swiss finance service center

ENGLISH EDITION

NEWSLETTER

Zürich, March 2020

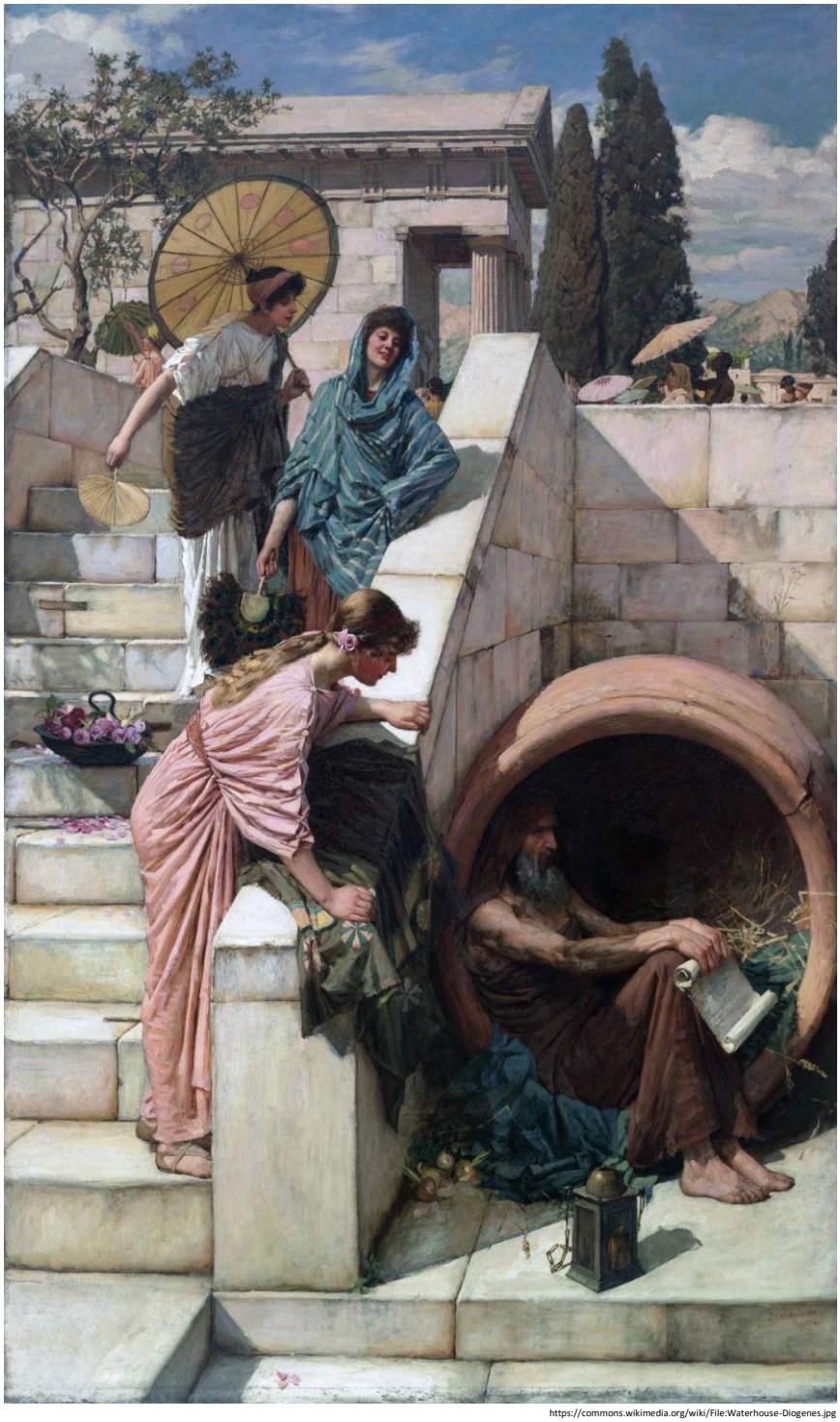
Home Ownership

Pros and Cons

The Swiss bestow home ownership with supreme value connotations.
All things considered, not in every case would home ownership be a suitable recommendation though.

Whether or not you should realize your dream of becoming a proud home owner and what you should consider before doing so, can be discovered here.

Continued on page 3



https://commons.wikimedia.org/wiki/File:Waterhouse-Diogenes.jpg

Social Insurances: The Changes Brought about by the Year 2020 - in a Nutshell

Year after year our provisional systems get tweaked a bit. Whether 2020 brings about such tweaks and what they imply for you, can be discovered in this article.

Continued on page 2

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

Social Insurances: The Changes Brought about by the Year 2020 - in a Nutshell

(Continuation from page 1)

The change from 2018 to 2019 already had led to some tweaks to the number framework of the Swiss provisional scheme. Hence, many thresholds and percentage shares of the social insurances AHV (old age and survivors insurance OASI), of the BVG (insurance derived from professional provision law), and of pillar 3a have been subjected to minor changes passing from 2018 to 2019.

Yet again, the turn of 2019 brings new adjustments. This time, however, the adjustments are resulting from the Swiss voters approving the Federal Act on Tax Reform and AHV Financing (TRAF). The practical relevance of this act is:[1]

Pilar 3a

For employees in Switzerland the voluntary contribution to the pillar 3a remains limited to CHF 6'826.- per calendar year. The self-employed with no affiliation to a 2nd pillar insurance (BVG) may continue to allocate no more than 20% of their yearly income to pillar 3a, but 34'128.- CHF at the most.

AHV (OASI)

At the beginning of 2020 the mandatory contribution for employers and employees was raised from 8.4% to 2 x 4.35% = 8.7%. The contribution quote for AHV/IV/EO was raised from 10.25% to 2 x 5.25% = 10.55%. For the self-employed the rate of AHV-contribution was raised from 7.8% to 8.1%. The minimal annual contribution for AHV/IV/EO was raised from 482.- to 496.- CHF. For the non-employed the contribution rate was raised as well.[2] The new minimal contribution amount for the non-employed increased from 482.- to 496.-. Still, for the non-employed the mandatory contribution obligation is waived, if the spouse's contribution amounts to at least the double minimum contribution of 2 x 496.- = 992.-.

Payment of the Voluntary Contribution is well-advised in many cases, as it will avoid the emergence of a contribution gap (missing contribution year). This holds especially first for modest revenues, then for students, world travelers, the work-incapacitated receiving an invalidity pension, the early retired, the married whose spouse has not yet reached the age of retirement or who is living abroad. Even the wealthier Swiss living abroad generally do better in paying the voluntary AHV contribution. This contribution was raised to 8.7% for the AHV and to 1.4% for the IV (invalidity insurance). The minimal contribution was raised to 950.-. Voluntary contributions seamlessly extend the insurance coverage. The ceiling for the voluntary maximum contribution was raised to CHF 27'350.-.

Editorial

There are barely any evergreens preponderant to *"home ownership"* and *"real estate acquisition"*. Incidentally, no other investment has such a profound effect on our lives, our quality of life and even on our stance on life.

It comes to no surprise that so many of our customers have questions bearing exactly on those issues. This by its own right would be reason enough to allocate more editorial space to housing themes. Accordingly, our next **SFSC-Newsletter** will further the topic of estate ownership and the acquisition and financing of real estate as well.

Even if one were to include the coming SFSC-Newsletters, we would not even be close of gaining comprehensive coverage of the topics. There are dedicated journals and associations that do quite a good a job of informing their readers.

Hence, it is merely our objective to point out unexpected aspects and unorthodox thoughts on the matter and in some cases work out targeted advice and considerations on the issue at stake. With our take we question some "thought conventions". Readers may find our views useful for developing more englobing personal insights on the matter.

By its very nature, this SFSC-Newsletters is not a replacement for discussing matters with your personal SFSC-advisor. In order to generate true added value for future or existing estate owners, a holistic advisory and holistic optimization adjusted to one's personal needs and the situation of the reader remain imperative. A general treatise cannot provide answer to specific questions.

Your SFSC Editorial Team

[1] An exhaustive description of all changes would be exceedingly long. Herein, only the most important changes are accounted for. Accordingly, pension adjustments are not pointed out in here.
[2] https://www.ahv-iv.ch/p/1.2020.d

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

Home Ownership: The Pros and Cons

(Continuation from page 1)

The dream of owning one's own home roots deeply in the Swiss psyche. Nonetheless, "it" frequently remains exactly that: unachievable or recumbent in a far future. Detached from romanticizing, there is first and foremost a great number of aspects to be considered prior to acquiring one's new home. Despite this, important thoughts are frequently blanked out, which may lead to undesired consequences. The topic will be approached from a likely unusual perspective. Even the already lucky real estate owner may find food for thought or a plan for action to be tackled soon.[3]

Environment, climate and vegetation but also its history shape the culture of a country. The Swiss attach great importance to what persists time and on passing on assets to the next generation. The Maxim *"waste not, want not"* has deep cultural roots. It comes to no surprise that the Swiss household savings rate is the highest worldwide. It is not only a matter of surviving next winter; It is our aspiration not to become a burden to our children once we will have become of age. Remarkably, despite of these favorable cultural values and framework conditions it remains an unreachable dream for many citizens of this country to become owner of their own home.

Connecting the Dots[4]

The extremely high real estate acquisition cost for many pushes purchasing one's own home in to a far future. Why is that so?[5]

Supply and Demand

The market value and the expected price trend for real estate are significant in ruling in favor or against purchasing one's own house.
The price of goods in the market is normally defined as a result of the meeting of supply (offer) and demand for a given good. From the economic point of view real estate is simply such a good.

[3] This article makes no claim of completeness. The complexity of the topic brings with it that there often is no "right" or "wrong" position. It is the object of this article to offer unusual access to the general theme.
[4] It will be attempted to name the probable targets pursued by relevant regulations. It is not in our focus to determine whether said objectives were or can be met by the regulations in question. Similarly, it is less of interest here if the regulations are implemented or are just the subject of current political debate.
[5] Many issues can only be presented summarily here. Often times further (even counteracting) function mechanisms are at work as well.

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

As "untouched nature" and land persistently relish high value ranking, government attempts to cut urban sprawl by means of land registers (construction development plans, zone plans).
From the economic perspective zone plans result in an artificial shortening of the supply for building land. Even under a condition of constant demand, the scarcity of building land would engender a price hike for building land.
It turns out that for many years the demand for construction land has been anything but constant. Why is that so? Why did the demand for building land increase then?

Increasing Demand for Building Land

- Retirement Funds Drive up Demand

There are statutory provisions demanding that assets set aside for old age (especially the pension funds of employees and of the self-employed) must be invested at low risk. Old-age provisional savings are invested to a greater extent into Swiss real estate. Thus, in the market for land, those who would like to purchase their own home are competing against pension funds investing old-age provision capital for their customers.[6] This resulted in a sustained demand boom, which coincides with the artificially reduced supply for construction land due to the very existence of zone plans. Under these conditions, rising prices for construction land is inescapable.

- Migration-Driven Population Growth Increases Demand

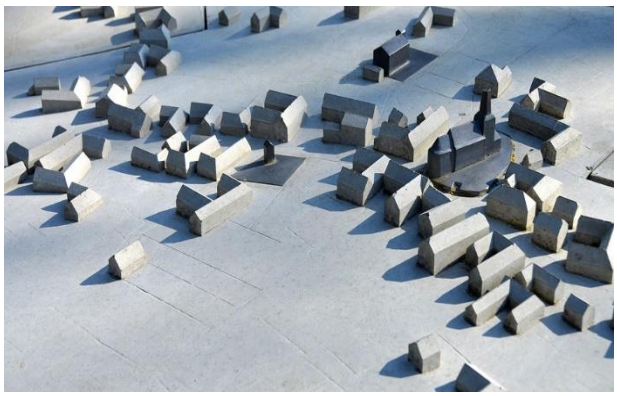
The demand for building land, real estate and housing property (rental as well) is nourished by a continuous and robust migration-related net population growth in Switzerland.

- Increase of the living standard drives demand

Undoubtedly the rising of our living standard has been driving up the demand for more living area (surface). The consequence is inevitable: a growing demand for building surface.
Facing the growing demand for building land, some are wondering, how long it would take to have the Swiss plateau (Mittelland) paved by construction all the way between Geneva and St. Gall.

Scarcity of Supply

Swiss authorities have taken many measures in an attempt to reduce the consumption of building land. In principle those interventions either attempt to reduce the supply for building land or they attempt to reduce the demand for building land. Lex Furgler, Lex Koller (real estate purchase by foreigners), Lex Friedrich and many other bodies of law have been trendsetting milestones of a continuous development which has initiated many years ago. The intent of those regulations is pivoting around either reducing the demand or the supply for building land or reducing "speculation"; the markets betting on rising price or value.



- Zone Plans Reduce the Supply for Building Land

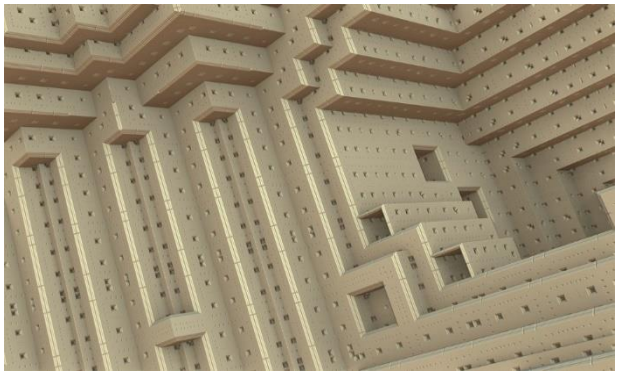
Zone plans do not only artificially reduce supply. Preserving and protecting the alpine region is also in pursuit. Having a high demand while limiting supply leads to a price increase for real estate and finally an increase for the construction costs as a whole. Rising rental costs are a consequence.

- Compact Building Design and Increase of the Usage Ratio

In order to reduce the consumption of building land, denser construction is of the order. However, regulations prescribing minimal limit clearances and maximum construction heights are contrary to an increase of the usage ratio. Minimal limit clearances were first designed to counter fire propagation, ex-

[6] The Swiss pension funds are obliged to return a minimal interest on the managed assets for old age. The Swiss Federal Council has fixed the minimal interest on the compulsory BVG/LPP-part of the insured saving at 1% (current rate).

cessive use (shadowing) and urbanization altogether. Increasing usage ratios[7] is designed to counter using up land, or so goes the political discourse.



Developments and Market Price

Many laws and regulations deploy an effect on the supply and on the demand side of the market for building land. Supply – the available amount building land – affects the market price for building land. There are "natural" developments making construction more expensive.[8] There are also regulations which speed up price hikes or they go encounter such developments.

Only a minority of the Swiss population can afford home ownership

- Regulations increasing price of construction

Many regulatory interventions make or will make construction more expensive: stiffer regulations for better thermal isolation or in favor of higher energy efficiency, elimination of asbestos, connection to the water and waste water system, separate conduits for meteoric water (rainwater), just to name a few.

- The rise of living requirements make construction pricier.

Bigger windows have become standard. So have ceramic stovetops, dishwashers, tumblers, air suction in the kitchen and bathroom, and may other improvements. Growing demands do not only drive the cost of construction but also rental rates. But again: Authorities intervene to protect tenants from "abusive rent increases".

Refraining Change

It is attempted to refrain "change" by means of regulatory interventions. For some interventions understanding their outcome has become more elusive.

- Real Estate Gains Tax

The real estate gains tax was devised with the intent of stopping "speculation". The impact of this tax scales with the time interval (in excess of two years) between the time of the sale of a real estate property and the purchasing of a replacement real estate property (possibility of tax deferral). This real estate gains tax deploys an effect similar to a transaction tax.[9]

- Regulatory Interventions against "Speculation"

Policymakers attempt to suppress the sale and acquisition of real estate properties for "speculative purposes". Foreigners having their main residency abroad are required to get a permission to acquire real estate property in Switzerland. The requirement has the effect of decreasing demand.

Winners and Losers

The developments in the context of numerous regulatory interventions have produced winners and losers. Some farmers are facing public disdain for having become multimillionaires with successive land sales in the wake of a constant positive migratory population flux and the gradual expansion of the building zones.

Sure enough: For many years, quite exceptional conditions have been prevailing in Switzerland, where a minority of inhabitants of the country were able to afford real estate property.

Investment decision criteria should be applied equally to real estate investments

[7] Usage ratio is the ratio between the living surface or building surface and the plot size. The boundaries of allowable usage ratio is defined differently from one canton to another.

[8] Again it is not the scope of assessing the merits of regulations. It is solely our intent to identify factors that have an effect on supply, demand and costs and hence, on prices. It remains our objective to devise an opinion to what extent real estate properties are adequate objects of investment, or more modestly to provide elements that could facilitate such an assessment.

[9] Supporters of the so called Tobin Tax on foreign exchange trade transactions pledge for similar marvels against speculation.

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

Homeownership as an Investment

From an economic point of view purchasing one's own home is primordially an investment decision. Whether an investment into real estate is advisable should be determined by measuring it up against alternative investment opportunities - as should be done so for any investment. All criteria which are relevant to all investment decisions should be considered as well, when investing into one's own home. This key message was treated more thoroughly in the last SFSC Newsletter.[10] Only a selected few aspects will be discussed hereafter, as these aspects are frequently neglected, when investing into real estate.

Overall Wealth Structure

From an economic point of view, before purchasing one's home, the impact on the overall wealth structure should be clarified. Accordingly, real estate is no more than an element of an asset portfolio. Avoiding a biased composition of the wealth portfolio would be advisable.
As home ownership is commonly considered a "safe allocation" and as the desire of owning one's own home is anchored quite deeply in our psyche, real estate ownership is a frequent and substantial overweight position in our books. In any case it should be avoided to further increase an already existing portfolio real estate bias due to home ownership with additional real estate investments. Also consider: Future inheritance will change the asset composition of an existing asset portfolio.

Past value growth of real estate is no guarantee for future value growth of real estate

---

Outlook on Value Development of Real Estate

Since World War II owners of real estate have benefited from a most pleasant growth of value. This development has been carried by a scarcening of the supply (zone plans, etc.) in conjunction with an increase of the demand (babe boom and net growth of the population). The net population growth itself was driven by comparatively interesting employment conditions and high purchasing power in Switzerland. Will all these conditions persist in the future? Not necessarily! To take persistence for granted is like driving on a highway while exclusively watching the rear mirror. The probability that there will be other developments must be considered to be a market or investment risk. The way that the value of real estate has developed in the past cannot be taken as a guarantee that values will continue to grow in the same manner in the future.

Financial Viability of Real Estate

Most of the Swiss real estate property owners have only been within a whisker of being hit by the financial crisis, which resulted - amongst other things - from the continuous misallocation of resources to the US real estate market.

Nevertheless lawmakers have tightened provisions of the Swiss real estate market with the intent of reducing the risk for similar resource misallocations and bubble formation, as it had occurred mainly in the US (regarding housing).

The Swiss Financial Market Supervisory Authority FINMA stipulates that financial institutions may finance at most 80% of the market value of a property by mortgage.

Swiss banks impose requirements for the financing of real estate properties in their own interest. Mortgages will be granted only when the financial viability of the real estate investment is conclusive and the criteria are met. Only when the outcome of a financial viability calculation is positive will mortgages be spoken.

Purport for Homeowners and Buyers

The financial viability requirements may somewhat differ from bank to bank. Typically the following is being asked for:

1. **Sufficient amounts of proper funding**
2. **The financial burden may be no more than one third of the gross income**

To 1.: Whether there are sufficient amounts of proper funding is determined by the ratio between mortgage fund and the market value of the estate. It is required that 20% of the market value shall be financed by the owner himself. At the time of retirement the mortgage must be amortized down to 66% of the market value of the property.
To 2.: The term "financial burden" means the sum of both the mortgage rate (assuming a maximum computational mortgage rate of 5%) and the incidental expenses (maintenance of 1%).

Additional Requirements for Homeowners

At retirement the income will drop. At this point the income typically consists of the pension income (from both AHV and BVG/LPP). The financial viability requirements still must be met after retirement. Even when a spouse has passed away, the financial burden may not exceed one third of the income (pension plus widow's pension).
The financial viability of real estate can be determined by means of a retirement plan (financial plan for retirement). Ask your personal SFSC-Advisor about it. Cf. ➔ page 9.

[10] The SFSC Newsletter as of July 2019 in its German article on page 3 "*Säule 3a-Konto versus 3a-Wertschriftenlösung*" described extensively, what should be considered when taking investment decisions. From an economic point of view the criteria listed in that article are equally applicable before purchasing one's own home.

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

Supply and demand remain key factors for the value change of real estate assets. As we have seen, the market is also exposed to a great number of interventions of regulative authorities. In order to appraise the value development of real estate, it remains imperative not only to assess the future development of supply and demand, but also to anticipate the progress of regulatory interventions.[11]

Developments Supply Side

Adjustments on the supply side are likely to be affected by factors listed hereafter. As all assumptions about the future, the propositions must be taken with a grain of salt:

1. The Baby Boom generation (born between 1946 and 1964) will be retired by 2029. Thereafter, within some 20 years they will use up their old age capital either by collecting their pension or by capital pay out. For this the pension funds will have to sell out major parts of the entrusted and invested capital for old age. In other words, the real estate investments will be thrown onto the market for sale. It is likely that many pensioners may have to sell their own estate properties for many reasons: for financing their living expenses by means of wealth consumption, because of their spouse's passing away, because of age-related ailments, etc..

2. The second pillar pensions of the people in retirement today are not fully funded. The transfer between generations has equally become a deplorable fact within the second pillar. The public pension plan (AHV, IV, EO, etc.) runs into financial woes due to the growing financial burden. The AHV (1st pillar) functions as a pay-as-you-go scheme. This means that any contribution currently paid to the AHV is being used this month to pay the AHV-pension of the retired. In 1948, when the AHV was introduced, there were about 7 AHV-contributors (employees or self-employed) per retired person. Today, there are only about 3½ AHV-contributors per retired person. By 2040 demographic development will bring down the ratio to two contributors per retired person. Adjustments at least on the Financing side appear inescapable. Attempts to cut AHV-Pensions would produce great political resistance. The taboo of not downsizing existing pensions is unlikely to be broken on its entire width. Howsoever the wealth consumption of the retired will speed up and more real estate property will be for sale.

3. A real estate sell-off would adversely affect prices in the housing market. The price-drop of real estate will have some home owners to no longer fulfilling the financial viability requirements. In principle this could lead to a similar situation, which spurred the financial crisis in the USA starting in 2007.[12]

Future Developments Demand Side

Certainly there will also be countering events and measures, to sustain the real estate market.

1. Authorities will attempt to swiftly improve the financing of the AHV and reduce the financial burden of the AHV onto the public domain. At the same time there will be an effort to turn away a potentially disastrous break down of the housing market. Authorities are likely to promote immigration of labor force while taming the immigration of economic refugees. The afflux of labor force will at first poor more money into the AHV/IV scheme and reduce the net cash outflow out of the second pillar (BVG). Policy makers will attempt to postpone heavy-handed corrective measures (such as major resizing of the pensions). Hence, the wealth transfer between the generations by means of the second pillar will not be stopped entirely and resolving the problems will at first only be postponed. For many years the expansive net migratory afflux has been practiced without resolving the fundamental problem of wealth transfer in the 1st and 2nd pillar.

2. It remains questionable for how long and to what extent Switzerland will continue to cover the financing gap of the provisional systems by means of migration. The challenges, which Switzerland is facing are the same for many other countries. Like Switzerland they will try to keep the economically productive part of their population within their country. It is possible that many employments could be lost due to productivity gains. Productivity gains may be the result of a wider deployment of artificial intelligence. Increasing job losses will have a broader part of the

[11] Again the burden for this evaluation remains to the investor insofar as such an estimate is possible. The question remains open, if this appreciation of the market situation is already "priced in" in the current market value for real estate.

[12] The SFSC Newsletter as of July 2019 in its German article on pages 3 and 4 "*Was geschah in der Finanzkrise?*" describes the bubble formation in the US real estate market. This bubble formation is seen as the spark, which set the world's financial markets ablaze.

population take a more immigration critical stance. As a consequence, immigration will become of limited use for closing the pension financing gap.

3. In a buyer's market[13] for real estate the price of housing would drop. This could lead to a situation, where many home owners would no longer be able to fulfill the financial viability requirements for their home (➔ page 6). In that situation, to avoid conjuring up a local mortgage and banking crisis, the Swiss mortgage banks and the Swiss authorities may push for loosening up the viability requirements for existing mortgages while tightening those for new constructions.

Investment risks of the real estate market

Principal Regulatory Risks

Occasionally, free markets produce misallocations, which most of the time are rapidly corrected for by the market itself. In regulated or partially regulated markets, interventions as Switzerland is also undertaking them, may have a stabilizing effect. At the same time a situation is created in which interest groups attempt to direct future developments to their advantage. Regulatory interventions in the real estate market have the negative effects of removing their capacity for self-correction and to shift responsibility over to governmental forces. Adjusting to shifting political interests groups, the action of authorities will be modified as well. Transferring control and influence to regulatory authorities leads to a new form of unpredictability.

Switzerland is still a country of tenants. Thus, it comes to no surprise, that on an international comparison tenants in Switzerland benefit from very strong tenant protection laws: wanted by lawmakers, mandated by authorities and enacted by the Swiss rental courts.

With the baby boomers, the percentage of home owners of the Swiss population has improved from 30% (1979) to nearly 40% (today).[14]

Demographics will alter housing needs in the entire market

One day, when 50% of the population will have become home owners, the power balance could tip over to landlords and landowners.

The investment risk for real estate in Switzerland essentially consists of a certain imponderability of regulatory interventions and the imponderability of the demographic development and its impact on politics. The tightening and modification of regulations in many domains (for example regarding energy consumption and thermal isolation, noise emission (caused by heat pumps), sustainability, but also in such domains as inheritance regulations) are equivalent to some degree of the regulatory risk. At least in principle there is the risk that regulatory interventions may suddenly deploy unexpected effects.

Financial Viability Risk

Homeowners run the risk of no longer being able to fulfill the viability requirements in the future. A reduction of income could lead to such a situation as well as if the market value of the real estate property were to drop.

The regulations as to how financial viability must be computed could suddenly be tightened along the way of combatting any other major economic disaster.

Delusion: "uniform housing needs"

Under normal circumstances construction surmises similar or gradual changes of housing needs. Out of tradition and sustainability the Swiss build for 100 years, although for any practical purposes, the needs of the inhabitants of this country have changed at a much faster pace.

For one's own needs, houses are typically built for a family with kids. At age 25 most youngsters will have become self-earning and will move out. After this, the children's room will likely to be used only on rare occasions and will have become "a waste of resources" from an economical viewpoint. In most cases an efficient change of use will not be observable.

At some point, there will be the phase in which the elderly home owner will no longer be able to take care of the garden and of the maintenance of the estate. Not long after, climbing stairs will have become impossible because of age-related ailments. A later required change of use of the estate will have been anticipated only in the rarest cases. The change of housing needs is a development, which will have an entire generation of baby boomers affected.

The Dream of one's own Home when of Age

Retirement entails the prospect of obtaining substantial amounts of capital from the pension fund or from pillar 3a by means of capital pay-outs. The amounts paid-out may appear to make the long yearned and nonetheless postponed dream of owning one's own house much more palpable.

Lo and behold, counter this view should be held that for a start purchasing real estate will bind capital, which foremost will be needed after retirement to come up for one's cost of living. For all practical purposes, the income resulting from AHV and the second pillar (BVG) is lower than the income before retirement.

[13] A buyer's market is an extreme market situation in which the contractual terms can be dictated by the buyer. Buyers can reach a dominant position when supply exceeds demand or when demand is not urgent.

[14] Until 2010 the percentage of home owners of the Swiss population was surveyed in the national census. The percentage of home owners remains the lowest in Europe. The gradual growth of this number is attributed to relatively fast growth of condominium apartments.

To maintain one's standard of living after retirement, assets must be available for consumption at that time. Purchasing one's home after retirement goes counter to the new financial situation resulting from retirement.[15] The situation is similar to the propensity of many home owners wanting to reduce the mortgage on their property at the time of retirement for the sake of "security and independence".

Becoming a home owner binds capital, which in most cases will be needed for financing living expenses after retirement.

The practical implication of redeeming one's mortgage is essentially that of a capital binding transaction. In most cases this capital would be needed after retirement for financing ones living expenses through asset depletion. For the purpose of financing ones' living expenses, the mortgage debt may no longer be raised arbitrarily.

The financial viability requirements (➔ page 6) frequently give no longer any maneuverability because of the retirement-related income drop. A previous reduction of the mortgage debt substantially reduces financial leeway. After retirement, as long as the criteria for financial liability of the real estate are fulfilled, in most cases any further redemption of the mortgage debt is not well-advised. As it stands currently, mortgage interest is at its historic low. In other words in most cases mortgage payments are rather moderate amounts (in absolute numbers). As it stands, this is generally reason enough to advise against payback of the mortgage debt.

Question of Succession

Suppose a couple with kids has allocated a substantial part of the couple's assets in the family's home. In the event of death of one of the parents, in some cases the surviving parent may have to move out of that home, in order to comply with the children's entitlement to the compulsory part of that succession.

As long as financial viability is met, further reduction of the mortgage debt is in most cases not well-advised

To guard against such an uncomfortable situation, during one's lifetime an "agreement for transfer" (D: Vorschlagszuweisung) must be made under the matrimonial regime and a "most-favored-nation" provision (D: Meistbegünstigungsklausel) must be agreed upon under succession law.

A notary may be able to implement this at lower expense than lawyers. Whether such measures are necessary in the context of your personal situation is best determined in the progress of a retirement plan.

SFSC-Retirement Plan

Advantages of a retirement plan:

- Gain an overview over the expected income situation after retirement
- Determine the financial viability of real estate, provide recommendation for timely measures
- Evaluate the feasibility of early retirement and ensure such a plan
- Align the structure of the investment portfolio with risk profile, avoid risk accumulation
- Devise an fiscally optimized plan for capital withdrawals out of 2nd pillar and pillar 3a
- Assess the need for action to ensure financial protection
- Tax optimization and tax reduction
- Identify and close pension gaps
- Explore and identify the best course 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 benefits of such an *SFSC-Retirement Plan* and to discover what personal questions it could answer, please get in touch with SFSC: 044 404 10 90.

[15] If a family's home was built when children were small, major housing refurbishment and renewal expenses fall due some 20 to 30 years later, just at a time when the couple, who then will have become of age, will need capital for financing its cost of living.

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