

Lump-Sum Withdrawals from Retirement Plans

What You Need to Know

Employee benefits institutions (Pillar 2) and the recognized forms of tied private pension provision (Pillar 3a) are attractive instruments that can be used to accumulate retirement capital in a targeted and tax-optimized way. Contributions paid into recognized pension plans during their term are subject to certain tax breaks. When retirement savings are paid out in the form of a lump sum, these payments are taxed separately from other income and at a reduced rate. The statutory provisions must be observed and the relevant cantonal tax practice taken into account in order to optimize withdrawals of retirement savings.

Withdrawal of Pension Capital

Withdrawal options	Pillar 2 Employee Benefits Insurance	Pillar 3a Private Pension Provision
Financing of owner-occupied residential property in the main place of residence (WEF)	<p>Pension fund/vested benefits</p> <p>You can request an advance withdrawal of vested benefits to finance your own home:</p> <ul style="list-style-type: none"> • Acquisition and construction. • Renovations or value-enhancing investments. • Repayment of mortgages. • Acquisition of participation certificates in a cooperative housing association or similar forms of participation. <p>Please note</p> <ul style="list-style-type: none"> • Advance withdrawals are possible once every five years and must be at least CHF 20,000. This limit does not apply to savings of vested benefits solutions. • From age 50 onward, advance withdrawals are limited to the amount of the vested benefits as at age 50 or to half the current vested benefits. • In the case of married persons or persons in a registered partnership the consent of the spouse or registered partner is always required. • Advance withdrawals must be made at least three years before the entitlement to retirement benefits arises (unless the periods set out in the pension funds regulations are better). • In some cases, a withdrawal may result in a gap in pension coverage in the event of disability and death. This can be closed by taking out risk insurance. 	<p>Tied pension provision</p> <p>You can request an advance withdrawal of retirement savings to finance your own home:</p> <ul style="list-style-type: none"> • Acquisition and construction. • Renovations or value-enhancing investments. • Repayment of mortgages. • Acquisition of participation certificates in a cooperative housing association or similar forms of participation. <p>Please note</p> <ul style="list-style-type: none"> • Advance withdrawals can be made every five years; there is no minimum amount. • In the case of married persons or persons in a registered partnership the consent of the spouse or registered partner is always required. • Partial withdrawals can be made up to five years before normal retirement age (60 for men, 59 for women). Thereafter it is only possible to withdraw the full amount from each account.
Becoming self-employed	<ul style="list-style-type: none"> • Cash disbursement of vested benefits is possible as soon as self-employed status is confirmed by the AHV <p>Please note</p> <ul style="list-style-type: none"> • Payout must be made within a year of becoming self-employed. 	<ul style="list-style-type: none"> • Withdrawal of retirement savings is possible as soon as self-employed status is confirmed by the AHV. <p>Please note</p> <ul style="list-style-type: none"> • Payout must be made within a year of becoming self-employed.
Permanent departure from Switzerland	<ul style="list-style-type: none"> • Cash disbursement of vested benefits is possible if the person in question is leaving Switzerland for good. <p>Please note</p> <ul style="list-style-type: none"> • In the event of an individual moving to an EU/EFTA country, cash withdrawal is possible only for the extra-mandatory portion of the vested benefits if a social security obligation exists in these countries. • Benefits paid out in these cases are taxed in the canton of residence of the last pension fund or vested benefits institution (withholding tax).¹ 	<ul style="list-style-type: none"> • Withdrawal of the available retirement assets is possible if an individual leaves Switzerland for good. <p>Please note</p> <ul style="list-style-type: none"> • Benefits paid out in these cases are taxed in the canton of residence of the last pension fund or vested benefits institution (withholding tax).

¹ Any double taxation regulations in the country of domicile should be checked in advance.

Withdrawal Options	Pillar 2 Employee Benefits Insurance	Pillar 3a Private Pension Provision
Retirement	<p>Pension fund²</p> <ul style="list-style-type: none"> • Under the law, you can withdraw 25% of the BVG retirement assets as a lump sum instead of as a pension (the regulations may provide for the withdrawal of larger lump sums). • The payment is usually made when you reach normal retirement age (women: 64/men: 65). • The regulations may provide for a different retirement age. Early retirement: no earlier than age 58 Deferred retirement: no later than age 70 (for men) or 69 (for women) – provided the individual remains in gainful employment. • Partial retirement scenarios are set out in the regulations. <p>Please note</p> <ul style="list-style-type: none"> • Lump-sum withdrawals are not possible within three years of the date of the last purchase. <p>Vested benefits</p> <ul style="list-style-type: none"> • Vested benefits can be withdrawn at the earliest five years before and at the latest five years after reaching normal AHV retirement age. • Partial withdrawals from vested benefits accounts (on the basis of age) are not possible.³ Staggered withdrawals from several vested benefits accounts are permitted within the given deadlines. 	<p>Tied pension provision</p> <ul style="list-style-type: none"> • Pillar 3a entitlements basically become due when an individual reaches normal AHV retirement age. • Benefits can be withdrawn at the earliest five years before an individual reaches normal AHV retirement age. • If an individual continues in gainful employment after reaching normal retirement age, it is possible to defer withdrawing benefits for up to five years after this age. It is also possible to continue to make Pillar 3a contributions. • Partial withdrawals from Pillar 3a accounts (on the basis of age) are not possible. If an individual has more than one Pillar 3a account, staggered withdrawals are permitted within the defined deadlines.³

² The most recent set of regulations from the pension fund will contain information about the possibility of lump-sum withdrawals.

³ The way that taxation is handled differs from canton to canton and must be checked separately.

Taxation of Pension Capital

Withdrawals of tied pension capital are subject to a lump-sum payout tax. This is a one-off tax which is applied separately from other income and at a reduced rate. The differences between cantons in terms of progression and minimum/maximum tax are very significant. This tax is subject to constant change.

Since it is possible to withdraw lump sums from various retirement plans at different times (i.e. in different calendar years) considerable tax advantages can be achieved. Staggering payouts may result in the application of a lower tax band, and the payouts will therefore be taxed at a reduced rate.

As mentioned above, there are numerous ways of saving tax. In addition to the staggered withdrawal of pension capital, an individual's domicile on the withdrawal date also plays a key role.

It Is Vital to Plan Ahead

When planning your retirement, ideally 10 to 15 years in advance, it makes good sense to carefully weigh up the options for making withdrawals from the various retirement plans. Often, the amount due in tax on a retirement savings payout can be a multiple of the normal income tax. Staggered withdrawals are usually a good way of reducing the tax burden.

It is important to remember that tax aspects are the not only important factor in pension planning; your financial situation and your personal wishes and goals are also paramount. Contact Credit Suisse's financial planners in good time and let them analyze your optimization options for you.

Contact us

We will be happy to arrange a personal consultation. Call us at 0844 200 114*; Mon.–Fri., 08:00–20:00. For more information, visit our website at: [credit-suisse.com/financialplanning](https://www.credit-suisse.com/financialplanning)

* Telephone calls may be recorded.

CREDIT SUISSE (Switzerland) Ltd.

P.O. Box 100
CH-8070 Zurich
[credit-suisse.com](https://www.credit-suisse.com)

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