MAX INVESTMENTS - the smart way to make your retirement investment count.

OLD MUTUAL
Why save for retirement?

The choices we make today, will determine our lifestyle after retirement, so make sure that every decision is a good one. Make sure that every decision counts.

Most people think that their company pension fund will provide them with sufficient income at retirement – this, unfortunately may not be the case and by the time that they discover this, it is usually too late to do something about it.

The calculation of how much retirement savings you need is called a Replacement Ratio, as the income from your savings need to replace your monthly salary when you are no longer working.

There is no ‘one size fits all’ solution, but most experts agree that if you want to retire comfortably, you will need retirement savings that will give you an income per month of about 75% of your final monthly salary.

Research has indicated that the average replacement ratio of South Africans is currently only 28%!

Some of the main reasons for this are that people do not save enough of their income on a monthly basis and withdraw their retirement savings when they change jobs.

Your financial adviser or broker can help you determine what your current projected Replacement Ratio is. If less than 75% of your final salary, then you need to start saving more.

*Source: Alexander Forbes Member Watch Series Issue 2.  **Old Mutual Retirement Reform Team.
Most people underestimate how long they will live after retirement

An increase in life expectancy demands making provision for additional retirement capital.

The earlier you start saving for retirement the more chance you will have of ensuring that you have sufficient capital available to secure a comfortable retirement. In fact, the cost of delay can often be very high. The sooner you start investing, the better ... because when it comes to the power of compound interest, every second counts.

Consider the example of Meg and Alex. They are both 23 and have just finished university and started their first jobs. Meg consulted a financial adviser and has taken his advice to put R500 each month into a retirement annuity savings product, and to increase this amount each year to keep track with inflation. Alex decided not to start any regular savings for his retirement, as it just seemed too far off. And besides, he could always start saving later when things suited him better.

Over the next 10 years, inflation has averaged 6% p.a. and Meg’s investment has earned returns of 10% p.a. after charges. As a result she has built up a capital amount of about R126 863.

Now aged 33, Alex decides that he should probably start saving. He starts saving at the level that Meg is currently contributing - R895 per month.

By the time they retire at age 60 they will each have the following amounts available to retire on:*

- Meg: R4 008 292
- Alex: R2 345 122

The cost of delay for Alex is almost R1.7m in retirement capital!

For Alex to achieve the same retirement capital amount as Meg, he would actually have to start contributing at about R1 531 per month. Alex has to contribute an additional R636 per month at age 33 and will need to be contributing R2 893 per month more than Meg just before retirement in order to retire with the same capital!

The graph alongside illustrates the big cost of delay faced by Alex.

* If we assume that Meg and Alex continue increasing the contributions they make each year to keep track with inflation, that inflation continues to average 6% p.a. and that investment returns after charges continue to average 10% p.a.
Max Investments provides you with a personalised solution to meet your retirement needs

Everyone deserves to retire comfortably. You need enough capital to make sure you can retire without having to work, or rely on others to maintain your quality of life. No matter what your needs, Max Investments has the solution. We believe in offering personalised and flexible investment solutions that are as unique as you are. With Max Investments you get:

**Personalised payment options**
You decide when you’d like to pay your premiums. Enjoy the flexibility of lump sum and scheduled payments via the Flexible Investment Plan. Or enjoy the disciplined savings benefits of the Focussed Investment Plan where you have the option of 100% of your premium being allocated towards your investment from day one.* These long term benefits of a disciplined approach to savings are illustrated below in a sample output of the Max Investments What If? calculator.

---

### What could be the difference between my future investment values under a Focussed or a Flexible Investment Plan if ...?

- **Premium payment term**: 25 years
- **Premium schedule amount**: R500 p.m.
- **Annual premium increase**: 10% p.a.
- **Gross investment return (before charges)**: 10% p.a.

---

![What if? Illustrative Investment Values – Focussed vs Flexible Investment Plan](image)

---

You and your financial adviser can use the Max Investments What If? calculator to illustrate various personalised scenarios to assist with your retirement planning.

---

*May not apply if certain external unit trust funds are selected, or if payment method is by stop order.

**Please refer to important notes on the last page of this brochure.**
**Personalised selection of investment funds**
You have automatic access to over 200 funds managed by a range of the leading fund managers in South Africa. This means that you can, for example, combine an Old Mutual fund, an Allan Gray fund and an Investec fund all in a single Max Investments plan. You benefit from consolidated reporting on the performance of your investments as well as a convenient single point of contact to manage your investments on an ongoing basis.

**Unique fund for retirement solutions**
The unique Absolute Smooth Growth Portfolio is available under the Max Investments Retirement Annuity tax wrapper. This fund aims to achieve the ultimate goal in investing – that of providing superior long-term returns through exposure to growth assets, while still offering stability over time.

Old Mutual’s Absolute Smooth Growth Portfolio uses enhanced smoothing technology to deliver stable, inflation beating returns to its investors in the most efficient manner. The technology within the Absolute Smooth Growth Portfolio ensures that exposure to the volatility of the underlying investments is significantly reduced, while long term growth comparable to a similarly managed market-linked portfolio is earned.

The graph effectively illustrates how the approach to declaring inflation-targeted bonuses delivers returns in excess of inflation, whilst effectively reducing the exposure to volatile returns from the market. This graph is for illustrative purposes only and is based on back-tested returns.

**Personalised charging structure**
You benefit from the competitive and transparent charging structure of Max Investments, and are able to influence the charges on your investments. The more you invest, the lower your plan charges will become as your investment value grows. The longer you stay invested in a Focussed Investment Plan, the lower your plan charges will become over time. In addition, if you choose to invest in funds managed by the Old Mutual Investment Group (SA), you will also benefit from lower plan charges.
Personalised tax structuring to give you a tax advantage

Income tax saving on contributions
Retirement Annuity contributions are tax deductible up to a maximum of 15% of income. (Assuming no pension/provident fund, i.e. all income is non-retirement funding.)

Example:
John and Dave are business partners and each earns an income (including bonuses) of R600 000 after deduction of allowable expenses p.a. John contributes R90 000 each year to a retirement annuity, while Dave puts the same amount into a bank savings account.

<table>
<thead>
<tr>
<th></th>
<th>John (RA)</th>
<th>Dave (NO RA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual income</td>
<td>R600 000</td>
<td>R600 000</td>
</tr>
<tr>
<td>RA contribution</td>
<td>(R90 000)</td>
<td>R0</td>
</tr>
<tr>
<td>Taxable income</td>
<td>R510 000</td>
<td>R600 000</td>
</tr>
<tr>
<td>Income Tax (2010/11 rates)</td>
<td>R134 510 (26.4%)</td>
<td>R169 670 (28.3%)</td>
</tr>
<tr>
<td>After-tax income</td>
<td>R375 490</td>
<td>R430 330</td>
</tr>
<tr>
<td>Non-deductible savings</td>
<td>R0</td>
<td>(R90 000)</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td><strong>R375 490</strong></td>
<td><strong>R340 330</strong></td>
</tr>
</tbody>
</table>

By investing in a Retirement Annuity, John gets R35 160 p.a. back from the tax man!

No tax on fund build-up
The build-up of the fund is taxed at 0% on interest and rental income and there is no tax on capital gains.

Protection against insolvency
Retirement Annuities are protected against claims from creditors, meaning business risks can be kept separate from personal investments.

Funds remain intact until retirement
Withdrawals can generally only be made from age 55, ensuring that funds cannot be used for any purpose other than providing a retirement income.

Tax saving after retirement
After retirement, you have a lifetime R300 000 tax free, plus non-deductible contributions can be reduced by any tax-free amounts you have not accessed before.

While John’s higher annuity income is fully taxable, Dave is taxed on the interest and capital gains on his savings.

A Retirement Annuity can also be used to build up a fund for post-retirement medical expenses. After the age of 65, all medical expenses are fully tax deductible.
Max Investments provides you with flexibility to ensure your retirement needs continue to be met

**Flexibility to add risk protection**
You can add a Premium Protection Benefit to a Focussed Investment Plan to ensure that future premiums are paid and your retirement goals are met in the event of your disability. This benefit can be added to your retirement annuity at any time as your individual circumstances change.* The sample output of the Max Investments What If? calculator below illustrates just how valuable a Premium Protection Benefit can be to you in the unfortunate event of you becoming disabled and thus not able to work and able to afford the contributions towards your retirement savings.

What could be the difference between my future investment values if I do or don’t have disability Premium Protection Benefit under a Focussed Investment Plan?

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium payment term</td>
<td>25 years</td>
</tr>
<tr>
<td>Premium schedule amount</td>
<td>R500 p.m.</td>
</tr>
<tr>
<td>Annual premium increase</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Gross investment return (before charges)</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Number of years before disability</td>
<td>5 years</td>
</tr>
</tbody>
</table>

You and your financial adviser can use the Max Investments What If? calculator to illustrate various personalised scenarios to assist with your retirement planning.

*Subject to terms, conditions and any legal restrictions.

Please refer to important notes on the last page of this brochure.
Every fortune starts with a rand. Every success starts with a plan. So make the call today.

Contact your Old Mutual Financial Adviser, your broker or visit www.oldmutual.co.za/maxinvestments. With Old Mutual by your side, we can make it count together.

Important notes

- The projections used in this brochure are based on the assumptions as outlined in the examples.
- The cost assumptions for the products illustrated in all examples are based on approximate average costs on a recurring premium contribution and are not accurate and should not be relied upon.*
- The projected values are not guaranteed or accurate.

* Your Max Investment quotation will provide the actual charges and reduction in yield.