

Comparison of fee structures and investment concepts for the German Riester-Rente

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Angstige beleggers betalen hoge prijs

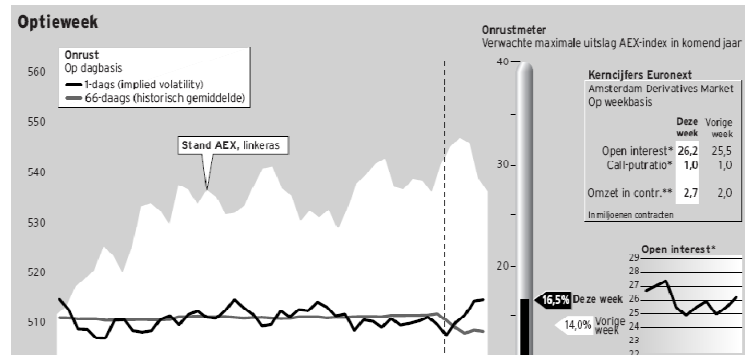
AMSTERDAM — Garantieproducten zijn tegenwoordig nauwelijks aan te denken. Vooral sinds de krach van 2000 willen de meeste particulieren alleen nog instappen als zij niet het gevaar lopen dat hun hele kapitaal in rook opgaat. Dit heeft een bonze stoet aan certificaten, clickfondsen en 'notes' toe gevoegd. In vrijwel alle gevallen wordt de gewenste bescherming gecreëerd met de een of andere derivatestructuur.

'De behoefte aan zekerheid is een godaan voor de derivatenindustrie', zegt professor Uwe Wystup donderdag op het derivatensymposium van de Derivatives Technology Foundation. Na een carrière als handelaar bij diverse zakenbanken, en een aantal leerstoelen op universiteiten adviseert hij tegenwoordig financiële instellingen over hoe zij het beste risico's kunnen inprijken.

Volgens Wystup kunnen de financiële instellingen een hoge prijs vragen voor deze producten vanwege de grote vraag en het gebrek aan transparantie. 'Dat geldt met name wanneer de garantie wordt geboden door langlopende opties. Eigenlijk weet niemand hoe die geprijsd moeten worden. Banken en andere uitgevende instellingen zorgen er natuurlijk wel voor dat ze niet aan het kortste eind trekken.'

Garantieproducten zijn duur en meestal niet nodig. Volgens professor Uwe Wystup profiteert vooral de 'derivatenindustrie' van de gecreëerde schijnzekerheid. Een interview over het nut van opties voor beleggers die inzetten op de lange termijn.

» Frits Conijn



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Example

Investor

- Investment horizon: 35 years
- Starting at age: 30
- Retire when: 65
- Invest monthly: 100 Euro
- Annual salary: 30,000 Euro
- Start on: Jan 1 2008
- 1 child, 2 years at start, bonus paid until age 25, i.e. 23 years

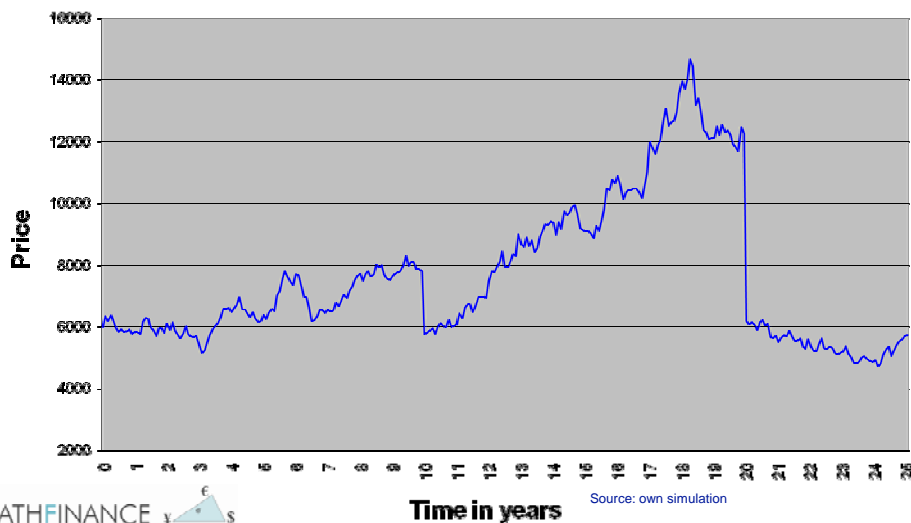
Federal bonus

- As of Jan 1 2008
- Retirement saving statutes (Altersvermögengesetz AVmG)
- 154 Euro per year
- 185 Euro per child per year



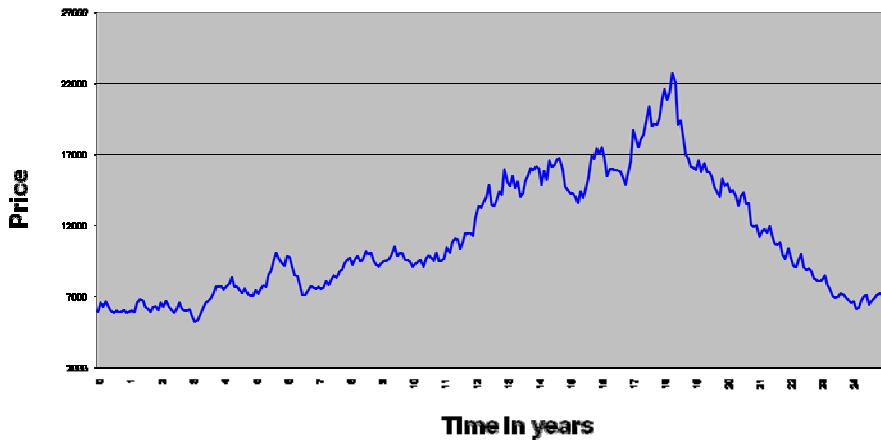
Investors are scared of

Fictitious Price Index with Crashes



Investors are also scared of

Fictitious Index Price with Asset Melt Down



What's invested is guaranteed

Total amount invested:
100 x 12 x 35 =

42,000 EUR

**Value of total amount
 after Inflation of 2%
 p.a.**

21,000 EUR



Product-Classification: Allianz RiesterRente mit Fonds und Garantie

Fees

- Initial fee: 4% of all payments and bonus, distributed uniformly over the first 5 years
- Administration: 5.5% on each payment and federal bonus
- Frequency: 1.5% extra fee for monthly payments.
- Account fee per year: 0.4% of the floor
- Subscription fee: 0%
- Management fee: 1.52% in the strategy "Chance"



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Investment strategy

- Actuarial reserve fund
- Floor calculated with current rate of 2.25%
- Surplus share
- Remaining amount: equity fund "dit Strategiefonds Wachstum Plus"



Product-Classification: Nürnberger Fondsgebundene Zulagen-Rente Doppel-Invest

Fees

- Initial fees: 5% of the total payments distributed uniformly over the first 5 years
- Fee on bonus: 4% for sales, 2% for admin
- Administration: 5% of the payments (without frequency surcharge)
- Frequency: 5% extra for monthly payments.
- Account fees p.a.: 0.15% of the payments and bonus paid until that time
- Subscription fee: 0% (not stated in writing; statement by MLP Hotline on Oct 8 2007)
- Management fee: depends on choice of fund



Investment strategy

- Floor calculated with current rate of 2.25%
- Surplus share
- Guaranty generated with ComInvest Garant Dynamic
- This fund guarantees annually per 31 July max(80% · PriceOfLastYear , 80% · max [daily Fixings])
- Remaining amount: TGF
- Monthly readjustment



Product-Classification: DWS Riester Rente Premium

Fees

- Initial fee: 5.5% of all payments up to age 60 uniformly distributed over the first 5 years
- Fees on bonus: 5%
- Account fee p.a.: 15.40 Euro
- No further fees on administration, frequency, subscription fee
- Management fee: fund of funds 1.5% additionally 0.05% taxe d'abonnement
- in the bond funds: 0.75%

Investment strategy

- individual CPPI
- Floor: Zero bond curve



Product-Classification: AXA TwinStar Rente Invest

Fees

- Initial fees: from the monthly payments without bonus

$$\frac{15 + 1.68 \cdot (35 - 15)}{35 \cdot 12} \%$$

- are charged, uniformly distributed over the first 5 years.
- Fees on bonus: 7% until 4 years before 65
- Administration: 5% of the payments
- Account fee: 24 Euro per year
- Subscription fee: 0%

An still more fees

- Management fee: 1.50%
- Guaranty cost: 0.48% of the fund value p.a.
- Kick-back: 0.80% p.a. of the fund value

Investment strategy

- Variable Annuities



Distinction is made by:

Fee structure

Investment concept

Decision helpers

Morgen & Morgen
(only path-independent fees)

Stiftung Warentest:
Comparing all investments

Studies



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Finanztest Special of Stiftung Warentest Dec 2007

Das kosten Riester-Fondssparpläne

Produktname	Kosten der Riester-Fondssparpläne						V. Kü.
	Prozent der eingehenden Eigenbeiträge	Prozent der eingehenden Zulagen	Prozent der Eigenbeitragssumme bis zum 60. Lebensjahr, verteilt auf die ersten fünf Jahre	Prozent des Fondsvermögens p.a. ¹⁾	Jährliche Depot- bzw. Vertragsgebühren (Euro)	Anbieterwechsel (Euro)	
Allianz-dit Fondsvorsorge	2,0-4,8 ¹⁾	0	0	1,16-1,46	13,92	25,00	
BHW Förderfonds-Sparplan	4,8	4,8	0	1,13	15,30	50,00	
cominvest Förderdepot	3,8	3,8	0	1,25-1,94	10,20	51,20	
Deka-Bonusrente	0-3,4 ²⁾	0-3,4 ²⁾	0	0,65-1,14	10,00	50,00	
DWS Riesterrente Premium	0	5,0	5,5 ³⁾	0,75-1,50	15,40	51,30	Mil (0,
DWS Toprente	0-4,8 ¹⁾	0-4,8 ¹⁾	0	0,62-1,45	15,40	51,30	Mil (0,
HansaGeneration-Plan	2,4-4,8 ¹⁾	2,4-4,8 ¹⁾	0	0,23-0,82	0	Max. 100 (5 Prozent)	
UniProfirente	2,9-4,8 ¹⁾	2,9-4,8 ¹⁾	0	0,67-1,26	10,12 ²⁾	50,00	

1) Spanne der Kosten der angebotenen Fonds.
2) Falls der Sparer bereits über ein Depot bei Union Investment verfügt, fallen für die UniProfirente keine zusätzlichen Depotgebühren an.
3) Bei einem Vertragsbeginn mit 35 Jahren betragen die Kosten in den ersten fünf Jahren 27,5 Prozent auf die eingezahlten Eigenbeiträge.

FOTO: HOWARD PYLE / CORBIS

Stand: 1. Sept

Consequence for the investor:

– Confusing, impossible to compare anything



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Screenshot of Morgen&Morgen Comparison software, AV-WIN 3.60

	Anbieter	Art	Tarif	M&M Kostenquotient [%]
1	Asstel	VR	Riester-Rente Fonds	6,11
2	CosmosDirekt	VR	RentiTop 60plus	6,92
3	Hamburg Mannheimer	VR	Kaiser-Rente FKR	10,45
4	AXA	VR	RV-Invest AVI2	13,03
4	Deutsche Ärztevers.	VR	med RV-Invest D-VI2	13,03
6	Nürnberger	VR	ZR NFR2407	13,55
6	PAX	VR	ZR NFR2407	13,55
8	AachenMünchener	VR	Privat-RENTE 3RG	13,77
9	neue leben	VR	TwinRente	14,16
10	Gothaer	VR	LRRF1	14,73
11	Allianz	VR	FondsRente	14,99
12	Heidelberger Leben	VR	FörderPerformer	16,29
13	Volkswohl Bund	VR	AFR DF-Konzept	17,13
13	Volkswohl Bund	VR	AFR	17,13
15	Zurich Dt. Herold	VR	FörderRentelInvest	22,38
16	Continental	VR	VPP VR3	22,73

Computation by Morgen & Morgen (analogous AV-WIN 3.60)

Issuer	DWS
Tarif	DWS RiesterRente Premium
M&M Cost ratio(%)	8.10

Source: Morgen & Morgen Comparison software, Morgen & Morgen Computation

Calculation assumptions:
 Starting at age: 30 beginning: 01.01.2007,
 Retirement with: 65, annual payments,
 Highest possible payment with full Riester bonus during the entire lifetime of the contract

Influence of Path-Independent Fees

Product	Using	Per Maturity	Paid	Per Maturity	Cost ratio
DWS	39,743	64,502	42,000	69,544	92.7%
NUE	36,890	60,549	43,830	72,585	83.4%
AXA	37,294	59,574	42,000	69,544	85.7%
ALL	38,399	63,425	42,549	70,457	90.0%

Only Product cover !

- Additional path-dependent fees will be taken

CPPI

Initial amount: 100 Euro
 Guarantee level: 100 Euro
 Present value: 96 Euro



Buffer: 4 Euro
 (4 = 100 - 96)

Assumed maximum loss: -20%
 (Allocation factor: 5)



Stocks: 20 Euro
 (= 4 / 20%)

Bonds: 80 Euro
 (= 100 - 20)

CPPI

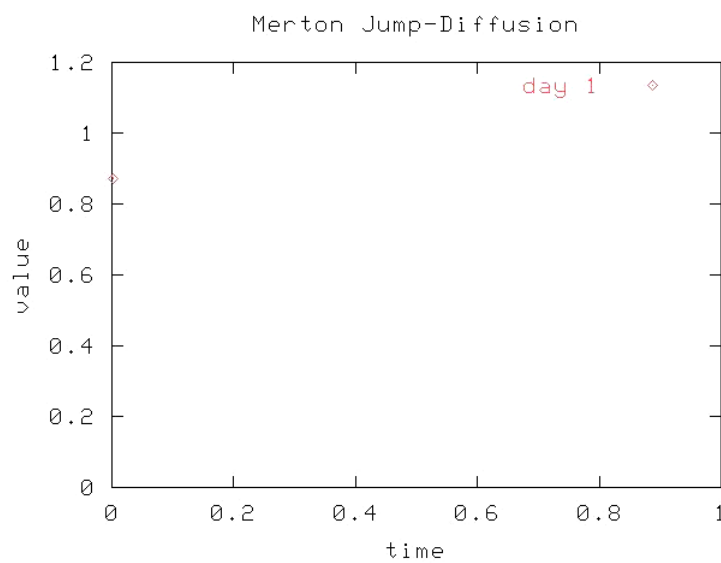
Stock market	100	→	Stock market	110	→	+ 10%
Stock :	20	→	Stock:	22	→	30
Bond:	80	→	Bond:	82	→	74
Portfolio value:	100	→	Portfolio value:	104	→	104
Present value		→	Present value		→	
Guarantee level:	96	→	Guarantee level :	98	→	
Buffer:	4	→	Buffer:	6	→	

CPPI

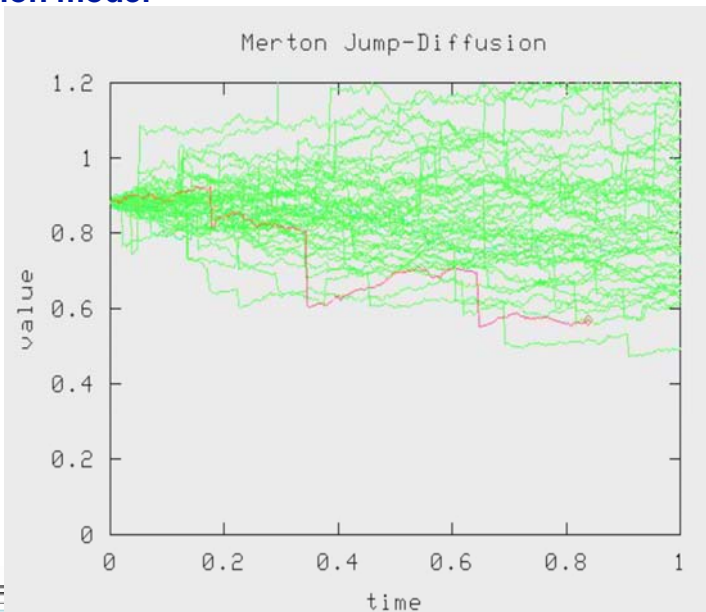
Discussion: Crash-Puts

Stock market	110	→	Stock market	99	→	- 10%
Stocks:	30	→	Stocks:	27	→	15
Bond:	74	→	Bond:	75	→	87
Portfolio value	104	→	Portfolio value:	102	→	102
Present value Guarantee level: Buffer:	98 6	→	Present value Guarantee level : Buffer:	99 3		

Simulation model



Simulation model

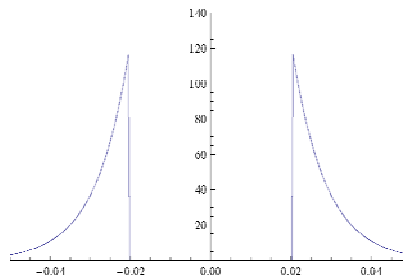
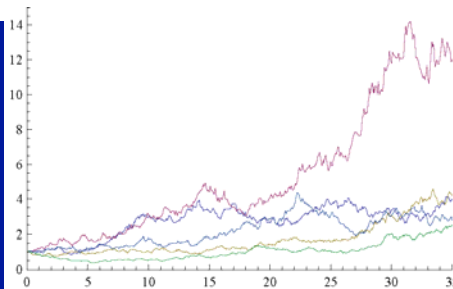


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Scenarios

Parameter	Bullish	Stand ard (MSCI)	Crash
Ø Volatility	15%	12.8%	15%
Ø Return	8%	6%	4%
Ø Jumps per year	5.2	5.2	5.2
Minimal jump size	2%	2%	2%
Ø Jump size above minimum	0.82%	0.82 %	0.82 %



Source: Bloomberg MSCI Daily TR (Total Return) Gross (gross dividends reinvested) in USD from January 1 1980 to October 21 2005, own preparation

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Results: Capital after 35 years

Product	Bullish	Standard	Crash	Standard no child	Standard no child
					No fees
DWS	234,778	121,818	67,584	121,322	138,504
NUE	198,167	108,189	64,328	106,744	127,706
AXA	230,638	121,547	69,801	119,645	125,921
ALL	128,853	83,101	61,799	83,528	102,198

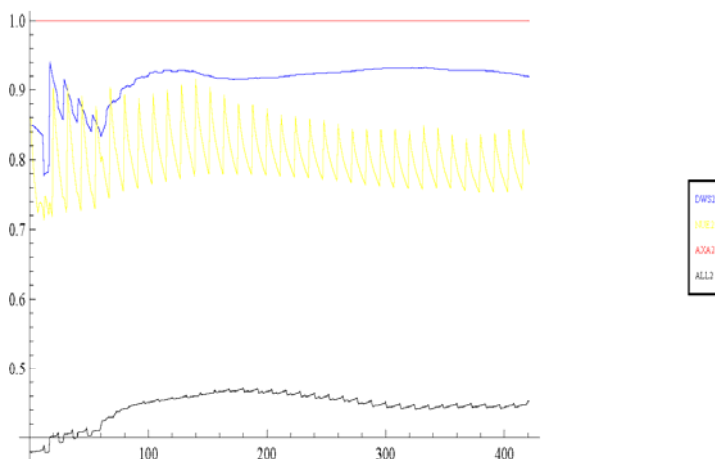
Federal bonus amounts to:

- No child: Using interest rate of 5% p.a. 154 p.a. will be 16,000 after 35 years
- Conclude: bonus essentially finances the contract

Return in the standard scenarios:

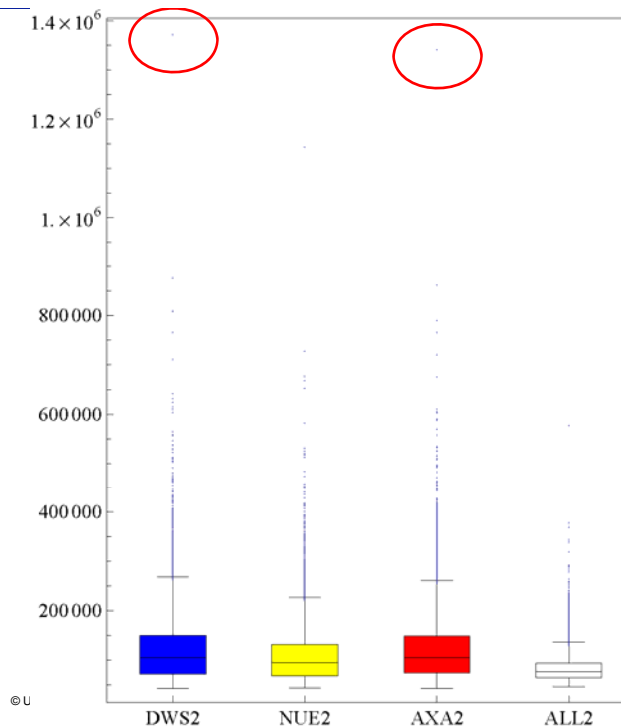
- 3.8% would generate 120,000 EUR without any fees

Average stock ratios



Distribution of capital at time of retirement

With DWS or AXA a Riester savers is 10 times more likely to become a millionaire than winning the state lottery



Finanztest Special of Stiftung Warentest, Dec 2007

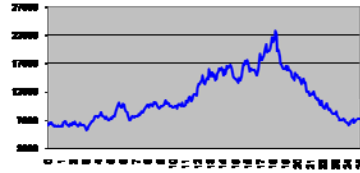
Das haben die Riester-Fondssparpläne bisher nach Kosten gebracht

Produktname/Angebot	Rendite (Prozent pro Jahr)									
	seit Vertragsbeginn am 1. Juli 2002 für unterschiedliche Eintrittsalter									
	für den Gesamtbeitrag (Eigenbeitrag plus Zulage)					für den Eigenbeitrag				
	20 J.	30 J.	40 J.	45 J.	50 J.	20 J.	30 J.	40 J.	45 J.	50 J.
Vorjahreseinkommen 52 500 brutto										
Allianz-dit Fondsvorsorge	5,8	3,8	3,5	3,5	1,1	8,5	6,5	6,2	6,2	3,9
BHW Förderfonds-Sparplan	3,2	3,2	3,2	3,2	3,2	5,9	5,9	5,9	5,9	5,9
cominvest Förderdepot mit cominvest Fondiropa ²⁾	5,9	5,9	5,9	4,0	3,5	8,6	8,6	8,6	6,7	6,2
cominvest Förderdepot mit cominvest Fondis ²⁾	1,8	1,8	1,8	1,4	1,4	4,5	4,5	4,5	4,1	4,1
cominvest Förderdepot mit cominvest Fondra ²⁾	6,0	6,0	6,0	3,8	3,2	8,7	8,7	8,7	6,5	5,9
Deka Bonusrente	5,9	5,9	6,5	5,9 ¹⁾	1,5 ¹⁾	8,5	8,5	9,1	8,6 ¹⁾	4,3 ¹⁾
DWS Toprente ²⁾	10,2	10,2	6,7	6,7	6,7	12,8	12,8	9,4	9,4	9,4
HansaGeneration-Plan	8,1	8,1	4,8	4,6	4,2	10,7	10,7	7,5	7,3	6,9
UniProfirente	9,5	9,5	9,5	9,5	9,5	12,2	12,2	12,2	12,2	12,2
Vorjahreseinkommen 30 000 brutto										
Allianz-dit Fondsvorsorge	5,3	3,3	3,0	3,0	0,7	10,2	8,3	7,9	7,9	5,7



Financial crises based scenarios

Parameter	Crash	Super Crash
Ø Volatility	15%	16%
Ø Return	4%	3%
Ø Jumps per year	5.2	6.24
Minimal jump size	2%	2%
Ø Jump size above minimum	0.82 %	0.82 %



**Results:
Capital after 35
years**

Product	Crash	Super Crash average	Super Crash median
DWS	67,584	67,492	50,054
NUE	64,328	64,251	48,938
AXA	69,801	69,297	54,764
ALL	61,799	61,794	57,062

Sources

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Finanztest Spezial: Altersvorsorge – Riesterrente, Stiftung Warentest Dezember 2007

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