

Special considerations for the American investor (Swiss fixed annuity strategy)

This summary aims to help American investors understand the advantages as well as complexities of investing their money abroad. We have made all efforts to ensure that the information provided here is accurate at the date of its publication. It does not constitute investment, legal, tax or other advice nor is it to be relied upon in making an investment decision. We advise our clients to seek the services of their legal advisors.

1. Is it legal for me to purchase a Swiss fixed annuity and send my money abroad?

You can be assured that any investments you make with JML Portfolio Management are absolutely legal. JML Portfolio Management is registered with the SEC as an investment advisor. When you complete a request for an investment proposal, wherein you tell us your investment goals, it enables us to comply with US laws.

For residents of countries other than the US or Canada, please consult your legal advisor.

2. Can a Swiss annuity protect my assets from lawsuits and seizure arising from bankruptcy and estate settlements?

Swiss law protects your investment against any debt collection procedures instituted by the creditors of the policyowner and also is not included in any bankruptcy procedure in this regard. Unlike any other Swiss investment, insurance policies, if properly structured, cannot be included in any bankruptcy proceeding or court judgment on a liability claim.

3. Do I have to pay any special tax when I purchase a Swiss fixed annuity?

Not to the Swiss authorities, as long as you are not a Swiss resident. You also will not be liable for US excise taxes unlike with most offshore investments. Most Swiss and foreign annuity contracts issued since January 12, 2001 are, however, not tax-deferred. For further reference, see IRS regulations on the "Tax Treatment of Certain Annuity Contracts," Section 163(e) and 1271 to 1275. **(Swiss variable annuities are an important exception. Please contact us for more information.)**

Swiss insurance companies are not allowed to report the purchase of an annuity certificate to anyone, private persons or government authorities. This means that the purchaser is solely obliged to report and pay taxes.

4. In what ways are Swiss annuities more flexible than conventional U.S. annuities?

The U.S. Internal Revenue Service gives a different tax treatment for foreign annuities which on the whole provides substantially more flexibility for Americans pur-

chasing Swiss fixed annuities. Interest and dividends on U.S. annuities are tax-sheltered until withdrawn while those on Swiss fixed annuities are taxable each year as ordinary income. For U.S. annuities, all previously untaxed amounts on withdrawals, liquidations and loan proceeds are taxed as ordinary income, with premature distributions assessed a 10% penalty. No such penalties or taxes apply for Swiss fixed annuities. You can decide when or how to draw money from your annuity, and painlessly! Loan interest is never tax-deductible for U.S. annuities and tax-deductible for Swiss fixed annuities when loan proceeds are used to purchase other investments (such as stocks in a Swiss bank account).

Swiss fixed annuities are the flexible choice

Summary of IRS tax treatment

	Conventional US annuities	Swiss fixed annuities*
Earnings during accumulation phase	tax-deferred	taxable
Partial withdrawals	taxable	tax-free
Full liquidations	taxable	tax-free
Annuity payments	taxable	tax-free
Premature withdrawals (pre-age 59 1/2)	taxable, with penalties	tax-free, no penalties
Loans	taxable with penalties	tax-free no penalties
Loan interest	never tax-deductible	can be deductible

*Applicable to fixed annuities only

5. How do Swiss annuities compare with U.S. annuities in general?

With all the features you get in a Swiss fixed annuity, your investment is in a class of its own.

The advantages of a Swiss annuity		
	Conventional US annuities	Swiss fixed annuities
Flexibility	no	yes
Asset protection	no	yes
Choice of currencies	no	yes
Hedge against dollar decline	no	yes
Liquidity	no	yes
Global diversification	no	yes
Privacy	no	yes

6. When should I convert my US dollars into Swiss francs?

As with any investment, you should buy when the price is low, that is, use any temporary period of weakness in the franc to convert your dollars. Or you can purchase a Swiss annuity certificate in US dollars and wait until it's the best time for you before switching into francs. Just remember, with a long holding period, the long-term trends are what count. Better yet, buy a series of equally-valued certificates in dollars and convert them into Swiss francs at regular intervals. In volatile markets, dollar cost averaging ensures that you never pay peak prices.

7. What happens if I die before recovering my investment?

If you are the Insured Person, the surrender value of the contract is paid immediately to your designated beneficiary. If you have named someone else as the insured life, U.S. law limits the period of tax deferral after your death and requires the insurance company to pay the surrender value to your designated beneficiary, in a lump sum, within five years of death (it can be paid sooner, if your beneficiary desires). However, if annuity payments have already begun when you die, these payments may continue at the same rate.

For more information visit our website at:
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