Purchase of insurance benefits

More room for manoeuvre through *targeted payments* into the 2^{nd} *pillar*

The most important payments into your 2^{nd} pillar are your monthly contributions and those of your employer. At certain points in your life it is also advisable to consider making voluntary additional payments into your pension fund.

When is a purchase recommended?

- If you join the pension fund after the age of 25
- If you receive a salary increase
- If your pension plan is improved through higher savings contributions
- To offset a gap in coverage due to divorce
- To make up for missing insurance years, for example following a break in employment, due to pregnancy, study, unemployment or a stay abroad.

What advantages does a purchase offer me?

A voluntary purchase in occupational provisions is not just an investment in the future, it also has attractive direct benefits:

Your retirement benefits and, depending on your pension plan, your risk benefits too will be increased. This improves your retirement provisions.

A purchase is also very interesting from a tax point of view. If private assets are used to make the purchase, taxable income in the purchase year is reduced. Depending on your personal situation, you may also benefit from a more favourable progressive tax rate. The resultant tax savings thus indirectly finance a proportion of the purchase. It is therefore worthwhile distributing your purchase amounts over several years. Staggering your purchases will maximise your tax savings.

Purchases in the pension fund and the interest credited increase your retirement savings. During the contribution period, the retirement savings are exempt from wealth, income and withholding tax. They only become taxable on the date on which they are paid out. If the payout is in the form of a lump sum, it is treated separately from other income and taxed at a reduced rate. If you choose payment in the form of a pension, this has to be taxed together with other income.

What do I need to be aware of when making a purchase?

If you transfer part of your private assets into your employee benefits institution, you cannot get these funds back. In the event of divorce, your vested benefit acquired during the marriage and that of your spouse is divided under the law. Any purchases of additional benefits during the marriage are also transferred on a pro-rata basis. For employees all pension contracts, any funds in vested benefit policies or vested benefits accounts and pillar 3a savings (from a period of self-employment) are taken into consideration when calculating the maximum possible purchase sum.

As the insured person you are responsible for claiming the purchase sums for tax purposes. The tax deductibility of purchases is assessed by the relevant tax authority. The employee benefits institution cannot influence this decision and accepts no liability in this regard.

What legal restrictions apply to my purchase?

In principle all insured persons who are capable of working can purchase missing insurance years – in so far as this is provided for in their pension fund regulations.

- If you have received a prepayment of pension fund assets to purchase your own home, you must repay this amount in full in one payment or in instalments of at least CHF 10 000. Only then can you resume making voluntary payments into the 2nd pillar.
- The new purchases have a three-year blocking period. During this period the benefits resulting from the purchase cannot be withdrawn in lump-sum form. However, this restriction does not apply to purchases to bridge a gap in coverage resulting from divorce.
- If a lump-sum withdrawal is made within three years of a purchase, the tax authority may revoke the tax deductibility of the purchase on the basis of current legal practice. For tax reasons, it is therefore advisable not to make any lump-sum withdrawals within three years of making a purchase.
- For persons who moved to Switzerland after 1 January 2006 and have never belonged to a Swiss employee benefits institution, the following applies: For the first five years following admittance to an employee benefits institution, the annual purchase sum may not exceed 20% of the insured salary.

How do I go about making a purchase?

- Consult your applicable pension fund regulations. Swiss Life's pension fund regulations allow additional benefits to be purchased up to one month prior to retirement.
- Swiss Life calculates the possible purchase sum on the basis of the information available to it. It is therefore important that you notify Swiss Life of the following in particular: other employee benefits relationships, any vested benefits accounts or vested benefit policies, pillar 3a savings (accumulated during a period of self-employment). Your Swiss Life insurance advisor will be happy to explain to you your personal advantages and your individual purchase options.

Note: Any reference to marriage is deemed to include registered partnership, similarly any reference to the spouse is deemed to include the registered partner. These details have been left out of the text in the interest of readability.

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04.2020, VJE, en

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