

# DANMARKS NATIONALBANK

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## More Danes carry the pension risk themselves

The Danes' total retirement savings<sup>1</sup> amounted in the second quarter to kr. 3,661 billion as a consequence of large returns on stocks, bonds and interest rate derivatives. Movements in financial markets affect the pension assets more directly today than what has been the case previously.

It has earlier been custom for pension clients to receive a certain guaranteed average return on their pension payments when saving in average rate products. The tendency today is that the unguaranteed market rate products are increasing in market share. The number of market rate contracts was 2.49 million at the end of 2018 against 2.33 million average rate contracts.

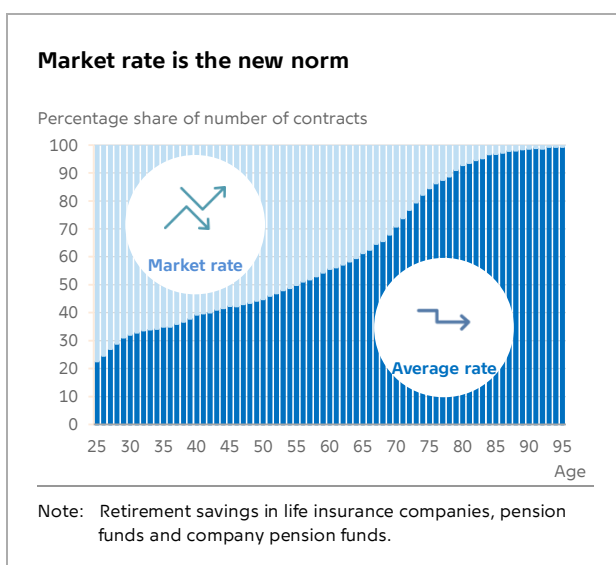
The market rate products are characterized by the value of the clients' savings being directly dependent on the return on the investments of the pension fund. Depending on the investment strategy the value of the savings can both fall and rise. The pension saver is to a higher extent singlehandedly exposed to this risk, whereas the risk is collectively shared for average rate products. Hence, the market rate client faces a less predictable and more volatile development in the value of his or her retirement savings.

### Market rate products most common among young

While market rate is more widespread measured by the number of contracts, average rate continues to dominate measured by the size of the total retirement savings. This aligns with older generations having average rate products. The size of the Danes' pension savings are closely related to their age. The pension savings accumulate during the active years on the labor market and decline during retirement. Consequently, the savings account is at its highest for individuals close to the retirement age. This explains why the total pension savings in average rate continues to dominate in magnitude despite the transition towards market rate.

### Detailed data on the Danes' pension savings

Danmarks Nationalbank yearly collects and validates pension data in collaboration with Statistics Denmark. The data shed light on developments in pension savings at the individual level. Data are available from Statistics Denmark ([Link](#)).



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<sup>1</sup> Household pension rights, life insurance and life rate rights in insurance and pension companies.