Information sheet – Early Retirement

Early retirement before the age of 64/65 is a much-discussed topic. Whether and to what extent early retirement is possible depends on the pension regulations of your pension fund and on the financial options available to you. The earlier you retire, the lower your pension from the pension fund will be, and you may still be required to pay AHV contributions so that they are paid in full from the age of 64/65. Your income will go down, so careful planning is very important.

1 What does the law stipulate?

The law does not provide for any entitlement to early retirement. It simply defines the minimum retirement age as 58. Everything else is decided by the regulations of your pension fund.

2 When I retire, can I choose between a pension (annuity) and a lump sum?

The pension from your pension fund is paid when you reach retirement age (64 for women and 65 for men). You have the option of taking a lump-sum payment instead of a pension (annuity). If you want to take a lump-sum payment, you must inform us at least two months prior to your planned retirement. This also applies to early retirement.

Important note: If you purchase additional pension benefits, this amount cannot be included in the lump-sum payment option for the following three years.

In the following two cases, only a lump sum is paid:

- where the pension is less than 10% of the minimum AHV pension (i.e. less than CHF 1,175 per year in 2015);
- If the regulations only provide for a lump-sum payment (only possible with supplementary or management policies).

3 What cover is provided for my survivors if I die during retirement?

If, after you retire, you receive a retirement pension and then die, your survivors will receive a monthly widow's or widower's pension of 60% and an orphan's pension of 20% of the retirement pension amount most recently paid out to you.

4 What do I need to consider with regard to the AHV?

AHV pensions can be drawn no earlier than two years before the statutory retirement age. Here too, an advance withdrawal has the effect of permanently reducing the amount of the pension payments. However, the obligation to pay AHV contributions remains until you reach the ordinary retirement age.

5 Should I expect a reduction in the retirement benefits I receive from the pension fund?

Early retirement necessarily leads to a reduction in the pension payments. Due to the missing contribution years, you have a smaller amount of retirement capital to finance your retirement pension, and the longer benefit period also results in a reduction in the conversion rate. Your accumulated capital is converted into a retirement pension at a lower rate.

6 Can I make up for the reduction in the pension paid by the pension fund?

This is possible if the following requirements are met:

- You are at least 50 years of age at the time you pay in the additional financing.
- You have fully utilised all options for purchasing contributory years in accordance with the pension regulations.
- You have no outstanding advance withdrawal to finance home ownership.
- You no longer have a shortfall as a result of a divorce.
- The regulations of your pension fund provide for this possibility.

Please note that, for tax reasons, the portion of the retirement benefit financed in this way can only be drawn as a pension.

7 Are there other possibilities for reducing this income gap?

- Gradual withdrawal from working life: If full early retirement is too expensive, a gradual reduction of your working hours may be an alternative. Partial retirement offers not only a financial advantage, but also often makes the transition to your new life easier.

- → Use of personal assets: You may have a life insurance policy which is due to be paid out and you may have personal assets. The investment income on your assets (interest and dividends) is a way of increasing your income. The use of certain assets (savings) can also help you to close any income gap.
- → Extra earned income: Even after early retirement, you can pursue self-employment or secondary employment.
- → Advance withdrawal of pension assets: You have a restricted life insurance policy or a restricted retirement savings account (Pillar 3a). You can withdraw these funds five years before ordinary retirement age, i.e. 59 or 60.

8 Under what circumstances is it not possible for me to take early retirement?

If you are already drawing a full disability pension, early retirement is not possible and would make no sense. If, however, you are only drawing a partial pension, you can claim early retirement for your active component.

9 How do I register to take early retirement?

- → If you are not insured with the Baloise Collective Foundation, you should check your pension regulations to see whether it is possible to take early retirement.
- → You can only notify us of your early retirement a few weeks before retirement. But remember, if you want to take a lump-sum payment upon early retirement, you must inform us at least two months before the desired retirement date.
- → Applications for early retirement should be made through your employer.

10 When should I start planning?

Retirement always has a big impact on your life and leads to financial changes. Therefore, you should plan ahead and analyse your financial needs carefully not only in terms of living costs, but also to cover any insurance gaps. We recommend that you start preparing at the age of 50 at the latest. Each situation is unique and requires significant expert knowledge, especially as tax considerations also have to be taken into account.

Your Baloise pensions adviser will be happy to advise you about the options for early retirement. If you would like to receive advice on this issue, our Customer Service will be happy to put you in touch with the relevant customer adviser.

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