



EPH
EXPAT PENSION HOLLAND



Why Invest?

Currently the value of capital on your savings account only decreases:

- The interest rate is rounded 0%;
- The inflation is rounded 2%;
- Green Savings might have tax benefits but often no profit;
- Many countries have a capital gains tax.

It seems advisable to have not more capital than needed on your savings account and invest the additional capital.

Aspects of Investing

Investing is about getting the highest net return on investment at the lowest possible risk.

In which process you focus on:

- Upward potential;
- Risk and Investment Horizon;
- Costs;
- Liquidity of the Investment;
- Applicable Tax Regime.



Pension Plan Related?

Often you have the chance to invest by means of infusing additional premium into a pension plan versus investing in a separate personal investment account.

Pension Plan

The benefit of the pension plan is that the premium will be tax deductible. Otherwise no use investing in such a plan. The tax benefits can make it very interesting but please also watch the offered kind of investments and cost levels. Furthermore take into account that in many countries there are restrictive rules about the kind of pay-out.

Separate Account

Even while now there will in general be no substantial tax benefits, it does have the benefit to freely use the capital. Which makes it for example attractive to use as source to finance early retirement.

Risk Profile

Use of Risk Profile

The start of the investment process is to make sure you know your own risk profile.

This profile is used to:

- Select which kind of investment categories might be used;
- How long and until what age you will be able to invest in each investment category.

Your profile might be different regarding pension investment versus regarding separate investments due to difference in investment horizon. It is advisable to never go beyond your own risk profile.



Risk Profiles

- Very Defensive Totally risk averse. Not all investment categories are allowed.
- Defensive Risk averse. More investment categories are allowed.
- Neutral Risk is tolerated as long as there is a long enough investment horizon.
- Offensive To go for higher profit, substantial risk is allowed with a shorter investment horizon.
- Very Offensive To go for the highest profit, the highest risk is allowed with an even shorter investment horizon.

Establish Risk Profile

If you still have to establish your personal risk profile, feel free to use our own carefully drafted Investment Risk Form as enclosed on our website under Brochures.

Investment Categories

There are the following Investment Categories with the related risk indication:

1] Derivatives

- Extremely high risk which only focusses on change in value and not to buy a certain object itself.
- For example Options/Warrants/Futures.
- Thus only for those with a Very Offensive risk profile and a high level of knowledge.

2] Equity/Stock

- High risk even though the exact amount of risk can be different due to the kind of sector and global location.
- Equity requires an investment horizon of at least **7 years** in general.
- For those with a (very) offensive risk profile, a slightly shorter period might be acceptable.

3] Real Estate

- Depending on the type of Real Estate, similar or slightly less risk than Equity.
- Thus requires an investment horizon of in general **5-7 year** horizon.
- For those with a (very) offensive risk profile, a slightly shorter period might be acceptable.

4] High Yield Bonds

- As these kind of Bonds go for the higher return on investment and risk, they require an investment horizon of at least **5 years**.
- For those with a (very) offensive risk profile, a shorter period might be acceptable.



5] Solid Bonds

- As these kind of Bonds aim for a regular return on investment and risk, they require an investment horizon of at least **3 years**.
- For those with a (very) offensive risk profile, a shorter period might be acceptable.

6] Savings

- No real investment risk as long as not at a fixed term.

Funds or Individual Objects

The essence of investing is to get the highest return on investment at the lowest risk.

One of the best ways to reduce risk is to spread the capital over many investments within each investment category. You will always have the risk of investing in a certain category. But if you spread the capital over many different kind of investments within that category, you will optimally reduce the risk of having a certain investment object.

Thus we advise clients to only invest in Investment Funds. As thus you spread your capital not only between Investment Categories but also in the best way possible within each Investment Category. In general it will also improve the liquidity of your investment.

As of now we will only focus on Funds.



Active or Passive Funds

Active/Vision Funds

These kind of funds try to generate a higher return on investment than by just following the index.

As they often charge (high) additional costs for their services and as the positive outcome is not guaranteed, it is advisable to be critical about these funds.

They often have a specific focus on certain sectors and locations.

Passive/Tracker (ETF) Funds

These funds do not believe that it's possible to each year outperform the index.

Thus their focus is to follow the index at the *lowest amount of costs possible*. That is their challenge and added value. Due to the huge effect of compounded annual return on investment, it's a fact that a low cost level is highly relevant.

Self Investment or Broker Advice

If it is possible to use a provider who provides excellent fund information, then it is understandable if you prefer to self invest and do not retain an advisor.

The difference in costs can be very substantial. Self investment at funds is possible as of rounded 0,2% direct annual costs whereas advice might cost you up to 2,5% annually.

In case of doubt about your own selection ability, feel free to request our advice. Which we will gladly provide to our clients as aftercare.

Mix Funds

These funds invest in several kind of investment categories in order to offer one complete portfolio.

As each investment category has its own risk and minimum required investment horizon, we do not really recommend these funds. We prefer separate fund investments per investment category.



Life Cycle Funds

Mix Fund

These funds are mix funds that automatically reduce the risk as the owner ages.

The positive aspect is that thus you have no risk problem if you forget to pay attention to your portfolio. These funds are often used in pension related investments and can be advisable if implemented correctly.

Type of Life Cycle Funds

- Most providers offer several type of funds with each a different personal risk profile.

- Another distinction is that they might offer the choice between active versus passive funds.

Critical Aspects of Life Cycle Funds

- Do they implement the optimal reduction of risk at the right age for you? Be highly critical as this is relevant and not always implemented correctly. With possibly huge negative effects.
- Do check if the cost level for the additional services is not too high.

Cost Categories

- | | |
|-----------------------------------------------------------------|---------------------------------|
| • Costs related to opening and having an account. (Often none.) | : Paid directly by investor |
| • One time transaction costs: As of 0,15% | : Paid directly by investor |
| • <i>Annual</i> management costs: As of 0,2% | : Paid directly by investor |
| • Fund costs: processed into the capital of the fund | : Not paid directly by investor |



Our Investment Fund Advice

Finally we would like to mention an error that unfortunately too many people make: Please annually check your portfolio and investment horizon.

In case it is pension date related, make sure you apply the optimal risk reduction.

Feel free to ask our advice as we gladly provide aftercare to our clients.

International experience and Network

We have more than 20 years of experience in international expat and collective pension consultancy. Thus we have an elaborate international network. If so desired, we can advise and act swiftly in international matters.



Contact

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