

Pillar 3, individual financial planning

Life insurance

Personal financial planning is part of every individual's responsibilities. It supplements pillar 1 and 2 benefits and makes up shortfalls in personal financial provisions.

Allianz 
Suisse



Content

| | |
|---|----|
| Your financial security is on the line | 3 |
| All-round security | 4 |
| The special advantages of a life insurance policy | 5 |
| Fixed or flexible provision? | 6 |
| Classic and unit-linked life insurance policies | 8 |
| Financing options | 10 |
| Using your policy as a credit instrument | 11 |

Your financial security is on the line.

The social insurance system in Switzerland is based on the «three-pillar» principle. Coverage of basic needs for old age and in the event of death or disability is assured via the state benefits provided under pillar 1 («AHV» and «IV»). Pillar 2 – covering occupational arrangements – is aimed at also allowing people to maintain their previous standard of living in these situations. And with pillar 3 arrangements, you can invest in individual solutions providing even more security and financial flexibility for you and your family.

Your responsibility: pillar 3 provisions.

Individual «life styling» means achieving genuine quality of life for you and your family today. So why not take steps to ensure that tomorrow will be just as good? Early planning for a financially secure future includes, among other things, affirmative action to eliminate any **shortfalls in your financial cover requirements** beyond pillars 1 and 2. Not least for this reason, individual pillar 3 provisions enjoy considerable **state support**. It doesn't matter whether your priority is private retirement cover, or protection against disability or a loss of income: the arrangement you choose is completely up to you.

In the event of disability, pillar 1 and 2 benefits will cover approx. 60% of your income.

Saving via pillar 3 arrangements offers attractive tax benefits as well as privileges in situations involving debt enforcement and inheritance.

Save money.

With a tailor-made financial solution which also optimizes your tax position.

Gain time.

With advice and services from a single source, covering insurance, pensions and asset accumulation.

Feel secure.

With an insurance and pension solution you can count on.

Professional analysis – individual solution.

There are no identical, schematic cases in the field of personal financial planning. That's why you should sit down with our advisors and analyse your individual, specific supplementary cover needs. By factoring in the benefits you can expect to receive under pillars 1 and 2 and your personal and family **circumstances**, we can help you find the solution made for you.

A holistic view of your financial cover arrangements is key to finding the right solution.

All-round security.

As a supplement to state and occupational provisions, pillar 3 arrangements offer a great deal of scope for individualization. Where do your personal priorities lie? Accurately identifying your specific needs is crucial to ensuring that your «financial compass» is pointing in the right direction. Pivotal to your choice of solution are your individual family and financial circumstances, but also, in particular, your specific goals and wishes.

1. Cover in the event of death

Is it especially important to you that, should you die unexpectedly, your surviving dependants be able to maintain the same standard of living as before? For example, you may want your family to have sufficient and realistic arrangements in place to maintain their normal living environment or to finance expensive educational arrangements for children. This type of cover also provides protection and security for business obligations.

3. Savings

Would you like to save while at the same time achieving greater security for yourself and your family? Your primary savings target – whether a home of your own or another long-cherished dream – can be pursued according to a schedule set by you, allowing the payout from your individual savings solution to be precisely timed to your needs.

2. Retirement arrangements

Are you planning to take early retirement? Or do you already suspect that your post-retirement pillar 1 and 2 benefits are not going to be enough? Under the Swiss social insurance system, the function of pillar 3 is to make up such shortfalls in a way individually tailored to ensuring your future security and comfort.

4. Cover in the event of disability

Partial or full incapacity to work as a result of illness or accident can happen to anyone. Long-term compensation for the resulting loss of income can be achieved via targeted insurance cover, ensuring that you and your family do not lose out financially.



The special advantages of a life insurance policy.

Life insurance policies are real multi-taskers, fulfilling the most diverse of functions. Because they are state-supported, they offer a range of special advantages as described below.

Tax benefits.

As part of the «fixed» element of your provisions, your premiums can be deducted from your earned income in your tax return. The maximum premium amount is set by law. This tax relief is offset against the income tax charged on the benefits, including any surpluses, paid out from the policy at the end of its term.

The «flexible» element of your provisions also allows premiums to be deducted from your earned income to a limited extent, as long as the maximum amount has not already been reached via premium contributions for health and accident insurance policies. In addition, the guaranteed capital payout (at maturity) and any surpluses awarded are also free of income tax.

Beneficiary clause.

A beneficiary clause allows you to make a binding declaration specifying the recipients of any insurance benefits in the event of your death. The death benefits will then remain separate from the rest of your estate, which means that they will be paid out to the beneficiaries directly. This immediate availability, instead of a long wait while the estate is settled, represents a significant advantage to your beneficiaries.

Debt enforcement privileges.

If you are married or have children, the entitlements from a life insurance policy will remain separate from a bankruptcy estate if your spouse or children are listed as primary beneficiaries. This valuable protection for your family will thus remain guaranteed no matter what else happens.

Inheritance privileges.

Your next of kin, namely your spouse, children, parents, grandparents and siblings, will receive insurance benefits even if they waive their inheritance.

Fixed or flexible provision?

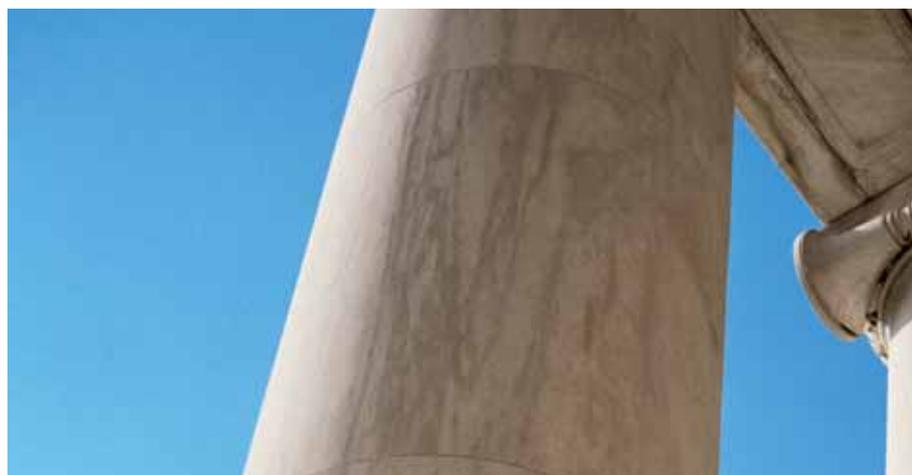
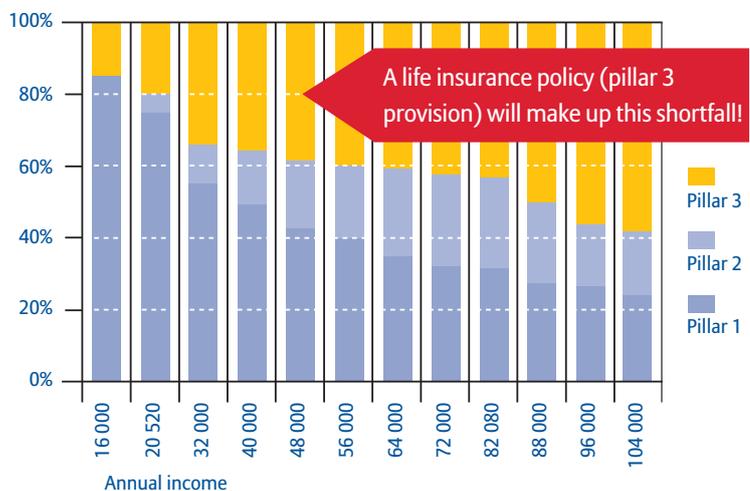
Pillar 3 provisions are subdivided into fixed (pillar 3a) and flexible elements (pillar 3b). However, there is no sure formula for making the best choice between these two variants. Rather, it is a question of thoroughly weighing the advantages of each with a constant eye on your specific circumstances and goals, and especially on the shortfalls in your personal financial cover.

The «fixed» element of pillar 3 (3a) embodies tax-advantaged savings aimed at providing for your retirement. As the funds saved under pillar 3a can only be used for pensions, this is known as a «fixed» provision. More scope for customization and flexibility is offered by, as the name implies, the flexible element of pillar 3 (3b). Individual advantages and legal framework conditions are presented in the overview table on the next page.

Example:

A 35-year-old man with an income of CHF 96,000 will cover only 47% of his annual income with pillar 1 and 2 provisions. That means he has a financial coverage shortfall of over 50%! Pillar 3 provisions can – and must – address this shortfall, as shown by the graph opposite.

Pension as a percentage of annual income



| Differences | Fixed provisions (pillar 3a) | Flexible provisions (pillar 3b) |
|--|--|--|
| Open to | Persons in employment, below AHV retirement age, resident in Switzerland for tax purposes | All (but see product details) |
| Product range | Limited range | Unlimited options |
| Term of contract | <ul style="list-style-type: none"> – Limited to AHV retirement age – Retirement benefits can be claimed at the earliest five years before AHV retirement age | No restrictions (but see product details) |
| Premium amount | Limited to maximum tax deductible amount (figures for 2007): <ul style="list-style-type: none"> – With pillar 2: CHF 6,365.– – Without pillar 2: CHF 32,832.– or maximum of 20% of earned income | Fully flexible (but see product details) |
| Beneficiaries | Prescribed by law in some cases | Flexible |
| Early termination (redemption) | Possible in some cases (legal restrictions apply) | Possible |
| Pledging | Only for owner-occupied residential property | Possible for any purpose |
| Tax deductibility of premiums | From taxable income | Only within the scope of the lump sum |
| Taxation during the term of the policy | No taxation | Repurchase value and surplus shares in assets |
| Taxation on capital outpayment | Taxed as income at a reduced rate | No income tax for premium-paying insurance policies (exceptions may apply) |



Classic and unit-linked life insurance policies.

There are three main groups of life insurance to choose from: risk cover policies, which provide guaranteed benefits in the event of death or disability, capital accumulation policies with additional targets for systematic saving, and unit-linked life insurance policies. Listed below is a selection of extremely popular and widely available products.



Mixed life insurance.

Mixed life insurance is the most common solution and is used to provide both insurance cover and targeted savings. With its guaranteed benefits in the event of both survival and death, it is an ideal solution for a wide variety of goals. Immediate payment of benefits in all cases provides you or – in the event of your death – your surviving dependants with financial flexibility, fast.



Personal pensions.

A personal pension gives you financial independence via a guaranteed income for life. You will receive this income even if you reach an age at which the capital originally invested would have been exhausted long ago. Moreover, thanks to the «premium return» element of the pension, in the event of premature death any remaining capital will be paid out to your chosen beneficiaries.



Whole life insurance.

This insurance serves as specific protection against financial risks in the event of death. Should the insured person die during the term of the policy, the insured capital is paid out immediately to the named beneficiaries. Moreover, a whole life policy can also serve as collateral for the repayment of a loan (see «Pledging your policy»).



Disability insurance.

If you become unable to work as a result of illness or accident, this type of insurance will provide you with a regular replacement income, allowing you and your family to maintain your normal standard of living even in the event of disability. The duration and scope of pension payments can be specified individually..



Unit-linked life insurance.

If you are looking for an optimum combination of performance, security and tax benefits, unit-linked life insurance policies offer a range of attractive opportunities.

A unit trust fund is an investment instrument open to a wide range of private and institutional investors. The pooled capital of these investors is placed by specialized professionals in equities, bonds and money market paper in accordance with the strategic focus of the fund. The broadly diversified investments mean that these funds offer optimum risk reduction.

Taking out a unit-linked life insurance policy gives you a direct stake in developments in the financial markets while allowing you to maintain substantial control over the selection of **appropriate funds** for your desired investment duration, risk tolerance and capacity. This targeted investment of your savings opens up additional opportunities for capital accumulation while allowing you to remain flexible at the same time.

The insurance cover element can be fully tailored to your exact needs. In the event of death, the minimum amount paid out – irrespective of the performance of the fund assets – will be the agreed **guaranteed capital sum**. This kind of performance guarantee is not usually provided in the event of survival; however, it can be explicitly included in the policy for an additional premium.

Security tip.

The investment of customer funds held in classic life insurance policies is subject to stringent regulations. To give you added security, these investments are monitored by the Swiss Financial Market Supervisory Authority FINMA. With unit-linked life insurance policies, you determine your individual level of investment risk to a large extent by specifying the proportions of equities, bonds or fixed deposits you want in your investment.

Our offering includes both proprietary investment funds and selected products from well-known partner companies.

Give your surviving dependants the benefit of financial security.

Financing options.



Regular premiums or lump sum investment?

The financing of your life insurance policy is another aspect that you can calibrate to fit your individual circumstances. If you prefer to make regular premium payments, you can even define the frequency of them (yearly to monthly). If you are in a position to finance your policy with a one-off payment, a single-premium option is also available.

Revocable and irrevocable premium accounts.

Payment of your life insurance premiums can be made even simpler: to this end, Allianz Suisse offers convenient, interest-bearing revocable and irrevocable **premium accounts**. This type of account allows you to pre-finance your life insurance at the exact time when you have extra funds available. With just one restriction: there must be sufficient funds available at the premium due date.

Choose for yourself:
irrevocable or revocable
(reduced interest;
withdrawals possible
at any time).

Using your policy as a credit instrument.

An endowment policy is primarily a savings and insurance instrument. However, it can also be used as an underwriting facility.

Indirect amortization of mortgages.

Mortgages are loans secured by property and are usually subdivided into two separate elements. Generally, a second mortgage has to be paid back, or amortized, on a continuous basis and within a certain time frame. However, instead of direct repayment it may be advantageous to take out an endowment policy which you can pledge for the purpose of indirect amortization. In the case of indirect amortization, both the mortgage debt and the interest for the entire mortgage remain at the original amount. When you eventually retire, the capital from the (pledged) insurance policy will be there ready for the repayment of the mortgage.

And don't forget: a life insurance policy helps with more than just the financing for purchasing your own home – it also offers you and your family valuable risk cover (death and disability risks) from day one.

Pledging your policy.

Your insurance policy can be pledged as security for a loan. Pledging a policy provides the creditor with the **certainty** of repayment even in the event of debtor death or disability. This form of security deposit is subject to the legal rules governing pledging, thus guaranteeing that payment is made directly to the pledgee, generally a bank, when it falls due.

Pledging your policy enhances your credit-worthiness.

Taking out a loan against your policy.

An existing endowment policy under pillar 3b can help you to cope if you come up against a financial bottleneck. Using your original policy as collateral, Allianz Suisse can grant you a policy loan on **favourable terms**.

Attractive interest rates compared to those on personal loans.

The particular advantage for the borrower lies in the fact that they still retain their full **insurance cover**. Surviving dependants will retain their entitlement to a lump sum death benefit, minus the amount of the loan.

Disability benefits are not curtailed.

Get some advice now and give yourself the security of being able to count on Allianz Suisse services when the time comes.

Allianz Suisse

Tel. +41 58 358 71 11

Fax +41 58 358 40 42

contact@allianz-suisse.ch

www.allianz-suisse.ch

