PRESS RELEASE

Press Conference: Will You Afford to Retire? Unveiling the Threats to Your Retirement

Brussels, 27 September 2024 – BETTER FINANCE, a leading advocate for pension savers across Europe, is unveiling its 12th Annual Pensions Report. Amidst growing financial uncertainty, this year's report reveals a troubling long-term trend that underscores the precarious state of pensions, and offer critical insights into how hidden costs, asset allocation inefficiencies, and inflation are reshaping your retirement prospects and long-term savings. Our report reveals how widespread issues are affecting savers across Europe, with alarming statistics and critical insights into the future of pension security.

Key Highlights

- Asset Allocation Alarm: Why Most Pension Products Miss the Mark - Understand the widespread inefficiencies in asset allocation strategies within pension products. Find out how these suboptimal choices could be stalling your financial growth and learn how to adjust your investments for improved outcomes.
- The Cost Conundrum: How Hidden Fees Are Draining Your Savings - Discover how excessive fees are undermining returns and jeopardising your retirement income. Our research unveils the true impact of these costs on your pension and long-term savings performance.
- Inflation: The Silent Retirement Killer - Uncover the severe effects of inflation on your savings and why your pension products must consistently outpace inflation to ensure a comfortable retirement. Our report offers strategies to keep your savings ahead of rising costs.
- Transparency Issues in the Pension Industry: What You Need to Know - Explore the challenges surrounding transparency in the pension industry. Many savers find themselves without clear information about their pension performance due to inadequate communication from insurers, trade associations, and regulatory bodies. This lack of clarity can leave individuals uncertain about their financial position.

Belgian Pension Savings: A Sting?

The Dire State of Belgian Pension savings: A Snapshot of the Widespread Pension Crisis Across Europe

As BETTER FINANCE prepares to unveil the 12th edition of its annual long term and pension savings report in November, a troubling trend is becoming increasingly evident, highlighting the precarious state of pensions for Belgian savers. Recent calculations reveal a staggering decline in real terms for pension reserves, further shedding light on a broader issue affecting many across Europe.

A poignant example comes from a pension insurance product under the "Assurance Groupe" plan. Over the past nine years, this pension—designed with a capital guarantee (called "Branch 21 in Belgium)— has seen its **real value diminish by 24% after taxes in the last 9 years,equating to an annual loss of approximately 3%.** This alarming statistic underscores a broader trend impacting long term and pension savers who are struggling to maintain their financial security in retirement.

Key Issues:

- **Real-Term Losses**: The calculation of pension returns reveals a significant erosion of value in real terms. Despite the pension plan's nominal capital guarantee, the lack of revaluation over the past four years amidst high inflation has severely impacted the actual purchasing power of the pension savings.
- **Lack of Transparency**: Crucially, this critical information is not being disclosed to pension savers. There has been no disclosure from the insurer, the Belgian insurance trade association Assuralia, the public pension information service Mypension.be, or the financial supervisory authority FSMA on the annual real returns on Belgian pension savings. This opacity leaves savers in the dark about the real performance of their pensions.
- **Inadequate Revaluation**: The insurer's failure to revalue the pension in line with inflation highlights a significant issue within capital-guaranteed pension/products. Additionally, for many pension savers aged between 60 and 65, there is no legal minimum guaranteed annual return, although they cannot liquidate their pension rights before the age of 65 without incurring severe tax penalties. This means that insurers are pocketing all the investment income generated by the pension savers' contributions, while further impoverishing their clients.
- **Taxation of Real Losses (Losses of Purchasing Power) of Pension Savers**: Belgium, like France and many other European countries, taxes nominal long-term investment income, rather than real income. This fails to account for the negative and exponential impact of inflation on pension values over time. As a result, the state compounds the real losses experienced by pensioners before tax.

Call to Action:

This stark example of the decline in pension values is indicative of a broader "bloodbath" affecting long-term and pension savings across Europe, especially for small savers. With the average Belgian pension saver unable to easily access or compute their pension performance, there is also a clear need for increased transparency and regulatory oversight.

BETTER FINANCE's upcoming pensions report will delve deeper into these issues, aiming to shed light on the systemic problems within the long-term and pension savings industry and advocate for necessary reforms to protect the interests of savers. In addition to addressing the very negative impact of inflation and the lack of transparency regarding returns, the report will continue to highlight the underperformance of many European pension products compared to the performance of their underlying assets, i.e., the capital markets. It will also examine the suboptimal allocation of assets, the insufficient direct investments in equities, and the often-excessive costs associated with pensions.

The forthcoming report promises to be a crucial resource in understanding the ongoing crisis in pension savings and advocating for greater transparency and accountability within the industry.

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