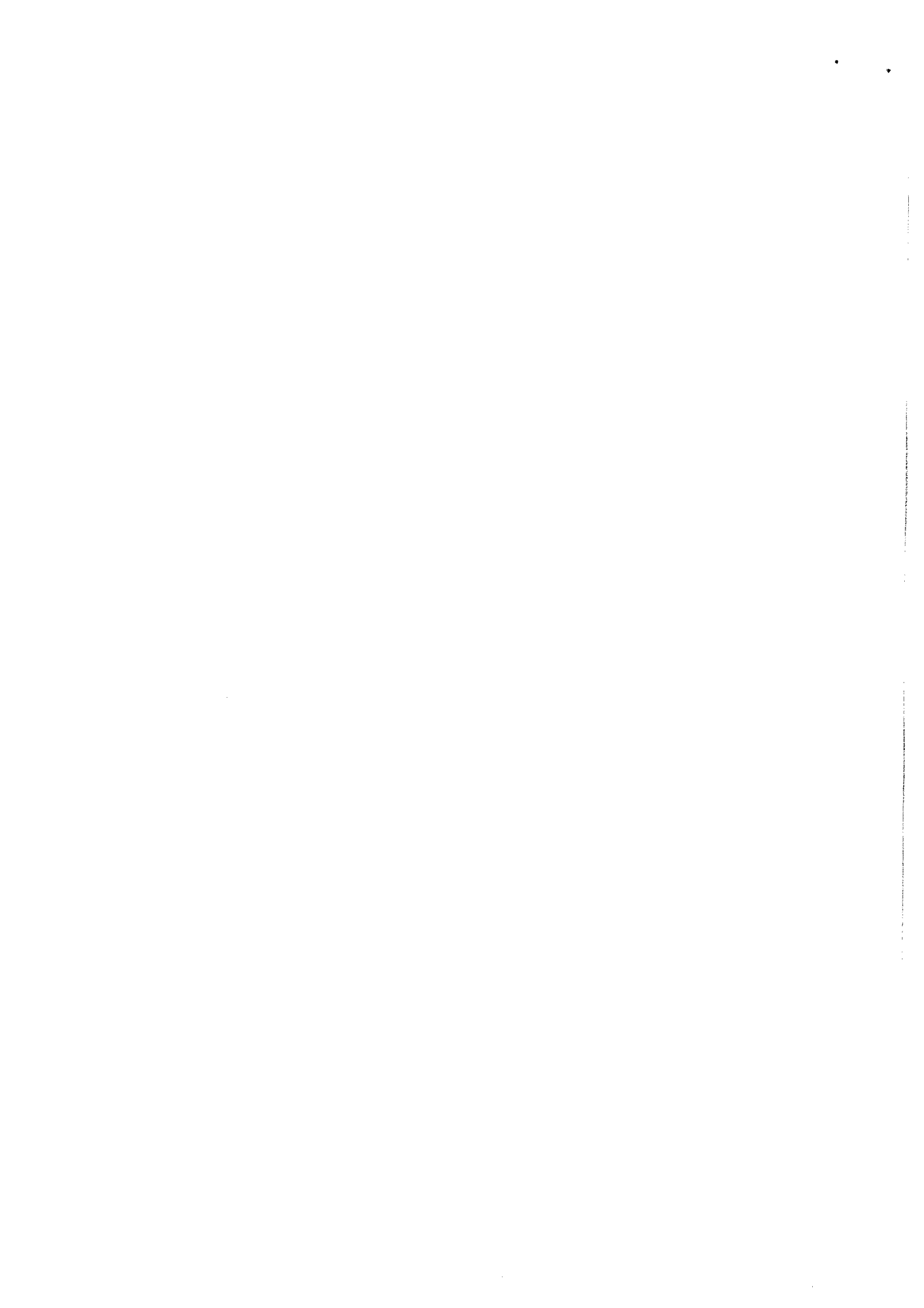


# Private Retirement Plan

*technical details booklet*



YOUR WORLD OF FINANCIAL SERVICES



# Private Retirement Plan

---

HSBC Life Assurance (Malta) Ltd is proud to present the Private Retirement Plan, the first in its brand new range of unit linked life assurance products. This plan has been purposely designed by Malta's premier Life Assurance organisation to function as a long term individual retirement plan for you.

## The peace of mind you're looking for

A subsidiary of HSBC Bank Malta p.l.c., Malta's largest bank, HSBC Life Assurance (Malta) Limited is a leading Life Assurance company and is also licensed under the Investment Services Act 1994 to provide investment services. Headquartered in London, HSBC Holdings p.l.c. is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises more than 5,000 offices in 82 countries and territories, operating in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa.

HSBC Life's financial strength and security, place the company in a strong position in the Maltese life assurance industry, giving you the peace of mind you will be looking for when investing in a long term retirement plan.

## Our commitment to you

HSBC Life is committed to reach exceptional levels of professionalism, excellence and service in all aspects of customer care.

Our mission is to be the leader in the Life Assurance, Pensions and Investment Business in Malta, maximising protection and wealth for our stakeholders.

In just four years of operations, HSBC Life already provides a wide range of savings

products, as well as life assurance and disability cover worth over Lm360,000,000 to well over 40,000 Maltese policy holders.

## Why a Private Retirement Plan?

Malta's pensions bill is on the increase and will continue to rise. The Social Security Act 1987, indicates that the maximum State pension available at present is limited to two thirds of pensionable income subject to a maximum pensionable income of Lm6,750 (Maximum Pensionable Income Order 1987) if full N.I. contributions have been paid.

Imagine a person earning a gross annual income of Lm4,500. On retirement, he/she would have a pension of approximately Lm57 per week. Will this suffice in the long years of retirement? What if you are already earning a gross income of over Lm6,750; how do you fund the gap to ensure that you really receive a two thirds pension?

## The good news

With better and ever improving medical care available, together with a health conscious lifestyle, we are now living longer and healthier lives. Retirement can now be looked upon as the beginning of an extended period of fun, leisure and travel; a time devoted to enjoying personal pastimes and interests which you may not have had time to indulge in during your working life.

## Even more good news

If you see retirement as a time of relaxation without financial worries, then take control and start planning for it now. Through the Private Retirement Plan, the Company aims to provide you with the means to enjoy a happy and secure retirement.

---

## Your Private Retirement Plan and the future

There is currently no private pension legislative infrastructure in Malta governing private pensions. It should be noted that the Private Retirement Plan is designed as a life assurance product focused on your needs to maximise your future potential wealth in retirement with optional life assurance and permanent disability protection for the duration of the plan. The plan in its current format will provide you with a lump sum payout at maturity. The plan also provides an option to be paid in periodic installments for life or for a predetermined term under the terms and conditions applicable at the time when the option is exercised. You may also elect to be paid partly by way of a lump sum and partly by way of periodic installments. The latter two options are only available for policies with a minimum term of 5 years.

### Why the Private Retirement Plan?

The Private Retirement Plan is a unit-linked life assurance investment plan, giving you more control on the overall investment strategy of your funds than ever before. To this effect, HSBC Life has forged strategic alliances with world renowned names in international investment management. To complement the international angle, HSBC Life has also made alliances with experienced local fund managers. These alliances, combined with the Company's sophisticated and cost effective IT-based administration systems, allow HSBC Life to offer investors a cost-effective route to invest in global and local financial markets.

### Why a unit linked policy?

One of the best ways of seeking to ensure that your long term investments are protected against inflation and provide real growth is to invest in a well managed unit-linked plan offering equity and bond funds. This, however, is seldom available unless you have substantial sums to invest.

The Private Retirement Plan is a unit-linked life assurance policy which allows the policyholder to select the proportions of unitised funds and hence underlying collective investment schemes, to be allocated to his/her policy. A unit linked plan will allow you maximum tax efficiency within a framework that offers the opportunity of long term growth and flexibility based upon a wide choice of funds investing across the world's financial markets.

### How does it work?

Starting with modest investments, the Private Retirement Plan offers a number of professional local and foreign HSBC Life unitised funds denominated in Maltese liri and based on bond and equity investments. These funds, operated by HSBC Life, are backed by underlying assets held in a range of currencies, primarily Euros, US Dollars, Sterling and Maltese Liri. The underlying assets are managed by local and foreign fund managers with a long history of successful investment management. The range of funds available was selected to provide a wide choice and cater for people of various ages, risk preference and different market conditions and needs. More HSBC Life funds and underlying fund managers may be added in the future after studying market conditions and according to the results of continued HSBC Life research.

### How do I identify my needs in 20 or 30 years time?

Through our professional Needs Analysis process, HSBC's friendly and well-trained staff will seek to ensure that you are given assistance in formulating a suitable plan for your needs.

HSBC Life is at the forefront in the introduction and training of sales representatives in the use of the Needs Analysis process.

### How will I choose the funds?

Your choice of funds will depend on a number of factors and scenarios. For example, if you are still in the early years of your working life, you may wish to invest purely in equities. Although subject to volatility, equities, in the long term, usually outperform other forms of investment.

If you are nearing retirement, you may prefer the more cautious local or international bond funds which are less subject to volatility.

For clients who are neither particularly risk averse nor risk takers, a balanced selection of international and local bond and equity funds giving a reasonable level of security but plenty of potential for capital growth, may be the most appropriate investment mix.

### What if I want to change the funds to which my policy is linked?

As time passes and investment conditions change, you may wish to change your investment mix and shift your existing and/or future investments between different funds and fund managers.

The Private Retirement Plan allows you to do this at any time. It is easy to decide. We will

help you in the choice of funds and life cover and allow you the flexibility you need as your circumstances change in the future.

### What about tax, how much will I need to pay?

Under present tax legislation, NIL. The Private Retirement Plan is a unit linked life assurance plan which enjoys significant tax advantages for you when the underlying funds are listed on the Malta Stock Exchange.

When this is the case the following tax advantages should apply:

- Lump sum benefits at maturity of the plan will be tax free.
- HSBC Life will receive any dividends distributed by the underlying funds tax free and will reinvest such dividends in the underlying funds.
- Lump sums paid out on death and disability claims will be tax free to the client in the event of a claim on benefits occurring before maturity of the plan.

All tax advice is based on current legislation and may be subject to change in the future. Investors are advised to obtain third party professional tax advice.

### What if Government introduces better tax conditions, do I have to start a new plan?

Probably not! It is quite possible that Government may introduce tax incentives on retirement plans in the future. However, no guarantees can be made until the exact nature of such changes is known. HSBC Life will try to ensure that any future Government endorsed changes will be incorporated into your existing Private Retirement Plan with minimum cost.

---

## Basic technical details

### For what period does the HSBC Life Private Retirement Plan run?

You can take the proceeds of your plan at any age up to 75, whether or not you have actually retired. You will receive a sum on maturity (which is not currently subject to income tax), or you may choose to be paid by way of an annuity (which is currently subject to income tax).

### Is there an age limit to participate in the plan?

The minimum age at entry is 18. The maximum age at entry is 65.

### Do I get any life assurance or disability benefits with the plan?

Your Private Retirement Plan is mainly designed to help you provide for a financially comfortable retirement. The plan also provides limited additional Life Assurance and Disability benefits, subject to normal underwriting rules, to ensure that should you pass away or become disabled before reaching retirement age you will have the necessary protection. The Life Assurance and Disability benefits, while of great importance, are capped and have been designed to run until you reach the age of 60 to keep the emphasis on your investment.

### How much can I invest in the Private Retirement Plan?

The minimum initial investment in a HSBC Life Private Retirement Plan is Lm240 per annum. There is no maximum. Of course, the more you contribute the larger your income may be when you retire. The level of payments can be adjusted at any time to suit your circumstances. For example, you may increase your contributions or reduce them (subject to the then minimum permitted by the Company).

### How can I pay and how often do I need to pay premiums?

You can pay your premiums by cash, direct debit, standing order or by cheque. We allow payments to be made monthly, quarterly, half yearly or yearly.

### What happens if I cannot pay my regular contributions for a while?

You can suspend contributions at any time and recommence them so long as the policy has a value at the later date. However, you should be aware that this may endanger your protection benefits and decrease your end benefits.

### How can I safeguard my plan against inflation?

To help ensure that your plan is protected against inflation, you can choose the CPI option which means that your contributions will be increased by 5% automatically (or an amount as determined by the Company in the future) on each plan anniversary.

### Can I make extra contributions if I have any extra money?

You may also at any time make “ad hoc” additional contributions subject to a minimum amount of Lm250.

### What happens to my contributions?

Your contributions are allocated to the HSBC Life unitised funds of your choice. The allocation rate will range from 97% to 100% of your contribution depending on the amount of the contribution. HSBC Life will cancel units on a monthly basis to pay for the service fee, which is set at Lm1 monthly. This is subject to review. The Company will cancel units to pay for additional Life Assurance and/or Disability benefits selected by yourself.

### Do I have to pay any charges if I need to surrender my policy before maturity?

Retirement plans and life assurance policies are designed as long term contracts. However, unlike most long term plans, your HSBC Life policy will acquire a value from year one with very small surrender factors applying only should you surrender the policy in the first four years of the contract.

This surrender factor will be 10% of the policy value in year one going down to 1% of the policy value in year four. There will be no surrender charges or other exit fees from the fifth year onwards.

### What documents will I receive?

Once the Company has underwritten and accepted your proposal, you will receive a schedule accompanied by the policy document containing all the details of the plan.

You will receive an opening statement and an annual statement of your retirement account. You may also request a statement at any time, which will be subject to a fee.

### Life assurance and additional benefits technical details

#### Protection benefits for your family

The Private Retirement Plan is not only an attractive investment for the future, it also allows you to provide comprehensive protection for yourself, your spouse and dependents in an efficient manner.

You can provide:

**Guaranteed Life Assurance** - The plan automatically gives you a minimum life cover of Lm1,000. You can choose to increase this amount up to 40 times your initial annual contribution or if you also choose any other protection benefit except Waiver of Premium, up to 20 times your initial annual contribution.

Either this amount or the bid value of your funds, whichever is the higher, would be payable in the event of your death. The offer of such cover is, of course, subject to medical evidence if required. Your plan will cease on payment of this benefit.

**Accidental Death Benefit** - You can choose to provide an additional amount equal to the guaranteed sum assured payable in the event of death by accident. This is payable in addition to the higher of the Guaranteed Life Assurance or the bid value of the funds.

**Permanent Total Disability** - You can choose to provide an amount of up to 40 times your initial annual contribution as PTD or if you choose any other protection benefit except Waiver of Premium, up to 20 times your initial annual contribution.

Either this amount or the bid value of your funds, whichever is the higher, will be payable to you if you become permanently and totally disabled. Your plan will cease on payment of this benefit.

**Living Assurance** - Under this option, you can choose to be covered for an amount of up to 40 times your initial annual contribution or if you choose any other protection benefit except Waiver of Premium, up to 20 times your initial annual contribution. You will be paid this amount or the bid value of units (whichever the higher) if you are diagnosed as having any of the following: Heart Attack, By-pass Surgery for Coronary Artery Disease, Stroke, Cancer, Kidney Failure, Transplant of a Basic Organ, Paralysis, Blindness, Serious Burns and Coma. The condition must occur for the first time at least 3 months after the plan is taken. Your plan will cease on payment of this benefit.

**Waiver of Premium** - If you are unable to work through illness or accident for more than 6 months, then premiums after that period will be payable by HSBC Life until you are able to resume work or your plan matures.

Your benefits will continue in exactly the same way as if you had been paying the premiums yourself.

All protection benefits are available on single or joint lives.

For further details and for the conditions applicable with regard to the above benefits, please refer to the Policy Terms and Conditions.

#### Paying for your protection benefits

Your protection benefits are paid for by cancelling units in your investment plan. If, at any time, you decide that you no longer need a benefit, you merely advise us to cancel it.

#### Investment technical details

##### How is my money invested?

HSBC Life will use that portion available for investment to purchase HSBC Life units at the offer price determined on the next valuation after payment is effected. This is done in accordance with the proportions chosen by the client. On the valuation date, HSBC Life will use this portion to purchase investments in the underlying funds.

The investments will be notionally allocated to the policy for the purposes of determining the benefits attributable to the Policyholder. HSBC Life will remain the legal owner of the underlying investments.



## How do I choose from all the funds available?

HSBC Life presently offers fifteen investment options. There are twelve HSBC Life unitised individual funds each of which invests in one of the twelve underlying investment funds. The underlying international individual funds are funds within the Mercury Selected Trust (MST) Collective Investment Scheme and Funds within the HSBC Global Investment Funds SICAV (HSBC GIF) while the underlying local individual funds are Collective Investment Schemes managed by HSBC Fund Management (Malta) Ltd.

The names of the HSBC Life unitised funds will reflect the names of the underlying schemes into which the HSBC Life unitised funds will be investing. For instance, the HLM MST Euro Global Bond Fund will invest in the underlying Euro Global Bond Fund within the Mercury Selected Trust (MST) collective investment scheme.

The HLM HSBC GIF European Equity Fund will invest in the underlying European Equity Fund within the HSBC Global Investment Funds SICAV range of funds. The HLM TRI-MED Malta Accumulator Fund will invest in the underlying TRI-MED Malta Accumulator Fund SICAV plc, whilst the HLM HFMM Maltese Assets Fund will invest in the underlying HSBC Fund Management (Malta), Maltese Assets Fund within the HSBC Fund Management (Malta) No Loads Funds SICAV plc.

You can select any one of these HSBC Life individual funds. In order to simplify the fund selection process, HSBC Life is also offering three strategic in-house funds which invest in a pre-determined mix of the twelve underlying investment funds. These are designed by HSBC Life to match the needs of policy holders with different risk profiles.

### HSBC Life Strategic In-House Funds

**HLM Cautious Fund**  
**HLM Balanced Fund**  
**HLM Aggressive Fund**

### HSBC Life Individual Unitised Funds

**HLM MST Euro Global Bond Fund**  
**HLM MST European Bond Fund**  
**HLM MST Global Equity Fund**  
**HLM MST European Opportunities Fund**  
**HLM MST North American Fund**  
**HLM HSBC GIF European Equity Fund**  
**HLM HSBC GIF UK Equity Fund**  
**HLM HSBC GIF American Opportunities Fund**  
**HLM HSBC GIF Asian Equity Fund**  
**HLM HSBC GIF Japanese Equity Fund**  
**HLM TRI-MED Malta Accumulator Fund**  
**HLM HFMM Maltese Assets Fund**

HSBC Life reserves the right to add and/or change Fund Managers, Collective Investment Schemes and funds subject to the terms stated in the Policy Terms and Conditions document.

### How do I distribute my regular contribution between funds?

You may select any of the in-house funds or any combination of the individual funds, provided you allocate not less than 25% of your new regular contribution to any one particular fund. You may elect to change the distribution of your new contributions at any time in future.

### Can I switch between funds in future?

Changing the funds in which you have already invested is known as "switching". This involves cancelling units in one fund and purchasing units in another fund/s. This is done on a bid to bid basis. Initially, the first two switches in any calendar year will be free of charge. A charge subject to review will be made for additional switches in the same calendar year. This will be Lm20 for the third switch and Lm10 for each additional switch in any one calendar year.

The Company reserves the right to change the charging method for switching facilities in future. When effecting a switch the client has two options: either transfer all the units to a new fund, leaving a NIL balance in the originating fund, or maintain the originating fund open with an amount not less than Lm100. You must continue to allocate not less than 25% of your future regular contributions to any one particular fund.

### How is the value of the funds calculated?

The assets of each fund will be valued at intervals of no greater than one month and a bid/offer price determined for each class of units. In valuing each HSBC Life unitised fund, the Actuary will take into account the market value of the underlying assets and all other relevant factors including all expenses.

### At what price are the HSBC Life units allocated to the policy?

The HSBC Life funds have bid and offer prices which will be quoted in Maltese Lira. The units would be allocated to the policyholder at the offer price. The bid price is the price HSBC Life pays when the client sells the units upon maturity or surrender. There is normally a differential of not more than 5% between the bid and offer prices.

### Do I get any idea of what the value of my maturity benefit could be?

HSBC Life will give you an illustration taking into account the contributions you are paying and the anticipated number of years of payment. The illustration will be based on what are expected to be reasonably achievable net returns of 4.5%, 6.75% and 8.5%.

### What are the fund management fees?

A fund management charge of up to 1.5% on the total value of the HSBC Life funds is deducted annually. This incorporates any underlying fund management fees.

### Do I need Central Bank approval for foreign investments?

If you select any funds where the underlying currency is a foreign currency other than the Maltese Lira, you will need to fill in a Central Bank application form at time of proposal in terms of Section 23 of the Exchange Control Act 1972. Your HSBC Life representative will be happy to provide you with the necessary form which we will lodge on your behalf as necessary.

### Who are HSBC Life's selected fund management partners?

HSBC Life has made and will continue to make strategic alliances with world renowned names in investment management to offer investors a cost-effective route to the world's financial markets.

#### HSBC Asset Management Group

HSBC Investment Funds Luxembourg SA is the investment manager responsible on a day to day basis for investment management in respect of all sub-funds within the HSBC Global Investment Funds SICAV. The investment manager and investment advisors are members of the HSBC Asset Management Group comprising the wholly owned subsidiaries of HSBC Holdings plc one of the largest and most successful financial services groups in the world. The HSBC group has operations in 82 countries and territories and staff in excess of 145,000 in over 5,000 offices.

#### Merrill Lynch Mercury Asset Management

Previously the largest independent UK Fund Manager, Mercury Asset Management is now part of the multinational Merrill Lynch Group, one of the world's largest brokerage and financial services group. Following the acquisition of Mercury Asset Management in 1997, the combined Merrill Lynch/Mercury Asset Management Group had total funds under management of over US\$ 550 Billion as at 31 December 1999.

#### HSBC Fund Management (Malta) Ltd

HSBC Fund Management was registered in October 1996 as Tri-Med Fund Management Ltd. To date, the Company manages local collective investment schemes investing in local and international bond and equity markets.

### The main features at a glance

- Significant tax advantages when underlying funds are listed on the Malta Stock Exchange.
- A plan run by a financially strong, professional and cost-effective company.
- A wide choice and spread of risk through 12 individual investment funds.
- A choice of three risk graded strategic in-house funds to suit your risk profile.
- Choice of several expert investment managers spreading your investment risk.
- Attractive and transparent plan pricing.
- Lower charges for surrenders and redemptions in initial years.
- No exit fees in later years.
- Total choice in your selection of funds.
- Access to investment research, skills and experience.
- Flexibility to switch between different investment funds to allow you to react to market developments.
- First two switches free of charge in any calendar year
- Wide range of attractive life assurance and disability optional benefits for your family and dependents.
- Flexible contributions and protection levels.
- Facility to add "ad hoc" additional contributions at any time.
- Option to automatically increase your premium on each plan anniversary to keep up with inflation.

---

### Other important information

- If you change your mind after having signed a proposal form, you have a legal right to cancel the contract within 15 days of receiving the document. Any contributions paid will be refunded in full subject to any reductions necessary to reflect downward movements in the offer price of units allocated to the policyholder between the commencement date of the policy and the next valuation date following receipt by the Company of such notice of cancellation.
- Past performance is not necessarily a guide to future performance. The value of funds and hence the value of your Private Retirement Plan may go down as well as up. Investment returns may fluctuate and are not guaranteed.
- The policy holders choice of the underlying funds should be based on the relevant prospectus, a copy of which is available from HSBC Life's Head Office upon request.
- Changes in the rate of exchange of currencies, particularly where overseas securities are held, may also affect the value of your investment.
- Investments in foreign currency are subject to exchange control regulations.
- The contract will be on the terms and conditions of the policy document. This document which includes full details of the Private Retirement Plan is available on request from HSBC Life's Head Office.

- This product information booklet has been prepared on HSBC Life's understanding of current legislation, tax laws and Inland Revenue practice at the time of this publication. The applicable laws and legislation may change in the future.
- HSBC Life has taken all reasonable care to ensure that the details provided are accurate. To the best of its knowledge, no other material facts have been omitted which could make this document misleading in any respect.

If you are planning your retirement and need to discuss your requirements, please contact us at:

HSBC Life Assurance (Malta) Ltd,  
53, Mediterranean Building, Abate Rigord  
Street, Ta' Xbiex MSD12, Malta.  
Tel: (356) 340592  
Fax: (356) 341501  
Freephone 0800 774444

*HSBC Life Assurance (Malta) Limited is licensed under the Investment Services Act 1994 to provide investment services and is licensed under the Insurance Business Act 1998 to carry on the business of insurance in Malta.*