Zuger Kantonalbank

Information on the "promotion of home ownership" (WEF) scheme in pillar 3a

1 Scope

As a rule, all assets from a private "tied" pension plan are eligible.

2 Permitted types of use

The balance from a private "tied" pension plan can be withdrawn in advance or pledged for:

a) purchasing residential property or having such property built
b) acquiring a share in residential property, especially purchasing shares in a housing cooperative
c) repaying existing mortgages
d) conversion and refurbishment (see details on page 2)

Assets withdrawn under the WEF scheme may only be used for owner-occupied properties at the main place of residence.

3 Advance withdrawal

Until 1 day before they are entitled to their old-age benefits, i.e. up to a maximum of 5 years before the reference age minus 1 day[1], insured persons may claim an amount from their retirement account for financing owner-occupied residential property or for the acquisition of shares in a housing cooperative or similar participations. Advance withdrawals may only be made every five years.

When amounts are withdrawn, the claim against the pension foundation is reduced accordingly while the proportion of equity in the residential property is increased. Insured persons may continue to make payments into their account up to the maximum annual contribution as long as they are receiving an income subject to AHV contributions.

If the insured person is married or living in a registered partnership, their spouse/registered partner must approve the withdrawal in writing.

[1] Example: Reference age reached on 15 April 2030, latest possible advance WEF withdrawal on 14 April 2025

4 Pledging

If the insured person is married or living in a registered partnership, their spouse/registered partner must approve the pledge in writing.

What is the purpose of the pledge?

If a potential home-buyer cannot provide sufficient equity, the balance in their retirement account can be pledged to the mortgage creditor without the account balance being reduced for the time being. Only if the pledged retirement account is liquidated will the transaction count as an advance withdrawal, with all the consequences described above. Pledging and advance withdrawal can also be used in combination.

5 Repayment

The amount withdrawn cannot be repaid to the pension foundation.

6 Tax

An advance withdrawal is taxable as a lump-sum benefit from a retirement account, but a special rate applies.

Pledging is tax-free, as no payment is made. The realisation of the pledge is treated as an advance withdrawal for tax purposes.

The pension foundation must report the amount withdrawn to the Federal Tax Administration. It keeps a register for every insured person concerned in which all lump-sum payments are recorded. Insured persons may request the foundation to inform them of the current balance of their advance withdrawals.

Overview of permissible and impermissible investments in conversions/extensions/refurbishment

Under the scheme for the promotion of home ownership, retirement assets may be used for certain value-enhancing or value-preserving investments in owner-occupied home ownership. The table below provides an overview, but is not exhaustive:

Financing with retirement assets permissible	Financing with retirement assets not permissible
Conservatory	Any type of garage, parking space or shelter
Conversion of basement or attic into living space	Gardening and landscaping work
New kitchen (incl. appliances in the case of complete refurbishment)	Sauna, fitness room, swimming pool
New bathroom (incl. appliances in the case of complete refurbishment)	Noise barrier
Windows (incl. shutters)	Individual household appliances or furniture
Roof (incl. canopy at entrance); solar panels	All fees
Floor coverings (no loose parts)	General receipts not directly related to the conversion/extension/ refurbishment
Indoor stairs	Holiday and second homes
Walls and ceilings (incl. pipework and ventilation systems)	DIY renovation (remuneration for own work)
Facade	
Balcony and canopies (incl. patio or terrace, if directly adjacent to the house or apartment)	
Alternative energy (for living areas)	
Heating system (incl. fireplace, if part of the heating system)	
Sewerage connections	
Retaining walls to secure the residential property	