NEW PRODUCT PAVES THE WAY

It can be done! Earlier this year, Personal Finance reported on a new generation of retirement annuities (RAs) that are coming on stream: products that are index-tracking balanced investment portfolios that meet the prudent investment requirements of regulation 28 of the Pension Funds Act. The first is a product from a company called 10X Investments.

The 10X product must be one of the cheapest retail retirement savings products available. Its cost is 0.9 percent of the asset value for amounts under R1 million; 0.7 percent for amounts between R1 million and R5 million; 0.5 percent for amounts between R5 million and R10 million; and 0.35 percent on anything above R10 million. This, I can tell you, is remarkably low for any investment product

I recently wrote that the problem with costs, which are more debilitating over the long term than the confiscatory penalties that may be levied on most life assurance RAs, is that they are so complex and that not all costs are always disclosed. Even cost rebates such as discounts on linked-investment services products provided by collective investments schemes that are passed back to investors aren't always transparent.

Costs come as initial charges and annual charges in percentages or in rands – and not all costs are included in the official cost disclosure. Things such as administration platform fees and advice fees are often excluded and can make a significant difference to total costs. The joy of the 10X products is that there is just this one charge.

Until recently, a R29 monthly administration fee was charged on the 10X RA. 10X has scrapped this.

This product may not give you the potential out-performance of some of the better asset managers (for which you will pay a much higher fee), but you will always receive the market average. You are not taking any risks of under-performance. 10X also cuts out financial advisers by offering its product directly to consumers off its website, www.10x.co.za