

December 2015

Dear Adviser

Living Annuity Transfers**Background**

Whilst PSG pays monthly annuities *in arrears*, (e.g. on 25 November for the month of November), some platforms pay monthly *in advance* (e.g. on 1 November for the month of November).

This creates a problem when a client transfers a living annuity to PSG Life, namely that the first annuity payment made by us may result in the prescribed twelve (12) annuity payments in a tax year being exceeded.

Example

A client requests a transfer to us during the month of November. This request is made after the client has already received a payment *in advance* for November from the platform he is transferring from. We pay the first annuity payment *in arrears* at the end of November. The client has now received two (2) annuity payments in the same month.

On assessment of the client's tax, SARS may determine that a shortfall arose in the tax year when the transfer occurred. This shortfall resulted from both the insurers' projected calculations of twelve (12) annuity payments in a tax year. Insurers are restricted to the set functionality of the administrative systems that record and calculate these payments.

Clients should be made aware of this potential tax liability being enforced on the client by SARS.

PSG Life will implement a five day freeze period from the 15th to the 21st of each month on living annuity transfers, effective 1 December 2015. Please take note that during this freeze period:

- No transfers out will be processed by PSG Life.
- Annexures for transfers in will not be sent by PSG Life.

If you have any queries, please contact your Investment Specialist or one of our Client Service Consultants on 0860 774 774 or at clientservice@psg.co.za.

Kind regards



Marilize Lansdell
Head of PSG Life and PSG Invest