



# FAQs

SINKING FUND

INN 

## A SINKING FUND POLICY HELPS LEGAL ENTITIES PLAN AND SAVE IN A TAX-EFFICIENT WAY.

### WHAT IS A SINKING FUND POLICY?

A sinking fund is a long-term policy of insurance which allows legal entities to plan and save in a tax-efficient manner. Our sinking fund policy is underwritten by Liberty and distributed under the INN8 brand.

A sinking fund policy is similar to an endowment policy; the key difference between an endowment and a sinking fund is that there is no life assured on a sinking fund policy. Because you do not appoint a life assured on the sinking fund policy there is no death benefit payable.

### WHY SHOULD I GET A SINKING FUND POLICY?

The benefits of investing in the sinking fund policy are that:

- it is not impacted by a life event like death, the policy will continue until it is surrendered;
- it can be an effective savings vehicle for taxpayers with marginal tax rates in excess of 28%, since the tax payable in a sinking fund is at a flat rate of 28% for companies, and;
- the tax is taken care of in the product and you don't have to worry about additional tax submissions. Any withdrawals you make are net of any tax.

This product is not suitable for you if you need to make withdrawals from your investment more than once during the first five years.

### WHO CAN INVEST IN A SINKING FUND?

Legal entities such as companies, trusts and associations may open a sinking fund policy.

## HOW CAN I MAKE CONTRIBUTIONS INTO A SINKING FUND?

You may invest in any of the following ways:

- An initial once-off lump sum investment;
- Regular monthly contributions;
- Additional lump sum investments; and/or
- A combination of the above.

## WHAT IS THE MINIMUM INVESTMENT AMOUNT?

There is no minimum contribution amount.

## HOW LONG CAN I INVEST FOR?

Your sinking fund policy has a minimum term of five years. The first five years are also known as the restriction period.

## CAN I ADD MORE MONEY TO MY SINKING FUND POLICY?

You have the option to invest regular monthly contributions and make additional lump sum contributions at any time. Contributions are subject to a maximum amount, as follows:

- your contributions in the second year of your policy may not exceed 120% of the total contributions made in the first year of your policy; and
- your contributions in any subsequent year of your policy may not be more than 120% of the higher of the previous two policy years' contributions.

## CAN I WITHDRAW FROM MY INVESTMENT?

You have limited access to your money during the five-year restriction period of the policy. You are permitted to take one withdrawal in the first five years of the policy, which may not exceed the contributions made to the policy plus 5% interest. Withdrawals will be subject to capital gains tax (CGT), at the rate specified for the policy.

## CAN I CHANGE MY INVESTMENT CHOICES?

You have the freedom to change the investment portfolios you are invested in. Changing investment portfolios is free of charge and there is no limit to the number of times you may do so. Switching from one portfolio to another will be subject to CGT, at the rate specified for the policy.

## WHICH INVESTMENT PORTFOLIOS CAN I INVEST IN?

A broad range of portfolios is available, in addition to our [core funds range](#).

## WHAT FEES WILL I PAY?

Please [click here](#) to access our pricing guide.

## WHAT TAX WILL I PAY?

This endowment policy is underwritten by Liberty and subject to the tax legislation applicable to long-term insurers. We will calculate and pay tax on any returns arising from the underlying assets of this policy, at a tax rate that is dependent on the policyholder's classification for tax purposes. Benefits payable from the policy will generally be regarded as capital in nature and will generally be excluded from capital gains tax in the policyholder's and beneficiary's hands.

## HOW CAN I MONITOR MY INVESTMENT?

We strive to offer you a fully digital service which is simple to use. You will be able to access all of your documents, valuation statements, transaction confirmations and tax certificates through our easy-to-use secure website at all times.

## HOW DO I APPLY FOR A SINKING FUND POLICY?

Speak to your financial adviser.

If you are looking for financial advice and are currently not in contact with a financial adviser, contact us on 0860 00 4668 (INN8) or email us at [hello@INN8.co.za](mailto:hello@INN8.co.za).