

Key results

Net pension wealth, like the equivalent indicator in gross terms, shows the present value of the lifetime flow of pension benefits in mandatory pension schemes. 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 9.4 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 figures 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 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 an above average OECD ranking in gross pension wealth compared with below OECD average ranking measured on a net basis. The net to gross pension wealth ratio in Denmark is 61%. 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 fourteen OECD countries. In eleven 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 exception to this is Luxembourg at 12.4 times earnings for men and 14.2 for women. The lowest figure is for the United Kingdom: 2.4 times earnings for men and 2.6 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 1.4 and 1.8 times average earnings for men and women respectively and Brazil with the highest of any country at 17.3 for men and India with 16.9 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 contributions 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 <http://oe.cd/pag>.

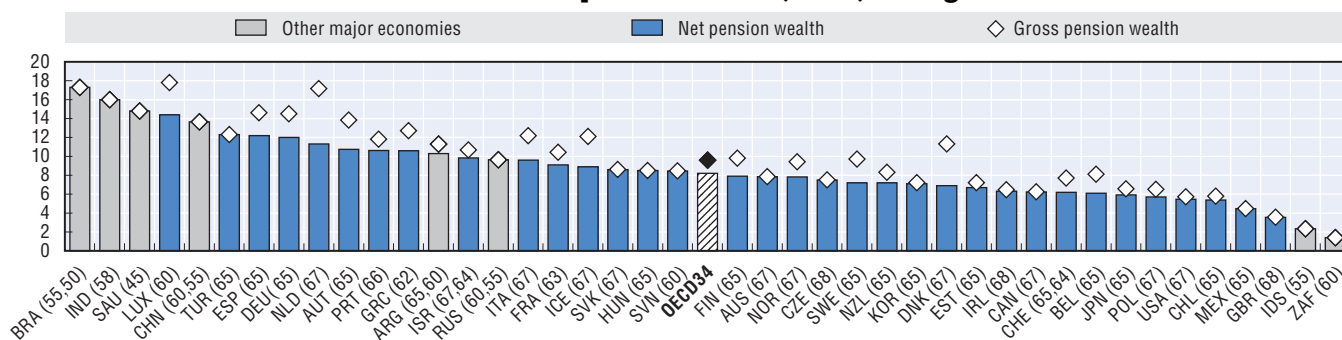
6.14. Net pension wealth by earnings

	Multiple of individual annual gross earnings						Multiple of individual annual gross earnings						
	Men			Women			Men			Women			
	0.5	1.0	1.5	0.5	1.0	1.5	0.5	1.0	1.5	0.5	1.0	1.5	
OECD members							OECD members (cont.)						
Australia	14.0	7.8	5.8	15.1	8.2	5.8	Norway	11.6	7.8	5.8	13.3	9.0	6.7
Austria	12.6	10.7	9.8	14.4	12.3	11.3	Poland	6.0	5.7	5.6	7.1	6.8	6.7
Belgium	8.1	6.1	4.4	9.4	7.0	5.1	Portugal	12.4	10.6	9.7	14.5	12.3	11.2
Canada	8.5	6.2	4.3	9.6	7.0	4.8	Slovak Republic	9.8	8.6	8.2	11.6	10.2	9.8
Chile	6.9	5.4	5.4	7.4	5.4	5.4	Slovenia	9.8	8.5	7.7	12.2	10.6	9.6
Czech Republic	12.1	7.5	5.9	14.0	8.7	6.8	Spain	13.6	12.2	11.5	16.1	14.5	13.7
Denmark	11.4	6.9	5.4	12.8	7.7	6.0	Sweden	7.8	7.2	8.2	8.8	8.1	9.2
Estonia	8.9	6.7	6.0	11.0	8.3	7.4	Switzerland	8.5	6.2	4.2	9.8	7.3	4.8
Finland	9.7	7.9	7.4	11.5	9.4	8.8	Turkey	12.3	12.3	12.3	14.3	14.3	14.3
France	9.9	9.1	7.8	11.7	10.8	9.2	United Kingdom	7.1	3.6	2.4	7.8	3.9	2.6
Germany	14.5	12.0	11.1	15.7	13.0	12.0	United States	7.1	5.5	4.4	7.9	6.1	5.0
Greece	13.6	10.6	9.6	15.1	11.8	10.7	OECD34	10.8	8.2	7.1	12.3	9.4	8.1
Hungary	8.5	8.5	8.5	10.1	10.1	10.1	Other major economies						
Iceland	12.3	8.9	8.2	13.7	9.9	9.1	Argentina	12.5	10.3	9.3	17.8	13.6	11.9
Ireland	12.6	6.3	4.2	14.3	7.2	4.8	Brazil	24.2	17.3	17.3	27.7	22.6	22.6
Israel	14.0	9.8	6.6	14.9	10.4	6.9	China	17.3	13.7	12.3	20.3	16.2	14.8
Italy	11.0	9.6	9.0	12.7	11.1	10.3	India	16.0	16.0	16.0	16.9	16.9	16.9
Japan	8.1	5.9	5.0	9.4	6.9	5.8	Indonesia	2.3	2.3	2.3	2.3	2.3	2.3
Korea	10.7	7.1	5.3	12.5	8.4	6.2	Russian Federation	9.6	9.6	9.6	12.8	12.8	12.8
Luxembourg	18.9	14.4	12.4	21.7	16.5	14.2	Saudi Arabia	14.8	14.8	14.8	15.6	15.6	15.6
Mexico	6.1	4.5	4.2	6.6	4.5	4.2	South Africa	2.9	1.4	1.0	3.6	1.8	1.2
Netherlands	13.6	11.3	10.1	15.6	12.9	11.6	EU28	11.4	8.9	7.8	13.0	10.3	9.0
New Zealand	14.4	7.2	4.8	16.1	8.1	5.4							


Source: OECD pension models.

StatLink  <http://dx.doi.org/10.1787/888933301161>

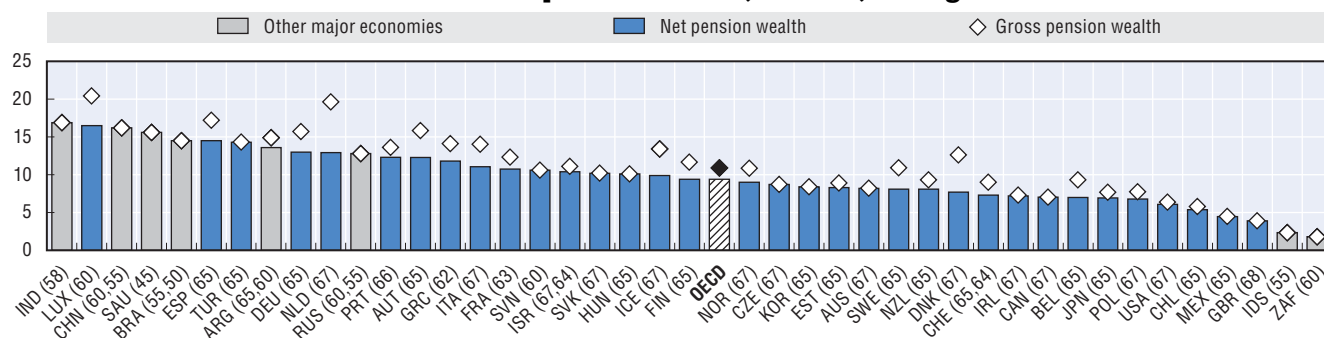
6.15. Gross versus net pension wealth, men, average earner




Source: OECD pension models.

StatLink  <http://dx.doi.org/10.1787/888933300747>

6.16. Gross versus net pension wealth, women, average earner



Source: OECD pension models.

StatLink  <http://dx.doi.org/10.1787/888933300752>



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