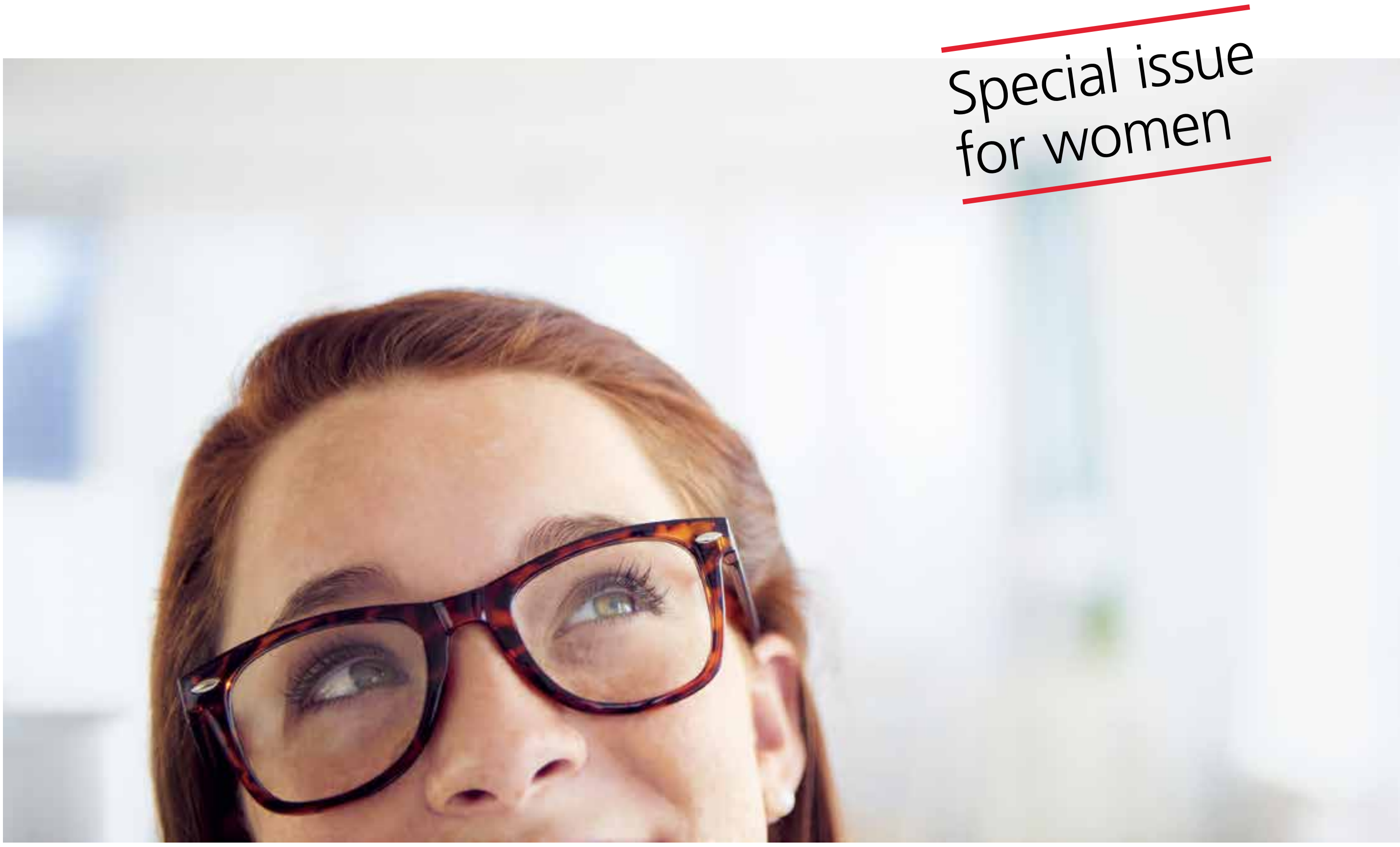
Pension News



Women with part-time jobs risk pension gaps

Part-time work has serious impacts on your financial situation upon reaching retirement age. This is because current pension fund regulations primarily disadvantage people with part-time jobs – and these are mainly women.

Part-time work is more popular in Switzerland than in almost any other European country. Fifty-seven percent of women and 17 percent of men work less than 90 percent of the hours of a full-time worker. Part-time work is still a typical characteristic of female jobs. If you have a part-time job, you should make sure you know the extent to which your retirement provision is affected by it.

A pension fund for all part-time jobs
Pension funds are not mandatory for all employees, unlike old-age and survivors' insurance (AHV). Only people who earn at least 21,150 francs (as of 2017) per year

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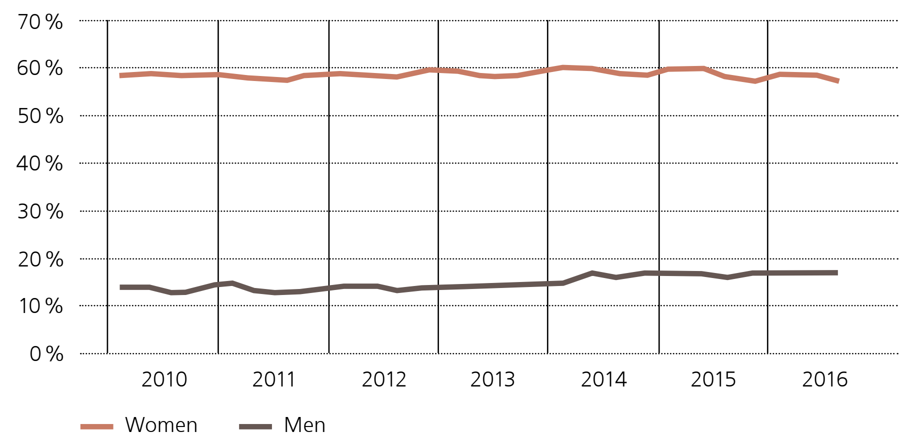
UBS

Number of part-time workers by gender in percent
Average quarterly numbers



Source: FSO – Swiss Labor Force Survey (SLFS)

> and employer are required to be included in the employer's pension fund. Employers aren't obligated to include you in the pension fund if your salary is lower. However, your employer can do so voluntarily.

If you have several part-time jobs and each of them is below the minimum amount but they reach the minimum amount in accumulation, you have the right to be accepted into a pension fund. Ideally, you will be able to handle all of your part-time income through the pension fund of one employer. The regulations of the specific pension fund determine whether that is possible or not.

If none of your employers' pension funds agree to this, you can join the Substitute Occupational Benefit Institution directly. However, the benefits of this institution are regarded as unattractive. Nevertheless, this solution is more sensible than doing without an employer's pension contributions. After all, for people over the age of 55, the employer's contribution for pension funds is still nine percent of their insured salary.

Tricky coordination amount
The insured salary is the reported annual salary minus what is called the coordination amount. This deduction can have a particularly negative effect on part-time female workers with a low level of employment: For an annual income of 30,000 francs, 5,325 francs of insured salary remains after the fixed coordination amount of 24,675 francs is deducted (as of 2017).

Some pension funds are more generous than the law prescribes and adjust the coordination amount to reflect the level of employment expressed as a percentage. In the previous example, this would give an insured salary of 22,598 francs at an employment level of 30 percent.

Attention ladies:
Make use of pillar 3a now
Part-time work reduces the benefits of pension funds first and foremost, but also those of the AHV. People with a level of employment of less than 50 percent compared with a full-time worker and on a low income are particularly at risk from this sort of pension gap. It is even more important for part-time female workers to use the opportunities of pillar 3a for retirement planning. The amounts paid into pillar 3a can be deducted from your taxable income, providing you with double the benefit.

If you've joined a pension fund, then you're allowed to pay up to 6,768 francs per year (as of 2017) into pillar 3a. This maximum amount is not tied to the salary amount. Smaller amounts can also be paid in. Even a monthly standing order for 100 francs represents a successful start. Part-time workers who haven't joined a pension fund can pay up to 20 percent of their net income, up to a maximum of 33,840 francs per year (as of 2017), into the restricted pillar 3. Net income is gross income minus contributions for AHV, disability insurance (IV), loss of earnings compensation (EO) and unemployment insurance (ALV). •

Advisory service

Optimize the transition to retirement

Other important retirement questions:

- Should I open a pillar 3a account?
  How can I increase my pillar 3a returns?
- What benefits will I receive from AHV and the pension fund?
- Should I take my pension fund savings as an annuity or as a lump sum?
- When is the best time to withdraw my retirement savings?
- Will my assets provide enough income after I retire?
- What are the tax effects of making a voluntary contribution to my pension fund (a "buy-in")?

Our UBS advisors will be glad to help you with your personal retirement planning. Call us on 0800 001 983 and schedule a consultation with your advisor today.

Further information
ubs.com/retirement

How to save taxes

Be honest: We women love gifts. If our tax planning is well thought out, the government offers us generous tax gifts. Read the best tax tips here.

Pillar 3a (restricted pension plan)
Money that you pay into your pillar 3a account or custody account year after year can be fully deducted from your taxable income. In 2017, you can pay up to 6,768 francs into pillar 3a. If you are not a pension fund member, you can contribute up to 20 percent of your net income to pillar 3a (max. 33,840 francs). By the way, you can also pay in smaller amounts.

Pension fund buy-in
Voluntary contributions to your pension fund are also fully deductible from taxable income. Ideally, you would spread out your payments over a number of years. That way you save more taxes than if you pay in once. Normally, you can see on your benefits statement whether you are able to buy in. A gap in your pension fund might be the result of a lack of contribution years because of parental leave, for example.

Stagger the withdrawal of retirement savings
You can save a lot of money depending on your canton if you stagger the withdrawal of your retirement savings, for instance for the amortization of residential real estate or when retiring from professional life. That's why you should try to stagger the withdrawal of capital from pillar 3a, from your pension fund or, if available, from the vested benefit foundation. It is helpful if you have several pillar 3a accounts. Open a new pillar 3a account as soon as the existing 3a account has reached approximately 50,000 francs.

Extended career break
It is best to plan an extended, unpaid career break, such as a trip around the world, over two calendar years. You save more taxes if you're missing from June to June instead of from January to December. This spreads your loss of salary over two tax years.

Plan renovations carefully
You can deduct real estate maintenance from your taxable income. Large-scale renovations for value preservation purposes should not be carried out in the same year but should be spread over several years. This reduces the total tax burden since you can lower your tax bracket for more than one tax period.

Tax deduction for empty rooms
If you own your own home and don't need a room in it anymore – because your children have moved out for instance – you can contact the tax office and claim a deduction for underutilization. The imputed rental value is reduced in proportion to the rooms that are not utilized. But be careful: Not all cantons grant this deduction.

Don't get married at the end of the year
As soon as you marry your partner, you are taxed jointly by the state and the cantons for the entire year of marriage. Dual-income families normally have a higher tax burden. It can make sense financially not to get married shortly before the end of the year, but instead to schedule the wedding at the beginning of the next year.

Asset management costs
For asset management agreements, costs that are directly related to earning income (interest and dividends) can be deducted from income tax. Investors without an asset management agreement can, for example, deduct the costs for the tax statement as well as custody account and account maintenance fees. •

Editorial

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Pensions are for women too

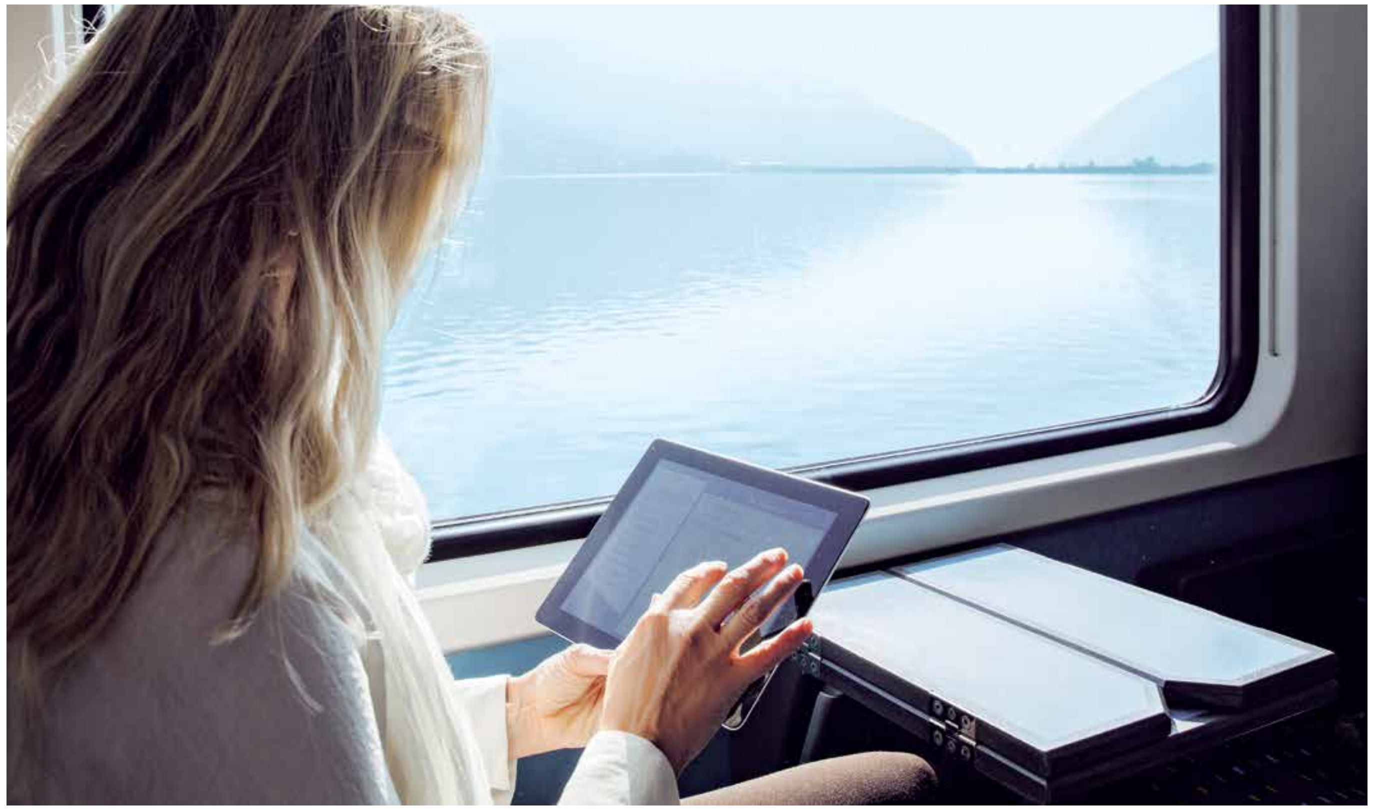
According to the Federal Office of Social Insurance, average pension fund pensions for women are only approximately half as high as those for men: Many more women work part-time than men. Many part-time female workers work less than 50 percent of the hours of a full-time worker.

Women who work part-time and are on low incomes can only insure a small portion of their salary in their pension fund because of the coordination amount for occupational retirement planning. Pillar 3a is a tax-privileged alternative. However, women who dedicate themselves entirely to their home are even blocked from pillar 3a.

If your level of employment is under 50 percent for an extended period, you risk only receiving the minimum living wage if you divorce in old age. That is why you should find out the consequences of your personal family model for your pension. Pension considerations form part of any planning for families.

"I wanted confirmation from an expert."

Elisabeth T. (62) thought that she would be able to afford early retirement even before she received pension advice from UBS. But she did not have the necessary assurance for early retirement until she had had a meeting with an expert.



Elisabeth T. had considered early retirement for a long time. "Even 10 years ago I thought that I'd like to stop working at 62 if my finances allowed it," she says. Her desire was nothing to do with her work as a biomedical analyst at University Hospital Zurich. So why early retirement? "I'd like to enjoy my life as long as I'm physically able to," she explains. Today, Elisabeth T. is 62 years old. She has fulfilled her dream. She retired in February 2017.

An expert opinion for additional security
Elisabeth T. did some rough calculations about her pension situation first to assess the feasibility of her wish. "I thought that early retirement should work financially." The idea of early retirement took further hold when she moved into an apartment in Chur that she had previously rented out and that has low maintenance costs. Conversations with former colleagues who had retired early and the planned reduction of the conversion rate of her pension fund were also decisive factors. Eventually, Elisabeth T. contacted UBS. "I wanted expert confirmation that my early retirement was feasible financially."

> "It's very helpful to have your financial situation precisely calculated."

Pillar 3a was worth it
Elisabeth T. sent the necessary documents to UBS beforehand, such as her benefits statement and tax return, and met with a pension advisor for a consultation. The advisor had already created an initial plan

Advisory service

Our UBS advisors will be delighted to take the time required to plan your retirement individually and prepare a specific action plan for withdrawing your retirement savings.

Simply call us to schedule an individual consultation (0800 001 983).

Further information
ubs.com/retirement

based on the documents and was able to give Elisabeth T. specific advice. "I was very relieved when my advisor confirmed that I had not miscalculated and nothing stood in the way of early retirement," she says. After all, that was the goal of her pillar 3a accounts. "Once I withdrew money early from pillar 3 to buy an apartment. Afterwards, I quickly replenished the balance on the account so that I would have enough capital in my later years." After the initial meeting, Elisabeth T. felt sure that she could afford early retirement.

> "I was relieved when he confirmed to me that nothing stood in the way of early retirement."

One meeting is not enough
Pension advice at UBS normally includes three steps: an initial meeting, a meeting for income and wealth planning and a meeting for asset organization and the implementation proposal. There were two main issues for Elisabeth T. How much money should she withdraw as a lump sum from her pension fund? And how should she invest her money? The pension advisor showed Elisabeth T. the options. "The advice was very understandable. But the topic of pensions is very broad and you need a while to process everything." Elisabeth T. is convinced that "one meeting is definitely not enough."

During the consultations, Elisabeth T. learned a lot, especially about investing. "Before the consultation, I hardly knew anything about it." Together with her advisor, Elisabeth T. found a strategy that fit. The expert also convinced her of the advantages of a bridging pension – an early annuity from the pension fund. "I always thought I didn't need that. My advisor changed my mind."

Loyal UBS client
Elisabeth T. has been a UBS client since she began work. "In those days, there weren't any ATMs, and I looked around for a bank that was close by and had suitable opening hours." She found a UBS branch in Zurich. She became very familiar with some of the employees at the counter over the years. "There was a level of trust that I still enjoy with UBS client advisors." The employees at the counter were also the ones who advised Elisabeth T. to establish a pillar 3a account

early. "Without this advice, I might have tackled my pension much later on." Her advice to other women: "You should consider pillar 3 early enough and if possible open another account in good time." She would open another 3a account to benefit from staggered withdrawals if she could start her pension planning all over again.

> "There was a level of trust that I still enjoy with UBS client advisors."

A consultation pays off
Other than that, Elisabeth T. is happy with her retirement planning. Not least because of the professional help. "You should definitely get detailed advice," she remarks. "It's very helpful to be perfectly aware of your financial situation. It's worth investing in a consultation." She has decided to do one thing first and foremost during retirement: nothing. "I'm just enjoying retirement for now and doing what I feel like doing." •

Order

Our publications provide useful information about retirement – and clear answers to questions that might come up at each stage of life.

Detailed factsheets about retirement planning
Our factsheets provide detailed information about retirement planning.

100 Fragen 100 Antworten
The UBS retirement guide entitled 100 Fragen 100 Antworten (only available in German and French) provides answers to key questions about retirement.

Further information
You can download the factsheets, the guide and other publications here:
ubs.com/retirement-publications

Co-habiting or married? A certificate changes things

Common-law partnerships are not legally equal to marriage. This is especially obvious when it comes to pensions. There are also a few differences between pillars 1, 2 and 3 that need to be taken into account.

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If you get married, you are subject to marriage law. However, common-law partnerships are scarcely regulated by law. In particular, women living in common-law partnerships should acquire additional cover if they care for children and don't work at all or only on a limited basis.

Twice the maximum pension in common-law partnerships
In common-law partnerships, both people have a right to a maximum individual old-age and survivor's insurance (AHV) pension of 28,200 francs when they retire. That is 56,400 francs for the couple in the best case scenario. However, the pension amount for two individuals is reduced to 150 percent for married couples. Married couples collectively receive only a maximum of 42,300 francs. That is 14,100 francs less than couples without a marriage certificate (as of 2017).

No survivor's pension as a rule
In the event that their spouse dies, a wife with children (regardless of their age) or a husband with children under 18 years old receives a survivor's pension from pillar 1. However, no survivor's benefits are provided for common-law partners in the event of death. This difference is especially significant for women or men who do not work and who care for children. Pillar 2 pension funds provide survivor's benefits for married couples with dependent children. Pension funds may also stipulate survivor's benefits for common-law partners. The pension fund regulations show whether this is provided for in your specific pension fund.

Limitations to pillar 3a and 3b
Surviving spouses benefit first in pillar 3a. However, if you do not have a spouse when you die, your descendants and common-law partner inherit your estate in equal parts. However, for this to happen, the common-law partnership must have been in existence for at least five years, and the pension fund must have been informed by the pension fund member about the existence of the partner. The surviving common-law partner must share pillar 3a assets with any children. This can be problematic, for example if a mortgage on mutual residential property must be repaid with the 3a assets. In this case, the pension fund has to receive an alternative percentage distribution and the names of the beneficiaries in writing. A partner can be provided with additional security in an unrestricted 3b pension plan. In this case, you are free to nominate beneficiaries, but you must take inheritance law limitations into account.

No legal inheritance claims
Spouses have a legal inheritance claim. However, common-law partners get nothing in cases of inheritance. The free share of an inheritance at least can be allocated to your common-law partner under a will/inheritance contract.

Big taxation differences
Married couples are taxed jointly in contrast to common-law partners. Married couples with high incomes may be at a disadvantage because of the progressive tax bands. Spouses in all cantons are tax-exempt from inheritance and gift taxes. People living in common-law partnerships, however, are often taxed at the highest rate in many cantons. •

What you need to know

- With a cohabitation agreement, you can provide clarity about the allocation of property ownership or the distribution of living costs.
- You should notify the pillar 2 and 3 pension funds in writing about the common-law partner as beneficiary to avoid uncertainties in the event of death. The various formal requirements for beneficiaries must be clarified in detail.
- In the event of a divorce, the AHV assets and pension fund assets acquired during the marriage are split equally. This regulation helps married women who do not work or who work on a limited basis to have higher retirement benefits. Common-law partners are excluded from this splitting if they separate, which can severely affect the retirement benefits of women who have lived in common-law partnerships.

Annuity or lump sum? How to choose

Women have a higher life expectancy than men, but often their retirement provision is worse. You should look at your financial future by the age of 50.

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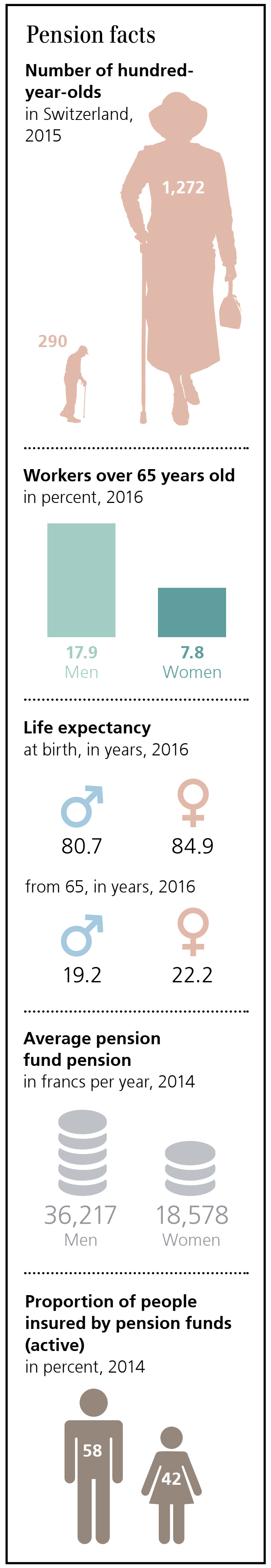
Toward the end of their professional life, many people ask themselves a question. Should I withdraw my accumulated capital completely or partially from the pension fund or should I go with security and have a monthly annuity transferred to me?

Choosing a pension guarantees a secure monthly income until the end of your life. If you have the capital paid out, you are more flexible and can manage your pension assets yourself, but you also take additional risks.

Consider deadlines for lump-sum payments
By law, insured persons are allowed to withdraw at least a quarter of the mandatory pension savings as a lump-sum payment. Many pension funds even allow you to withdraw half or the entire balance. A notice period may need to be observed for lump-sum payments. This is laid out in the specific pension fund regulations and can last up to three years. If you are considering a payout, you should first estimate how much money you need per month. To finance this amount, you can use the following rule as an initial approximation: You need approximately 200,000 francs of pension funds for a monthly pension of 1,000 francs. Example: You must receive 3,000 francs per month from your pension fund if you want a monthly pension of 5,000 francs and receive 2,000 francs of AHV pension. So, 600,000 >



> francs of pension assets should be available for your pension. People whose pension fund assets are less than 500,000 francs and who do not have other assets or income should normally draw the entire pension fund assets as an annuity.

Pay attention to tax rates
Whether the generally greater flexibility of a lump-sum payment pays off depends very much on where you live and your health as well as your family circumstances and financial status. Pension fund annuities, like regular income, are taxed at the full rate. Lump-sum payments, however, are taxed separately from income at a reduced rate. The tax rate for lump-sum payments varies from canton to canton and also depends on the amount of the lump-sum payout. You can calculate your tax burden for payouts of retirement assets at ubs.com/financecalculators. Women have a higher average life expectancy than men and therefore often live longer than men after retirement. If you feel healthy at the beginning of retirement, you as a woman have a good chance of living beyond the average age. The choice of an annuity might be practically imposed on you. However, if you have health problems before retirement, you should consider a payout of your pension fund capital to secure the unused part for your heirs if you die early. A big disadvantage of pensions is that the capital that is not used for pension payments goes to the pension fund when you die and cannot be left to your heirs.

Flexibility with lump-sum payments
An important argument for lump-sum payments is the greater flexibility. If you have the balance paid out, you have full control over it and can arrange withdrawals according to your own needs. In comparison, pension benefits are fixed and larger one-off payments, such as to repay a mortgage, are not possible anymore. Many women answer the question of "pension or lump sum" payments with a happy medium. They withdraw part of the pension fund savings as a lump-sum payment and the rest as an annuity. However, you should clarify which source the pension fund will take the lump-sum payment from. Some funds pay the amount proportionally from the mandatory portion and the extra-mandatory portion. Others pay out the extra-mandatory part first. The latter is more advantageous to you if a lower conversion rate applies to the extra-mandatory part than to the mandatory part. •

Interested?
Your UBS advisor will be happy to help you plan for retirement. Call us on 0800 001 983 and arrange a consultation.

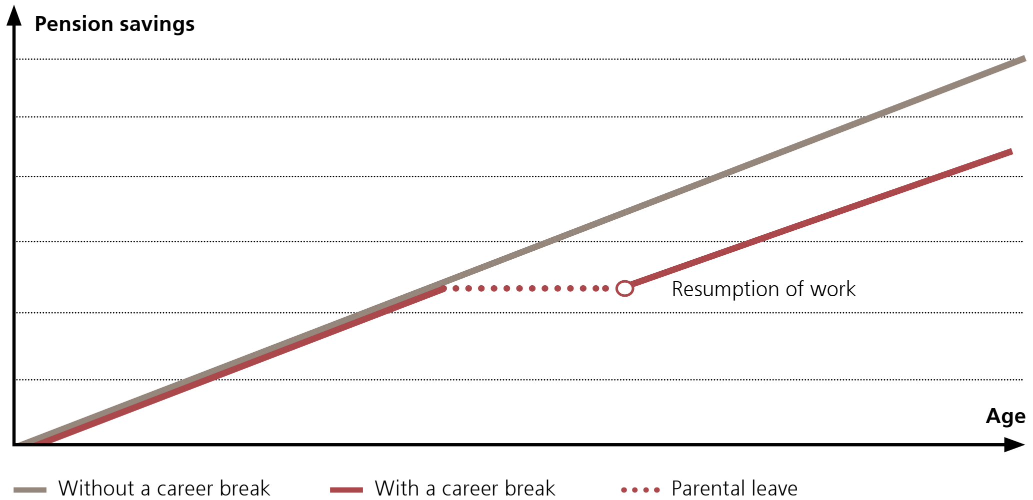
Divorce increases the risk of poverty for many women

According to the Federal Statistical Office, 41 percent of marriages in Switzerland are dissolved. On January 1, 2017, the new splitting of pension rights in the event of divorce came into force. For occupational retirement planning, it is still true that the pension fund and vested benefit assets accumulated during the marriage by the two applicants for divorce are split equally. What is new is that the decisive date for splitting is the day on which the divorce proceedings were initiated. Previously, it was the end of the divorce proceedings or the date of divorce.

Under the new rules, the pension fund and vested benefit institutions must periodically report all balances to the pillar 2 central office. By doing so, divorce courts can ensure that no retirement assets are omitted from the splitting.

If one of the spouses already draws an old-age or disability pension from the pension fund, according to the new divorce law it will also be split. If retirement assets are paid out to you when you divorce but you have not joined a pension fund, according to the new rules the retirement assets can be transferred to the Substitute Occupational Benefit Institution and later converted into an annuity.

Simplified presentation of accumulated pension fund assets



Women who take an extended career break (such as parental leave) will have less accumulated pension savings in their pension fund when they resume work than women who did not take a break. This can lead to massive benefit reductions upon retirement.

Source: UBS

"You have to take responsibility yourself."

Through pillar 3a, Saskia A. (35) is saving taxes and planning for retirement. She is relying on UBS Vitainvest funds for better earnings potential.

When did you start saving with 3a?
I began properly shortly before I turned 30. My housemate opened a pillar 3a account then, and that reminded me of my own 3a account that I'd hardly used. Since then, I've been paying in the maximum amount every year.

Why are you saving with pillar 3a?
The main reason for me is the tax savings. The monthly savings amount is also manageable. And at the end of the year, I can reflect on sizable savings for my retirement. In my opinion, you have to take responsibility yourself for your pension. It shouldn't just be something for the AHV, pension funds and the authorities to take care of.

The money in pillar 3 is blocked until retirement. That's why a lot of people don't pay in. What do you think about that?
I think it's good that the money is basically blocked. That way you can't use it for short-term desires like vacations. However, you still have the option of prematurely withdrawing the money from pillar 3a for important matters, such as purchasing a house or emigrating.

Why did you decide on a fund-based solution?
My UBS advisor drew my attention to the advantages of UBS Vitainvest funds. Because of the low interest rates, you hardly earn anything in an account. I have the opportunity for higher returns with the investment funds.

What would you recommend to others with respect to pillar 3a?
I would start saving earlier in pillar 3a. After all, you're very flexible with a bank solution and can adjust the amount of the payments to your financial situation. In that way, smaller amounts can be paid in difficult years or payments can be suspended completely. •

UBS Vitainvest funds

With UBS Vitainvest funds, you participate in the performance of financial markets and benefit from enhanced earnings potential. The eight UBS Vitainvest funds invest in bonds, equities and real estate to varying degrees with an emphasis on "Swiss" or "world." The latest additions to the Vitainvest family are two funds that hold 75 percent of their assets in equities. The new UBS Vitainvest funds fulfill the requirements of the supervisory authorities in spite of their high equity allocation since they are still appropriately diversified. Lipper, an established fund rating agency, named UBS Vitainvest 25 World the best fund in the Mixed Asset CHF Conservative category from 2013 to 2016.

Every woman's dream: Risk-free returns

If you start saving for retirement early, you can earn substantially better returns than with a savings account without a higher risk of loss. This is provided that you adhere to an age-appropriate investment strategy.

Women tend to be less interested than men in investing and stock exchanges. The financial world seems too complicated to some and too boring or too risky to others. Women often feel that the business media does not address them. It is more geared toward men as the target group. There are actually good reasons for women to be more interested in investment topics: Various studies show that women are more successful investors than men, especially in turbulent market phases. Women act carefully and have a long-term vision when it comes to investing money.

The female edge: Patience

Patience and a long investment horizon increase the chances of investment success. That is why you should start planning for retirement in the tax-privileged pillar 3a when you are young and pay in the maximum amount allowed every year if possible (6,768 francs in 2017). In pillar 3a, you can also invest in diversified funds with various equity allocations. A monthly standing order also reduces the risk of market mistiming. Do not be too defensive. Security should still come first, but do not unnecessarily forgo earnings potential. From a historical perspective, equities bring a long-term return that is substantially higher than bonds while the risk of loss falls exponentially as the holding period increases. If you have a long-term investment horizon, you should invest in funds with equity allocations and take advantage of higher earnings potential even if you have a defensive mindset. This insight applies to retirement savings in particular, which are long term by nature.

3a funds are more attractive

Young female investors with a long-term investment horizon may also invest in a 3a fund with 75 percent equities while respecting the requisite risk considerations. Starting from the age of 45, you should gradually reduce the equity allocation. Depending on your investment profile, a classic retirement savings account is only recommended in the final years before drawing on the 3a accounts. With this retirement strategy, you can earn substantially better returns without a higher risk of loss. •

Women are the strong gender

Studies show that women are often better investors than men. Be it with equities or investment funds, women plan for the long term more often and are also more successful for this reason. A study by the English financial services provider DigitalLook.com revealed something astonishing: Out of 100,000 investment portfolios examined, female investors were substantially more successful than male investors, with a return of ten percent compared to a return of only six percent. The secret of female success is that women act less aggressively than men with their transactions and portfolio structure. Women are also more patient.

Will my assets be enough in my later years?

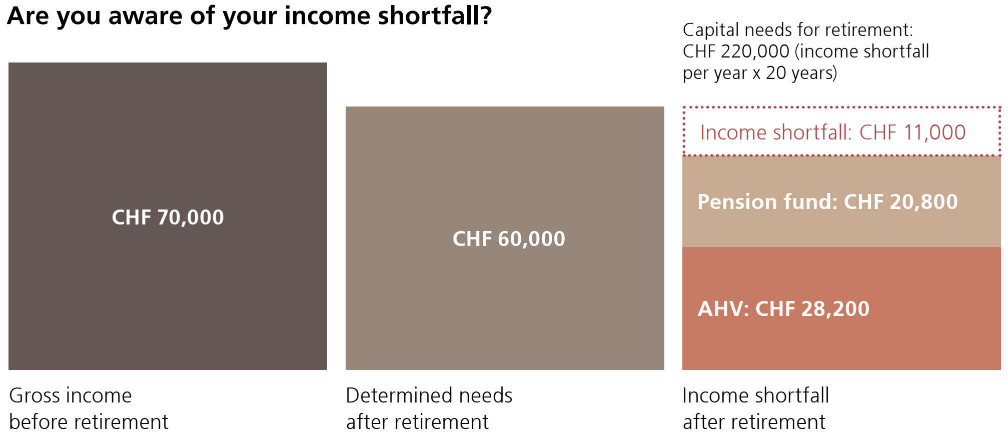
Women live longer and often have a shorter working life than men. That is why women need greater staying power with respect to drawing on their assets in their later years and are dependent on early financial planning.

Of course, pension advice is not a matter of gender, but women often have different financial needs to men. Women in their later years are often confronted with rather insufficient pensions caused by parental leave, divorce, life expectancy or part-time work. Their income and financial status change substantially upon retirement. That is why it pays off to ensure clarity about income and expenses after retirement as early as possible.

On the income side, you can count on old-age and survivors' insurance (AHV) and usually on a pension fund annuity during retirement. Plus, there may be income from investments and real estate. In addition to costs of living and taxes, your expenses will include foreseeable purchases such as a new car. Remember that your health care costs may increase after retirement. Taxes arising after retirement are often underestimated. Income after retirement is less, but your taxable income may still be just as high because potential tax deductions cease to apply.

There is no one answer to the question of whether your assets will be sufficient in your later years. You need a personal, transparent consultation. Create a budget of both income and expenses, and your UBS advisor can work out a long-term wealth plan with you and specify appropriate actions to implement it. It is important to structure your assets using clearly formulated personal goals and to align your investments with them. This is especially crucial if your expenses exceed your income after retirement and you have to fall back on your assets. •

Are you aware of your income shortfall?



Example: Before retirement, you have a gross income of 70,000 francs per year. You have determined that you need approximately 60,000 francs per year after retirement to maintain your standard of living. Pensions from AHV and pension funds normally cover 60 to 70 percent of your last salary. In this case, that would be 49,000 francs. You have an income shortfall of 11,000 francs per year and should have approximately 220,000 francs of capital upon retirement to maintain your standard of living.

Source: UBS

A wealth plan provides security

For us women, there is often nothing nicer than security and stability. That is exactly where UBS pension advice comes in, showing you whether the groundwork for your retirement has been laid correctly. Your goals are recorded at an initial meeting so that we can create your personal plan for you. Among other things, we show you what you can do today to optimize your financial situation upon retirement.

We need the following documents to create your personal wealth plan:

- AHV pension forecast
- Benefits statement(s) and pension fund regulations
- Information on other retirement savings (such as life insurance)
- Tax return
- Annual budget

Call us on 0800 001 983 and schedule a consultation today to create your personal wealth plan.

Column

A husband is not a reliable form of retirement provision

In Switzerland, poverty in old age mostly affects women. It is mainly women who live on the minimum living wage and are dependent on supplementary benefits in their later years. Many mothers, in particular, trust in their husband as their provider. They often work short hours for many years or devote themselves completely to the family and home. That has dire consequences in their later years. However, lawmakers are also responsible for such career paths being taken and for them being very insecure in terms of retirement provision.

Our social and societal system is still subconsciously based on one family model: He as the provider and she as a housewife and mother. This model is indirectly backed in many places. In the tax system, married couples are taxed jointly and receive favorable treatment if only one of them works. It makes them pay so much when both work and the children are cared for outside of the family that often a job is not worthwhile.

Couples who divide work and childcare are disadvantaged in the pension system. Two part-time salaries are more poorly insured than the traditional model with one full-time salary. Pension funds deduct a fixed coordination amount from each gross salary. Only what remains of the salary is insured. The consequence of the fixed deduction is that lower incomes in general and also part-time jobs are disadvantaged because only a very small portion of the salary is insured – if at all.

This system error in pillar 2 leads to women, in particular, accumulating much less capital in their occupational pension plans on average. This may be because of part-time work or simply due to lower salaries. For many women, if their relationship breaks up it means being poor in old age. Even marriage only offers partial protection. While it is true that pension fund benefits are split in the event of divorce, because the contributions in pillar 2 increase as you grow older, large assets and pensions are only formed in the years before retirement. For many women, it is not possible to make up for career and pension reductions anymore.

Kathrin Bertschy

Kathrin Bertschy works as an independent economist in research and consultation. She is a member of the National Council of the Canton of Bern, Vice-President of the Green Liberals and Managing Co-President of alliance F – the umbrella association of women's organizations.

That is why women should not trust in a man but in their own work to plan for their later years. Likewise, in the Retirement Provision 2020 reform project, the Federal Council and parliament need to correct this system error in addition to the much-discussed challenges. The coordination amount must be abolished or defined as a percentage of income. This is a key factor so that independent retirement provision in pillar 2 also works for women. •

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