SALMANN
INVESTMENT MANAGEMENT

Pension or Lump Sum?
What Really Matters When Drawing Your Pension Fund Benefits

The decision between receiving a pension or withdrawing your pension assets as a lump sum is one of the most important financial decisions surrounding retirement. There is no one-size-fits-all solution. What matters is the interplay between your personal circumstances, existing assets, future capital requirements, risk capacity, estate planning objectives, and the applicable tax framework.

The specific pension fund also plays a significant role. In Switzerland, insured persons are entitled to withdraw at least one quarter of their retirement assets as a lump sum. Many pension funds allow for a larger or even full lump-sum withdrawal under their regulations. It is therefore important to review the available options and any applicable notification deadlines at an early stage.

Figures from the Swiss Federal Statistical Office show that an increasing number of insured persons are considering a lump-sum withdrawal. Among those who received pension fund retirement benefits for the first time in 2024, 45% opted exclusively for a lump-sum withdrawal, 36% exclusively for a pension and 19% for a combination of the two. (*Occupational Pension Provision | Federal Statistical Office - FSO*)

Pension or Lump Sum – The Fundamental Decision

When pension benefits are drawn as an annuity, the accumulated retirement assets are converted into a lifelong income stream. The key advantage is predictability: the pension fund assumes the so-called longevity risk – in other words, the risk that an individual's own assets may not be sufficient if they live for a very long time. At the same time, the insured person does not have to manage or invest the corresponding pension assets personally.

A lump-sum withdrawal, by contrast, offers considerably greater flexibility. The assets can be invested and used in line with the individual's personal circumstances. Estate planning also changes: while survivors' benefits under a pension are governed by statutory provisions and the pension fund's regulations, assets withdrawn as a lump sum become private assets and, in principle, form part of the estate.

However, this additional flexibility also comes with greater responsibility. Following a lump-sum withdrawal, investors themselves bear the investment, withdrawal, and longevity risks. Particularly where substantial pension assets are involved, the key question is therefore not only how the capital should be invested, but also how much of it will be required and at what point in time.

How to Reduce the Tax Burden on Lump-Sum Withdrawals

In Switzerland, tax on lump-sum pension withdrawals is progressive and increases disproportionately with the amount withdrawn; similar effects can also arise in other countries for comparable lump-sum payments. In practice, three approaches can be particularly relevant:

1. **Staggered withdrawals:** If pension assets are withdrawn over several years, for example as part of a phased retirement, the impact of tax progression can be reduced. Depending on the canton and the individual circumstances, this can result in tax savings of several tens of thousands of Swiss francs.

2. **Coordination of different pension vehicles:** Individuals in Switzerland who plan ahead and hold several vested-benefit accounts or Pillar 3a accounts can spread withdrawals across different tax years rather than withdrawing the entire amount at once.

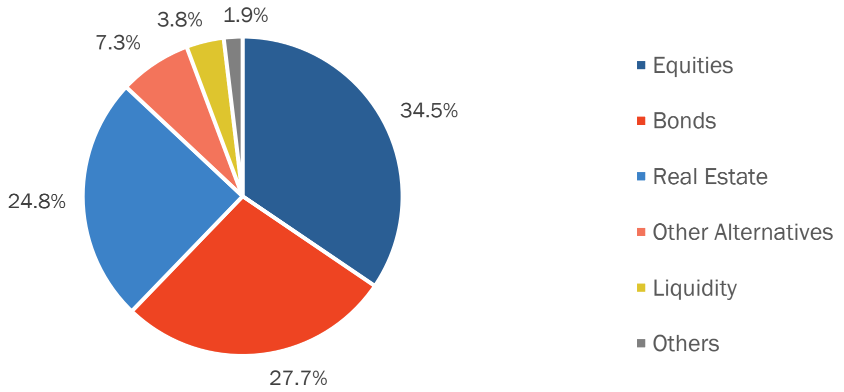
3. **Choice of residence at the time of withdrawal**: Since taxation generally occurs at the place of residence at the time of the payout, relocating before retirement can have a significant impact on the tax burden. This is an aspect that requires careful and early planning.

Particularly where larger pension assets are concerned, it is therefore advisable to consider tax and wealth-planning matters together well before retirement.

From Pension Assets to an Individual Investment Portfolio

During an individual's working life, pension fund assets are managed collectively. The investment strategy of a pension fund must therefore be designed for the overall body of insured persons while also complying with regulatory, actuarial, and financial requirements.

The chart from Swisscanto's 2026 Swiss Pension Fund Study shows how Swiss pension funds were invested on average at the end of 2025. There are, however, considerable differences between individual pension funds.



Own chart: «Asset Allocation 2025 Swiss Pension Funds», Source: Swisscanto; Pensionskassenstudie 2026

The key difference following a lump-sum withdrawal is therefore not that a pension fund necessarily invests "better" or "worse". Rather, the framework changes: privately managed assets can be tailored specifically to an individual or family.

Factors such as the personal investment horizon, existing assets, planned major expenditures, ongoing liquidity requirements as well as individual risk capacity and risk tolerance can therefore be incorporated directly into the investment strategy.

Withdrawal Planning Becomes a Key Component

Following a lump-sum withdrawal, defining an appropriate asset allocation is not sufficient on its own. At least as important is the question of how the portfolio will be used over the years and decades ahead.

Professional withdrawal planning therefore combines two perspectives:

Capital required in the short and medium term should be structured in such a way that planned expenditures are, as far as possible, not dependent on prevailing financial market conditions. Assets that will not be required for a longer period, on the other hand, can be invested in line with the individual investment horizon.

This can, for example, help avoid having to sell sizeable positions at an unfavourable time following a sharp decline in equity markets to finance ongoing expenses. At the same time, assets invested for the long term remain exposed to the capital markets and can contribute to financing later stages of retirement.

The appropriate strategy is therefore not determined by achieving the highest possible expected return, but by finding the right balance between liquidity, security, long-term preservation of wealth and growth.

What Role Can an Independent Asset Manager Play?

The larger the pension assets and overall wealth, and the more complex the personal circumstances, the more important it becomes to view retirement as part of a broader wealth strategy rather than as an isolated investment decision.

Individually tailored asset management can bring together a range of different considerations: How much liquidity will be required over the coming years? What proportion of the assets can remain invested for the long term? What risks can and should be taken? How do the pension assets fit into the existing portfolio of securities, real estate, and other assets? And what role do estate planning or gifting objectives play?

As an independent asset manager based in Liechtenstein, Salmann is not tied to proprietary investment products. This allows suitable solutions from a range of providers to be incorporated into an investment strategy tailored to the individual needs and objectives of our clients.

We support clients from Switzerland, Liechtenstein, Austria, and Germany, particularly in determining how withdrawn pension assets can be structured, invested, and drawn down over the long term. Where tax or legal matters arise, we involve the relevant specialists in the overall planning process as appropriate.

Early Planning Creates Greater Flexibility

Whether a pension, a lump-sum withdrawal, or a combination of the two is appropriate cannot be determined on the basis of a single criterion. Taxes are an important consideration, alongside income security, the overall wealth structure, the investment horizon, estate planning objectives, and personal risk capacity.

The earlier these factors are considered together, the greater the flexibility available.

We would be pleased to discuss how your pension assets can be incorporated into a long-term wealth strategy and to assess the financial implications of the available withdrawal options.

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