

Purchase of contribution years

Factsheet

When is the best time to consider a voluntary purchase?

- When you join a pension fund over the age of 25.
- After an increase in salary and following an improvement in the pension plan due to an increase in the savings premiums.
- To make up for a pension shortfall, which may occur following divorce, or to compensate for a lack of contribution years, for instance following a break from work, possibly due to studying, unemployment or a period abroad.

Why should I make a purchase?

- Your old age benefits and, depending on your pension plan, possibly the risk benefits too, increase, so you will get noticeably higher benefits on retirement.
- A purchase can offer tax benefits. Because you finance the purchase from your private funds, your paying-in deposits are tax deductible. Therefore, in general you reach a more favourable progressive rate. This tax advantage enhances your efforts of amassing the purchase amount. Depending on the amount of purchase and the tax charge, it is recommended that you divide up the amount into several paying-in deposits, so as to stabilize the taxable income during the contribution years on a comparable level.
- Your purchase, together with your accrued interest, increase your old age assets and are tax free during the contribution period. Taxation only occurs at the moment of withdrawal, and is at a favourable rate. If a cash lump sum withdrawal is taken, it will be taxed separately from other income on a reduced rate. If the insured person opts to take their benefits in the form of a pension, it will be taxed together with other income.

Please remember that it is your personal responsibility to request the tax reduction. The decision about a tax reduction will then be made by the relevant tax office. The pension fund accepts no responsibility for this matter.

What else do I need to know?

- The purchase into the pension fund is irrevocable and cannot be reversed.
- In the event of a divorce or dissolution of a registered partnership, the vested benefits accumulated during the marriage or registered partnership will be divided equally under the law. Similarly, purchases made during the marriage or registered partnership are also divided equally, with the exception of purchases that can be proved were financed with money constituting one's own estate under the matrimonial property regime of «contribution to jointly acquired property».
- For employees with more than one pension fund agreement, all pension fund agreements have to be taken into consideration for the calculation of the purchase amount. If you are unsure, please contact your regional representative.

What are the legal restrictions for my purchase?

You must be insured and able to work. The following information also applies:

- An insured person who has effected an advance withdrawal of pension accruals for the purpose of home ownership, must repay the entire advance withdrawal before any contribution years can be purchased.
- Please note that for a periode of 3 years following a voluntary purchase the entire vested benefits cannot be withdrawn as capital.
- Foreign employees, who commence work in Switzerland and have never been insured by a Swiss pension fund, cannot purchase more than 20 % of the insured salary per year for the first five years.

How do I proceed?

- In all cases, before paying-in to the fund, you must complete and sign the form entitled «Purchasing Contribution Years» and send it to us. Purchases will only be processed after receipt of this form.
- When completing the form, if you answer «yes» to any of the questions please do not proceed with your payment. In this circumstance, we will send you a new calculation.

If there are any questions or in case of doubt, please contact the relevant tax office to ensure that you are eligible for tax deduction on the entire amount of the purchase.