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Financing home ownership with pension fund assets

You can use funds from an occupational retirement provision to build or purchase owner-occupied residential property. This information sheet shows the basic conditions and options.

Which funds can you use?

- Up to three years before you retire, you can use funds:
- from an obligatory and non-obligatory occupational retirement provision
 - from vested benefit policies and vested benefit accounts

to build or purchase owner-occupied residential property provided that no other insured event (disability) has already occurred. You can either withdraw these funds (early withdrawal) or use them as security to take out a mortgage (pledge).

What is owner-occupied residential property?

Owner-occupied means that the residential property must be used by you personally as your domicile or regular place of residence (domestically or abroad), i.e. you cannot lease your property to third parties unless you can prove that you cannot use it for a limited period of time.

What can you and what can you not use your money for?

Building or purchasing an apartment or a single-family home with a view to living in it yourself is allowed. You are not allowed to use the funds to finance a holiday or second home. Equally, it cannot be used for purchasing undeveloped land, financing the ongoing maintenance of residential property or paying off debt interest.

You can use your pension fund assets for the following purposes, among others:

- building or purchasing solely owned or co-owned property (e.g. condominium ownership), joint property with your spouse/registered partner or for an independent and permanent right to build
- repayment of mortgages
- purchase of shares in a cooperative residential association or shares of a tenant public limited company
- The regulations of the cooperative residential association must stipulate that the pension fund assets used to pay for the acquisition of shares are either transferred to a different cooperative residential association, a different

housing developer (where an apartment is used personally) or an occupational retirement fund upon exiting the cooperative.

How much money can you withdraw and when?

Basically, you can make a withdrawal for residential property every five years. Early withdrawals can only be made up to three years before your retirement. The minimum amount is CHF 20,000.



Shares in cooperative residential associations, vested benefit policies or assets in a vested benefits account are excluded.

The maximum early withdrawal amount depends on age. Up to age 50, you can withdraw the amount of your current vested benefits. After reaching the age of 50 the maximum early withdrawal amount corresponds to your vested benefits at the age of 50 or half of your vested benefits at the time of the early withdrawal, whereby the higher of the two amounts can be withdrawn. Withdrawals and repayments already made from the age of 50 are taken into account.

When and to whom are early withdrawals paid?

Once you have submitted all the necessary documents, the foundation pays out the early withdrawal directly to the seller, issuer, lender, cooperative residential association, etc. within six months at the latest. The funds are not paid directly to you. → [Encouragement of home ownership checklist: Documents for the early withdrawal of pension fund assets](#) → [Request for an early withdrawal of pension fund assets for the encouragement of home ownership](#)

You can transfer an already effected early withdrawal if you give up your existing residential property and acquire a new one. → [Request to transfer a previous early withdrawal made for the encouragement of home ownership](#)

What consequences may an early withdrawal have for your pension plan?

An early withdrawal has an influence on your benefits in the event of retirement, death or disability. Your retirement

pension after you retire will be reduced by the amount of the early withdrawal and a death or disability pension may be reduced depending on the retirement plan. The foundation will inform you about the reduction in your projected retirement benefits. You can maintain the same risk protection by taking out supplementary insurance for disability and death; however, you will bear the cost. We are happy to advise in this regard.

When can and when must you pay back funds drawn in advance?

You can repay the early withdrawal at any time until you retire or until the occurrence of an insured event (disability, death) or the cash payout of the vested benefits. The minimum amount of a repayment is CHF 10,000.

In certain cases, you or your heirs are obliged to pay back the funds if:

- the residential property is sold;
- rights to your residential property are conceded, which is equivalent to a sale from an economic perspective;
- no pension benefit is due on your death (e.g. partner pension).

In the event of the sale of residential property, you have a duty to repay the funds withdrawn in advance from the amount of the sale proceeds. The proceeds are the sale price less the debts secured by mortgage and the charges imposed by law.

What tax provisions apply to you in connection with an early withdrawal?

Early withdrawals must be taxed at the time of withdrawal as a capital payment from the pension fund. As a rule, this is taxed separately from other income. If you pay back the early withdrawal partially or in full, you can request a refund of the tax paid at the time of withdrawal, excluding interest, from the competent authority. Your rights to a refund expire three years after repayment of the early withdrawal.

What connection exists between voluntary purchases of pension benefits and an early withdrawal?

You have the option of increasing your pension savings through voluntary purchases. However, if you make a purchase, you cannot claim the resulting benefits as an early withdrawal within the next three years. Furthermore, an early withdrawal for residential property can endanger the tax deductibility of purchases in the last three years. Conversely, if you have made an early withdrawal, you can only make a purchase when the early withdrawal has been repaid.

What option do you have in place of an early withdrawal?

When you take out a mortgage to purchase residential property, you can use your rights to pension benefits in the event of old age, disability or death, or you can use your pension savings as security up to the amount of your current vested balance (pledge). When pledging your pension savings, the same maximum amount and the same age limit apply as for the early withdrawal. → [Declaration of informed consent to pledge pension fund assets for the encouragement of home ownership](#)

In contrast to early withdrawal, your pension coverage will only be reduced in the event of a pledge being realized by a bank. This is the case if, for example, you can no longer pay your mortgage and the bank uses your pension savings to repay the debt. It must be distinguished between the pledge realization of the vested benefit and the retirement benefits when viewing the consequences of pledge realization:

- If the vested benefit pledge is realized, you lose the pledged vested benefit. The same effects occur as for the early withdrawal. This results in particular in a reduction of your retirement benefits.
- If the pledged retirement benefits are realized, you lose the pledged pension payments or the capital benefit. The pledge realization in this case, however, is only possible if the retirement benefits are due.

What costs are incurred?

You will currently be charged CHF 400 for the administrative expenses of an early withdrawal plus fees for annotations in the land register. If you opt for a pledge, costs for the entry in the land register will only be incurred if the pledge is realized.

Important notice:

This information sheet is for your information. Authoritative are the pension rules of your foundation, the provisions of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Plans, as well as the corresponding ordinances.

Do you have any questions?

You can contact the Help Point BVG (phone 0800 80 80 80) Monday to Friday from 8 a.m. to 6 p.m. with any questions about occupational pension plans.

