

Information sheet: purchase 1e

A purchase has positive repercussions. Apart from the tax advantages, your retirement capital is increased. However, do bear in mind that a deposit cannot be reversed once made.

Introduction

The Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) makes provision for active, insured persons to be able to purchase the maximum tax-privileged retirement benefits in accordance with the regulations. The aim of this purchase is to improve your insurance cover, i.e. to close any benefit gaps that you may have. These can arise due to missing contribution years, an increase in salary, divorce or even early retirement.

What do I do if I want to make a purchase?

Before you can make a purchase of the maximum retirement benefits, you must first complete the "Purchase of maximum retirement benefits" form, sign it and send it to Swisscanto 1e Collective Foundation.

Maximum possible purchase

As an active insured person you can make voluntary purchases of the full retirement benefits in accordance with the regulations, insofar as the retirement pension available is lower than the retirement pension that would have accrued if you had joined the pension plan at the earliest possible age. If there is a positive difference between the maximum retirement pension possible and the retirement pension available at the time of calculation, then a purchase is possible. Calculation of the possible purchase amount is given in Appendix 1 to the pension plan.

For tax reasons (see "Note on tax" section), purchases can only be made up to three years before retirement at the latest. This also applies to early retirement.

Vested benefits accounts/vested benefits policies

Second pillar vested benefits that you have not yet contributed to your new employer's pension fund must be deducted from calculation of the maximum possible purchase (shown on your personal insurance certificate) or transferred to the pension fund.

Partial deduction of pillar 3a assets

The partial deduction ensures that the "tax-privileged benefits" are not doubled by a maximum investment in pillar 3a and a subsequent "full purchase" in the second pillar (possible in the case of those persons who were previously self-employed and who paid into pillar 3a instead of the second pillar for a certain amount of time).

Different pension schemes

You yourself are responsible for making sure that you do not exceed the maximum retirement benefits across all your pension relationships (principle of suitability, BVV 2 Art. 1).

Persons moving to Switzerland from abroad after 1 January 2006

In accordance with the regulations those insured persons who moved to Switzerland from abroad after 1 January 2006 and who have not previously been members of a pension fund in Switzerland may not exceed the annual purchase total of 20% of the pensionable annual salary during the first five years following entry in the Swiss pension fund. At the end of this five-year period it is possible to purchase the full retirement benefits in accordance with the regulations.

Advance withdrawal for residential property

If advance withdrawals were made in the past, any purchases can only be made once these advance withdrawals have been repaid in full.

Repayment due to divorce

Repurchases due to divorce are possible to the full amount of the divorce transfer, without limitations.

Rejoining the pension fund following early retirement

If you are already drawing your retirement pension or if you capitalised it, you must obtain a statement from the relevant pension scheme showing the amount of the vested benefits at the time of your early retirement. This amount will be deducted when calculating any possible purchase.

Purchase to eliminate the reduction in retirement capital in the event of early retirement

It is only possible to buy out the reduction in retirement capital caused by early retirement if no further purchase potential is left. Only after all purchase potential has been exhausted can you as the insured person make another purchase to partially or fully buy out the reduction in retirement capital caused by early retirement. The reduction in retirement capital caused by early retirement can be bought out in full when the theoretic retirement pension pursuant to the framework regulations does not exceed the amount pursuant to the model. The calculation basis can be found in Appendix 2 of the pension plan.

Continued employment following buy-out for early retirement

Please note that early retirement has to be taken on the agreed date once the full purchase to eliminate the reduction in retirement capital has been made as the theoretic retirement pension may not exceed the maximum benefit target at the age of 65 by more than 5%. If early retirement is not taken, the following measures will take effect:

Both the employee and the employer will cease paying contributions, except for the supplementary contributions pursuant to Art. 9 para. 6 of the General Framework Regulations. When the employment relationship is definitively terminated, the accrued retirement capital is paid out in accordance with the current rate for the selected investment strategy.

Note on tax

A purchase of the maximum retirement benefits and a buy-out to finance early retirement have to be deducted from the taxable income. However, it is the insured person's responsibility to check with their competent tax office whether the purchase can be deducted for tax purposes. Swisscanto 1e Collective Foundation does not accept any liability whatsoever in this regard.

Please note that a lump-sum withdrawal may also only be made three years after the purchase for the 1e solution, where the retirement benefits can only be withdrawn in the form of a lump sum. Purchases therefore have to be made up to three years before the actual retirement date at the latest. The tax consequences of failure to observe this deadline, e.g. upon early retirement, must be clarified directly with the competent tax office. You should also check the tax consequences with your tax office before you make a purchase from another pension fund where you will draw a retirement pension (e.g. basic pension fund) less than three years before retirement. The retirement benefits insured with Swisscanto 1e Collective Foundation are always paid out in lump-sum form.

Processing

In order to guarantee timely end-of-year processing for calculation of the maximum possible purchase or buy-out for an early retirement, we should receive your completed purchase form by the beginning of December of the relevant insurance year at the latest and the payment should have been made by 15 December of the same insurance year at the latest.

Swisscanto 1e Collective Foundation
P.O. Box
8021 Zurich