A guide for customers

ZURICH®

What do we do with our company's money?

Exploring investment opportunities for company investments

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As the Irish economy recovers many companies are finding that they once again have surplus capital on their balance sheets. This is positive news as it means these companies will have greater flexibility when it comes to funding their future development.

But many companies still want to hold onto their capital. However, with interest rates at historic lows, the returns being earned on deposit are low at best. Over the last number of years, returns from investments such as equities and bonds have far outstripped that of cash.

That's why we see more companies exploring alternative investment opportunities – in particular investigating how Corporate Investment Bonds and Savings Plans can be a solution.

We know that taking the first step into investment markets can be daunting, so we recommend that companies seek professional financial advice from a Financial Broker or Tax Advisor.

To help you, over the next few pages, we have outlined some ideas that you should consider; from being aware of the effects of inflation, through to the benefits of investment diversification. These are core themes that you should discuss with your Advisor.

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 fund you may lose some or all of the money you invest.
Warning: Benefits may be affected by changes in currency exchange rates.

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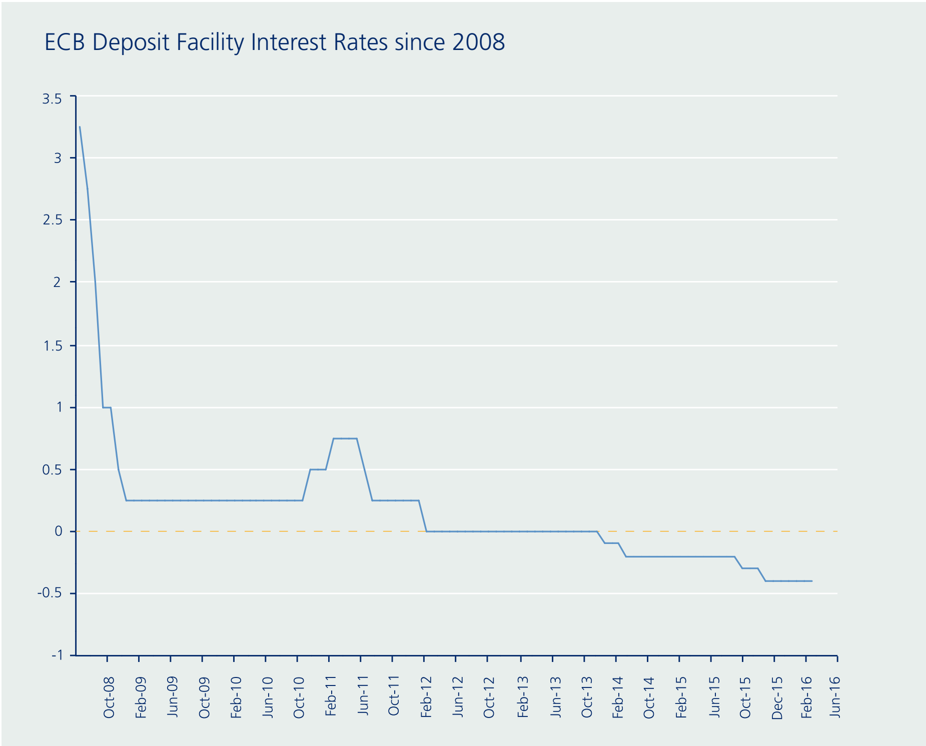
Cash is not the answer

As the economy improves many companies seem to have a little more surplus capital. While investing in your business is great for the local economy, it's also important to keep surplus capital available. However, while your business works hard to generate cash, it's discouraging to see that savings rates aren't working quite so hard for you!

You'll be only too aware that the returns you're earning on your deposits have been low for some time now. However, when you look at the graph below, it's shocking to see how low. ECB interest rates have been near zero since 2009 - that's seven years. Of course, the ECB rate determines the rate you earn on your own company deposits - so it's probably true to say that they haven't been earning very much!

"Deposit rates really can't fall any further...can they?"



Source: Zurich Life, Eurostat, ECB, June 2016

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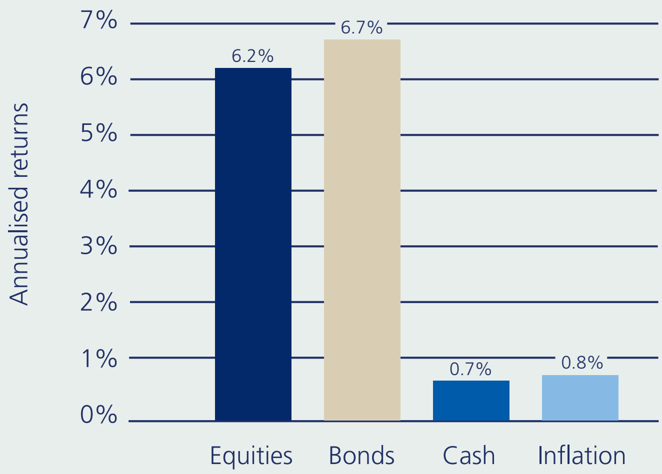
Explore the alternatives

Holding your company's money in cash or on deposit may make sense for maintaining short-term cash-flow but is this the most appropriate use of the capital? Over the last number of years holding too much cash has been costly. Generally, companies have been rewarded for taking some risk with their investment and assets such as equities and bonds have the potential to earn much higher returns than cash.

The graph below shows how equities and bonds have outperformed cash over the past ten years. It is important to be aware that investing in other asset classes, such as equities and bonds, carries the potential for higher returns than cash, but it also carries the risk of higher losses to your investment.

Equities and bonds outperformed cash over 10 years



Source: Zurich Life. All data from 01/06/2006 to 01/06/2016.
The information provided is for illustrative purposes only and is not meant to represent the future performance of any specific asset. Equities are represented by the Zurich Life International Equities Fund. Bonds are represented by the Zurich Life Active Fixed Income Fund. Cash is represented by the Zurich Life Cash Fund. All returns in euro terms. Inflation of 0.8% per annum is based on the 10 year CFI provided by the central statistics office.

Returns on cash have struggled to keep up with inflation over the last 10 years and this is why investors may need to consider the benefits of additional investments such as bonds and equities.

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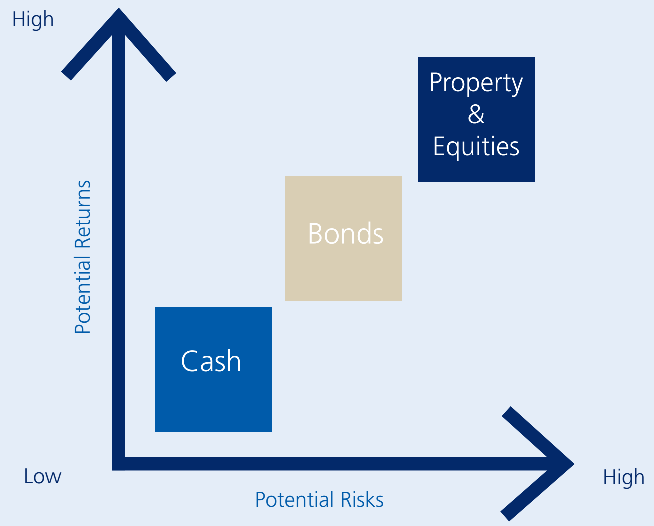
Diversify, diversify, diversify

There is an old saying 'don't put all your eggs in one basket', and the same can be said of investments. Life company investment funds, such as a multi-asset fund, allow you to invest in a diversified mix of assets (for example equities, bonds and property) which helps to spread the riskiness of an investment.

Generally there are five main asset classes which you can invest in. Multi-asset investment funds will usually hold some or all of these different asset classes.

Each one works in a different way and carries its own particular rewards and risks. It is important to understand how they work.

- Cash: money on deposit (e.g. cash in a bank).
- Property: bricks and mortar, or property shares.
- Equities: shares in individual companies.
- Bonds: loans to companies or governments.
- Alternatives: Precious metals and other commodities; including oil and water.



An investment fund will generally hold some or all of these different asset classes. The fund manager will buy and sell the different asset classes hoping that their value will increase over time. The diagram above shows the potential level of risk and return attached to each asset class.

For more information on 'How funds work?' check out our video on zurichlife.ie

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Investing with a Life Company can be more efficient

Traditionally companies have invested directly in deposit accounts or through direct equity/share purchase. While this route can seem familiar to many, it can bring unwanted tax complications.

An alternative route is to invest surplus capital in a Life Company Investment Bond or Savings Plan. For 'Close Companies'* this can potentially be more efficient for a number of reasons:

- Company investments only have to pay an exit tax of 25% and are not subject to the potential 33% tax paid on any gains made on direct investment in equity or property. There is no further tax liability.
- The Close Company surcharge of 20% for undistributed income does not apply to funds held within a life insurance investment bond or savings plan
- Reduced tax and payment administration – It is the Life Insurance company that is responsible for the withholding and payment of any tax and not the Close Company itself.
- There is the potential to defer payment of tax until the 8th Anniversary of policy. While reducing the tax burden, this also has the added advantage of compounding growth overtime compared to where income may be paid annually on direct investments.
- A life company Investment Bond or Savings Plan will typically offer a wide range of fund options offering different levels of exposure to equities, bonds etc. The choice may allow the company to diversify its investment options depending on the risk profile of the company (or its directors).
- Please note that a government insurance levy of 1% currently applies to all contributions to life assurance products. This is correct as at 1 July 2016.

*What is a 'Close Company'?:

- A Close Company is one that is controlled by five or fewer participators or is controlled by any number of participators who are directors.
- The definition of a Close Company includes a company where, on distribution of its full income, more than 50% goes to five or fewer participators or participators who are directors.
- A participator is a person having an interest in the income or capital of the company.
- Most SME companies in Ireland are Close Companies.

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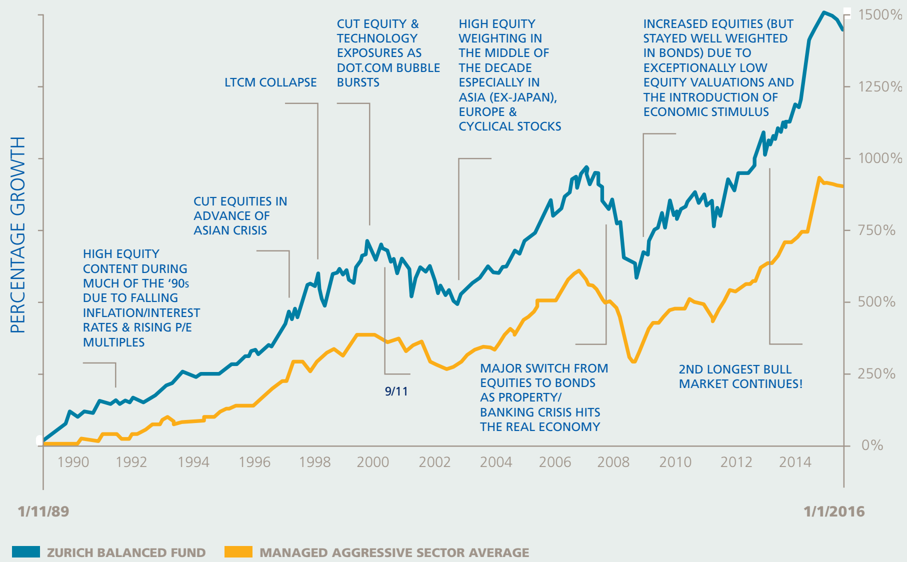
Why invest with Zurich?

At Zurich we are proud of our track record in managing customers' investments. Our belief is that people need experts to look after their money, so we take a 'hands-on', active approach to investment management.

We aim to deliver long-term consistent investment performance. In fact, in 2015 over 25 of our internal actively managed funds delivered positive returns. We believe that good active investment managers are best placed to deliver consistent long-term investment performance. Over the last 25 years, Zurich has been managing diversified multi-asset funds for customers throughout Ireland. During that period Zurich has consistently outperformed our peers.

Active investment decisions have delivered results



Source: Zurich and MoneyMate, January 2016. Performance figures quoted are for 01/11/1989 – 01/01/2016. Annual management fees apply; the fund growth shown above is gross of any annual management charge. Returns are based on offer to offer performance and do not represent the return achieved by individual policies linked to the fund.

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WINNER OF THE 2015 & 2014 'BEST INVESTMENT PERFORMANCE' AWARD FROM IBA.

At the 2015 Irish Broker Awards, Zurich Life retained the 'Best Investment Performance' Award in recognition of our in-house investment team who have over 25 years of active multi-asset expertise.

Take the next step

When it comes to your savings, Zurich is committed to doing the best we can for our customers. So if you'd like to take the next step, get in touch today.

Talk to your Financial Broker or Advisor
Visit our website at zurichlife.ie

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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at July 2015 and may change in the future.

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