Information sheet

Financing early retirement

What you need to know

When is it possible to make purchases to finance early retirement?	• My regulations (pension plan) must contain provisions regarding financing early retirement. • I have fully exploited all other purchase options. • I have repaid all transferred vested benefits as a result of divorce/dissolution of a registered partnership. • I notify the employee benefits institution of my planned retirement age. • I inform the employee benefits institution of my percentage level of early retirement. • The employee benefits institution opens a special account for purchases for me.
How are purchase sums calculated?	• The provisions contained in the regulations apply. • My employee benefits institution calculates the possible purchase sum for me.
I have other pension plan savings (e.g. a vested benefits account).	• I have to disclose my other pension plan savings. The purchase sum is generally reduced by these amounts.
I have built up assets in pillar 3a from self-employment.	• I must disclose these assets. They are taken into account in the calculation of the purchase sum.
What advantages do I have with a purchase?	• The gap in retirement benefits which arises upon early retirement is fully or partially bridged. • My tax burden is reduced.
What is the tax situation?	• I must be able to prove that I am financing the purchase with my private income. • I deduct the purchase sum from my taxable income in my tax declaration. • From a tax point of view, the purchase and the deduction must take place in the same tax year. • If a lump-sum withdrawal is made within three years of the purchase, current tax authority practice is not to recognize the tax deductibility of the purchase for income tax purposes. A lump-sum payment within three years of a purchase can therefore be disadvantageous from an income tax perspective. • The relevant tax authority rules assesses the tax deductibility. The employee benefits institution has no influence on this decision and assumes no liability in this regard.
What happens if I retire after the specified retirement age?	• I receive a maximum of 105% of the retirement benefits which are specified at normal retirement age. • I may lose all or part of the money in the special account. • I can find detailed provisions in the appendix to the Basic Provisions.
I have withdrawn a prepayment for home ownership.	• Until three years before normal retirement age, I can only make a purchase if the prepayment has been repaid in full.
What is the situation upon divorce?	• In the event of divorce/dissolution of a registered partnership, purchases are shared according to the law, if necessary. • No limitations apply to a repurchase of transferred vested benefits as a result of divorce/dissolution of a registered partnership until normal retirement age. This also applies in relation to income tax purposes, i.e. a lump-sum withdrawal within three years of a repurchase following divorce is not disadvantageous.
I am about to retire.	• I can make a purchase up until one month before normal retirement age, however at the latest until early retirement. • If I make purchases in the last three years before retirement, the resultant benefits will always be paid out as a pension. • Tax deduction may not be permitted.

What you need to know

What is the taxation situation upon retirement?	• Lump-sum withdrawals are taxed separately from other income at a reduced rate, provided no purchases were made in the last three years. • Pension benefits are taxed at the normal rate with other income.
I moved to Switzerland within the last five years.	• If I have not belonged to a Swiss employee benefits institution before, I can make an annual purchase in the first five years of a maximum of 20% of my insured salary.
What else should I note when making a purchase?	• A purchase of benefits in the employee benefits institution is irreversible. • For a period of three years, I am not able to make a lump-sum withdrawal of benefits from the purchase (e.g. prepayment for home ownership). • For the purchase to be taken into account in the current tax year, the payment must reach the employee benefits institution by **31 December** at the latest (please note bank holidays).