Staggered retirement. A carefree approach to retirement.

Leaving the world of work is a key moment in everyone's life. Nowadays, more and more working people are considering the option of staggered retirement. However, there are also more and more people choosing to remain in work – to some extent at least – beyond the official retirement age. What impact does staggered retirement have on pension benefits? Our experts will be glad to help you.

Switzerland's three-pillar pension system

Switzerland's pension system is based on three pillars. Upon reaching normal retirement age – currently 65 for men and 64 for women – pension benefits should ideally flow from all three pillars.

Pillar 1 State pension	Pillar 2 Occupational pension	Pillar 3 Private pension
Purpose: To secure a minimum standard of living	**Purpose:** To maintain the accustomed standard of living	**Purpose:** Individual supplementary provision
Guaranteed by: ▪ Old Age and Survivors' Insurance (AHV) ▪ Federal Disability Insurance (IV) ▪ Supplementary Benefits (EL)	**Guaranteed by:** ▪ Mandatory Occupational Benefits Insurance (BVG) ▪ Compulsory Accident Insurance (UVG) ▪ Extra-mandatory insurance	**Guaranteed by:** ▪ Tied pension provision (Pillar 3a) ▪ Flexible pension provision (Pillar 3b)

Pillar 1: Old Age and Survivors' Insurance (AHV)

The AHV pension is paid out upon reaching the normal AHV retirement age. The AHV does not make lump-sum payments. There is no automatic entitlement to an AHV pension if an individual chooses to stop working before reaching normal retirement age.

It is possible to start receiving the AHV pension one or two years before normal retirement age, but the level of pension paid out is then permanently reduced. At present, the pension payment is reduced by 6.8% for each early retirement year. The obligation to make AHV contributions remains. For those who are not gainfully employed, the level of AHV contributions is based on their retirement income and any taxable assets they may have. It is also possible to defer taking one's AHV pension by anything from a minimum of one year to a maximum of five years, whereby it can be recalled at any time following expiry of the minimum duration period. A deferral leads to an increased level of pension payments. Individuals who defer taking their AHV pension for the maximum period will see their pension rise by 31.5%. In the case of staggered retirement before the normal pension age, it is not possible to draw part of the AHV pension.

Pillar 2: Occupational pension provision (BVG)

Benefits from occupational pension schemes are paid out – as a lifelong pension or, in part, as a lump sum – upon reaching normal retirement age. Pension fund rules may provide for early or deferred retirement. The retirement age defined in a fund's regulations does not therefore have to be the same as the normal AHV retirement age.

However, the earliest possible age for retirement is 58, which will lead to a lower lifelong pension or reduced retirement capital. Many pension funds allow employees to make extra contributions to their retirement fund in order to cover shortfalls resulting from early or staggered retirement. It is possible to defer drawing one's pension until the age of 70 at the latest provided that the pension fund's rules allow it and gainful employment is actually continued. As a matter of principle, any reduction in working hours at the point at which early retirement would be possible under the pension fund's rules leads to partial retirement. Whether and to what extent there is any entitlement to pension fund benefits depends on the rules of the pension fund. In some cases, staggered (partial) retirement can lead to a number of lump-sum payments, which may be particularly tax-efficient.

Pillar 3a: Individual pension plans

Pillar 3a is tied private pension provision under which, in contrast to Pillars 1 and 2, it may be possible to choose the type of investment. In addition to savings, this pillar also permits death and disability risks to be insured. Pillar 3 contributions can be offset against tax up to the legally defined maximum. The capital which accrues in Pillar 3a can be withdrawn, at the earliest, five years before the normal AHV retirement age. Pillar 3a can be used, for instance, to close any gaps in pension provision which may result from early retirement. Individuals who remain gainfully employed after normal AHV retirement age can continue to make contributions to Pillar 3 until they eventually give up gainful employment. The maximum period for which this is possible is five years after the normal retirement age.

Planning for staggered retirement

Sound and reliable planning to optimize staggered retirement is possible only if one is fully aware of one's current pension situation. The following aspects are crucial:

- Pension benefits from today's point of view
- Individual wishes, needs, and lifestyle requirements

Like Pillar 3a contributions, ordinary and extraordinary contributions to pension funds are often tax-deductible. Tax becomes payable when benefits are taken in the form of a pension or lump sum. If a lump sum is taken, this is taxed separately from other income. The special rate of tax levied on lump-sum withdrawals of this kind is generally lower than the standard rate of income tax. Tax planning is important, but it is not the only factor to be considered when planning staggered retirement. Depending on individual needs and circumstances, the following options may also be worth considering:

- Income stability through early or deferred AHV pension
- Staggered purchases to cover purchase gaps in the pension fund
- Prefinancing of early retirement
- Staggered payment of lump sums from pension funds, vested benefits accounts, and Pillar 3a

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Contact us

We will be happy to arrange a personal consultation.
Call us at 0844 200 114*
For more information, visit our website at:
credit-suisse.com/financialplanning

* Telephone calls may be recorded.

CREDIT SUISSE (Switzerland) Ltd.
P.O. Box
CH-8070 Zurich
credit-suisse.com

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