



BF BETTER FINANCE

GUIDEBOOK ON PENSION AWARENESS

Long-Term & Pension Savings

The Real Return

2022 edition



Every year, **BETTER FINANCE** compiles the returns of private long-term and pension savings in *real terms*



The Report on the *Real Returns of Long-Term and Pension Savings* covers 17 countries in the EU and includes both *occupational* and *voluntary* pension savings.



Available on our website: betterfinance.eu
Digitally available on the '*Pensions Dashboard*'.

REAL RETURNS (INFLATION-ADJUSTED)

**THE VALUE OF OUR MONEY
DECREASES DUE TO INFLATION.**

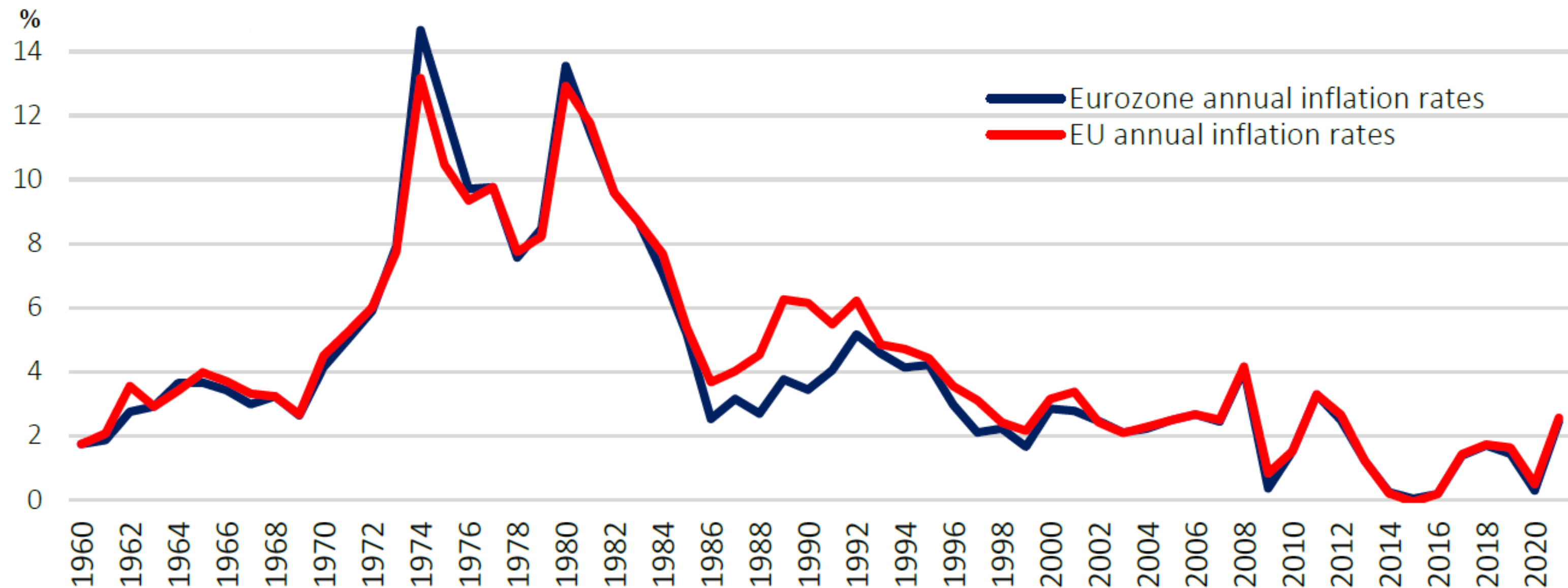
**THE SAME STANDS FOR CAPITAL
MARKET RETURNS: THEY INDICATE
THE CHANGE (IN %) ON A MONETARY
(€) VALUE.**

**A 5% RETURN WITH 2% INFLATION
WILL RESULT IN 2.9% IN REAL TERMS.**

"MONEY ILLUSION"

“Money illusion” refers to the common misconception that the value of our money remains the same over time whereas, in fact, it doesn't.

We need to think of returns in **real net terms: after deducting **cost** and **inflation**.**



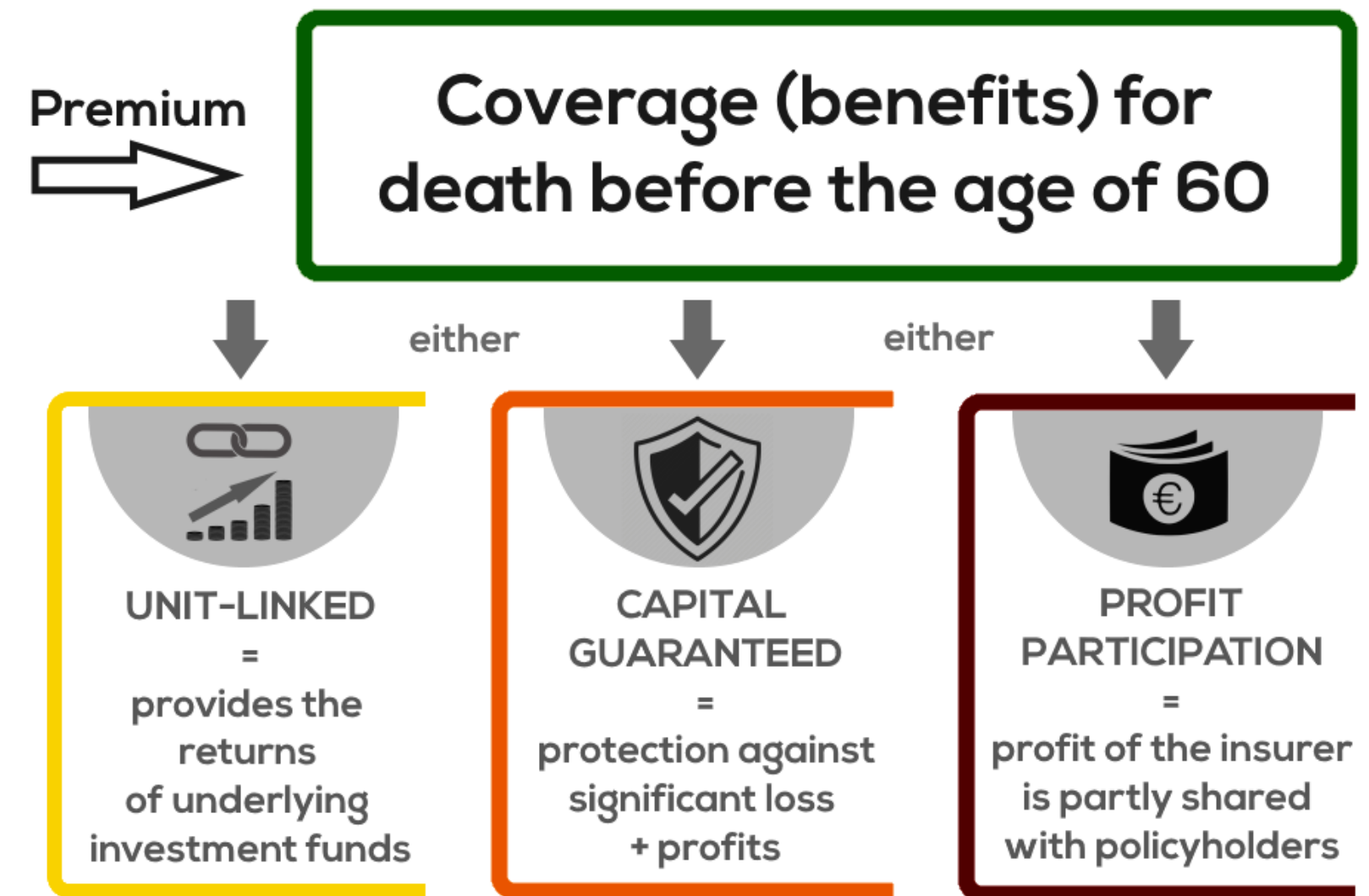
“Three pillar” structure

Pension systems are divided into:

- **Pillar I (State/public) pensions**
 - *generally the main pension source*
- **Pillar II (private) occupational pensions**
 - *employment-related, usually based on salary (contribution in %)*
- **Pillar III (private) voluntary/individual pensions**
 - *freely funded by savers themselves*

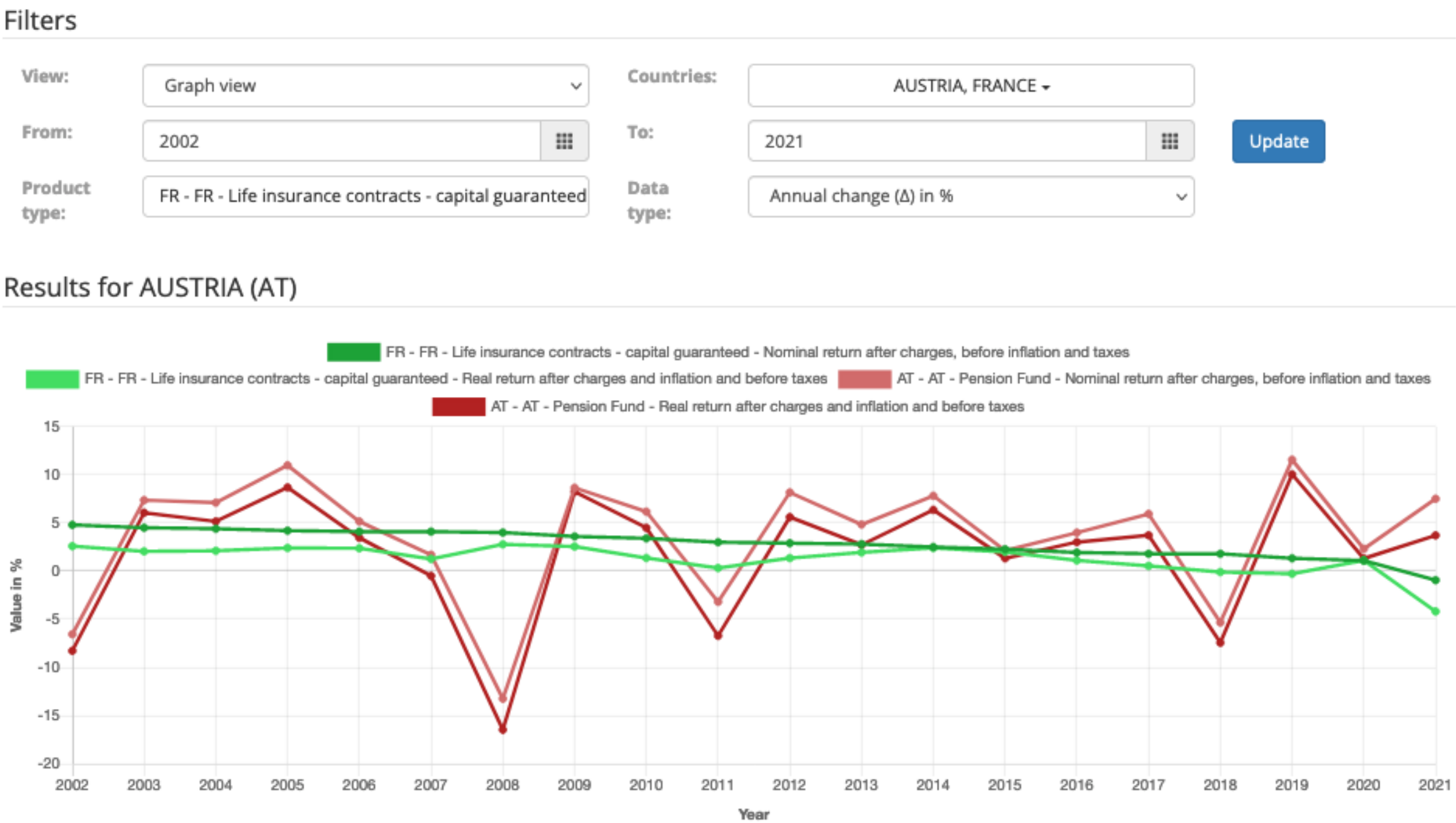
Types of private pensions

- Pension funds
- Insurance-based pensions
(pension insurances, life insurances)



THE PENSION DASHBOARD

The interactive return dashboard is available on our website.



It presents nominal and real net returns, allows comparisons by year, country, and pension type.



Available in chart or table view.

Source: <https://betterfinance.eu/pensions-dashboard>

Pension advantages

Formal pension schemes are tax-incentivised: contributions can be deducted from the base income tax, investment returns can be tax-exempt, and pay-outs (pension) are almost always taxed (sometimes benefiting from a reduced income tax bracket)

Example: occupational pension taxation in Lithuania vs Sweden

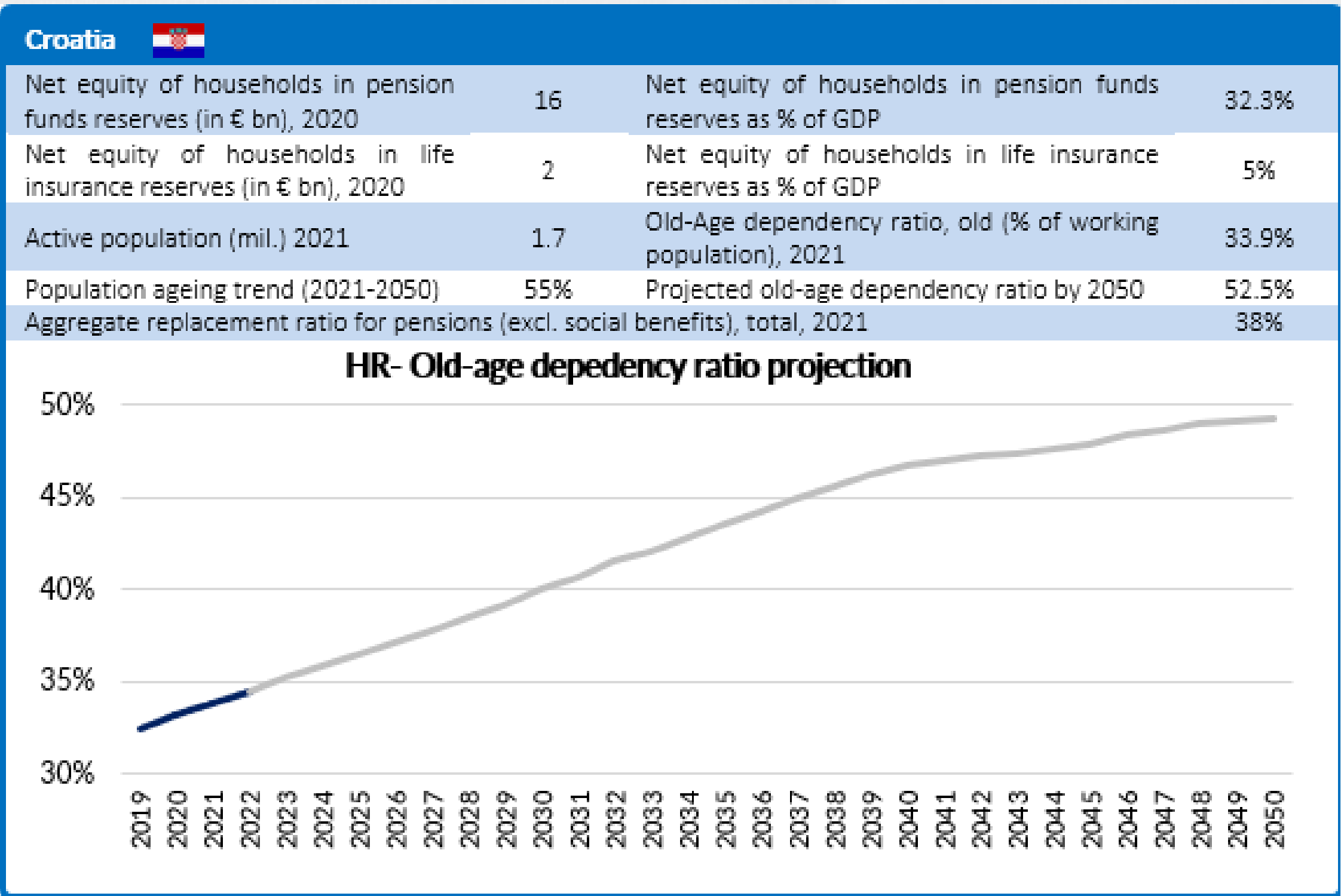
		Contributions	Investment returns	Pay-out
Lithuania		Tax-deductible	Tax-exempt	Tax-exempt
Sweden		Partially deductible	Taxed	Taxed

COUNTRY INFO

Individual country cases provide information on the pension system, taxation, charges, and pension returns.

Summary return tables enable comparisons across pension systems and product categories.

BETTER FINANCE's report updates **country cards** with key info on the current state of pensions and demographic outlook.



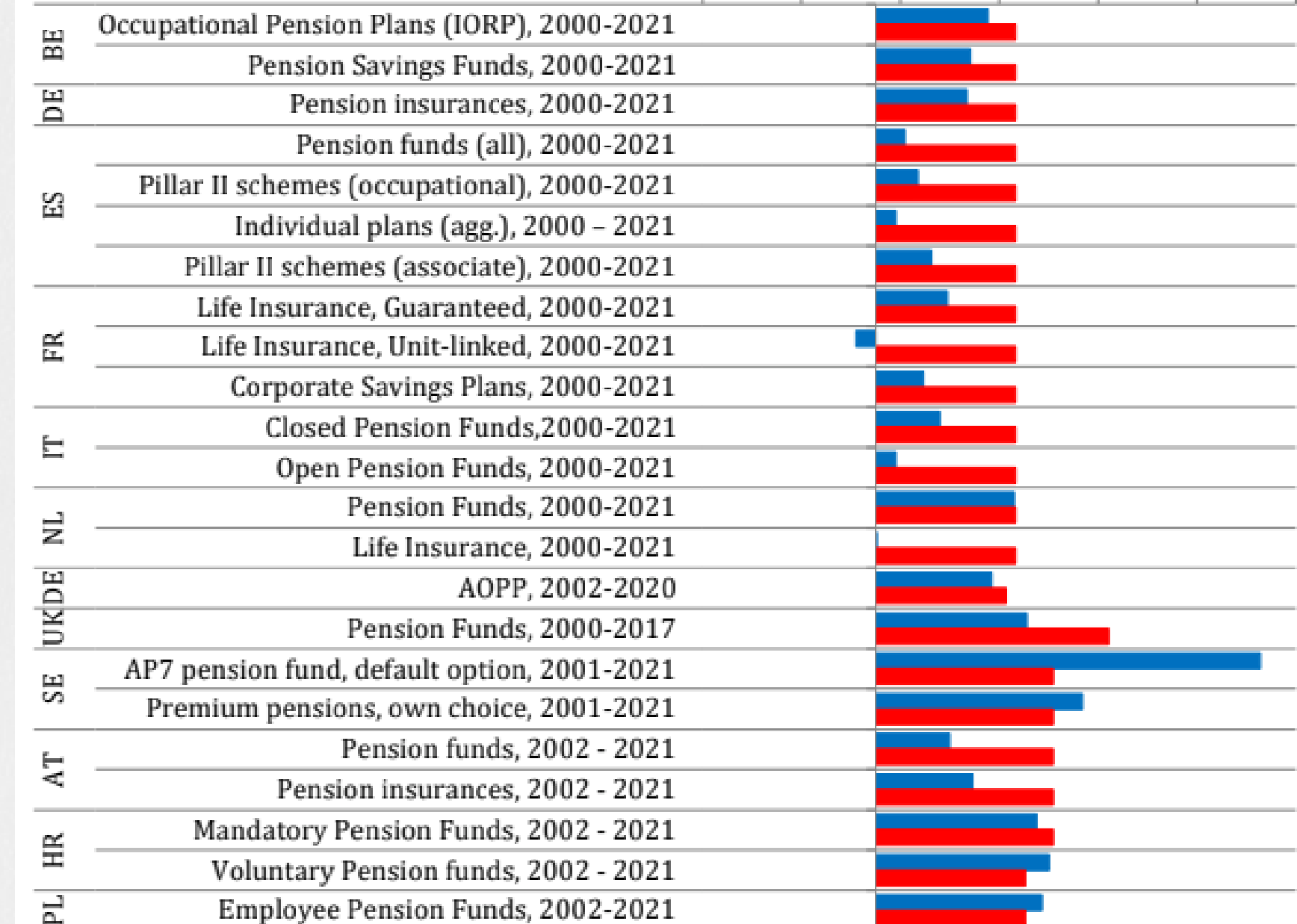
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In our Pension Report

ANNUALISED REAL NET RETURNS OF PENSION SAVINGS - BEFORE TAX

■ Pension products ■ EU capital markets

-4% -2% 1% 3% 5% 7% 9%



2022 "FINANCIAL REPRESSION" of Euro Area financial savers

