



# Promotion of Home Ownership by means of Assets from the Occupational Benefit Scheme.

Buying your own home in Switzerland is a costly business in comparison with other countries. As a rule, the lender requires at least 20% of the purchase price to be met out of own funds. For many people this is a tough hurdle, as the largest part of their assets is often ring-fenced in their occupational benefit scheme. Therefore the dream of owning your own home can often only be realised by including funds from your occupational benefit scheme in the financing of the property.

This information sheet details the most important points in connection with the promotion of home ownership by means of assets from the occupational benefit scheme. Before purchasing a property it is worthwhile having a detailed financial plan drawn up in which the funds from the occupational benefit scheme can also be included. Our pensions and financial advisors will be happy to help you. So simple. Just ask us.

## **What are the different forms of home ownership promotion?**

The occupational benefit scheme recognises two types of home ownership promotion: premature withdrawal and the pledging of funds. In the event of premature withdrawal the accrued savings assets (the so-called termination benefit) are withdrawn totally or partially in cash. In the event of the pledging of funds, the benefit entitlements are assigned to the pledge holder as security.

## **What can you use your pension assets for?**

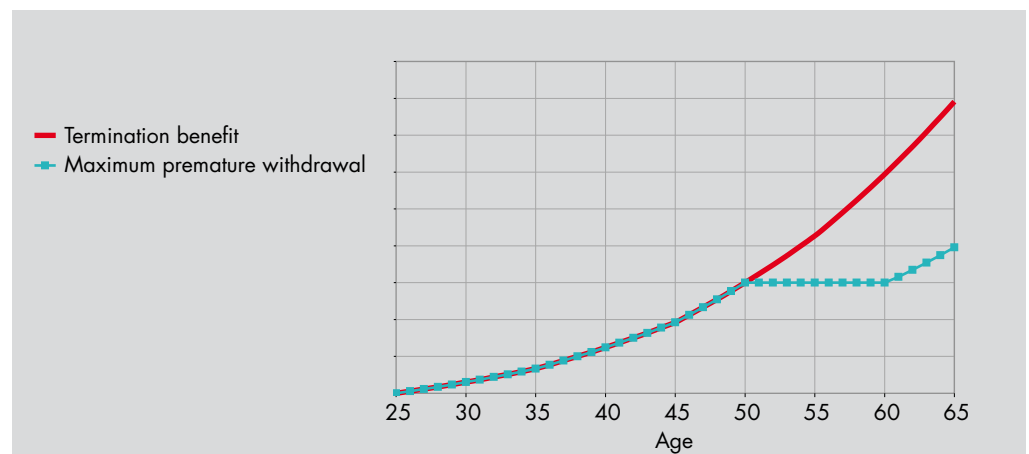
Premature withdrawal and the pledging of funds are permissible for the purchase or construction of residential property in sole or co-ownership and in joint ownership with your spouse or registered partner. The repayment of mortgages, the purchase of shares in a co-operative housing association and value-adding investments in your existing property are also possible.

The funds may only be used for residential property for your personal use. Personal use means that the residential property shall be used by the insured person as his/her place of domicile or usual place of residence. It is immaterial whether the place of domicile is in Switzerland or abroad. However, the funds may not be used to finance holiday or second homes.

# Premature withdrawal

## How much can you withdraw?

Age	Maximum premature withdrawal
up to 50	The amount of your current termination benefit
from 50	Your termination benefit at the age of 50 or half of your current termination benefit at the time of the premature withdrawal (the higher of both values shall apply)



## What else must you take into account with a premature withdrawal?

- A premature withdrawal must amount to at least CHF 20 000.00 (not applicable for vested benefit policies and for the purchase of participations).
- You may apply for a premature withdrawal every five years, but for the last time three years before retirement. If you have voluntarily bought into your benefit scheme, you may make premature withdrawals of the corresponding amount for residential property after three years at the earliest.
- If you are married or living in a registered partnership, your partner must agree to the premature withdrawal in writing.
- The payment executed according to your mandate is made directly to the seller or lender. In accordance with the law a payment to you personally is not permissible.
- A note must be made in the land register that your property is financed with funds from your occupational benefit scheme. This represents a sales restriction which guarantees that the capital is used as designated even in the event of the subsequent sale of the property.

### **When can/must you repay the premature withdrawal?**

- You can make a voluntary repayment of the premature withdrawal up to three years before your retirement, up until the occurrence of a different insured event (disability or death) or until the cash payment of the termination benefit. The minimum amount which may be repaid is CHF 20 000.00.
- In the event of the sale of the residential property you must repay the premature withdrawal to the occupational benefit institution if you do not invest the capital again in owner-occupied residential property within two years.
- You must also repay the premature withdrawal in full if you wish to buy into your benefit scheme voluntarily.

### **What are the tax consequences of a premature withdrawal?**

As a lump-sum payment from your occupational benefit scheme, the prematurely withdrawn amount is immediately liable for tax. The tax is usually calculated independent of your other income; the tax level depends on the applicable cantonal tax legislation. The prematurely withdrawn amount must not be used to pay the tax.

If you repay the premature withdrawal this repayment cannot be deducted from tax. However, you can request from the relevant tax authority that the tax paid on the premature withdrawal is reimbursed on a pro rata basis according to the amount of the repayment.

### **What are the consequences of a premature withdrawal on the benefit coverage?**

Your retirement benefits are reduced by a premature withdrawal; they can only be increased once again by the repayment of the premature withdrawal.

Depending on your benefit plan, a premature withdrawal can also lead to reductions in your risk coverage for disability and death. To compensate for gaps in your benefit plan, you have the option of taking out privately financed supplementary insurance.

### **Overview of premature withdrawal**

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>■ Increase in equity capital</li><li>■ Reduced mortgage amount</li><li>■ Lower debit interest</li></ul>	<ul style="list-style-type: none"><li>■ Reduced benefits</li><li>■ Immediate tax on capital</li><li>■ Lower tax deductibility of debit interest</li><li>■ Buying-in not possible before repayment of premature withdrawal</li></ul>

# Pledging of funds

## Which benefits can you pledge?

You can assign the following entitlements from your occupational benefit scheme to the pledge holder as additional security:

- Retirement benefits, benefits in the event of disability or death
- An amount equal to your current termination benefit. The same limitations as with a premature withdrawal apply for persons over the age of 50. There is no minimum amount for the pledging of funds.

## What must you also take into account when pledging funds?

- Funds can be pledged for the last time three years before retirement.
- For a pledge of funds to be valid, you must notify your employee benefit institution in writing. If you are married or living in a registered partnership, your partner must agree to the pledging of funds in writing.
- For as long as you comply with the mortgage obligations, no tax is due on the pledged funds nor is your benefit coverage reduced. However, if the pledge has to be sold the repercussions are the same as for premature withdrawal.
- Some of the options for your assets from the benefit scheme as determined by the regulations are limited by the pledge. Insofar as the amount pledged is affected, the agreement of the pledge holder is required in the following cases:
  - Cash payment of termination benefits
  - Payment of benefits
  - Transfer of part of the termination benefit in the event of divorce and/or the dissolution of a registered partnership.

## Overview of pledging of funds

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>■ Maintains insurance coverage</li> <li>■ Tax advantages through deferral of repayments</li> <li>■ Lower own capital requirement (higher loan amount possible)</li> </ul>	<ul style="list-style-type: none"> <li>■ Higher debit interest</li> <li>■ For certain transactions the agreement of the pledge holder is necessary</li> </ul>