

# PENSION OR LUMP SUM

**When you retire, you can decide whether you wish to receive a lifelong pension or a one-off lump-sum payment. Of course, you can also choose a combination of partial lump-sum and pension payments. When making your decision, consider your personal family situation and finances as well as your desires and goals.**

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By law, you may receive at least one quarter of your BVG retirement savings capital in the form of a lump sum when you retire. Your pension fund's regulations go further, allowing you to draw all or part of your retirement benefits as a lump sum. The following table shows various aspects in favour of the pension or lump-sum option, respectively:

	Pension	Lump sum
<b>Flexibility</b>	Restricted flexibility for large, one-off purchases	Financial scope for larger purchases
<b>Security</b>	<ul style="list-style-type: none"> <li>– Regular, secure income for the rest of your life</li> <li>– No investment risks of any kind</li> </ul>	<ul style="list-style-type: none"> <li>– Lump sum immediately available</li> <li>– Requires careful and active asset management</li> <li>– Chance of higher returns through investment opportunities</li> <li>– Uncertainty as to whether the lump sum will suffice until death, depending on life expectancy</li> </ul>
<b>Health</b>	The higher your personal life expectancy, the more it pays to have a pension	The lower your life expectancy, the more it makes sense to draw a lump sum
<b>Children up to age 18 or in education</b>	Children up to the age of 18 (or up to the age of 25 if in education) are entitled to a pension for the children of retired persons in the amount of 20% of the retirement pension	No pension entitlement
<b>Situation of surviving family members in the event of death</b>	<ul style="list-style-type: none"> <li>– Spouses/partners are entitled to a survivor's pension (60% of the retirement pension)</li> <li>– Children up to the age of 18 (or up to the age of 25 if in education) are entitled to an orphan's pension in the amount of 20% of the retirement pension</li> <li>– Any capital not used for survivors' benefits falls to the pension fund</li> </ul>	<ul style="list-style-type: none"> <li>– Unused funds are available to your children/heirs</li> <li>– A cohabiting partner can be better taken into account</li> <li>– If you draw a lump sum, you lose any entitlement to survivors' benefits from the pension fund</li> </ul>
<b>Taxes</b>	Pensions are taxable as income in their entirety	<ul style="list-style-type: none"> <li>– Payouts are taxed separately from other income and at a lower rate, after which capital tax applies</li> <li>– Income tax on investment income</li> </ul>
<b>Income</b>	Pension as only income (in addition to the AHV)	You would do well to have additional funds available

### AS A GENERAL RULE, A PENSION IS RECOMMENDED IF

- you want a regular, guaranteed income until the end of your life and most of your future income must be provided by AHV pensions and your pension fund,
- You can be assumed to have a high life expectancy,
- you are significantly older than your spouse/partner,
- survivors' benefits are to be paid in the event of death.

### A LUMP SUM MAKES SENSE IF

- you have additional funds available,
- you have sufficient experience in capital investment,
- children are to be financially supported,
- the pension capital is to be inherited on death.

### COMBINATION – PENSION AND LUMP SUM

It is also possible to receive a combination of pension and lump-sum payments. You may receive part of your retirement assets as a lump sum and the rest as a pension.

<b>Lump sum</b> Your retirement assets are drawn as a lump sum.	<b>100% as a lump sum</b>
<b>Pension</b> Your retirement assets are drawn in the form of a pension.	<b>100% as a lifelong pension</b>
<b>Combination</b> A part of your retirement assets is paid out as a lump sum, with the rest paid out as a pension. Insured persons determine the proportion of assets taken as a lump sum.	<b>Part as a lump sum</b> <b>Part as a lifelong pension</b>

### LUMP-SUM NOTIFICATION

If you decide to draw some or all of your retirement assets as a lump sum, you must notify the pension fund of this in writing (specifying the portions of your assets to be taken as a pension and as a lump sum) before you reach the normal retirement age or take early retirement. If retirement is to take place in several stages, no more than two lump-sum payments may be made.

See form

#### “Retirement – drawing retirement benefits”

at [www.allianz.ch/bvg-versicherte](http://www.allianz.ch/bvg-versicherte).

#### Information for disability pension (IV) recipients:

A retirement pension paid in continuation of a disability pension can also be drawn as a lump sum.

### LUMP-SUM REVOCATION

If you provide notification that you wish to receive a lump-sum payment, you may revoke this decision up to the time of taking regular or early retirement. However, once a lump sum has been paid or the first pension payment has been taken, you can no longer revoke your decision. In the case of a lump sum, the written agreement of your spouse or registered partner is required.

### INVESTMENT RISK

If you receive a lump sum, you assume the investment risk in full and have to accept any fluctuations in the value of your assets and in the returns from them.

### PURCHASE

If you have made a purchase within three years prior to retirement, please note the following: from a taxation perspective, the blocking period for lump-sum withdrawals within three years of a purchase applies irrespective of whether the lump sum results from the most recent purchase or – where an insured person has several concurrent pension arrangements – whether the lump sum is withdrawn from one and the same pension fund or from another. Any lump-sum withdrawal during the blocking period may result in the tax deduction claimed on purchases being subsequently annulled by the competent tax authority through by setting it off against the insured person's taxable income.

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