Your retirement
Meeting goals with foresight

2021 edition

Today more and more people are confronting their retirement situation sooner. The subject also receives considerable attention in the media. Changes in the legislation, corporate restructurings, cost-saving measures and related involuntary job cuts are adding to the discussion.

The idea of retiring early can by all means also be an agreeable scenario. Who wouldn't like to devote more time to his/her hobbies or grandchildren? Who doesn't dream of a trip around the world or simply enjoying doing nothing once in a while?

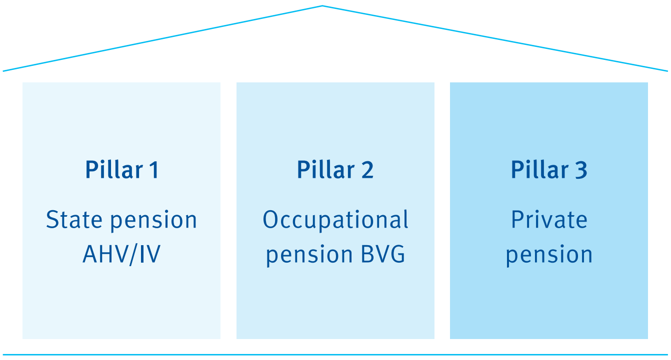
It is a pleasant thought to sit back at sixty years of age and just enjoy life. To turn these dreams into reality, you need to consider the financial consequences early on and create the right conditions.

Not only an early retirement, but also ordinary retirement usually means a drop in income. Thus it is necessary to start planning your expected benefits under the Swiss three-pillar pension concept early.

As a specialist financial services provider, the Baloise is the ideal partner to assist you in planning your pension. Together with Baloise Bank SoBa, we offer a broad range of insurance, pension and asset management services. This means that we can offer you comprehensive and competent advice and can tailor our products precisely to your needs.

The Three-Pillar Concept for Swiss pensions

Switzerland's social insurance system rests on three pillars



- The first pillar is the state-run pension system (AHV/IV), under which all people living or working in Switzerland are insured. The AHV/IV serves to secure people's livelihoods.
- The second pillar is based on the occupational pension provision laws (BVG) and is compulsory for all employees earning more than a specific minimum salary.
- The third pillar is the privately financed voluntary retirement provision and complements the first and second pillars. An optimal protection in this pillar builds on the benefits from the AHV/IV and BVG and takes individual needs into consideration. The State encourages third-pillar contributions with tax incentives.

In the following, you can read what you need to know about the first and second pillars with regard to retirement.

Pillar 1: The state pension

Retirement pension

Every insured person receives an AHV pension after ordinary retirement age. The amount of the pension depends on the average income earned between 21 years of age and ordinary retirement age. The spouses' pensions will be paid separately to the partners.

	Maximum pension (year/month)	**Maximum pension (year/month)**
Single persons	CHF 28,680/2,390	CHF 14,340/1,195
Ehepaar	CHF 43,020/3,585	

(level of pensions per 2021)

The maximum pension of CHF 28,680 is reached after an average earned income of CHF 85,320. Inflation adjustments after entering the compulsory insurance are included in the calculation of the average income.

In addition, since the 10th AHV revision, persons who have raised a family will receive credit for every child until the 16th birthday of the youngest child added to their income. In this way, raising a family increases your pension.

Retirement age

The ordinary retirement age is 65 for men and 64 for women.

Advance payment of AHV pensions

The pension can be drawn in advance for a maximum of 2 years. This results in a lifelong reduction in the pension of 6,8% per year paid in advance.

Obligation to pay contributions

Contributions to AHV/IV must be paid up until ordinary retirement age even if the pension is drawn upon earlier. These contributions need to be included in your calculations when planning an early retirement. The only exclusion from the obligation to pay contributions is for unemployed married persons, provided their partners' annual salary is roughly over CHF 9,500. Fewer contribution years will result in a pension reduction.

Note: if an unemployed spouse has not yet reached retirement age when her husband reaches ordinary retirement age, she will need to pay contributions as an unemployed person until she also reaches ordinary retirement age. The amount of the contributions depends on the couple's assets and their annual pension income times 20.

Contribution table for non-employed persons

Assets			Annual contribution
Below	CHF 300,000		CHF 503
From	CHF 300,000		CHF 530
Each additional	CHF 50,000	plus	CHF 106
Up to	CHF 1,750,000		CHF 3,604
From	CHF 1,800,000		CHF 3,763
Each additional	CHF 50,000	plus	CHF 159
From	CHF 8,500,000		CHF 25,069

More information can be found in leaflet 1.2021
"Changes as per January 1, 2021" at www.ahv-iv.ch/p/1.2021.d.

Deferring the AHV pension

It is possible to defer receipt of your AHV pension. The deferral period must be at least one year and no more than five years. This will increase the amount of the pension.

Increase for deferred retirement pensions

Deferral period	1 year	2 years	3 years	4 years	5 years
Increase in pension	5,2%	10,8%	17,1%	24,0%	31,5%

More information about this is available in leaflet 3.04, «Flexible retirement age», at www.ahv-iv.ch/p/3.04.e

Further information regarding AHV

The AHV/IV provides various fact sheets free of charge. Fact sheets 3.01 and 3.04 are particularly worth reading on the subject of retirement pensions. You can order the fact sheets at your AHV compensation office or download them under www.ahv.ch.

Upon request, your AHV compensation office will calculate your future retirement pension free of charge.

Pillar 2: Occupational pensions

Retirement pensions

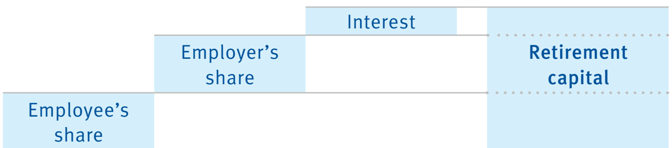
All persons employed in Switzerland with an annual income over CHF 21,510 are insured under the second pillar. The occupational welfare law (BVG) defines the minimum benefits that must be insured in the second pillar. However, many employers have occupational benefit schemes with a higher level of benefits for their employees.

Retirement age

The ordinary retirement age for men is 65. Similar to the AHV, the retirement age for women is 64.

BVG savings process

The BVG operates under the capital funding principle. This means you fund your individual retirement capital from your own contributions and those of your employer, and receive your pension upon retirement in the form of an annuity or a lump-sum payment.



Retirement capital × conversion rate = retirement pension

If you decide on an annuity, your retirement pension is calculated by multiplying your available capital by the applicable conversion rate. The statutory conversion rate is 6,8% at ordinary retirement age. As a rule, the conversion rate for the non-compulsory part of your retirement (age) assets is lower.

Early retirement

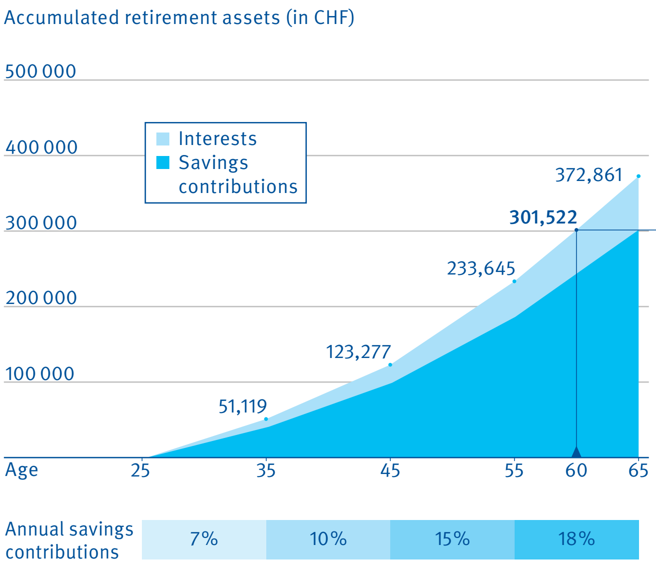
You can only withdraw pension fund benefits after turning 58 years of age at the earliest (according to statutory regulations).

Early retirement shortens the savings process and thus reduces the amount of capital available. The savings contributions are highest in the last few years before ordinary retirement due to the increasing age credit scale. If you decide to retire early, you will have less savings contributions and your capital will earn less interest. Moreover, the existing capital will have to stretch further than for ordinary retirement. Hence your retirement pension will be less because of the lower amount of retirement capital and the lower conversion rate (see example).

The amount of pension fund benefits and the reduction at early retirement vary considerably due to different fund regulation provisions. Many employers offer their employees higher insured benefits than the legally required minimum benefits. Besides only slightly reducing their employees' pension benefits if they retire early, some employers will even cover the shortfall in Pillar 1 benefits for the period until ordinary retirement age (with so-called AHV bridging pensions).

Some pension funds also enable financing of pension reductions in case of early retirement. By means of one or more single premiums from the employer or employee, pension benefits can be raised to the same level that would be payable at ordinary retirement age.

Effect of fewer contribution years on the pension fund



Basis:
Pension fund capital for one man, with an annual salary of 85,330
Contributions under BVG, at 1% (2021) interest

Early retirement at 60 years of age

	Accumulated retirement assets in CHF	Conversion rate	Annual/monthly retirement pension in CHF
Age 65	372,861	6,80%	25,355/2,112.90
Age 60	301,522	5,93%	17,880/1,490
Reduction	**71,339**		**7,474/623**

Deferred retirement
In some pension funds, it is possible to remain insured beyond ordinary retirement age if employees keep working. The maximum age to which retirement can be deferred is 70. Generally, disability benefits are no loner insured after retirement age. Incapacity to work would then lead to retirement.

Continued insurance raises the amount of the retirement pension. First, the savings period is longer and, second, the conversion rate is higher.

Partial pension
A partial pension is ideal for people who plan to retire in stages. It can be combined with both early and deferred retirement. Ask your pension fund whether a partial pension is possible and to what extent under the fund regulations.

Life-long pension or lump-sum benefit?
Many fund regulations permit a full or partial lump-sum withdrawal of available retirement assets upon retirement as opposed to a life-long pension. This possibility should be weighed thoroughly at an early juncture since – depending on the pension regulations – it is necessary to apply up to three years prior to retirement.

There is no universal answer to the question of whether to take your retirement benefits in the form of an annuity or a lump sum. The decision depends on your personal life situation and pension needs, as well as your pension fund regulations.

Advantages of a life-long pension
- → A high level of security. Retirement pensions are paid for life; your partner stays co-insured.
- → The pension annuity is usually higher than a private annuity received from a contract entered into using the lump-sum capital payment.
- → There is no need to worry about managing your assets.
- → There is no investment risk.

Advantages of lump-sum capital benefits
- → Greater flexibility. You can use part of the capital to, for example, renovate your house, take a world trip or realize another dream.
- → Unmarried partners can also benefit from a lump-sum payment.
- → The capital can be used for individual investments.
- → Lump-sum capital benefits can have more tax advantages than pension annuities.

A life-long pension is interesting for healthy married persons, especially if the amount of capital to be paid out is not very high. Single persons or unmarried partners may tend to decide for a lump-sum payment, especially if they have a good understanding of financial matters.

Where can I find more information?
Pension certificate
Here you will find all details of your occupational pension benefits in case of death, disability and retirement.

Pension fund regulations
Your pension fund regulations contain specific information about:
- → The amount of your pension if you retire early,
- → The insurance of unmarried partners,
- → The conditions for purchasing additional benefits in your pension plan.

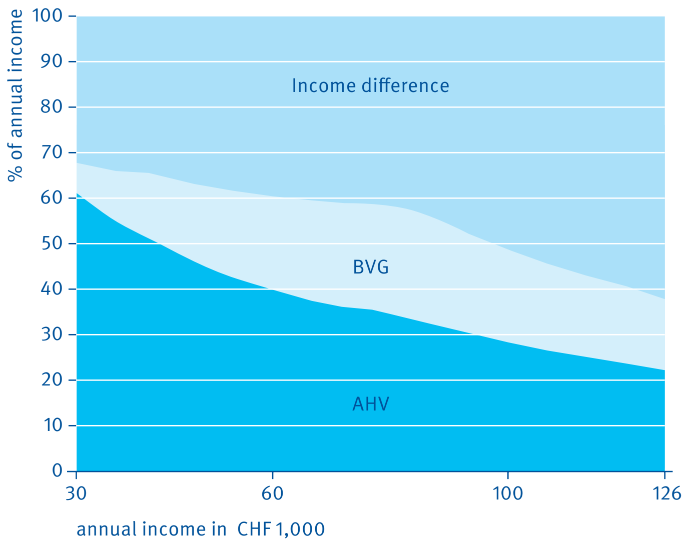
For all other matters, as well as personal analyses or calculations, please contact the information office at your pension fund.

Pillar 3: Private pension schemes
With Pillar 1 and Pillar 2 benefits, you will not receive the total amount of your earned income at retirement. Usually, the higher your salary is, the greater the gap in income will be.

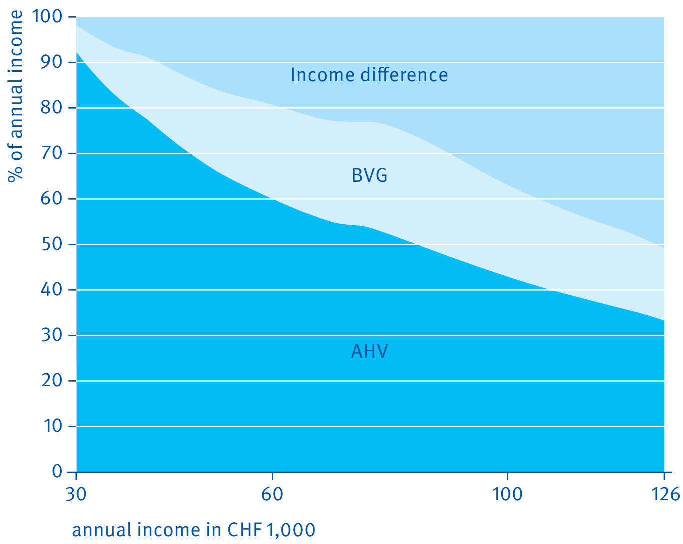
The following charts show, for example, how a married insured person with a former income of CHF 100,000 who receives a pension of around 60% of his/her earned income from the sum of his/her AHV and BVG benefits.

These charts are based on the AHV and BVG occupational pension benefits, assuming the full amount of contribution years. The AHV treats all insured persons equally; the benefits shown are the standard pensions. In the pension fund, however, many people are better insured and can expect higher benefits. Nevertheless, the replacement income from the AHV and BVG pensions is hardly likely to match the former earned income. A good Pillar 3 pension is thus indispensable! The broad range of products at the Baloise and Baloise Bank SoBa makes it easy to find an optimal solution to match your individual circumstances.

Maximum retirement pension for single persons



Maximum retirement pension for married couples



Financial planning Your retirement

Safely achieving goals with comprehensive banking and insurance advice
In Switzerland, together with Baloise Bank SoBa, the Baloise is the financial services provider focused on the areas of insurance, pension and asset management. A comprehensive banking and insurance consultation will provide you with expert answers to your questions on these matters. You benefit from combined banking and insurance know-how.

We offer you counseling right down the line. Our customer advisors are not only able to perform a needs analysis and assist you in your choice of an appropriate investment strategy and optimal tax situation, but they can also call on other expert consultants specialized in matrimonial property and inheritance law, as well as business succession issues.

Important documents
We recommend having the following documents ready for your first consultation (of course, our customer advisors are at your disposal to answer any questions in this matter).
→ The amount of your assumed state pension (local AHV office or www.ahv.ch)
→ Current pension certificate and pension regulations
→ Your last tax declaration
→ Any mortgage contracts
→ Your budget plan (see example on page 14)
→ A statement of your assets (see example on page 15)

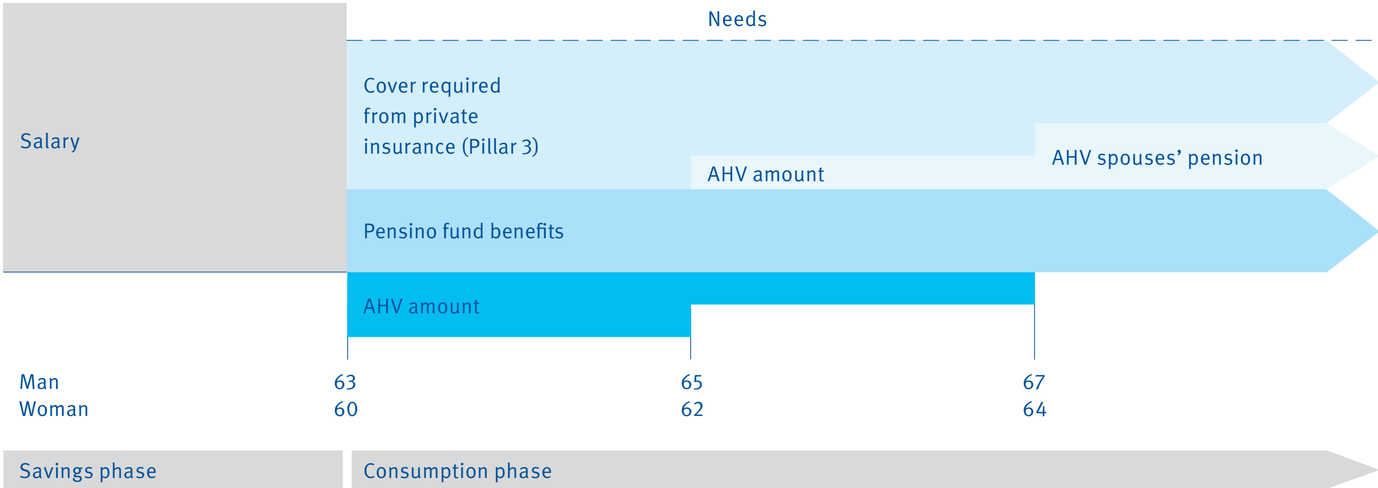
Initial situation
→ Your goals and wishes
→ Your financial starting position

Pension planning
→ Maintain personal standard of living
→ Decision to draw pension fund
→ Portability Mortgage in old age
→ Key figures of a long-term asset organization

Implementation of planning
→ Presenting Baloise as a trustworthy financial partner
→ Comprehensive solutions from both sides, insurance and banking

Solutions for active retirement provision

The following chart illustrates the financial situation of a married couple where the husband retires at age 63 and his wife is three years younger and unemployed.



Depending on whether you are in the savings phase or already in the consumption phase, there are various solutions for your private retirement provision.

During the savings phase

You are in the middle of your working life and planning for early retirement. Or you would like to make provision to ensure that can enjoy your retired life free of financial concerns. Your goal is to save enough capital by the time you retire to supplement your pension from the first and second pillars. Your customer advisor will be pleased to advise you how much capital you need and how best to save it. Depending on your personal situation, there are a number of different products on offer:

Insurance products

With capital-accumulating life insurance policies you can save toward a desired goal according to plan. You can opt for conventional products with a guaranteed payout amount or fund-linked insurances with greater potential returns, but also higher risk.

Insurance products usually include a waiver of premiums in the event of inability to work. For you, this means that your savings target is guaranteed. You can also build in a death benefit, whereby the future financial situation of your survivors is protected against premature death. Life insurance is particularly suitable for long-term savings and can be financed with annual or single premiums.

Bank products

On the banking side, there is the whole range of savings accounts, bonds and fund investments at your disposal. Based on your current situation, investment goals and investment horizon, we will draw up your specific personal profile and develop an optimal investment strategy for you accordingly. On this basis, you can decide on the portfolio of investments and products that best suits you. Naturally, you can continue to adapt this portfolio to your needs. Bank investments are generally more flexible than insurance investments and are also suitable for short-term savings.

Save on taxes with Pillar 3a

You can also invest in banking and insurance products under the pillar 3a system. Contributions and premiums up to a maximum of CHF 6,883 (2021) can then be deducted each year from taxable in-come. Tax will be levied on the payout at a reduced rate.

During the consumption phase

You have already stopped working or would like to do this in a few years. The question is how to best invest the capital available to you so that you can relax and enjoy life. Here too, you have the choice between insurance and bank products.

Insurance products

On the insurance side, a life annuity would be the first option for the consumption phase. This guarantees a lifelong annuity payable annually, semi-annually, quarterly or monthly according to your wishes.

With a life annuity, two people (e. g. married couples or cohabitating partners) can also jointly ensure a life-long income. You decide whether the annuity is to be paid out immediately after the policy is taken out or at a later date (e. g. if you no longer wish to actively manage your financial investments). It is also possible to opt for a fund-linked life annuity. In this way, you not only benefit from a higher guaranteed annuity, but also from all the opportunities the capital market has to offer.

Capitalisation products

A capitalisation product in the form of a payment plan is an ideal way of meeting the need for a regular income that is guaranteed by the insurer for a clearly defined period of time. A payment plan is a financial product, which, unlike life insurance, does not cover biometric risks. The periodic payments are guaranteed.

The payment plan is financed by a one-off investment and can start immediately or be deferred. You determine the duration of the payout phase and, in the case of a deferred plan, also the duration of the capital build-up phase. The payment plan combines the security of a guaranteed regular income with the opportunity to benefit from any positive capital market trends. In the event of your death, the payment plan will be transferred to your heirs unless you provide otherwise in your last will and testament.

Bank products

When choosing suitable banking products, it is important to know how much money you will need at your disposal in the near future, how much you expect to spend in later years, and how much should be put aside solely for emergency. Call and term deposits are suitable for short-term needs. With bonds you can ensure a regular income without using up capital. Finally, you can plan for medium- and long-term needs by way of funds and equity investments.

It might also make sense to use available capital to partially or completely pay off an existing mortgage so as to reduce living costs, or pay out part of the capital to your heirs as a gift. We will be happy to advise you.

Consider all the tax benefits

When deciding which products are best suited to your needs, you should also consider the tax implications. For example, some of the ways you can optimize taxes include:

Pillar 3a: Contributions to tied pension plans under both banking and insurance solutions can be deducted from taxable income. Payouts are taxed at a lower rate.

Life insurance: Investments in capital-accumulating life insurance policies are generally exempt from income tax if the respective conditions are fulfilled. Only 40% of life annuity payments are taxed as income.

What else should we consider?

Supplementary payments into the pension fund

Many insured persons have years in which they did not make any contributions into their pension fund. This can happen when studies or trips abroad result in employment only commencing after the compulsory entry age of 25 or if, for example, full contributions are not paid continuously due to parental leave. Also, in many cases, changing jobs is often connected to a loss of pension capital. Depending on the way pension funds are financed, missing contribution years may also not be fully compensated by salary increases. These are all reasons why your pension could end up being less than your current earned income might suggest.

Since supplementary payments into your pension fund can under certain conditions be deducted from taxable income, it is usually worthwhile to make supplementary payments to make up for missing contribution years. However it is advisable to consider what additional benefits these supplementary payments would result in. It may be more interesting to fill these gaps with a third-pillar pension.

Some pension funds also offer the possibility to pay in supplementary contributions in preparation for early retirement or to purchase contribution years to increase the level of retirement benefits. Here too, it pays off to weigh the resulting benefits against the additional contributions. Regardless of the tax advantages, a private solution could be more favorable.

Staggering the payout of capital from Pillar 2 and 3a schemes

Lump-sum capital payments from the pension fund and the third-pillar scheme are added together and taxed as income at a reduced rate in the year of payment. Note, however, that taxation practices differ considerably between cantons. Some cantons tax the total benefits of spouses paid out in the same year, or even tax total benefits paid over a period of five years.

Benefits resulting from purchases may not be withdrawn in the form of a lump-sum capital payment for a period of three years after the purchase. The tax authorities assess the deductibility of purchases made within the three-year period leading up to retirement.

Depending on your canton of residence, it pays to stagger payouts in order to reduce progressive taxation where possible, and thus lower taxation as a whole. An advance payment from pillar 3a benefits for home ownership funding can also make sense.

Your customer advisor is specialized in offering assistance in taxation matters and developing optimal solutions for you. Don’t hesitate to make use of this service. It’s worth it!

Checklists

The following checklists will help you in planning your retirement. Your customer adviser can use this information to ascertain your needs and propose a fitting solution.

Budget planning

Married couple with a monthly net income of CHF 6,500		Reference value in CHF	Current situation	After retirement: Married couple	After retirement: Husband widower	After retirement: Wife widow
Firm commitments	Rent, ancillary costs, heating	1,600				
	Electricity, gas	80				
	Taxes	650				
	Health insurance	600				
	Insurances (home contents, etc.)	40				
	Travel expenses (bus, train, etc.)	100				
	Telephone, radio, television	120				
	Contributions, newspaper subscriptions, etc.	30				
		3,220				
Household	Food	930				
	Miscellaneous*	150				
		1,080				
Spending money	Wife	150				
	Husband	150				
		300				
Reserves	Dentist, medical deductible	100				
	Clothing and shoes	300				
	Car (running and maintenance)	500				
	Car (amortization)	500				
	Vacation	150				
	Leisure, gifts	150				
	Repairs, purchases	100				
	Contingencies	100				
		1,900				
Total/total requirements		**6,500**				
		AHV income				
		BVG income				
		Other income				
		Total income				
		Income shortfall				

* Detergents, cleaning agents, pharmaceuticals, etc.
We recommend that the surviving spouse takes at least 70% of the joint costs into consideration.

List of assets (matrimonial property)

Assets	Joint property	Premarital/special assets, husband	Premarital/special assets, wife
Post account			
Bank account			
Bonds: Maturity			
Bonds: Maturity			
Withdrawn pension capital			
Life insurance: Maturity			
Life insurance: Maturity			
Shares			
Fund investments			
Home			
Vacation apartment			
Business			
Participations			
Property (apartment house, etc.)			
Other assets			
Precious metals			
Portable benefits			
Total			

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