

THE SELF-EMPLOYED AND YEL INSURANCE 2012



We are pleased that you want Ilmarinen to take care of your pension coverage. It is important to us that you receive good, competent service. It is not a coincidence that Ilmarinen is the largest insurer of entrepreneurs in Finland.

YEL insurance forms the most important part of the entrepreneur's pension and social security coverage. YEL income determines the amount of insurance contributions and the pension to be paid to the entrepreneur over time. 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.

Things to know

- Income limits EUR 7,105.84 – 161,375.00 /year
- Contribution 22.50% of income for persons under 53
- Contribution 23.85 % of income for persons over 53
- As an entrepreneur, you can take care of all of your pension insurance matters with your online banking codes at www.ilmarinen.fi/vakuutuspalvelu

YEL insurance entitlement with more than 30 per cent ownership

The term self-employed person covers independent entrepreneurs and trades/craftsmen, acting partners of partnerships and shareholders of limited liability companies. Starting from 2011, a shareholder working in a leading position in a limited liability company is insured as a self-employed person provided that the individual in question alone owns more than 30 per cent or, together with family members, owns more than 50 per cent, of the company's stocks or votes.

The previous YEL insurance has covered limited liability company shareholders who work in a leading position, if the individual's ownership portion alone or with family members has exceeded 50 per cent.

Likewise, partners or co-proprietors insured under the Employees' Pensions Act (TyEL),

whose ownership fulfils the new ownership limit of more than 30 per cent, are insured pursuant to the Self-Employed Persons' Pensions Act (YEL). The transition period from TyEL to YEL continues until 2014.

Income is the basis of an entrepreneur's social security

According to YEL, income 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.

The income can be assessed based on the income instructions compiled in cooperation between the Finnish Centre for Pensions (ETK) and entrepreneur organisations.

YEL income affects part-time pension entitlement

Older entrepreneurs transferring to part-time employment can draw part-time pension. One of the key 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 14,211.69 euro per year (2012). 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 until it can no longer be generated at all.

Daily sickness allowance is calculated based on the income

The daily maternity and parental allowance and sickness benefits of an entrepreneur are determined in accordance with the YEL income. If the daily allowance begins in 2012, Kela (the Social Insurance Institution of Finland) calculates it on

the basis of the YEL income of 2010.

If the YEL income of the six months preceding the self-employed person being taken ill converted into annual income is 20% higher than the income in 2010, the allowance can be applied for in line with the higher income.

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 euro a year. This minimum level also constitutes one of the prerequisites for the entrepreneur joining an unemployment fund or receiving a basic unemployment allowance from Kela. The income selected as the basis for earnings-related daily allowance from an unemployment fund cannot exceed the amount of the YEL income.

Make sure your YEL income is up-to-date

As a self-employed person, you should see to it that your work input corresponds with the income. You should check your YEL income in case your business activities expand or contract, for instance. An income change can be made at any time, but not retroactively. The easiest way to make the change is through our Insurance Services, at www.ilmarinen.fi/vakuutuspalvelu or by calling our customer service, tel. 010 195 000.

Please see Sosiaalivakuutusmaksut 2012 (Social security payments) www.ilmarinen.fi

YEL insurance is flexible

You can be flexible in your YEL contributions and pay a higher contribution during one year, thereby improving the pension accumulated during that year. You can also lower the contribution, correspondingly lowering the pension accumulation.

This flexibility applies to one year at a time. It does not change the confirmed income and will thus have no effect on the daily sickness allowance.

You should make a written notification indicating that you would like to be flexible in

your YEL contributions. Extra contributions must be paid by the end of the year and can be deducted in taxation. You can make the notification through our web service, where you can also find an estimate of how this will affect your contributions and the amount of pension.

YEL contribution is calculated based on income

The YEL contribution of a self-employed person under the age of 53 is 22.50 per cent of income (2012). The contribution will be 23.85 per cent from the beginning of the year when the self-employed person turns 53. The contribution is higher, because the amount of pension accrued by an older self-employed person is larger.

Reduction in contribution for a new entrepreneur

A person who is starting his or her first business receives a 25 per cent reduction in YEL contributions for the first 48 months. The contribution for a new entrepreneur under the age of 53 is 16.875 per cent and for a new entrepreneur over 53 years of age 17.887 per cent.

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].

You can re-schedule 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 banking day following the 20th. We will charge interest on overdue payments.

Payment arrangements can be agreed

In the event that paying a contribution on time is not possible, the entrepreneur may change the payment schedule either through our online service or by calling Ilmarinen's Customer Services. 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 deduction can be executed by the paying party. If the self-employed person has paid the contributions in person, they are deducted from the person's or his or her spouse's personal taxation as expenses of the year during which they were paid.

Any insurance contributions paid by the company are deducted from the company's result and entered as expenses of the year for which the contribution is allocated.

Concluding or interrupting entrepreneurial activity

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.

It is not advisable to terminate your YEL insurance during a short sick leave. You can terminate the insurance if you are on a sick leave for an extended period or are on parental 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 contributions will be collected and no pension will accrue during the period of time when the insurance is not valid. If the YEL insurance is valid, pension is accumulated based on both the insurance and the sickness allowance period.

Notify Ilmarinen of the termination of business activities. This can be done over the phone, through the online service, by filling in an YEL insurance change form or with a letter.

Working alongside retirement

If you receive a disability pension or partial disability pension and your work fulfils YEL's conditions, you must insure your gainful

employment until the age of 68 years. Taking out YEL insurance for business activities alongside old-age pension is voluntary.

An entrepreneur on part-time pension must pay YEL contributions for his or her part-time income.

Extensive coverage for entrepreneurs

YEL insurance gives the entrepreneur security in different life situations. In addition to old-age pension, a young entrepreneur is also covered against disability in case of illness and his or her next of kin are entitled to a survivor's pension in case of death. If an illness threatens the insured's ability to work, Ilmarinen can support their occupational rehabilitation for the purpose of changing the person's duties or occupation.

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 accrual 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

Since 2005, pension has also accumulated during periods of certain social benefits. Pensions are accumulated by, e.g., daily sickness allowance and maternity allowance, daily allowance paid by an unemployment fund, periods of child care at home when the child is under the age of three and periods of study in vocational schools and universities for the purpose of completing a degree.

Ilmarinen's services for self-employed persons

Insurance Services on the web

As an entrepreneur, you can take care of your pension insurance matters with your online banking codes through our online service. The service allows you to pay contributions, agree on extended payment periods, print certificates concerning, for example, payments and earnings-related income and apply for a change in income or flexible payments.

Take a look at Ilmarinen's online service at www.ilmarinen.fi/vakuutuspalvelu. For the user IDs needed for taking care of your TyEL matters, call our service number 010 195 000.

Information about your pension

For easy access to information about your earnings-related pension accumulation, visit Ilmarinen's website. The service will also allow you to check your annual pension record.

Well-being at work services

Ilmarinen offers its client companies services that support employees' well-being at work and help them feel well, cope and maintain their working ability. The well-being at work

services of companies include free seminars and online services concerning well-being at work.

Our clients are also provided with access to Duodecim's online occupational health library (Työterveyskirjasto).

If a self-employed person or an employee can no longer continue in his or her former profession due to health reasons, Ilmarinen can support their efforts to change their tasks or profession with the help of employment pension rehabilitation.

Our Customer Services will help you

- Online services and information about pension coverage: www.ilmarinen.fi
- Telephone service 010 195 000, weekdays between 8 a.m. and 5 p.m.
- E-mail for insurance matters: vakuutuspalvelu@ilmarinen.fi

If you prefer, you can also take care of your pension matters with the help of a contact person at OP Pohjola Group, A-Vakuutus or Pohjantähti, partners of Ilmarinen.