Comparison of Pillars 2 and 3

	Pillar 2 – occupational pensions		Pillar 3 – private pensions	
	Mandatory pensions – BVG (Pillar 2a)	Extra-mandatory pensions (Pillar 2b)	Tied pensions (Pillar 3a)	Flexible pensions (Pillar 3b)
Procedure	Possibility of voluntarily joining employees’ collective foundation or the professional association’s foundation **Makes good sense for high earners**		Voluntary purchase of a tailored private pension product based on actual needs and with regular adjustments **Necessary if no occupational pension exists**	
Financing	• Retirement credits: 7–18% of insured salary (by age group) • Risk premiums (death and disability) • Contributions for Guarantee Fund and administration costs		**Insurance** Regular premiums, option of making additional payments (depending on product) and interrupting premium payments for up to four years **Bank** Flexible payments in any amount	
Restrictions	Within the statutory framework, the regulations of the specific pension fund apply.		Statutory limits on amount paid in • Employees: no more than CHF 7,056 • Self-employed: 20 % of taxable income, but no more than CHF 35,280	No restrictions
Contract term	• Earliest withdrawal: age 58 • Latest withdrawal: age 69 (women) and age 70 (men)		• Earliest withdrawal: five years before regular retirement age 59 for women, 60 for men. Exceptions: – Relocation abroad – Start of self-employment – Purchase of residential property • Latest withdrawal: 70 for men, 69 for women, if still working	No restrictions
Risk benefits	• Disability pension • Spouse’s/partner’s pension or lump sum payment • Orphan’s pension • Premium waiver in the event of occupational disability (continued financing by pension fund) **Group rates mean that risk benefits are generally more favorable than with Pillar 3a individual life rates.**		**Insurance** • Occupational disability: pension and premium waiver (continued financing by insurer) • Guaranteed lump sum payment on death plus any surpluses earned; payment to beneficiary **Bank** Savings capital and interest fall to the estate **A regular disability income pension can secure your private and professional livelihood.**	
Capital protection	The pension fund’s coverage ratio is decisive Statutory disbursement guarantee for retirement assets (even if the pension fund is insolvent)		**Insurance** Statutory guarantee for disbursement of contractually agreed capital /guaranteed lump sum at maturity (even if the insurance company goes into bankruptcy) **Bank** Statutory depositor protection for up to CHF 100,000 if bank goes bankrupt. Possible protection for a further CHF 100,000 with Pillar 3a pension accounts. **With the insurance option, assets and guaranteed amounts are 100% secure.**	

Retirement benefits	**Pension** Every year, 6.8% of the retirement assets (conversion rate) are disbursed in the form of a retirement pension (plus any children's pension if the insured is obliged to provide support) **Capital** On request, a maximum of 25% of the retirement assets can be disbursed as a onceonly lump sum (remainder paid as a life-long pension)	Pension or lump sum payment in accordance with pension fund regulations. Neither the interest rate nor the conversion rate are set by law.	Once-only lump sum payment plus any surpluses earned	
	Any lump sum withdrawal must be requested within the period stipulated in the regulations. If the insured person has purchased benefits within the three years prior to the requested lump sum payment, this will have tax implications. **If the insured dies while drawing a pension, the pension fund retains the remaining retirement assets, provided no spouse's or orphan's pensions come into effect.**			
Interest rate	The Federal Council sets the minimum BVG interest rate (1.0%)	There is no statutory minimum interest rate	**Insurance** • Technical interest rate: set by the Swiss Financial Market Supervisory Authority (FINMA) • Any surpluses earned **Bank** Interest rate changes with market situation	
Taxes	• Annual premiums of up to 20% of AHV income can be deducted from income tax • Pension payments are taxable in full • Lump sum payments taxable at reduced tax rate and separate from other income		**Bank and insurance** • Annual premiums can be deducted from income tax (up to a limit) • Interest income and surpluses are tax-free • No wealth tax is a levied during the term • Lump sum payments taxable at reduced tax rate and separate from other income	**Insurance** • On certain conditions, annual premiums can be deducted from income tax (flat-rate deduction) • Interest income and surpluses are tax-free • Surrender value of life insurance policies is subject to wealth tax. • Lump sum payments from life insurance policies financed with regular premiums are tax-free • Lump sum payments from single-premium life insurance policies are tax-free only on certain conditions **Bank** • No tax advantages
			No withholding tax on life insurance policies	
Privileges	Exempt from inheritances, debt collection and bankruptcy proceedings, and taxes		Exempt from inheritances, debt collection and bankruptcy proceedings, and taxes	Exempt from inheritances, debt collection and bankruptcy proceedings (provided spouse, registered partner or children are beneficiaries) and taxes
			Only insurers offer pension privileges	

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