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Annuity or Lump Sum?
A Guide to Your Decision



Annuity or lump sum: what are the issues?

There is no universal answer to the question “annuity or lump sum?” A number of factors will influence your decision. In this document, we will examine the two options from the perspectives of **security for your family, life expectancy, taxes and risks**.

Timing, stages, annuity or lump sum: the choice is yours.

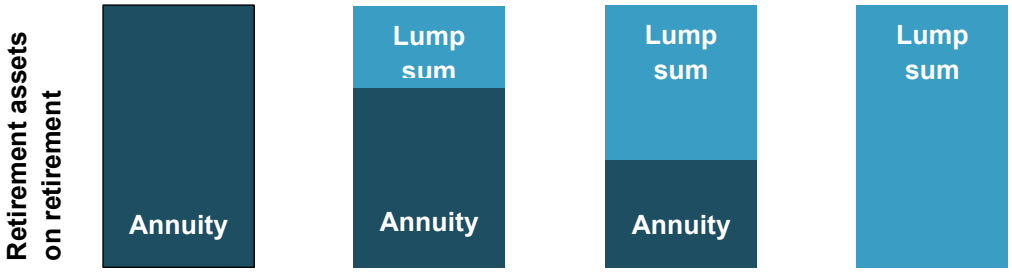
As you near the end of your working life, there are some important decisions you need to make. You are insured with PUBLICA, and you can arrange the transition from working life to retirement according to your needs.

For example, you can choose:
- the age at which you wish to retire
- whether to stop working all at once or reduce your working hours in stages
- whether to draw your retirement assets as an annuity or a lump sum – or a combination of the two

Every option has its pros and cons. Once you’ve made your choice, it cannot be reversed. What is right for you will depend on your individual circumstances. In this document, we will explain the issues you need to consider. This background information will help you choose the right option for your retirement. Check your pension plan regulations for details of what exactly you are entitled to. You can find them at PUBLICA’s pension plans.

Annuity, lump sum or combination: it’s up to you.

You choose when you will retire and how you will draw your retirement assets. For details of your earliest possible retirement date and how long you can put it off for, see your pension plan regulations. What proportion of your available retirement assets will you withdraw as a one-time, lump-sum payout? What proportion will you take as a lifetime annuity? You decide. If you opt to retire in stages, you can choose how to draw your assets at each stage.



You can choose an annuity, a lump sum, or a combination of the two.

Annuity or lump sum is not a matter of “either/or”. You can also opt for a combination, and you can retire in a number of stages.

An annuity is for life

You have your personal retirement assets. Multiplying these by the conversion rate (CR) gives the annual pension (annuity) that we will pay for the rest of your life. If you opt for a combination, PUBLICA will calculate your annuity on the basis of the proportion you draw as an annuity. This means the conversion rate determines how much you receive each year. **At PUBLICA, the conversion rate at age 65 is 5.09%.**

The conversion rate takes account of our insured members' life expectancy. This means it is lower for those taking early retirement, because we will pay their annuity for a longer time. Conversely, the conversion rate for those who defer retirement is higher, because the payment period will be shorter.

Why is the conversion rate 5.09%?

The **conversion rate** is set to ensure that all pension obligations can be met through retirement assets. It therefore reflects the benefits that the pension fund expects to pay out.

PUBLICA works on the basis that on average, **men and women** who are 65 today will live to the ages of **88.4** and **90.1** respectively. This means that the average period for which a retirement pension is paid is 23.4 years for men and 25.1 for women.

This life expectancy is taken into account when calculating the conversion rate. If a pension recipient dies earlier, this results in a gain for the pension fund; if they die later, it leads to a loss. Across all pensioners, these gains and losses balance out, so that no surpluses arise. That risk balancing is essential to ensure that PUBLICA can cover what is known as the longevity risk.

From the individual perspective, however, **life expectancy varies** widely. For an explanation of why looking solely at the average is problematic for you as an individual, see the section on **longevity risk** on page 7. The conversion rate at PUBLICA is lower than that on the mandatory portion of the OPA pension, which is 6.8%. This is permitted because PUBLICA offers insurance in excess of the OPA minimum: the savings contributions, for example, are much higher. This allows members to accumulate more retirement assets, leading to a pension that is higher than the statutory minimum despite the lower conversion rate.

Sample calculation

Retirement at age 65 with retirement assets (RA) of CHF 500,000

100% annuity:	RA x CR = annual retirement pension = CHF 500,000 x 5.09% = CHF 25,450
50% annuity / 50% lump sum:	CHF 250,000 immediate payout; CHF 12,725 annual retirement pension

You can simulate your retirement at the desired time in the myPublica active member portal. This will show you how much your annuity and lump sum would be.

Family members receive a survivor's pension

When someone who draws a retirement pension dies, PUBLICA normally pays a survivor's pension. It is 2/3 of the previous retirement pension, and is also paid out to the survivor for the rest of their life. It applies to spouses, registered partners and those in a life partnership that has been notified to PUBLICA. **On average**, a new retirement pension including a survivor's pension is paid out for **26.5 years**.

A pension for children

If you have children who are not yet 18 when you retire, or who are in education and have not yet turned 25, you will also receive a child's pension.

Your pension includes a return

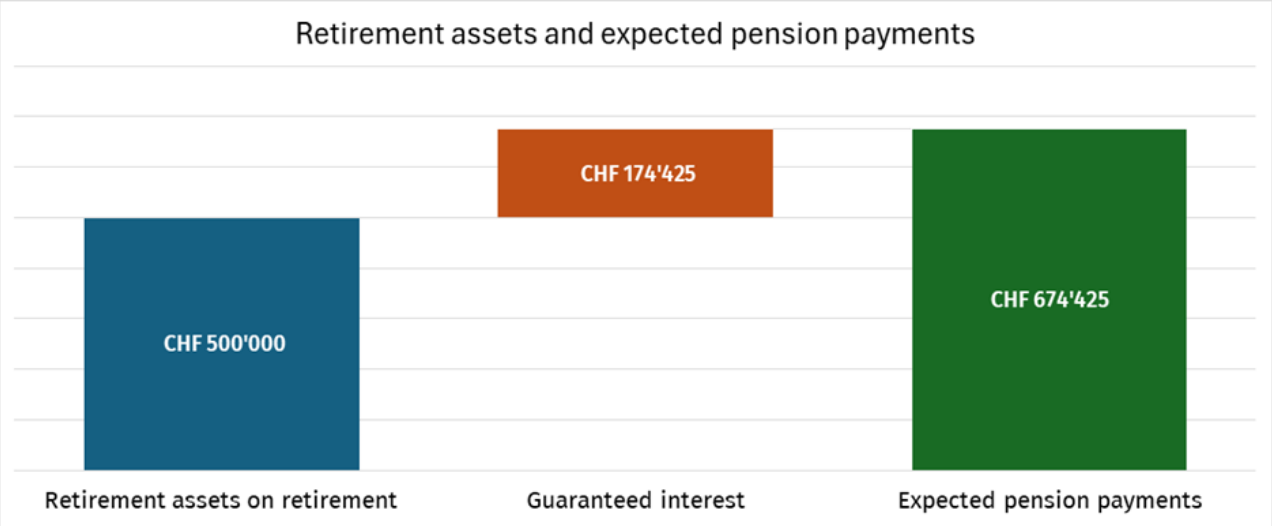
Retirement assets must be enough to pay out the retirement pension, a child's pension and the survivor's pension. PUBLICA must continue to pay interest on those assets after you retire. Comparing the total of all expected pension payments with the assets on retirement, the latter must currently earn net interest of at least 2.4% a year in order to fully finance a new pension.



When someone retires, they receive what is known as an **implicit interest guarantee** on their retirement assets – regardless of investment performance and capital market movements. On the basis of this, PUBLICA therefore pays out more in the form of an annuity than the current value of your retirement assets.

Sample calculation

If you have assets of CHF 500,000, you will receive an annual pension of CHF 25,450. This is paid out to you and your survivors 26.5 times on average, giving a total of CHF 674,425. The difference is the guaranteed interest on retirement assets.



The most important points about annuities in brief:

- The annual **retirement pension** (annuity) is paid out until the recipient dies.
- **Children** of pension recipients who are under the age of 18 (or 25 if still in education) additionally receive a child's pension.
- Following the death of a retirement pension recipient, PUBLICA pays a **survivor's pension**, amounting to 2/3 of the retirement pension.
- This too is paid for life.
- On average, each new pension that arises will be paid by PUBLICA for 26.5 years. A **net return of 2.4%** is factored in. This is guaranteed to the pension recipient.

Lump-sum withdrawal: bearing the risks yourself

If you withdraw your retirement assets as a lump sum when you retire, they form part of your personal assets thereafter, and you are responsible for investing them. You are no longer entitled to an annuity on the amount you withdrew as a lump sum.

In the next sections, we look at the points you should ideally consider if you are thinking about a lump-sum withdrawal.

Formal aspects

- If you are married, you must obtain your spouse's agreement to a lump-sum payout.
- You must notify your pension fund of the withdrawal at least three months before you retire, otherwise you will incur administration fees.
- Buy-ins made in the three years immediately preceding retirement cannot be withdrawn as a lump sum.
- Another issue with buy-ins is that if you withdraw your lump sum less than three years after you make one, the tax authorities are highly likely to reverse the tax deduction.

Various types of taxes

It is difficult to compare the tax liabilities involved in every withdrawal option. The taxes concerned are due not just in the year of retirement, but for the rest of the pension recipient's life. Additionally, under the Swiss tax system, other income, personal assets, membership of a religion, the number and age of children and the work situation affect the tax burden. Your place of residence also plays a crucial role.

The following table gives an overview of the taxes due under each withdrawal option.

	Income tax	Wealth tax	Lump-sum payout tax
Annuity	Annually on annuity	Personal assets	None
Lump sum	Annually on investment returns	Personal assets + lump-sum withdrawal	Once in the year of withdrawal

Income tax is calculated on the entire household income and on investment returns – income earned on your capital, for example in the form of interest and dividends.

Wealth tax is calculated on the basis of total assets, i.e. the retirement assets you have withdrawn as well as your other assets. No tax is payable on the retirement assets that remain with PUBLICA in order to finance a pension.

Lump-sum payout tax is payable once when you withdraw assets from pension funds, vested benefits institutions or pillar 3a accounts. It is independent of other income and assets.

With all types of taxes, you need to factor in progression: as the amount involved rises, so too does the relative tax liability in each category.

Are you willing and able to take on the risks?

A pension scheme is a form of insurance. It covers various risks by paying a pension and spreads those risks through a collective arrangement. Individual risk types balance each other out.

In the next sections, we examine the biggest risks.

What if you die? Security for your family

When you withdraw a lump sum, your retirement assets become part of your personal assets. You and your family can use them as you wish, and after your death you can bequeath them. You have more control over who benefits from your retirement assets, and you can use them in favour of people who have no entitlement to a survivor's pension. Provided there is some money left over, of course.

If you opt for an annuity, those who survive you will also receive a pension worth 2/3 of your retirement pension for the rest of their lives.

It is impossible to generalise about whether your family will benefit more from a lump-sum withdrawal or an annuity.



Are you living in a partnership? Ensure that PUBLICA is notified of it during your lifetime. Only then can PUBLICA check whether your partner is entitled to a survivor's pension. You can still notify PUBLICA of a partnership after you have retired.
For details, see Insure your nearest and dearest | PUBLICA

What if you live to 100? Longevity risk

An annuity is paid for life. This means that the pension fund bears what is known as the longevity risk. No one can say exactly how much longer they will live. A pension fund bases its calculations for pension recipients on averages, which allows it to calculate benefits precisely. Some people reach their expected lifespan; others do not. Across all pension recipients, this balances out. If you, as an individual, choose a lump-sum withdrawal, you bear the longevity risk yourself. This means you will need enough money to support you even if you live to 100.

The longevity risk is especially problematic if you intend using the assets you have withdrawn to cover your fixed costs. It is often recommended to cover fixed costs with an annuity and withdraw any remaining assets as a lump sum.

At PUBLICA, the average life expectancy at age 65 is 88.4 years for men and 90.1 years for women (as of 2025). This is three years longer than the Swiss average for men, and two years longer for women. However, the differences at individual level can be substantial.

The following overview shows the factors PUBLICA considers when calculating for its pension recipients:

Men	Women
Average life expectancy: **88.4 years**	Average life expectancy: **90.1 years**
One in **three** dies before reaching 83	One in **three** dies before reaching 85
One in **three** lives to be older than 90	One in **three** lives to be older than 92
One in **ten** dies before reaching 74	One in **ten** dies before reaching 76
One in **ten** lives to be older than 95	One in **ten** lives to be older than 97

To be on the safe side, men should assume a life expectancy of at least 95 years and women at least 97 when considering a lump-sum withdrawal. Even then, however, you could still live longer than this.

Investments can go down as well as up: financial market risk

Every financial product is at the mercy of market fluctuations. It can gain value, or lose it. This is a form of risk. Cash does not have any investment risk, because it is not subject to fluctuations in value. However, it can lose value due to inflation. An annuity from PUBLICA is calculated on the basis of 2.4% net interest. Net means after deduction of all costs involved in investing the assets. In any event, there is no financial market risk for pension recipients: that risk is borne by PUBLICA. The annuity remains the same for life, even if the return on investments is less than 2.4% – as happened in, for example, 2022.

Anyone who invests their money themselves after making a **lump-sum withdrawal** is exposing themselves to **financial market risk**. Different asset classes have different expected returns and different risks. **Normally, the higher the return on an asset class, the higher the risk** – and the uncertainty about how it will perform. In principle, a broadly diversified portfolio offers less risk for the same return than an individual investment.
The only way PUBLICA can achieve the 2.4% return factored into the pension is by investing a relatively high proportion of its assets in equities and/or real estate in Swiss francs. Achieving at least the same return thus means taking on substantial levels of investment risk.

Over the longer term, it is possible to calculate on the basis of an investment's average value. In the short term, however, investors need to be able to absorb significant fluctuations in value, bearing them financially but also coping with them emotionally.

Sample calculation

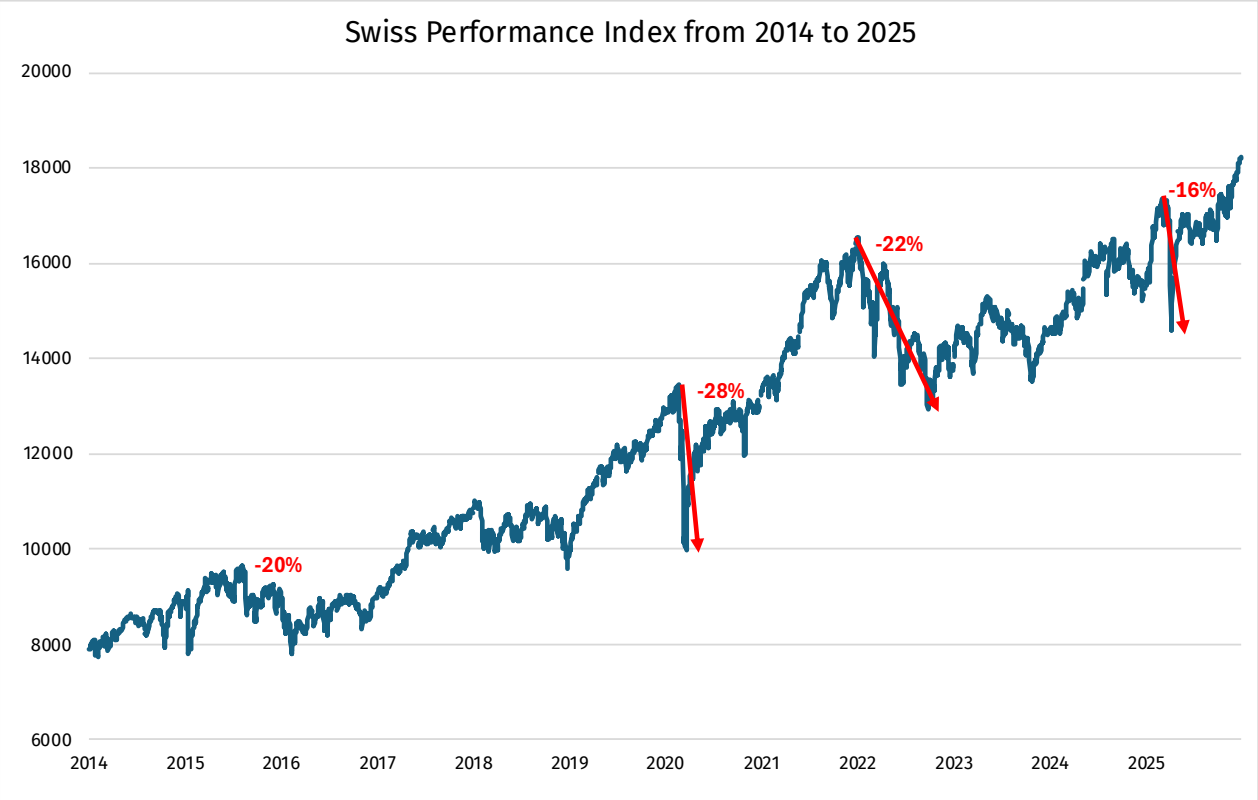
For example, a diversified portfolio of Swiss equities currently has an expected return of around 5%. However, this is linked to a volatility of 18%. In other words, within the space of a year the expected value of a CHF 100 investment will, in 95 cases out of 100, lie between CHF 69.5 and CHF 140.3.

The performance can thus vary widely, depending on the **timing** of the investment and the retirement. If you withdraw and invest your assets at an unfavourable moment, it can take you a long time to get back to where you started from. Get the timing right, meanwhile, and your initial assets can quickly increase in value. When you make a lump-sum withdrawal, you bear those financial market risks yourself. With an annuity, it is PUBLICA and those who have not yet retired, rather than the pension recipient, that bear this risk.

Anyone planning to progressively use their lump sum to provide something akin to an annuity needs to be aware that at any given time, only the assets that remain are available to invest and achieve a return. This has a particularly negative impact on anyone needing to draw more funds during a stock-market low. Because of ongoing consumption, the portfolio may never fully recover.

The Swiss Performance Index as an example

With reinvested dividends, the Swiss Performance Index (SPI), which replicates the entire Swiss equity market, gained 20.5% from the end of 2019 to the end of 2024 (5 years), and 74.7% from the end of 2014 to the end of 2024 (10 years) (see chart). However, there were significant corrections during this period. During this timespan, the SPI lost a maximum of 19.5% between 2015 and 2016, as well as 25.7% in 2020 and 21.8% between 2022 and 2023. This example illustrates how financial market fluctuations can impact retirement assets. It is also possible to diversify a portfolio more broadly across asset classes and countries, and thus partially mitigate such fluctuations. However, that requires in-depth knowledge of investing; moreover, not all asset classes are accessible to individuals.



- A higher promised return normally entails a higher level of risk (fluctuations).
- Diversification is important, to spread the risk when investing.

Asset management comes at a price: the costs involved

PUBLICA invests large volumes of assets, and is therefore able to do so in a very cost-efficient way. If you are thinking about withdrawing a lump sum, it is important not just to compare gross returns. You should also calculate net returns after deducting administrative expenses, commissions, custody fees, transaction fees and so on. As a private investor, you will have to allow for **significant asset management costs**, especially if you set up an asset management mandate. Seek out information to ensure you can secure attractive conditions. Be sure to compare a number of providers.



– Factor in asset management costs: gross return and net return are not the same thing.

Do I know how to invest? Administration risk

If you withdraw a lump sum, you will immediately need to manage and invest a large amount of money. If you already have a lot of experience in this area, that probably won't be a big adjustment. However, if you are not accustomed to investing large sums, you put yourself at risk due to lack of experience and familiarity in dealing with financial institutions and instruments.

The same applies to your spouse, or those who inherit the assets. They will have to administer them when you die. This is especially important if your partner is suddenly confronted with this issue when they are themselves already elderly.



Dementia and other illnesses associated with old age can lead to a sharp decline in cognitive abilities and memory. So there is a risk that you will no longer be able to manage the money you have withdrawn yourself when you reach an advanced age. In Switzerland, 16% of people between the ages of 80 and 84 suffer from dementia. For those in the 85–89 age group, that figure rises to more than 25%, while for those over 90 it is as high as 44%, according to figures from Pro Senectute Switzerland. There is thus a significant possibility that you will experience dementia yourself.

The most important points on lump-sum withdrawals in brief:

– There are **formal aspects**. For example, your partner must agree.
– It is difficult to compare the **tax** liabilities of every withdrawal option. Lump-sum payout tax is payable once. Thereafter, income tax and wealth tax have to be paid every year.
– You bear the longevity risk yourself: if you live to be **very old**, you must take your own steps to ensure that you have enough money for the rest of your life.
– You can **bequeath** the money you have withdrawn, if any of it is left, including to people who would not be entitled to a survivor's pension.
– If you withdraw a lump sum and leave it in a bank or savings account, it will earn almost **no interest**. Investing money involves risks.
– Asset management **costs money**.
– There is an **administration risk**: do you know how to invest?

In conclusion: weighing up flexibility and security

The choice between an annuity and a lump sum is one you make once at every stage of your retirement. It is irrevocable. This document is intended to offer factual information and guidance as you balance security and flexibility.

Annuity	Lump sum
Security	**Flexibility**
Insurance – safeguarding against risks	**Risk** – bearing risks yourself
Delegation	**Individual responsibility**

No serious advisor would give you a universal recommendation in favour of one or other option. Moreover, it is not simply a question of "either/or": a combination of annuity and lump sum is possible. One often-repeated piece of advice is to fund ongoing expenses from the first and second pillar pension, drawing the remaining retirement assets as an annuity or a lump sum. You should choose the option that makes most sense for you.

Ask yourself the following **questions** before making your decision:

- How much risk am I willing and able to take on, and how much security do I want?
- Do I live alone? If not, how financially independent is my partner? Do I want to provide security for him/her?
- How do I balance taxes, returns and risks individually?
- Do I have substantial financial commitments that affect my freedom to choose? For example, do I have a mortgage to repay?
- How experienced am I in investing money?
- Does my partner agree to me withdrawing a lump sum?



You can check the level of your retirement assets in the myPublica active member portal, where you can also simulate your retirement.
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You can obtain your access data here: «Link zu Antragsformular»
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