Let's have a conversation about...

Longer life investment risk and your ARF

When choosing an Approved Retirement Fund (ARF) your money is invested into your choice of investment funds and you decide the level of income you want to withdraw each year (subject to the revenue rules).

As your money is invested, it is important to discuss investment risk with your Financial Advisor. Your ARF may be used to provide your retirement income and careful consideration needs to be made when choosing funds to ensure you don't erode the value too quickly. Therefore the funds you choose to invest in are very important. Choose funds that are too low risk and you run the chance that your withdrawals will erode the value of your ARF too quickly. Choose funds that are too high risk and you run the chance that stockmarket falls will erode the value of your ARF.

Seek advice to understand your risk/reward profile

With your Financial Broker, you can access the online Zurich Risk Profiler, which can help you understand more about investment risk and what levels of risk you feel comfortable with.

Once you complete the risk questionnaire, you will be categorised into one of the seven risk profiles. With the help of your Financial Broker, you will then be able to choose investments that match your risk profile.

Risk/Reward Rating — Lower 1 2 3 4 5 6 7 Higher

Lower risk and reward

1 If you are a '**very low risk**' investor, you are not willing to accept any significant risks with your money, accepting the prospect of low returns to achieve this.

2 If you are a '**low risk**' investor, you are likely to accept limited risks with your money and will want to try to avoid large fluctuations in the value of your investment, accepting the prospect of more modest returns to achieve this.

3 If you are a '**low to medium risk**' investor you are likely to accept some risk in return for the potential of higher investment gains over the long term. You will want to try to avoid large fluctuations in the value of your investment, but accept there will be some fluctuation, particularly over the short term.

4 If you are a '**medium risk**' investor, you are likely to accept significant risk in return for the potential of good investment gains over the long term. You accept there will be significant fluctuations in the value of your investment, particularly over the short term. However, you will want to limit the amount of your money held in more risky investments.

5 If you are a '**medium to high risk**' investor, you are likely to understand that the value of your investment can go down and up sharply with the potential for greater returns over the long term.

6 If you are a '**high risk**' investor, you are likely to aim for high possible returns and accept higher levels of risk, recognising that the value of your investment may fluctuate very sharply, particularly over the short term.

7 If you are a '**very high risk**' investor, you are likely to aim for the highest possible returns and accept the highest levels of risk, recognising that the value of your investment may fluctuate very widely, particularly over the short term.

Higher risk and reward

Investing over 20 years – balancing risk and return

Investors should be aware that markets can have a bad week, month or even a year. However, history suggests that those who stay the course will find they are more likely to benefit as opposed to those who don't.

The table below shows the wide spectrum of yearly returns from one of Zurich's most popular and longstanding funds, the Balanced Fund.

Zurich Balanced Fund - calendar year returns				
1997 36.5%	1998 24.3%	1999 15.8%	2000 -2.6%	2001 -5.1%
2002 -16.5%	2003 12.0%	2004 12.0%	2005 23.5%	2006 14.4%
2007 0.8%	2008 -30.4%	2009 22.3%	2010 11.0%	2011 -2.0%
2012 13.1%	2013 16.1%	2014 15.3%	2015 10.0%	2016 6.7%
2017 6.4%	2018 -4.4%	2019 20.3%	2020 12.3%	

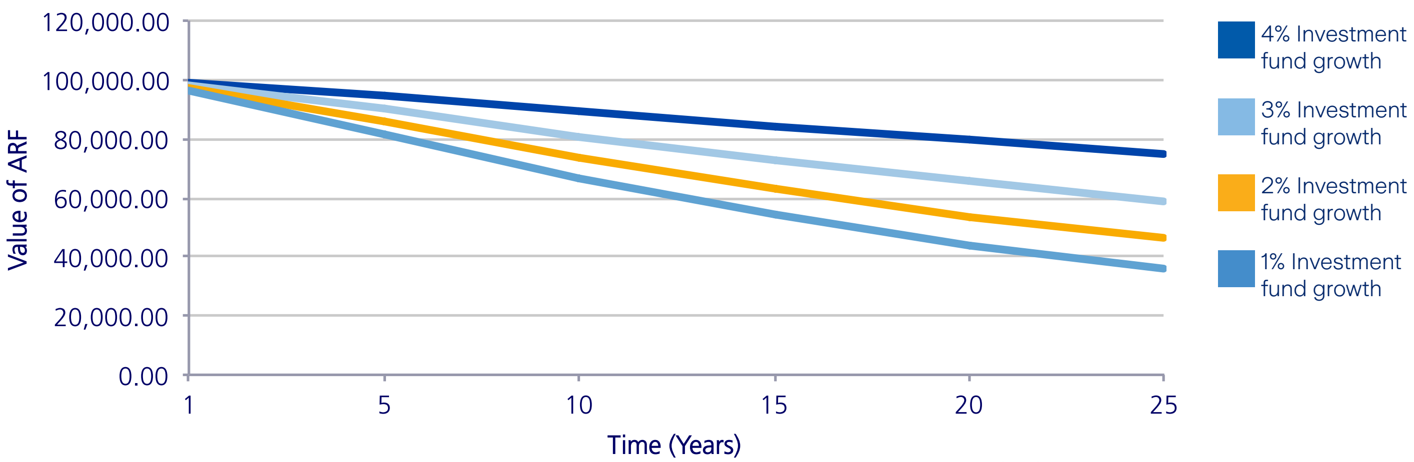
Source: Zurich Life, November 2021.

Note: Annual management charges (AMC) apply. The fund returns shown are net of the AMC deducted by Zurich Life in our unit prices. The fund returns are based on an investment in the funds and do not represent the returns achieved by individual policies linked to the funds. These fund returns may be before the full AMC is applied to a policy. The actual returns on policies linked to the specified fund will be lower because of the effects of charges and in some cases a higher management charge.

The impact of withdrawals on your ARF

If you are over 60, Revenue rules require you to make annual income withdrawals from your ARF, regardless of whether you need the income or not. These are known as imputed distributions and require you to take a minimum 4% or 5% withdrawal (depending on your age) or 6% if the value of your ARF is over €2 million. With this in mind, you should consider how withdrawals will impact the value of your ARF, particularly if your investment funds don't grow at a sufficient rate. As you can see from the simple graph below, the higher the return you make from your investment funds, the less the impact withdrawls have on your value of your ARF over the longer term.

The impact of a 4% withdrawal per annum



Source: Zurich Life, January 2020

Note: The above graph is for illustrative purposes only and it does not represent a return received by any actual policy. The above graph assumes that there are no surrender penalties and 1% annual management charges applies. It assumes an imputed distribution of 4% per annum on 30 November.

A solution built on Zurich's Prisma Funds

Zurich's RetireRight is an innovative way of managing your ARF investment once you retire. It is built on Zurich's market leading Prisma Funds and it offers **three investment options**, each one catering to people with different risk appetites. As you get older, it will **automatically transition** money from higher risk assets into lower risk assets over 15 years, helping to balance your income requirements with the need to preserve your capital in later life.

Each RetireRight option will gradually move money from its starting point (in the Prisma 5, Prisma 4 or Prisma 3 Fund) into the Prisma 2 Fund over a 15 year period beginning when you reach age 75. The initial starting point is dependent on which RetireRight investment option you choose at outset.

RetireRight – 3 options for customers

RetireRight 5 2	Your ARF investment is initially 100% invested in the medium to high risk Prisma 5 Fund until age 75. Then, over the next 15 years, your ARF investment will gradually move from Prisma 5 into the low risk Prisma 2 Fund, so that by the end of year 15, your capital will be 100% invested in Prisma 2.
RetireRight 4 2	Your ARF investment is initially 100% invested in the medium risk Prisma 4 Fund until age 75. Then, over the next 15 years, your ARF investment will gradually move from Prisma 4 into the low risk Prisma 2 Fund, so that by the end of year 15, your capital will be 100% invested in Prisma 2.
RetireRight 3 2	Your ARF investment is initially 100% invested in the low to medium risk Prisma 3 Fund until age 75. Then, over the next 15 years, your ARF investment will gradually move from Prisma 3 into the low risk Prisma 2 Fund, so that by the end of year 15, your capital will be 100% invested in Prisma 2.

Warning: The value of your investment may go down as well as up.
Warning: Past performance is not a reliable guide to future performance.
Warning: If you invest in this product you may lose some or all of the money you invest.
Warning: This product may be affected by changes in currency exchange rates.

For more information visit www.zurichbroker.ie or talk to your Financial Broker or Advisor.

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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at November 2021 and may change in the future.

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