

Voluntary purchases of pension benefits

Making voluntary purchases of pension benefits pays off. In addition to tax savings, there are other aspects that you need to consider, such as the structure and financial situation of the pension fund. Comparing flexible pension provision with tied pension provision reveals further important influencing factors that need to be taken into account along with your own preferences and priorities.

Expand your retirement plan and save taxes

Setting aside money for your retirement plan and making voluntary contributions to the pension fund can be worth it – provided they comply with the relevant regulations and legislation. First, retirement capital increases considerably, meaning retirement benefits are higher as well. Second, the tax savings resulting from deposits can be significant depending on the individual's personal tax situation. But to make a sound decision, the issue needs to be fully thought through.

Influencing factors – from your investment strategy to your retirement date

Paying assets into the pension fund has various effects. Besides the pros and cons that have to be taken into account, personal needs and individual priorities play a crucial role.

Investment strategy

Investment decisions for pension fund assets are the responsibility, in compliance with statutory requirements, of the Investment Committee of the pension fund. The ability of an individual to influence these decisions is very limited. Moreover, as pension funds are not immune to investment losses. Because not all income and profit earned are actually passed on directly to the insured, there is a dependency on the pension fund with regard to investment risk and return.

Withdrawal options

Assets that are already included in the pension cycle – particularly voluntary contributions – can only be used for personal needs before you reach retirement age under certain conditions (e.g. acquiring residential property or when becoming self-employed). One factor to consider is that after purchases are made, no lump-sum withdrawals are permitted within the next three years (tax law restriction). In addition, any (purchase and) withdrawal periods as set out in the pension fund rules must be observed.



New participants

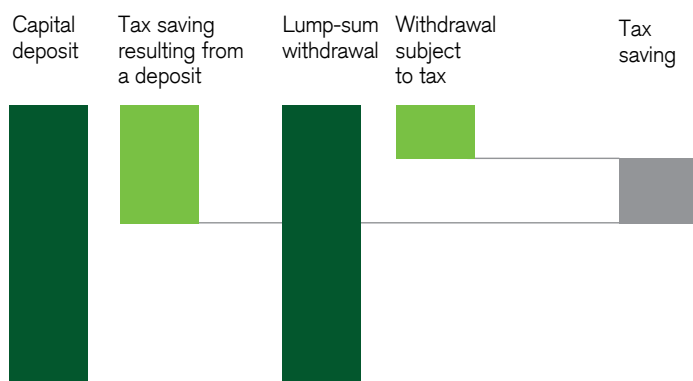
For new participants who have never belonged to a Swiss pension fund, purchases during the first five years may not exceed 20% of the statutory pensionable salary (exception: transfers from a foreign pension fund).

Pension fund

The structure and financial position of the pension fund is crucially important for the decision. In addition to the expected increase in retirement benefits, the changes in death and disability benefits must also be considered. For example, it is important to know to what extent disability and death benefits will increase when purchases are made. In addition, a pension fund can be underfunded. Underfunding occurs when the pension fund's assets do not completely cover its obligations (pension claims of the insured). Regulatory financial rehabilitation measures then often involve a reduction in the interest rate on the retirement capital of the insured, which leads to lower returns. If the pension fund is either partially or fully liquidated (e.g. due to a significant reduction in the number of employees) there is even the danger that a portion of the paid-in capital will be lost.

Tax considerations

Purchase amounts can be deducted from taxable income for the calculation of direct taxes for the federal government, the cantons, and the municipalities. In addition, investment income in tied pension provisions are tax free and not subject to wealth tax. Lump-sum payouts are separated from other income and taxed at a lower rate. In contrast, retirement pensions are fully taxed together with other income.



Date when you retire

As purchases for early retirement may only exceed the regulatory benefit target by 5% if early retirement is renounced, thorough planning is necessary, particularly with regard to purchases for its funding. In addition, voluntary purchases restrict the option of choosing between a pension and a lump-sum payout because of the three-year lock-up period (see withdrawal options). This can have unpleasant consequences, particularly in the event of early retirement.

Comparison – tied pension provision in the pension fund and flexible pension provision

	Tied pension provision	Flexible pension provision
Investment strategy	Decided by the pension foundation	Individual based on personal risk profile
Withdrawal options	Only under certain circumstances	Available at any time
Pension fund	Structure and financial status are very important	Not important, as capital remains in disposable assets
Tax considerations	Deposit is tax deductible, income is tax free, no wealth tax, withdrawals are subject to tax	Usually investment income is subject to tax and capital gains are tax free
On death	Lump-sum death benefit or beneficiary benefits (according to pension fund rules)	Estate assets

Personal preferences and the decision

After analyzing the influencing factors and weighing the pros and cons, you can make a sound decision that considers your own preferences and priorities.

Data source: Credit Suisse unless specified otherwise.

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 100

CH-8070 Zurich

credit-suisse.com

Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. This material does not contain tax advice of any kind. Any tax related general information provided with this material is not a substitute for comprehensive individual tax advice. You should consult with a professional tax advisor as you deem necessary.

The information provided herein constitutes marketing material. It is not investment advice or otherwise based on a consideration of the personal circumstances of the addressee nor is it the result of objective or independent research. The information provided herein is not legally binding and it does not constitute an offer or invitation to enter into any type of financial transaction. The information provided herein was produced by Credit Suisse Group AG and/or its affiliates (hereafter "CS") with the greatest of care and to the best of its knowledge and belief. The information and views expressed herein are those of CS at the time of writing and are subject to change at any time without notice. They are derived from sources believed to be reliable. CS provides no guarantee with regard to the content and completeness of the information and does not accept any liability for losses that might arise from making use of the information. If nothing is indicated to the contrary, all figures are unaudited. The information provided herein is for the exclusive use of the recipient. Neither this information nor any copy thereof may be sent to, taken into or distributed in the United States or to any US person (within the meaning of Regulation S under the US Securities Act of 1933, as amended). It may not be reproduced, either in part or in full, without the written permission of CS. Your Personal Data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website <https://www.credit-suisse.com>. In order to provide you with marketing materials concerning our products and services, Credit Suisse Group AG and its subsidiaries may process your basic Personal Data (i.e. contact details such as name, email address) until you notify us that you no longer wish to receive them. You can opt out from receiving these materials at any time by informing your Relationship Manager. Copyright © 2022 Credit Suisse Group AG and/or its affiliates. All rights reserved.