

The Self-Employed and YEL Insurance 2010

Private self-employed persons arrange their own pension coverage in accordance with the Self-Employed Person's Pensions Act (YEL). The YEL pension and contributions are calculated on the basis of the YEL insurance's income. The YEL income affects a self-employed person's social benefits even before retirement: it has an effect on maternity benefits and sickness allowance, as well as on unemployment benefits.

YEL insurance secures a livelihood when self-employment ends as a result of an illness or unemployment, or when a self-employed individual reaches the pension entitlement age. A self-employed person can also obtain occupational rehabilitation to maintain his or her ability to work. The next of kin are entitled to a survivor's pension in the event of the entrepreneur's death.

Who does YEL insurance apply to?

YEL insurance is statutory and cannot be substituted for by voluntary pension insurances.

According to YEL, the insured person is self-employed or an entrepreneur, a general partner in a partnership or a limited company's majority shareholder exercising his or her power of decision.

YEL also applies to

- the spouse or another family member of the self-employed person who works in the company without pay
- a person in an employment or service relationship for whom self-employment is a secondary occupation
- the self-employment of a retired person under the age of 68 (with the exception of early old-age pensioners and old-age pensioners for whom insuring self-employment activities is voluntary).

YEL insurance 2010

YEL insurance must be taken out within six months of the start of activities falling under YEL. However, the insurance takes effect when the entrepreneurial

activities commence.

YEL applies to an entrepreneur living in Finland, if:

- the entrepreneur is 18–67 years of age. The obligation to insure starts from the beginning of the month following the insured's 18th birthday and ends at the end of the month the insured turns 68.
- the entrepreneurship has continued without interruption for at least four months after the month during which the person turned 18.
- the income is on average at least 6,775.60 euros per year. YEL income may not exceed a maximum of 153,875 euros per year.
- the self-employment activities are not covered by some other pension act, such as MYEL.

YEL income is the basis of social security

A YEL income is confirmed as the basis for the pension when the insurance is taken out. It should correspond with the entrepreneur's work contribution and at least with the salary that would be payable if the self-employed person were replaced by an equally skilled employee doing the same kind of work.

YEL income affects part-time pension entitlement

One of the prerequisites for being granted an entrepreneur's part-time pension is that the income during the last few years preceding the pension has been at least 13,551.19 euros per year (2010). If an applicant's income has been lower than this, being granted a part-time pension may be postponed until the level of income has increased or it may not be granted at all.

Daily sickness allowance is calculated based on the YEL income

The daily maternity and parental allowance and sickness benefits of a YEL-insured entrepreneur are determined in accordance with the YEL income. If the daily allowance begins in 2010, Kela (the Social Insurance Institution of Finland) calculates it on the basis of the YEL income of 2008.

If the YEL income of the six months preceding the self-employed person becoming ill converted into annual income is 20% higher than the income in 2008, the allowance can be applied for in line with the higher income.

YEL income affects unemployment benefits

An entrepreneur is within the scope of unemployment benefit only if his or her YEL income is at least 8,520 euros a year. This minimum level also constitutes one of the prerequisites for the entrepreneur receiving a basic unemployment allowance from Kela, or for joining an unemployment fund.

Make sure your YEL income is up-to-date

A self-employed person should check his or her YEL income in case business activities expand or contract.

An income change can be made at any time, but not retroactively. The easiest way to make the change is through our Insurance Service, at www.ilmarinen.fi.

You can take care of all of your pension insurance matters online

You can conveniently take care of all YEL and TyEL insurance matters in our free-of-charge Insurance Service at www.ilmarinen.fi. The Data bank section of our web pages provides information on insurance and pension issues. Here you can also find Ilmarinen's publications and forms.

Insurance Service on the web

An entrepreneur can log into the service with his or her personal Internet bank codes at www.ilmarinen.fi/vakuutuspalvelu. You can use the service to:

- pay YEL contributions and make agreements to extend the payment period
- print out YEL payment certificates
- estimate the effects of changes in the YEL income and payment flexibility on the pension and the insurance contribution
- apply for a change in YEL income or payment flexibility.

If you have a TyEL insurance for employees,

you will need separate Internet service access codes to manage insurance issues and employment and earnings notifications. To get these codes, please call +358 (0)10 284 3714.

YEL contribution

In 2010, the YEL contribution of a self-employed person under the age of 53 is 21.2% of income and, for a self-employed person over the age of 53, 22.4% of income.

YEL insurance is flexible

A self-employed person can use payment flexibility in his or her YEL contributions and pay a higher contribution during one year, thereby improving the pension accumulated during that year. The contribution can also be lowered, correspondingly lowering the pension accumulation.

Reduction in contribution for a new entrepreneur

A person who is starting his or her first business receives a 25% reduction in YEL contributions for the first 48 months. In 2010, the contribution for a new entrepreneur under the age of 53 is 15.9% and, for an entrepreneur over 53 years of age, 16.8% of the income.

The self-employed person may receive a reduction for another self-employment period, if the first of the periods has begun after the year 2000, and there is still reduction time left (from the 48-month period).

Payment of YEL contributions

The annual YEL contribution can be paid in 1–4, 6 or 12 instalments. However, at least half of the maturity months must be before August. The YEL contribution falls due on the 20th of the agreed month or on the first weekday following the 20th. Interest will be charged on overdue payments.

Payment arrangements

In the event that paying a contribution in time is not possible, the entrepreneur may change the payment schedule either through the Insurance Service or by calling Ilmarinen's customer service. By agreeing on payment arrangements, you can avoid the contribution payments being subjected to a collection agency or recovery proceedings, as well as any costs arising out of the collection measures.

Outdated, unpaid YEL contributions reduce pension

An unpaid YEL contribution can be collected from the self-employed person for five years after the



debit year. If the contribution remains unpaid after the collection time ends, the YEL income and pension accrual of the year in question shall be reduced in proportion to the unpaid contributions.

YEL contributions are tax deductible

YEL contributions are fully tax-deductible for the self-employed person. The entrepreneur can deduct the contributions from his or her own or his or her spouse's earned income. If the contribution has been paid by a company, it may be deducted in the company's taxation.

Concluding or interrupting entrepreneurial activity

A YEL insurance is terminated when the entrepreneurial activity comes to an end, when the income does not reach the limit for YEL or when the entrepreneur retires. Should the entrepreneurial activity continue parallel to the pension, it is to be insured and contributions paid as usual.

It is not advisable to terminate your YEL insurance during a short sick leave. You can terminate the insurance if you receive a daily allowance for an extended period or are on maternity leave and do not work at all. If the self-employment activities continue to some extent, an option could be to lower the YEL income temporarily. No pension will accrue during the period of time when the insurance is not valid.

Entrepreneurs are expected to notify any relevant parties of the termination of business activities. This can be done over the phone, through the Insurance Service, by a form or with a letter.

When can a self-employed person receive pension?

YEL insurance gives the entrepreneur extensive pension coverage in different life situations.

Early old-age pension at the age of 62

Early old-age pension can be drawn at the age of 62. The reduction for early retirement is 0.6% for each month that the pensioner's age is under 63.

Old-age pension at the age of 63-68

A self-employed person can retire due to old age depending on his or her desire between the ages of 63 and 68. The old-age pension will equal the amount of pension accumulated before retirement. If the insured retires after the age of 68, the pension

is increased by 0.4% for each postponed month.

Part-time pension at the age of 58

Entrepreneurs who have reached 58 may draw part-time pension. For those born in 1953 or after that, the minimum age for part-time pension is 60 years.

For those born in 1947 or after that, the last possible time for taking part-time pension is when they turn 67. For those born before this, the upper age limit is 64.

Furthermore, being entitled to an entrepreneur's part-time pension requires that

- The entrepreneurship has been a full-time activity for at least 12 of the preceding 18 months (or the preceding 24 months, if the person in question has received, e.g., sickness allowance). This prerequisite is satisfied if the income during this period has been at least 13,551.19 euros a year.

- The entrepreneur reduces his or her input of work and halves his or her earned income. The remaining income must amount to at least 6,775.60 euros a year.

An entrepreneur may also terminate his or her business activity and take up part-time employment in the service of another.

Occupational rehabilitation

A self-employed person can receive occupational rehabilitation if an illness threatens to cause disability in the near future. Rehabilitation supported by Ilmarinen can entail work experiments, work training and apprenticeship training, and further education resulting in professional degrees.

Ilmarinen pays a rehabilitation allowance for the rehabilitation period. The allowance corresponds to the disability pension with a 33% increase. In addition, costs arising from the rehabilitation are compensated.

Retirement due to disability

Partial disability and disability pensions are available to self-employed persons under the age of 63 with an illness that has prevented them from working for at least a year.

If a person can recover his or her working ability with the help of treatment or rehabilitation, the pension is granted for a fixed period of time as rehabilitation assistance. If return to work is unlikely, the pension is granted as a disability pension until further notice.

Retirement due to unemployment

Unemployed entrepreneurs born in 1949 or earlier,

aged 60 or over, who have received daily unemployment allowance for at least 500 days are entitled to an unemployment pension.

Those born in 1950 or after that cannot be granted unemployment pension. Their unemployment periods will be covered by daily unemployment benefits.

Entrepreneurs' unemployment funds pay their members earnings-related daily allowances, while Kela pays the basic daily allowances.

Survivors' pension for next of kin

After the death of a self-employed person covered by pension laws, survivors' pension is paid to the entrepreneur's widows/widowers and children under the age of 18.

National pension

If the employment pension is small, an entrepreneur may be entitled to a national pension. Part-time pension and partial disability pension are not considered national pension benefits. For more information, please go to Kela's web pages, at www.kela.fi.

How to apply for a pension?

Earnings-related pensions are applied for from the pension insurance company in which the self-employed person has last been insured. The application form can be filled in and printed from our Internet pages at www.ilmarinen.fi. The old-age pension application can be sent via the web.

There are separate forms for each type of pension. Employment-related and national pensions are applied for with the same form.

How are YEL pensions calculated?

YEL pensions are accumulated on the basis of gainful employment by a person aged 18 to 67. The pensions are calculated based on the YEL income for each year using the percentage that corresponds to an entrepreneur's age as follows:

- 1.5% at the age of 18–52
- 1.9% at the age of 53–62
- 4.5% at the age of 63–67
- for self-employment activities while retired 1.5%

The percentages according to which a part-time pensioner's pension from gainful employment accumulates during retirement are different.

Since 2005, pension has also accumulated dur-

ing periods of certain social benefits at 1.5% per year.

Calculation of disability pensions

In addition to the accumulated working years, disability pensions usually include pension accumulation on future income for the years remaining until the insured turns 63. During this future period, pensions accumulate by 1.5% at the age of 18–62 when disability has commenced in 2010, at its earliest. If the disability has commenced before that, the accumulation for a person who has turned 50 is 1.3%.

Life expectancy factors may reduce pensions

Life expectancy factors will start to effect new employment pensions for the first time in 2010. The newly confirmed life expectancy factor applies to the old-age pensions of persons born in 1948. Likewise, it will be applicable to individuals whose disability starts in 2010.

Any reductions can be compensated for by working longer. The factors for each age group will be determined when the age group turns 62 and will be calculated on the basis of the mortality rates of the five preceding years.

Insurance information with individual online banking codes

To obtain information concerning your pension accumulated through gainful employment, log in with your personal online banking codes at <http://www.ilmarinen.fi/elakepalvelu>. This service will provide you with, for instance, your annual pension insurance record. Select web-record as the preferred method of delivery and we will send all future record extracts to you electronically.

Ilmarinen's services

We are happy to help you with any issues regarding employment pension coverage.

- Pension issues, telephone 010 284 2011
- Insurance issues, telephone 010 284 3714
e-mail vakuutuspalvelu@ilmarinen.fi
- www.ilmarinen.fi

Our clients are also served by the offices of OP Pohjola Group, A-Vakuutus and Pohjantähti.

Please see Social insurance contribution
www.ilmarinen.fi/sosiaalivakuutusmaksut