



FOR PROFESSIONALS

SINCE 1941

Take control of your  
**PPS Profit-Share  
Account**



# Take control of your PPS Profit-Share Account as you approach retirement

If you are approaching retirement and are concerned about capital loss in your PPS Profit-Share Account, you may wish to pursue a less aggressive investment strategy. From the age of 55, you can take control of the investment strategy of your PPS Profit-Share Account and choose how your accumulated profits are invested through the PPS Profit-Share Account Portfolio Choice. In this way, you can ensure that the investment objectives of this additional retirement benefit are best suited to your personal risk profile.

## What is the PPS Profit-Share Account?

The PPS Profit-Share Account is a retirement benefit to PPS members in respect of the profits generated by the company. As a mutual company, PPS has no external shareholders and operates solely to add value to its members. Therefore, 100% of the profits generated by the company are shared exclusively among PPS members\* by means of the PPS Profit-Share Account.

Members receive profit allocations to their PPS Profit-Share Account based on the insurance policies held with PPS Insurance as well as the value of retail investments with PPS Investments.

Profit allocations are distributed to the PPS Profit-Share Account and invested on behalf of the members before becoming accessible at retirement via the Vested PPS Profit-Share Account. This offers members a unique advantage of supplementing existing retirement savings whilst having the opportunity to continue sharing in the profit allocations from PPS Investments.

*\*As part of a PPS Provider™ policy*

# How does the phases of the PPS Profit-Share Account impact on my portfolio choice?

Essentially, there are three phases to the PPS Profit-Share Account.

## **Accumulation Phase Before age 55**

During this phase, all the profit allocations are invested in the Pooled PPS Profit-Share Account Portfolio (High Equity) by default, which targets a return of 5.3% above inflation over rolling 5-year periods.

This strategy aims to achieve maximum levels of capital growth over the long term. The mandate of the portfolio is to hold 50% or more of its assets in equities.

Typically, it holds around 70% in equities and is therefore emphatically weighted towards capital growth assets.

**PHASE 01:  
Accumulation**

## YOUR CURRENT PHASE

### **Pre-retirement Phase Age 55 to retirement**

From the age of 55, you can take control of the investment strategy of your PPS Profit-Share Account by choosing how your accumulated profits are invested through the PPS Profit-Share Account Portfolio Choice. This allows you to align the investment strategy of your PPS Profit-Share Account to your other retirement assets.

You will be allowed to exercise your portfolio choice annually on your PPS Profit-Share Account until you reach retirement.

**PHASE 02:**  
**Pre-retirement**

### **Post-retirement Phase Age 66**

Your PPS Profit-Share Account vests at the age of 66, if you discontinue your sickness benefits. Your accumulated profits are retained in the Vested PPS Profit-Share Account. You will then gain full control over how these funds are invested and can set up regular withdrawals from your Vested PPS Profit-Share Account to supplement your retirement income.

Upon vesting of your PPS Profit-Share Account, you will continue sharing in the profit allocations for as long as it remains invested with PPS Investments.

**PHASE 03:**  
**Post-retirement**

## **What is the current value of my PPS Profit-Share Account?**

The value of your PPS Profit-Share Account is reflected in your PPS Statement of Benefits. It will reflect the value of your PPS Profit-Share Account as at the PPS Group's previous financial year-end (31 December 2017). This value is updated at the end of April each year, when the Group's annual financial results are finalised.

If you request your PPS Statement of Benefits between January and April of any given year, this amount will not yet reflect the value as at the most recent year-end, but as at the end of December for the preceding year.

## **How much is allocated to my PPS Profit-Share Account in the year I retire?**

You will receive a pro-rata allocation for the portion of the year from 31 December to your retirement date, based on the previous year's allocations. The investment return you receive will be based on the year-to-date investment return.

# What is the PPS Profit-Share Account Portfolio Choice?

The PPS Profit-Share Account Portfolio Choice gives you control and flexibility in respect of the investment strategy of your PPS Profit-Share Account. You can also align it to the investment strategy of your other retirement assets.

From the age of 55, you can take control of the investment strategy of your PPS Profit-Share Account and choose how your accumulated profits are invested through the PPS Profit-Share Account Portfolio Choice. PPS offers you the opportunity to invest your profits in one of three lower-risk portfolios.

By choosing to remain invested in the Pooled PPS Profit-Share Account Portfolio (High Equity), you should be comfortable that you either have enough time until your intended retirement to make up potential market losses or can withstand the financial impact of retiring with a potentially smaller profit share. While equity tends to outperform other asset classes (such as property, bonds and cash) over the long term, they also result in short-term volatility and heighten the risk of losing capital over shorter periods.

It is therefore essential that your portfolio selection is not based purely on performance history, but also takes your risk profile into account.

# What Portfolio Choices are available?

You can invest your PPS Profit-Share Account in one of the following portfolio choices:

## \* Medium Equity Portfolio

This portfolio seeks to provide a total return of 4% above inflation over the medium term. The mandate of the portfolio is to hold no more than 60% of its assets in equities. It provides considerable exposure to capital growth assets and reduced exposure to income-generating assets. It is suited to investors who place a significantly larger emphasis on targeting inflation-beating returns than on limiting exposure to short-term market fluctuations. You can consider this portfolio if you have an expected investment horizon of at least five years.

**40%** Shorter-term assets

**60%** Maximum of 60% longer term assets

## \* Low Equity Portfolio

This portfolio seeks to provide a total return of 2% above inflation over the medium term. The mandate of the portfolio is to hold no more than 40% in equities. It primarily provides exposure to assets likely to result in stable capital growth, as well as exposure to income-generating assets. It is suited to investors who place a relatively larger emphasis on targeting inflation-beating returns than on limiting exposure to short-term market fluctuations. You can consider this portfolio if you have an investment horizon of at least three years.

**60%** Shorter-term assets

**40%** Maximum of 40% longer term assets



### \* **Fixed Interest Portfolio**

This portfolio has a strong income bias in excess of a broad fixed income market index. The mandate of the portfolio is to hold no more than 10% in equities. It provides greater exposure to income-generating assets and reduced exposure to capital growth assets. It is suited to investors who place a larger emphasis on limiting exposure to short-term market fluctuations than on targeting inflation-beating returns. You can consider this portfolio if you have an investment horizon of one to three years.

**90%** Shorter-term assets

**10%** Maximum of 10%  
longer term assets

Alternatively, you can choose to remain invested in the Pooled PPS Profit-Share Account Portfolio (High Equity).

\*These portfolios have varying degrees of risk and are subject to movements in the markets. More conservative portfolios aim for lower risk exposure but have lower expected long-term returns.

# How can I use the Vested PPS Profit-Share Account to supplement my retirement income?

Exclusively available to PPS members, the combination of the Vested PPS Profit-Share Account with the PPS Living Annuity presents an exceptional advantage in managing your retirement savings.

The most important aspect of retiring securely is ensuring that your savings last during your retirement years. The drawdown you select from your living annuity (the amount and frequency of your annuity payments) therefore plays a vital role in the sustainability of your retirement funding. The Vested PPS Profit-Share Account allows you to supplement the income from your living annuity and to keep your drawdown to a minimum. It therefore increases the longevity of your living annuity and other sources of retirement funding.

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