

## What are the procedures in opening a PERA?

During your account opening process through the Administrator,

- You will be asked to identify your investment objectives and your risk tolerance through a Client Suitability Assessment (CSA).
- Based on the result of the CSA, you will receive an Investment Policy Statement that describes the frame of reference for your investment decisions.
- You will be provided with a Risk Disclosure Statement that contains, among others, provisions on the general risks associated with each category of PERA Investment Product and cautionary statement on the aforementioned risks.
- You will be informed of the investment options/products according to their category and investor risk profile classification.

PERA can also be opened by the spouse/child of a married overseas Filipino as provided under Section 3 of R.A. 9505 and BSP Memorandum No. M-2014-045 dated 12 February 2014.

## What are the fees and charges involved?

The fees and charges for your PERA are administration fees and custodial fees. Investment management fees shall also be charged if you appointed an Investment Manager.

## When am I allowed to withdraw my PERA contributions?

Your PERA contributions can be withdrawn or distributed, and be exempted from income or estate taxes, if applicable, under the following circumstances:

- Upon reaching the age of 55 and having made qualified contributions for at least 5 years (55 and 5 rule). This may be made either in lump sum or monthly pension; and
- Upon death, irrespective of age or contributions made.

## Can I withdraw my PERA contributions without complying with the 55 and 5 rule?

Yes, but subject to early withdrawal penalties. Early withdrawal penalties means all taxes waived in the Contributor's favor shall be repaid to the BIR.

## Are there exemptions from the early withdrawal penalties?

Yes. No withdrawal penalties shall be imposed under any of the following circumstances:

- Immediate transfer of proceeds to another PERA investment product and/or another Administrator within 2 working days from withdrawal;
- Accident or illness-related hospitalization in excess of 30 days; and
- Permanent total disability.

*Developed by the Financial Literacy and Advocacy Division  
Financial Consumer Protection Department*

## contact information

Financial Consumer Protection Department  
Bangko Sentral ng Pilipinas  
5th Floor Multi-storey Building  
BSP Complex, A. Mabini St., Malate  
1004 Manila

Contact Details:  
Direct Line: (02) 708-7087

Email Address: [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph)

Financial Education: Building Block for a Stronger Economy

# PERA

Personal Equity & Retirement Account

## FREQUENTLY ASKED QUESTIONS



# FAQs

## Frequently Asked Questions

### What is PERA?

PERA is short for Personal Equity and Retirement Account under Republic Act No. 9505. It refers to a voluntary retirement account established by and for the exclusive use and benefit of the Contributor for the purpose of being invested solely in PERA investment products in the Philippines<sup>1</sup>. It aims to promote capital market development and savings mobilization by establishing a legal and regulatory framework of retirement plans for persons.

### Am I eligible to open a PERA?

Yes, you can be a PERA “**Contributor**” if you are a person of 18 years old & above and earning an income through employment or self-employment in the Philippines or overseas, and with a Philippine Tax Identification Number.

### Why should I be interested in a PERA?

Your PERA enjoys the following incentives:

- a. 5% income tax credit on the actual PERA contribution. This tax credit can be used to pay your income tax liabilities;
- b. Tax exemption from the 20% final withholding tax from interest on bank deposits, deposit substitutes and trust funds, 10% final withholding tax on dividends; capital gains tax on disposition of shares of stock; and regular income tax on PERA products; and
- c. PERA assets shall not be considered your assets for purpose of insolvency and estate taxes.

These incentives, however, are limited to your actual PERA contribution not exceeding the annual maximum contribution and its fruits.

### How much can I contribute to a PERA?

The maximum aggregate annual contribution is ₱100,000, except for Overseas Filipinos who can contribute ₱200,000. You have the option to contribute more than the maximum amount, however, the excess shall no longer be exempt from tax.

<sup>1</sup>Republic Act No. 9505, otherwise known as the “Personal Equity and Retirement Account (PERA) Act of 2008”, is the Philippine version of similar laws covering retirement savings vehicles common in more advanced countries.

# FAQs

## Frequently Asked Questions

### Who are the parties to a PERA aside from the “Contributor”?



**a. Administrator** – is responsible for administering and overseeing the PERA of the Contributor. It presents all available PERA products in the market and determines if your investment choices are consistent with your risk profile. It provides regular updates on the status of your PERA account/s. The Administrator can be a bank, an insurance company, or a securities broker. The Administrator is pre-qualified by a Regulatory Authority which can either be Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) or Insurance Commission (IC) and accredited by the Bureau of Internal Revenue (BIR). The BSP, SEC, or IC can also prequalify its other supervised entities to become PERA Administrators if it determines that they are eligible to act as PERA Administrator.



**b. Custodian** – takes custody of PERA assets. It should be a separate and unrelated entity to the Administrator. Your Administrator shall advise you who the BSP-accredited PERA Custodians are. Upon opening of a PERA, you need to designate a Cash Custodian and for certain PERA investment products, you may also need to designate a Securities Custodian. The Custodian is required to report to the Contributor, the Administrator, and the concerned Regulatory Authority at regular intervals all financial transactions and all documents in its custody under a PERA.



**c. Investment Manager** – may be optionally engaged by the Contributor to make investment decisions for his PERA. An Investment Manager is an entity accredited by the concerned Regulatory Authority. Your PERA Investment Manager, should you choose to have one, is not allowed to recommend or sell to you its own investment products or that of its subsidiaries or affiliates.

# FAQs

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### What investment products are available for PERA?

The investment products to which PERA contributions may be invested in are:

- i) unit of unit investment trust fund;
- ii) shares of stock of mutual funds;
- iii) annuity contract;
- iv) insurance pension product;
- v) pre-need pension plan;
- vi) share of stock or other security listed and traded in a local exchange;
- vii) exchange-traded bond;
- viii) government securities; and
- ix) any other category of investment product or outlet which the concerned Regulatory Authority may allow for PERA purposes, provided that the product must be non-speculative, readily marketable, and with track record of regular income payments to investors.

These investment products must be duly approved/ considered eligible by the concerned Regulatory Authority in order to be entitled to the above-mentioned tax incentives.

### How do I start investing in a PERA?

To become a Contributor, you should first look for an Administrator who will open, administer and oversee your account. You may have a maximum of five (5) PERA, provided that you shall designate only one (1) Administrator for all accounts and that each account shall be confined to one (1) investment product category. Once the Administrator is appointed, you will choose a Custodian who will receive the funds. The Custodian will operate independently from the Administrator but will act upon your instructions made through the Administrator.

**The choice of investment product is up to you. However, if you are unsure of which investment products to invest in, you may hire an Investment Manager.**