

NEWSLETTER

Zürich, April 2020

Times of COVID-19

Roger Nägeli is CEO and owner of the Swiss Financial Service Center. As many other companies, SFSC is adjusting to the new threat caused by the coronavirus.

Roger Nägeli answers to questions, which are related to the COVID-19 pandemic.

Would you please tell us something about your personal background?

Roger Nägeli: For 35 years I have been working in the insurance and financial sector. For many years I held various management positions. I had completed my formal education as a financial planner and insurance agent while at the same time keeping my fulltime employment. I have been married for 36 years now and I am the father of two grown-up children. My son and my daughter have themselves become parents, so that I am a proud grandfather of two granddaughters.

What brought you to become founder of SFSC?

Roger Nägeli: Some ten years ago, as regional broker manager of a Swiss insurance company I was in a close business relationship with 250 resellers (brokers). This allowed me to get a good overview of what offers and services were missing in the market.

At the time, my employer had entrusted me with the development and management of the agency for advising university graduates, as it was called back then. It became obvious to me, that an insurance independent operation would be a key prerequisite for successfully providing true value to customers. As agreed with my former employer, I bought out this operation together with two external partners. Customer value is essential for becoming successful in this segment. Until this day, an insurance independent operation providing customer value has remained the leitmotif or mission statement of the

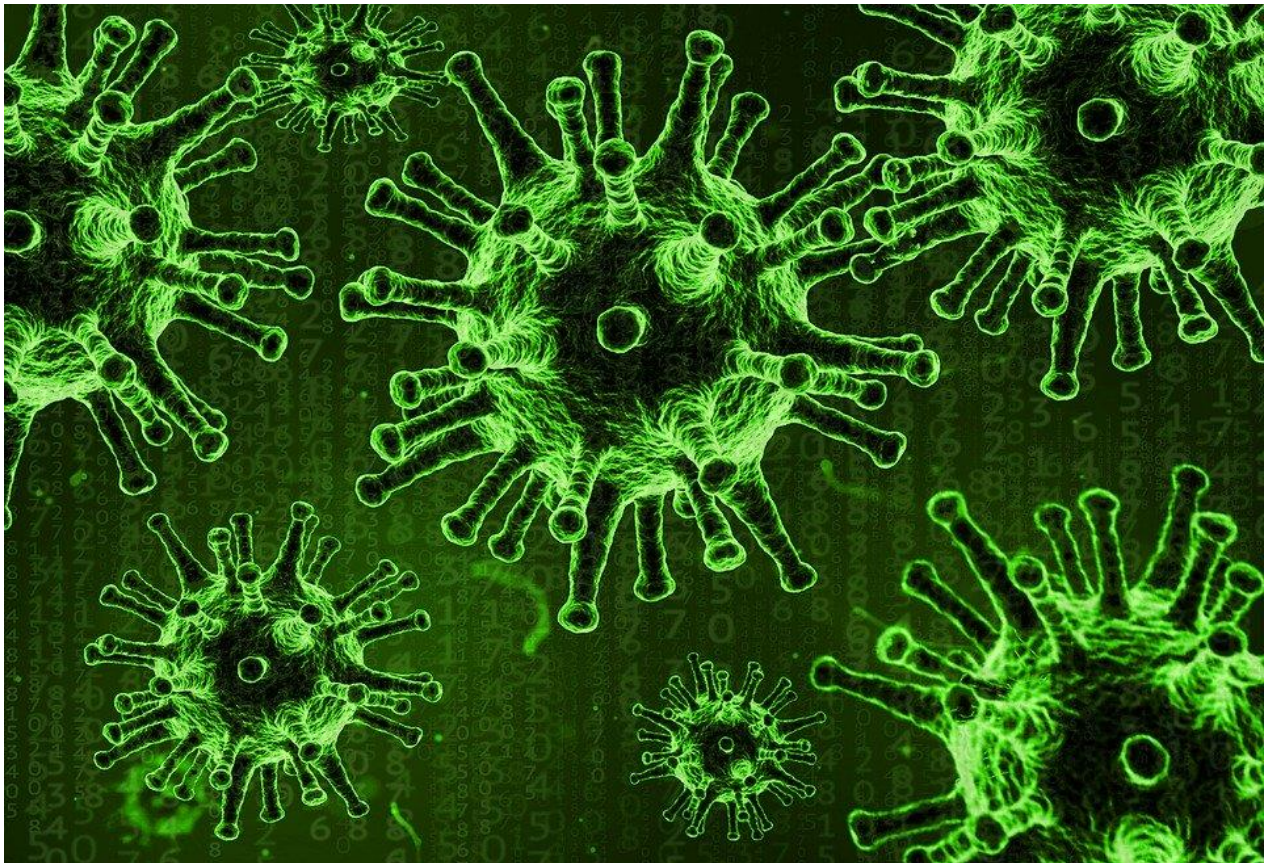


Swiss Finance Service Center. With time we have expanded our service offer, while always keeping to our promise.

Many are anxious about potentially high treatment costs, if they were to be hospitalized for treatment of COVID-19 symptoms.

Roger Nägeli: The care costs of a hospitalization are essentially covered by the health insurance, everyone has. This holds also for COVID-19¹. The expenses must be carried by the insured prior to reaching the level of the selected annual franchise (the personal contribution). Once the selected annual franchise in terms of costs to the patient is reached, 10% of the costs that are in excess of the annual franchise will be billed to the insured as well, but only up to a maximum of CHF 700.- per year. For children, the maximum is CHF 350.-.

¹ The Coronavirus (SARS-CoV-2 for severe acute respiratory syndrome coronavirus 2) produces typical disease symptoms called COVID-19 (corona virus disease 2019).



Which rule is applied, when it comes to costs resulting from corona screening-tests?

Roger Nägeli: Currently, the basic insurance covers the costs for the tests prescribed by a doctor up to 180.- CHF. A doctor will prescribe tests to patients, who have a risk for complications or who are showing severe symptoms. For the event that off-label medication would be prescribed, the situation would be considered from case to case.²

What if one would have to be quarantined? It wouldn't be a "sickness" for which the health insurance would cover the costs. Would such costs for quarantine be covered?

Roger Nägeli: If you think about the "home quarantine", there would be no supplemental cost. At least three weeks of salary payment continuation would be provided by the employer. This is stipulated by article 324 of the Swiss Code of Obligation (OR). Salary payments beyond that period depend on the employer and on the applicable employment contract.

What is preoccupying your customers? In which way is the "mood" different from what it was before the pandemic?

Roger Nägeli: Of course coronavirus has become a ubiquitous theme. As no-one really knows, where it

will lead us to – it is unexplored territory after all – there is some disconcertion. About half of our appointments with our customers are held over Skype. The other half of our customers prefers to postpone meetings to a time after corona.

On behalf of the Benefit trust, SFSC had held seminars for example for employees and for doctoral students at universities. Can doctoral students and other employees still join seminars of the Benefit trust?

Roger Nägeli: Due to coronavirus "classical" seminars, as we had held them before corona at universities, technical colleges and at ETH, can no longer be held in the form of lecture-seminars.

We have rapidly searched for viable solutions, which would allow us to deploy such seminars over the web. Recently we have held the first webinars. For participants as well as for the panelist, this a change, but we see it as a chance to have more

Webinars: an opportunity to deploy seminars more easily

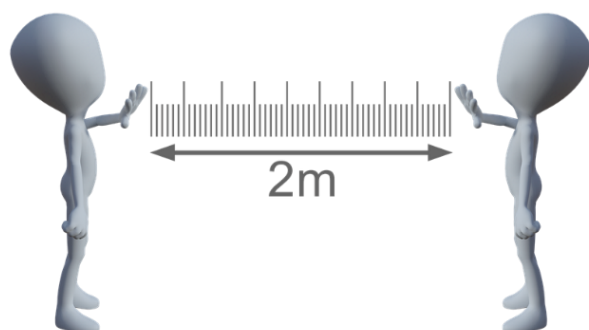
² Sometimes medication can be prescribed, which are normally prescribed for other domains of treatment. In such an event, the Department of Health's lists of drugs and special therapies (SL/LS) (specialty list) does not compel health insurances to pick-up the expenses. Currently a combination of two compounds seems promising in alleviating COVID-19 (the symptoms generated by coronavirus) and is currently under study but has not yet been demonstrated. Health insurances will be compelled to pick-up such off-label medication costs from treatment of COVID-19 with such compounds as soon as such treatment would be on the specialty list.

seminars and have a greater reach. Also commuting to and from the seminar is dropped. The number of webinar subscriptions lets us look to the future with confidence.

The Benefit Trust and we as an SME³ are meeting the challenge in adapting and reorganizing the processes to the new situation.

For long SFSC used to offer its services by means of a personal customer contact. Under the coronavirus situation, is this still possible?

Roger Nägeli: In compliance with the federal provisions, we can still have one-to-one meetings with our customers. In our offices we have sufficient distancing opportunities and our employees are committed to meeting the prescribed hygienic standards. Thus, we remain well-disposed for receiving our customers on our premises. For those who prefer to use Skype for meeting with us, Skype remains a very viable instrument, which is well appreciated by many.



Many Customers of SFSC have subscribed to the SFSC-Service package. Can they still receive the services?

Roger Nägeli: By all means! We also still provide counseling and services by phone or by Skype. Our customers must fear no limitations for that matter.

Stock prices have devalued substantially. Many have invested into securities and now find, that they have lost a lot of worth.

Roger Nägeli: I am limiting myself here to the stock price development resulting from the corona pandemic. Of course there are many other more important aspects such as the human suffering caused by this pandemic.

As it was, within a month the Swiss Market Index (SMI) had fallen by 27%. Portfolios containing shares have rapidly lost in value. Bond-Portfolios have incurred losses too, but to a marginally lesser extent. From February 19th to today April 14th the SMI is at -15%.

A crash of this dimension is nearly a once-in-a-century event, but only nearly. The Dow Jones Industrial Average had plummeted by 37% in this crisis. For comparison: The big crash of 1987 inflicted a

36% loss. Coronavirus would have broken the record crash, but only at first sight. During "The Great Depression" 1929, the stock market had crashed by 48% in a first step. But the lowest point had not yet been reached in that year. The minimum was reached only in 1932, when the US leading share index had crashed by 89%.

What should investors do now? Sell? Hold? Buy more?

Roger Nägeli: To answer your question, I would need to extend a bit. Please bear with me.

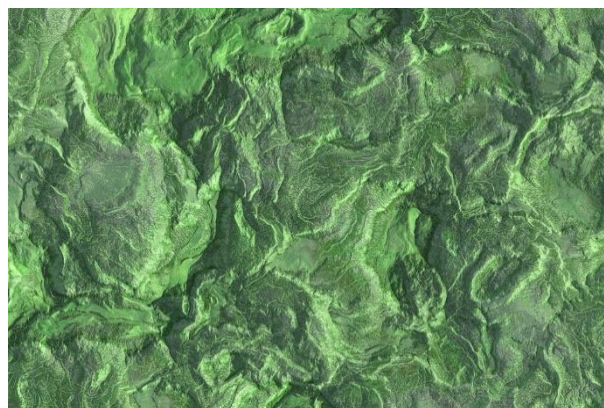
In all honesty, one cannot answer such a question simply and entirely correctly. The question implies that one would know, how the stock prices will develop. This is never possible. After or during a crash, one can in principle stand before or in the midst of an additional crash. As well, one could be standing before a rise in the market. In the latter we would speak of a recovery.

Our recommendations are based on the experience of history, technical know-how and the interpretation of market indicators. In all of our counseling interviews to the theme of wealth formation or asset management we take great care to determine our customers' risk profile. We are right in doing so: Of our customers, who have invested with us, hardly any react nervously for endured book value loss.

We have selected our wealth management partners with great care and we are convinced, that the approach taken by all of our partners and their defensive actions is beneficial especially in the current situation. Our recommendation remains: "Stay calm and keep your investments!"

World-wide actions of states and central banks appear to conduce to a situation, where it remains only a matter of time, until the markets will recover. This is also my personal experience. After coronavirus, normality will and will gradually have to appear again in the economy. But not between today and tomorrow! Whether or not to invest into more shares in the situation of apparent low valuation of securities, must be considered on a case-by-case basis in a personal advisory discussion.

For those, who are in the process of accumulating wealth – for example for their own home or in order



³ SME short for Small and medium-sized enterprise.

to provide for their future retirement – it is important, to carry on executing the monthly standing order. If the stocks were to remain at a low valuation for some time, maintaining regular investments into shares will procure more shares for the money than before. If the stocks continue to devalue, this is even more so. In the reverse, if the stock market were to grow, there is leverage as more shares (parts) would be held by the investor. Regular purchases in a fluctuating market turns the average price into a defining factor characterizing the investment, while reducing risk.

COVID-19 Pandemic: Criteria applicable to invest- ments remain unchanged

What lessons can be learned from the corona pandemic?

Roger Nägeli: In a phase of crisis, the same investment criteria are applicable still, as they were before the pandemic.

The structure of a portfolio, how many shares and bonds it may contain, must always stay in agreement with both the investment horizon (how long the investment will not be redeemed) and the personal

risk-readiness and risk-carrying capacity of the investor.

If investors can no longer sleep well because of the current book losses, the personal risk-readiness of the investor has been overestimated. With a realistic estimate of the risk-readiness of the investor, the latter should still be able to sleep peacefully, even if additional losses were to occur.

How should one go about it, if the feeling persists, that something of one's portfolio structure should be changed?

Roger Nägeli: It would be the simplest for our customers to reach out to their personal SFSC-Advisor. They will then be able to adjust the customer's investment portfolio.

In more complex cases the basis for such decisions is always a financial or a retirement plan. With such a plan, the investment horizons⁴ can also be determined more reliably.

How did the Swiss authorities inform SFSC about the coronavirus? Is there an official information channel of the authorities and how does it work?

Roger Nägeli: We have received the first information, as probably all have received it: through the media. Primarily, we orient ourselves upon the official website of the federal government. In addition there are recommendations on the websites of



⁴ Investment horizon is the length of time for which a given amount of capital may be kept invested and untouched, until it will be needed again. The shorter the investment horizon is, the less risky the investment must be. The longer the investment horizon is, the more profitable (but also riskier) the investment can be.

branch associations and so forth. Besides, we also observe how the branch reacts as a whole and how some competitors react. Whichever source we look at: we closely observe regulations. Neither will I expose our customers nor our employees to unwarranted risks.

As a well-seasoned manager you certainly have faced many entrepreneurial challenges. Is this pandemic any different from any other crisis you had to face in the past?

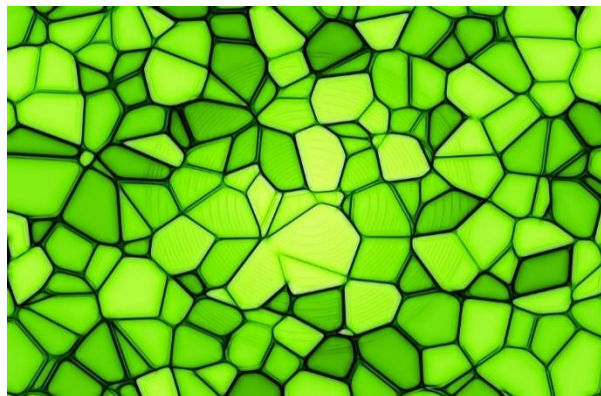
Roger Nägeli: Crisis management always functions according to the same principles. But until recently, I never had to deal with themes, which so directly could affect the health of our customers and of our employees. To some extent I must also trust the Swiss authorities.

Many companies see themselves facing great problems because of the coronavirus. Which are the biggest challenges for SFSC?

Roger Nägeli: We are facing the normal problems of most small and midsized companies. It starts with personnel deployment to ensure remaining reachable by our customers and ends with liquidity planning. On top of this there are many questions to be resolved regarding the change of counseling- and seminar-processes.

Do you have a personal message to our readers?

Roger Nägeli: I would like to express my sincere gratitude to our customers, many of whom have for many years always bestowed us with their trust. Our customers entrust us with financial, health, inher-



itance, tax, wealth and many other important information regarding their life. Information of such sensitivity are very personal and mandate more than enough confidentiality.

It is an honor to be entrusted with such an extraordinary privilege. The entire SFSC-crew including myself truly appreciate to be recipient of this trust. At the same time it is a huge responsibility, which I continue to take on together with my team in order to defend the interests of our customers.

The corona pandemic brings many into hardship and distress. It causes anxiety and challenges us. I am confident that we will master the path out of this crisis, despite possible setbacks that we may face. In the best case, as a country we may come out of this crisis more united.

We, Swiss Finance Service Center, will do our best to continue accompanying you throughout this difficult phase.

Roger Nägeli, Thank you for this interview!

Readers Ask SFSC

If you would like to address a question to SFSC, which we could publish together with our answer in the SFSC-Newsletter, please direct your question with the annotation "Readers Ask SFSC" to info@sfsc.ch. We will gladly answer questions of general interest in the coming SFSC-Newsletters. Please state if we would also be allowed to mention your name and/or village of residence in the Newsletter

