

Prepared for the future. Within your own four walls.

Making the dream of your own home
come true - step-by-step.



Prepared for the future.

The dream of your own four walls is as old as mankind itself. Creating a home means more than simply finding a place where you can feel safe and relaxed. A true home is somewhere that gives you independence and freedom to make your own choices: your own house or flat. Many people are discouraged from realising this dream by the great financial burden they think it involves. But it is actually worth stopping to take a good, hard, professional look at your situation.

Swiss Life can help you do this. With Switzerland's largest provider of pensions and long-term savings at your side, you can benefit from our considerable experience and knowledge of how the real world works. Together with one of our benefit specialists, you will define your goals and risk tolerance, explore how much financial freedom you have and look for ways to optimise your situation - for example as regards mortgages, taxes and applying your vested benefits towards home ownership. So that you can rest assured you have made the right decision on whether and how to make the dream of your own four walls reality.



Analysis.

The benefits of home ownership.

- Independence and security within your own four walls
- Freedom regarding architectural features and interior decoration
- Represents a store of value and an investment
- Protection against inflation
- Initially offers tax advantages through deduction of loan interest

Do your homework - and achieve your goal quicker.

The procedure for buying residential property depends on your own personal situation. It is important that you know and determine your exact needs and requirements. The more thoroughly you prepare, the sooner you will find your dream property. It is always worth investing sufficient time in the search for the perfect home.

- Personal preferences: region and location, build or buy?
- Residential environment: transport links, distance to work, infrastructure, tax situation.
- Form of property: size and type of premises, location, zoning, type of construction, age of building, amount of investment required, state of repair.
- Financial and legal aspects: financing criteria, insurance needs, gaps in future provisions coverage, land register.

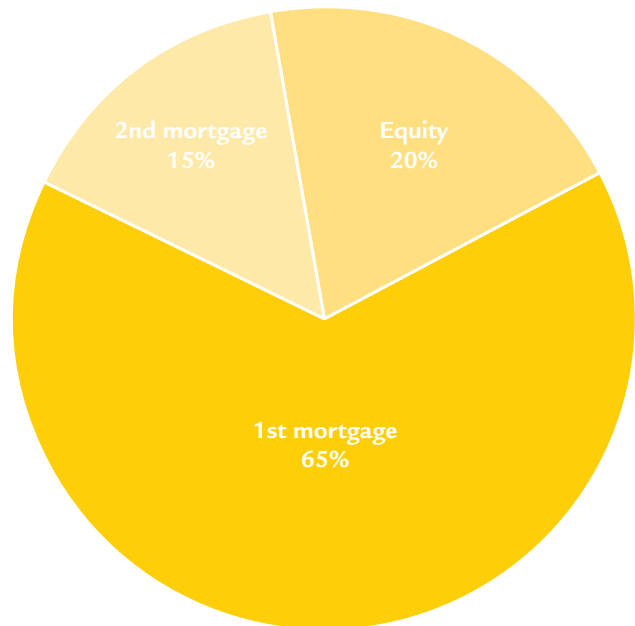
We can help you purchase a detached or semi-detached house, or even an owner-occupied apartment. However, the property must be for your own use.

Financing.

How much do I need to contribute from my own pocket when buying a property?

The maximum amount of mortgage we can offer is based on the market value established by us for the property in question.

Mortgage loans are secured by the pledge of real property as collateral. This means that the actual property for which you are borrowing the money acts as security for the loan. The means of security consists of a “charge on property” and can take the form of mortgage notes which must secure the full amount of the loan. The higher the loan-to-value ratio the greater the financial risk for the lender. This leads to additional interest being charged on loans which exceed 65% of the market value of the property. Due to this additional interest, the interest rate for a second mortgage will be higher than that for a first mortgage.



- We will grant a first mortgage up to 65% of the market value of the property
- A second mortgage can be granted for a further 15% of the market value; it must be repaid within 10 to 20 years.
 - The lending limit is thus 80% of the market value of the property.
- The remaining 20% must be supplied by the borrower.

Costs.

How much will the property cost me each year?

If you want to acquire your own home, you will have to plan for certain costs that occur on a yearly basis:

- mortgage interest
- annual repayments for second mortgage
- approx. 1% of the value of the property should be calculated for ancillary and maintenance costs (heating, warm water, renewal of facades, replacement windows, etc.)

To keep the financial burden of your new home within affordable limits, your outgoings for interest, mortgage repayments and ancillary costs should not come to more than 33% of your gross annual income. At www.swisslife.ch/de/hypo you can use the online calculator to work out your personal income and wealth situation.



Making it happen.

What can I do to raise the necessary funds or increase the mortgage?

Second pillar funds

From 1 January 1995 the Federal Law to Encourage the Use of Vested Pension Accruals for Home Ownership (BVG/OR) has made it easier for you to use your second pillar vested pension capital towards owner-occupied residential property, i.e.

- to purchase or build a residential property for your own personal use, either as sole owner or jointly with your spouse (e.g. for a detached house or freehold apartment)
- for investments to maintain or increase the value of your own home
- to repay mortgage loans
- to participate in a housing cooperative or similar housing institution

Second pillar funds may not be used for holiday homes or second residences.

If using your vested pension capital, the basic options available are prepayment (advance withdrawal), pledging or a combination of the two. Up to age 50 the maximum amount corresponds to the vested benefit at the time of prepayment. From age 50 onwards the maximum amount is equivalent to either the vested benefit you have accumulated at age 50 or no more than half of your current vested benefit, whichever is higher.

What are the differences between prepayment and pledging?

	Prepayment	Pledging
Meaning	Counts as borrower’s own funds.	Counts towards borrower’s equity. We can grant a higher mortgage when the relevant vested benefit entitlements are pledged as collateral.
Taxation	Advance withdrawals are taxed as income at federal and cantonal level (at discounted rates).	Not taxed. Exception: Taxed in same way as a prepayment if debt has to be recovered.
Repayment	Mandatory upon sale of own home (exception: advance withdrawal is re-invested in residential property within 2 years). Voluntarily at any time up to 3 years prior to retirement (exception: if insured event occurs). We recommend that you take out cash value life insurance to repay the amount withdrawn in advance.	The mortgage in question must be paid off in full within 10 to 20 years, and no later than 5 years prior to retirement.

What impact will an advance withdrawal or pledge have on my pension plan savings?

Prepayment or pledging of second pillar assets can help you to finance your own home. Drawing retirement savings in advance, however, will lead to a reduction in retirement benefits. This will normally also result in disability and death benefits being reduced. Conversely, the property purchased with the prepayment represents a form of security for your old age. Pledging does not involve any similar gaps in cover.

Am I covered for disability benefits?

We recommend that if taking a prepayment you also take out risk insurance to protect you in the event of death or disability. In the event of a pledge, both these risks remain covered by your mandatory risk insurance. We would be happy to give you more information about the advantages and disadvantages in a personal consultation and to offer you a solution tailored to your situation.

Third pillar funds

By pledging assets saved up under third pillar policies with Swiss Life you can borrow more than 80% of the market value of your home. This is because the surrender value of the policy at the time of pledging serves as additional security. In such cases the insurance policy must be deposited with Swiss Life. It is important to remember that pledging of tax-qualified provisions (pillar 3a) is only possible for owner-occupied residential property.

Pledging the policy does not mean that the insurance entitlement ceases. However, an insurance benefit can be claimed by the mortgagee if the pledgor defaults on loan payments. We therefore once more recommend that you carefully weigh up the pros and cons of taking such a step.



Savings.

How exactly can I make tax savings using a mortgage?

Paying off your loan

The second mortgage must be paid off in full within 10 to 20 years, and no later than 5 years prior to retirement. With a repayment mortgage you pay back the money borrowed in equal annual instalments over a term of 10 to 20 years, thereby reducing both the amount remaining to be repaid and the amount of interest due on the loan. On the other hand your tax burden will rise due to the increase in your taxable income and assets.

The alternative is an endowment mortgage. Here you take out a third pillar endowment policy with Swiss Life with the capital accumulated at the end of the repayment period equalling the amount of the second mortgage.

Instead of paying off your mortgage directly, you pay an annual premium into your policy, thereby saving the corresponding amount, which will then be used to completely pay off the second mortgage loan at the end of the term.

Loan interest

Under current legal stipulations interest on personal loans up to CHF 50 000 is tax deductible. Higher loan interest has to be looked at on a case-by-case basis. In any case, the cantons count the “notional rental value” as income. As a rule the deduction for loan interest tends to be higher than the notional rental value calculated by the tax authorities.

What are the fiscal implications of repayment and endowment mortgages?

	Repayment mortgage	Endowment/Interest-only mortgage
Mortgage debt	declines	remains the same
Mortgage interest	declines	remains the same
Tax deduction for interest	declines	remains the same
Additional tax advantages	none	pillar 3a premium contributions tax deductible
Overall tax burden	increases	stays the same or falls slightly (if pillar 3a premium contributions)
Special aspects		if endowment mortgage with pillar 3a/3b Swiss Life policy: additional cover in event of death or disability

Advantages.

Swiss Life offers you considerable advantages.

- Professional and comprehensive advice
- Straightforward, clear solutions
- Consultation at home or near at hand
- Attractive conditions
- No arrangement fee for your mortgage application
- Endowment mortgage possible



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