

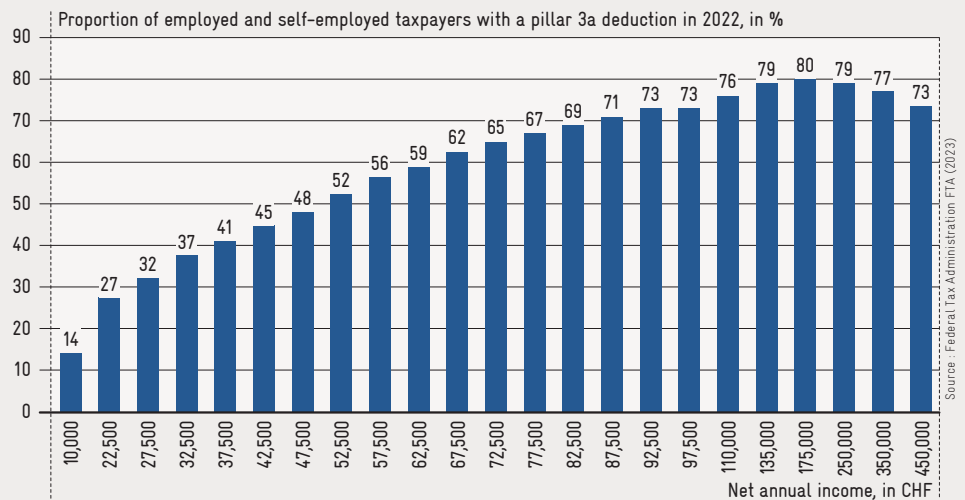
A Third Pillar with Potential

Mistakenly regarded as a privilege for high incomes only, pillar 3a plays an important role in pension provision for a larger part of the population. Its flexibility is its strength, but it could be further improved.

Situation

The tied pension provision (pillar 3a) is the third pillar of the Swiss retirement provision, alongside the Old-Age and Survivor's Insurance (OASI) and the occupational pension provision. It is optional and covers additional needs after retirement. All employees subject to the OASI can save a maximum tax-deductible amount each year in their third pillar. The capital built up can be used before retirement to buy a property, set up a business or move abroad. Although most new pensioners benefit from it, its potential could be exploited even more by expanding savings options.

A tool for all groups of income



Even taxpayers with the lowest incomes contributed to the 3a pillar in 2022.

Facts

55%

Contrary to what is often portrayed, pillar 3a does not exclusively benefit the wealthiest. In 2024, more than half of all new pensioners (55%) benefitted from the third pillar, compared to 50% in 2019.

■ Under-exploited savings potential

In 2022, not all savers paid the maximum annual amount of CHF 6,883. The lowest 20% of people with the lowest income (1st quintile) contributed an average of CHF 3,816 a year, compared to CHF 5,521 for the highest earners (5th quintile).

■ Married people don't contribute as much

Among employees, married people paid an average of CHF 4,325 in the year 2022, that is 12% less than unmarried workers (CHF 4,936).

■ Men and women well balanced

From 2020 to 2021, 63% of men and 55% of women saved regularly. This difference can be explained by the lower incomes and work-rate percentage of women. However, according to Credit Suisse, given the same conditions (age, income, family situation), the proportion of women contributing to the third pillar is higher than men.

■ A considerable capital

The median amount of 3a capital withdrawn at retirement is around CHF 47,000 in 2024. This amount does not take into account capital withdrawn before retirement for home ownership or to start a business.

Recommendations

The third pillar is an important source of savings for retirement, but its potential can be further exploited by: **1) Allowing individuals with no income subject to the OASI** to build a third pillar (i. e. in some cases, married or divorced individuals), **2) Providing**

greater flexibility in savings by allowing people who have missed years of contributions or who have not paid the maximum to make up for those missed payments at a later point, **3) Ensuring a simple procedure** to make up for missed payments.

