sve | BESSER VORSORGEN

Information sheet

Promotion of home ownership with pension assets

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Promotion of home ownership

Occupational pension assets can be used to finance the purchase of residential property for own use, either by withdrawing or pledging. With an advance withdrawal, all or part of the retirement capital is withdrawn, but with a pledge the claim to retirement benefits is assigned as collateral to the bank granting the mortgage. An advance withdrawal and a pledge can also both be used at the same time.

Who can make an advance withdrawal or pledge their retirement assets?

Basically all insured persons except insured who will retire in three or less years or insured who already draw a pension.

The advance withdrawal or pledge is only granted if the insured will be the owner of the property. If the insured will only be a co-owner, the advance withdrawal may not exceed the value of his/her share in the property. An advance withdrawal or pledge may only be used to finance joint ownership of a property if the co-owner is the spouse.

Promotion of home ownership in connection with voluntary purchases

Please note that according to law, amounts used to purchase additional benefits plus the interest on these purchase amounts cannot be withdrawn in the form of a lump sum for the next three years (e.g. advance withdrawal under the promotion of home ownership scheme). In virtue of a judgment of the Federal Supreme Court, even not any withdrawal in the form of a lump-sum can be made for the next three years following a purchase. Otherwise tax savings must be repaid. Responsibility of possible tax debts is beard by the insured person. SVE does not give any guarantee for the tax deductibility of the benefits purchased.

Voluntary purchases are only possible after the entire advance withdrawals for home ownership are repaid to the pension fund.

Purpose of use

The retirement assets may be used for the following purposes:

- To purchase or construct residential property that will be used on a permanent basis by the insured. This includes single-family dwellings and freehold apartments, but not commercial premises or a second home such as a holiday home or apartment.
- To make value-preserving and value-adding investments (appropriate renovations and conversions on an existing residential property).
- To purchase co-ownership rights to residential property (purchase of shares in a co-operative housing association)
- To repay mortgages, but not to pay mortgage interest or finance the maintenance of the property (repairs)
- An advance withdrawal to finance the purchase of building land is possible, provided that the owner already has final plans (incl. building licence) to build a residential property for own use

Valid forms of ownership in accordance with the land register include:

- Sole ownership
- Co-ownership with a share in the property (e.g. a half share)
- Joint ownership by the insured and his/her spouse
- Free-standing, perpetual building rights
- Shares (in a co-operative housing association or a tenants' share corporation)

Advance withdrawal

Minimum/maximum amount

The minimum amount that can be withdrawn in advance is **CHF 20,000.–.** However, this minimum amount does not apply to the purchase of shares in a co-operative housing society or similar entity.

Up to the the maximum amount that can be withdrawn or pledged equals the **amount of your accrued retirement assets.** If you are older than 50, the maximum amount equals either the **accrued retirement assets at the age of 50 or half of the current retirement assets, whichever amount is higher.**

Examples

	CHF
Retirement assets of a **50-year-old** insured:	200,000
The amount of CHF 200,000.– can be withdrawn in advance.	
At age 54 the retirement assets increase to:	290,000
Maximum advance withdrawal is still	200,000
At age 57 the retirement assets increase to:	410,000
(e.g. due to extraordinary interest credits)	
Maximum advance withdrawal would be	
½ of CHF 410,000.–	205,000

An advance withdrawal may only be requested once every five years.
The deadline runs from the date on which the advance withdrawal is paid out.

Collateral / registration of a sales restriction with the land register

On instructions of the insured, the funds are paid to the creditors (seller, lender, builder) as soon as all documents required for the advance withdrawal have been submitted (in general: proof of ownership, sales restriction/property abroad: repayment agreement). The law does not allow us to pay the funds directly to the insured.

To whom and when is the advance withdrawal paid out?

On instructions of the insured, the funds are paid to the creditors (seller, lender, builder) as soon as all documents required for the advance withdrawal have been submitted (in general: proof of ownership, sales restriction/property abroad: repayment agreement). The law does not allow us to pay the funds directly to the insured.

Benefit reduction / supplementary insurance

An advance withdrawal leads to a reduction in insurance benefits. We recommend taking out supplementary insurance cover (risk insurance, life insurance), but this is voluntary. The insured is responsible for deciding whether this is necessary. On request the SVE can organize risk insurance to cover the gaps in disability and death cover caused by the advance withdrawal. The insured must bear all the insurance costs.

Other issues under pension fund law

In the event of divorce the advance withdrawal is classified as vested benefits and may be transferred (in part) to the pension fund of the spouse by the court.

Handling Fee

According to the SVE Pension Fund Regulations (see enclosure) a handling fee will be charged.

Taxes

The advance withdrawal becomes taxable immediately as a lump-sum payment. A pledge on the other hand is tax-exempt, as no lump sum is paid out. However, if the pledge is realized, the resulting proceeds are treated like an advance withdrawal for tax purposes. More information on the taxation of the lump-sum payment is available from your tax office.

The SVE is obliged to report all advance withdrawals (including payments abroad) to the Federal Tax Administration within 30 days. Is the insured person resident abroad, the withholding tax is deducted directly from the advance withdrawal and passed on to the Swiss tax authorities.

If the advance withdrawal is repaid partially or fully, the tax without interest can be reclaimed. The right to reclaim the tax lapses three years after repayment of the advance withdrawal. The written application must be submitted to the tax office which originally levied the tax, and must be accompanied by a confirmation from the pension fund that the funds have been repaid.

Repayment of the advance withdrawal

Advance withdrawals can be repaid at any time before retirement, provided that no benefit claims (disability/death) have fallen due in the meantime.

The minimum amount that can be repaid is CHF 10,000.–.

Repayment of the advance withdrawal is compulsory before retirement if the property should be sold or if the insured dies and no pension benefits fall due.

If the property is sold and the insured intends to use the proceeds equalling the advance withdrawal to purchase other residential property for own use within two years, this amount can be paid into a vested benefits account or vested benefits policy.

Pledge

In the case of a pledge, the retirement assets (or part thereof) are blocked in favour of the mortgage lender. A pledge therefore serves as additional collateral. The pension fund must be notified of and confirm a pledge in writing for the pledge to be valid.

Benefit reduction/tax/repayment

A pledge does not lead to any reduction in benefits and no tax must be paid on a pledge.

However, this changes if the pledgeholder wants to realize the pledge and requests payment of the pledged amount from the pension fund (for example, if the insured defaults on his/her payment obligations).

If the pledge is realized, the same provisions as for an advance withdrawal apply.

Other issues under pension fund law

Provided that the amount that has been pledged is involved, the pledgeholder must give its consent to the cash payment of the retirement assets, the payment of pension benefits or the transfer of part of the vested benefits to the spouse in the event of divorce.

Advance withdrawal or pledge

ADVANCE WITHDRAWAL

Advantages

- Increase in own capital
- Reduction of mortgage debt
- Less debit interest

Disadvantages

- Immediate taxation
- Reduction of insurance benefits
- Possible aditional financial burden of maintaining risk cover (additional risk insurance)
- Less debit interest can be deducted from income tax
- Advance withdrawal must be repaid if the insured wishes to purchase additional service years
- Sales restriction

PLEDGE

Advantages

- No direct reduction in insurance benefits (only if pledge is realized)
- Repayment might have to be deferred if capital or pension has been pledged
- Mortgage interest might be lower as additional collateral is provided
- Smaller deposit required
- More debit interest can be deducted from income tax

Disadvantages

- No reduction in mortgage interest
- Interest must be paid on additional loan capital
- Pledgeholder’s consent is required if a claim to a lump sum or a pension falls due

The insured is the only person who can decide between an advance withdrawal and a pledge (or a combination of the two). The opportunities and risks must be carefully considered (increase in mortgage interest rates, loss in value of property, wrong calculation of pension income required in the event of a claim). The SVE cannot accept any liability in this regard.

Registration of advance withdrawal / SVE's obligation to provide information

On request, the SVE informs the insured of the maximum amount that can be withdrawn in advance at a specific time. In addition to the application form, the insured also receives a non-binding calculation of the reduction to the benefits that will result from an advance withdrawal.

Our insured members have the possibility to make respective simulations with our calculator.

The written application for an advance withdrawal must be accompanied by documents that provide proof that the funds will be used for residential property for own use. Married insured also need the written consent of their spouse.

SVE can take a processing time of 6 – 8 weeks after receipt of the complete documentation.

The payment is subject to all statutory and regulatory provisions. **No funds can be transferred before ownership is transferred.**

If you change jobs, the advance withdrawal or pledge remains in place. The SVE must forward all information on the advance withdrawal or pledge to the new pension fund.

Mortgage loans

Did you know that the Sulzer Pension Fund also grants mortgage loans to its insured? More information is available from our grants mortgage team:

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Contact your customer advisor for more information.
The name of the person in charge of your affairs is given in your personal insurance certificate.

Visit our website: **www.sve.ch**
This website contains interesting information on the SVE.

Sulzer Pension Plan (SVE)
Your customer advisor team

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