

## Information sheet Promotion of home ownership

Under Art. 30b of the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), and in accordance with Art. 49 para 3 of our Pension Fund Regulations respectively, until three years before their ordinary retirement age insured persons may pledge their entitlement to pension benefits or an amount up to the value of their termination benefits in accordance with Art. 331d of the Swiss Code of Obligations (CO).

Under Art. 30c para. 1 BVG in conjunction with Art. 331e CO, and in accordance with Art. 49 para 1 of our Pension Fund Regulations respectively, until three years before their ordinary retirement age insured persons may, depending on their age, apply to use at least part of their termination benefits for home ownership purposes.

Insured persons who are 100% disabled will not be able to pledge their pension assets or make advance withdrawals. Partially disabled insured persons will be able to pledge their pension assets or make advance withdrawals on the basis of the component of their pension cover corresponding to their remaining earning capacity.

In the following, we explain the various aspects of pledging and advance withdrawals and provide information on how to proceed should you have a specific interest in either option.

### 1. Purpose

Pension assets may be used to:

- a) purchase or build a residential property for your own use in Switzerland or abroad (apartment or single-family house).
- b) buy shares in a residential property (e.g. unit certificates in housing cooperatives or similar participations provided you yourself will be living in the home you are co-financing).
- c) repay mortgages.
- d) renovations.

The pension assets can only be used to finance one property at a time and cannot, for example, be used to:

- finance building loans (an advance withdrawal can only be applied for once the building loan has been consolidated)
- finance routine maintenance of the residential property
- pay mortgage interest
- finance second homes or holiday homes.

### 2. What pension benefits can be withdrawn in advance or pledged?

#### a) Advance withdrawals

- Up to the age of 50: all or part of the termination benefits.
- From age 50 until three years before ordinary retirement age: up to half of the termination benefits at the time of the advance withdrawal, or the termination benefits the insured person would have been entitled to at age 50.

Advance withdrawals can be made every five years and must amount to at least CHF 20 000. The minimum amount does not apply to purchases of unit certificates conferring entitlement to a share in a dwelling for your own use or to the liquidation of vested benefits accounts or vested benefits policies.

#### b) Pledging

- Up to the age of 50: the amount of the entitlement to pension benefits or at the most the amount of the termination benefits.
- From age 50 until three years before ordinary retirement age: the amount of the entitlement to pension benefits or at the most half of the termination benefits at the time of the pledging, or the termination benefits the insured person would have been entitled to at age 50.

### 3. What are the implications...

#### a) of an advance withdrawal?

- Advance withdrawals are taxable as lump-sum benefits (the pension fund will notify the Federal Tax Administration or, in the case of insured persons resident abroad, will deduct withholding tax).
- The insured benefits may be reduced by the amount of the advance withdrawal.
- Insured persons are responsible for bridging any gap in benefit coverage and bear the cost of any risk insurance (covering the risk of death or inability to work).
- The pension fund has a sale restriction entered in the land register (costs to be borne by the insured person).
- If the insured person changes job, the previous pension fund must inform the new pension fund of any advance withdrawals without having to be asked to do so.

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## b) of pledging?

- Pledging will not result in any reductions in benefits unless the pledge is realized.
- Realizing a pledge (in the event of the pledgor becoming insolvent) has the same implications as making an advance withdrawal (tax liability, possible reduction in benefits).
- If the insured person changes job, the previous pension fund must, without having to be asked to do so, inform the new pension fund of any pledging of termination benefits or pension benefits, specifying the amount pledged.

## 4. Repayment

### a) Option to repay

Until they reach ordinary retirement age, the insured person will have the option of repaying all or part of any advance withdrawal until the occurrence of another insured event or until the termination benefits have been paid out in cash. The decisive criterion is the pension plan at the time of repayment. The minimum amount of any repayment is CHF 10 000.

### b) Obligation to repay

If the insured person sells or rents his/her residential property or his/her share in a residential property he/she will be obliged to repay the advance withdrawal to the pension fund. If an insured person dies without surviving dependants being entitled to benefits, the heirs will be required to return the advance withdrawal to the pension fund.

Once an advance withdrawal has been repaid, the insured person or his/her heirs will have three years within which to claim back the taxes paid at the time of the advance withdrawal (without interest).

## 5. Responsibility lies with the insured person

The law makes the insured persons responsible for their own occupational pension provision. While pledging does not have any direct impact on the insurance cover provided unless the pledge is realized, insured persons who make advance withdrawals consciously accept any reductions in benefits and the immediate liability to pay taxes that will arise and are responsible for closing any gaps in insurance cover. Subject to the legal limits, they will decide on the amount of the advance withdrawal and on any voluntary repayments on the basis of their personal circumstances. The written consent of the spouse or registered partner will be required.

## 6. Notice

In the absence of any agreement to the contrary, the provisions of Art. 30a–30f BVG, Art. 331d and 331e CO, the Ordinance on the Promotion of Home Ownership using Occupational Pension Benefits (PHOO), as well as Art. 49 of our Pension Fund Regulations apply.