Possibilities and effects

Early retirement

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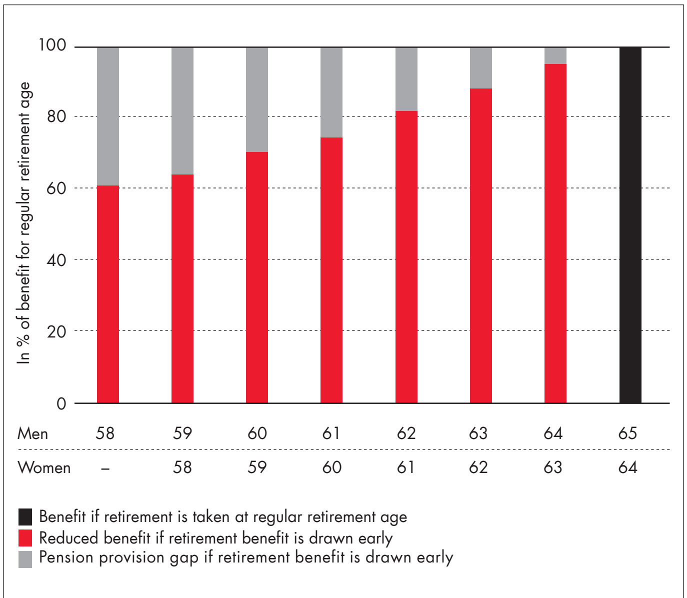
What does early retirement mean?

The regulations of your pension fund define the regular retirement age. This normally corresponds to the regular AHV retirement age (65 years for men, 64 years for women). In the case of early retirement, the insured retires before this regular retirement age in accordance with the provisions of the pension fund regulations.

What are the consequences of early retirement?

When early retirement is taken, the retirement benefit under the occupational benefit scheme (2nd pillar) is lower than when regular retirement is taken. This is firstly due to the shorter saving phase and secondly because a lower conversion rate is applied to the retirement pension drawn to account for the longer payment period.



The 1st pillar pension (AHV) can be drawn two years before the regular retirement age at the earliest. In this case, the pension is reduced in accordance with statutory provisions. The obligation to pay AHV contributions continues until the statutory retirement age.

How can you bridge the gap in the occupational benefit scheme?

The pension gap resulting from the pension reduction in the occupational benefit scheme can be lessened by making voluntary contributions to the pension fund, provided that this is possible under the pension fund regulations.

What contributions can be made?

The extent to which the pension is reduced depends, in particular, on the retirement credits. The pension fund regulations stipulate the maximum amount for which additional benefits to eliminate the gap in pension cover can be purchased. Such voluntary contributions can be made with the proviso that the potential for purchase in the full benefits in conformity with the regulations (purchases pursuant to Art. 79b BVG) has been fully exhausted.

What are the advantages of voluntary contributions?

Your current retirement assets are increased by the additional contributions made, thereby narrowing the pension gap.

In tax terms, contributing to the pension fund on a voluntary basis can be very attractive, as such purchases can be deducted from the taxable income reducing the latter.

The insured person is responsible for declaring contributions for tax purposes. The decision regarding allowable tax deductions rests with the relevant tax authority. The employee benefit institution cannot assume responsibility for this matter.

What statutory restrictions must be taken into consideration?

- The largest possible purchase is calculated as at the indicated date of retirement.
- If purchases we made with respect to a certain retirement age and it is subsequently decided not to retire at that age, the total of all regulation-based benefits may not exceed those at the normal retirement age by more than 5 per cent. In addition, accumulated funds fall to the pension fund.
- If only partial retirement is planned, the purchase is correspondingly smaller.
- Voluntary purchases may be made only if advance withdrawals for residential property have been repaid in full. This restriction applies only if three or more years remain until ordinary retirement. Controlling are all advance withdrawals under the 2nd pillar that have not yet been repaid, irrespective of whether these were obtained from one or more employee benefit institutions. This does not relate to advance withdrawals from pillar 3a (private pension plans).
- In addition, transfers of balances to the other spouse in the event of divorce need to have been repaid in full.
- Balances with institutions in the 2nd pillar (vested benefit policies and accounts) need to be deducted from the purchase sum and thus reported. Each vesting institution provides information about the precise amount.
- Persons that are or were self-employed must in addition report balances under pillar 3a. Each institution provides information about the precise amounts. These are deducted if they exceed the exempt amount stipulated by the legislator.
- For individuals who moved from abroad after 1 January 2006 and are insured for the first time by a Swiss employee benefit institution (2nd pillar), the annual purchase sum during the first five years after joining a Swiss employee benefit institution is limited to 20 per cent of the insured annual salary.
- Retirement benefits that are currently being drawn or were drawn earlier must be taken into account in determining the purchase sum. The certification about termination benefits at the time of early retirement/partial retirement helps to correctly ascertain the purchase sum at the time of early retirement/partial retirement.
- In the case of tax-privileged purchases, a three-year capital payment prohibition applies. After a purchase, benefits may not be drawn in capital form for the next three years. This relates to retirement benefits, advance withdrawals for residential property, and cash disbursements upon termination of employment.

What else needs to be taken into consideration?

Early retirement leads to a reduction in the retirement benefit from both the 1st pillar as well as from the 2nd pillar. To compensate for the resulting pension gaps, you should plan ahead for your retirement. Before you make contributions to narrow the pension gap in the occupational benefits plan, you need to let us know. The related form can be found on the internet at www.swisscanto-foundations.ch ▸ Downloads ▸ Forms.

For more information please refer to your Cantonal Bank or Swisscanto Collective Foundation.

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