

Managing risk for retirement funds

Retirement investment strategy

The provision of an attractive retirement benefits scheme for employees is a well-established means of helping companies to attract and retain high calibre personnel.



However, providing for employees' retirement can be time consuming and expensive. In addition the investment portfolio should be regularly reviewed and revised in order to maintain an appropriate balance between risk and reward.

Retirement investment strategy

At Zurich International Life (Zurich) we understand the need for peace of mind for employees when planning their investment portfolio. We offer a unique tool with our corporate retirement products, available in US dollars, sterling or euros, called the retirement investment strategy (RIS).

How does RIS work?

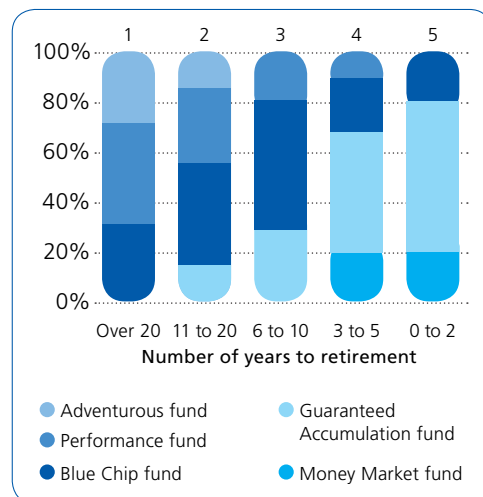
RIS is a predetermined investment strategy that moves with the policy (account), it allows members to invest in growth assets such as equities during the early years of the policy and moves gradually into more secure assets such as fixed interest securities during the latter years. The savings are automatically switched from equity-based funds to cash and bond-based funds. This reduces the exposure to investment risk over time, as there is less exposure to large shifts in the equity markets, and helps to protect any gains made during the early years of the account.

The chart (below) illustrates how this works. RIS reduces investment risk by automatically switching the investment through up to five portfolios, depending on how long is left until the retirement date, each portfolio offers less exposure to risk than the previous portfolio.

For example, if there are ten years remaining before the retirement date and RIS is selected, the contributions will initially be invested in the Performance, Blue Chip, Cautious and Guaranteed funds in the proportions shown in the chart (below).

After five years it will be adjusted by switching into the Performance, Blue Chip, Guaranteed and money Market funds, eventually ending up in the Blue Chip, Guaranteed and Money Market funds for two years prior to the retirement date.

Retirement investment strategies



What are the features of RIS that may be of interest?

Flexibility:

Able to switch into or out of the RIS option, at anytime, without penalty.

Growth potential:

Potential for growth in the early years of a policy. RIS provides investment in equity markets to maximise potential return.

Focusing on the longer-term:

Offers a long-term strategy which can help to smooth the effects of short-term volatility associated with equity investment, providing the potential for a real return over cash and the rate of inflation.

Ongoing risk reduction:

Portfolios offer a reducing exposure to equities the closer retirement gets, which can help to maintain the account value in later years.

Peace of mind:

Minimal input is required with automatic switching throughout the employment term. There is no need for pro-active asset allocation decisions.

Efficient:

There are cost and time efficiencies associated with Zurich taking the responsibility for switching to lower risk strategies, as retirement approaches.

Know the risks:

Please understand that, as with any unit-linked investment strategy, unit prices are not guaranteed and can go down as well as up. As always, please remember that past performance is not a guide to the future. The value of any investment and income from it can fall as well as rise as a result of market and currency fluctuations and an investor may not get back the amount originally invested.

This leaflet has been produced for the purposes of illustrating the features of the retirement investment strategy (an investment service) and not for comparisons of its investment performance.

For more information about the funds and their charges please refer to the 'quarterly investment bulletin' and the 'Investments – your guide' booklets.

Important information

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This sales aid is not intended as an offer to invest. For full details of the funds and their charges which make up the retirement investment strategy please refer to the 'Investments – your guide', a copy of which is available on request.

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The value of Guaranteed Accumulation funds is only guaranteed on the 10th anniversary of the Policy Commencement Date or at the normal retirement date, if earlier, and on each following 10 year anniversary. For details of the terms and conditions governing the Guaranteed Accumulation funds, please refer to the 'Investments – your guide' booklet, a copy of which is available on request.

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