

# PEL: Plan Epargne Logement

by Isabelle Want

**H**ow many of you have some savings accounts in your French bank without knowing what they are, how much they earn or how they work? Be honest.... I have met a large number of people who have no idea how many accounts they have in their bank.

My lovely English husband (at the time of writing this article the Rugby World Cup has not yet started and we are still speaking to each other!) always says: "there are two things I want to be sure I understand in France: health and money."

So let's have a look at one account in particular that most banks will try to sell to you.... The PEL!

## What is PEL?

It is a savings account that is earning 2% per year BEFORE social charges (since 01/02/2015, 2.5% before that date).

It was created by the French Government to encourage people to save money towards buying a main residence, hence the name 'Housing Saving plan'.

Everybody can open one (even under 18 years old) and the idea was that people who had a PEL could obtain a mortgage via PEL and get a bonus from the government (up to 5000€ depending on how much is on the PEL). I am yet to meet anybody who has benefited from this bonus! One, because the interest on mortgages via PEL are higher than normal mortgages and two, because the conditions to get it are weird (the house you buy must meet environmental criteria) and it is complicated to set up.

## How Does it Work?

To open it, you must make an initial deposit of 225€ accompanied with instalments of 540€ per year minimum for the first 4 years (monthly, quarterly or bi-annual).

You can make additional deposits whenever you want, before the 10th anniversary of the PEL.

The maximum amount in it is 61,200€ but compounding interest can make it grow past this figure.

You are only allowed one per person.

After 15 years, it will no longer earn 2%, the banks decide on how much it will earn.

You can close it anytime you want, but if you close it in the first 2 years, you will only get 0.5% interest instead of 2%.

You CANNOT MAKE A PARTIAL WITHDRAWAL. If you need money, you have to close it.

## Tax Implication

Social charges are deducted from it on the 31st of December each year (the same time they give you the interest) and at the moment it is 15.5%.

No income tax is payable for the first 12 years, after which, the interest is to be declared annually.

## Advantages

Well, it is forcing you to save money and it is earning more than the regulated accounts/ISA (LEP, Livret A and LDD-see my previous article on BH-assurances website) which are only earning 0.75% (1% for LEP) since 01/08/2015.

## Disadvantages

- It's only earning 1.69% (2%-15.5% social charges).
- You cannot make partial withdrawals.
- You get penalised for closing it within the first 2 years.
- You are obliged to put money in it for the first 4 years.
- You are pretty much obliged to close it after 12 years for tax reasons or 15 years because it won't be earning anymore.
- When you die, it will be dealt with by the Notaire like any other bank accounts or properties and there could be inheritance tax on it.
- And last, but not least, the bank charges your heirs are charged for closing it down (free if you close it while you are alive). The charge is a percentage of how much is on the PEL at the time of the death.

## Conclusion

I think you may have gathered from my article that I am not a fan of this saving account. I don't have one, and never will.

I have a Livret A for treasury (in case my husband breaks the TV watching France beat England in the rugby!) and an Assurance vie for longer term saving.

Please don't take this the wrong way as I know most of my readers are over 40, but, in my view, this account is only good for people in their 20's or 30's who can only save 50€ per month in the next 5 to 10 years because if the savings account was available or they were not obliged to save into it (first 4 years), they would have a tendency to spend it.

Chances are you probably have a PEL without knowing it as banks use funny names such as 'carré vert' or 'blue' or 'Moisson' or 'Capital Expension', etc. so check your paperwork and contact me if you want to find a more flexible and tax advantageous saving account.

And remember to check out our website [www.bh-assurances.fr](http://www.bh-assurances.fr) for all my previous articles ("practical information" on the English site). And we now have a Facebook page: **Allianz Jacques Boulesteix et Thierry Hatesse**.

We also now have a new section listing English speaking traders.

**Please don't hesitate to contact me for any other information or quote on subject such as Funeral cover, inheritance law, car, house and top up health insurance, etc...**



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