



The FINANCE column in SA Family Practice features articles for sound personal and practice financial advice. Kindly send any suggestions for future topics to: douw@medpharm.co.za, fax (012) 664 6276 or Finance column SAFF, PO Box 14804, Lyttelton, 0157.



Germa Beukes

B.Com (Law) LLB MBA;
Certificate in Compliance Management
Managing Director & Compliance
Officer : TenFOUR Consulting (Pty) Ltd

Correspondence to:
Germa@tenfour.co.za

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FINANCIAL PRODUCTS

WHAT ARE YOUR OPTIONS & WHICH PRODUCT IS BEST FOR YOU?

Your broker is responsible to compare products and propose options to provide you with enough information to make an informed decision regarding the best suitable financial product for your unique requirements.

Product information includes:

- The name, class or type of financial product concerned; and
- The nature and extent of the benefits to be provided, including details of the manner in which such benefits are derived or calculated, and the manner in which they will accrue or be paid.

Additional details regarding advice on an investment product or a product which has an investment component:

- Concise details of how the value of the investment is determined, including details of any underlying assets or other financial instruments;
- Disclosure of any charges and fees to be levied against the product, including the amount and frequency of the charges. Where the product entails other underlying financial products, you must be told the net investment amount ultimately invested for your benefit;
- Information about the past investment performance over periods and at intervals which are reasonable, including a warning that past performances are not necessarily indicative of future performances.

General:

- Information about the nature and extent of monetary obligations you assume, directly or indirectly, in favour of a product supplier, including the manner and frequency of payments, the consequences of non-compliance and, any anticipated or contractual escalations, increases or additions that you must meet;

Concise details of any special terms or conditions of any product. These include:

- Exclusions of liability, waiting periods, loadings, penalties, excesses, restrictions or circumstances in which benefits will not be provided;
- Any guaranteed minimum benefits or other guarantees;
- The extent to which the product is readily realisable or the funds involved are accessible to you;
- Any restrictions on, or penalties for early termination of, or withdrawal from, the product;
- Any material tax considerations;
- Whether cooling-off rights are offered, allowing you to cancel your purchase of a product, and what the cooling-off procedures are;
- Any investment or other risks associated with the product; and
- In the case of an insurance product that provides for an increase of premiums, the amount of the increased premium for the first five years and thereafter on a five-year basis, but not exceeding 20 years.
- You also have to be informed about any transaction requirement you need to complete or submit.

These include:

- All material facts that you must disclose accurately and properly, together with a warning that the accuracy and completeness of all answers, statements or other information provided by, or on your behalf, are your responsibility;
- If you permit your FSP to complete or submit any transaction requirement on your behalf, you must make sure the details are accurate and complete. (Your FSP is not allowed to let you sign any written or printed form or document unless all details have been filled in by you or have been completed on your behalf by your FSP.);
- The possible consequences of the misrepresentation or non-disclosure of a material fact or the inclusion of incorrect information.

Next month: Replacing existing policies with new ones.