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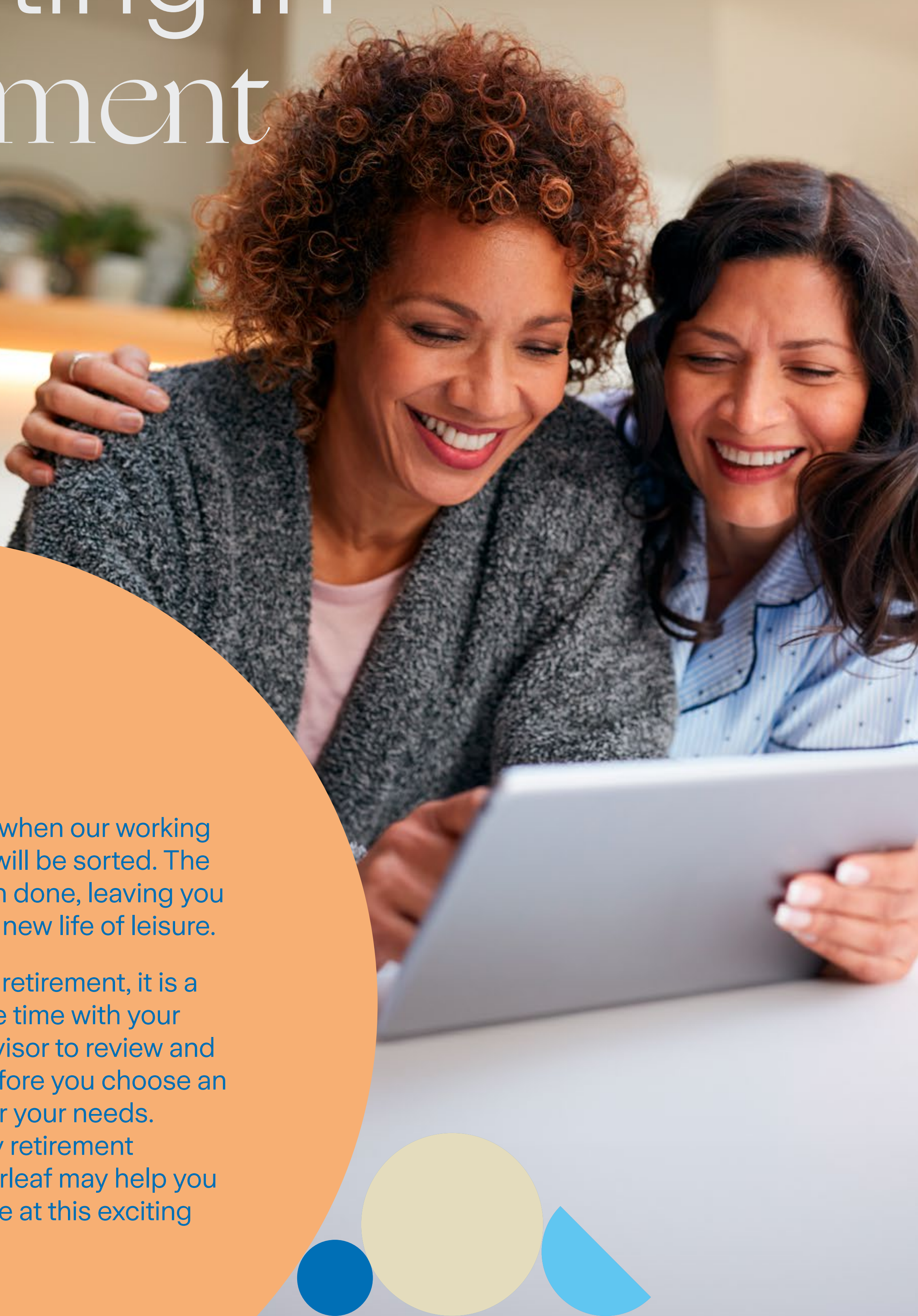
Principles for investing in retirement



We all like to think that when our working life is over, everything will be sorted. The planning will have been done, leaving you to relax and enjoy your new life of leisure.

If you are approaching retirement, it is a good idea to take some time with your Financial Broker or Advisor to review and refine your strategy before you choose an appropriate solution for your needs. Following the three key retirement principles outlined overleaf may help you to make the best choice at this exciting time in your life.

1

ARF vs. Annuity

Traditionally when you come to retire you were encouraged to make a definitive choice, use an Approved Retirement Fund (ARF) or an Annuity. But nowadays, retirement conversations can be a little more fluid. At Zurich, we have found that in the early years of retirement there is an increased need for flexible retirement income which can be provided by an ARF. Zurich's ARF works by allowing you to invest all or part of your pension fund after you retire. You can decide on the type of fund you would like to invest in, and the amount of risk you're comfortable with. With an ARF you can still withdraw from your fund on a regular or ad hoc basis.

Alternatively, in the latter years of retirement, there can be an increased need for a guaranteed retirement income and this can be provided by an Annuity. An Annuity is designed to provide you with a regular and guaranteed income for the rest of your life. There are a number of choices you need to make when purchasing an Annuity and it is important to choose an Annuity that reflects your needs and those of your spouse in retirement.

2

Sequencing Risk

You face plenty of risks when investing for retirement. Stock market volatility, rising inflation, unexpected expenses, or even the cost of healthcare. But there's one retirement risk that gets very little attention: Sequencing risk. Sequencing risk is the possibility that consistent withdrawals combined with market downturns in the early years of retirement could drastically shorten a portfolio's lifespan. Once an investor retires and starts taking withdrawals from their investment portfolio, annual market returns become critically important. Significant market losses in the early years of retirement can shorten the longevity of a portfolio (such as your ARF), even if better-than-average market returns occur in later years. This is the risk posed by the sequence of returns.

Zurich manage this type of risk through placing risk into three 'buckets', each consisting of different asset classes, one for short-term obligations, one for medium-term spending needs and the third for succession and inheritance considerations. Each bucket is designed to meet specific time-based goals and this strategy aims to mitigate against sequencing risk by ensuring that you have access to cash or stable investments for near-term expenses.

3

Rebalancing

When you first start investing, you set your objectives and decide on an asset allocation plan that will direct your purchases. Most investors opt for a multi-asset fund, where the asset allocation occurs within the one fund choice. However, if you do choose to select multiple funds, your portfolio may deviate from the asset allocation you have selected as the funds fluctuate in value. In this scenario, rebalancing is crucial for risk management and increased returns. To return a portfolio to its intended asset allocation, rebalancing consists of purchasing and selling funds on a periodic basis.

Regular reviews will ensure you are on track to achieve your long-term, strategic financial goals.

For more information on the Zurich range of post retirement options

Talk to your Financial Broker or Advisor

Call our Financial Planning Team on 0818 202 102

Email us at customerservices@zurich.com

Visit our website at zurich.ie

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