

SWISS INVESTING SECRETS

By SWISSGUARD INTERNATIONAL, GmbH

*The Low Risk—High Return Strategy
That Protects Your Assets
While Preserving Your Privacy!*



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international

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- For U.S. citizens: Please note that some Swiss investment opportunities are not available in some U.S. states. Please consult your advisor for details.

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by

SwissGuard International

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CHAPTER 1

INTRODUCTION

Few Americans know about the best annuities in the world – the Swiss Annuity. While thousands of Americans have been guarding their wealth and protecting their privacy with Swiss annuities for years, these powerful financial tools are still unknown to most investors. That is about to change. Americans who appreciate sensible investing with safety and privacy want to learn about Swiss annuities and how they can buy them.

Swiss annuities are a rare combination of low risk with guaranteed returns and a high potential for profit due to the historical strength of the Swiss franc against the dollar. In fact, we believe that Swiss annuities are perhaps the most rock-solid investment opportunity currently available. And it is perfectly legal for Americans to buy and own Swiss annuities. Many wealthy and sophisticated Americans have been purchasing them for years – yet people with as little as \$20,000 to invest may find that Swiss annuities offer a straightforward and lasting solution to their financial problems.

The Swiss Annuity is backed by one of the strongest currencies in the world, have commissions that are much lower than those for American annuities and are much more liquid. With Swiss annuities, investors are not tying up their money for long periods. For all these reasons and more, **many financial planners consider Swiss annuities “the best annuities in the world”**.

After extensively researching every major type of investment asset in the world, we have come to the conclusion that the Swiss Annuity is one of the safest and most powerful tools for dependable asset growth and financial protection available today.

The purpose of this book is to introduce Americans to Swiss Investing – particularly Swiss Annuities, and to help you understand all the benefits of Swiss annuities and what they can do for you. Owning a Swiss franc annuity can secure your wealth and your retirement!

Chapter Two explores Switzerland's government and its people, and why they take their reputation as the international bank of the world seriously. Switzerland's status as a financial superpower is the result of precise and efficient service, scrupulous honesty, and superior money management skills. The Swiss have a saying: if there were not a country like Switzerland, one would have to be created.

Chapter Three will give you a taste of the most popular investment opportunities in Switzerland. When compared to the investment opportunities offered by other nations, Switzerland clearly becomes a smart choice.

Chapter Four discusses the Swiss insurance industry and why it is among the safest and most respected in the world. Indeed, Switzerland is known as the insurance capital of the world. You'll see exactly why the American annuity industry has such a dubious reputation when compared to the simple, honest Swiss Annuity.

In **Chapter Five** you'll learn how you can safeguard your wealth with the Swiss Annuity and why it can be a superconservative investment combined with attractive returns when compared to similar investments. You'll learn how to protect yourself from today's plague of lawsuits and liability disputes that have destroyed many professionals and businessmen. When you invest in a Swiss Annuity, your investment is governed by some of the most consumer oriented laws of Asset Protection in the world.

We'll explore the foundation of Swiss secrecy laws and why the Swiss consider the right to privacy as important as Americans consider the Bill of Rights. We'll show you why the Swiss Franc is considered the world's strongest currency and why this trend is expected to continue into the future.

You'll learn how Swiss annuities are much more liquid than American annuities. With Swiss annuities, you are not tying up your money for long periods. Finally, we will discuss the superior tax advantages you can enjoy with a Swiss Annuity!

Chapter Six will give you some nuts-and-bolts strategies on how to get started with Swiss annuities and how to incorporate a Swiss Annuity into your investment portfolio, as well as how much to put into one. You will learn how to contact a Swiss Insurance Broker and how to obtain a personalized quotation to own the kind of annuity you would like to own.

Who Buys Swiss Annuities?

- Investors who are unhappy with the returns on their annuities, CDs, term deposits, savings bonds, etc., after taxes and inflation.
- Investors who want to diversify their investments globally.
- Successful entrepreneurs with large bank loans and sensitive creditors.
- Investors who believe that the U.S. Dollar will continue to depreciate against the Swiss franc.
- Anyone with capital they want to protect and preserve.
- Mature seniors concerned about loss of purchasing power of their retirement income.
- Investors who are concerned about privacy and are seeking a safe haven for their wealth.
- Anyone who is looking for a simple, cost-free way to invest offshore.
- Wealthy individuals who may be a target for frivolous lawsuits.
- Any professional who could be subject to liability or malpractice lawsuits.
- Investors who are concerned about the present turbulent and volatile markets.



CHAPTER 2

SWITZERLAND – A LAND OF INVESTMENT OPPORTUNITY



Switzerland has long been, and continues to be, an excellent choice for investment. For decades it has attracted the money of people who have desired a safe and private haven for their money. Since the early 1800s, Swiss bankers and financial managers have been discreet and confidential in their dealings with investors.

Although Switzerland is a small country, about half the size of the state of Maine, Swiss financial institutions control more than \$3 trillion in assets. Switzerland is the third-largest financial center in the world. Clearly, the Swiss provide investors with the investment options and service the investor's desire.

In the opinions of many financial managers, Switzerland offers investors the most secure repository for money. Along with the stability of its currency, Switzerland also offers political stability. For nearly 500 years, the Swiss have maintained a policy of neutrality, and they have not been involved in war since 1815.

The Swiss take their reputation as a money center seriously. Never has the country imposed exchange controls on capital, nor has the government ever prevented anyone who has invested capital in Switzerland from taking it out again. The Swiss consider the right to financial privacy as important as the Americans consider the Bill of Rights to guarantee political freedoms. The right to financial privacy is protected by Swiss law.

Discretion and secrecy are the foundation of Swiss financial institutions. In 1934, the Swiss enacted the Swiss Banking Law. It was originally aimed at Nazi agents, and attempted to prevent them from bribing Swiss bank employees for names of account holders. The law provided fines and prison sentences for any bank employees convicted of divulging information on bank customers. The law also prescribed that the bank employees must never give out any information regarding their banks' customers, even after they retired or left the employment of the bank.

This Swiss Banking Law remains on the books today. Instead of preventing Nazi agents from bribing employees, however, it protects bank customers from attempts by foreign governments, agencies, or individuals to obtain personal information about bank accounts and investments. If the holder of the account prefers complete privacy, he is given that by the Swiss. The Swiss won't even confirm that an account exists in a person's name, unless they are convinced that the account holder has committed a criminal offense under Swiss law. That the supposed crime must have been made under Swiss law is crucial, because many offenses, such as tax evasion in the U.S., are not recognized as criminal offenses in Switzerland. Thus, financial security is assured.

All of the above reasons make Switzerland an attractive country for investment; but there are even more reasons why you should consider Switzerland as an investment opportunity. Swiss financial institutions have english-speaking staffs and offer competitive rates. The insurance industry is as conservative and solid as the banking industry, providing another very attractive market for investment. Many Swiss banks offer excellent liquidity, and provide superior flexibility by offering any of the world's stocks, bonds, CDs, mutual funds, precious metals, or currencies at any time.

Switzerland is, clearly, an ideal choice for the investor who wishes to diversify by investing abroad. It has a strong financial base, laws designed to protect investors, and the expertise to allow investors access to various markets and opportunities. But there are still other reasons why Switzerland is a major financial center.

Switzerland's Government and People

Switzerland became a state a little more than 700 years ago. Although the actual events are shrouded in history, legend, which is likely based on fact, tells how three tribal chieftains met on a meadow called the Rutli at the foot of the St. Gotthard Pass. The pass was a direct route from the Upper Rhine to Venice, which controlled the silk routes to the East.

The three chieftains controlled areas that later became the cantons of Schwyz, Uri, and Unterwalden. They met because of a crisis caused by the death of the Habsburg ruler Rudolf I. The chieftains were worried that whoever became the new king would not be as understanding of the chieftains' needs as Rudolf was. The three chieftains agreed to form an alliance, and signed a treaty for mutual protection. This is generally regarded as the beginning of the Swiss Confederation.

In time the influence and strength of the Confederation grew. Lucerne was invited to join the original three cantons twenty years later. Further additions were made either through persuasion or conquest. Expansion was finally stopped by the French, when they defeated the Swiss at Marignano in Lombardy in 1515.

Because of its rugged terrain, the military prowess of its people, and the fact that the country had few natural resources, Switzerland was left alone by the rest of Europe. The Swiss, however, remained in contact with other nations on the continent by hiring themselves out as mercenaries. The Vatican still retains Swiss Guards.

Despite it being a small country, Switzerland is best described as being a loose confederation that is tied together today by mutual interests, just like the three chieftains banded together 700 years ago. The country today is highly advanced and industrialized. Its major cities, including Bern, the capital, Zurich, and Geneva, are noted for their culture as well as commerce and finance.

The country is a unique blend of diversity. If you were to only consider the diversified population of Switzerland, without taking into account the various other factors that combine to make the country a solid financial center, you would not believe that the country is one of the most stable in the entire world. Switzerland has roughly 6.6 million people, which make up an incredibly heterogeneous population.

Approximately 65% of the people speak Swiss-German dialects, many of which are not understood by other Germans. About 18% of the people speak French, 10% speak Italian, and 1% speak Romansch, a language descended from Latin. Fortunately, the Swiss learn to write in normal German. Many Swiss also speak English, which is true particularly of people who work in financial institutions.

The people are also diverse in religion. Although the country was mostly Protestant in the past, today various Protestant sects, Catholicism, and Judaism are represented.

Given these diversities, many might expect Switzerland to be a land torn apart by its differences. But in fact, Switzerland is very stable. The reason for this is not hard to find: The Swiss elevate the rights of the individual above virtually all else. The democratic system is based on this principle and is characterized by extreme decentralization of power.

The legislature, called the Federal Assemblies, is composed of a popularly-elected National Assembly, which is also known as the lower house, and an Assembly of States, which is much like the Senate of the United States and has one or two members representing each canton. (Present-day cantons are much like states in the U.S.) Members of the Federal Assemblies meet four times a year for 2 to 3 week sessions. They elect a Federal Council, consisting of seven members, which acts as the national executive branch. The Council then elects one of its members to serve a one-year term as president.

The Swiss put great stock in the people's right to referendum. Any bill enacted into law by the Federal Assemblies is subject to a general referendum by the country's electorate should opposition to the law be able to gather a minimum of 50,000 signatures in a petition. In the referendum, if more than 50% of the votes cast oppose the law, it is rescinded. This is a marvelous way of making sure that the power of governing resides with the people.

Knowing the power of the referendum, politicians are reluctant to pass laws that are unpopular with the general public. They take great effort to know what the people want and govern accordingly.

All of the major political parties are represented in the Federal Council, which also represents Switzerland's cultural, religious, and linguistic diversity. Imbued throughout the political system, and interwoven throughout the fabric of life, is a belief in working toward consensus rather than confrontation.

Political power is shared by the federal government and cantons. Like in the U.S., power that is not delegated to the federal government resides with the cantons. Since most of the citizens of Switzerland identify more strongly in terms of politics and culture with their cantons, the cantons, historically, have enjoyed a good measure of independence within the federal framework. Much of Swiss political power in fact is wielded by the 26 cantons, which are autonomous and possess far more power than states in the U.S. do.

A third level of Swiss government is the commune. These might range from small villages with only 50 electors to good-sized towns. You might think of communes as constituting a local order of government. Communes decide issues of local importance, such as the construction of a new road, water system, or bridge. The decisions are based on popular vote.

Because of their special brand of democracy, where power resides mostly in cantons and communes, and federal authority is largely limited by popular referendum, the Swiss are able to play an active role in their government. Over the years they have evolved as a people who are moderate in temperament and conservative in their traditions. This is especially true regarding economic and financial concerns.

Switzerland and the European Union

In December of 1992, Switzerland's electorate voted against joining the European Union. This was in opposition to the advice of Swiss political leaders, who were afraid that refusing membership would lead to decreased economic growth.

Some observers (who don't understand the Swiss) were surprised by the vote. After all, Switzerland is the richest country in Europe – in some ways the richest in the world – it is in the middle of one of the world's largest trading zones, and the Swiss opted not to forge stronger economic ties with nearby countries.

At first glance, one might be inclined to say that the Swiss made a serious mistake. Swiss companies depend on exports, and by declining stronger ties with the rest of Europe they will likely find it harder to send products across their borders. To remain competitive, they might have to expand the operations of subsidiaries within other European countries. They might also lose out on some investments that might now go elsewhere.

Some people worry that the stock market will also react on the downside. The combination of higher trade costs and a smaller rise in the growth of the gross domestic product might minimize any advantages from non-membership such as lower interest rates and the freedom from European Union policies.

Goldman Sachs, a major investment firm, quickly published a report about how the negative vote would hurt the Swiss economy over the long term. The report noted that some investments would be diverted from Switzerland, the economy would slip, which in turn would result in skilled labor moving out of the country. The combined effect would potentially decrease annual growth by 0.6 percent over ten years. That would be a significant amount.

All that, of course, is the conventional view. But the conventional view is often wrong, and it appears to be incorrect here, too. It is quite possible, even likely, that remaining free of the European Union will propel Switzerland's economy to even faster growth.

There are several sound reasons for this unconventional view. Switzerland is strong structurally. Many of its leading industries – financial services, pharmaceuticals, food, and tourism – look like major growth industries over the next twenty years. Moreover, the rest of the industrialized world, on the whole, is not strong in these areas. Most of the other industrialized nations are strong in industries in which Switzerland is weak, for example, electronic consumer goods, computers, automobiles, and aircraft. Another important factor to consider is that it is these industries that are likely to be threatened by increased competition from the Pacific Rim. Unlike the members of the European Union, Switzerland's major industries, except for machine tools which might suffer from stiffening competition, seem to be protected from much international competition.

There are, of course, areas where remaining outside the European Union will be an advantage. One of the great benefits of investing in a Swiss bank is the privacy and safety they provide. It is likely that entering into the European Union would compromise, at least somewhat, those benefits. Right after the vote declining membership in the European Union, a significant amount of foreign money began flowing into Swiss securities. Swiss accounts obviously were viewed by many as being far safer than other European accounts.

It is quite likely, based on these factors, that staying out of the European Union is the right thing to do for the majority of Swiss industries. Some industries, such as financial services, will surely do better. The overall effect of remaining outside will probably result in the Swiss becoming even more specialized, focusing their energies even more on their traditional strengths. Given the strong, steady growth of Switzerland's economy in the past, it is probable that trend will continue in the future.

Switzerland's Industries

Being a small country, Switzerland depends on importing raw materials to support its industries. Because its own people form a small domestic market, the Swiss must compete in global markets. To do so, they know they must manufacture high quality products and offer superior services. The exceptional quality of Swiss financial services has already been documented. Industrially, Switzerland has become a leader in the development of high-tech precision instruments, pharmaceuticals, and chemicals. Metal, machinery, and watch-making, closely followed by pharmaceuticals, are Switzerland's leading exports.

Most of Switzerland's trade centers around Europe. Roughly 60% of its trade is with its European neighbors. Trade with North America is greater than Swiss exports to Britain and France combined, which demonstrates the strong ties Switzerland has economically with North America, particularly the United States. A little less than 15% of its exports go to undeveloped countries.

Switzerland, in most years, runs a trade deficit. Because it is a small country lacking significant raw materials, the Swiss must import what they can't make themselves. Many products that could be produced domestically, but at a higher cost, are also imported. Although the Swiss may run an annual trade deficit, the deficit is balanced out by other surpluses. The tourist industry, and earnings on Swiss capital invested in other countries, eliminates the gap.

Since they must import much of their raw materials, Swiss industrial managers realize that they must operate their companies efficiently and intelligently. Labor and management work together in partnership for the betterment of all.

Strikes seldom occur in Switzerland, where companies routinely disclose financial details of their operations to workers. This arrangement, which is found in virtually all Swiss companies, came about after workers of the metal industry renounced the strike as a bargaining tool in 1973. The workers in other industries followed. Management, to reciprocate, agreed to keep their workers informed about changes that affect their jobs and industry. Management and labor have thus enjoyed particularly fruitful relations, with the benefits going to the Swiss people.

Political Stability and Neutrality

Along with its financial stability, Switzerland also enjoys remarkable political stability. Hand in hand with political stability is Switzerland's determination to remain neutral in international conflicts. Because of its policy of strict neutrality, Switzerland has become a refuge for capital from all corners of the world.

Switzerland's political stability and neutrality have combined to create an impressive economic neutrality. The country treats its investors, foreign or domestic, with the utmost respect. Switzerland has never sought to prevent anyone from taking their investments out of the country.

Switzerland is also stable economically. Compared to the ballooning U.S. budget deficit, the Swiss have had a budget surplus every fiscal year since 1986. The country has the highest per capita income of any industrial nation. Well aware that only by ensuring and rewarding individual achievement and prosperity can they ensure national prosperity, the Swiss government takes strides to allow people's efforts to be rewarded. The government understands well the need to defend the country's prosperity and the Swiss way of life.

Accordingly, the Swiss believe in an armed neutrality in terms of international relations. Switzerland maintains an army through a universal male military draft. The draft is compulsory for all men between the ages of 20 and 50. Between those ages, men periodically serve in the army. The army is supported entirely with the draft, which means there are no career troops or officers.

The Swiss army is one of the largest in Europe. Nearly 10% of the population, some 625,000 men are in the army at any given time. Switzerland follows only Germany in per capita military spending in Europe.

Despite not having been in a war since the days of Napoleon, the Swiss practice extensive military maneuvers each spring and fall. During the first and second World Wars, the Swiss army was mobilized and guarded Switzerland's borders. To this day, the Swiss have fortifications at all entrances to the Alps and on the important passes crossing the Alps and the Jura mountains. Large-scale destructive capacity is in place to destroy 3,000 bridges and tunnels should an invasion occur.

Switzerland also maintains an impressive Civil Defense structure. All men over the age of 20 who for physical considerations can't serve in the military, and men over 50 who have been discharged, are members of the Civil National Defense Service. Women may join as volunteers. The Civil National Defense Service maintains a system of fallout shelters sufficient for the entire population, ensuring that the shelters have safe air, water, and supplies of food. Moreover, Civil Defense personnel are trained in first aid, should the country suffer war or a natural catastrophe.

The Swiss realize that their country is unique in many respects, and they have taken appropriate measures to protect that uniqueness. Such measures and precautions are welcomed by investors.

The Swiss and Financial Stability

After London and New York, Switzerland is one of the world's three top financial centers with banks holding over \$3 trillion in assets, while funds under management for clients on a fiduciary or trustee basis exceeds that amount many times over. Since World War II, Switzerland has become the undisputed leading financial "haven" for capital in search of protection, managing more than 40% of the world's private wealth held "offshore".

One of the greatest worries to savers and investors alike is the decreasing value of paper currencies. The dollar just doesn't buy today what it did yesterday. If you reflect back to what the dollar bought at the turn of the century – a true measure of the dollar's worth is its purchasing power – you quickly realize just how far the real value of the dollar has eroded.

Here are two independent rating services that lists Switzerland #1 for financial and political safety, taking all conceivable risks into account:

(1) *The Risk Ratings: According to the International Country Risk Guide, Switzerland (91.5 score out of a possible 100) is the safest nation out of 129 surveyed counting political, financial and other risks for investment.*

The United States ranked 10th (score of 83.5), well behind even Luxembourg, Norway, Austria, Germany, the Netherlands, Brunei, Japan and Singapore.

(2) *Institutional Investor* magazine rates the top 10 countries (for investor safety and services, in a recent issue) in the following order:

1. Switzerland	93.2	6. USA	87.2
2. Japan	92.5	7. Great Britain	84.6
3. Germany	90.6	8. Austria	84.3
4. Holland	87.8	9. Canada	83.7
5. France	87.4	10. Belgium	79.9

Why Invest in Switzerland?

Here are some of the political, economic, and investment reasons to consider Switzerland and the Swiss franc for geographical and currency diversification:

1. Switzerland is the international bank of the world.
2. Switzerland is known as the life insurance capital of the world, and it offers the finest policies available.
3. Switzerland's sophisticated banking and insurance industries built on three rock-solid premises: (a) your right to financial safety through the world's strongest currency, (b) a conservative government that practices fiscal restraint, (c) your absolute right to financial privacy.
4. Switzerland is the oldest democracy in the world – now over 700 years old – and certainly won't change its course overnight.
5. Switzerland is a free-enterprise country with minimal government regulation and economic control.
6. When you send your money to Switzerland, it is immediately governed under some of the most consumer-oriented laws of asset protection in the world.
7. When you invest in a Swiss Annuity, you have no stock market or bond market risk to worry about. Instead, you have an ironclad set of guarantees from the best insurance companies in the world.
8. For some, Swiss interest rates seem low, yet viewed historically, the long-term return has run nearly 9 percent when measured in U.S. dollars.

The Swiss Franc

As we have noted, Switzerland is politically stable, has a strong economy, and as you shall see, offers the international investor a sophisticated array of investment opportunities. These and other factors continue to contribute to Switzerland's long-standing reputation as a financial haven.

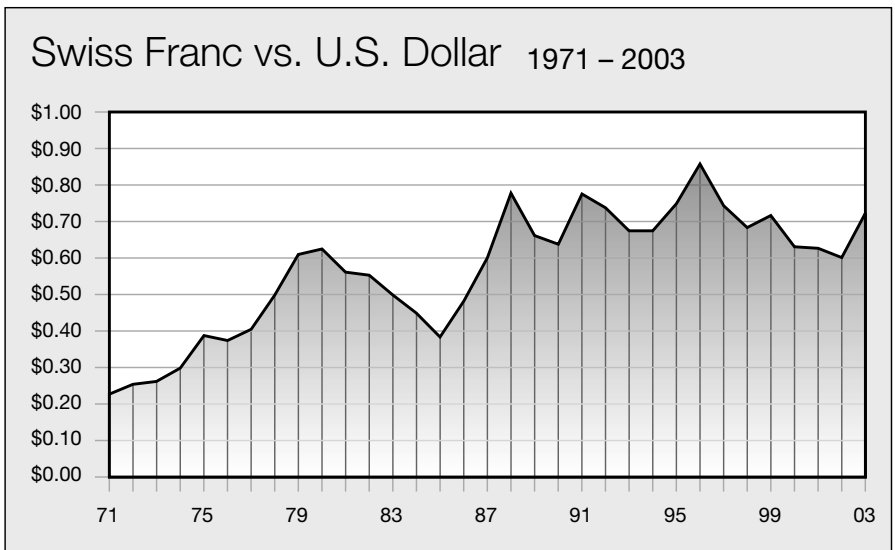
From an investment perspective, the most important key to superior Swiss performance over the years has been the strong Swiss currency. No other currency comes close to the total performance of the Swiss franc. The Swiss franc was worth 23 cents when the United States stopped backing its currency with gold in 1971. As of the beginning of 2004, the Swiss franc was worth 81 cents. In other words, the Swiss franc has appreciated 252 percent against the U.S. dollar during the past thirty-three years. **If an investor had invested his money in a Swiss Annuity earning just 4.5 percent instead of leaving it in U.S. dollars, today he would be ahead by over 400 percent, or an average of nearly 9 percent compounded annual return over the past three decades.**

There are many sound reasons behind the strength of the Swiss franc, and they all come back to superior Swiss-style money management:

1. **Gold Backing.** The Swiss National Bank is mandated under the Swiss Constitution to accumulate reserves, a portion of which may be in gold. Applying current market prices, the Swiss gold reserves significantly exceed currency in circulation. Gold reserves add stability to a nation's economy by minimizing both inflation and deflation, and thus gold will likely continue to play a crucial role in the Swiss central bank's portfolio.
2. **No Exchange Controls.** Switzerland is the only country in the Eastern Hemisphere which has never imposed external exchange controls on the outflow of funds. The knowledge that one's money will never be held hostage make more investors buy that currency, thus bidding up its price.
3. **Political Neutrality.** Switzerland maintains strict neutrality. In times of war and political unrest, this neutrality protects the wealth of all people, of any political affiliation.
4. **Strong Democracy, Weak Central Government.** The Swiss control their government – not the other way around – through the national referendum and initiatives.

5. **Frugal Traditions.** The Swiss enjoy the highest per capita wealth and income in the Western world, with a long-established tradition of financial privacy and fiscal responsibility.
6. **Low Money Growth.** Swiss money supply growth is low and stable, which is the best indicator that the Swiss franc will enjoy low inflation rates over a long-term scenario, maintaining its strong purchasing power in the future.

These fundamental reasons point to a lower dollar and a higher Swiss franc in the years to come.



Swiss francs provide a safe haven from most of the major forms of financial risk in today's world: political risk, tax risk, currency risk and litigation risk. And all this protection begins with the laws and traditions of Switzerland, a centuries-old bastion of democracy.

That's why investors throughout the world have said for more than 200 years that **"Switzerland means safety."**



CHAPTER 3

INVESTMENT OPPORTUNITIES IN SWITZERLAND

When compared to the investment opportunities offered by other nations, Switzerland clearly becomes a smart choice, and the country offers a variety of investment options. The most popular include:

Swiss Bank Accounts

Banking is Switzerland's largest industry. At present, there are over 600 banks of various types operating in the country, including The Big Two, other big banks, cantonal banks, and private banks. Including branches, there are over 5,000 locations where banking can be performed.

Switzerland's private banks play an important and unique role in providing banking services. They are the oldest banks in the country and are unlike any banking institution found in the United States. Most private banks in Switzerland operate in the form of a partnership, and the deposits in private banks are backed by the personal fortunes of the partners.

The comprehensive Bank Act of 1934 provides the legal basis for the so-called "Secrecy Laws" and provides severe criminal penalties for past and present bank employees who violate the laws. The law states that a violation of banking secrecy is punishable by a prison term of up to six months and a fine of CHF 50,000. It is interesting to note that not a single banker in Switzerland has ever been convicted of violating this law!

If normal Swiss bank accounts are not secret enough, the Swiss have allowed an added layer of secrecy with the so-called numbered account. No other element of Swiss banking has given rise to so much folklore. All bank accounts in Switzerland, like everywhere else, are assigned account numbers. By special request, some banks will agree to replace an account name on bank records with a special code number. The number (or a series of letters and digits) is the only way a bank clerk can identify the account.

There is no doubt that customers do enjoy the added confidence that numbered accounts provide. A numbered Swiss account is considered the ultimate secret available to the owners of wealth. Bank accounts are easily opened by mail, but those banks that do offer numbered accounts will most likely require a personal visit by the prospective customer.

In addition, Swiss lawyers are permitted to establish special fiduciary accounts (called Form B accounts) for unnamed clients. Lawyers opening such accounts for their clients must declare that withholding the account holder's identity is absolutely necessary to execute other, legal business for the client. In other words, such accounts may not be opened by lawyers merely to conceal the owner's identity from the bank.

Within the array of services that Swiss banks offer is a broad selection of bank accounts. Some types of accounts are very similar to those customarily offered by American banks; other types are nonexistent in the American banking system, and might be considered unusual or even outrageous to American bankers.

Swiss bank accounts can include Current Accounts, Private Accounts, Savings Accounts, and even Managed Accounts that provide instant access to investment opportunities. Investors use them to buy stocks, bonds, currencies, and precious metals traded anywhere in the world. Their fees are competitive, and they offer expert investment advice.

Swiss Real Estate

Switzerland is a postcard-pretty paradise located at the Top of Europe, and draws tourists from around the world. Because of this, the Swiss have constructed bureaucratic barriers to protect their land from overdevelopment. For this and many other reasons, Swiss real estate is considered the most highly valued in Europe.

It is extremely difficult to obtain permanent residency in Switzerland. As a foreigner, you generally need permission from the government to buy real estate. It's possible but difficult for foreigners to buy land, a free-standing home, or an estate in rural areas; it's almost impossible to obtain such permission to purchase property in cities such as Zurich and Geneva. In recreational regions, condominiums are the only properties readily available.

However, the laws are not nearly as limiting as they may seem, because many areas considered rural are within a few miles of the ever popular ski resorts and spas. And the condominiums are attractive and spacious, many with traditional Swiss architecture, mountain views, and privacy.

Unless you have a Swiss Residency permit, you cannot occupy your Swiss property for more than three months per calendar year. You can, however, arrive at the beginning of the last quarter of one year and depart at the end of the first quarter of the following year. This allows for a six-month stay.

Swiss Gold

Without question gold is the most effective guard of purchasing power. Some investors have been disappointed with the performance of gold in the past several decades, but they are forgetting the primary purpose of gold as an inflation hedge.

Speculators have often lost badly with gold, but that is true of any speculation, and it is not because of some inherent characteristic of gold. This speculation is very different from what most investment advisors say is the proper use of gold in an investment portfolio – as a means of achieving balance, diversification, and inflation insurance.

The Swiss know how to invest in gold the right way. Many Swiss banks offer gold accumulation programs that allow an investor to enjoy all the benefits of investing in gold without the responsibilities and costs of handling and storage.

Buying gold through accumulation programs can provide you with a number of advantages. You can make purchases at any time and benefit from the bank being able to buy at wholesale prices normally available only to large purchasers. Your order can be combined with other orders so that you do not pay an extra fee on small unit amounts or the regular spread charged when buying or selling gold. These savings can be as much as three percent because of the wholesale price and another eight percent by not having to pay small order surcharges.

Naturally, such accounts are treated with the same secrecy as any other Swiss bank account. Each investor's account is held separately by the bank in a fiduciary (trustee) relationship.

Portfolio Bonds

Rather unfamiliar to many investor's is an investment structure called a Portfolio Bond, or Insurance Bond. This investment vehicle combines the best of all worlds – a bank account, a brokerage account and an insurance policy under one asset-protected umbrella. This all-in-one account provides maximum flexibility for an investor's portfolio.

This strategy works much like a trust but does not require the transfer of assets into a trust, and therefore does not require a trustee. For Americans, in addition to asset protection, there is the important benefit of tax deferral when certain conditions are met.

With a Portfolio Bond, you place your assets with a Swiss bank of your choosing. You may use multiple banks to optimize your investment return. This feature is unique in comparison to similar investment programs that are available on the market.

Ownership of the assets is transferred to an insurance company, which in turn underwrites a policy in your name based on the transferred assets. The insurance company may grant you or your investment advisor a power of attorney to make investment decisions concerning the policy. Thus the insurance “wrapper” covers these assets and alters the legal nature and treatment of the investments. Significant gains can be realized from this depending on the legislation of the country in which you are a resident, including asset protection, privacy, convenience of holding all the assets in one portfolio, easy access to your capital, and extensive investment freedom.



CHAPTER 4

SWISS INSURANCE INDUSTRY

Too few people realize that relatively unglamorous Switzerland is actually the most important insurance center in the world. For example, Swiss life insurance companies are amongst the safest in the world. In the past 150 years, not a single insurance company has failed; this is a record that even Swiss banks envy. **Not one single company has ever failed to fulfill its obligations to its clients.** This perfect record is due to the strict code of practice with which the companies have to comply and a very prudent investment policy.

The Swiss government has extensively regulated all Swiss insurance companies since 1885. The Swiss federal constitution forbids Swiss life insurance companies from making the kinds of risky or speculative investments that have landed U.S. life insurance companies into so much trouble. The bulk of funds is invested in blue chip bonds and preferred stocks, first mortgages and Swiss real estate.

In addition, each insurance company creates and maintains a guarantee fund following the strict regulations of the Swiss Federal Act on the Guarantee of Life Insurance Policies. According to this law, a separate reserve must be set aside by each company in order to cover all policy liabilities owed to shareholders. In other words, if everyone who held a policy with a Swiss insurance company wanted to or were eligible to collect all their policy benefits today, that company could use its guarantee fund to pay off each and every policyholder in full! It is this special feature of Swiss life insurance companies that make them safer and more conservative than even the biggest and safest Swiss banks. U.S. insurance companies have neither the stringent reserve requirements nor the legal responsibility to keep their policyholders' money from being commingled with other assets. In fact, assets from certain types of insurance policies, including fixed annuities, are considered part of a U.S. insurance companies "general account." As such, they are not segregated into a separate account for the protection of the policyholders.

The insurance industry in Switzerland benefits from both unique tax advantages and knowledgeable and conservative management. The combination leads to solid and surprisingly productive investment opportunities. Some people equate a conservative approach to investments with low or marginal returns, but this is not the case with Swiss insurance companies. The returns from these companies are quite high, because the companies seldom have to deduct losses on bad investments which decrease the yield. Without losses in their investment portfolios, it is possible to maintain a conservative approach to investment with high returns.

Switzerland has only about 20 insurance companies. All of them are very solid and well managed. Swiss insurance companies do not engage in rate competition, and instead focus their energies on maintaining their strength. Because the insurance industry is somewhat concentrated, it is, on the whole, stronger, and easier to supervise than the insurance industry in the United States where there are thousands of companies to regulate, all on a state-by-state basis.

The Swiss Federal Office of Private Insurance regulates the insurance industry in Switzerland. It has a reputation of being a strict regulator. A clause in the Swiss federal constitution in 1885 established the regulation of private insurance companies.

Because the Swiss government regulates the insurance industry tightly – as it does with all of the finance industry – investments in any of the products offered by Swiss insurance companies carry an extremely low risk. Indeed, the risk level has been described by some as being no risk at all. For example, liquidity and valuation of investments are ultra-conservative. A maximum of 30% of investible funds may be put in real estate. This is a very low percentage, especially considering that on average, Swiss real estate is the most highly valued in Europe. Consequently, exposure to any downturn in real estate prices is limited.

During the eighties and into the early nineties, undoubtedly many American banks and insurance companies have been sorry they did not follow a real estate investment policy like their Swiss counterparts. And if the banks and insurance companies aren't wishing it, certainly their policyholders are, because when the value of real estate dropped virtually throughout America, the values of many investments dropped accordingly. Some portfolios that were over-extended in real estate were ruined.

The Swiss insurance companies go a step further in the effort of protecting their investors. Often they carry their real estate holdings at less than half of the holdings' present market value. This wide margin allows for a significant downward spiral in prices and value in real estate before the safety of investments is affected.

The Swiss also handle their accounting in a conservative manner. Unlike many American companies that tend to overvalue assets in order to achieve high prices in the stock market, Swiss insurance companies frequently have hidden reserves of millions of dollars. **This means a major depression or deflation could strike all the world markets and the Swiss insurance firms would have room to lose up to half the book value of their assets and still be solvent and able to meet all their financial obligations.**

Swiss insurance companies offer a variety of investment opportunities. Many offer more products than do Swiss banks. In fact, the Swiss themselves use their bank account and insurance company interchangeably. Perhaps one of the best products offered by Swiss insurance companies is the annuity.

A Primer on Annuities

Although most investors have heard of annuities, many do not realize the excellent opportunities for steady growth that annuities, particularly Swiss annuities, offer. An annuity is an investment vehicle that enables the investor to set money aside for retirement, or other objectives in a tax-advantaged plan. One of the most important benefits of annuities is that they may permit the investor to defer taxes on his or her savings, thereby building assets faster than can be done in other investments. While annuities can be used to put money aside for various purposes, most often they are associated with retirement accounts. This is not a coincidence. Several features of annuities make them especially attractive for a retirement plan, including:

Annuities provide excellent security for the investor's family. If the annuity owner dies before the earnings of the annuity are distributed, his or her beneficiaries can receive the full value of the annuity. In most instances, by naming a beneficiary the annuity may be able to bypass probate and avoid the resultant costs.

Investing in annuities is easy. Record keeping is little more than monitoring the statements you can periodically receive. Annuities may not be the most exciting investments, but they are one of the financial industry's fastest growing products. Although annuities have been available since the early 1970s, the last few years have witnessed an explosion in the growth of annuity sales.

In the U.S. for instance, sales of domestic annuities are approximately \$185 billion per year. As the American population ages, they are realizing that it is necessary to plan for retirement. One of the best investment alternatives available for retirement is the annuity. Many people perceive annuities as an investment that can help them to remain self-sufficient throughout their retirement years.

Sometimes people confuse an annuity with a mutual fund. There is an important difference. An annuity can offer investment growth similar to a mutual fund, but can also offer potential tax advantages that a mutual fund cannot. The annuity plans, of which there are many, can be structured so that, once the investor begins to draw on the funds, they make regular payments for life.

Although the investor doesn't own the investments the annuity makes, he benefits from their investment. Since the insurance company owns the investment, the investor's savings can grow, with all the gains being tax-deferred. This is an advantage that owners of most mutual funds are prevented from taking. When an investor buys a mutual fund, at the end of the year he or she pays a capital gains distribution. Even if the investor reinvests the gains, this is a taxable event. With an annuity, however, any profit made that is left in the annuity continues to grow in a tax-deferred state.

Since annuities are products of insurance companies, the fees paid by the investor are different than the fees paid for mutual funds. For most annuities, there are no front-end load fees or commissions. Instead there are "surrender" charges for investors who withdraw funds early in an American annuity. Surrender charges apply usually during the first five to ten years. It should be noted that this is not the case in Swiss annuities, which will be discussed later.

When annuities are compared to other investment alternatives, especially when one is looking for an investment through which to accumulate savings for retirement, annuities clearly become the product of choice. Annuities, without question, are safe, solid investments.

Some American annuity companies inflate their yields by playing games with the way they calculate them. Others advertise attractive rates that have more strings attached than a marionette. The most widespread form of rate deception is the bonus annuity, in which insurers add on as much as 8 to 10 percent to their current interest rate. But many of these alluring bonuses can be illusory. In most cases, the bonus rate is only paid if the annuity is held for many years and then taken out in monthly installments instead of a lump sum. If an investor asks for the cash in a lump sum, the insurer will retroactively subtract the bonus, plus the interest that compounded on the bonus, plus a penalty on the original investment.

Even more insidious are tiered-rate annuities, so named because they have two levels of interest rates. They highlight an above-average interest rate, but, as with their bonus-rate cousins, the accrued earnings in the account reflect this so-called "accumulation value" rate only when the payout is made over a long time. A straight withdrawal, by contrast, will knock the annuity down to a low "surrender value" rate for every year invested.

Other insurers simply resort to the time-dishonored practice of luring customers with lofty initial rates that are lowered substantially at renewal time.

All of this nonsense has given the American annuity business a bad name. **Enter the clean, simple, honest Swiss Annuity!**



CHAPTER 5

THE SWISS ANNUITY

Many conservative financial planners believe that the Swiss Annuity is the single most effective way to diversify some of your capital out of the U.S. dollar and into Swiss francs. Americans investing in a Swiss Annuity are acquiring protection by purchasing what may be the safest and most straightforward overseas investment available today.

How Has the Swiss Annuity Performed?

How much profit can be made with a Swiss Annuity? Over the past decade, the increasing value of the Swiss franc alone puts you ahead of the U.S. inflation rate. When you add in the 4 to 5 percent annual return you earn each year in interest and profit sharing, you see that **the Swiss franc is a super-conservative investment with a strong potential for delivering a higher yield due to the historical strength of the Swiss franc.**

As noted, the best method for growing Swiss francs during the past thirty years was to place them in a Swiss Annuity. Inside the annuity, money grows without any stock or bond market risk in a guaranteed, tax-advantaged account. This is entirely legal and is fully approved by the U.S. government. A Swiss Annuity gives you a twofold return: (1) the interest and dividends (“profit sharing”, as the Swiss put it) paid into the annuity and (2) the appreciation of the Swiss franc. (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.)

Keep these factors in mind: 1) Declining interest rates come with decreased inflation. Decreased Swiss inflation means the Swiss franc will appreciate, which means a greater return convertible in your own national currency; 2) Rising interest rates produce a higher investment yield for the insurance company and this can mean higher dividend payments to the Policyowner.

This combination of annuity interest, profit sharing, and the appreciation of the Swiss franc would have provided an average annual return of nearly 9 percent since 1971. Almost one-half of that growth came from the appreciation of the Swiss franc against the U.S. paper dollar. Albert Einstein once said that the greatest mathematical principle in the universe was the power of compound interest. **To illustrate, a \$100,000 U.S. investment in a Swiss Annuity in 1971 would have been worth over \$1.5 million in 2004!**

SWISS ANNUITY: PERFORMANCE IN TERMS OF U.S. DOLLARS OF A SWISS FRANC ANNUITY YIELDING 4.5% P.A.

Year	Exchange	SFR 432,000 earning 4.5% interest per year	When converted into \$ in resp. years	Compounded yield P.A. in U.S. \$
Jan. 1,...	\$1=SFR...	SFR	U.S. \$	%
1971	4.32	432,000	100,000	0.0
1972	3.92	451,440	115,163	15.2
1973	3.77	471,754	125,133	11.9
1974	3.25	492,983	151,687	14.9
1975	2.54	515,168	202,822	19.3
1976	2.62	538,350	205,477	15.5
1977	2.44	562,576	230,563	14.9
1978	2.00	587,892	293,946	16.7
1979	1.63	614,347	376,900	18.0
1980	1.58	641,993	406,324	16.9
1981	1.76	670,882	381,182	14.3
1982	1.81	701,072	387,332	13.1
1983	1.99	732,620	368,150	11.5
1984	2.18	765,588	351,187	10.1
1985	2.60	800,040	307,707	8.4
1986	2.06	836,041	405,845	9.8
1987	1.62	873,663	539,298	11.1
1988	1.28	912,978	713,264	12.3
1989	1.50	954,062	636,041	10.8
1990	1.55	996,995	643,222	10.3
1991	1.28	1,041,860	813,953	11.1
1992	1.35	1,088,744	806,477	10.5
1993	1.47	1,137,737	773,970	9.8
1994	1.47	1,188,935	808,799	9.5
1995	1.32	1,242,437	941,240	9.8
1996	1.16	1,298,346	1,119,240	10.1
1997	1.35	1,356,772	1,005,016	9.3
1998	1.46	1,417,827	971,114	8.8
1999	1.38	1,481,629	1,073,644	8.9
2000	1.59	1,548,302	973,775	8.2
2001	1.59	1,617,975	1,017,594	8.0
2002	1.65	1,690,784	1,024,717	7.8
2003	1.38	1,766,869	1,280,340	8.3
2004	1.23	1,846,378	1,501,120	8.6

Swiss Annuities and the Legal Protection of Assets

A Swiss Annuity is one of the simplest and safest ways to increase your protection from a legal assault. Switzerland's long tradition of providing privacy and safety to investors is extended to annuities. This is vital to investors who want to ensure that their growing investments are not subject to claims by individuals or governments.

A Swiss Annuity is under the jurisdiction of Swiss laws that are expressly designed to provide protection for the owners and beneficiaries of Swiss annuities. As per Article 80/81 of the Swiss insurance law, Swiss annuities are protected from creditors in case of a Swiss bankruptcy if the spouse or the offspring are the beneficiaries. These have the right to take over the policy. If this were to happen, the original Policyowner relinquishes control of the policy. He therefore loses his right to liquidate and use the annuity funds for any purpose.

The investor enjoys protection from foreign governments in the matter of bankruptcy as well. An American court may expressly order the seizure of a Swiss Annuity, or its inclusion in a bankruptcy proceeding, but provided that the annuity has been structured in the proper way, Swiss authorities will not seize it. In fact, under Swiss law, the company has to deny the court's request.

It is vital that the Swiss insurance company be notified promptly of the bankruptcy of a Policyowner so that they can note this in their records. This way, even if the court orders the original Policyowner to liquidate the annuity, the insurance company will not inadvertently act on those instructions.

A Swiss Annuity will give you this extraordinary level of asset protection if it meets the following conditions:

1. You have designated your spouse or descendants (i.e. children) as beneficiaries, or
2. You designate anyone as an irrevocable beneficiary, and
3. Designation of either beneficiary described in numbers 1 and 2 occurred more than six months prior to bankruptcy proceedings or the seizure of assets, and
4. The designation of the beneficiary was not made with the intent to damage creditors.

If the relatively simple conditions described above are met, Swiss law clearly protects the policy from creditors. Also, the Policyowner can achieve asset protection for the beneficiaries of the policy by stating on the annuity application that annuity payments may not be assigned and are not subject to the rights of the beneficiaries' creditors.

For a higher level of protection, the Policyowner could have a Swiss bank or trust company hold his annuity, or if the Policyowner has an offshore asset protection trust, the policy could be placed inside the trust.

If asset protection is one of your primary financial concerns, we recommend you consider combining a Swiss Annuity with one or more of these additional layers of protection:

Type of Asset Protection	Level of Protection	Protective Features
Swiss Annuity bought by mail from Switzerland	Good	<ul style="list-style-type: none"> • Annuity governed under Swiss law
Swiss Annuity bought in person by traveling to Switzerland	Better	<ul style="list-style-type: none"> • Annuity governed under Swiss law • Purchase made on foreign soil
Swiss Annuity bought either by mail or in person and then placed in a U.S. irrevocable trust	Even Better	<ul style="list-style-type: none"> • Annuity governed under Swiss law • Ownership of the annuity by trust eliminating you as the owner who can "retrieve" the annuity to pay a judgment issued against you
Swiss Annuity bought either by mail or in person and then placed in an offshore trust	Best	<ul style="list-style-type: none"> • Annuity governed under Swiss law • Ownership of the annuity by trust eliminating you as the owner • Trust governed by foreign laws that will not recognize a judgment against you

Whichever way you buy and hold a Swiss Annuity, it will offer you a very high level of protection under Swiss law. If protection from lawsuits is of prime importance to you, **before you buy your annuity carefully consider whether obtaining the extra protection of a domestic or an offshore trust may be a smart move.**

Why do the Swiss offer this incredible level of asset protection for holders of Swiss annuities? Quite simply, it is because the Swiss believe that annuities and insurance are ultimately for the benefit of one's spouse and children. Under Swiss law, the care and financial well-being of family members come above all else, in short, insurance is **for the family**, not for the benefit of creditors or other claimants.

Comparison of Main Benefits:

Swiss Annuity – Asset Protection Trust

Benefit	Swiss Annuity	Asset Protection/Offshore Trust
Privacy	Yes	Yes
Foreign jurisdiction	Yes	Only if trust assets are not invested locally
Liquidity	Yes	Depending on the investment decisions of the trustee
Tax-free locally	Yes	Variable
Owner retains full control	Yes	No
Established legal principles	Yes	Variable
Legal insurance included	Yes	No
Simple and inexpensive	Yes	No

Swiss Privacy

Few people truly understand the nature and extent of Swiss privacy laws and regulations. Some people associate the Swiss with banking secrecy. They believe that Swiss secrecy makes the country a haven for “dirty” money, and that the Swiss have constructed obstacles to hinder law enforcement agencies from obtaining the evidence needed to prosecute criminals effectively. Then there are those who have come to believe that Swiss secrecy has deteriorated and doesn’t exist anymore. Neither of these positions is true.

In Switzerland, no one expects you to reveal your private financial matters. The Swiss consider open discussion of one’s wealth to be in very poor taste. These standards of the people of Switzerland have led to the creation of a sophisticated banking and insurance industry built on three rock-solid premises:

1. The indisputable right to financial safety through a strong currency,
2. A conservative government that practices fiscal restraint, and
3. An absolute right to financial privacy.

Article 47 of Switzerland’s Bank Secrecy Act of 1934 makes it a crime for a bank or insurance company employee to reveal information about a customer’s account without the customer’s written permission. Executives and employees alike are governed by these secrecy laws (and subject to criminal charges) even after they have left the banking or insurance business. The Swiss have stood firm in maintaining and protecting this right of confidentiality even in the face of tremendous international pressures.

According to Swiss civil law, the information about a customer and his or her finances and investments is protected as a part of the individual’s right to privacy. This has been made a part of Article 28 of the Swiss Civil Code. It not only protects the information, but places the burden of paying damages on any person who violates the privacy of another. Any bank employee who does give information about a customer faces fines or imprisonment. The employee and his or her bank can be subject to penalties should a violation of privacy occur.

Only when authorized under existing statutory provisions, or by a Swiss court order, can a bank legally disclose information about a customer. Indeed, privacy is interpreted in such a manner that it is illegal for a bank to confirm if or not an individual is even a customer. Put bluntly, a bank can’t say whether a person is a customer or not.

While banking personnel are prevented from making disclosures of the financial dealings of their customers, the customers, of course, can authorize the banks to make certain information available. For example, the customer can waive secrecy and ask the bank to provide a credit reference to a specific creditor. Such waivers, however, are valid only if the customer's request is voluntary and he or she has not acted under duress. No one but the customer can waive secrecy.

On the other hand, Swiss secrecy is not absolute. Some specific statutory provisions can take precedence over privacy. These statutes usually have a limited scope, however, and concern Swiss inheritance law, the enforcement of judgments from creditors, and in cases of bankruptcy or divorce. Criminal investigations are another area where privacy can be overridden. If a Swiss citizen commits a crime, criminal investigators can ask through a court order that secrecy be lifted. Treaties that Switzerland has with other countries extend this possibility to foreign crimes committed by foreign citizens, but the degree to which privacy may be set aside is limited by the language of each treaty.

Certain conditions must be met before the Swiss will honor any request that affects privacy:

1. In the case of criminal acts, the offense being prosecuted is considered to be a criminal offense in both the requesting country and in Switzerland.
2. In cases regarding taxes, a disclosure of information is possible only if the investigation of the foreign tax law violation would also be considered to be a violation under Swiss law. There is a special provision between the Swiss and the United States (the Swiss-United States Treaty on Mutual Assistance in Criminal Matters) that provides for Swiss legal assistance to U.S. prosecutors in tax evasion cases when the investigation involves a suspected member of organized crime.

The information obtained in Switzerland through a legal assistance procedure, generally, may not be used for investigative purposes, nor may be introduced as evidence in the requesting state in any matter other than the specific offense for which the assistance was originally granted.

Foreign authorities can't directly request information from a Swiss financial institution about any customer. The authorities must first obtain a Swiss court order. Although financial privacy is not absolute in Switzerland – for the obvious necessities regarding criminal matters – the rules and traditions governing it are solid and clearly defined.

In summary, **Swiss insurance companies do not report purchasing information** – not the purchase of the policy, not the payments into the policy, nor the interest or dividends earned – to any government agency in Switzerland or the U.S.

Liquidity

Another important feature of Swiss annuities is instant liquidity. Most annuities don't offer this. **In a Swiss Annuity account all capital, plus all accumulated interest and dividends, is accessible after the first year without penalty.** Unlike most American annuities, if you need your funds for an emergency or wish to make another investment, you are not prevented from obtaining your money and you are not subjected to high penalties.

Most Swiss life insurance companies have a simple process for withdrawals, loans, or complete surrenders. This process requires minimal paperwork. You will have your funds wired directly to your bank within two to three weeks from the time they receive the paperwork.

Both Swiss annuities and American annuities have back-end deferred penalties when you withdraw more than a certain amount of money or when you withdraw the money too early in the contract period. However, Swiss annuities have a much lower penalty and much shorter penalty period than do American annuities. A typical American annuity might have 5 to 15 percent penalties for withdrawals over a period ranging from five to fifteen years.

Many investors are excited about the low fees charged on Swiss annuities and Swiss life insurance policies. American annuities have much lower fees than American life insurance policies, but still they are usually more than twice as high as the expenses on a Swiss Annuity.

In addition to saving investors money on fees, Swiss annuities offer more liquidity than American annuities in another important way. With a Swiss Annuity, you can borrow out your money anytime you want. **Most Swiss life insurance companies will allow you to borrow up to 90 percent of the value of your annuity.** If you have a Swiss Annuity worth \$1 million, you can get your hands on more than \$900,000 of it almost instantly, with no company penalty, simply by taking out a loan.

Swiss annuities offer no "load fees", low surrender fees on withdrawals, short surrender periods, loan privileges, and the option of taking lifetime income. Access to your money is truly a hallmark of the Swiss Annuity.

Tax Considerations

Swiss annuities are completely exempt from Swiss taxes for everyone residing outside Switzerland. This applies to income tax, as well as inheritance and estate taxes. Moreover, and unlike other authentic Swiss franc investments (bonds, stocks, Swiss bank accounts, etc.), they are not subject to the 35 percent Swiss withholding tax – a definite advantage over other sound Swiss franc investments.

Swiss and foreign **fixed** annuity contracts issued since January 12, 2001 are no longer tax deferred in the United States (see Internal Revenue Service regulations, “Tax Treatment of Certain Annuity Contracts,” Internal Revenue Code (Code) Sections 163(e) and 1271 through 1275). Under the rules of Code Section 1275, a Swiss fixed annuity is a debt instrument, that is, a “promise to pay a sum certain,” in addition to being an insurance contract. Accordingly, the owner of a Swiss fixed annuity (as well as other foreign annuities that are seen as debt instruments) pays tax on the income that accrues, including currency gains if the annuity is denominated in a foreign currency.

Tax experts agree that as a result of the loss of tax deferral, distributions prior to age 59 1/2, including loans against the policy, are not subject to the 10 percent penalty for early withdrawals. Thus it is possible to take **tax-free withdrawals** from a Swiss fixed annuity whenever the policyholder chooses.

This different tax treatment for foreign annuities on the whole provides substantially more flexibility for Americans purchasing Swiss fixed annuities. Interest and dividends on U.S. annuities are tax-deferred until withdrawn while those on Swiss annuities are taxable each year as ordinary income. For U.S. annuities, all previously untaxed amounts on withdrawals, liquidations and loan proceeds are taxed as ordinary income, with premature distributions (before age 59½) assessed a 10% penalty. **No such taxes or penalties apply for Swiss fixed annuities. You can decide when or how to draw money from your annuity.** Loan interest is never tax-deductible for U.S. annuities and tax-deductible for Swiss annuities when the loan proceeds are used to purchase other investments (such as stocks in a Swiss bank account).

Swiss annuities can be placed in various U.S. tax-sheltered plans, including IRAs, Keogh, or corporate plans. Such plans can also be rolled over into a Swiss Annuity. 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.

Summary of IRS Tax Treatment

	U.S. Annuities	Swiss Annuities
Earnings during accumulation phase	Tax-deferred	Usually taxable
Partial withdrawals	Taxable	Tax-free
Full liquidations	Taxable	Tax-free
Annuity Payments	Taxable	Tax-free
Premature withdrawals (pre-age 59 1/2)	Taxable, with penalties	Tax-free, no penalties
Loans	Taxable, with penalties	Tax-free, no penalties
Loan Interest	Never tax-deductible	Can be tax-deductible

In the United States, a Swiss Annuity is not even considered to be a “foreign investment account.” IRS regulations clearly exclude overseas insurance and annuities from ownership declaration on an annual 1040 tax form or on Treasury form 90-22.1.

The 1% U.S. excise tax on the purchase of foreign insurance products (including annuities) does not apply to Swiss annuities, as the Swiss-U.S. double taxation treaty eliminates this tax.

It should be noted that Swiss insurance companies do not report annuity payments to the IRS or any other government agency, this is your responsibility.



CHAPTER 6

ESTABLISHING A SWISS ANNUITY

According to Swiss insurance company requirements, a foreign investor must use the services of a Swiss insurance broker (a Swiss representative) who can assist in the selection, purchase, and ongoing monitoring of the performance of the Swiss Annuity.

A Swiss insurance broker is compensated directly by the insurance companies. This means that the premium(s) paid and the benefits received are exactly the same regardless of whether dealing directly with an insurance company or taking advantage of a brokers services.

It is not necessary to travel to Switzerland to purchase a Swiss Annuity. Some Swiss insurance companies have set up operations in locales such as Bermuda. You can also buy a Swiss Annuity through the mail.

Caution: If a Swiss company, or its representatives offers a Swiss Annuity in the United States, make sure it is a genuine Swiss Annuity, countersigned in Switzerland by the insurance company. An annuity that is issued by a company in the United States – even if it is issued by a U.S. subsidiary of a Swiss insurance company – will fall under jurisdiction of American laws.

The annuity contract is issued within three to four weeks. It is recommended that the client keep a copy of the annuity contract and have the Swiss insurance company (or the Swiss representative) retain the original contract in safekeeping.

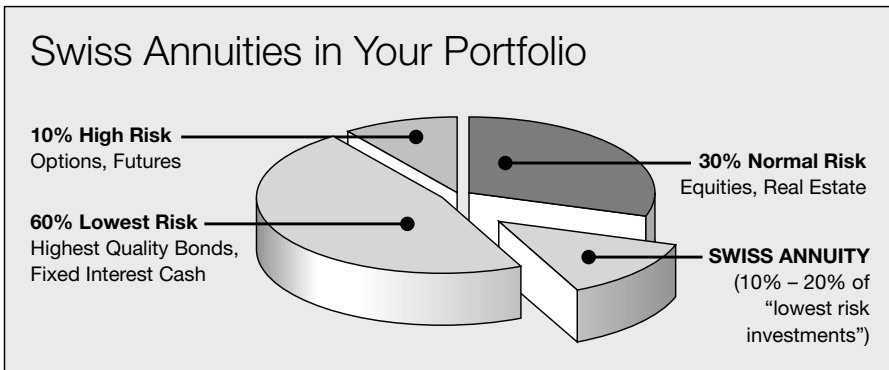
How Much Money Should You Put Into Your Swiss Annuity?

Swiss Investment Managers believe that every person's investment portfolio should start with a solid base in low risk investments. This is followed by a smaller "normal" investment section containing balanced, growth investments, with a small amount of prudent "high-risk" speculative investments on top.

The percentage you choose to place in each portion of your portfolio will vary, depending upon your age, wealth and investment goals, net worth, risk tolerance, and other factors. If you are like most investors, you are not risk averse as much as you are loss averse. By this we mean that you'd like your assets to grow, but not if it means you might lose some of them.

Most investment advisors recommend that your low risk investments, regardless of what happens in the rest of the world, should ensure your living expenses and lifestyle. Therefore, they recommend that a base portion of your assets should include a reasonable percentage of safe investments, such as Money Market Funds, Insured Corporate and Municipal Bonds, Deferred Annuities and Your Home.

The investments in the base of the portfolio are usually the safest and most conservative, but offer correspondingly lower yields. There is, however, one notable exception to this investment "rule of thumb" – the Swiss Annuity. A Swiss Annuity is the only safe, conservative investment we have found that offers a high potential return and still belongs in the base of your investment portfolio.



According to most investment advisors, the lower your income and net worth, the closer you should stay to 10 to 20 percent of "lowest risk investments". If you are a more substantial investor (or a more conservative investor), investment advisors may counsel you to allocate as much as 75 percent of your assets to the Lowest Risk portion and consider placing as much as 30 percent of your net worth in Swiss annuities to preserve principal.

If you have a large percentage of your net worth in Swiss annuities, you are free to travel the world, enjoy life, and concentrate on growing your business or spending time with your family.

Customized Programs

Most international investors establish their Swiss Annuity with a single premium deposit. On the other hand, other investors choose to dollar-cost-average these investments by making periodic deposits, and many make arrangements for these payments through a Swiss bank account.

However, you don't have to have a Swiss bank account to make your premium deposits. In fact, such an account would be reportable under U.S. law, thus removing one of the advantages of Swiss annuities. Instead, there is another way to make your premium deposits – through a “premium deposit account”.

This method has so many advantages, it is surprising that so few people know about it. In effect, a premium deposit account is an interest bearing “bank” account opened at your insurance company. It has two distinct advantages over a regular Swiss bank account.

First, it is not reportable to the tax authorities because you are making payments to an insurance company, not a bank. Second, it pays interest rates about 1 percent higher than bank deposit (savings) accounts. Moreover, there is no withholding tax on the interest; all payments are tax-free.

Remember, when you send your money to Switzerland, it is immediately governed under some of the most consumer-oriented laws of asset protection and privacy in the world.

The Policyowner may choose to receive annuity payments immediately or may arrange for the payments to be deferred for a number of years. Deferred contracts are usually for five years or longer. The most popular type of Swiss Annuity is the deferred annuity. The appreciation of the Swiss franc, combined with the annual interest and profit sharing make this a true wealth builder.

Payment from the annuity can be received as a one-time, lump-sum payment or by installments – either for life or for a fixed number of years. The payments are typically made by check or bank transfer and are a combination of accrued interest, profit dividends and a portion of the capital invested. Upon death of the person insured, the proceeds are paid to the designated beneficiaries.

It is common to set up a Swiss Annuity so that it passes to the surviving spouse at the death of one spouse and then to the children when the surviving spouse dies. This gives complete control over the annuity during the life of the Policyowner, and when both spouse's are gone, control will be transferred directly to the children.

During the accumulation period, the program can be denominated in either Swiss Francs, Euro's, or U.S. Dollars and you can switch from one currency to another. Payments can be converted at the investor's bank in Switzerland, or the investor may instruct the insurance company to make the conversion. Payments can be received annually, every six months or quarterly. Although a monthly option is available, it is restricted to Swiss residents. Payments can be sent anywhere in the world or sent to the bank of the investor's choice. Most North Americans prefer to receive their annuity payments by check in U.S. dollars.

In addition, Swiss life insurance companies will "custom make" an annuity if desired. The off-the-shelf Swiss Annuity products are truly outstanding, but if a customized annuity is needed, one can be tailored for you at no additional expense.

Last but not least: a Swiss Annuity is completely worry-free. There is no need for supervision – a definite advantage when you invest overseas.

Versatile Options

Most people buy annuities so that they will have a constant source of income during retirement. The Swiss realize that the needs of people differ and so they have developed a variety of options for both single and joint annuities.

When you consider the various options Swiss annuities offer, there are several factors you should examine. First, you should consider your age and the age of your spouse when the income from your annuity is likely to begin. You must also consider the amount of the investment you are willing to make. Such factors will play a crucial role in the type of annuity you select. Such factors will play a crucial role in the type of annuity you select.

Of all the factors you should examine, it is age that probably will have the greatest impact. The older an investor is, for example, the more income difference there will be between an annuity without refund and one with any of the beneficiary options. For example, should you purchase an annuity when you are 55, the difference in life income created under each option is not that much, because the life expectancy for both men and women at 55 exceeds 25 years. Based on life expectancy and payment rates, the insurance company will likely have to pay out the entire amount of the plan no matter what option the contract contains. Options will have different effects, based on age.

There are many options from which you may choose. Assessing your financial goals and situation is important. Asking yourself questions similar to the ones that follow can prove helpful:

1. Who is dependent upon my financial support?
2. What is the purpose of my buying an annuity?
3. How much money can I open the account with?
4. How much money can I invest monthly? Yearly?
5. When (based on current considerations and factors) do I plan to take funds out?
6. How (based on current considerations and factors) do I plan to take funds out?

Asking yourself such questions can lead you to your best options with an annuity. For example, if you wish to use the annuity to provide income for your spouse someday, then you would consider a plan that does in fact provide for that person. You might consider a joint annuity, a plan called “10 years certain, with refund,” or you might decide on taking out single annuities, one for you and one for your spouse.

On the other hand, if you have no dependents, and are over 65, you may decide on a straight-life annuity that pays you the highest income for as long as you live. In this case there would be no need to leave any funds behind. After your death the insurance company would stop all payments. You would receive the highest income possible for the rest of your life, but there would be nothing for beneficiaries.

If you wish to provide for beneficiaries, you should consider annuities “with refund,” or “10, 15 (or any number) years certain.” Each plan has special features. “With refund” is a plan that at the death of the policyholder, the unused portion of the premium paid is refunded to the beneficiary in a lump sum. The amount of the payment is calculated by subtracting the amount of income that was paid out from the original premium. After the final payout, the account is closed.

“Ten years certain” is a plan in which income is paid for a minimum of ten years. If the annuity owner dies after receiving only payments for three years, his or her beneficiary would receive the income for another 7 years. The number of years is written into the contract at the time the annuity is bought. Thus, the purchaser can buy an annuity with an option of “ten years certain,” “15 years certain,” “25 years certain,” or whatever he or she wishes.

Joint annuities work in the same way regarding payments. Assuming a ten year certain contract – if one of the owners dies after receiving payments for three years, the other owner, or beneficiary, will receive payments for the remainder of the contract.

Swiss Annuity Programs Available

Deferred Life Annuity	Annuity payments start after the end of a deferral period, predefined by the owner (provided the insured person is alive at that date), and continue throughout the lifetime of the insured person.
Immediate Income Life Annuity	Annuity payments start immediately and continue throughout the lifetime of the insured person.
Immediate Fixed-Term Annuity	Annuity payments begin immediately and end after a specified period, but not later than the death of the insured person.
Deferred Fixed-Term Annuity	Annuity payments begin after a deferral period predefined by the owner if the insured person is alive at that date. Payments end with the death of the insured person or, at the latest, at the time fixed by the owner.
Single Life Annuity (with* or without refund**)	An annuity is paid for life.
Fixed-Term Annuity (with* or without refund**)	Annuity payments are made for a fixed number of years determined by the owner (5 years minimum).
Joint and Survivor Life Annuity (with* or without refund**)	Two lives are insured and annuity payments are made until the death of the second person.
Life Annuity, "X" Years Certain	Annuity payments are made as long as the insured person is alive. Annuity payments are made for a guaranteed minimum number of years, determined by the owner. If the insured person dies during this period, payments continue to the beneficiary for the rest of the period. If the insured person survives this period, payments continue for life.

* Annuities "with refund" return any capital sum left after the death of the insured person to the beneficiary.

** Annuities "without refund" give higher annuity payments but any capital sum remaining after the death of the insured person is retained by the insurance company and there is no cash value after the accumulation period.

Tax-Free Exchanges

The IRS allows you to do a 1035 tax-free exchange from one annuity to another – including to a Swiss Annuity. This is a direct transfer of money from a U.S. annuity into a Swiss Annuity contract. Properly done, a 1035 exchange does not trigger any taxes.

In addition, you can transfer certain retirement annuities to Swiss insurance companies. Hundreds of thousands of schoolteachers, nurses, doctors and others who work in the nonprofit sector are allowed to have what is known as a 403(b) annuity. These so-called Tax-Sheltered Annuity's (TSA's) are eligible to be transferred to a Swiss Annuity.

Both the U.S. and Switzerland do not have any foreign exchange controls. So, any amount of money can be transferred legally. However, if you take cash or negotiable papers in excess of \$10,000 over the U.S. border, you must report it.

Getting Started

The most practical way for foreign citizens to get accurate information on Swiss annuities is to contact a Swiss Insurance Broker specializing in foreign business.

SwissGuard International, GmbH is one such firm. SwissGuard specializes in Swiss annuities and life insurance, and, in cooperation with our asset management and investment advisory partners – bank managed and other Swiss investments. We provide a quick and convenient way for you to receive a quotation from any Swiss insurance company. We constantly monitor market conditions, pricing, and availability to offer you the finest selection of Swiss investment products. All staff members speak fluent English and have extensive experience serving U.S. clients. All are thoroughly knowledgeable in the tax and legal questions you may have about investing offshore. You can benefit from our experience and expertise but you will not incur any additional fees if you purchase your Swiss Annuity through SwissGuard. You may contact us at the following location:

SwissGuard International, GmbH

Bahnhofstrasse 52
CH-8001 Zurich
Switzerland

Phone: +41 1 214 62 47

Fax: +41 1 214 65 19

Toll-free message center (North America): 1-800-796-7496

E-Mail: info@swiss-annuity.com

Internet: www.swiss-annuity.com

If you decide to invest in a Swiss Annuity, remember these five rules:

- Rule 1: Know the Insurance Company.** Make sure that the company has the type of Swiss Annuity that is right for you. An off-the-shelf product may be fine for you. On the other hand, you may want a customized annuity.
- Rule 2: Make Sure Your Annuity is Governed by Swiss Law.** This rule is of absolutely critical importance. To get maximum protection, make sure you are buying a true Swiss Annuity issued from Switzerland by a Swiss insurance company.
- Rule 3: Consider Additional Measures to Make Your Annuity Litigation-Resistant.** Swiss annuities in combination with other protective techniques, such as offshore trusts, can provide the ultimate level of asset protection.
- Rule 4: Avoid the Temptation of Currency Timing.** Attempting to generate profits from active currency trading is best left to professional traders. The buy-and-hold strategy for Swiss annuities is effective for most conservative investors.
- Rule 5: Never Do Anything Until You Understand It Completely.** Understand all the benefits of Swiss annuities and what they can do for you. Make sure you are totally comfortable and happy with the idea of owning a Swiss Annuity!

SUMMARY OF ADVANTAGES OF SWISS ANNUITIES

Competitive Interest and Dividends. You will find that Swiss annuities pay excellent rates and dividends compared to similar investments.

Asset Protection. Swiss annuities are entirely protected from a host of creditors. If the annuity purchaser's wife or children are named as beneficiaries, no creditor, including the IRS, may seize or attach a Swiss Annuity. Liens may not be attached to the annuity in any way. Thus, the investor is assured that the wealth contained in his or her annuity cannot be touched by any individual or government agency, and that the funds in his or her annuity will in fact go to designated heirs.

Secrecy. The same criminal and civil penalties for violation of a client's privacy imposed on all Swiss bank officials and employees also apply to insurance company workers for life.

Instant Liquidity of Funds. An investor can liquidate up to 100% of his or her account without penalty after the first year. With many Swiss annuities, you may immediately borrow up to 90% of the cash value at a net interest rate of only 0.5%.

Famous Swiss Financial Safety. Switzerland is financially one of the soundest (if not the soundest) countries in the world. Its currency is considered to be the most solid among the world's industrialized nations. The Swiss insurance industry has not had a failure in 150 years.

Tax Advantages. Different tax treatment for foreign annuities on the whole provides substantially more flexibility for Americans purchasing Swiss annuities. You can decide when or how to draw money from your annuity

No Swiss Tax. Swiss franc annuities are free from Swiss taxes. If, however, the investor accumulates Swiss francs through other types of investments, he or she will be subject to the 35% withholding tax on interest or dividends earned in Switzerland.

No Tax Reporting Required. As with all their financial transactions, the Swiss elevate privacy to a priority. A Swiss franc annuity is not a "foreign bank account," and subject to the reporting requirements on the IRS Form 1040, or the special U.S. Treasury form for reporting foreign bank accounts. Furthermore, the transfer of funds by check or wire is not reportable under U.S. law by individuals. The reporting requirements apply only to cash and "cash equivalents," including items such as money orders, cashier's checks, and traveler's checks.

Immunity from Exchange Controls. Some investors pay little attention to exchange rates and controls, but those very rates and controls can exercise a major impact on the profitability of one's investments. Suppose that the U.S. government was to institute exchange controls that required overseas investments to be repatriated to the U.S. This has happened in the past with other nations whenever governments have imposed exchange controls. Insurance policies would likely not be covered under any forced repatriation because they are considered to be a pending contract between the investor and the insurance company. (Note that Swiss bank accounts would probably not escape such controls.)

No "Load Fees". Investment in Swiss annuities offers the advantage of no load fees, front-end or back-end. In addition, the investor can cancel at any time, without a loss of principal, and with all principal, interest and dividends payable if canceled after one year. If the investor cancels during the first year, he or she is subject to a small penalty of about 500 Swiss francs, plus the loss of interest.

Pension Plan Rollover. Corporate or self-employed pension plans or Individual Retirement Accounts (IRAs) can legally invest in and hold title to Swiss annuities or be rolled over into Swiss annuities.

Estate Planning. The ownership of Swiss annuities can be changed easily by the Policyowner by written notice at any time with no legal formalities. Swiss annuities also provide for integrated estate planning capabilities through flexible beneficiary designations. They are also well suited for making distributions separate from the policyowner's estate.

Ease of Payment. You can make deposits on your Swiss Annuity with the same ease as mailing insurance premiums at your local post office box. You can also establish your own premium deposit account with the insurance company itself from which periodic payments can be made. Such insurance accounts are not considered "bank" accounts under Swiss law and there is no tax imposed or need to report under U.S. IRS rules.

No other investment in the world today, and no other Swiss franc investment, offers all the benefits of the Swiss Annuity. **Is it any wonder that billions of dollars from all over the world are being placed in Swiss annuities?**

ABOUT SWISSGUARD INTERNATIONAL, GmbH

SwissGuard International, GmbH, is an independent financial consulting firm established to meet the private investment and financial protection needs of international clients.

They are market leaders in the selection and establishment of international investment and retirement programs that deliver legal tax advantages, privacy in your money affairs, and maximum protection of assets. They call this the SwissGuard Solution™.

SwissGuard offers its services exclusively to international clients who look to them for high ethical standards, security, long-term financial performance and innovation. They confine their core activities to insurance planning, investment manager selection, and trust planning services.

Insurance Planning

As Swiss Insurance Specialists, SwissGuard constantly monitors market conditions, pricing, and availability to bring you the finest selection of international life insurance and annuity products.

Investment Manager Selection

SwissGuard understand the concerns of international investors like you. Whether you need global diversification for lower risk and higher returns, tax advantages, maximum asset protection or even ready access to your funds, they can design a portfolio that's just right for you. And because they are independent, SwissGuard can help you choose the right investment manager with no conflicts of interest.

Trust Planning Services

Successful high income, high net worth investors have different needs than everyone else. You have much more to lose – to a variety of risks such as taxes, lawsuits, or faulty planning. You have a present and continuous need for sophisticated compliant strategies – strategies which incorporate and integrate tax savings, asset protection, estate, and business planning so as to save and make money.

SwissGuard understand the concerns of the international investor. By implementing a safe and sound global investing strategy through the resources available to you at SwissGuard International, you are free to travel the world, enjoy life, and concentrate on growing your business or spending time with your family.

PRIVACY AND PROTECTION FOR YOUR MONEY™

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SWISS INVESTING SECRETS

The purpose of this book is to introduce Americans to Swiss Investing—and to help you understand all the benefits and opportunities that Switzerland has to offer. Investing in Switzerland can secure your wealth and your retirement!

- Safer and more secret than the famed Swiss Numbered Account
- Offers a rare combination of low risk with a high potential for profit
- Protect your assets from lawsuits, creditors, or an ex-spouse
- Total confidentiality
- No annual IRS reporting
- No withholding tax
- Simple and low cost
- Tax-advantaged earnings on interest and profit sharing dividends
- Own the world's best currency—the gold-backed Swiss franc
- One of the safest and most powerful tools for dependable asset growth and financial protection available today

