

## PRUDENTIAL UNIT TRUSTS (TAX-FREE)



### Benefits of investing in Prudential Unit Trusts (Tax-Free)

- Growth in the investment is 100% exempt from any tax on interest, dividends or capital gains.
- No performance fees are allowed.
- Investors are able to withdraw their money at any time (although we do not encourage this).
- Investors are allowed flexible contributions (via either a lump sum or debit order).



### Key considerations for investors

- Contributions are strictly limited to R30 000 per year per individual, and a maximum lifetime contribution of R500 000.
- If an individual exceeds these limits, the government will impose a stiff penalty of 40% of the amount in excess of the limits. It remains the responsibility of the investor to ensure that they do not breach these limits.
- Prudential's class of tax-free unit trusts is only available to individuals (including minors).
- Prudential's class of tax-free unit trusts is only available to South African residents.
- Investors may not transfer their tax-free investments between different tax-free product service providers until 1 March 2016

### 1. What are Prudential Unit Trusts (Tax-Free)?

Prudential Unit Trusts (Tax-Free) is a class of unit trusts that allows South African residents to earn 100% tax-free growth on their contributions to these unit trusts. All returns earned on the invested contributions are free from tax on interest, capital gains and dividends.

### 2. Why was Tax-Free Savings introduced?

As South Africa has a very poor national savings rate, from 1 March 2015 the South African government introduced Tax-Free Savings Accounts with the objective of encouraging individuals to save. Having some savings set aside will reduce families' financial vulnerability and reliance on debt when there are unexpected shocks to their normal income or sudden large expenses. A secondary objective is to increase the overall level of savings in the economy, which will bring wider benefits like higher investment and economic growth.



**How do I invest?  
See page 3.**

### 3. Which Unit Trusts does Prudential offer as Tax-Free?

Prudential has launched a new Tax-Free class called the "T Class". Investors can choose from the following Prudential Unit Trusts for their Tax-Free investments:

Fund (T Class)	Open to investments	Risk profile	Annual management fee (excl. VAT) local assets	Income distribution frequency
Prudential Enhanced Income Fund (Tax-Free)	March 2015	Low/Med	0.60%	Quarterly
Prudential Inflation Plus Fund (Tax-Free)	March 2015	Low/Med	0.80%	Bi-annually
Prudential Balanced Fund (Tax-Free)	March 2015	Med	0.80%	Bi-annually
Prudential Enhanced SA Property Tracker Fund (Tax-Free)	April 2015	Med/High	0.60%	Quarterly
Prudential Dividend Maximiser Fund (Tax-Free)	March 2015	High	1.25%	Bi-annually

- Additional underlying foreign fund fees are dependent on the fund and are included in the TER.
- The annual management fees noted above do not include an annual advice fee that would be paid by Prudential to Financial Advisers. Should Financial Advisers wish to take an ongoing advice fee, they would be required to do so by the regular repurchase of units from the Unit Trusts.
- As funds with performance fees are not allowed, Prudential has removed the performance fee on the Dividend Maximiser Fund.

#### 4. How much can I invest in these products?

- Contributions are limited to R30 000 per year (either via a lump sum or debit order) per individual, AND a maximum contribution amount of R500 000 over a lifetime.
- Growth in the investment does not count toward the contribution limits.
- The reinvestment of earnings (back into the Unit Trusts) does not count towards the annual and lifetime contribution limits.
- Should individuals withdraw funds from their Tax-Free investments, they are not allowed to count these amounts as an addition to their future contribution limits. For example, if a person has contributed R100 000 to the Tax-Free investment and they decide to make a withdrawal of R50 000, they will still only ever be able to contribute a further R400 000 to their Tax-Free investment in their lifetime.

#### 5. What is the penalty on excess contributions?

If a taxpayer contributes more than the annual and lifetime contribution limits, a penalty of 40% on the amount of the excess contribution will be levied by SARS on the individual.

#### 6. How many Tax-Free products can I invest in?

Individuals can invest in multiple Tax-Free investments across multiple service providers; however, the investor may only contribute up to a maximum of the annual and lifetime limits into these multiple Tax-Free investments as a whole.

#### 7. Who can invest in this product?

In terms of legislation, this product may be owned by:

- A natural person
- The deceased/insolvent estate thereof

This means that this product is only available to individuals, which includes minors. Any withdrawals from a minor's Tax-Free investment must be paid into a bank account that is held in the name of the minor.

#### 8. Who cannot invest in this product?

- Non-residents of South Africa
- Legal Entities
- Trusts

#### 9. Do I have immediate access to my money?

Yes. Investors can withdraw money from Prudential Unit Trusts (Tax-Free) at any time. Product service providers must allow investors to access their funds within 7 business days after their request. Prudential withdrawals usually occur within 24-48 hours.

However, please note that this amount cannot be "topped up" again. For example, if a person has contributed R100 000 to the TFS investment and they decide to make a withdrawal of R50 000, they will still only ever be able to contribute a further R400 000 to their TFS investment over their lifetime.

#### 10. Are there any lock-in periods?

No. Product service providers must allow investors to access their savings and investment within 7 business days after they request it. Prudential withdrawals usually occur within 24-48 hours.

#### 11. Are there any early withdrawal penalties?

Prudential does not impose any early withdrawal penalties in Tax-Free investments.

#### 12. Is there a contribution "roll-over" benefit?

No. If an individual does not contribute the maximum R30 000 in a year, there is no "roll over" allowed for the annual limit, so the annual limits in the following years do not increase. For example, if an individual only contributes R15 000 in a year, they are not allowed to increase their limit to R45 000 the following year. The annual limit remains at R30 000.

#### 13. Can I switch or transfer money from an existing Prudential unit trust investment into this product?

No. Individuals cannot switch or transfer money from an existing investment into a Tax-Free investment. This is because the objective is to promote additional savings, so Tax-Free investments must be sourced from 'new' (i.e. not pre-invested) money.

However, individual product providers will be unable to know when contributions come from pre-existing investments if the contributions do not come directly from an investment product. Note: Prudential does not charge any switching fees.

**“CONTRIBUTIONS ARE LIMITED TO R30 000 PER YEAR (EITHER VIA A LUMP SUM OR DEBIT ORDER) PER INDIVIDUAL, AND A MAXIMUM CONTRIBUTION AMOUNT OF R500 000 OVER A LIFETIME. “**

#### 14. Can I transfer money from one Tax-Free product service provider to another Tax-Free product service provider?

- Transfers between different Tax-Free product service providers are not allowed until 1 March 2016.
- Individuals can hold multiple Tax-Free investments from a number of different Tax-Free product providers.
- Individuals will be allowed to change providers and can withdraw funds at any point to place the money with another company; however, the total of the contributions made to all accounts cannot exceed R30 000 per year and R500 000 over their lifetime.
- For tax reasons, an investor may not transfer a Tax-Free investment between 14 February and 1 March of each year.
- Prudential would not charge any fees to facilitate a transfer.

#### 15. Is the account subject to estate duty?

Where a taxpayer dies while having one or more Tax-Free investments in their name, these investments will be added to the estate of the taxpayer for purposes of levying estate duty. While the investments are held within the estate, the returns from these investments will continue to be exempt from income and dividends tax. However, the amounts within the Tax-Free investments cannot be transferred to their beneficiary's Tax-Free investments. Any transfer of Tax-Free investments from one individual (or his estate) to another will be deemed to be a contribution and subject to the annual and lifetime limits of the recipient.

#### 16. Are Third Party payments allowed?

No. Prudential cannot transfer or deposit an amount in respect of a Tax-Free investment that is withdrawn into an account other than one held in the name of the investor in respect of whom the Tax-Free investment is issued.

#### 17. Are Cessions allowed?

No. Prudential does not allow cessions (transfers to other owners) due to the fact that third-party payments are prohibited. This would mean that in the event of the cession being "called up", we would not be able to pay the amount across to the cessionary (e.g. bank).

#### 18. Can I make regular withdrawals from Prudential Unit Trusts (Tax-Free)?

Prudential does not allow regular automated withdrawals, since this would defeat the savings objectives of this product.

To see Prudential Unit Trusts (Tax-Free) launch fact sheet, please visit [www.prudential.co.za/our-funds/tax-free](http://www.prudential.co.za/our-funds/tax-free).

For more details on Prudential's unit trusts (including performance, risk characteristics, etc.) please visit [www.prudential.co.za/our-funds](http://www.prudential.co.za/our-funds).

Should you have any queries or require more information on Prudential Unit Trusts (Tax-Free) investments, please contact Client Services on 0860 105 775 or by email: [query@myprudential.co.za](mailto:query@myprudential.co.za).

#### 19. What are the FICA Requirements for this product?

You can find a list of the required FICA documentation on the last page of the **Prudential Unit Trusts (Tax-Free) Application Form**.

##### Existing Investor:

If you are an existing investor with Prudential and the FICA documentation that we have on record for you has been recently updated and is compliant, we may not require any additional FICA documentation. However, if you are not FICA compliant or if any of your details have changed, we will request the outstanding FICA documentation in order to process your application.

##### New Investor:

As a new investor we will not have any FICA documentation for you on record, please supply us with all FICA documentation.

#### 20. How do I invest in Prudential's Tax-Free class of unit trusts?

All investors, whether existing or new, need to complete the **Prudential Unit Trusts (Tax-Free) Application Form**, which can be found on our website: [www.prudential.co.za/forms-and-downloads](http://www.prudential.co.za/forms-and-downloads).

Complete and sign the application form, making sure to attach all the relevant documentation and send to us via email or fax to: [instructions@myprudential.co.za](mailto:instructions@myprudential.co.za) or +27 11 263 61 43.

#### 21. Once I have sent in my Application Form what can I expect?

- If there is any outstanding information that we require from you, a Prudential representative will contact you to supply us with the necessary information.
- Should there be no outstanding information/documentation required on your application form, you will receive a Welcome Letter from Prudential informing you that your new Tax-Free account has been set up.
- You will receive a Transaction Statement showing you what transactions have taken place on your account: i.e. lump sum contributions, debit order contributions, withdrawals, etc.
- You will receive a quarterly statement showing the value of your Tax-Free investment for the quarter.