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Info leaflet

Encouragement of residential property ownership (ERPO)

All gender-specific references relate to both males and females.

Introduction
The Swiss Federal Law on Occupational Retirement, Survivors' and Disability Benefits Plans (BVG) allows you to draw your money from the Pension Fund to finance the purchase of residential property for your own use. This can be done either as an advance withdrawal or as a pledge. The following pages contain useful information on the two different options. The residential property must be intended for personal use. This means that the property must be used by yourself at your place of domicile or normal place of residence (in Switzerland or abroad) – i.e. the place where your life is based. Residential property is defined as a single-family house, an apartment or a common hold property. Second residences, holiday homes and mobile homes, etc. are not classed as residential property for the purposes of the encouragement of residential property ownership.

1 Advance withdrawal

You can withdraw your money earlier from your occupational pension for the following purposes:

- for the purchase and construction of residential property
- for value-enhancing or value-preserving investments
- for the repayment of a mortgage
- for the purchase of share certificates in cooperative housing associations or similar participations

However, you cannot make an advance withdrawal to purchase land to build on or to pay taxes or mortgage interest.

1.1 Time limits / blocking periods

Once an advance withdrawal has been made, another advance withdrawal is not allowed until a period of five years has elapsed. In addition, advanced withdrawals may only be made up to three years before retirement. This also applies to early retirement.

Payment cannot be issued until ownership is transferred (Article 656 of the Swiss Civil Code – entry of ownership in the land register) to ensure that the money is used for the purpose intended (see section 1.5.).

1.2 Amount available

You can finance your own home using the full balance of your current retirement savings (departure payment) until you reach the age of 50. If you are over 50, you can draw no more than the larger of the following two amounts:

- the departure payment reported at the age of 50 or
- 50% of the departure payment accumulated at the time of the advance withdrawal

The minimum advance withdrawal is CHF 20,000.–. There is no minimum amount for the pur-chase of share certificates in cooperative housing associations or similar participations.

If buyings into the Pension Fund have been purchased, the resulting benefits may not be drawn as a lump sum for the next three years. Amounts paid including interest up to the time of the advance withdrawal which fall within the three-year blocking period must therefore be deducted from the amount available for the encouragement of residential property ownership (ERPO).

1.3 Impact on pension fund benefits

1.3.1 Retirement

Advance withdrawal of funds from the occupational pension reduces the insured retirement benefits and related prospective entitlements (additional child benefit for pensioners, spouse's or partner's pension on the death of a pension recipient).

1.3.2 Disability

The insured disability benefits are not reduced while you remain an active member. Recipients of a disability pension who have made an advance withdrawal for the promotion of home ownership will have their pension actuarially reduced once they turn 65. If an advance withdrawal for the promotion of home ownership has been wrongfully made after the onset of incapacity for work leading to disability, the advance withdrawal must be repaid according to the degree of disability; otherwise, the disability benefits will be reduced accordingly. If the degree of disability is 70% or more, the entire advance withdrawal must be repaid.

1.3.3 Death

The insured death benefits are not reduced.

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1.4 Tax consequences

1.4.1 Residence in Switzerland

The consequence of the advance withdrawal is an immediate tax liability for the amount withdrawn. Livica reports the advance withdrawal to the Swiss Federal Tax Administration within 30 days of issuing payment, in accordance with the regulations. The advance withdrawal is taxed directly by the relevant cantonal tax authority. The tax must be paid from your own funds. Your cantonal tax office can provide you with information regarding the tax charge.

1.4.2 Residence abroad

The advance withdrawal is subject to source tax. You may be able to reclaim the source tax levied if your country of residence has a double taxation agreement with Switzerland. Information and application forms are available from the tax authorities of the canton of Berne.

1.5 Ensuring use for the purpose intended / ownership status

1.5.1 Residence in Switzerland

A "limitation of the right to alienation" is noted in the land register pursuant to BVG Art. 30 e. This means that any advance withdrawal must be repaid to the Pension Fund in the event of disposal (sale of the property). Consequently, any sale requires the consent of the Pension Fund. Livica reports the note to the land registry office at the same time as the advance withdrawal is paid out. All land register costs incurred must be paid by you.

Entry of the advance withdrawal in the land register (limitation of the right to alienation) requires that you as sole owner or co-owner purchase the residential property. Entry with joint ownership is only permitted if it involves spouses and registered partners.

1.5.2 Residence abroad

A "limitation of the right to alienation" cannot be noted in the land register office abroad. Therefore, some form of official authentication (by a notary, municipal authority or land registry office) as well as confirmation from the lender must be submitted, proving the advance withdrawal will be applied within the scope of the law (BVG). requires the consent of the Pension Fund. Livica reports the note to the land registry office at the same time as the advance withdrawal is paid out. All land register costs incurred must be paid by you.

1.6 Dissolution of the ensuring use for the purpose intended

The "limitation of the right to alienation" may be dissolved:

- in case of retirement
- in case of full repayment (or eventual proceeds from the sale)
- in case of payment of your departure payment in cash
- in case of occurrence of another insured event

All land register costs incurred must be paid by you.

1.7 Repaying the advance withdrawal

You can repay the advance withdrawal voluntarily, but only before:

- to the commencement of entitlement to retirement benefits
- the onset of incapacity for work leading to disability
- death
- payment of your departure payment in cash

Repayment is mandatory in the event of:

- the sale of the residential property
- the granting of rights to this residential property in a manner financially equivalent to a sale (example, renting it out or granting the right of residence to third parties)
- no pension fund benefits becoming due upon death
- termination of the residence at the cooperative housing association or similar participation
- the requirements for personal occupation no longer exist

The minimum amount for voluntary repayment is CHF 10,000.–. If the outstanding amount is smaller than the minimum amount, the repayment must be made as a lump sum.

In the event of repayment (in full or in part) of the advance withdrawal, you will have three years to reclaim the tax paid. To do this, you must make an application in writing to the tax authority that levied the tax in the first place.

The obligation and right to repay exist up to three years prior to the commencement of entitlement to retirement benefits, until the onset of another pension benefit claim or until cash payment of your departure payment is issued.

In the event of the disposal of the residential property, the repayment obligation is limited to the withdrawal made, subject to a maximum of the proceeds from the sale. The proceeds are the sale price minus mortgage debts and legal charges.

1.8 Separation / divorce

In the event of separation / divorce, personal use continues to apply as long as at least one family member (separated / divorced spouse / registered partner or children) is still living in the property. The legislator has provided a transitional period of two years for this situation. This period may only be extended by official order (e. g. court ruling).

1.9 Consent of spouse / registered partner

Advance withdrawal may only be made if the spouse or registered partner consents to it in writing. For this purpose, the signature of the spouse or registered partner must be officially authenticated by a local authority or notary's office. Same-sex couples are deemed to be living in a registered partnership as long as they have registered their relationship at the registry office.

1.10 Departure from Livica

In the event of leaving Livica, the new Pension Fund will be informed of the advance withdrawal in writing so that it can monitor continued compliance with the statutory regulations. All relevant documents will also be handed over to the new Pension Fund.

1.11 Advantages and disadvantages at a glance

Advantages

- More equity (private funds)
- Less debt (mortgage)
- Lower debt interest charges

Disadvantages

- Immediate taxation
- Reduced retirement benefit
- Note of limitation of the right to alienation
- No buying into the Pension Fund can be purchased until the advance withdrawal has fully been repaid

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1.12 Next steps

Having understood the consequences of an advance withdrawal and you would like to withdraw money from your Pension Fund; the following steps should be taken next:

- complete the application form
- authenticate your spouse's / registered partner's signature, if applicable
- gather documents (copies) signed by all parties in accordance with the application form
- submit all documents and the application form
- Livica checks documents, consulting you if necessary (documents may vary due to different uses)
- the advance withdrawal is paid by Livica directly to the seller, builder, lender or notary (not before ownership is transferred – see section 1.1.)

2 Pledge

Instead of making an advance withdrawal, retirement savings can be pledged to the lender. This means pension fund benefits (age / disability / death) are not reduced. A pledge of pension benefits under 2nd pillar represents first-class security for mortgage lenders and lets you agree more advantageous terms with them.

There are essentially two different types of pledge for financing residential property for personal use, these can also be combined:

- Pledging current retirement savings (departure payment); pledging of a certain sum or full departure payment at any one time
- Pledging your entitlement to all future pension fund benefits (retirement, disability and death pensions)

2.1 Time limits

A pledge may only be made up to three years before retirement. This also applies to early retirement.

2.2 Amount available

You can use the full balance of your current retirement savings (departure payment) for your pledge until you reach the age of 50. If you are over 50, you can pledge no more than the larger of the following amounts:

- the departure payment reported at the age of 50 or
- 50% of the departure payment accumulated at the time of pledging

2.3 Impact on pension fund benefits

Pledging has no direct impact on your retirement savings or pension fund benefits (retirement / disability / death).

2.4 Tax consequences / lien enforcement

Pledging pension fund money does not create a tax burden. In the event of lien enforcement, a distinction must be made between the following two types of pledge:

- Pledging current retirement savings (departure payment). You lose the pledged retirement savings and the same effects of an advance withdrawal take place
- Pledging your entitlement to pension fund benefits. You lose your pledged pension benefits or lump sum the moment the lien enforces

2.5 Consent of the pledge giver

As far as the pledged amount is affected, the written consent of your pledge giver is required for:

- cash payment of departure payment
- payment of pension fund benefits
- transfer of a part of the departure payment in the event of a divorce

If your pledge giver refuses to grant consent, Livica must retain the corresponding amount. The court will then decide on the pledge giver's claim.

2.6 Cancellation of the pledge

2.6.1 On retirement

The pledge can be cancelled on retirement with the consent of the pledge giver. Generally, the pledge giver will arrange new securities with you.

2.6.2 By the pledge giver

The pledge giver notifies us of the cancellation of the pledge if new securities or alternative forms of financing have been agreed with you.

2.7 Separation / divorce

In the event of separation / divorce, personal use continues to apply as long as at least one family member (separated / divorced spouse / registered partner or children) is still living in the property. The legislator has provided a transitional period of two years for this situation. This period may only be extended by official order (e. g. court ruling).

2.8 Consent of spouse / registered partner

The pledge may only be made if the spouse or registered partner consents to it in writing. Unlike with an advance withdrawal, the signature of the spouse or registered partner does not have to be officially authenticated because no money is being taken out of the Pension Fund. However, should the pledge be realised, the spouse or registered partner must give consent in writing at this moment and their signature must then be authenticated.

Same-sex couples are deemed to be living in a registered partnership provided that they have registered their relationship at the registry office.

2.9 Departure from Livica

In the event of leaving Livica, the new Pension Fund and the pledge giver will be informed of the pledge in writing. All relevant documents will also be handed over to the new Pension Fund.

2.10 Advantages and disadvantages at a glance

Advantages

- Retirement benefits are not reduced
- No taxation (except lien enforcement)
- Lower mortgage interest rate, depending on lender

Disadvantages

- Consent of the pledge giver required in the case of entitlement to lump sum or pension
- Increased debt (mortgage)
- Higher debt interest charges

3 Administrative charges

The decisive factor is the cost regulations.

Pledge: CHF 300.–

Advance withdrawal: CHF 600.–

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