CREDIT SUISSE

Enjoy your wealth – systematically

The change in your income situation as you get older has both financial and emotional implications. Careful planning and organization for retirement help you generate returns that reflect the degree of risk involved. They also allow you to be more relaxed about depleting your assets.

Changing income situation: Identifying and planning a replacement income
When you retire and are no longer paid a monthly salary, replacement income from the state and from your employee benefits insurance takes over. The income from these pensions is generally lower than your original salary. Because private pensions are usually available as a lump sum, these assets need to be consciously planned, efficiently "consumed", and regarded as additional available liquidity. For many people of retirement age, this can be a daunting process. When your earned income dries up, you need to rethink your attitude to the way you spend your own money.

Key planning criteria: Available capital, expected return, and remaining assets
To ensure the "dissaving" process is structured in the most efficient manner, it is advisable to deal with this issue from an early stage. The first step involves determining various parameters for yourself:
- Available capital
- Needs (annual or monthly)
- Expected return
- Extraordinary changes in your assets
- Remaining assets
- Life expectancy/attrition period

The available capital must be adjusted for any taxes. The expected return should be based on cautious assumptions. Remaining assets must be defined individually. Annual consumption can either be constant or can vary; extraordinary changes in assets (round-the-world trip, sale of real estate, etc.) must be given as precise a value as possible and, where realistic, also assigned to a planned investment year in the future.

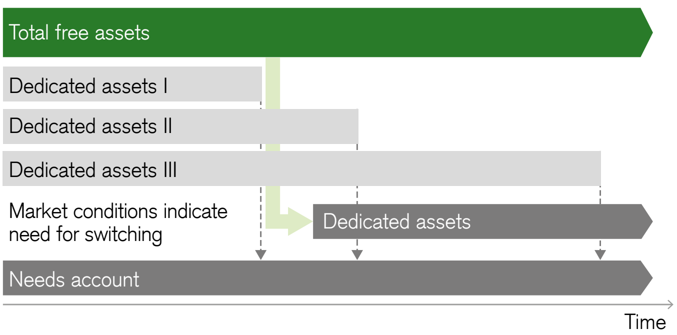
Individual life expectancy: Empirical values and statistics
Tailoring your capital consumption exactly in accordance with your own lifetime is an impossibility given the difficulty of estimating your own life expectancy. For obvious reasons, there is no calculation model available. Statistics, the experience of your own family, as well as your personal health, can merely give you clues.

Organizational support: "Needs account"
The key data mentioned illustrate how much of your assets can be consumed each year. Simple organizational support can help you overcome any difficulties you encounter in relation to your personal asset consumption. An account specially set up for your own personal needs can include the dissaving amounts which you anticipate for your own consumption as well as your pension benefits. This arrangement makes it clear that what is available in the "needs account" is available for consumption, and can be used when needed.

Returns that reflect the risk: Dedicated and free assets
To use the assets invested in order to produce returns that reflect the risk in this period too, it is crucial that the distribution of individual asset positions be spread out over time. Positions that will be needed in the next few years must be invested on a low-risk basis in the planned investments for the planned time of consumption.

Timing is key: Market performance and switching
When transferring long-term (higher-risk) free assets into low-risk dedicated assets, which will subsequently be consumed, timing is crucial to the overall return. Actual needs should only be seen as one factor behind this decision: Current market circumstances are equally important. If price gains have been generated on the free assets, they must – depending on market prospects – be realized even if the need in question lies several years out in the future. As a result of this process, market conditions are crucial in terms of the optimum time to sell, so that a situation does not arise where assets have to be sold for reasons of need – in other words, due to necessity and under time pressure.

Illustration of wealth attrition



Significant annuity = Flexibility in terms of wealth attrition
If fixed pension benefits cover the costs of an – individually defined – appropriate standard of living, wealth attrition can be viewed with a degree of relaxation. In such a situation, the fact that all the capital is consumed in the attrition period is less consequential. An annuity tailored to fixed costs and fundamental needs therefore increases the flexibility of wealth attrition and definition of the investment strategy for the free assets.

Worry-free enjoyment: Tailor-made for your individual situation
Experience shows that it makes sense to plan for wealth attrition in a far-sighted, long-term manner. Proper organization helps improve the quality of your plans regarding your assets and income, as well as your commitments and costs. When you retire, the security you have gained leaves you free to enjoy the wealth you have accumulated without having to worry.

Contact us
We will be happy to arrange a personal consultation.
Call us at 0844 200 114*
For more information, visit our website at:
credit-suisse.com/financialplanning

* Please note that telephone conversations may be recorded. By making a call, you acknowledge your agreement with this business practice.

CREDIT SUISSE (Switzerland) Ltd.
P.O. Box 100
CH-8070 Zurich
credit-suisse.com

SMMI 3 4224 06.2022