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Pension News

In focus: retirement planning for women, March 2023

Other topics

UBS

Dr. Veronica Weisser
Economist and
Pension Expert

ubs.com/retirement
retirement@ubs.com

Editorial

Hand on heart, dear ladies: how is your wealth and retirement planning looking? Have you been putting this topic off? Or are you already actively managing your finances but would like to dive deeper into this issue? No matter your answer, you are not alone.

With this latest edition of Pension News, we want to encourage you to take your finances (even more fully) in hand. We show you which challenges women face when planning for their retirement, how they can avoid pension gaps, and why patience and foresight pay off when investing. You will also find lots of useful links to further information and advisory services.

And by the way: it is (almost) never too late – and certainly never too early – to start planning for your retirement. Let's get started!

News from Bern

The latest on the reform of the pension system and the revised inheritance law

OASI reform (OASI 21)
On 25 September 2022, the Swiss electorate and cantons approved the reform of the Federal Act on Old-Age and Survivors' Insurance (OASI 21), thereby securing financing of OASI for a few more years. Both the amendment to the Federal Act on OASI and the federal decree on additional OASI financing through an increase in value-added tax were adopted. The two bills were linked. The reference age for men and women was equalized at 65, early retirement was made more flexible, and value-added tax (VAT) was slightly increased. The reform will enter into force on 1 January 2024.

Read more:
ubs.com/oasi21

Stabilization of the BV (BVG 21)
The reform of the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) is necessary to bring the law in line with reality. The basic aim is to restore full funding. The most significant adjustment is to the mandatory conversion rate. Lowering this to six percent now appears to meet with broad approval. The savings plan must also be changed to preserve the constitutional goal and to provide low-income people with better coverage. In addition to adjusting the conversion rate and compensation measures, the reform focuses on determining the coordination offset, the entry threshold, the entry age and the contribution rates. The Social Security and Health Committee of the Council of States (SSHC-S) adopted its draft for the BVG 21 reform, and the State Council discussed the proposal on 12 December 2022. The concept is based on the National Council's model but expands the circle of beneficiaries within transitional generations who would receive pension supplements, which increases the costs for future generations.

Revised inheritance law
The revised inheritance law came into force on 1 January 2023. In the future, the testator will be able to freely dispose of a larger proportion of their estate than previously.

Read more:
ubs.com/inheritance-law

Make an appointment
A personal meeting is worthwhile – for you and your assets. Make an appointment free of charge today.
ubs.com/pension-coupon

Independent woman:

five tips on retirement planning

1 Work part-time, save full-time

In Switzerland, six out of ten women work part-time. The problem: our pension system is designed for full-time work. A part-time salary may be enough to live on, but you could experience a shortfall when you retire. The good news is pension gaps can be closed (see page 8). **Tip:** pay into pillar 3a regularly and save additional capital.

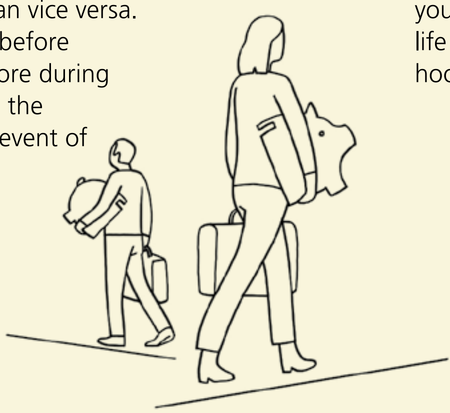
2 Oh, baby …!

After starting a family, many women take an extended period of parental leave. However, the precious time they spend with their children presents a challenge for retirement provision. In particular, women who extend their statutory maternity leave may be faced with a pension gap as a result of loss of salary. **Tip:** discuss how you will organize your family and working life with your partner early on, so parenthood does not impact you negatively.

3 Parting of the ways

The divorce rate in Switzerland is over 40 percent. When a divorce proceeding is initiated, the couple's retirement assets are split equally. As women are more likely to reduce their working hours to raise a family, they tend to depend more on their partner's pension fund assets than vice versa. Making up for this in the few remaining years before retirement is usually difficult. **Tip:** by saving more during your marriage and having (at least) one foot in the job market, you will be better prepared in the event of a divorce.

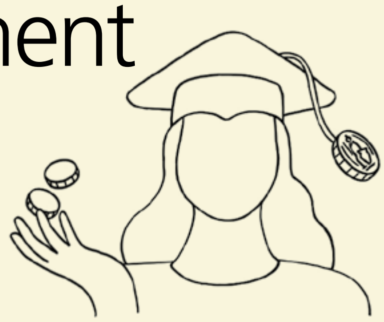
Learn more:
ubs.com/divorce-pension-fund



4 Saving is good, investing is better

Do you regularly pay into your pillar 3a account? Great! But it is even better if you do not "just" save money but also invest in securities. Retirement funds offer higher potential returns in the long term than savings. **Tip:** with UBS Vitainvest Investment Funds you can boost your retirement savings and also invest sustainably.

Learn more:
ubs.com/vitainvest



5 Financial knowledge brings security

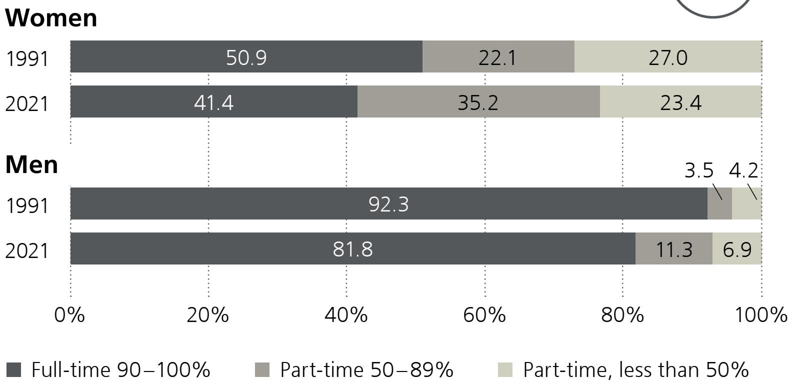
In Switzerland, seven out of ten women leave long-term financial decisions to their partners. The problem: first, women in Switzerland live on average around four years longer than men, and second, they are often faced with financial surprises after a divorce or the death of their partner. This is why it is so important that women also come to grips with this topic. **Tip:** visit our UBS Women's Wealth Academy and regularly receive tips and information on various financial topics.

Learn more:
ubs.com/academy

How things stand with women’s retirement in Switzerland

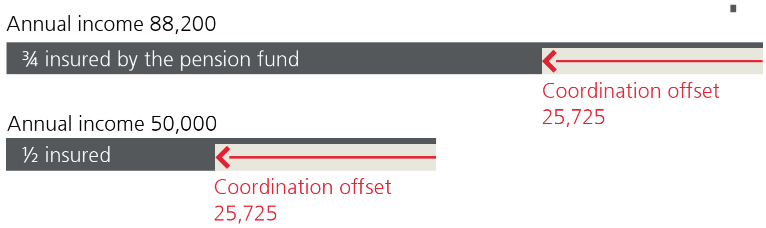
Women are often less well prepared for retirement than men. That is why it is so important they tackle this topic as early as possible.

1 Working hours for men and women

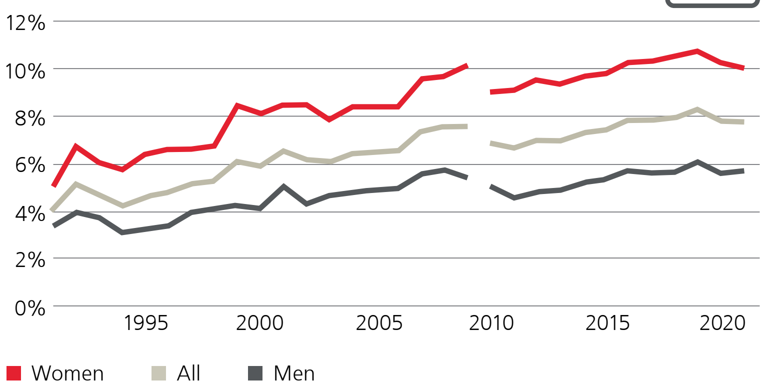


Source: Federal Statistical Office (FSO), Swiss Labor Force Survey (SLFS), 2022

2 Coordination offset (in CHF)



3 Workers with more than one job*



* Excluding apprentices
Average annual values (1991–2009: values for the 2nd quarter)
Source: Federal Statistical Office (FSO), Swiss Labor Force Survey (SLFS), 2022

1 In 2021, men were almost twice as likely as women to work full-time.
Concretely, 81.8 percent of men and 41.4 percent of women were 90 to 100 percent employed. The situation looked rather different 30 years ago when more than half of working age women worked full-time.

2 Those who work part-time must reckon with lower OASI and pension fund payments.
To receive the maximum pension from the OASI, you need to earn over 88,200 francs per year on average. Women who work part-time and are not married must make do with a lower pension. The same applies to unmarried mothers who take a break from work for a few years and only pay the low OASI contributions for non-employed persons. This leads to a big gap in pillar 2: the coordination offset is the same for all working people – currently 25,725 francs. So, if you earn 88,200 francs, around 70 percent of your salary is insured. If you earn 50,000, only half of this is insured. **Tip:** ask whether your pension fund offers a lower coordination offset or adjusts it if you work part-time.

3 One in ten women have more than one job. Under the current system, they slip through the net in pillar 2.
Thirty years ago, 4.4 percent of workers had more than one job. Today, this figure is 7.7 percent rising to 10 percent for women. Because the coordination offset is deducted per employer in pillar 2, they save significantly less retirement capital in the pension fund. The reduction of the coordination offset has been a topic of discussion in Swiss national politics for some time and would alleviate this problem. **Tip:** are you affected? Find out whether you can be insured with a single pension fund.

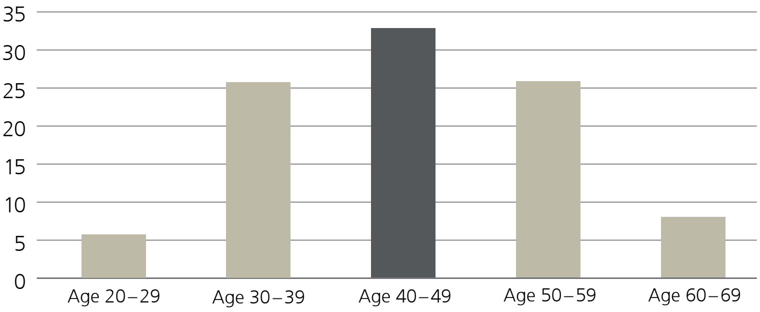
4 The gender pension gap is largest in pillar 2 (in CHF)

New pensions 2021	Average Men	Average Women	Gap
Pillar 1 (pension per month)	1,919	1,744	9.1%
Pillar 2 (payout per month)	2,662	1,595	40.1%
Pillar 2 (lump sum)	321,540	146,366	54.5%
Pillar 3a (lump sum)	65,277	51,398	21.3%

Average across all pensioner age groups.
Source: Our own calculations on the basis of the 2021 new pension statistics from the Federal Statistical Office (FSO)

5 Women are most likely to get divorced in their 40s

As a percentage of all divorces in Switzerland, 2021



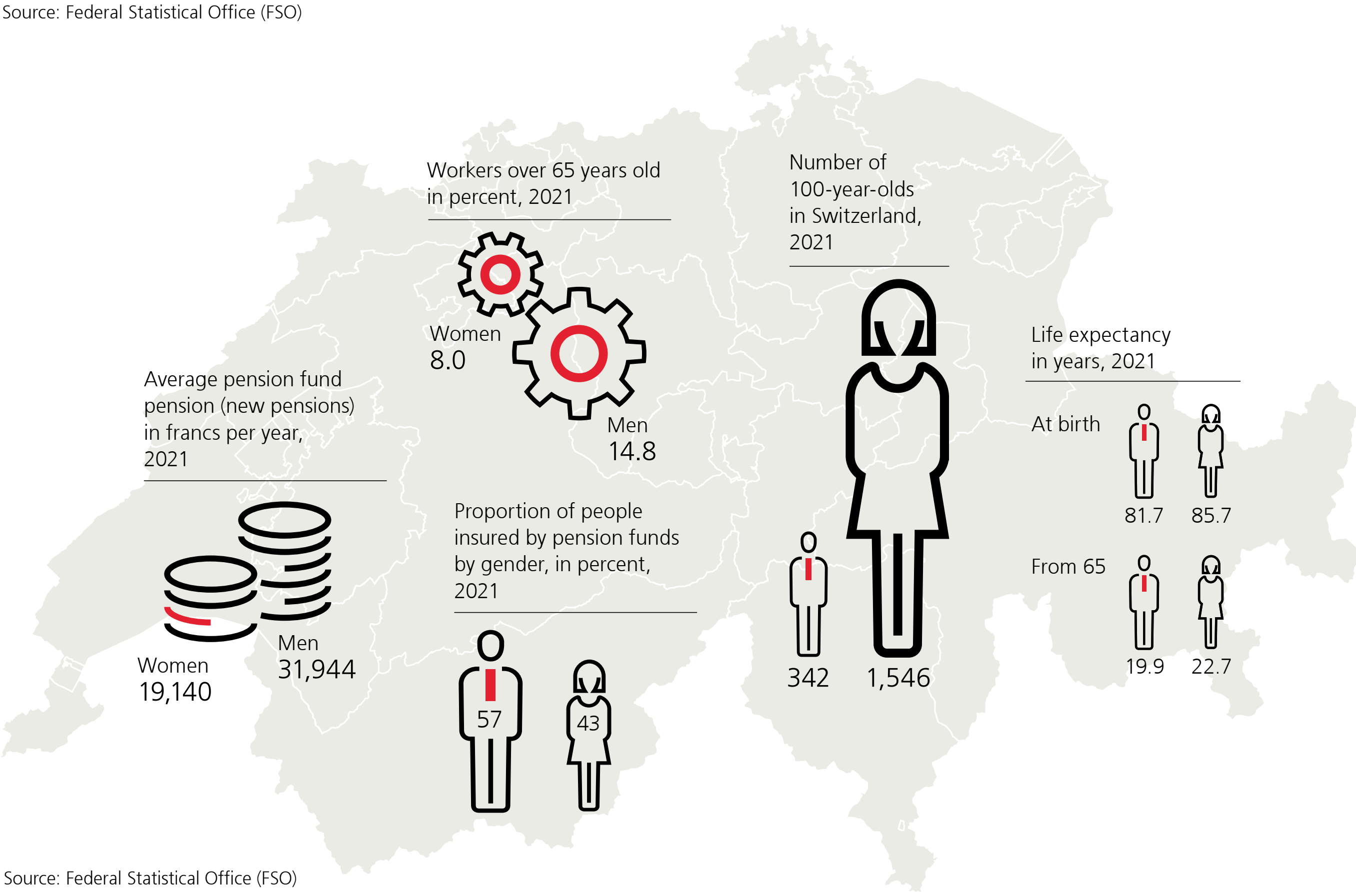
Source: Federal Statistical Office (FSO)

4 Today's retired women receive on average one-third less.

Men's and women's different career paths have a direct impact on their pensions. Most of the gender pension gap can be traced back to pillar 2. As a result, women who do not work are at a higher risk of poverty in old age. Women can combat this, for example, by saving voluntarily for their retirement in pillar 3a (this requires earned income subject to AHV contributions).

5 How divorce can jeopardize your pension.

The more raising children has slowed a mother's career, the greater the impact divorce will have. Especially in the case of a divorce at the age of 50, where there are still around 15 years left until retirement, a low salary leads to correspondingly low pension benefits. In addition, returning to work after a long period of absence from the labor market is often fraught with challenges. For this reason, it is advisable for women to remain active in the labor market even after having children.



Source: Federal Statistical Office (FSO)

About our interviewees: **Christa Emminger** is Head Personal Banking Region Zurich. **Sandra Huber-Schütz** is Head Personnel Financial Affairs and Business Lead Women's Wealth. **Jackie Bauer** is an Economist and Pension Expert.

"Preparing for retirement means taking responsibility"

Even now, too few women take control of their own retirement planning. Our experts Sandra Huber-Schütz, Christa Emminger and Jackie Bauer explain why it is so important and what you should pay particular attention to.

"It is important that clients are clear about their goals and preferences."

Christa Emminger

"Every stage of life offers a chance to engage with retirement planning."

Jackie Bauer

Sandra Huber-Schütz, according to the UBS Women's Wealth Study 2021, only one in five women are interested in building their wealth. What is your take on this survey?
Huber-Schütz: This result is very thought-provoking. Incidentally, there is even less interest in stocks and the financial market. Paradoxically, it is especially important for women to think about how to build their wealth.

Why?
Huber-Schütz: For example, one aspect is that women on average live four years longer than men, meaning they need more capital in the long term. Add to this the fact that women are still more likely to work part-time or to take longer breaks from work when starting a family. All of these aspects have a significant influence on their personal pension situation.
Bauer: We know that women more often have gaps in their retirement provision. This is problematic in many respects.

What are the reasons for this lack of interest?
Bauer: Planning for retirement always sounds rather boring. It is understandable that a 25-year-old woman would not yet want to deal with retirement planning – nonetheless, it is important.

At the same time, seven out of ten women wish they had started their retirement planning earlier.
Huber-Schütz: And this is also essential. The fact is, nine out of ten women will be faced with a situation in their lives where they must get more deeply involved with the topic of finances. This may happen, for example, as the result of a divorce or the early death of a partner. In these types of situations, we often see that women are unprepared.

In what way?
Huber-Schütz: Sometimes they do not fully understand their financial situation. With the UBS Women's Wealth Academy, we want to motivate women to take charge of their personal wealth planning early on.

What should women take into account when planning their assets and retirement?
Bauer: It is never too early, but also (almost) never too late. Every stage of life offers a chance to think about retirement planning.

How should you start?
Bauer: Pillar 3a is a good way to begin. Those who regularly pay into it can watch as their assets accumulate in the long term. This is especially true if the money does not just sit in the account but is invested in securities.

What about pillar 1 and 2?
Bauer: It is important to look at the entire pension system. This includes being clear about what consequences certain decisions will have on the retirement savings pillars. Most women in Switzerland are well covered by pillar 1, but things look different in pillar 2. Crudely speaking, the rule here is: "you get what you make." Those who work less also have less savings.

How does UBS support its female clients with long-term planning?
Huber-Schütz: Our consulting approach is based on UBS Wealth Way (see page 11). Depending on the complexity of your personal situation, we carry out a pension check and, if necessary, draw up a detailed financial plan as the basis for the right investment or pension solution for you.
Emminger: It is important that women are clear about their goals, needs and preferences. How do I feel about early retirement, what kind of living situation do I want in old age, what wishes do I want to fulfill later on? These are all important questions when it comes to retirement planning.

Does this also include making clients aware of everything that life can throw at you?
Emminger: Certainly, as our circumstances can also change unexpectedly. For example: we all know how high the divorce rate is. Even though it is not a pleasant thing to think about, we should still keep this scenario in the back of our minds. Retirement planning means being independent and taking responsibility for yourself.

Let's also talk about women's investing behavior: according to the Women's Wealth survey, as a rule, women are more aware of risk than men. Does that tally with your experience?
Emminger: Yes, this can also be seen in our consultations. Some women have a very keen understanding of risk. In principle, this is not a bad thing.

But?
Emminger: If excessive risk aversion means that women leave their money in their account rather than investing it wisely, they could lose out on attractive returns in the longer term. This applies in particular to young women, who have a long investment horizon.

And which investment products are especially popular with women?
Huber-Schütz: Women like to invest sustainably. They want to make an impact with the money they invest. The good news is, we offer a wide choice of exciting and attractive solutions in this area – and the number is always increasing.

You can read the whole interview with Christa Emminger, Sandra Huber-Schütz and Jackie Bauer at **ubs.com/pension-interview**

Financial knowledge at home and on the go

The UBS Women's Wealth Academy is a digital knowledge platform for financial topics. It offers background knowledge, advice and tips to encourage women to take their retirement planning into their own hands.

Learn more:
ubs.com/academy

> "The UBS Women's Wealth Academy aims to motivate women to come to grips with financial topics early on."
>
> *Sandra Huber-Schütz*

Personal financial tips from our experts

Christa Emminger: "Retirement planning means investing – and investing means retirement planning. Even saving a small amount each month can radically improve your long-term wealth."
Jackie Bauer: "A husband is not a retirement plan. The earlier women start their retirement planning, the better."

Sandra Huber-Schütz: "Do not get scared off by short-term fluctuations on the financial markets. Staying disciplined and sticking to your investment strategy massively increase your chances of success."

How you can avoid a pension gap

Early retirement planning is essential if you are to maintain your current standard of living in old age. Otherwise, mothers in particular risk a significant shortfall.

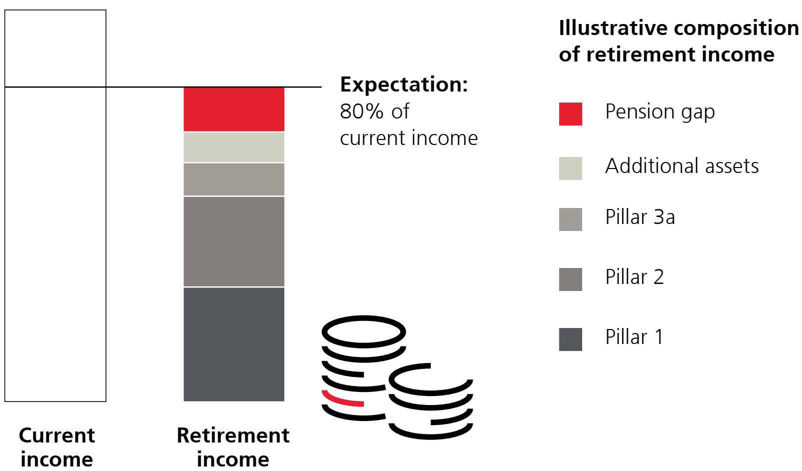
The Swiss three-pillar model is a success story that is envied by many other countries. However, the system is becoming increasingly unbalanced due to demographic and economic changes. Personal retirement planning is therefore becoming more important, particularly for women, but for men too.

On average pensioners need around 80 percent of their final salary in order to maintain their usual lifestyle. As a rule, pillars 1 and 2 cover 60 to 70 percent of the required income. This may be supplemented by savings in pillar 3, if present, and private assets. However, if expenses are higher than the expected income, a pension gap results. Due to more frequent part-time work or having multiple jobs, lower wages (even nowadays) and often longer career breaks due to starting a family, women with children are particularly at risk.

But that is not all: because the legislation currently provides for an entry threshold of 22,050 francs per year for occupational pensions, many women with low incomes below this threshold are completely excluded from occupational pensions. All this means that mothers can often expect a much lower pension after they retire. That is why it is so important for women to start saving for retirement early on. For example, serious budget and financial planning can help avoid surprises and introduce the necessary steps at the right time (see right-hand column.) Regular payments into pillar 3a also help you feel more relaxed about your financial future. It does not always need to be the maximum contribution (2023: 7,056 francs.) A monthly standing order of 100 francs would already be a successful start. When it comes to saving and investing, the earlier you get started, the better.

Will you have enough money for regular retirement in the future?

The earlier you recognize a pension gap, the more effectively you can close it.



Planning provides clarity

Budget planning is important in order to keep your finances in order. And in the long term it also pays off for retirement planning. For you, it is not just about overseeing current expenses, but also about thinking in the medium and long term and structuring your assets according to financial needs.

Give us a call and arrange a consultation today.
Phone 0800 001 983

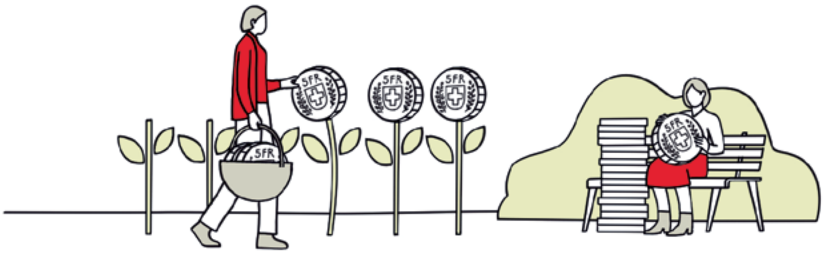
Or arrange a consultation online in just a few clicks.
ubs.com/retirement-consultation

Calculate your pension gap

If your expected income after retirement is not enough to cover your desired standard of living in old age, you will need additional savings. The UBS Retirement Calculator shows you if you have a pension gap and what you can do to rectify it.

Retirement Calculator:
ubs.com/retirement-calculator

Pension, lump sum or both?



An important decision faces all workers before they retire: should they take the money from pillar 2 in the form of a monthly pension, as a lump sum, or a mixture of both? Our article will help you make an informed decision.

A pivotal question before retirement is: pension or lump sum? Once made, this decision cannot be reversed. Due to its implications, it makes sense to give this decision a lot of thought. It is important to understand that you are not compelled to choose one of the two options: a combination of the two can also make sense.

When you weigh up the advantages and disadvantages of the two options, you should think through various scenarios, including your family situation, plans for the upcoming years and your health. Other assets such as real estate, private savings or money from pillar 3 should also be considered when making your decision. But what are the consequences of the different withdrawal types? We have summarized the most notable features for you below.

Pension: a secure income for the rest of your life
Do you value security, or are your financial options limited? Would you like to retire early? Or are you basically skeptical about securities? Then you might lean towards a monthly pension, which offers you a secure income for the rest of your life. In addition, your spouse will benefit from a survivor's pension after your death, which is usually 60 percent of your pension. A pension is therefore more attractive for married couples than for single people, especially if there is a large difference in age. If both partners die, the remaining capital generally stays in the pension fund. Only a few pension institutions allow for "restitution," whereby the remaining capital can be passed on. If you live together with your partner, you should ask whether your pension fund allows for voluntary survivors' benefits. Pension fund payments are taxed together with other income at the normal income tax rate.

Important information about lump-sum withdrawal
Would you like to take on a major project after retirement? Are you single with no children, but want to bequeath part of your assets? Do you intend to work for longer? If the answer to some of these questions is yes, a lump sum is worth considering.

A lump-sum capital withdrawal gives you more flexibility than a monthly pension. You can plan your liquidity individually and invest the money for higher returns. You bear the risk yourself – your income may fluctuate or decrease over time if you live longer than expected. If there is money left over when you die, this is automatically returned to your estate. Unlike a monthly pension, a lump sum is taxed at a reduced rate. However, the resulting income – for example interest or dividends – must be taxed normally, just like other income.

Rule of thumb helps with decision-making
When considering whether you should withdraw a larger share of your savings as a lump sum or whether a higher monthly pension makes sense, the following rule of thumb may help. Current expenses should be covered by current income. By contrast, the capital can be used to increase your budget, finance major projects or be passed on as an inheritance. Although of course this rule of thumb does not suit all cases, it can guide your decision.

To find the right ratio, first determine how much you expect to need for living expenses. Then find out how high your OASI pension is and include any other regular income (e.g., interest on assets, rental income, etc.). You should receive the difference in the form of a pension fund pension. As an indication: 240,000 francs are needed per 1,000 francs monthly pension. For example, if you want to receive 5,000 francs per month and your OASI pension is 2,000 francs, you will need around 720,000 francs of retirement assets to finance the remaining 3,000 francs pension. If some money is left over, it can be withdrawn as a lump sum.

Pension, lump sum or a mix of both?
In our UBS Women's Wealth Academy article, you can find out more about the key advantages and disadvantages of the various options.
ubs.com/pension-lump-sum

Build wealth with targeted investments

Women are increasingly aware of financial investing. Their strategies are different from those of men – but they pay off.

For a long time, investing was seen as a man's world. But this is changing fast.
A report by the UBS Chief Investment Office (CIO) from 2022 shows that interest in financial topics is increasing among women. The report on the topic of "Women and Investing" concludes: women are increasingly taking control of their finances and speaking about them more openly with those close to them. According to the UBS Women's Wealth Study 2021, although only one in five women are interested in growing their wealth, more than half think this is something they should change.

Less risk, more sustainability
The CIO report also describes the key differences in investing behavior between men and women. Women do more research and look for investments that match their values. For example, the topic of sustainability is twice as important to women as it is to men. In addition, personal and trustworthy advice is particularly important to them.
In the short term, women take fewer financial risks and thus accept lower returns. However, this does not mean that women do not take any risks when investing – rather, they judge them differently. Provided women have the necessary information about an investment, they will also take risks.

Instead of quick gains, most female investors seek long-term financial security. They think not only about their own retirement provision, but also their loved ones. As a rule, this makes them more patient and foresighted, which are two characteristics that pay off on the stock market. According to studies, this approach often brought women better results than men's typically riskier investment behavior.

Investing is the better retirement plan
Investing in pillar 3a is well suited to women's typical investment goals. By making payments into pillar 3a, you can strengthen your own retirement provision at a young age and even save on taxes. In addition, it is advisable to invest the capital in retirement funds in order to benefit from developments on the financial markets. Those who have more than 15 years to go before retirement may well choose a fund with an equity component of more than 95 percent, taking into account their own risk profile. Historically, equities bring a far higher return than bonds in the long term. As pillar 3a assets are usually withdrawn on retirement or shortly before, this will automatically give you a long investment horizon. This helps to balance out stock price volatility in the interim. As you approach retirement, the proportion of equities should be reduced.

Incidentally: UBS Vitainvest Investment Funds can be partially transferred to your private custody account when you retire, free of charge. This prevents you having to sell the fund at an unfavorable moment.

Do you also want to build your wealth?
Our calculator shows you how you can grow your savings over the years by investing them, depending on your risk profile.

ubs.com/asset-accumulation

How emotions influence our investing decisions

We often behave more emotionally on the stock market than we would like. For example, do you copy successful portfolios without understanding the reasons? Do you mainly invest in Swiss shares because you trust the home market more? Do you focus more on losses than gains, even if the balance between them is even? These are all signs of behaviors which are not optimal when making investment decisions, which can be summarized by the term "unconscious biases."

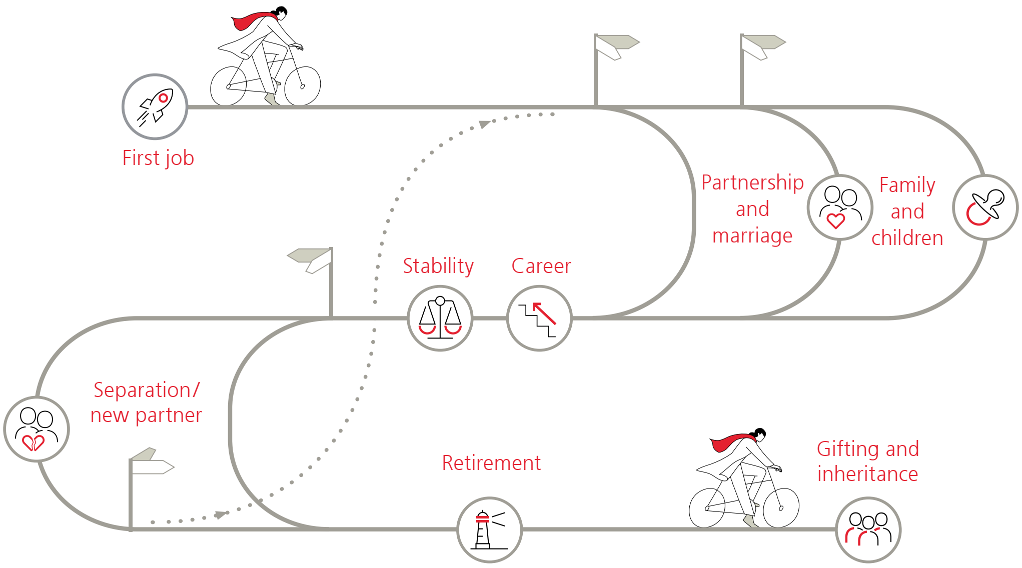
Making decisions in a split second and only taking part of the overall picture into account is described by researchers as "fast thinking," which is unconscious and distorts reality. When making financial decisions, we should activate our "long-term thinking," so our decisions are conscious and rational.

Would you like to learn more about behavioral finance and invest in a more conscious way? Then register for the UBS Women's Wealth Academy learning path.

ubs.com/academy-learning-path

As varied as you are: financial planning is life planning

Hardly anyone follows a single, predetermined path in life. Make sure you think about possible detours and forks in the road when carrying out your long-term financial planning.



Your first job Now you need to define key objectives on your way to becoming privately and financially independent. This includes making sensible investments.

Partnership and marriage A good partnership consists of two people: talk to each other about your financial planning and larger expenses.

Family and children A lot changes when you start a family – and of course this also impacts the growth of your assets.

Career Even the most successful careers are rarely completely linear: which is why it is all the more important to take care of your retirement and asset planning early on.

Stability When the biggest goals in our lives are achieved, we can take it easier. Now it is time to build assets for your upcoming goals and plans.

Separation / new partner A breakup or divorce usually has a major impact on your financial situation. Although it is unpleasant, you should also think about this scenario.

Retirement When do you want to stop working? How is your pension looking – and your health? There are some important decisions to make in preparation for retirement. Think about them early on.

Gifting and inheritance When it comes to passing on your assets, you do not want to leave anything to chance. Ensure that you have everything arranged in good time.

Find out what financial aspects you should be considering at your present stage in life:

ubs.com/lifestages

For today, tomorrow and the day after: strategies of UBS Wealth Way

With UBS Wealth Way, your wealth is structured according to three key strategies – liquidity, longevity and legacy. The liquidity strategy, together with your pension, covers expenses for the next one to three years, including buffers for emergencies.

The longevity strategy includes all the assets and resources you want to use throughout your life. This includes, for example, expenses for health and long-term care. The investment portfolio serves to safeguard your retirement and also includes your residential real estate and comparable assets.

The legacy strategy is the focus of your estate planning and supports you in deciding to whom you want to pass on your assets and what legacy you want to leave the world.

No matter what your goals in life are: with UBS Wealth Way, you always enjoy the good feeling that everything is taken care of. We will be happy to advise you.
ubs.com/wealthway-ch-en

Column

How can we close the pension gap for women?

Another country, Ireland, has investigated the gender pay gap. And once again, the message is the same: the difference in salaries between men and women is due mainly to motherhood.

Lower incomes for mothers also means lower occupational pension savings. Due to the coordination offset, in percentage terms pension contributions decrease even more than income. No wonder then that pillar 2 is the main reason for the pension gap in Switzerland. A lot of people are unhappy about this – and rightly so!

Reducing the coordination offset seems to be the easiest option. But this would not bring only positives. What benefits a second earner in a financially comfortable situation will be a burden to a single mother. Her main concern, first of all, is to ensure she has a high enough net income. It would therefore be just as important for her to be able to make up for the missing years of pillar 2 and pillar 3 contributions.

In any case, it would make sense for the state to provide some institutional safeguards so that pension provision between parents is truly balanced. This is not a new idea. Even today, the money saved in a pension fund during a marriage is divided between the partners in the event of a divorce. But this settlement does not apply to unmarried couples and is too low in the event of a divorce where the couple has young children.

My suggestion would be as follows: a mandatory pension equalization between the parents until the youngest child turns 16, regardless of marital status and gender. In terms of bureaucracy, it would probably be easier if the equalization payments were not triggered until the youngest child's 16th birthday. The (resolvable) challenges lie elsewhere: for example, in how the pension equalization would occur in patchwork situations.

Monika Bütler

Prof. Dr. Dr. h. c. Monika Bütler is an independent economist, member of various administrative boards, Vice President of the Gebert Rüf Stiftung and a columnist at the *NZZ am Sonntag*. Until 2021 she was a professor at the University of St. Gallen. In 2018, she was awarded an honorary doctorate from the University of Lucerne.

However, the pension system cannot solve the difference in income between mothers and fathers on its own. Societal values ("the mother stays at home") and the high effective tax burden on second incomes reduce the level of self-provision for retirement through employment. Individual taxation would therefore not only significantly reduce the sometimes absurd disincentives for women to work, but also the need for pension equalization.

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