



Economico Flash ⚡ #36

Is it even worth saving in securities after costs and taxes?

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






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Chart of the week: Return after costs and taxes (period Jan 1, 2015 to Dec 31, 2024)

	Equities Switzerland SPI	Equities World MSCI World dev.	Bonds CHF SBI AAA-BBB	Bonds Global, hedged FTSE World Big, hdgd CHF	Mixed Portfolio equal weight 25%
Performance (in %)					
Annualized gross return	5.74%	9.51%	0.47%	-1.00%	3.68%
Capital yield per year	3.00%	2.20%	1.07%	2.62%	2.49%
Cost deductions (in %)	traditional  Economico	traditional  Economico	traditional  Economico	traditional  Economico	traditional  Economico
Recurring costs	2%-3% >=0.48%	2%-3% >=0.48%	2%-3% >=0.48%	2%-3% >=0.48%	2%-3% >=0.48%
Roundtrip costs + 3	>=0.02%	>=0.05%	>=0.15%	>=0.10%	>=0.08%
Tax deductions (in %)					
Foreign withholding taxes	-	0.30%	-	-	0.07%
Income taxes (25%)	0.75%	0.48%	0.27%	0.66%	0.54%
Annualized net return	traditional  Economico	traditional  Economico	traditional  Economico	traditional  Economico	traditional  Economico
Private investment	2.0% - 3.0% 4.5%	5.7% - 6.7% 8.2%	-2.0 bis -3.0% -0.4%	-3.8 bis -4.8% -2.2%	0.0% - 1.0% 2.5%

Source: Refinitiv performance and dividend yields; Economico marketplace cost data

The chart of the week is admittedly a little hairy, but it's not that complicated: In it, we calculate the net return for various asset classes by deducting costs and taxes from the gross return achieved. That's it! Below we take it step by step.

Average returns and annual investment income (dividends and interest income) were calculated for the four main asset classes for the period from January 1, 2015 to December 31, 2024. The investment decade under review was characterized by an above-average US equity market, a solid Swiss equity market and a low / zero and in some cases negative interest rate environment in the Swiss franc.

Now to the individual cost and tax deductions (see [Economico Whitepaper](#) for details):

- **Recurring costs:** the non-negotiated costs in the standard, traditional asset management market are 2% to 3%, the best price offer on the Economico marketplace is 0.48% (see [Flash 1](#) for details).
- **Entry/exit costs:** So-called round-trip costs incurred when building up and reducing the portfolio. The costs determined on the basis of Economico marketplace data are divided into three, which implicitly assumes a holding period of three years (excluding transactions during this period) (for details see [Flash 30](#)).
- **Foreign withholding taxes:** Dividend income from foreign shares is subject to country-specific withholding tax. (For details see [Flash 35](#)).

- **Individual income taxation:** “Last but not least”, net dividend income and interest income are subject to individual income taxation, for which we have assumed a tax rate of 20%. Depending on the tax domicile and progression level, this can of course be higher or lower.

So, what is left? Well, bonds, which do not yield much in gross terms, are and will remain a negative business after costs and taxes in the current low-interest rate environment. Even when implemented in a cost- and tax-efficient manner, they do not achieve the green zero. Even after costs and taxes, equities have still made money in this 10-year period. If you mix these main asset classes into a mixed portfolio (right-hand column in the chart of the week), the importance of costs in portfolio management becomes clear - it cannot be emphasized often enough. The standard, non-negotiated costs of asset management - in addition to the tax burden - have more or less eaten away the return on the representative mixed portfolio.

Takeaways

- In a low-interest rate environment, it is better to leave your money in your account than to invest in bonds.
- Without cost transparency and competition in implementation, everyone earns from your portfolio except you.