

International Wealth Account

A closer look at fund charges on the International Wealth Account

At Zurich International Life (ZIL) we are keen to ensure that accurate and objective information about our charges is readily available to our clients. We want our clients to feel confident that they understand all the charges being levied.

Within Key Features documents and illustrations, product providers are required to show the charges that apply to their products. These product charges are often clearly shown, but in many cases the specific costs of the underlying funds are not.

A closer look at fund charges on the International Wealth Account

With the International Wealth Account (IWA), ZIL specifies the yearly fund charge. Often called the total expense ratio (TER), it represents the costs taken on the underlying funds.

ZIL quotations take all these underlying costs into account in the calculation of returns and reduction in yield (RIY). The RIY is the amount by which charges can be expected to reduce the investment return on a policy with investment content.

When comparing collective investment vehicles, TERs are a fairer and far more accurate indicator of the true effect on fund performance than just a quoted annual management charge (AMC).

What is a total expense ratio?

Across the financial services industry, it is not always easy to see the full annual costs on funds. Some figures are quoted as an 'annual charge', but may not include the costs additional to the annual management charge such as audit fees, administration and trustee fees, which are included in TERs.

Quoting TERs is about presenting fund specific information in the clearest way possible and is simply a proactive way of informing clients about the total package of costs.

The TER is a combination of:

- a fund's AMC, and
- other variable costs:
 - additional costs levied by the underlying fund (audit, administration and trustee fees), and
 - performance fees that may be levied on the fund.

For example, a 1.5% AMC and 0.19% additional fund costs, makes a yearly charge TER of 1.69%. ZIL, by informing clients of its 'yearly charge' in this way, enables clients to see the real effect on fund performance caused by all annual operating costs, not just the basic AMC.

Other costs

Funds' other costs vary over time. The other expenses included in ZIL's illustrations are actual historic charges which are updated regularly. They include audit, administration and trustee fees.

Performance fees

There are a small number of funds on the IWA fund range that are subject to performance fees levied for good or exceptional performance. As the performance fees do not relate to the

projected growth rates, an accurate representation of the effect of the charge is not possible. The ZIL illustrations therefore do not include this charge in the projected returns, but instead clearly identify these funds and signpost where a detailed explanation of the charge can be found.

Do all life assurance companies create quotes on the same basis?

Some providers may quote charges on representative funds, so irrespective of the charges of the fund selected, the client will receive a standard representative quote. The client may have to look closely at other material to see which specific costs apply to their choice of funds.

For example, a client may have selected a fund with a discounted initial charge of 0.25% and an annual charge of 1.5%, but the provider will quote based upon their representative fund of 0.5% discounted initial charge and 1% annual charge.

What differences does quoting a TER make?

By quoting TERs, the illustrated values shown will be reduced slightly in comparison with a quote that uses only the AMC.

ZIL's quotes are designed to provide clients with fund specific information in a clear and transparent way by quoting the TER or 'yearly charge'. We are committed to ensure that charges are fairly reflected and we want our clients to feel confident that they understand all the charges being levied.

It is important to remember that charges are just one of the factors to take into account when choosing or assessing a fund. Clients make investments into specific products for a number of reasons and this decision is usually taken in line with advice from a relevant financial professional. The decision in many cases will not necessarily rest entirely on the basis of charges/costs alone and other factors will play a part in the provision of advice and recommendations made by a relevant financial professional.

For full details about the funds and their charges, please refer to the 'International Wealth Account guide to your investments' brochure.

For full details of the International Wealth Account please refer to the product brochure and the policy terms and conditions, copies of which are available on request.

Important information

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