INVEXA

BUILDING AND PROTECTING YOUR ASSETS

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THE SWISS RETIREMENT SYSTEM EXPLAINED SIMPLY

Guide to the Swiss Old-Age Provision System

Introduction

Understanding the 3 pillars to better plan your future

The Swiss old-age provision system is one of the strongest in the world — but also one of the most complex. Everyone contributes to it, everyone will depend on it one day, yet few people really understand how it works or how the three pillars fit together.

The goal of this booklet is simple: to explain clearly and concretely how the Swiss pension system works — what you pay, what you receive, and where the real issues lie. Whether you are an employee, self-employed, or simply concerned with preparing for your future, you will find here the essential things to know.

We will go beyond administrative summaries. You will see where the system remains strong, where it shows signs of strain, and what reforms may become necessary in the coming years. To understand old-age provision is to give yourself the power to choose — and to anticipate.

Legal Foundations

- LAVS – Federal Law on Old-Age and Survivors Insurance (OASI)
- LAI – Federal Law on Disability Insurance (DI)
- LPC – Federal Law on Supplementary Benefits (EL) to OASI and DI
- LPP – Federal Law on Occupational Retirement, Survivors, and Disability Pension Plans
- LFLP – Federal Law on Vested Benefits in Occupational Pension Plans
- LCA – Federal Law on the Insurance Contract
- LIFD – Federal Law on Direct Federal Taxation (regulates tax deductions related to Pillar 3a)
- Federal Constitution – Articles 111 to 114

1 The Swiss pension system

Switzerland has a retirement system recognized for its stability and efficiency. Built on the principle of the three pillars, it aims to guarantee each person lasting financial security after their working life, while also promoting individual responsibility.

This model is based on a simple idea: to spread risks and income sources across several complementary levels:

- The 1st pillar, or AVS/AI (OASI/DI), ensures the minimum subsistence level and is based on solidarity between generations.
- The 2nd pillar, or LPP, supplements the OASI in order to maintain one's previous standard of living. It is financed jointly by employers and employees through a collective capitalization system.
- The 3rd pillar is individual provision. It allows each person to strengthen their financial security freely and to benefit from tax advantages.

The overall goal of these three pillars is to guarantee about 60% of the last income earned before retirement, thereby maintaining a balance between public solidarity, collective effort, and personal savings.

SWISS PENSION SYSTEM

1st Pillar State pension plan	**2nd Pillar** Occupational pension plans (LPP)	**3rd Pillar** Private pension plan
Minimum standard of living	Maintaining living standards	Additional needs
OASI Old-age and survivors' insurance **DI** Disability insurance **EL** Supplementary benefits	**LPP** Mandatory pension **PSO** Supplementary pension **LAA** Accident insurance	**Pillar 3a** Linked individual pension **Pilier 3b** Free individual pension

Over the decades, this system has managed to adapt to economic and demographic changes. It combines the security of the 1st pillar, the shared responsibility of the 2nd, and the freedom of the 3rd, forming a coherent whole that protects the population while valuing both work and savings.

But like any balance, this model faces challenges: an aging population, low returns, fragmented careers, and more frequent part-time work. These developments require a clear understanding of how each pillar functions and of the choices available at every stage of one's professional life.

The purpose of this guide is to explain simply how the Swiss old-age provision system works: how it is organized, how it is financed, what benefits it guarantees — and above all, how each person can make the most of it to prepare for retirement with confidence.

2 1st Pillar: Everything About OASI, DI, and EL

In Switzerland, old-age provision is based on the three-pillar system. The 1st pillar forms the foundation: it is the mandatory state pension scheme. Its goal is to guarantee the minimum subsistence level for all persons living or working in Switzerland in cases of old age, death, or disability.

The 1st pillar of the Swiss pension system consists of three closely linked social insurance schemes. Together, they form the mandatory state provision, whose purpose is to ensure the minimum vital income in case of old age, death, or disability. It is made up of three components:

- OASI (Old-Age and Survivors Insurance – AVS): Pays a pension upon retirement or to survivors in the event of death.
- DI (Disability Insurance – AI): Supports people who have become disabled through reintegration measures and, if necessary, a disability pension.
- EL (Supplementary Benefits – PC): Provides additional financial support if OASI/DI pensions are insufficient to cover basic living costs.

Old-Age and Survivors Insurance (OASI)

The OASI (AVS), introduced in 1948, is Switzerland's basic social insurance. It is designed to guarantee a minimum income for elderly persons or for the surviving dependents (spouse, children) of a deceased insured person. It is based on the principle of intergenerational solidarity: today's workers finance the pensions of today's retirees.

Who is required to contribute?

The OASI covers all persons living or working in Switzerland. Contributions are mandatory from age 17 for those engaged in gainful employment, and from age 20 for those without an income. Employees, self-employed persons, and pensioners all participate, each according to their financial capacity.

How is OASI financed?

The system operates on the principle of intergenerational solidarity: today's active workers finance the pensions of current retirees. It is a pay-as-you-go system, not a capitalization one — meaning that contributions are not accumulated or saved for future use.

For employees, OASI (AVS) contributions amount to 8.7% of gross salary, shared equally between the employer and the employee. Self-employed persons pay according to a sliding scale, up to 8.1%, while non-working individuals contribute based on their assets and replacement income.

When can you receive your OASI pension?

The standard retirement age is currently 65 for men and 64 for women. However, under the OASI 21 reform, the retirement age for women will gradually be aligned with that of men by 2028.

It is also possible to draw the pension early or defer it. Early retirement is possible from age 63 for men or 62 for women, but results in a permanent reduction of the pension.

Conversely, deferring the pension up to age 70 allows for a higher monthly benefit.

How is the OASI pension amount calculated?

The OASI pension is not uniform. It mainly depends on two factors:

1. the number of contribution years, and
2. the average annual income used for the calculation.

A full career — 44 years for men and 43 years for women born before 1961 — entitles you to a full pension. In 2025, the monthly OASI pension (scale 44) ranges between CHF 1,240 (minimum) and CHF 2,520 (maximum).

For married couples, the combined total of both pensions cannot exceed 150% of the maximum individual pension — that is, CHF 3,780. This ceiling often leads to a reduction in the joint pension.

Bonuses are granted to people who have raised children or cared for dependent relatives. These periods are counted in the pension calculation, recognizing the value of unpaid care work.

OASI figures 2025

- The maximum OASI pension amounts to CHF 2,520 per month.
- The minimum OASI pension amounts to CHF 1,240 per month.
- The maximum average annual income used for calculation amounts to CHF 90,720.

What benefits exist for children and survivors?

The OASI also provides benefits for children and survivors, in order to protect families in the event of the death or retirement of a parent or spouse. When an insured person receives an OASI or DI pension, they can receive a child's pension for each child under 18, or up to 25 if the child is in education or training. This pension amounts to 40% of the insured person's pension.

In the event of death, the OASI pays survivors' pensions to widows, widowers, and orphans, according to specific conditions. A widow can receive a pension if she has children or if she is over 45 years old and has been married for at least five years. A widower, on the other hand, is entitled to it only if he has dependent minor children. As for orphans, they receive a pension until the age of 18 (or 25 if they are in education or training).

Pension calculation

- You can request an advanced calculation of your pension from the OASI.
- You can also perform a simulation using the ESCAL tool.

Disability Insurance (DI)

The Disability Insurance (DI), introduced in 1960, is an integral part of the Swiss social security system, just like the OASI. It aims to protect insured persons against the economic consequences of a long-term incapacity for work resulting from illness, accident, or congenital disability. But contrary to what one might think, the DI does not only provide pensions. Its primary mission is to prevent, reduce, or eliminate disability, always prioritizing rehabilitation measures over the granting of a pension.

What benefits are provided by the DI?

The guiding principle of the DI is clear: rehabilitation takes precedence over the pension. This means that any person whose capacity for work is affected must first benefit from medical, professional, or social measures aimed at maintaining or restoring their earning capacity. These measures may include:

- Medical treatments covered by the DI, if they are essential for reintegration,
- Vocational training, retraining, or support for reintegration into suitable employment,
- Counselling, coaching, or job placements in companies,
- And in certain cases, assistance with financing aids such as a wheelchair, a prosthesis, or an adaptation of the workplace.

Who can benefit from it?

Anyone living in Switzerland who suffers from a physical or psychological health condition that may lead to a disability can apply to the DI. Disability is defined as a lasting, partial, or total incapacity to work, or for non-working individuals, to perform their usual daily tasks. A waiting period of 12 months (maximum 24 months) is required, during which the incapacity must be medically certified to qualify for a pension.

How are DI pensions calculated?

When reintegration measures are not sufficient, a disability pension may be granted. It depends on the degree of disability determined by comparing the theoretical income without disability and the income that can still be earned despite it.

- From 40% disability, a partial pension is possible,
- A full pension is granted from a disability rate of 70%.

The amount of the pension follows the same principles as that of the OASI: it varies according to the average annual income and the length of contribution. In 2025, the full DI pension ranges between CHF 1,240 and 2,520 per month, as for the OASI. Child pensions may also be paid if the insured person has minor children or children in education.

Supplementary Benefits (EL)

Supplementary Benefits (EL) are financial assistance paid to people residing in Switzerland who receive an OASI or DI pension but whose income does not cover the minimum subsistence level. They supplement pensions to ensure a decent standard of living.

How are Supplementary Benefits (EL) calculated?

Their amount depends on two elements:

- Recognized expenses (rent, food, health insurance, care, etc.)
- Available income (pensions, assets, additional income)

If your recognized expenses are higher than your income, the State covers the difference. This is not social assistance, but a legal right.
The EL also include the reimbursement of certain medical expenses, such as deductibles or care not covered by basic insurance. They are financed by the Confederation and the cantons.

3 2nd pillar: everything you need to know about LPP

The 2nd pillar, or occupational pension plan (LPP), is a central element of the Swiss retirement system. It complements the OASI and aims to maintain the standard of living after retirement. In this section, we review the affiliation conditions in 2025, contribution amounts, insured benefits, as well as the options for buy-ins, vested benefits, or early withdrawals.

Occupational pension plan (LPP)

The 2nd pillar, also called occupational pension or LPP (Federal Law on Occupational Retirement, Survivors and Disability Pension Plans), is a mandatory insurance system in Switzerland for employees whose income exceeds a certain threshold, forming part of the three-pillar concept. It is designed to supplement OASI benefits to ensure a sufficient income after retirement, in case of disability, or in the event of death. Financed jointly by the employer and the employee, it is based on the principle of individual capitalization: each insured person saves for their own retirement.

Who is required to contribute?

Not all employees in Switzerland automatically contribute to the 2nd pillar. Mandatory affiliation depends on several conditions:

- Be an employee subject to OASI
- Have an annual income greater than CHF 22,680 (threshold 2025)
- Be at least 17 years old for death and disability insurance
- From age 24, also start contributing for retirement

Even if you do not meet the standard conditions, it is possible to join the 2nd pillar voluntarily. For example, an employer may decide to cover an employee whose income is below CHF 22,680. Likewise, self-employed persons or those employed for a short period may choose to contribute, although it is not mandatory.

How do 2nd pillar contributions work?

Contributions to the 2nd pillar (LPP) are calculated on the so-called coordinated annual salary (that is, after deduction of a fixed amount called the coordination deduction, CHF 24,460 in 2025). They are shared between the employer and the employee, with the employer required to pay at least half (except for self-employed persons, who must pay the full amount themselves). The contributions include several components: retirement savings, risk coverage, and administrative costs.

1. RETIREMENT CREDITS

Retirement credits represent the savings portion of the occupational pension. The rate increases with age in order to gradually build up the retirement capital. Here is an overview of the retirement credit rates in 2025 according to the insured person's age in the mandatory part:

INSURED PERSON'S AGE	PERCENTAGE %
25 - 34	7%
35 - 44	10%
45 - 54	15%
55 - 65	18%

2. RISK PREMIUMS

Risk premiums finance coverage against the risks of disability and death. This means that if an insured person becomes disabled or dies before reaching retirement age, the pension fund will pay a disability pension or a survivors' pension (spouse, registered partner, children). These premiums vary depending on age and sex.

3. CONTRIBUTION TO THE LPP GUARANTEE FUND

Each pension institution must pay a contribution to the LPP Guarantee Fund, which guarantees the minimum legal benefits in the event of a pension fund's insolvency. This mechanism protects insured persons from the risk of losing their pension assets if their fund goes bankrupt. The fund also intervenes in cases of restructuring or exceptional situations, such as during mergers of pension funds.

What are the benefits of the 2nd pillar?

The 2nd pillar also protects insured persons and their families against the risks of disability or death, as well as against the inevitable risk of old age. Benefits are therefore paid according to different life events, in the form of pensions. Here is a summary of the main benefits provided under the LPP:

RISK	TYPE OF PENSION	DETAILS
Retirement	**Old-age pension**	Paid from the legal retirement age. It is calculated based on the accumulated retirement savings, using a conversion rate of 6.8%.
	Old-age capital	It is possible to withdraw one-quarter of the mandatory LPP capital as a lump sum. Some pension funds allow the withdrawal of the entire capital.
	Pension for a retiree's child	20% of the old-age pension is paid per child, up to age 18 or 25 if the child is in education or training.
Disability	**Disability pension**	If the insured person becomes disabled, they receive a pension calculated based on the accumulated capital + future retirement credits, without interest.
	Pension for a disabled person's child	20% of the disability pension is paid per child, up to age 18 or 25 if the child is in education or training.
Death before retirement	**Spouse's pension**	The surviving spouse receives 60% of the pension if the marriage lasted at least five years and the spouse is at least 45 years old, or if there are dependent children.*
	Orphan's pension	20% of the pension is paid to each child up to age 18, or up to age 25 if in education or training.

If not, a single lump-sum payment equivalent to three annual pensions may be granted.

What is a vested benefits account?

A vested benefits account is used to keep your 2nd pillar assets when you leave a pension fund without immediately joining another one. It is a mandatory transitional solution to avoid losing your occupational pension rights

This situation arises in particular if you:

- Leave your job without immediately taking up another one,
- Become self-employed,
- Reduce your level of employment below the LPP threshold,
- Move abroad,
- Are in a period of unemployment.

The accumulated assets remain blocked, protected, and continue to earn interest. You can transfer them either to a vested benefits bank account or to a vested benefits insurance policy. This allows you to maintain your connection to the pension system while waiting for a new affiliation or another event (retirement, buy-in, or early withdrawal under certain conditions).

How can I improve my 2nd pillar benefits?

Making buy-ins to your pension fund is the most effective way to improve your 2nd pillar benefits. These voluntary payments make it possible to fill possible contribution gaps, for example after a job change, unpaid leave, or a reduction in the rate of employment.

The amount bought back directly increases your retirement savings, which results in a higher pension at retirement. In addition to this advantage, buy-ins are tax-deductible, allowing you to reduce your taxable income. However, certain conditions must be observed, in particular a three-year waiting period before a capital withdrawal if you have made a buy-in.

How can I withdraw my 2nd pillar?

Your 2nd pillar capital can be withdrawn under certain conditions:

1. RETIREMENT

You can request the payment of all or part of your retirement savings in the form of a lump sum, according to the rules of your pension fund. A formal request must be made several months in advance. The law allows the withdrawal of at least one-quarter of the capital.

2. PERMANENT DEPARTURE FROM SWITZERLAND

If you leave Switzerland for a country outside the EU/EFTA, you can withdraw your entire 2nd pillar. If you move to a country within the EU/EFTA, only the extra-mandatory portion can be withdrawn, except in specific cases.

3. HOME OWNERSHIP

You can use your assets to finance the purchase of your main residence, either through an early withdrawal or by pledging them as collateral (EPL – encouragement of home ownership).

4. STARTING SELF-EMPLOYMENT

If you leave your status as an employee to become self-employed in Switzerland, you can request the payment of your pension capital.

5. SMALL AMOUNT

If your vested benefits assets are less than one year of contributions, you may request their withdrawal.

TAXATION OF WITHDRAWALS

Each withdrawal is subject to tax at a reduced rate, separate from ordinary income, at one-fifth of the normal tax rate. It is therefore advisable to plan this operation carefully.

Division of the 2nd pillar in the event of divorce

In the event of a divorce in Switzerland, the 2nd pillar assets accumulated during the marriage are, in principle, shared equally between the spouses, regardless of the division of property or the marital regime. This sharing concerns only the vested benefits (vested termination benefits) built up during the period of marriage.

The amount is calculated at the date on which the divorce proceedings are initiated. Each spouse is entitled to half of the occupational pension assets that the other accumulated during the marriage. If one of the two has contributed little or nothing (for example, due to a career break to raise children), that person may receive part of the other's assets as a compensatory benefit.

The transferred amount is paid either into the beneficiary's pension fund or into a vested benefits account if they are not immediately affiliated with a fund. Exceptions exist (for example, in the case of a different agreement approved by the judge or if a pension is already being paid), but the principle of equal sharing remains the rule under Swiss law.

Types of systems under the LPP

In Swiss pension funds, there are two main operating models for calculating benefits: the defined contribution model and the defined benefit model. Some institutions also choose a mixed formula, called the duoprimat. Here is what you need to know.

1. DEFINED BENEFIT MODEL

In this model, the pension amount is determined in advance as a percentage of the last insured salary. It is therefore not the accumulated savings that matter, but the income level before retirement. This model has become very rare in Switzerland, as only 2% of pension funds still use it.

2. DEFINED CONTRIBUTION MODEL

In this system, it is the amount of contributions paid (by the employer and the employee) that determines future benefits. The accumulated savings (called retirement capital) earn a minimum interest rate (set each year) and, at retirement, are converted into a pension according to a conversion rate (currently 6.8% for the mandatory LPP portion).

3. DUOPRIMAT

Many pension funds now use a hybrid model, the duoprimat, which combines both systems. Old-age benefits (retirement pension) are calculated according to the defined contribution model, while risk benefits (death, disability) are calculated according to the defined benefit model.

4 3rd pillar: individual provision

Find out everything there is to know about the 3rd pillar, also called private provision: 3a, 3b, taxes, termination deadlines, subscription conditions, types of contracts, and much more.

The 3rd pillar in Switzerland is a voluntary retirement savings system designed to complement the benefits of the OASI (first pillar) and pension funds (second pillar). It comes in two main forms. On one hand, pillar 3a, reserved for retirement, offers tax advantages in exchange for certain withdrawal restrictions. On the other hand, pillar 3b provides more flexible savings options, although it does not offer the same tax incentives.

Pillar 3a: tied individual pension plan

Introduced into the Constitution in 1972, the 3rd pillar A represents tied individual provision. It is characterized by its advantageous tax framework and has the main purpose of preparing for retirement. This private provision represents voluntary savings that complement the first two pillars (OASI and pension fund) and, in exchange for tax deductions, entails withdrawal restrictions. The accumulated funds can only be accessed in cases of retirement, disability, death, or for the purchase of a first home, under certain conditions.

Who can open a tied pension account?

Opening a 3rd pillar A account or policy is available to anyone residing in Switzerland, whether employed or self-employed, but you must carry out a gainful activity and therefore earn income subject to OASI contributions. The 3a pillar is also open to cross-border workers, but only with a limited number of providers.

Possible forms

There are many options within tied provision. Two main categories are distinguished: the 3a pillar with a bank and the 3a pillar with an insurance company.

1. WITH A BANK

At a bank, several products are available under the 3a tied provision. On the one hand, there is the dedicated savings account, which offers a generally guaranteed interest rate and high capital security, but provides little return.

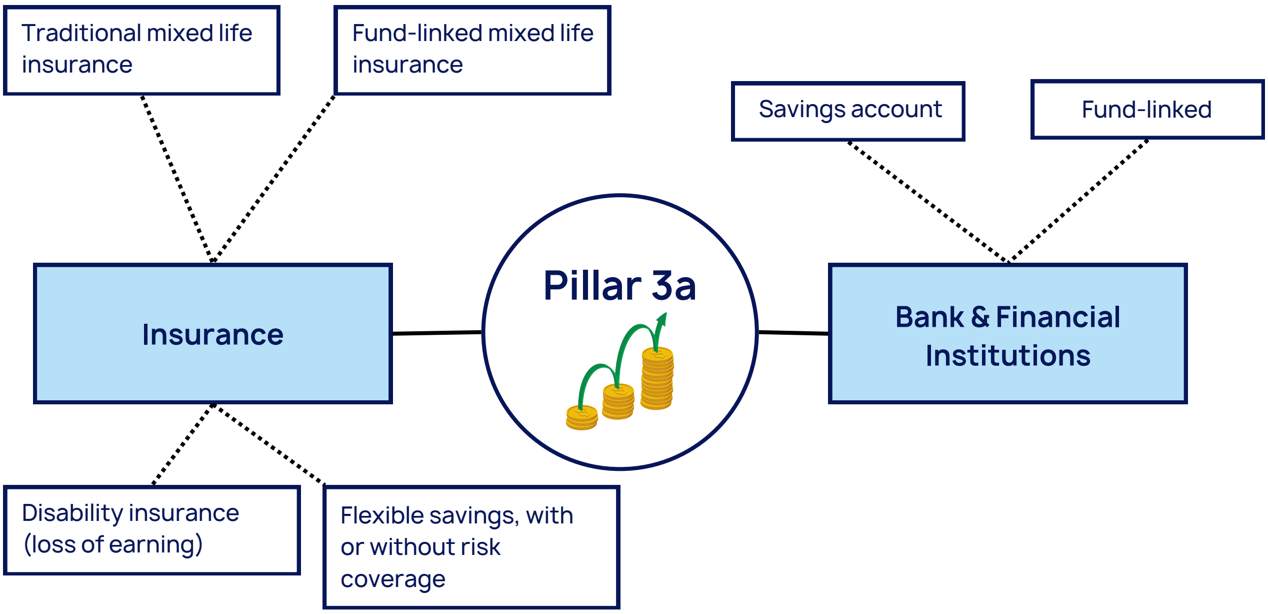
On the other hand, investment products such as investment funds or ETFs offer the possibility of obtaining potentially more attractive returns by investing in a diversified portfolio, but with risks linked to market fluctuations and without any guarantees. They are better suited to a long-term investment horizon.

Finally, hybrid solutions combine capital guarantees with a dynamic investment component, allowing a balance between security and performance.

2. WITH AN INSURANCE COMPANY

In insurance, the 3rd pillar A offers products designed to combine savings and protection. Life insurance contracts allow you to invest in a product that provides a capital guarantee while including coverage in the event of death or disability.

There are many forms, such as mixed life insurance linked to investment funds, disability insurance, and others. The return may vary depending on the performance of the chosen investments, although some contracts offer guaranteed rates.



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CONTRIBUTION LIMITS

In 2025, the following amounts can be paid into tied individual provision:

- Employee affiliated with a pension fund: up to CHF 7,258 per year
- Self-employed person or employee not affiliated with a pension fund: 20% of income, up to a maximum of CHF 36,288

Under what conditions can I make a withdrawal?

The conditions for early withdrawal from the 3rd pillar A are strictly regulated to ensure that the savings remain dedicated to retirement and long-term financial security.
Below are the specific circumstances under which an early (partial or full) withdrawal is allowed:

1. RETIREMENT AGE

Retirement benefits may be withdrawn no earlier than five years before reaching the ordinary AVS retirement age ("reference age"), and no later than five years after it.

2. BUYBACK OF 2ND PILLAR CONTRIBUTIONS

An early withdrawal is permitted when 3rd pillar A savings are used to buy back missing contribution years in a 2nd pillar pension fund. This allows the insured person to fill gaps or regularize their occupational pension capital.

3. WHEN RECEIVING A FULL DISABILITY PENSION (DI)

If the policyholder is granted a full disability pension under the DI (Disability Insurance) and the disability risk is not covered by their pension plan, an early withdrawal may be made.

4. CHANGE OF SELF-EMPLOYED ACTIVITY

An early withdrawal is also possible when the policyholder changes their self-employed occupation. This enables access to the liquidity needed to support their professional transition.

5. STARTING SELF-EMPLOYMENT

If the policyholder becomes self-employed, an early withdrawal may be requested. The goal is to provide financial support at the start of a self-employed or entrepreneurial activity, which is often crucial during the initial stages of creating a business.

6. PERMANENT DEPARTURE FROM SWITZERLAND

If the policyholder permanently leaves Switzerland, they may make an early withdrawal of their funds. This provision allows the insured person to access their savings when settling abroad.

7. ACQUISITION OF PROPERTY OR REPAYMENT OF A MORTGAGE LOAN

An early withdrawal is also possible when the funds are used to purchase an owner-occupied home or to repay mortgage loans. This condition facilitates home ownership by allowing insured persons to use their savings concretely for a real estate project.

What are the tax advantages of pillar 3a?

The contributions paid are deductible from taxable income, which helps reduce annual taxation. In addition, when withdrawn, the capital is taxed at a reduced rate — one-fifth of the ordinary income tax rate.

Furthermore, during the contract period, no wealth tax is levied, allowing the capital to grow without additional charges.

How many 3a contracts can I hold?

There is no legal limit to the number of 3a accounts or policies you may hold; however, some cantons impose restrictions. In practice, you can open several accounts — for example, one bank account and one life insurance policy.

However, the annual contribution ceiling remains unique and applies to the total of all your payments, meaning the combined amount deposited cannot exceed the limit set by law.

NEW: BUY-INS IN PILLAR 3A

In 2024, it will be possible to make retroactive buy-ins into the 3rd pillar A for the 2025 tax year, up to CHF 7,258 (the annual ceiling).

Settlement of inheritance in pillar 3a

When you die, the assets in your pillar 3a do not follow the usual inheritance rules. They do not enter directly into the estate; instead, they are paid in priority to the beneficiaries provided for by law or by the clause you have defined. In practice:

- First, the surviving spouse or registered partner is protected.
- Next come the children.
- If none exist, other relatives may be designated, within the limits set by the OPP3 ordinance.

You can specify in your contract how this capital is to be distributed among your beneficiaries. This helps avoid conflicts and ensures that your wishes are respected. Note: if your designations infringe upon the reserved share of legal heirs, they may request a reduction. In such a case, the surrender value of your 3a is included in the calculation of the estate.

Pillar 3b: unrestricted individual provision

Pillar 3b, known as "free provision," is the optional part of private pension provision in Switzerland and complements the pensions guaranteed by the 1st and 2nd pillars. Unlike Pillar 3a, it does not impose any annual contribution limits and allows full access to the capital at any time, without conditions related to age or use (self-employment, property purchase, personal projects, etc.).

What products are available under Pillar 3b?

The flexibility of Pillar 3b translates into a wide range of savings vehicles — life insurance, bank accounts, investment funds, or real estate — as well as flexibility in both the duration and the amount of contributions. Pillar 3b also allows the free designation of beneficiaries in the event of death, making it an ideal tool for supplementing retirement income while keeping accessible financial reserves for other goals.

Tax advantages of Pillar 3b

Although contributions to Pillar 3b are not as strongly encouraged through tax deductions as those to Pillar 3a, Pillar 3b still offers several advantages.

1. TAX-FREE CAPITAL UPON WITHDRAWAL

The amount in Pillar 3b (including surpluses and returns) is exempt from capital tax at withdrawal if it meets the following pension-related conditions:

- The contract must have a duration of at least 5 years (10 years if linked to investment funds)
- The payment must take place after age 60
- The contract must have been concluded before age 66

2. TAXATION OF LIFE ANNUITIES

Since January 1, 2025, life annuities under Pillar 3b are taxed as income at 4%, while participation in surpluses is taxed at 70% (income tax).

3. TAX DEDUCTIONS

Cantons determine the deductible annual contribution amounts. In some cantons, Pillar 3b contributions are not deductible at all, while in the canton of Geneva, in 2025, it is possible to deduct up to:

- CHF 2,232 for a single person
- CHF 3,348 for a married couple

In the canton of Fribourg, the available deductions are:

- CHF 750 for a single person
- CHF 1,500 for a married couple

What tax applies to capital in Pillar 3b?

Be aware that to benefit from these advantages, Pillar 3b must be concluded through an insurance policy.

The capital in Pillar 3b is subject to wealth tax throughout the duration of the contract. Wealth is taxed above a certain amount, depending on the canton. In Geneva, wealth tax applies from CHF 87,632, while in the canton of Vaud, it starts at CHF 58,000.

Pillar 3b: who is it for?

Pillar 3b may be suitable for the following profiles:

- People who have already contributed the legal maximum to Pillar 3a
- Those seeking total flexibility over amounts, investment vehicles, and withdrawals
- Anyone wishing to save beyond retirement
- People without income subject to OASI contributions

Where can I take out a Pillar 3b?

You can take out a Pillar 3b either with an insurance company or a financial institution. The decision depends on your needs (family protection, retirement planning, returns, etc.). To benefit from tax advantages, the 3b must be concluded through insurance.

What solutions exist?

Several models exist depending on your goals. You can find single-premium life annuities, which allow you to pay a one-time capital sum in exchange for a guaranteed lifetime income — ideal if you want to secure a retirement supplement without worrying about market fluctuations. Conversely, periodic-premium contracts offer you the flexibility to spread your payments over several years while gradually building up capital.

For those aiming for more dynamic growth, solutions linked to financial markets (investment funds, dedicated securities accounts, or unit-linked products) allow your savings to be exposed to shares, bonds, or ETFs, with higher return potential — but also with the risk of capital fluctuations. Finally, multi-support life insurance products combine a protection component (guaranteed capital) and an investment component (variableyield funds), offering a balance between security and performance. The choice will depend on your time horizon, risk tolerance, and liquidity needs.

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