

What must you do if the investment fund selection does not comply with the Regulation 28 asset limits?

Speak to your Sanlam Financial Adviser or accredited broker for advice and assistance to determine the most appropriate investment strategy and portfolio for your retirement savings and your planned post-retirement income strategy.

“**Managed investment funds**” allow you to **switch** current funds or **redirect** future payments:

- A **switch** is a change to the investment fund composition of your **current** fund value.
- A **redirection** is a change to the investment fund composition of your **future** recurring payments.

After a switch **or** redirection, your whole plan must comply with the Regulation 28 asset limits. If your plan is not Regulation 28 compliant at present, you may therefore be forced to do a switch **and** redirection, in order to continue with the transaction.

- **If** the investment fund composition of **the current fund does not comply**, a **switch transaction** is required to ensure that the asset distribution of the current fund value will be compliant.
- **If** the investment fund composition of **the current recurring payment does not comply**, a **redirection transaction** is required to ensure that the asset distribution of the future recurring contributions will be compliant.

Here are some hints to help you adjust the investment fund composition so that the plan becomes compliant with the Regulation 28 asset limits:

- Select only investment funds that are Regulation 28 compliant as any combination of these funds will also be compliant.
- Select fewer investment funds in the investment fund composition.
- Start by reducing the percentage allocated to the investment fund with the largest relative exposure to the asset category where the compliance test fails.

The following two examples illustrate how Regulation 28 compliance-testing is done on a retirement plan.



Example 1:

Investment fund selection: Fund A = 50% and Fund B = 50%

Asset class		Equity (excluding listed property)		Offshore assets		Listed property		Hedge funds	
Fund A maximum exposure		75%		20%		30%		10%	
Fund B maximum exposure		100%		30%		10%		0%	
Regulation 28 asset limit		75%		30%		25%		10%	
Fund A allocation	50%	50% of 75%	37.5%	50% of 20%	10%	50% of 30%	15%	50% of 10%	5%
Fund B allocation	50%	50% of 100%	50%	50% of 30%	15%	50% of 10%	5%		0%
Total percentage of fund value or contribution allocated		87.5%		25%		20%		5%	

Does not comply because the percentage allocated to equity exceeds the Regulation 28 asset limit of 75%

Example 2:

Investment fund selection: Fund A = 30%; Fund B = 30% and Fund C (money market fund which invests 100% in cash) = 40%

Asset class		Equity (excluding listed property)		Offshore assets		Listed property		Hedge funds	
Fund A maximum exposure		75%		20%		30%		10%	
Fund B maximum exposure		100%		30%		10%		0%	
Fund C maximum exposure		0%		0%		0%		0%	
Regulation 28 asset limit		75%		30%		25%		10%	
Fund A allocation	30%	30% of 75%	22.5%	30% of 20%	6%	30% of 30%	9%	30% of 10%	3%
Fund B allocation	30%	30% of 100%	30%	30% of 30%	9%	30% of 10%	3%		0%
Fund C allocation	40%		0%		0%		0%		0%
Total percentage of fund value or contribution allocated		52.5%		15%		12%		3%	

Complies because each of the percentages allocated to the asset classes are within the Regulation 28 limits