

Basisrente (Rürup Rente) 1st Layer



BLACKTOWER
EXPAT SOLUTIONS GMBH

GENERAL FACTS

- The Basisrente was introduced in 2005.
- In the 1st layer provident expenses can be offset against tax. Contributions made to the state pension scheme and to Basisrente can be offset to a maximum total of €23,712 a year for singles and €47,424 a year for couple (married or registered partnerships). A single person with a salary of €80,000 a year pays (including employer contributions) €14,586 in to the German state pension system, meaning he still has an amount of €9,126 per year (or €760.50 a month), which he can offset against tax with his Basisrente.
- This year (2018) 86% of the contributions can be offset against tax. This value will rise by 2% every year until the year 2025, where 100% can be offset. The value rises automatically regardless of when the policy began.
- It is possible to have a small monthly contribution and then at the end of the year to pay a lump sum to take full advantage of the tax benefits.
- The monthly pension received is taxable at the personal tax rate for a pensioner. As a pensioner in Germany you have different tax regulations compared to when you are working. It is possible to pay in over and above the €23,712/€47,424 limits, there will however be no tax benefit.
- More Basisrente products are fund-based. The products themselves offer a wide range of funds to choose from including managed portfolios. The advantage that insurance based products offer is that you can switch funds at least 12 times a year free of charge.
- Capital cannot be borrowed against a Basisrente, nor can there can be a seizure of the value, it is protected against unemployment and insolvency.
- The minimum duration of the contract is 5 years. The pension is guaranteed for the rest of the policy holders life. There is no option of capitalization and a pension can be first drawn at the age of 62 via a bank account in Germany.
- In case of death during the paying-in phase, the amassed amount will be converted and paid to the beneficiary. In case of death whilst drawing the pension, the pension will be paid out to the beneficiary for the arranged amount of time (Garantiezeit). The guaranteed payout time can vary between 5 and 18 years, obviously it has a small effect on the amount of monthly pension that can be drawn.
- The only beneficiary permitted in case of death is the spouse (or registered partner) or the children until they have finished their first education (max. up to the age of 25).
- Should the policy holder leave Germany, his Basisrente policy will be set to non-contributory. The balance will still work for the policy holder as his investment in funds continues. Ideally the policy holder will still have a post forwarding address in Germany.

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