



T h e S w i s s G u a r d S o l u t i o n TM

Questions and Answers about Swiss Annuities

What is a Swiss annuity?

A Swiss annuity is similar to a term deposit or CD with a fixed guaranteed interest rate for the length of the term. The term may be any number of years usually up to age 85. At any time the plan may be surrendered for cash, redeemed, or converted to an income annuity. The plan also provides profit-sharing dividends.

Is it legal to acquire a Swiss annuity and send money abroad?

There is no law that prevents a U.S. citizen from acquiring a Swiss annuity issued under Swiss law in Switzerland.

How does the plan work?

Your investment money is placed with one of Switzerland's premier insurance companies for a given term (referred to as the accumulation period). Your principal earns interest and dividends until you redeem your plan in a lump sum or start drawing an income as an annuity. After income payments have begun, the unpaid balance of your capital still collects interest and dividend earnings, which are paid out with your life income.

When does my investment mature?

You determine the duration of your contract at the time of purchase, but you are free to change it at any time during the contract term. That is, you may extend or shorten your chosen term (effective on the next anniversary date of your certificate) or withdraw the cash value of your investment at any time.

What happens at the end of the accumulation period?

If you choose to extend the accumulation period you should do this at the latest two months prior to expiration. Otherwise you have two options at the end of the accumulation period: you may receive a lump sum payment of the full certificate value including all accumulated interest or choose to receive an income for either a specified period or for as long as you live.

How are annuity payments scheduled?

Annuity payments are available quarterly, semi-annually and annually. You can choose how you want the annuities paid out, e.g., by check to your home address, or directly to a bank account anywhere in the world.

Once I choose to receive an annuity income is there any charge for having my annuity payments transferred abroad?

Any standard banking expenses (e.g., transfer costs or costs for issuing a check) will be debited from your account.

What are the up-front fees, charges, or redemption fees?

There are no up-front fees. All of your invested capital will immediately go to work for you and begin to accumulate earnings. Also, there are no redemption fees when you cash in your Swiss annuity, after the first year.

Is there a minimum investment required?

To make a Swiss Annuity investment you will need at least \$20,000, or the equivalent, in another currency, to start, depending on the insurance company.

How much can I invest in a Swiss annuity?

There is no upper limit.

Can I increase my investment at a later date?

Certainly, for most programs you may increase your investment whenever you wish. After sending additional funds to the insurance company, they will automatically issue a supplementary addendum or new annuity certificate. Technically, this means you purchase a new certificate in the currency of your existing certificate or, if you so choose, in another currency.

How liquid is my investment?

It is 100% liquid after the first year. You can then withdraw any or all of your money including interest and dividends. If you need to redeem your certificate within the first 12 months, you will be charged a handling fee of 500 Swiss francs and you forfeit any first-year interest and dividend earnings.

What is the procedure I have to follow if I want to surrender my Swiss annuity certificate?

To surrender your certificate you must return the original policy along with a letter containing your payment instruction letter to SwissGuard. We will then send you a cash-value statement of your policy. Sign and return this statement to SwissGuard. The insurance company will proceed to make the payment as per your instructions. You may either request a check or a bank transfer to a designated bank account. (Generally, bank transfers will contain lower banking charges than a check does.)

How long does this procedure take?

The entire procedure takes approximately two to three weeks depending on the insurance company you have your policy with.



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Can I borrow against my annuity?

You may borrow up to 80% or 90% of your account value at any time. There are some tax consequences, and they should be considered when borrowing against your annuity. Loans can only be granted during the accumulation period and must be repaid prior to the redemption period. Procedure to apply for a loan: Mail us your loan request and your original certificate. Please use registered mail to do this. You will then receive a loan agreement that must be signed by you and returned. Included with the loan agreement you must provide the payment instructions. Upon receipt of these documents by the insurance company your loan will be processed.

Please note that interest and profit sharing dividends will continue to accrue and are added to your account. Regular prevailing lending rates are applied to your loan. Considering that your benefits continue to accrue, you should have a very reasonable loan.

Can I make changes to my certificate at a later date?

Of course. You can make changes to your certificate relating to, for example, currency denominations, beneficiary clauses, and payment instructions. The only exceptions are the person insured and, of course, an irrevocable beneficiary. These may not be changed at any time. No special forms are required, simply send your instructions in writing.

What if I am the owner of the certificate but not the person insured?

The ownership of the certificate goes to your legal or designated heirs according to your last will and testament.

Can a legal entity be the owner of the certificate?

Any legal entity such as a trust, corporation, pension plan, foundation or establishment can be owner as well as beneficiary of the annuity certificate.

Does my choice of owner affect the value of my investment?

No. Whether the owner of the certificate is a person or legal entity (pension plan, trust, corporation, etc.), the certificate value remains the same.

In the application for an annuity certificate, what does it mean to be the beneficial owner?

As both owner and beneficial owner, you are not acting on behalf of another person to invest his or her funds. In case you are doing so, by law insurance companies and banks are required to ask you who the beneficial owner is.

Does my choice of the person insured affect the value of my investment?

It depends. The investment's value remains virtually identical during the accumulation period. If you choose to annuitize, however, the annual income that is then paid for life will obviously vary according to the age of the person insured (because of different life expectancies).

Can I have the life income payments from my annuity certificate paid into a bank account outside my home country?

Yes, you can. Simply send your instructions in writing to the insurance company.

Can I change the beneficiary clause?

The beneficiary clause can be revoked or changed at any time as long as the beneficiary clause has not been designated as irrevocable. The clause cannot be designated as irrevocable if the beneficiary is a trust or some other legal entity. (The beneficiary must be a person if designated as irrevocable.)

What happens upon my death?

If, as in most cases, you are both the person insured and the owner of the certificate, the certificate value goes in a lump sum to the beneficiary(ies) you have named. Your beneficiaries are required to mail to SwissGuard a certified copy of the death certificate, the policy certificate, a copy of their ID and payment instructions.

What happens if I die before recovering my investment?

If you are the insured person, the surrender value of the contract is paid immediately to your designated beneficiary. If you have named someone else as the insured, Swiss law limits the period of tax deferral after your death and requires us to pay the surrender value to the designated beneficiary, in a lump sum, within five years of death (it can be paid sooner, if the beneficiary desires). However, if annuity payments have already begun when you die, these payments may continue at the same rate.

What about the owner and the insured person. Can they be changed, too?

While it would be possible to cede the ownership to another party, you cannot change the insured person. You would have to cancel the policy and take out a new one with the new insured person.



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What about Swiss taxes?

Your earnings are never taxed in Switzerland. They accumulate tax-free and, at maturity, are not subject to any Swiss tax. (Interest earned in a Swiss bank account is subject to a 35% withholding tax). As a non-resident of Switzerland, you are not liable for any Swiss tax. There is no tax reporting and all transactions are held in strict confidence.

What about "Exchange Controls"?

Although exchange controls have existed in various countries and may reoccur one day for people who hold overseas bank accounts, these have never been applied to foreign annuities. It seems unlikely that a country would force repatriation of insurance products in the future.

In which currencies is a Swiss annuity offered?

Recognizing the international investor's interest in broad currency diversification, a Swiss annuity is offered in Swiss francs, Euros and US dollars.

What currency should I choose?

Obviously it makes sense to choose a currency that provides consistently good growth in comparison to other currencies. The Swiss franc has been stronger than any other currency in the world for most of the past 30 years. Note: There is no guarantee, of course, that the Swiss franc will continue to grow in value against the dollar. Americans who want to invest in Swiss annuities without taking the currency risk can make and keep their investment in U.S. dollars.

Can I switch between currencies?

With a Swiss annuity's currency convertible feature, you always have the option to switch currencies whenever you desire. Although a Swiss annuity is not designed as a short-term currency-trading instrument, it does allow you to hedge your currency or further diversify currency positions.

Is there any charge for switching currencies?

Yes, a handling fee of 300 Swiss francs will be charged per switch and per certificate.

Can I invest in more than one currency simultaneously?

Yes. You would then receive a separate certificate for each currency investment. For a 50/50 Swiss franc and U.S. dollar investment, for example, you receive two certificates, one in Swiss francs, and another with the equivalent in dollars. (Minimum investment per currency: \$20,000 or equivalent.)

Should I not just choose the currency that offers the highest interest rates?

Not necessarily. In the long run, the development of exchange rates could be a more decisive factor than interest rates. Such factors as inflation rates, savings rates, fiscal balances, current account balances and economic growth greatly affect the value of a currency in the long run. A Swiss franc investment with a return of, say, 3%, could turn out to be substantially better than a US\$ at 4%.

When converting from my home currency or switching between currencies, how is the exchange rate set?

Foreign exchange rates published in newspapers are on "round lots" of US\$ 5 million traded among banks. These inter-bank rates are only "indicators" of what an individual investor might expect. Your deposits are always converted to the selected currency according to the prevailing exchange rate at the Swiss bank handling your payment.

Can I have my own bank convert my home currency into the investment currency(ies)?

Yes, your home bank can convert your home currency and make a Swiss franc or other currency transfer to Switzerland. However, experience has shown that this method is more costly (because of fees and less attractive exchange rates) than if you send your home currency funds directly to the insurance company and have them execute the currency exchange for you.

How private is my investment?

Swiss law forbids the disclosure of assets held by an individual in a Swiss bank or insurance company to any person or government authorities. Please note: We do not create or distribute mailing lists, and be assured that all information you send is held in strict confidence.

How do I purchase a Swiss annuity?

You can purchase a Swiss annuity by simply completing an application form and sending it to SwissGuard along with some photo I.D., such as a photocopy of your driver's license, and a bank draft, wire transfer or even a personal check for the amount desired, payable to the insurance company. The remittance may be in U.S. dollars, or any other currency, as the Swiss can convert them to Swiss francs. (Note: Complete Instructions are included with the application form). Due to new anti-money laundering measures, some companies will require a copy of your passport to be notarized by a notary public and submitted along with your application.



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Is a Swiss annuity judgment-proof?

According to Swiss law, insurance policies, including Swiss annuities, when properly structured, cannot be attached or seized, and cannot be included in any bankruptcy proceedings. This applies even if a judgment or court order specifically orders the seizure of your annuity or its inclusion in the estate in bankruptcy settlement. This advantage would be of particular interest to professionals, or anyone, who is exposed to possible lawsuits, malpractice cases, nervous creditors, vengeful ex-spouses etc.

Is an independent, general rating of Swiss insurance companies available?

No. The well-known rating companies do not analyze Swiss insurance companies. In any case, only five insurance companies have special policies for international investors, and all of these are either old established blue-chip companies or are owned by one. All of the Swiss insurance companies (about 23 of them), would be rated "AAA" by U.S. standards.. By comparison, only a few of all the U.S. companies, (over 2,000 of them), would be rated "AAA".

How can I be sure my investment is safe?

In the more than 150-year history of the Swiss insurance industry, there has never been a single failure of a Swiss insurance company. Policyholders in Switzerland enjoy a level of security and protection greater than in any other country.

Are Swiss insurance companies regulated?

Yes. The lack of ratings is more than compensated by the industry's long history of financial stability, the result of stringent insurance laws and rigorous supervision of the policies and activities of insurance companies by the Federal Office of Private Insurance. Federal regulators require that life companies fully cover their obligations with secure investments, adequate reserves, and sufficient cash flow.

What role does SwissGuard play in my investment in a Swiss annuity?

SwissGuard serves as your Swiss representative and insurance advisor. We are not involved as a contractual partner. We service your policy, and you can therefore contact us for any questions you may have or changes you wish to make to your existing policy.

If Swiss annuities are so good, why don't more Americans own them?

Why have Americans only recently caught on to the many unique benefits offered by Swiss annuities? A major reason is that information on Swiss annuities has been largely

unavailable to the American public. Each state has their own set of insurance laws and regulations. An "unregistered" insurance company is not allowed to advertise or sell policies in the United States. Some Swiss companies, the biggest and strongest in the world, have voluntarily decided not to register their life and annuity businesses in the U.S.. Therefore, since they cannot advertise here, there has been a lack of information about Swiss annuities. Why have some Swiss insurance companies decided not to register? Simply, because if they did, the U.S. rules would totally govern its business. Consequently, U.S. law, not Swiss law, would govern each and every contract. That means that you would lose the privacy, and perhaps the lawsuit protection etc. that you enjoy under Swiss laws. It is legal for you to contact a Swiss insurance company and to purchase an annuity, but it is illegal for an unregistered Swiss company to advertise in the U.S.

Is it possible to transfer IRA funds into a Swiss annuity?

Yes, under certain conditions, a Swiss annuity can be held within an IRA. Also, it may be possible that funds may be transferred from a qualified corporate plan, a Keogh plan, a 401(k), a 403(b) tax deferred retirement plan, a deceased spouse's IRA, or another IRA maintained by you. If you wish to put a Swiss annuity in a U.S. pension plan, the only thing required is a U.S. trustee - a bank or similar institution - and that the annuity contract be held in the U.S. by that trustee. For a minimal administration fee many banks offer "self-directed" pension plans, which can easily be used for this purpose.

Are Swiss annuities subject to expensive and delayed Probates?

Swiss annuities are not subjected to Probate when properly and easily arranged naming beneficiaries in the preferred class.

What should I do if I lose my Swiss annuity certificate?

If the policy becomes lost, misplaced or stolen, notify SwissGuard immediately in writing. The insurance company will then issue a "Declaration of Loss", which requires your signature. This declaration replaces your original policy.

When do I receive my account statements?

You will receive a full account statement at the beginning of each year.