

# WEALTHPORT

## ENDOWMENT

Endowments are investment products that can be extremely tax-efficient, and are designed to pay a lump sum after the restriction period, which is a minimum term of five (5) years (on its “maturity”) or on death of the policyholder and subject to a maximum withdrawal amount. The underwriter of the policy is required to pay tax on any income, dividends and capital gains tax at a rate which depends on the policyholders’ classification for tax purposes.

## STRUCTURED PRODUCT

A structured product is a credit linked financial instrument listed on the JSE, the issuer being a registered South African banking institution.

The investor is bound by the terms and conditions of the issuer of the structured product as well as the Wealthport terms and conditions.

The investment value for Clients invested in a Structured Product will be displayed on a Wealthport investment statement and will reflect the guaranteed amount until the product matures and a final valuation price has been received from the Structured Product issuer. Daily pricing is available to Clients on request.

### Tax Benefits of the 1Life Endowment

In the 1Life Endowment product, a client can earn tax free returns due to the use of 1Life’s assessed tax loss. The unique benefit attached to the assessed tax loss, is that investment returns are nett of tax when held for a period of at least 5 years in the hands of the investor.

### What is Assessed Tax Loss?

Section 20(1)(a) of the Income tax Act that deals with how assessed losses may be generated and utilised by Life Companies.

All Life companies mainly sell products where upfront commission is earned. That can result in (income less expenses) being less than zero mainly as a result of the timing of income earned vs expenses paid on certain products. It is a highly desirable situation as the Income Tax Act allows the Tax Loss to be used to the benefit of investors in certain long-term products. In order for the tax loss to be used for the benefit of the clients, the following rule is crucial:

- A company must be a going concern, in other words, operational and carry on business to qualify to carry over a tax loss from the previous tax year to the benefit of clients. Remember, it may only be a certain product and not necessarily the Company.

Endowment products are governed by the Long-term Insurance Act and consist of four (4) parties being the policyholder, the life insured, the beneficiary and the insurance company. Endowments are life insurance products where the investments reflect on the balance sheet of a Life Company, and the matching liability is to the policy holders at maturity. This implies that the Life Company Tax Loss may be used to the benefit of assets held on their balance sheet where the matching liability is to the policy holders.

### ADMINISTERED BY:

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### Allowed Instruments in your Wealthport Endowment

- Structured Products, issued by the four largest banks in South Africa, each with their own terms and conditions applicable, available on the respective brochures and/or term sheets, which are to be read in conjunction with this document.

### Contributions to your Wealthport Endowment

- The minimum amount for the initial investment is R100 000, unless stated otherwise in the terms of the underlying structured product
- No recurring premiums are allowed
- No additional contributions are allowed

### Access to your Wealthport Endowment

- The first 30 days after the investment has been confirmed by the issuer, is called a cooling-off period. This means that the investor may request to have their investment withdrawn and paid back to the source bank account and not incur any penalties.
- One surrender is allowed after the expiry of 1-year post investment date. This surrender will be at the prevailing market value of the underlying structured product and additional issuer and life company terms and conditions may apply. Guarantees may, as such, be affected by surrenders prior to maturity.
- The Endowment policy matures after 5 years and you then have the option to remain invested (tax benefits will no longer apply) or surrender the value of the policy.

### What happens to my investment upon my death?

- Wealthport automatically appoints the policy holder as the first life assured.
- If the policy holder is the only life assured and he passes away, then the policy cannot

continue as there is no other life assured. The policy will come to an end and the proceeds will be paid out to the nominated beneficiary for proceeds or into the account of your estate if none have been nominated. No beneficiary for ownership is applicable.

- If the policy holder is not the only life assured and he passes away, then the policy transfers ownership to the nominated beneficiary for ownership. The second life assured will remain as originally nominated by the policy holder. If no beneficiary for ownership is nominated and the policyholder is not the last life assured, the deceased estate will become the Policyholder.
- If the second life assured passes away, and there are no other life assureds, the policy will come to an end and will be paid out to the nominated beneficiaries for proceeds.

### Additional Information regarding the Wealthport Endowment

- Please consult your Financial Adviser or Tax Specialist regarding the tax implications of this product.
- The Endowments with Structured products are available to Individuals and Trusts with natural persons as beneficiaries.
- Your Endowment is protected against creditors after three years
- Your Endowment can be ceded as collateral for loans
- Only South African Tax Residents may invest in an Endowment

### Your best interest is our priority

It is always important to consult with your Financial Planner and/or a specialist professional to ensure that you understand all the relevant Wealthport and Product terms and any tax related aspects of your investment where applicable.

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