

### Key results

Net pension wealth, like the equivalent indicator in gross terms, shows the present value of the lifetime flow of pension benefits. But it also takes account of taxes and contribution paid on retirement incomes. Both figures for pension wealth are expressed as a multiple of individual *gross* earnings.

For average earners, net pension wealth for OECD countries averages 8.2 times gross individual earnings for men and 9.6 for women. Values are higher for women than men, due mainly to differences in life expectancy between the sexes.

Because net pension wealth is expressed as a multiple of individual gross earnings, it is less than gross pension wealth (if there is some tax liability during retirement) or the same (if pensions are not taxed or pension income is below tax thresholds). This is clear in the two charts opposite. For example, pension wealth is the same, in both net and gross terms, in the Slovak Republic and Turkey because pensions are not taxable.

The rankings of pension wealth change significantly when measured on a net rather than a gross basis. For example, the Slovak Republic has the eighth highest net pension wealth for an average earner compared with the 16th highest measured on a gross basis. The situation in Denmark is the reverse, because it levies the highest taxes on the retirement incomes of workers at all levels of earnings. It has the seventh highest gross pension wealth but the 14th highest in net terms.

In the five Nordic countries, Austria, Italy, Luxembourg and the Netherlands, retirees face a substantial tax burden. In part, this reflects the high level of the gross replacement rate from the mandatory system. But it also results from high levels of taxation in the economy as whole.

### Impact of individual earnings

Low earners would not be liable for taxes and contributions in ten countries: Australia, Belgium and Canada, in addition to the seven countries where there is no tax liability on pensions for average earners. In a further four countries – Greece, Hungary, Korea and the United Kingdom – the tax liability for low earners in retirement would be very small: less than 1% of pension.

For high earners there is less variation in the results, with the majority of countries showing net pension wealth in the range of four to seven times annual earnings. The main exceptions to this are Luxembourg (at 14 times earnings for men), followed by Greece and the Netherlands at 12.3 and 11.6 respectively. The lowest

figure is for the United Kingdom: 3.1 times earnings for men and 3.6 for women.

For the non-OECD economies, net and gross pension wealth are the same in Brazil, China, India, Indonesia, the Russian Federation and South Africa. As with the gross pension wealth calculation, there is a wide range among these countries, with South Africa at 1.4 times average earnings and Brazil with the highest of any country at 22.2 times average earnings.

It is important to note that these calculations look at the benefit side of the pension system only. The impact of taxes and contributions paid by people of working age on living standards during retirement relative to when working work are discussed above in the indicator of “Net pension replacement rates”.

### Definition and measurement

Net pension wealth is the present value of the flow of pension benefits, taking account of the taxes and social security contributions that retirees have to pay on their pensions. It is measured and expressed as a multiple of gross annual individual earnings in the respective country. The reason for using gross earnings as the comparator is to isolate the effects of taxes and contribution paid in retirement from those paid when working. This definition means that gross and net pension wealth are the same where people are not liable for contributions and income taxes on their pensions.


Taxes and contributions paid by pensioners are calculated conditional on the mandatory pension benefit to which individuals at different levels of earnings. They calculations take account of all standard tax allowances and tax reliefs as well as concessions granted either to pension income or to people of pension age.

Details of the rules that national tax systems apply to pensioners can be found in the online country profiles at [www.oecd.org/els/pensions/PAG](http://www.oecd.org/els/pensions/PAG).

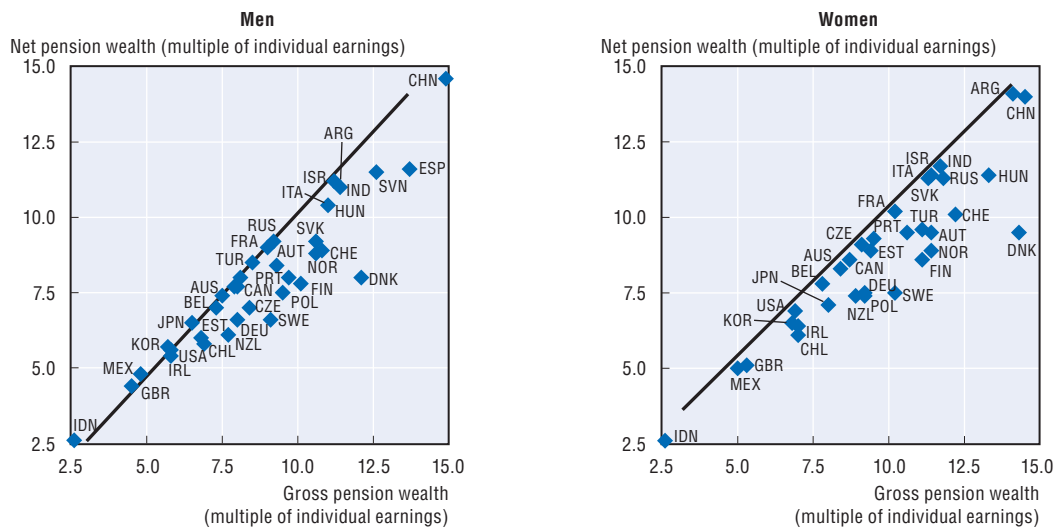
Net pension wealth by earnings

	Multiple of individual annual gross earnings						Multiple of individual annual gross earnings								
	0.5			1.0			0.5			1.0			1.5		
	Men			Women			Men			Women					
<b>OECD members</b>															
Australia	13.1	7.7	5.6	14.7	8.6	6.2									
Austria	9.4	7.8	6.9	10.3	8.6	7.5									
Belgium	9.8	6.0	4.4	11.5	7.1	5.2									
Canada	12.9	7.4	4.9	14.4	8.3	5.5									
Chile	8.1	5.8	5.1	9.0	6.1	5.1									
Czech Republic	12.6	7.7	5.6	15.1	9.3	6.8									
Denmark	12.8	8.0	6.2	15.3	9.5	7.4									
Estonia	9.2	7.0	6.0	11.9	8.9	7.7									
Finland	9.5	7.5	6.8	11.3	8.9	8.1									
France	10.0	8.3	6.8	11.4	9.4	7.8									
Germany	6.9	6.1	5.7	8.3	7.4	6.8									
Greece	15.1	13.2	12.3	17.4	15.2	14.1									
Hungary	10.3	9.2	8.0	12.9	11.4	10.1									
Iceland	20.0	12.0	10.2	22.5	13.4	11.3									
Ireland	11.4	5.7	3.8	13.7	6.9	4.6									
Israel	15.6	10.4	6.9	17.3	11.3	7.5									
Italy	10.3	8.8	8.3	11.1	9.6	8.9									
Japan	7.3	5.4	4.5	8.8	6.4	5.4									
Korea	9.9	6.5	4.9	11.9	7.8	5.9									
Luxembourg	20.7	16.3	14.4	24.1	19.0	16.7									
Mexico	8.9	4.8	4.6	10.0	5.0	4.6									
Netherlands	15.3	12.8	11.6	17.5	14.6	13.3									
New Zealand	13.2	6.6	4.4	15.1	7.5	5.0									
<b>OECD members (cont.)</b>															
Norway	11.7	8.0	6.1	13.8	9.5	7.2									
Poland	7.2	7.0	6.9	8.1	7.4	7.3									
Portugal	8.9	8.0	7.6	10.3	9.1	8.6									
Slovak Republic	9.2	9.2	9.2	11.3	11.3	11.3									
Slovenia	13.0	11.5	10.9	17.4	15.5	14.7									
Spain	12.8	11.6	11.0	14.5	13.1	12.5									
Sweden	8.9	6.6	7.9	9.9	7.5	8.8									
Switzerland	11.8	8.9	6.3	13.5	10.1	7.1									
Turkey	10.1	8.5	8.5	12.0	10.2	10.2									
United Kingdom	7.6	4.4	3.1	9.0	5.1	3.6									
United States	7.6	5.6	4.9	8.8	6.5	5.6									
<b>OECD34</b>	<b>11.2</b>	<b>8.2</b>	<b>7.1</b>	<b>13.1</b>	<b>9.6</b>	<b>8.2</b>									
<b>Other major economies</b>															
Argentina	12.8	11.0	10.4	16.5	14.0	13.2									
Brazil	22.2	22.2	22.2	22.2	22.2	22.2									
China	18.7	14.6	12.7	20.0	15.5	13.7									
India	16.1	11.2	9.5	17.1	11.7	9.8									
Indonesia	2.6	2.6	2.6	2.6	2.6	2.6									
Russian Federation	10.5	9.0	8.5	13.5	11.4	10.7									
Saudi Arabia	14.7	13.9	13.3	17.0	16.2	15.5									
South Africa	2.9	1.4	1.0	3.5	1.8	1.2									
EU27	10.9	8.9	7.9	13.0	10.6	9.4									

Source: OECD pension models.


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Gross versus net pension wealth by sex, average earner



Note: The scales of both charts have been capped at pension wealth of 15 times individual earnings, which excludes Luxembourg and the Netherlands from both charts and Greece and Hungary from the chart for women.

Source: OECD pension models.

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