"There's need for a fourth pil-lar in pension provision".

SACHA FEDIER, *CEO of VT Wealth Management urges private savings alongside our three-pillar system, otherwise, in many cases, the accustomed lifestyle can no longer be maintained after retirement. No matter the pension situation, there is always room for optimisation in his opinion. But under no circumstance would he delegate this issue to a bank or, above all, an individual bank.*

PICTURE: IRIS C.

THE PERSON

Sacha Fedier (44) has been CEO of his family's wealth management company VT Wealth Management since 2017. His father Thomas founded the company fifteen years ago together with his business partner of many years. The Zurich-based company manages several billion Swiss francs. Before joining VT Wealth Management, Mr. Fedier worked for a major Swiss bank in client advisory and for an international IT company abroad. At the age of 24, he emigrated to the USA to set up a branch for the company there. He then developed the company's business in France and Asia and finally managed the branch in Germany with 120 employees. Sacha Fedier is married, Father of two children and plays Polo successfully in his spare time - on the same team as his father Thomas.

Mr Fedier, the theme of this issue is "The exception is the rule". This is particularly true when it comes to pension issues. Looking at your biography and your stays abroad: How many pension schemes have you paid into, and what lessons have you learned from them?
I have worked and lived in Germany, France nd the USA. But since I was sent abroad by a Swiss employer, I paid into the Swiss pension system. Only once was I briefly not registered in Switzerland. At that time, however, as a 24-year-old, I didn't think about the consequences for my pension scheme. It was only much later that a professional analysed my pension situation in its entirety, and certain gaps were identified.

"Investors ideally need several independent experts who truly advise them freely."

What is your advice today to young workers who are drawn to work abroad?
You can gain important experience and develop personally. That is very important. But I think most people - like me at the time - don't think about the consequences for their pension provision in this situation. That's a mistake, because if they don't pay anything in for a few years, there are pension gaps that have to be filled. Many people only realise these gaps when their pension is paid out. And then it is already too late.

Save, save, save, is the recommendation that can be heard everywhere today. Parents should put something aside for their children, young professionals should set aside a few hundred francs each month as early as possible for their retirement. Where does this pressure come from?
That is a typical Swiss view. With us
You "put something aside", that was already the case in wartime. In other countries, like the USA for example, people don't save at all, they consume straight away.

Many banks, insurers and wealth centres are currently aggressively promoting their pension events. How credible is that?
The reminder to save and make proper provisions is one thing, but it is much more important how it is done. There are so many options besides the classic savings account. I see a need for education here. Because the worst thing that can happen is to realise when you retire that you have invested your money the wrong way.

Can this simply be delegated to the bank or the asset manager?
The pension situation must always be considered holistically. Under no circumstances would I delegate this to a bank or especially to a single bank. Investors need one or more independent experts who can advise them freely and with knowledge of their entire financial situation. This requires a lot of knowledge and experience - which, unfortunately, many so-called relationship managers in banking institutions do not have. For them, the main focus is on building and maintaining the relationship with the client, not on market developments and the opportunities that arise for the client. What's more, they are, so to speak, obliged to put products in the client's portfolio that promise the greatest margin for the bank.

The banks certainly don't like to hear such statements.
The customers should not argue with their bank, on the contrary. But the knowledge of this mechanism makes the cooperation more pleasant for all parties involved. Clients must be aware that the bank's focus is not on their asset growth, but on the bank's asset growth.

Pension provision in Switzerland faces a financially challenging future. Life expectancy is rising, and pension capital is earning lower interest than in the past. Politicians are looking for solutions, which takes a long time. Are companies particularly challenged right now?
Yes, definitely, and they should only rely on people who know about the subject of pension provision. If entrepreneurs really want to add value for their employees, they need to get good advice from experts.

You are also an entrepreneur: VT Wealth Management employs around thirty people and manages several billion francs. What do you offer your employees, and how do you go about it?
In the meantime, we have a sound knowledge of pensions in-house and have recently discussed our pension situation very intensively and analysed our pension fund model. As a result, we decided, for example, to expand the extra-mandatory area of the pension fund by increasing the retirement credits and abolishing the coordination deduction. For several years, we have also had a 1e supplementary pension plan, where employees can choose their own investment strategy. The aim is to increase the retirement assets of the employees in the long term with a better interest rate or perfor- mance and contributions and thus counteract the reduction in pension conversion. With these measures, we can bring out more than 50% more pension for young employees with only slight additional financial expenditure on the employer and employee side. That is enormous.

Is this advice that all SMEs should follow?
It's not possible to give such a general answer, because every situation is different and a good analysis is very time-consuming. The Swiss pension system is still in a good position in an international comparison. However, it is not sufficient to guarantee the accustomed lifestyle after retirement. We need a fourth pillar in addition to our existing three.

"The tax-advantaged third pillar is not the bomb it could be."

What do you mean?
Especially people with higher incomes have to realise that after retirement they will not be able to maintain the lifestyle they are used to, neither for themselves nor for their loved ones. Even with an income of 100,000 Swiss francs, a drop in income of around half must be expected after retirement.

At higher incomes, the ratio is even worse. A fourth pillar in the form of comprehensive, individual pension planning is therefore necessary.

What could this look like in concrete terms?
First of all, we need to analyse the existing situation and clarify various questions. Are there any gaps in AHV contributions because employers may have missed out on paying contributions in the past? Does the pension fund have the potential for purchases? Can the money be better invested in the third pillar? In a second step, the overall situation must be considered. How much income needs to be generated on a monthly or annual basis to guarantee the current standard of living? How are the assets invested? What proportion is tied to real estate? How are these properties encumbered? How liquid and profitable are other assets? This analysis often yields astonishing results.

What are your specific investment recommendations for a fourth pillar?
It is advisable to start building up assets at a young age. Here I am thinking in particular of tangible assets such as shares, commodities, real estate and art. Compared to America, these asset classes are rather underrepresented in Switzerland. We Swiss are also rather reluctant to invest in new topics such as digitalisation, blockchain and artificial intelligence. When providing advice, it is crucial to have a clear strategy and a free choice of instruments and products. Without these investments, sustainable wealth accumulation over generations is not possible.

You have just mentioned the third pillar of pension provision. In this supplement, a financial planner describes pillar 3a as a money-destroying machine; because interest rates do not compensate for the loss of inflation, purchasing power is gradually decreasing. Is the criticism justified?
Yes, that is unfortunately the case. The tax-advantaged third pillar is not the bomb it could be. The funds are often not invested, but lie idle and generate a minimal return, which does not improve the overall situation.

improved. I think our third pillar and its products are a good example of how Swiss clients are neglected by many financial institutions - not only in pension provision.

Where does that come from?
Many banks take Swiss clients for granted and are more concerned with attracting international clients. The Swiss come anyway and are therefore advised far too little holistically; the advisors prefer to look abroad.

What makes up the typical Swiss client?
The typical Swiss client has assets of less than CHF 1 million, has invested his or her money in a disproportionately large number of invested by various funds and owns one property.

After retirement, there's really not much that can go wrong financially, is there?
Nevertheless, things can get tight after retirement. From the age of 64 or 65, 50 to 60% of the last salary remains, but the costs for car, house and inflation continue. This must be solved, and it can only be done with a holistic approach. I strongly advise you to consult independent advisors. Some banks already have clients with assets of CHF 2 million in the call centre. That is not a solution that creates trust and ensures that personal goals are achieved.

Such a consultation costs money, of course.
No more than in a bank call centre. But although the price is important, isn't it even more important that the investment goals are achieved and the performance is right?

No matter what your personal pension situation is, it is never too late to optimise?
Yes. The optimal solution is to combine investment and provision. Our three-pillar system is crumbling. And this is where the fourth pillar comes into play. It does not have to be expensive. There are a number of solutions that are also suitable for small investors.

Do you prefer a lump-sum withdrawal or the payment of an annuity after retirement?

"Swiss clients are neglected by many financial institutions - and not only in pension provision."

First of all, it is good to have these two options at all. Personally, I am always in favour of a lump-sum withdrawal because I want to decide for myself what happens to my money. But everyone has to decide individually and, above all, understand what the consequences of their decision can be.

Interview: Carla Palm