swiss finance service center

ENGLISH EDITION

NEWSLETTER

Zürich, November 2019

Missed the Train?

Investments into Pillar 3a: Last Chance before the End of the Year!

For the year 2019 employees may invest up to CHF 6'826.- into pillar 3a. If done before the end of 2019, this allocation results in a major tax reduction for 2019.

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London – Paris – New York!

SFSC Remains in Switzerland, but at a Different Location.

Continued on page 2

Information Data Highway: Document Sending

An increasing number of companies are sending their documents and files over the Internet; SFSCs position on the matter.

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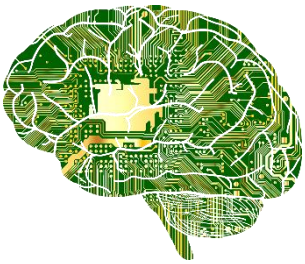

Benefit Trust

A Success Story

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Swiss Finance Service Center
Badenerstrasse 313
8003 Zürich

T: +41 (0)44 404 10 90
F: +41 (0)44 404 10 91
info@sfsc.ch – www.sfsc.ch

London – Paris – New York! SFSC Remains in Switzerland!

(Continuation from page 1)

SFSC's new office remains at a central location. This by itself is a highly appreciated feature. Many

We have moved.

Not by much, though!

of our customers take advantage of public transports, for example in order to meet with their personal financial advisor for the yearly personal review meeting.

Our previous office in Zurich was at a central location as well. As a matter of fact, we are just at a stone's throw away from our previous site and thus remain readily accessible by public transport.

Our new Address:

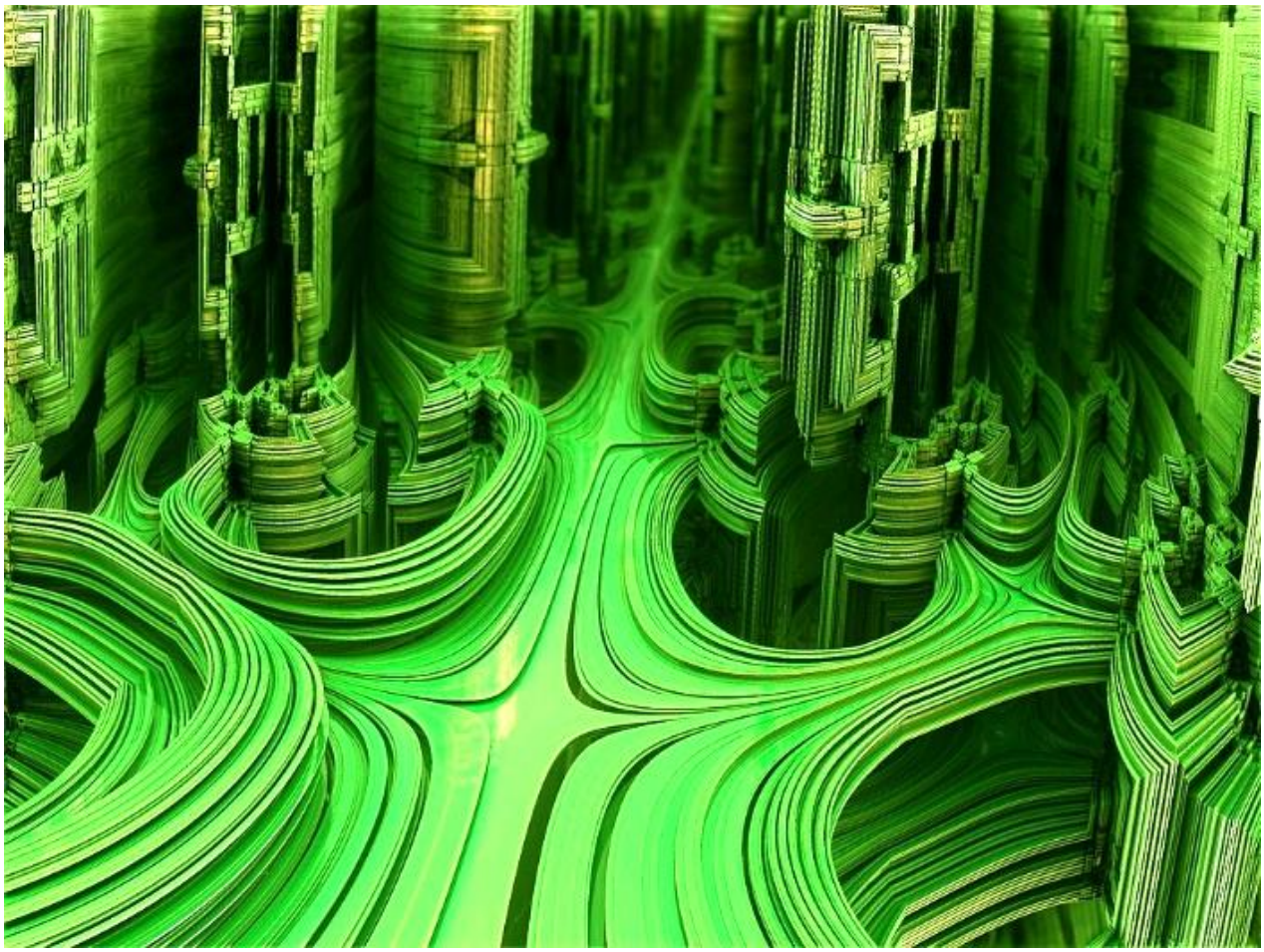
Swiss Finance Service Center
Badenerstrasse **313**
8003 Zürich

ON OUR OWN BEHALF

The other contact data have remained unchanged:

e-mail: info@sfsc.ch
phone: 044 404 10 90

For customers, who are less on the move between *London, Paris and New York*, SFSC continues to offer meetings in Basle, Bern or Lucerne.



Information Data Highway: Document Sending

(Continuation from page 1)

A growing number of companies and organization send an increasing amount of their documents only by electronic means: web portals, e-mail, and the like. Chances are, not only that you have received this newsletter by such an alternate means of transportation, but that you are actually reading it through some electronic device.

Market Trend and Societal Development

Even the Swiss authorities work towards permitting the central elements of a direct democracy – elections and ballot – to be unwound in its entirety by electronic means. To be working on the very foundations of the Swiss nationality in this manner, will be perceived by many as comparable to open heart surgery. Nonetheless, the steps toward heated debates on the matter surely have been taken.

Advantages

The electronic delivery of documents and electronic process flows unquestionably encompass a great number of advantages: immediate delivery of documents to the recipient, reduced overhead for document filing on both sides, reduced effort to locate and retrieve documents, the reduced consumption of paper, just to name a few.

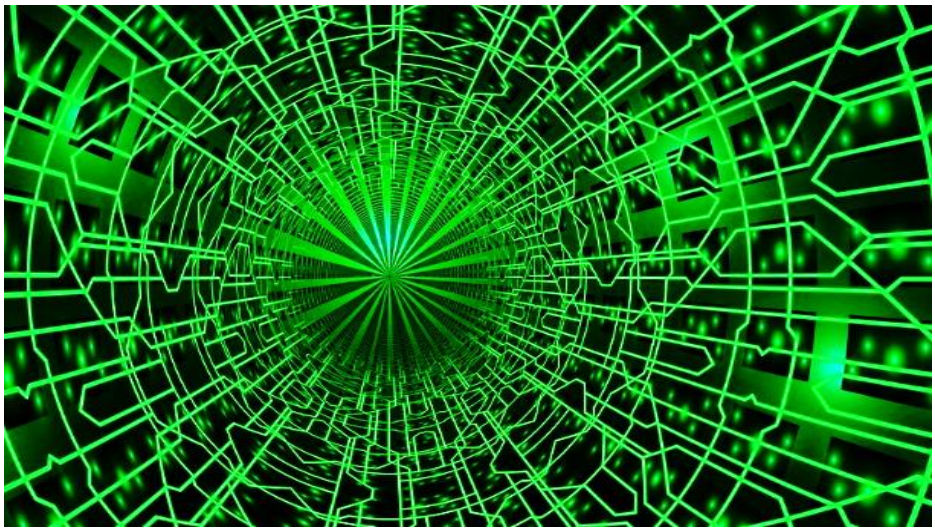
Consumer Preference

A growing number of our customers prefer to receive documents by electronic means. Nonetheless, generational preferences regarding the usage of modern media are striking. Whereas a younger generation is inclined to readily subscribe to an online process flow and use it with one's cell phone, many others still prefer e-mail. The latter's upside are a better integration into one's existing electronic filing system, satisfying the desire for having one's own "secure" copy of data and a bigger usable screen real estate engrained with laptop or personal computer usage.

Business Partners

An increasing number of SFSC's business partners aim at executing services and process flow by electronic means. For instance when we (SFSC) exe-

cute a call for tender on behalf of our customer for procuring cheaper mortgage loans for him, an increasing portion of the tender process with business partners is executed by electronic means.



SFSC's Stance

SFSC cannot and will not subtract itself from this technological innovation process, but we want to take this more modern path together with our customers and without pressuring.

Significance for you, our Customers

Henceforth SFSC will more frequently send documents or bills by e-mail instead of surface mail. Evidently our customers have the possibility for opting out, as not everybody feels comfortable with the electronic dispatching of documents. This is all right. By all means, SFSC will respect such a wish, and for the time being without our customer having to carry any supplemental cost for his choice taken.

What SFSC would Not Send by E-Mail to its Customers?

Out of its own initiative, SFSC would not send data by e-mail that are particularly worthy of protection (tax declaration, salary data and the like). However, if you send data by e-mail to SFSC, and this data would otherwise be considered worthy of protection, SFSC would in return assume, that you would prefer to receive such data by e-mail.

What do I have to do now?

If from now on you prefer to receive selected documents and bills by e-mail, you will not have to do anything. If instead, if you prefer to receive bills by surface mail, please inform your customer support of the choice you have taken.

044 404 10 90

or as discussed:

info@sfsc.ch

Swiss Finance Service Center
Badenerstrasse 313
8003 Zürich

T: +41 (0)44 404 10 90
F: +41 (0)44 404 10 91
info@sfsc.ch – www.sfsc.ch

Investment into Pillar 3a: Last Call before the End of the Year!

(Continuation from page 1)

With the introduction of pillar 3a in 1985, the Swiss legislator has created a supplemental and strong savings incentive in addition to the preexisting second pillar (BVG). The incentives arise because savings allocations into the 2nd pillar or into pillar 3a both reduce the taxable income by an amount equal to the volume of those allocations. This results in a substantial reduction of the tax burden that would have to be paid otherwise.

Why one Saves Taxes

In the tax declaration, investments into pillar 3a can be deducted from the taxable income. The marginal tax for a taxable income of say CHF 40'000.- is about 20%[1]. The marginal tax for a taxable income of say 80'000.- is about 30%. Investing some CHF 6'000.- into pillar 3a will reduce the income tax by about 1'300.- to 1'750.-. With higher incomes the tax reduction is even bigger.

A taxable person investing into pillar 3a will get hold of substantial tax savings by doing so. On the reverse keeping the CHF 6'000.- (of the example) in a savings account, would yield a ridiculously small interest - if any at all - at the current state of the financial market. This alone is ample reason, to rather be placing savings in either pillar 3a or into the 2nd pillar.

Contributable Amount

Employees and self-employed who do have a 2nd pillar (pension fund) may invest up to CHF 6'826.- per fiscal year into pillar 3a. Similarly, the self-employed, who do not have a 2nd pillar, may invest up to 20% of their income up to a maximum of 34'128.- per fiscal year into pillar 3a.

Capital Payout from Pillar 3a

Wealth in the form of capital 3a can be withdrawn within the five years before retirement. In the case of delayed retirement (continued employment) capital 3a must be withdrawn at the latest at age 69 (women) and 70 (men). However, at the time of withdrawal a capital withdrawal tax (Kapitalbezugssteuer) will be levied. This capital withdrawal tax will be much smaller than the income tax to which the income would have been subjected, had it not been previously invested into pillar 3a.

What to Do before the End of the Year

In order to benefit from tax savings for the fiscal year 2019, investments into pillar 3a must be executed before the end of this year. If you still do not have a 3a account, your personal SFSC-Advisor will be happy to assist you with that. As mentioned, the investment for 2019 may not be in excess of 6'826.- for employees or 34'128.- for the self-employed without attachment to pension fund (2nd pillar).

Events and Activities Thereafter

At the beginning of 2020 your Bank will send you a confirmation of receipt for the amount(s) you have invested into pillar 3a in 2019. You will have to file these confirmation of receipts together with your tax declaration for 2020 to your tax office.

Imposition at the Source

Foreigners who are subjected to the "imposition at the source" (Quellensteuer) can also invest into pillar 3a and take advantage of the tax savings as well. However, for this to work, there is an additional step to be taken: They must demand the so called "Neuveranlagung der Quellensteuer" at the tax office of their place of residence (Wohngemeinde). In essence, before 31.03.2020 they must turn in a form by which they demand for the partial reimbursement of the tax the employer had levied for the tax authorities. This form should be available at the website of the tax authority of the canton of residence. The bank's confirmation of receipt for the amount(s) invested into pillar 3a should be filed with that form.

[1] The marginal tax hinges upon the place of residence, the canton of residence and the marital status of the taxable person.

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Economically Inactive or Low Income Earners

Economically inactive residents cannot place investments into pillar 3a. For residents devoid of income, such an investment would not make sense anyhow, as there would be no taxable income that could be reduced by such an investment. However, a resident with low income may still invest into pillar 3a in excess of that resident's income. For instance, a couple where the main breadwinner has a "normal" earning and the low income earner makes less than 6'828.- per year, both will be able to invest 6'828.- per year. As a consequence a couple can still effect a substantial tax reduction even if one of the incomes is low.

Capital Withdrawal, Capital Withdrawal Tax

As previously mentioned, investments into pillar 3a will be subjected to a capital withdrawal tax at the time of payout. Assets allocated in pillar 3a must be paid out on a per account basis. This means that a 3a account worth 30'000.- must be withdrawn in its entirety. So it would not be possible to withdraw 20'000.- in one fiscal year and the remainder in some other fiscal year. The same holds true for a vested benefits account (Freizügigkeitskonto) belonging to the 2nd pillar. Also, the capital withdrawal tax is a progressive tax, in the same way as the income tax is. Accordingly, withdrawing a lot of capital in a given fiscal year entails to a higher total capital withdrawal tax, than if the withdrawals would have been spread over separate fiscal years.

Optimal Structure of Assets in 3a

In order to avoid tax progression, pillar 3a assets should be structured in smaller lots, so that later, towards retirement, the payouts can be split over several tax years. The precondition for payouts to remain splittable over several fiscal years is, that the deposits must have been made into different accounts and - even better - at different banks. This implies that a new 3a-account should be opened whenever the balance of a 3a-account reaches say CHF 50'000.-. Only then will it remain possible in the future to arrange smaller payouts in distinct fiscal years, thus keeping the overall capital withdrawal tax low.

Schedule for Capital Payouts

The amount of capital withdrawal tax due for any given fiscal year is determined by the total capital amount withdrawn from the 2nd pillar and from pillar 3a in that same year. Hence, the sum of capital withdrawn out of the 2nd pillar and out of pillar 3a are calculated on a yearly basis. Considering all the account balances of all the 2nd pillar and pillar 3a deposits and considering the available time slots for cancelling each of those accounts, all the withdrawals must be coordinated in order to keep the total capital withdrawal tax as low as possible. Especially for couples the timely and quantitative coordination of withdrawals can be quite a demanding exercise. Most people have little or no experience in optimizing the timing of capital withdrawals regarding its taxable outcome. It is highly recommended to have such an optimization performed in view of a total tax reduction. This can best be made by means of a retirement plan.

SFSC-Retirement Plan

Advantages of a retirement plan:

- Devise an fiscally optimized plan for capital withdrawals out of 2nd pillar and pillar 3a
- Gain an overview over the expected income situation after retirement
- Assess the need for action to ensure financial protection
- Tax optimization and tax reduction
- Evaluate the feasibility of early retirement and ensure such a plan
- Evaluate and secure the financial sustainability of real estate property
- Align the structure the investment portfolio with the risk profile, avoid risk accumulation
- Identify and close pension gaps
- Explore and identify the best courses of action, take better decisions
- Timely identification of both coverage gaps and surplus coverage, gain in security

To ascertain at no cost the content and utility of such an *SFSC-Retirement Plan* and to find out what personal questions it could address, please get in touch with SFSC: 044 404 10 90.

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Badenerstrasse 313
8003 Zürich

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F: +41 (0)44 404 10 91
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Benefit Trust: A Success Story

Benefit trust: the contact point and information provider for all questions relating to personal provision and financial planning.

(Continuation from page 1)

Purpose and Offer of the Trust

Ever since it was founded, the non-profit trust *Benefit* has deployed more than 700 seminars totaling 12'000 seminar participants. Every year there are about 80 seminars held. For 2020 there are 100 seminars planned.
For more than 10 years, the public utility trust *Benefit* has remained established as a professional and independent information provider. With its' aim to inform interested participants with the help of external referees to a great many topics of importance, *Benefit* organizes seminars on subjects such as: *provision and financial planning, retirement planning, health insurance, wealth accumulation and real estate, insurance, taxes*. On fewer occasions seminars about *inheritance* or *entrepreneurship* (startups) are also organized.

Financing and Independence of the Trust

The *Benefit* Trust is financed both by means of patron donations (stemming from partners such as universities or student organizations, for example) and by means of seminar contributions stemming from seminar participants. It is a major concern of the trust to ensure, that the speaker's seminar content remains independent. With its offer, the Benefit trust attempts to reach out to as many participants as possible.

Quality Management

The quality management of the trust comprehends a three step approach: At the end of each Seminar, the feedback of each participant is collected by means of a feedback form. In the aftermath of the seminar, the trust analyzes the feedbacks received. The result of this analysis is used to the strict and consequential selection of all external speakers. Additionally the content of the seminars is constantly being adapted to the gradually changing needs of the seminar participants. This warrants both the high quality and the high value of the seminars.

Exceedingly Positive Seminar Feedbacks

The result of the feedbacks of the participants is remarkable! Because of the rigorous execution of the quality standards, 98% of the seminar participants bestow a positive feedback ranking between "very good" and "good". This is an extraordinarily high positive feedback rate from former seminar participants.

Where is the Trust Heading?

The trust attempts to reach out to an as great a number of potential participants as possible and provide to all of them a top level of training. To extend its offer, the trust is reaching out to get support from further partner organizations such as universities and technical colleges. It is the trusts intent to extend its offer to pension funds and bigger companies. While being an NPO (non-profit organization), the trust consists only of a management board and a foundation council. The trust's management board, which plans and executes the seminars, can be reached by phone from Monday through Wednesday and by e-mail otherwise.

98% of seminar participants qualify the Benefit seminars as "very good" or "good"

The Benefit trust is subjected to the supervision of the Federal Foundation Supervisory Authority (FFSA) and is thus accountable to those authorities. The trust must disclose its financial statements to that authority. Those statements must be examined and approved by an external auditor.