

Company retirement pension plan

Direct insurance (through deferred compensation) for employees

Zukunft machen wir aus Tradition.



**Die Stuttgarter**  
Der Vorsorgeversicherer

## Stuttgarter DirektRente



The reliable company retirement pension that you deserve

Die Stuttgarter bAV  
**PRÄZISION**  
für Ihre Vorsorge

# A company retirement pension plan

## works for your future

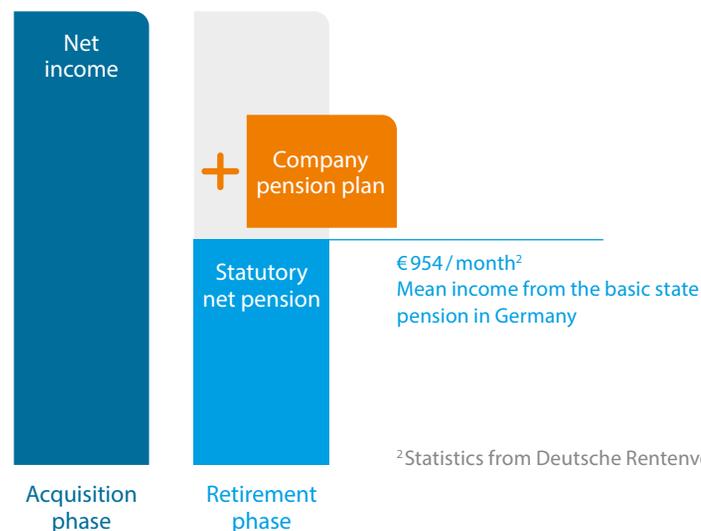
Since the statutory state pension now only provides basic cover, it is important to arrange your own additional pension provision. A company pension plan is a particularly simple and reliable way to do this.

**These days, the statutory state pension is no more than a “half measure”**

You should expect your state pension to only amount to around 50% of your final net income. Not much to live on, and definitely not enough to enable you to get the most out of your hard-earned retirement.

**§ Your right to a good pension**

As an employee subject to pension insurance contributions, you have a statutory entitlement to a company retirement pension plan in the form of so-called “deferred compensation”. This is a simple and powerful way of topping up your pension income during your retirement. Direct insurance is an effective and popular instrument for this, as the premiums can be paid exempt from tax and possibly<sup>1</sup> social security contributions.



Securing solid cover at an early stage will make it easier for you to close your pension gap.

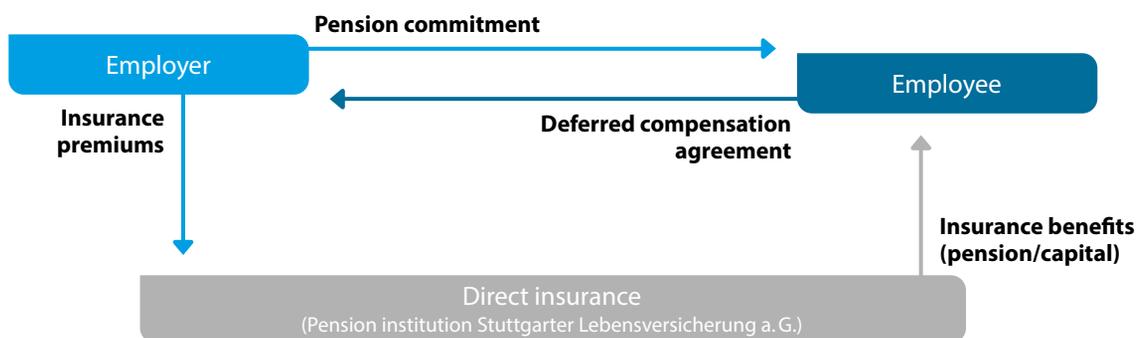
<sup>1</sup> Social security contributions may only be saved within the respective contribution assessment ceilings of the social security categories. Contributions to direct insurance are generally limited, in accordance with Article 3 No. 63 of the German Income Tax Act, to 4% of the contribution assessment ceiling (2021: €3,408 p.a.) in the general pension insurance (West), exempt from social security contributions per annum.



### Direct insurance: three stakeholders – one good solution

Direct insurance is a pension plan. Your employer is the policyholder and you, as the employee, are the insured person. You are entitled to the benefits generated from the

direct insurance policy through deferred compensation right from the beginning (immediate irrevocable entitlement).



The employee forgoes parts of their salary, in return for which the employer grants them a commitment of equivalent value to provide a company retirement pension plan in the form of direct insurance. The employer pays the insurance premiums for the direct insurance policy to Stuttgarter Lebensversicherung a.G. From the agreed vesting date, Stuttgarter Lebensversicherung a.G. will pay the benefits from the company retirement pension plan under the terms of the insurance policy (lifelong retirement pension, a one-off full or a one-off partial capital payment) less any health and nursing insurance contributions due.

# Set up an effective retirement

## pension plan with state funding

Tax advantages and funding opportunities boost your company pension plan to make sure you get the most out of your retirement pension.

### Funding in the direct insurance policy

In the primary employment relationship, i.e. in income tax classes 1 to 5, premiums of up to 4% of the contribution assessment ceiling in the general pension insurance plan (West) can be converted into direct insurance each year, exempt from tax and social security contributions, (2021: €3,408 p. a.).

With the agreement of your employer and subject to certain requirements, a further 4% of the contribution assessment ceiling can be additionally paid into a direct insurance plan, exempt from tax, each year. The funding ceiling

for tax purposes may be lower in individual cases, for example, due to a credit from another tax incentive in accordance with Article 40b of the Income Tax Act. If your employer saves on social security contributions due to your deferred compensation in a direct insurance plan, they are obliged to provide you with an allowance for the deferred compensation. That allowance amounts to a maximum of 15% and must be paid for any new deferred compensation from 2019, and also for all existing deferred compensation from 2022.

### Extra high company pension for extra low net expenditure

Thanks to state funding of the direct insurance you can obtain substantial cover at relatively low net expenditure.

Thanks to state funding, your pension amount in favour of your direct insurance policy is significantly higher than the net amount that you forgo.

	Without a company pension plan	With a company pension plan
<b>Gross monthly salary</b>	<b>€ 3,000.00</b>	<b>€ 3,000.00</b>
Deferred compensation direct insurance	–	<b>€ 100.00</b>
Company pension plan employer allowance	–	€15.00
Income subject to tax and social security	€3,000.00	€2,900.00
Taxes and social security contributions	€999.83	€955.11
<b>Net earnings</b>	<b>€ 2,000.17</b>	<b>€ 2,044.89</b>
Total premiums to company pension plan	–	€ 115.00
Amount of payout:	€2,000.17	€1,944.89
<b>Difference relative to previous net income</b>	<b>€0.00</b>	<b>€55.28</b>

◀ Your pension amount: **€ 100**

◀ Your savings through state funding: **€ 44.72**

◀ Your net expense: **€ 55.28**

Sample calculation 2021: calculation basis: age 30 years, tax class I, no children, no church tax, general contribution rate for health insurance 14.6%, additional contribution for health insurance 1.3%, nursing care insurance rate 3.3%

The state funding rate therefore amounts to **45%**

Benefits from funded premiums and supplementary payments are fully subject to income tax under Article 22 No. 5 of the Income Tax Act. Beneficiaries, who are members of a statutory health insurance fund, must pay the full general level of premium for their health insurance fund for all capital and pension benefits from the company pension plan themselves.

## The freedom to choose how your pension is paid

Within the scope of the statutory requirements, Stuttgarter offers you flexibility over how your company pension is paid out.

**In principle, you are able to choose between three payment options:**

1

**Lifelong retirement pension**

2

**One-off full capital payment**

3

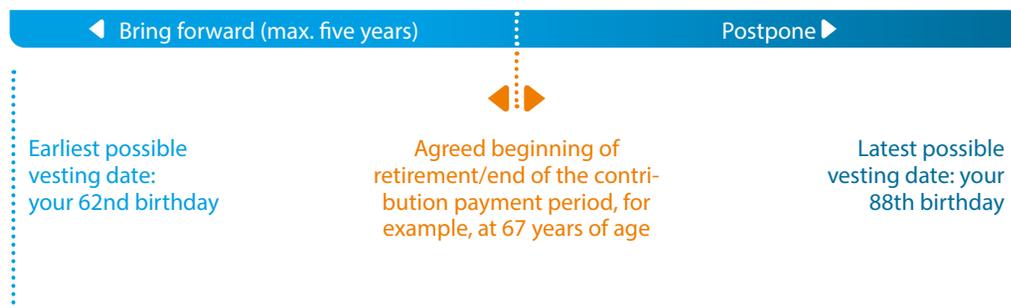
**One-off partial capital payment**

(1 to 30%) with a residual pension plan

### It's up to you when you start drawing your pension

The retirement pension or the available company pension capital will be paid out from the agreed vesting date. The earliest possible vesting date is your 62nd birthday, and the latest possible start date is your 88th birthday.

You decide for yourself when you start drawing your pension.



The insurance benefits specified in the insurance policy (e.g. retirement pension, capital payment) are based on the assumption that the agreed premiums will be ongoing. If there is a change to the payment of premiums (e.g. if the agreed pension start date is rescheduled, or if there are non-contributory periods or premium reductions or increases), the insured benefit will change based on Stuttgarter Lebensversicherung a.G.'s underlying tariff.

## Your benefits at a glance



### Key features of Stuttgarter DirektRente

- The premiums paid into to your DirektRente are exempt from tax and possibly also social security contributions.
- The payment of premiums can be continued or interrupted/deferred, for example, in connection with parental leave or sickness.
- Company-financed portions of your DirektRente are not affected if you draw Hartz IV unemployment benefit.
- You stay flexible with DirektRente. You can change the death benefits for the pension phase up to the start of the pension phase.
- DirektRente offers you the possibility of including a PartnerRente pension plan when you start drawing your pension, without a medical examination.
- The flexible vesting date means you can agree to bring forward or defer the date when you start drawing your pension.
- You can choose between three possible payment forms: lifelong retirement pension, a one-off full or a one-off partial capital payment.
- You can make your pension plan non-contributory at no charge.

### Why you can rely on Stuttgarter

- Over 100 years of experience on the market make us one of Germany's leading insurers.
- Our outstanding financial strength ensures that Stuttgarter can reliably pay out benefits to its clients.
- Our collaboration with independent agents means you benefit from independent advice.
- As a mutual insurance company, Stuttgarter is particularly client-friendly, as no shareholder interests have to be served with this legal form.



## Good to know: Q&A on Stuttgarter DirektRente for you as an employee

### **What happens if you do not live until the vesting date?**

In that case, the benefits in the event of death are payable to the surviving dependants entitled to a pension. These are, for example, a widow/widower or life partner, children (in the meaning of Article 32 para. 1 to 3, 4 sentence 1 No. 1 to 3 and para. 5 of the Income Tax Act and persons deemed to be their fiscal equivalent in the company pension plan), as well as a life companion of the person entitled to a pension living in the same household. Parents, siblings and children not eligible for child benefit do not qualify as surviving dependants entitled to a pension. Death benefits will be paid out if there are no surviving dependants entitled to a pension. The benefits in the event of death are then limited to the maximum amount permissible under corporate tax laws for death benefit funds. You can find details and further details required in the application.

### **What happens to my DirektRente if I change employers?**

It is always possible to continue the plan with a new employer. Alternatively, you can also continue the insurance policy with you as the policyholder with your own premiums.

### **What happens to my DirektRente if I become unemployed, and will DirektRente be credited to ALG II (Hartz IV) unemployment benefit?**

In principle, it is possible to continue DirektRente privately or make it non-contributory. (Set minimum limits must be observed.) If you draw Hartz IV benefits, the retirement pension set up by the employer will not be affected. Thus, you retain your policy even if you draw ALG II unemployment benefit.

### **What happens if my employer becomes insolvent?**

In the event that your employer becomes insolvent, you will have an irrevocable entitlement from the start – your pension is protected.

### **What happens if the insurance provider becomes insolvent?**

Your policy will be secured, if necessary, through the statutory security fund "Protektor".

### **What do I have to do if I go on parental leave?**

The policy can be continued with private premiums or made non-contributory. (Set minimum limits must be observed.) Premiums may also be paid for periods in the past subject to certain conditions.

### **Are there any "implications" when you make savings from the gross salary?**

Yes, there are. Your social security entitlements will be reduced, insofar as the income subject to social security is reduced due to deferred compensation. This affects daily sickness benefits, your statutory state pension and the unemployment benefit ALG I, for example. Deferred compensation may result in the statutory insurance limit in the statutory health insurance and the statutory nursing care insurance not being reached. This may result in (further) insurance being required for statutory health insurance and statutory nursing case insurance cover. Benefits from funded premiums and supplementary payments are fully subject to income tax under Article 22 No. 5 of the Income Tax Act. Beneficiaries, who are members of a statutory health insurance fund, must pay the full general level of premium for their health insurance fund for all capital and pension benefits from the company pension plan and the full general level of premium for their nursing care themselves.

### **Are benefits from DirektRente credited to possible basic provision in old age?**

Since 2018, there has been an allowance for voluntary pension provision. As a result, the previous credit to the basic provision is significantly mitigated.

**Your expert advisor for Stuttgarter DirektRente:**

6.2.006 as of 11/2020

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