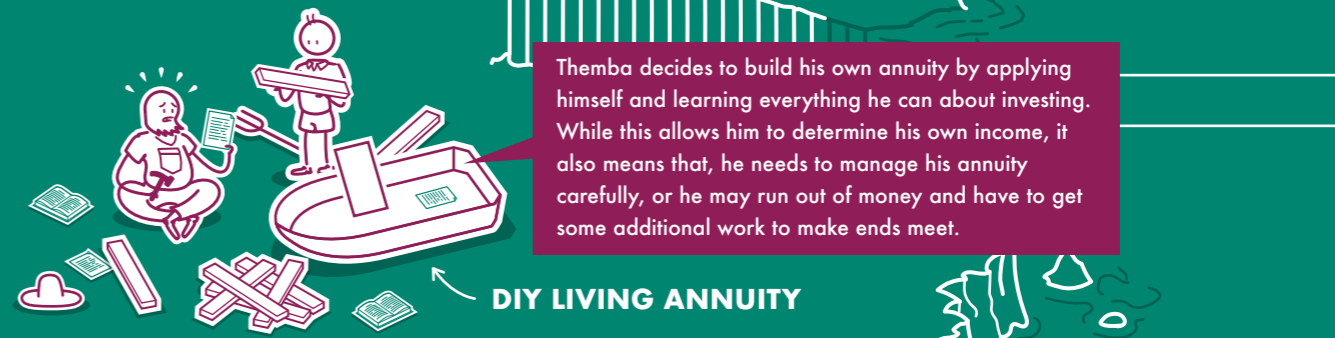
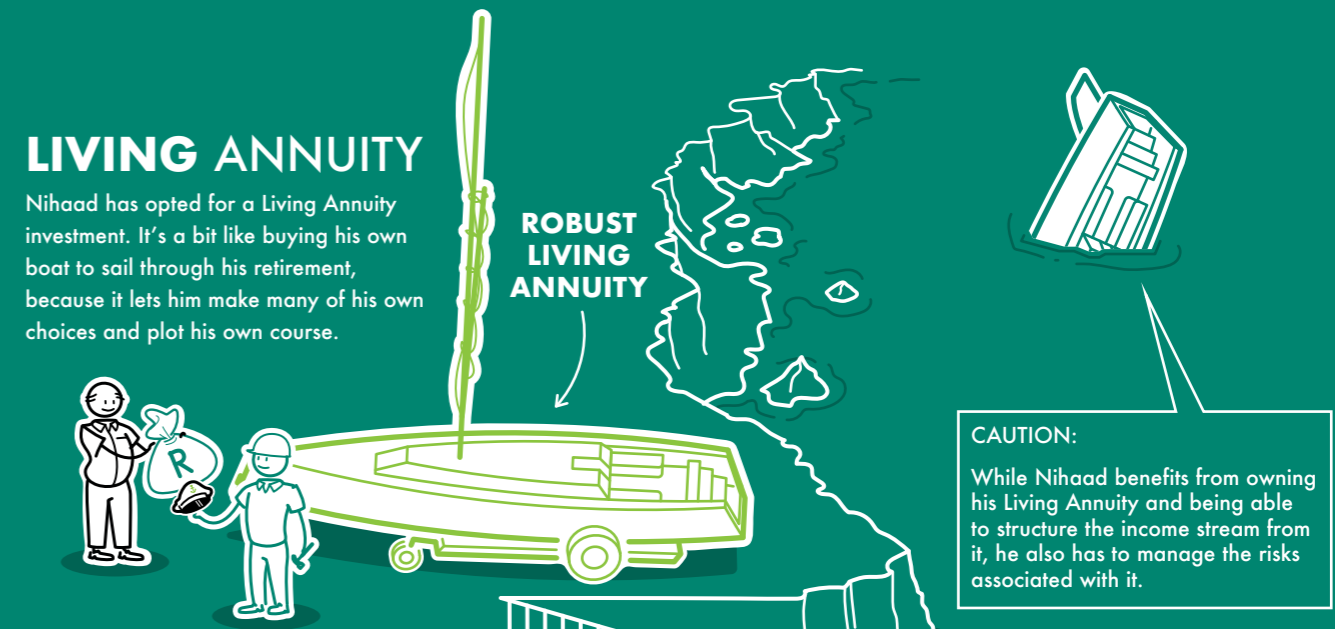


Ayanda is a healthy individual with a good amount of retirement capital who wants to be able to enjoy retirement without worrying about personal finances, the markets or the economy.

Ashley earned a fairly decent salary, but high monthly expenses never left much room for saving. Despite this Ashley would like to receive a regular retirement income, even if it is modest, without worrying about the savings getting used up.

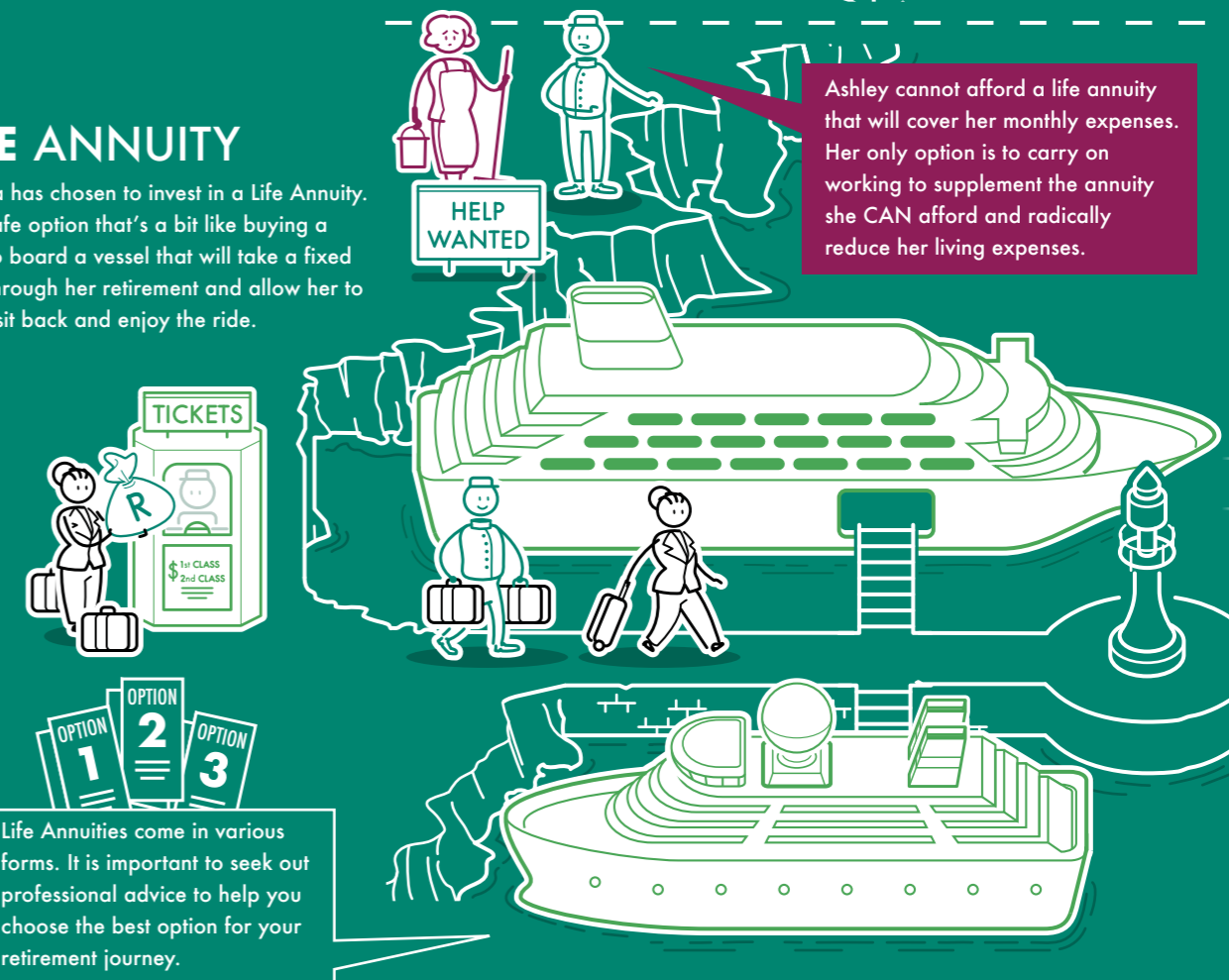
LIVING ANNUITY

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THE LIVING ANNUITY JOURNEY

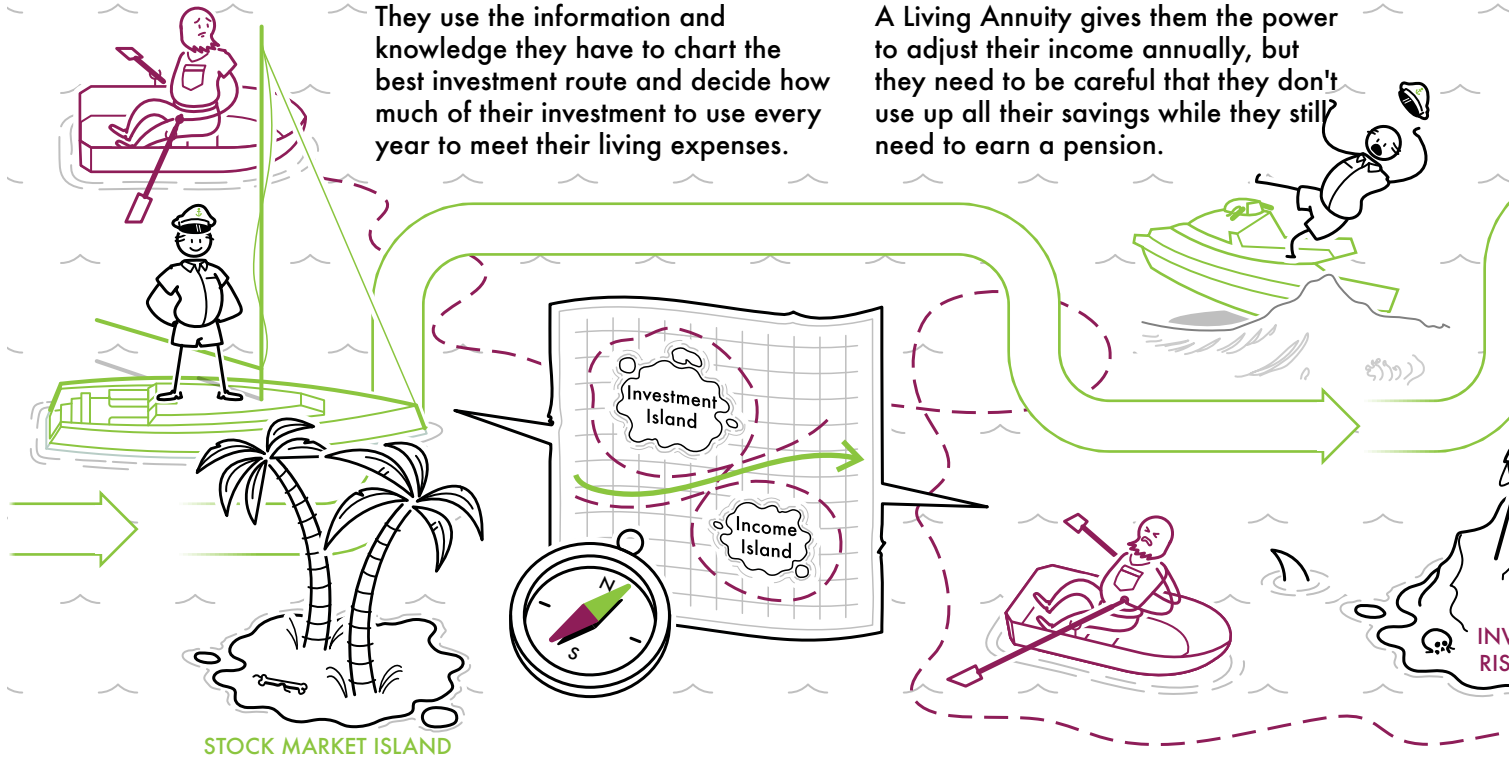
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CHOOSE YOUR ROUTE

They use the information and knowledge they have to chart the best investment route and decide how much of their investment to use every year to meet their living expenses.

LIVE WITHIN YOUR MEANS

A Living Annuity gives them the power to adjust their income annually, but they need to be careful that they don't use up all their savings while they still need to earn a pension.

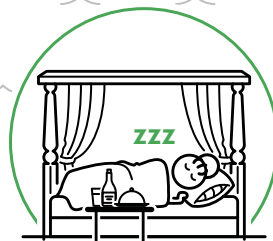
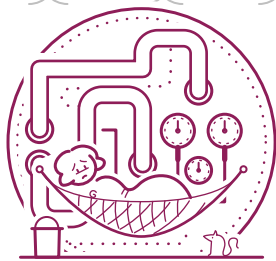


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WORKING CRUISE

While Ashley manages to buy a small Life Annuity with the savings she has, the pension it pays her is not enough. She needs to cut her living expenses to make ends meet.



BON VOYAGE

Ayanda had enough savings to buy a Life Annuity that pays her a good monthly pension for life. She can relax and enjoy the journey without worrying about any market ups and downs along the way.



THE LIVING ANNUITY JOURNEY

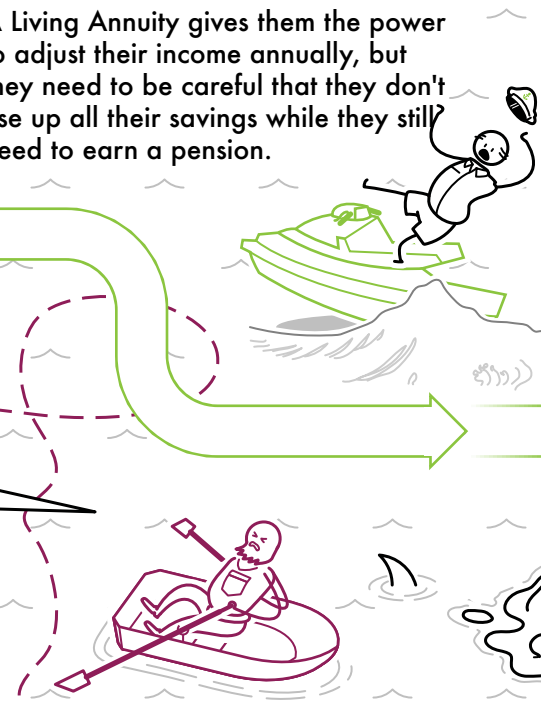
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WRONG ADVICE

Everybody thinks they're an expert. Acting on advice that's wrong for him could mean that Themba faces unnecessary risks on his retirement journey.

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While a robust Living Annuity with sound investments can help Nihaad enjoy a comfortable retirement, this is not guaranteed and his investments are still exposed to any market or economic storms - which could place his pension income at risk if he isn't careful.

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HELP!

Any poor decision that Themba or Nihaad make increases the risk of outliving their retirement capital and losing their pensions. Nihaad is better prepared for market volatility, but even a small downturn could mean that his family is forced to come to the rescue.

PASSING ON AN ASSET

The good news for Nihaad is that having a Living Annuity means any funds remaining can be passed onto those he leaves behind once he has enjoyed his retirement journey.

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Ayanda has all the time in the world to focus on her hobbies and the things that matter to her, knowing that her Life Annuity is being managed by professionals who know what they're doing.

DESTINATION REACHED

While Ashley and Ayanda experience very different journeys, their Life Annuity ensured that they never encountered any risk of losing their pension, and both eventually arrive at their journey's end.

NOW IT IS UP TO YOU

Saving in a retirement fund while you are working is essential, but it is only the first half of the retirement journey. If you are approaching retirement age, you need to start thinking about how you will invest your savings to earn the secure pension you need.

Turn the page for a comparison between a Living and Life Annuity to help you make a decision on what's best for you. Remember, if you still aren't sure about what to choose, be sure to speak to a financial adviser.

BACK TO PORT

Since Ayanda and Ashley bought Life Annuities, they transferred their retirement savings to an insurer. In return, the insurer provided the security of knowing that their 'ship' would get them to their destination. So, when they get to the end of their journey they don't have any assets to pass on.

THANK YOU FOR CRUISING WITH US!

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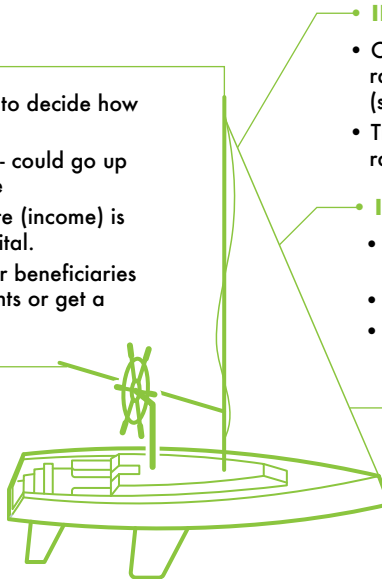
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PENSION INCOME

- You choose how much income you want to receive as a percentage of your invested capital (drawdown rate).
- But if the amount you take out is more than the growth of your investment, your money could run out.



INCOME INCREASES

- Once a year you can change the drawdown rate, which alters the amount of income you get (subject to regulatory minimums and maximums) .
- This must be done carefully - a high drawdown rate could mean your capital runs out.

INVESTMENT RISKS AND YOUR INCOME

- Your retirement capital is invested in underlying investment funds.
- You have a choice of investment funds.
- If the markets perform poorly, this will impact on your investment.

WHAT HAPPENS WHEN YOU DIE?

- You own the investment - if there is capital left it can go to your beneficiaries, or they can replace you as the living annuitant, and this capital may be used to underpin a living annuity payable to them.

Here are some examples of different drawdown rates and their impact on capital:

OPTIONS	DRAW DOWN %	INCOME	PROTECTION AGAINST			LUMP SUM ON DEATH	MONTHLY REAL INCOME			
			OUTLIVING YOUR INCOME	INFLATION	POOR INVESTMENT RETURNS		5	10	20	30
HIGH DRAW DOWN	8%	R 6 700	No	Unlikely	No	✓	R 6 700	R 6 700	R 1 200	R 200
MED DRAW DOWN	4%	R 3 300	Maybe	Maybe	No	✓	R 3 300	R 3 300	R 3 300	R 2 400
LOW DRAW DOWN	2.5%	R 2 100	Maybe	Maybe	No	✓	R 2 100	R 2 100	R 2 100	R 2 100

ASSUMPTIONS: Single Male | 60 yr | R 1m Invested | CPI 6% | Investment return net of fees 7.5%

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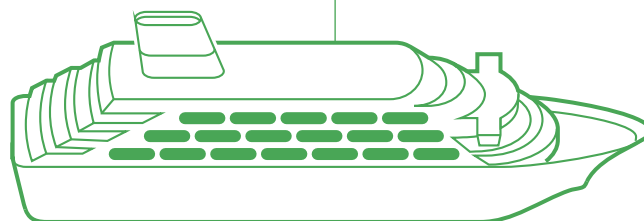
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TYPES OF GUARANTEED ANNUITIES

There are various types of Guaranteed Annuities, including:

- **With-profit** - These allow you to maintain some exposure to equity markets. Each year, your income will increase by a declared bonus - dependent on market performance. In some years the bonus may not match inflation.
- **Fixed escalation** - You can choose a fixed rate at which your income will increase annually. The starting income will depend on the escalation rate you choose. The higher the escalation rate, the lower the starting income will be.
- **Inflation linked** - Offers you protection against increases in the cost of living, but the cost of this protection is usually a lower starting income.
- **Level** - With this option you will get the highest starting income, but your income will never increase, so it will not keep up with the rising cost of living.



OPTIONS	INDICATIVE INCOME	PROTECTION AGAINST			LUMP SUM ON DEATH	MONTHLY REAL INCOME			
		OUTLIVING YOUR INCOME	INFLATION	POOR INVESTMENT RETURNS		5	10	20	30
WITH PROFIT	R 5 800	YES	Maybe	Maybe	✗	R 5 600	R 5 400	R 5 400	R 5 200

The table above provides an example of the possible real income, over time, a 60-year-old male could receive if he invested R1m into a with-profit guaranteed annuity at the age of 60. It also shows the risks from which such an annuity protects you.