

**Fact File**  
LOCAL  
ENDOWMENT  
PLAN

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## Discovery Invest's Endowment Plan

The Endowment Plan is built on the best thinking, the most tax efficient structures and the best investment strategies so you can take advantage of optimal investment opportunities. This fact file will allow you to understand your Endowment Plan and how you can make it work better for you.

An endowment is a tax efficient structure where investment growth (interest, rental income and foreign dividends) within your Endowment Plan is taxed at 30% while capital gains are taxed at 12% for individual investors. Discovery Invest will also need to withhold Dividends Tax at a rate of up to 20%. This tax will be calculated and deducted by Discovery Invest against your policy on your behalf. When you realise your investment at the end of your investment term, no further tax will be payable (March 2019).

This fact file is designed for your easy reference.

# 01 | The Discovery Invest Endowment Plan

## 1.1 | You may select to structure your Endowment Plan with or without a life assured

If you select to have your Endowment Plan structured with a life assured, and the life assured dies before the end of the policy term, the proceeds will become payable to the chosen beneficiaries. If you select to have your Endowment Plan structured without a life assured (i.e. structured as a sinking fund), the investment will continue after the death of the investor until the end of the investment term or until earlier realisation.

In terms of current legislative restrictions (March 2019), one withdrawal is permitted during the first five years of your policy. Any withdrawal in the first five years may not exceed the contributions accumulated at 5% per year compound interest. After five years, you may make withdrawals from your investment as required.

## 1.2 | Contributions to the Endowment Plan

You may make a once off lump sum contribution or recurring monthly contributions to the Discovery Invest Endowment Plan. If you made a lump-sum contribution, then additional (ad hoc) contributions into your Endowment Plan will not be permitted. In this case a new Endowment Plan will be started for any additional contributions, with another five-year restriction period.

If you have chosen to make recurring monthly contributions, you may also be entitled to make ad hoc contributions into your Endowment Plan. In order to prevent the commencement of a new five year restriction period when an ad hoc contribution is made (see section 1.2), the value of any ad hoc contributions is limited so that the total contributions (including ad hoc contributions) in any given policy year will not be more than 120% of the greater of the contributions paid in the previous two years. If the contribution is larger than this, a new Endowment Plan will have to be started with another five year restriction period.

## 02 | Lump-sum contributions to your endowment plan

### 2.1 | Contribution boost

The Contribution Boost is available on lump sum contribution endowment plans, and provides you with a boost to your initial investment. It is not available on recurring-contribution policies.

Your boost percentage is tiered and is based on your initial investment size, with larger boost percentages for larger investments as shown in the table below:

INVESTMENT SIZE	BOOST PERCENTAGE
First R2 million	12.50 %
Next R2 million	15.00 %
Next R2 million	17.50%
Next R2 million	20.00%
Next R2 million	35.00%
Above R10 million	20.00%

The boost percentage is applied to your contribution in qualifying **Discovery funds**. Qualifying funds consist of Discovery funds (excluding Discovery Money Market), Escalator Funds based on Discovery funds and indices, and Target Retirement Date Funds. The list of qualifying funds may be updated from time to time.

A minimum investment size is required order to qualify for the Contribution Boost. Your Contribution Boost value will be shown on your policy schedule. The Contribution Boost will grow at a guaranteed rate of 4.2% compounded each year.

After five years, you will have the option of withdrawing 30% of the Contribution Boost plus growth or reinvesting it into your Endowment Plan. After 10 years the remainder of the Contribution Boost plus growth will become available to you. **Please note that the boost table shown above may be updated from time to time.**

### Rules for the Contribution Boost

#### What if I switch my money into or out of qualifying funds?

The boost will be reduced proportionally if you switch out of qualifying funds. Your boost will be calculated based on the lowest proportion allocated to qualifying funds over the 10 years, so switching into qualifying funds after the start of your policy will not affect your boost.

#### What if I withdraw my money from my endowment?

The boost will be reduced proportionally if you withdraw from your endowment. If the total value of your endowment falls below the minimum amount required for the contribution boost as a result of a withdrawal, your boost will fall away.

#### What if I die?

Any outstanding boost that has not been paid to you will fall away on your death before the end of the first 10 years.

#### EXAMPLE

John invests R5 000 000 into an Endowment. Based on this initial investment, John will qualify for a boost percentage equal to:

$$(2\,000\,000 \times 12.5\% + 2\,000\,000 \times 15\% + 1\,000\,000 \times 17.5\%) / 5\,000\,000 = 14.5\%$$

R4 000 000 of John's investment is invested in qualifying Discovery funds.

John's Contribution Boost will therefore become: R4 000 000 x 14.5% = R580 000.

John's investment of R5 000 000 will grow in line with the funds he chooses. The Contribution Boost of R580 000 will grow at 4.2% per annum with 30% of it paying into his endowment plan after five years and the remaining amount paying after 10 years.

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## 2.2 | Phasing in your lump sum contribution

Lump sum contributions may be phased in monthly via the Discovery Money Market Fund or the Discovery Diversified Income Fund. (These are known as phase-in funds.) If you want to phase in your investment, the full contribution amount will be invested into your phase-in fund. The contribution amount (plus interest) will be divided by the number of phase-in periods you chose and the amount derived will be withdrawn in the first month from the phase-in fund and invested proportionately in the investment options selected.

In the second month, the remaining amount will be divided by the number of phase-in periods remaining and invested. This will continue until all the money is phased in. You can choose to phase your investment in over a period of 3, 6, 9, 12, 15, 18, 21 or 24 months.

Your selected phase-in period (if applicable) is reflected on your policy schedule.

Please note that if you phase in from the Discovery Money Market fund, the contribution boost will not apply.

## 2.3 | Fees applicable to your endowment

Certain fees will be payable on your Endowment Plan.

The fees are categorised into initial fees and annual fees and are payable to:

- Discovery Invest for administering your policy
- Your financial adviser for performing financial planning on your behalf
- The investment managers to the underlying investment choices you have selected.

### 2.3.1 | Initial Fees

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#### Discovery Invest Initial Fees

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If you are making a lump sum contribution into your Discovery Invest Endowment Plan, your initial fee is based on the size of your contribution.

If you invest more than R600 000 you will pay no initial fees.

If you invest less than R600 000, you will pay fees on a tiered structure as follows:

CONTRIBUTION AMOUNT	INITIAL FEE AS A PERCENTAGE OF CONTRIBUTION AMOUNT
First R100 000	1.75 %
Next R250 000	1.20 %
Next R250 000	0.60%

The figures in the table will be increased by 15% to offset VAT expenses.

#### Financial Adviser Initial Advice Fee

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On a lump sum contribution, your financial adviser may charge an initial advice fee as a percentage of your contribution amount, which Discovery Invest will pay over to your financial adviser from your contributed amount. You can negotiate with your financial adviser to determine your initial advice fee.

## 100% allocation or upfront payment

You can choose the 100% allocation option when making a lump sum investment, which means that you avoid the initial fees payable to Discovery Invest and your financial adviser being deducted from your investment upfront. The value of the fees are instead increased and paid in monthly instalments over the next five years. However, if you exit your plan within the first five years, unpaid fees resulting from the 100% allocation will be charged on your plan.

The amount that you will have to pay over the five years is the Discovery Initial Fee and the Financial Adviser Initial Advice Fee (including VAT if applicable) multiplied by 1.262. This is divided over 60 months and paid in level monthly instalments. If you choose this option, 100% of your initial contribution amount is allocated to the underlying investment options at inception of your contract.

## EXAMPLE

### Example of how the fee calculation works:

#### Lump sum contribution

On a lump sum contribution of R75 000, based on the Discovery Invest Initial Fee scale, the Discovery Invest Initial Fee of 2.0125% (incl VAT) amounts to R1 509.38.

Assuming that you and your financial adviser agreed to a 2% Financial Adviser Initial Advice Fee on your initial R75 000 contribution, that works out to an additional cost of R1 725 (incl VAT).

So if you paid your Discovery Invest Initial Fee and Financial Adviser Initial Advice Fee in one go, you would pay the sum of these two amounts:

Discovery Invest Initial Fee	R 1 509.38
Financial Adviser Initial Advice Fee	R 1 725.00
<b>Total initial fees</b>	<b>R 3 234.38</b>

Therefore, with your initial contribution of R75 000 - less fees - an amount of **R71 765.62** would be invested into your underlying fund choices.

#### What if you chose 100% allocation?

If you rather chose to pay the Discovery Invest Initial Fee and Financial Adviser Initial Advice Fee over five years, so that the total contribution of R75 000 is invested into the underlying fund choices, you will then pay the total initial fee of R3 234.38 multiplied by 1.262, over five years.

$$\mathbf{R3\ 234.38 \times 1.262 = R4\ 081.79}$$

So instead of paying R3 234.38 immediately, you will instead pay R4 081.79 spread over 60 monthly instalments i.e. R68.03.

In this example, the fee remains constant at R68.03 for the 60 months.

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### Investment Manager Initial Fees

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Please remember that certain investment management companies may charge initial fees for investing in their funds. The initial fees applicable to each fund can be found on the respective fund fact sheets available on [www.discovery.co.za](http://www.discovery.co.za).

### 2.2.2 | Annual Fees

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#### Discovery Invest Annual Administration Fee

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The annual fee charged for administering your lump sum Endowment Plan is 0.55% of your investment fund. This fee will be divided by 12 and deducted monthly. The fee will be increased by 15% to offset VAT expenses.

#### Financial Adviser Annual Advice Fees

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Your financial adviser may also charge an annual advice fee as a percentage of your investment fund value for managing your investment fund. Units will be redeemed on a monthly basis for this as 1/12th of the advice fee selected, increased by VAT. Discovery Invest will deduct these from your investment on behalf of Discovery Life and pay these over to your financial adviser.

#### Investment Manager Annual Fee

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The investment managers to your underlying investment choices will normally charge an annual management fee as a percentage of your investment in their fund. This fee is divided by 365 and deducted daily in the unit prices provided by the investment manager to Discovery Invest. The annual fees that apply to each fund can be found on their respective fund factsheets available on [www.discovery.co.za](http://www.discovery.co.za).





## 03 | Recurring contributions to your Endowment Plan

### 3.1 | Annual contribution increases

If you've chosen recurring contributions, you can also choose to have an annual automatic contribution increase (ACI) added to your investment. This means that your contributions will increase annually at policy anniversary by the ACI option selected.

You can choose an ACI of 0%, CPI, 10%, 15% or 20% per year.

### 3.2 | Definition of CPI

CPI is defined as the latest available CPI for all urban areas at the time of producing the policy anniversary letters and is capped at 15% per year.

Remember that at the end of the term of your investment, you may choose to continue or stop your contributions. You also have the choice of whether to keep your investment with Discovery Invest or to realise your investment.

### 3.3 | Discovery Invest Fees and Financial Adviser Fees

The way fees are charged for recurring contributions (monthly or annually) are different to that of lump sum contribution fees. There are two possible fee structures:

#### 3.3.1 | Option 1

##### Discovery Invest Annual Administration fees, including commission recoupment

You pay an annual fee of 3.5% of the size of your investment fund. This will be increased by 15% to offset VAT expenses. This is an annual fee, so the amount is divided by 12 and charged monthly. A portion of this fee is used to recoup the cost of the commission that we pay to your adviser at the start of your policy.

### Fee PayBack

You also qualify for Fee PayBack, which provides a refund every five years of a portion of all Discovery Invest Annual Administration Fees paid in the previous five years. This proportion is 45% on qualifying Discovery funds, and 20% on other funds.

Qualifying funds consist of Discovery funds (excluding the Discovery Money Market Fund), Escalator Funds based on Discovery funds and indices, and Target Retirement Date Funds. The list of qualifying funds may be updated from time to time.

Each refund includes investment growth accrued on the fees paid in the five year period.

### Reducing or stopping your contributions or surrendering your investment

Should you reduce or stop your contributions before the end of the term of your policy, or make a withdrawal from your investment before the end of the term of your policy, Discovery Invest may levy an early exit fee.

- If you surrender your investment or stop paying your contributions (make your policy paid up), this fee will be a maximum of 15% of your investment fund in the first month, reducing linearly to zero over five years.

- If you reduce your monthly contribution, the exit fee will be applied as described above but will only be applied to a portion of the investment fund. This portion is equal to the percentage reduction in your contribution.
- If you reduce your contributions or make a partial withdrawal, the cumulative balance of the administration fees will be refunded through Fee PayBack will be proportionately reduced.
- If you stop your contributions or make a full withdrawal, all future Fee PayBack payments will cease.

### 3.3.2 | Option 2

#### Financial Adviser Initial Advice Fee

Your financial adviser may receive Financial Adviser Initial Advice Fees as a percentage of your contribution as-and-when you pay your contribution. This will also be deducted from the contribution you pay. If you only pay a contribution once a year, your financial adviser will only receive the financial adviser's fee once a year.

#### Discovery Invest Annual Administration Fees

You pay an annual administration fee based on your investment fund size.

INVESTMENT FUND SIZE	DISCOVERY INVEST ANNUAL ADMINISTRATION FEE
First R250 000	0.75%
Next R250 000	0.65%
Next R250 000	0.60%
Next R250 000	0.45%
Over R1 million	0.30%

These are annual fees, so the fee is divided by 12 and charged monthly. These fees will be increased by 15% to offset VAT expenses.

Your financial adviser may also charge an annual advice fee as a percentage of your investment value. This will be deducted in addition to the annual fees above. Discovery Life will deduct these fees from your investment on behalf of Discovery Invest and pay these over to your financial adviser.

#### Reducing or stopping your contributions or surrendering your investment

You will not pay any early exit fees or paid up fees if you stop or reduce your contributions or surrender your investment.

#### Fees payable to the investment manager (Option 1 and Option 2)

Please remember that certain investment management companies may charge initial fees for investing in their funds. The investment managers will also normally charge an annual management fee as a percentage of your investment in their fund. This fee is divided by 365 and deducted daily in the unit prices provided by the investment manager to Discovery Invest.

The initial and annual fees applicable to each fund can be found on the respective fund fact sheets available on [www.discovery.co.za](http://www.discovery.co.za).

# 04 | Choosing the underlying funds for your Endowment Plan

## 4.1 | Investment choices that are available

Your contributions to the Endowment Plan will be invested in the underlying investment options that you have selected. The investment options selected and the apportionment of the contributions between these investment options will be reflected on your policy schedule.

Should any of the underlying investment options be capped or cease to exist, Discovery Invest will request an instruction for a new selection from you.

## 4.2 | Discovery's range of investment options

### 4.2.1 | Discovery Invest Funds

Discovery's range of funds caters for a full range of risk profiles. There are single manager unit trust funds which offer flexibility and control for clients with specific investment objectives, while the multi-manager funds and model portfolios offer solutions for clients who want an additional layer of investment manager diversification.

Discovery Invest has partnered with Ninety One SA (Pty) Ltd, one of South Africa's leading asset managers to manage the range of single manager Discovery Funds.

Through Discovery's association with international banks, Discovery Invest is able to provide investors with access to new generation investment methodologies. Depending on the structure chosen, you are able to get exposure to local, as well as global returns. Because these are not unit trusts, they are not regulated by the Collective Investment Scheme's Act.

### 4.2.2 | Escalator Funds

The Escalator Funds are designed to provide unlimited upside potential in bull markets, while offering downside protection in bear markets. You are protected at a level of at least 80% of the highest value the Escalator Fund has ever reached. This ensures that if markets are down when you want to realise your investment, you have the guarantee that you will always be able to realise at least 80% of the highest value of your Escalator Fund.

The fund is calculated with reference to a mix of assets that dynamically rebalances between an underlying riskier asset and a cash component on an ongoing basis.

This rebalancing is done according to a defined algorithm. As the performance of the riskier asset improves, the allocation to the riskier asset increases. Should the performance of the riskier asset fall, the allocation to the riskier asset decreases.

Discovery Invest provides a range of Escalator and Life Escalator Funds with various unit trusts and indices as the underlying riskier asset that you may choose from. Escalator Funds with Discovery funds as the underlying riskier asset are considered qualifying Discovery funds for the Contribution Boost and the Fee PayBack benefit.

### 4.2.3 | External funds

Discovery also offers access to a wide range of external investment managers' funds to provide flexibility in your investment choice. These are considered "other funds" for the Contribution Boost and Fee PayBack benefit.

## 05 | LifeBooster

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The LifeBooster will boost the investment value by up to 15% on your death if you are the life assured on your policy. If your endowment is structured without a life assured (i.e. as a sinking fund), the LifeBooster will apply on the death of the owner of the policy (if applicable).

The size of the boost will depend on the policyholder's Vitality status on the last policy anniversary before the death.

The LifeBooster is included with all Endowment Plans, and will end when the policy is terminated, or on the policy anniversary before the policyholder reaches age 70. For lump-sum Endowment Plans, the LifeBooster will only boost the first R2 000 000 of the investment value.

The LifeBooster does not apply:

- To the Contribution Boost portion
- On the death of the policyholder, if the life assured is not the policyholder
- If the life assured or policyholder is younger than 14 years of age at inception of the policy
- If the death is as a result of any pre-existing conditions, physical defects, illnesses, bodily injuries or diseases the policyholder or the life assured (whichever is applicable) has suffered from, was aware of or should have reasonably been aware of, or received medical treatment or advice for during the three years before the commencement date of the policy
- If the death is a result of suicide within the first two years after inception of the policy.

## 06 | Switching between investment options

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You may switch between investment choices at any time, subject to Discovery Invest's practice at the time.

The current practice (March 2019) is to allow four free switches per year. Additional switches will attract a fee of 0.25% of the value switched. These fees will be increased by 15% to offset VAT expenses and is capped at a maximum of R500 per transaction.

A switch will be subject to any initial fees levied by the investment managers to which the funds are switched. Switches may affect the Contribution Boost detailed in section 2.1 and the Fee PayBack benefit detailed in section 3.3.

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## 07 | Contribution Waivers

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You can purchase Contribution Waivers for severe illness or disability on your Discovery recurring contribution Endowment Plan. This ensures that your contributions continue in the event of ill-health or disability.

This benefit waives all contributions and automatic contribution increases until the end of the contract term or age 65 next if earlier in the case of a claim. The premium for the Contribution Waiver, as well as the cover for the Contribution Waiver will expire at the end of the contract term or the policy anniversary preceding age 65.

For the Contribution Waivers to apply, the investor must satisfy the Category A criteria of the Capital Disability Benefit or Severity A criteria of the Severe Illness Benefit (as defined in the Discovery Life Plan Guide). The premium for the Contribution Waiver benefit is a percentage of the Endowment Plan contributions and will be deducted before the remaining amount is invested.

### 7.1 | Medical exclusions you are not covered for

Claims will not be admitted for conditions, physical defects, illnesses, bodily injuries or diseases that you have suffered from, were aware of, or have received medical treatment or advice for during three years prior to the commencement of the Contribution Waiver benefit.

### 8.1 | What you should know about the Escalator Funds

- They are based on a riskier asset and a cash component. The riskier asset may be a Discovery unit trust, an external unit trust, an index or set of indices (the list of funds is available from Discovery Invest). The value of the fund at any point in time is based on the market value of both the underlying riskier asset and the cash component.
- The 80% dynamic market value guarantee level is based on the overall value of each Escalator Fund and not on the value of the riskier asset only. The guarantee applies at all times and not only at the end of a specified time.
- The guarantee that the Escalator Funds will not fall below 80% of the highest value reached (the guarantee level) is a guarantee provided by Deutsche Bank or BNP, as the case may be, and not Discovery Life Limited. This means that the investor bears the risk if Deutsche Bank or BNP is unable to meet the guarantee for any reason whatsoever.
- For Geared Escalator Funds, the exposure to the riskier asset may (but not necessarily) exceed 100%. This additional exposure is achieved by effectively borrowing money. If the additional growth on the additional exposure is less than the interest rate on the borrowed component, the overall fund value may decrease.
- The allocation between the riskier asset and the cash component is determined through an algorithm which enables the guarantee at any time.

### 8.2 | Fee and benefit reviews for lump sum and recurring Endowment Plans

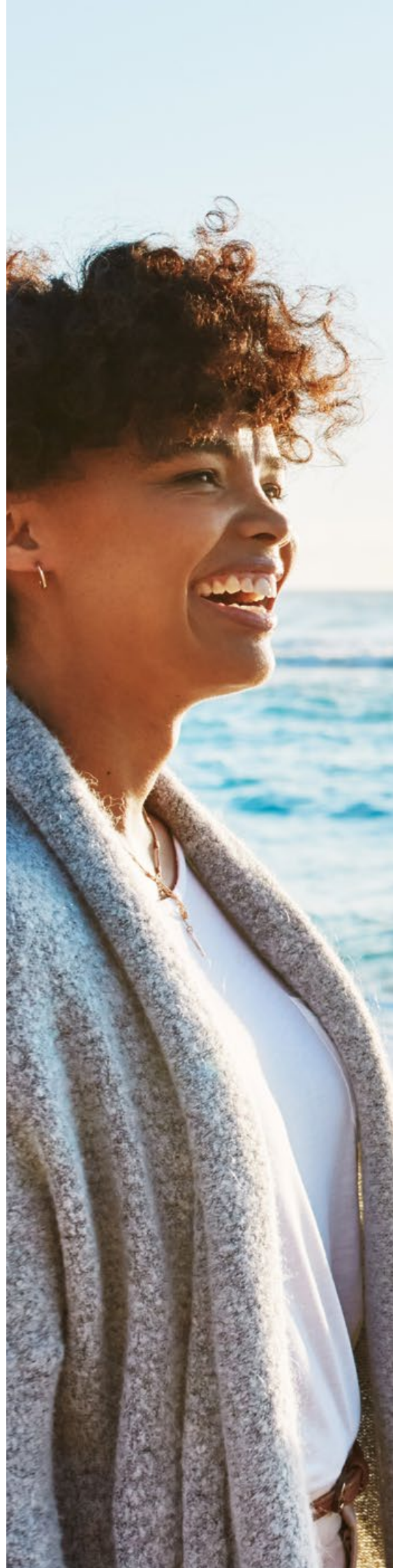
Fees and any benefits quoted at inception are not fixed and may be reviewed during the investment contract term.

Before any change, Discovery Invest will inform you in writing about the changes, as well as the options available to you.

### 8.3 | Conversions, enhancements, updates and new offers

From time to time, Discovery may offer options to you to modify or update your policy to newer versions of benefits, convert your policy into an alternative one (either by starting a new policy or restructuring this existing one), or to take up new offers or enhancements.

Terms and conditions may apply to these options should they be available.



## 09 | Business practices

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### 9.1 | How should I issue instructions to Discovery Invest?

Instructions may be given online through our website at [www.discovery.co.za](http://www.discovery.co.za) or in writing using the relevant forms where applicable. Written instructions must be sent to Discovery Invest by email to [invest\\_support@discovery.co.za](mailto:invest_support@discovery.co.za). You may request the forms by calling us on 0860 67 57 77 or by emailing us at [invest\\_support@discovery.co.za](mailto:invest_support@discovery.co.za). We may require additional supporting documents for certain instructions.

### 9.2 | Will I receive regular benefit statements on my investment?

Discovery Invest will provide a quarterly statement reflecting your investment values during a specified period (or previous quarter). You can view all the details of your investment at any time, including your Contribution Boost, by logging in to our digitally enabled website at [www.discovery.co.za](http://www.discovery.co.za).

### 9.3 | What happens if an investment choice that I selected is unavailable?

It may happen that Discovery Invest is unable to continue offering a certain investment option as an investment choice. In the event of this happening, Discovery Invest will inform investors accordingly and will request an instruction to select a new investment choice. If you don't make a choice, Discovery will switch your investment into an alternative investment that is available.

### 9.4 | Misrepresentation

The information given to Discovery Invest in your application form, or any other documentation that you provide in support of your application, forms the basis upon which your policy is issued.

Should you fail to disclose any information, or provide false information or distort information when applying for your policy, Discovery Invest will be entitled to suspend your cover from the inception date of your policy. In addition to this, Discovery Invest will also be entitled to:

- Refuse to pay out any current or future claims that are related to the misrepresentation or non-disclosure
- Adjust your premium or contribution from the date of the misrepresentation or non-disclosure

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- Recover monies already paid to you for claims that relate to the misrepresentation or non-disclosure
  - Cancel certain benefits or your entire policy with immediate effect, and retain any premiums or contributions paid to Discovery Invest or Discovery Life as a penalty.

## 9.5 | Fraud

Your policy and all its benefits will be cancelled should you:

- Submit a fraudulent claim
- Use any fraudulent means or devices to make your claims
- Provide false information in order to obtain a benefit
- Knowingly allow anyone acting on your behalf to provide false information in order to obtain a benefit
- Deliberately and wilfully conspire to cause the illness or disability that gives rise to a claim.

## 9.6 | Consent to disclosure

You have to consent to the exchange of information, including medical information, between Discovery Invest, Discovery Life, Discovery Health, Discovery Health Medical Scheme, Discovery Insure, Discovery Bank, any medical practitioner you have consulted, or any other life insurance office.

## 9.7 | Contact details

Please remember that in addition to talking with your financial adviser, if you have any questions or service needs, you can call us on **0860 67 5777**.

You can also visit [www.discovery.co.za](http://www.discovery.co.za) for additional resources and a downloadable version of this Fact File (downloadable as a PDF file).



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The Fact File is part of Discovery Invest's commitment to fairness and full compliance with legal requirements for financial service providers to provide detailed easy-to-understand information about how each product works. Each investor must consult their own financial adviser who must be an authorised financial services provider to advise the investor as to the suitability of the products and funds for the investor's personal investment needs. The Discovery Invest Endowment Plan is administered by Discovery Life Investment Services (Pty) Limited trading as Discovery Invest, a subsidiary of Discovery Holdings Limited.

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