



## ***Vested benefits***

### **What does the term “vested benefits” mean?**

The vested benefit is the sum an insured person is entitled to upon termination of the employment relationship and withdrawal from the employee benefits institution in the form of a withdrawal benefit. In this connection the law speaks of a case of vesting and stipulates that it may not be preceded by a claim to retirement, disability or death benefits.

Since 1995 the Federal Law on Vested Benefits has regulated vesting rights. Among other things, the law says:

- That if you change jobs, the withdrawal benefit to which you are entitled must be transferred to the employee benefits institution of your new employer;
- That – if you do not take up a new position after an employment relationship ends – your entitlement to withdrawal benefit must be received in the form of a vested benefit policy or vested benefits account.

### **When can I have my vested benefit paid out in cash?**

You can draw your vested benefit in cash under the following circumstances:

- If you are leaving Switzerland permanently, but not taking up residence in an EU-country, Norway, Iceland or Liechtenstein, where you are subject to mandatory retirement, death and disability insurance.
- If you are taking up self-employment and are no longer subject to mandatory occupational benefits coverage.
- If your vested benefit is lower than your own annual contribution
- In the context of encouraging home ownership, insured persons who are capable of earning a living can use their retirement savings, in whole or part, to finance their own home in the form of a prepayment of pledge.

### **What happens with my vested benefit when I leave Switzerland to an EU-country?**

Your freedom to invest your vested benefit is restricted by law: If you do not join a new pension fund, you basically have two options available:

- You can obtain a **vested benefit policy** with benefits coverage
- You can open a **vested benefits account** at any bank in Switzerland in your name

The ideal solution for you very much depends on your personal goals and individual needs:

- A vested benefit policy is suitable for closing gaps in insurance coverage if you have sufficient capital and are intending to make a long-term investment.
- If the sums involved are relatively small and the investment horizon is very short, a vested benefits account without risk coverage, which functions like a saving account, can be appropriate.
- If you intend to invest a more sizable vested benefit without risk coverage for a longer period of time, then it's worth looking into a vested benefits account which is invested in securities.

The right investment for a vested benefit depends on the insurance cover and available capital as well as investment horizon and risk tolerance.

### **When can I cash in my vested benefit policy or close my vested benefits account?**



A vested benefit policy or vested benefits account may be drawn no more than five years before reaching the normal retirement age, provided that no insured event has occurred earlier. The same conditions apply to cash payouts as apply to drawing the vested benefit itself in cash. In addition, a policy or account can also be cashed in or closed ahead of time in the following cases:

- If you are entitled to a full pension under disability insurance (IV) and no benefits are insured for disability.
- When you reach normal retirement age, or no earlier than five years after reaching normal retirement age.

For more details we are happy to help you, please contact the Stamford Back Office.