

Early retirement

More and more people in gainful employment would like to retire early. “Early” means before reaching their normal retirement age. Three factors are important when considering early retirement: your pension fund regulations, your desired standard of living in old age and your personal financial situation, because as well as receiving a considerably reduced BVG retirement pension you will also have to wait a few years before drawing your AHV pension. During this time you must continue to pay AHV contributions, otherwise your AHV pension will also be reduced. Your income will fall.

What does the law say?

Early retirement is not explicitly regulated by law. With regard to your occupational provisions (BVG), it is the regulations of your pension fund that are decisive.

Drawing a pension

The pension under the second pillar is paid out after you reach your retirement age. If you retire early, this pension will be noticeably reduced. This is because a lower retirement capital is available with which to fund the retirement pension, due to missing contribution years. In addition, the longer period over which the pension is drawn will result in the conversion rate being lowered. In other words, the capital you have saved will be converted into a retirement pension at a lower rate.

Commutation right

Under the second pillar it is your pension fund regulations that apply. Under the law, however, since 1 January 2005 each insured person is entitled to receive at least one quarter of his or her mandatory BVG retirement savings as a one-off lump-sum payment. Note: If additional benefits have been purchased from the pension fund, the commutation right is not permitted within the following three years.

What do I need to remember about the AHV?

The AHV pension from your first pillar provisions can be drawn two years prior to the legally stipulated retirement age, at the earliest. Drawing the pension in advance results in a permanent reduction in its level. You are obliged to continue paying AHV contributions until you reach state retirement age. Only by paying such contributions can you avoid a reduction in your AHV pension (in addition to a reduction for an advance withdrawal).

Should I expect any cuts in my retirement benefits?

You will receive a lower pension from your occupational provisions since you will now be drawing that pension for a longer period thanks to early retirement, while the period over which you pay contributions will be shorter.

How can I plug any gaps in income?

There are different ways in which you can bridge any gaps in income prior to normal retirement:

- **Phased withdrawal from working life:** Slowly cutting back on the amount of work you do not only offers financial advantages, it also makes a comfortable transition to your new life situation easier.
- **Use of personal assets:** Income from your personal assets (interest, dividends) can be considered as a possible source of funds. (Partly) using certain of your assets can help close the gap in income.
- **Extraordinary earned income:** Entering self-employment or taking a second job can help to balance your financial budget.
- **Advance withdrawal of pension assets:** The AHV (first pillar) allows you to draw your AHV pension two years before reaching normal retirement age, at the earliest. Under private provisions (third pillar) you can draw on your funds as early as five years prior to normal retirement age.

Who do I inform of my early retirement?

- First of all, check your pension fund regulations to see whether early retirement is at all possible.
- You can notify Swiss Life of your intentions right up to a few weeks before you actually retire. Please note: If you wish to receive a lump-sum payment upon retiring early your company must hand in the “Commutation right (capital option)” form at least one year beforehand.
- Use the “Notification of withdrawal – Group insurance” form to let Swiss Life know of your intentions. You can request the form from the person within your company responsible for employee benefits. Or you can download it at www.swisslife.ch/formulare. Complete the form; the person within your company responsible for employee benefits will then take care of everything that needs to be done, together with Swiss Life.

When should I start planning?

Early retirement will generally lower your retirement benefits. You should therefore start planning well in advance, taking a long hard look both at your budget and at how to plug any gaps in insurance cover. We recommend that you start your preparations at age 55 at the latest. Everyone’s situation is different and requires a great deal of know-how since tax considerations must also be taken into account.

Your Swiss Life insurance consultant is certain to find the best possible solution for you. Why not arrange a consultation, with no obligation. You can find further information in the Internet at www.swisslife.ch/unternehmen.