



Home Financing

Home financing – tailor-made solutions for your home

Financing a home is one of the most important financial decisions in life. Careful planning taking into account income, interest rate developments, ancillary costs, and personal needs is essential. Whether you are a first-time buyer, seeking to restructure an existing mortgage, or would like to renovate or modify a property you already own – your real estate financing should always be tailored to your personal circumstances.

The financing of your home consists of...

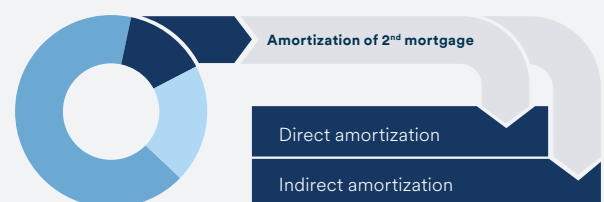
...equity of at least 20% of the property's market value¹:

Of these 20%, at least 10% need to stem from liquid assets such as savings, securities, or pillar 3a savings. The remainder may be withdrawn from your pension savings.

...a mortgage covering a maximum of 80%:

The first mortgage may amount to a maximum of 66% of a property's market value. If more liquidity is required, a second mortgage covering the remaining amount up to a maximum of 80% of the property's market value must be taken out. This second mortgage must be repaid within 15 years, at the latest until the age of 65 (amortization obligation; repayment).

Mortgage model



Equity	1 st mortgage	2 nd mortgage
at least 20% of a property's market value	maximum of 66% of a property's market value	maximum of 14% or a property's market value

¹ Prospective sales price at current market conditions

Planning with a view to sustainable affordability²

Total housing costs (imputed mortgage rates, amortization³ and ancillary costs) must not exceed one-third of your gross income. Financing institutions usually calculate a mortgage rate of 4.5% to 5% a year (historical average) and ancillary costs of around 1% of a property's purchase price. This ensures that financing is affordable for you in the long run.

Mortgages

A mortgage is a loan that is collateralized with a home. There are various kinds of mortgages with different terms, interest rates, and repayment modalities. The most important mortgage types are:

Fixed-rate mortgage

A fixed-rate mortgage has a fixed interest rate and a fixed term of between two and twenty years.

- **Advantages:** Security of planning, protection against rising interest rates
- **Disadvantages:** Limited flexibility and potential costs if the mortgage is canceled early
- **Good to know:** A fixed-rate mortgage can be concluded ahead of time, i.e., with a lead time of up to two years. This makes it possible to fix an attractive interest rate for a start date in the near future.

Variable mortgage

A variable mortgage has a variable interest rate that depends on the market interest rate. Its term tends to be unlimited. The lending bank or institution can cancel or adjust the mortgage at any time.

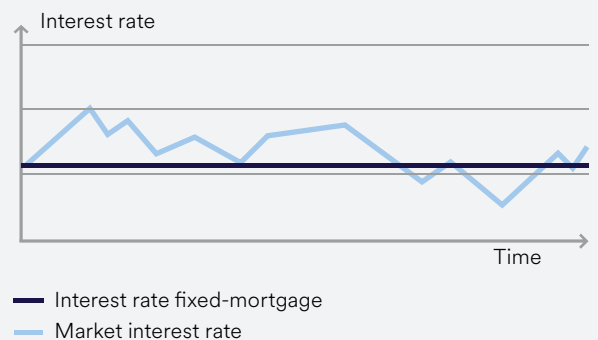
- **Advantages:** Flexibility and possibility to benefit from declining interest rates
- **Disadvantages:** Interest rate risk and uncertainty

SARON mortgage

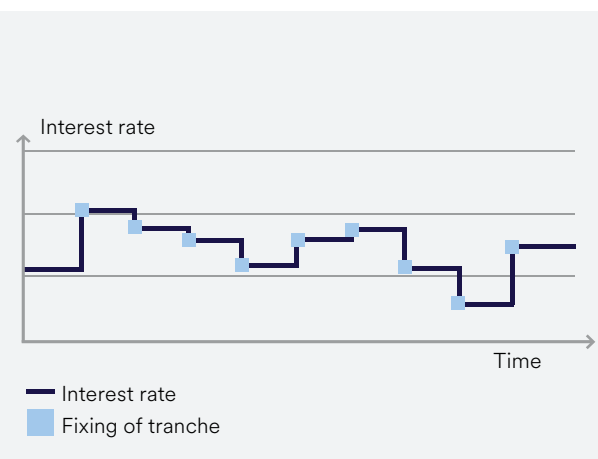
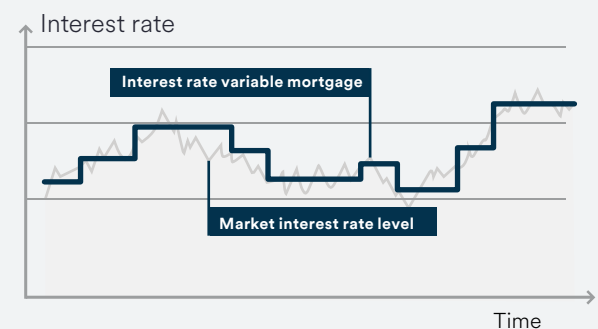
The interest rate of the SARON mortgage or flex-rollover mortgage depends on a reference rate, the SARON (Swiss Average Rate Overnight). The SARON is the rate at which banks lend to each other. The term of a SARON mortgage generally ranges between three months to five years.

- **Advantages:** Transparency and inexpensive interest rates
- **Disadvantages:** Interest rate risk and frequent adjustments.

Fixed-rate mortgage



Variable mortgage



² Ratio of running costs of a property in relation to a borrower's income

³ Costs of repaying a mortgage

Amortization

Amortization is defined as the repayment of borrowed capital used to finance a home. It helps reduce debt and increase personal wealth. Amortization can be done in several ways:

Direct amortization

Direct amortization implies the regular repayment of debt, for instance in monthly, quarterly, or annual installments.

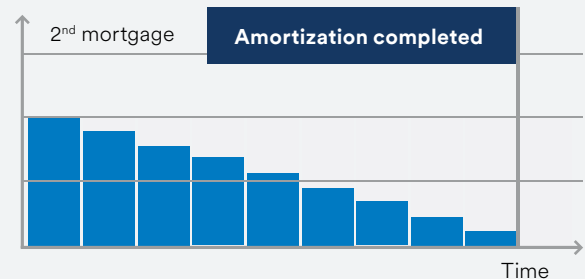
- **Advantage:** Reduces interest costs and debt.
- **Disadvantage:** Increases tax burden, as mortgage rates are tax-deductible.

Indirect amortization

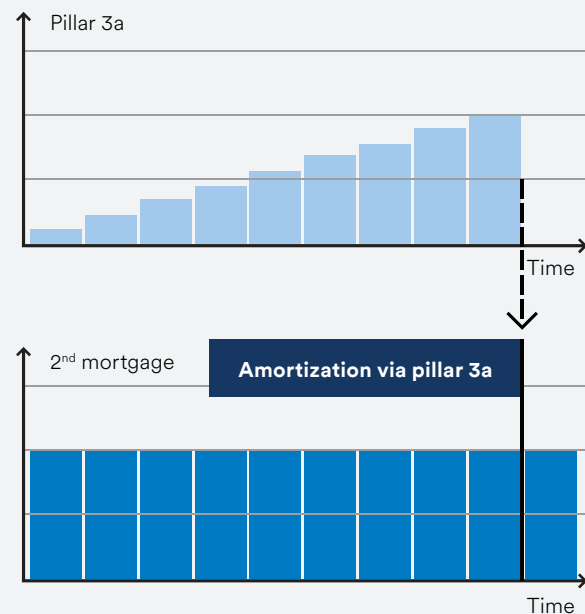
In indirect amortization, the amortization amount is paid into a restricted pension account, for instance into pillar 3a or a pension fund.

- **Advantage:** Reduces tax burden, as payments remain tax-deductible and mortgage rates remain unchanged.
- **Disadvantage:** Increases interest costs and leaves debt load unchanged.

Direct amortization



Indirect amortization



What you should pay attention to for your home financing to succeed

- **Keep an overview:** Stay abreast of your financial situation and adjust your financing strategy if needed.
- **Monitor the market:** Monitor interest rate developments to potentially adjust or change your mortgage.
- **Optimize taxes:** Use opportunities to optimize taxes, for instance with indirect amortization.
- **Seek advice:** Seek professional guidance to assess your individual situation and develop an optimal financing strategy.

Conclusion



A well-considered financing strategy is the key to successfully buying or maintaining your home. If you know your options, regularly examine your finances, and are flexible to react to changes, you can optimize your home financing and secure it in the long term.

smzh tip



Burak Er
Head Research &
Advisory Solutions

Thanks to his years of experience, Burak Er knows that purchasing a home is not just about finding a perfect place to live, but also about securing the best possible financing solution.

” Given the wide range of financing options and constantly changing market conditions, I recommend that you compare multiple offers in collaboration with our financing specialists. By comparing offers, you can evaluate your options in terms of value for money and choose the financing solution that best meets your individual needs and financial situation. ”

smzh for you

- **Financing advice:** We develop an optimal financing strategy, clarify viability and loan-to-value, and identify the best partner for your financing.
- **Legal certainty:** Our experts examine the purchase contract and accompany you throughout the entire purchase process, from the appointment with the notary to the property transfer.
- **Efficient payment settlement:** We coordinate the creation of the promise to pay and on-time provision of the means of purchase.
- **All-round support:** We support you every step of the way to ensure that your real estate purchase is sound, seamless, and successful.



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or make an appointment
online.

About us

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