

### 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 8.1 times gross individual earnings for men and 9.3 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 either less (if there is some tax liability during retirement) or the same (if pensions are not taxed or pension income is below tax thresholds) as gross pension wealth. This is shown in the two figures. 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 levels of pension wealth change significantly when measured on a net rather than a gross basis as do the country rankings. For example, Denmark has the third highest gross pension wealth for countries within the OECD for an average earner compared with the ninth highest measured on a net basis. The net to gross pension wealth ratio in Denmark is 68%. The situation is similar in the other four Nordic countries, as well as in Austria, Italy, Luxembourg and the Netherlands, where 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 the levels of taxation in the economy as whole. As a result the differences in net pension wealth levels are much smaller than the differences in gross pension wealth between countries.

### Impact of individual earnings

Low earners would not be liable for taxes or pay less than 1% in tax and contributions in nine OECD countries. In nine countries there is no or very low tax liability on pensions for average earners.

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 nine times annual earnings. The main exceptions to this are Luxembourg and the Netherlands at 11 times earnings for men and around 12.5 times for women. The lowest figure is for the United Kingdom: 3.4 times earnings for men and 3.7 for women.

For the non-OECD economies, net and gross pension wealth are the same in Brazil, China, India, Indonesia, the Russian Federation, Saudi Arabia and South Africa. As with the gross pension wealth calculation, there is a wide range among these countries, with South Africa at 1.3 times average earnings for men and 1.6 for women and Saudi Arabia with the highest of any country at 18.4 times average earnings for men and 19.3 for women.

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 are entitled at different levels of earnings. The 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 on-line country profiles at [www.oecd.org/pensions/pensionsataglance.htm](http://www.oecd.org/pensions/pensionsataglance.htm).

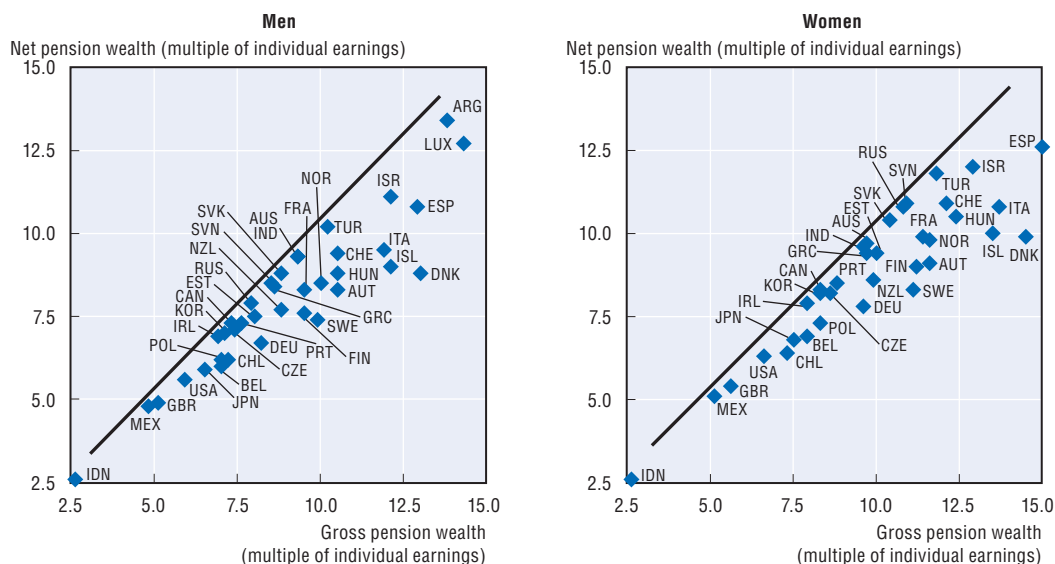
## 4.15. Net pension wealth by earnings

	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>													<b>OECD members (cont.)</b>							
Australia	17.3	9.3	6.6	19.0	9.7	6.6	Norway	13.6	8.5	6.4	15.8	9.8	7.3	Poland	6.5	6.2	6.1	7.7	7.3	7.2
Austria	9.8	8.3	7.4	10.8	9.1	8.2	Portugal	9.7	7.3	7.5	11.2	8.5	8.4	Slovak Republic	9.9	8.8	8.5	11.7	10.4	10.0
Belgium	9.9	6.0	3.9	11.3	6.9	4.5	Slovenia	13.5	8.5	7.7	17.3	10.9	9.9	Spain	12.0	10.8	10.2	14.0	12.6	11.9
Canada	12.9	7.3	4.9	14.6	8.3	5.5	Sweden	9.8	7.4	8.6	10.9	8.3	9.6	Switzerland	10.7	9.4	6.3	12.5	10.9	7.3
Chile	8.7	6.2	5.3	9.6	6.4	5.3	Turkey	11.6	10.2	10.2	13.4	11.8	11.8	United Kingdom	8.6	4.9	3.4	9.4	5.4	3.7
Czech Republic	12.0	7.1	5.5	14.0	8.2	6.3	United States	7.5	5.6	4.8	8.4	6.3	5.3	<b>OECD34</b>	<b>11.4</b>	<b>8.1</b>	<b>6.9</b>	<b>13.1</b>	<b>9.3</b>	<b>7.8</b>
Denmark	14.4	8.8	7.0	16.1	9.9	7.8	<b>Other major economies</b>							Argentina	17.1	13.4	12.1	21.5	16.6	14.9
Estonia	10.1	7.5	6.5	12.8	9.4	8.2	Brazil	15.5	16.1	17.3	18.2	18.9	20.3	China	19.1	15.2	13.9	19.7	15.3	13.8
Finland	10.0	7.6	7.0	11.8	9.0	8.3	India	12.4	9.3	8.2	13.0	9.6	8.4	Indonesia	2.6	2.6	2.6	2.6	2.6	2.6
France	9.7	8.3	6.6	11.6	9.9	7.9	Indonesia	2.6	2.6	2.6	2.6	2.6	2.6	Russian Federation	9.5	7.9	7.3	13.3	10.8	10.0
Germany	7.4	6.7	6.1	8.6	7.8	7.1	Saudi Arabia	18.4	18.4	18.4	19.3	19.3	19.3	South Africa	2.6	1.3	0.9	3.3	1.6	1.1
Greece	11.9	8.4	7.3	13.3	9.4	8.1	South Africa	2.6	1.3	0.9	3.3	1.6	1.1	EU27	10.8	8.4	7.3	12.6	9.8	8.5
Hungary	8.8	8.8	8.7	10.5	10.5	10.3														
Iceland	13.3	9.0	8.2	14.8	10.0	9.0														
Ireland	13.8	6.9	4.6	15.7	7.9	5.2														
Israel	16.5	11.1	7.4	18.0	12.0	8.0														
Italy	10.9	9.5	8.9	12.5	10.8	10.1														
Japan	8.0	5.9	4.9	9.3	6.8	5.7														
Korea	10.6	7.0	5.2	12.3	8.2	6.0														
Luxembourg	18.6	12.7	11.1	21.4	14.6	12.7														
Mexico	9.4	4.8	4.6	10.2	5.1	4.6														
Netherlands	14.6	12.1	10.8	16.7	14.0	12.4														
New Zealand	15.4	7.7	5.1	17.3	8.6	5.8														

Source: OECD pension models.


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## 4.16. Gross versus net pension wealth by sex, average earner



Note: The scales of both figures have been capped at pension wealth of 15 times individual earnings, which excludes Brazil, China, the Netherlands and Saudi Arabia from both figures and Argentina and Luxembourg from the figure for women.

Source: OECD pension models.

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