

Wealth Preservation with Index ETFs

Leading Adviser: Switzerland

We talk to Philipp Ochsner, CFO, IndexInvestor Ltd. about the power of indexing and how he develops tax efficient wealth management plans tailored to his clients' unique needs.

Many investors know from their own experience that trying to outperform the market can be expensive and wealth destructive. Actively managed portfolios often perform so badly that many investors are content if their assets do just well enough to keep up with inflation. This is how bad the situation is.

One elegant way to preserve wealth for the long term is to invest with low cost Index Funds and Index ETFs (Exchange traded Index Funds). Index Funds typically cost far less than actively managed funds. Therefore investors lose less wealth through costs.

Additionally, Index Funds are more transparent. Their performance can always be compared to the index it is following. Therefore, poor management and hidden costs can be evaluated better than in actively managed funds. Choosing Index Funds of higher quality over Index Funds with lower quality is probably one of the very few free lunches there is in the investing arena.

Stock market indices historically performed some 7% per year. Because of compounding, assets that perform 7% per year double about

every ten years. The MSCI Switzerland Index, measuring the performance of Swiss stocks for example performed 8.1% per year between Dec. 1969 and May 2014. In this time period, one Swiss franc would have risen to 32 Swiss francs. This is the power of indexing.

Nevertheless Investors do not find it simple to preserve wealth. The main culprit is investor behaviour. A study over a period of 20 years (Dalbar, 2010) shows that stock fund investors earn less than half of the stock market returns (3.2% in the US). The main reason for this underperformance is inferior behaviour. People tend to act on emotion and, driven by the financial industry, buy stocks when prices are high and sell when prices are low, ending in meagre bottom line results, even with Index Funds.

It is paramount for investors to control their own behaviour. This behaviour gap is one of the main reasons why we have built IndexInvestor Ltd. We are experts concerning index solutions based on scientific evidence. IndexInvestor stands between the investor and stupidity. We safeguard that people invest intelligently and

free of emotion to provide the best chances for a successful investment experience. We work out and implement tax efficient Wealth Management plans, matching the unique individual needs of families and individuals.

If we have raised your interest, the first step of becoming a client would be a Discovery Meeting. The purpose of this meeting would be to explore whether we are the right firm to offer you extraordinary value. We work only with a select group of clients for whom we can have a tremendous impact. If we are not the right firm for you, we would be more than happy to refer you to one that is.



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