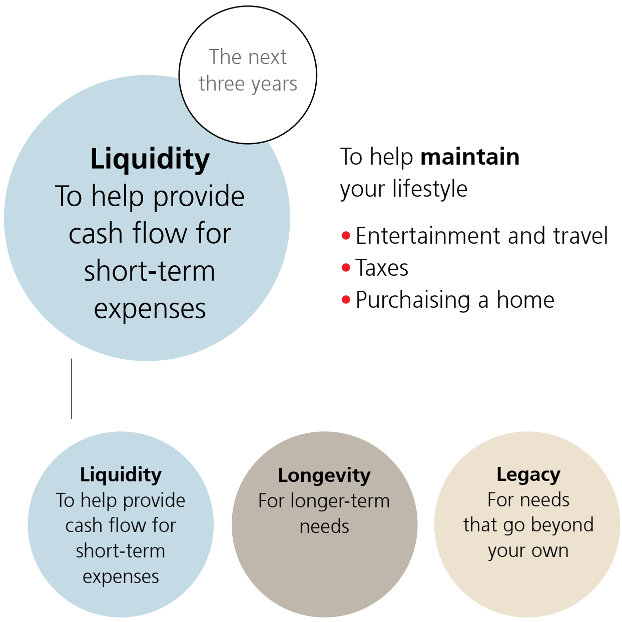
UBS Wealth Way

Liquidity – Always keep your head above water

- Liquidity is important to cover ongoing expenses for the coming years. An emergency fund will also help put your mind at ease.
- However, too much liquidity can have its drawbacks. When interest rates are negative investors lose out on returns, while inflation eats away at their purchasing power over the long term.
- The Liquidity strategy is central to successfully managing your investment portfolios.
- Your optimal liquidity needs can vary based on the source of your income and the risk level of the Longevity strategy. Find out more about determining your liquidity needs in our report "My Liquidity strategy: How much liquidity do I really need?"

The Liquidity strategy includes the assets you want to use to cover your short-term expenses as well as an emergency fund. If you can cover all of your daily expenses with your salary, an emergency fund may be sufficient. The level of risk you are willing to accept in the Longevity strategy also plays a role. Your income is usually lower in retirement compared to working life, so the Liquidity strategy should be increased to ensure that it and your pension are sufficient to cover your expenses over the next three years.



Source: UBS

Goal – Support your Longevity strategy
The aim of the Liquidity strategy is to provide sufficient capital so you have the flexibility for greater risk/return potential in other portfolios. The Longevity strategy should achieve growth to offset potential setbacks. Liquidating your investments in volatile phases at a loss jeopardizes your financial security. A well-planned Liquidity strategy prevents that from happening.

Structure – Liquid assets are always available
To help you achieve your goals, the assets in this strategy must be liquid with high price stability. In times of negative interest rates, there are few alternatives to cash. The correct structure of the Liquidity strategy depends on two essential factors. First, the ratio of regular income to regular expenses, and second, the risk taken as part of the Longevity strategy. The higher the risk and the lower the ratio of income to expenses, the more liquidity you need.

Benefit – Longevity strategy can grow
An optimal Liquidity strategy has two basic advantages. On the one hand, it helps to keep emotional (knee-jerk) reactions in check even in uncertain times. On the other hand, the Longevity strategy lets you pursue your long-term goal of a secure retirement without disruption.

Asset strategy "Liquidity. Longevity. Legacy." Disclaimer: The time frame may vary. Strategies depend on the individual client goals, the desired results and their suitability. There is no promise or guarantee that this approach will generate revenue or achieve a specific financial result.

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