Early retirement: the underestimated gaps in your insurance cover

Planning an early retirement almost always comes down to two questions: will the money last, and pension or lump sum? Hardly anyone asks the third question. With your last salary, a substantial part of your insurance cover ends as well. Nobody cancels these policies for you; they simply run out.

YOUR COVER COMPARED

Before, as an employee; after, as an early retiree

RISK	BEFORE: THROUGH YOUR EMPLOYER	AFTER: FROM 31 DAYS AFTER YOUR LAST SALARY
Medical costs after an accident UVG → basic health insurance	Your employer's accident insurance (UVG) pays in full, with no deductible and no co-payment.	Basic health insurance takes over, now with deductible and co-payment. Notify your health insurer that your UVG cover has ended; including accident cover adds roughly 7 to 10 % to the basic premium.
Loss of salary after an accident Daily allowance	Daily allowance of 80 % of the insured salary, capped at CHF 148'200 per year.	**Ends.** There is no salary left to lose.
Permanent injury Disability pension, integrity compensation	UVG disability pension, integrity compensation and helplessness allowance.	**Ends without replacement.** Partly replaceable with a private accident policy paying a disability lump sum.
Loss of salary during illness Sickness daily allowance	Collective sickness daily allowance, typically 80 % of the contractually insured salary for 720 days.	**Ends.** No longer needed for retirees without an insurable salary.
Disability Pension fund and federal disability insurance (IV)	Pension fund disability pension based on the insured salary, plus the federal disability insurance (IV).	No pension fund disability pension any more. IV continues to age 65 but is of little help. Your running pension fund pension is paid for life in any case.
Death Survivors' benefits	Spouse's pension under the fund rules, at many funds based on the insured salary.	Entitlement based on the running retirement pension, at most funds 60 % of it. Check your fund rules.
Need for long-term care Nursing home costs	Borne by yourself, usually left out of the financial plan.	Borne by yourself: a nursing home place in the Canton of Zurich quickly costs CHF 100'000 to 150'000 per year. Belongs in your financial plan as a scenario.

WHAT REMAINS

> Whoever takes the lump sum carries the disability and longevity risk alone; whoever takes the pension has outsourced it.

The most effective protection after early retirement is the running pension fund pension itself. It is paid for life, whether you stay healthy or become disabled. The choice between pension and lump sum is therefore also a risk decision.

CARRY IT YOURSELF OR INSURE IT

Do not insure everything that can be insured. Insure the risks that would overwhelm your balance sheet; everything else you carry more cheaply yourself. With substantial assets, deliberately self-funding the long-term care risk is usually more rational than an expensive and patchy long-term care policy.

BEFORE YOUR LAST WORKING DAY

01

Notify your health insurer

By the end of the UVG run-on period at the latest, tell your health insurer that your UVG cover has ended. If needed, bridge the gap with the interim accident insurance (Abredeversicherung), which extends UVG cover by up to six months.

02

Sort out AHV contributions

As a non-employed person you remain liable for contributions until 65, assessed on assets and pension income. Every gap reduces your pension for life.

03

Run the care scenario

Calculate in your financial plan how a multi-year nursing home stay would be funded, and check the survivors' benefits in your pension fund rules.