



## **Main benefits of participation in the POPF third tier pension plans**

**(Being applicable to any private individual and/or Latvian corporate)**

### **Advantages of the third tier pension plan, providing a private individual contribution to their own retirement fund:**

- supplementary pension contributions accumulate and bring profits;
- tax exemptions (personal income tax at 25% of the contribution sum, not exceeding 20% of gross annual income);
- no taxes are paid for contributions or accumulated interest;
- private pension capital can be inherited;
- private pensions may be received from the age of 55 (the state retirement age is 62);
- convenient contribution procedure: payments may be executed in cash, transferred via the Internet bank or by arranging an automatic payment agreement;
- flexible contributions policy – option to decide on the amount and time, when the contributions will be made. Contributions are possible in three currencies: LVL, USD or EUR.
- secure and clear policy of supplementary pension capital investment;
- simple private pension payment options: by lump sum or in instalments.

### **Advantages of third tier pension plan, when a corporate entity contributes to its employees' retirement funds, and contributions do not exceed 10% of gross annual income:**

- tax exemptions (the contributions to third tier pension plan are not the object of the employer's State mandatory social insurance contribution; therefore, the 24.09% tax does not apply; the enterprise income tax base is reduced by the amount of payments);
- additional motivation to ensure employees' loyalty;
- opportunity to implement a best practice personnel policy;
- flexible contributions policy – employer decides in favour of which employee, how much and when contributions will be made. Contributions are possible in three currencies: LVL, USD or EUR.

### **Major advantages to employees, provided the company contributes to the POPF:**

- supplementary pension contributions accumulate and generate returns without reducing the employee's income;
- personal income tax (25%) payments are postponed until supplementary pension capital is paid off and only the employer's contributions are taxable;
- *POPF* contributions are not the object for employee's State mandatory social insurance tax and the social tax of 9% does not apply;
- the accumulated supplementary pension capital may be received from the age of 55 (the state retirement age is 62). The following options exist: receiving the whole amount at a time, in instalments, or extension of the *POPF* agreement;
- the private pension capital may be inherited: it is the pension plan participant's property from the moment of their first contribution, no matter who executes payments to their *POPF*.