



Leibniz Institute for Financial Research SAFE  
Sustainable Architecture for Finance in Europe (<https://safe-frankfurt.de/>)

## SAFE Finance Blog

### Pension: More Insight Instead of Promises

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Andreas Hackethal: Better than a pension guarantee would be to allow citizens finally more insights



The pension is and remains a political sensitive topic. And rightly so: The demographic development with fewer contributors in the future and now already over 21 million recipients (on a rising trend), the statutory pension system is a major problems. Most recently, Federal Finance Minister Olaf Scholz called for the amount of pensions to be guaranteed to 2040 instead of 2025. So far, a pension level of at least 48

percent is guaranteed compared to the average earnings. In addition, workers' contributions to finance pensions should not exceed 20 percent of gross wages. Where it goes from there, an already established expert commission is called to develop proposals.

Scholz sees the pension guarantee as a weapon against populism. "Stable pensions prevent a German Trump," he is quoted in "Bild am Sonntag". That the CDU/CSU immediately countered, is part of politics. Chancellor Angela Merkel has been reluctant so far. "Clear goal of all in the government is to design social security for all generations also after 2025 reliably," government spokesman Steffen Seibert is quoted in the "WELT". But what about the argument of tackling populism with stable pensions?

Nobody will doubt that the financial education of people in Germany must be improved. However, especially in the case of pensions, politics operates in terms that only a few people can relate to. There is talk of "double stop lines", "demographic reserve" and "benchmark pensioners" - this is hardly tangible and difficult to understand. On the other hand, politicians of all parties have so far failed to provide citizens with information about all sources of pension income easily understandable, secure and at the touch of a button.

The reforms of recent years aimed at strengthening the two other pillars of pensions in addition to the statutory pension, namely employer-funded and private pensions. However, those who want to know what he or she has in total income in old age, has to rummage a variety of more or less understandable stand messages from file folders. Once this is done, the promised payments are sometimes shown in annual installments, sometimes in monthly installments, sometimes gross and sometimes net. All this is so complicated that even mathematicians often give up.

### **Retirement income at a glance**

Who wants to provide citizens with security about pension, should provide insight. Although designated in the current (and previous) Coalition Agreement and long established in countries such as Denmark and Sweden, there is still no instrument in Germany for citizens to see at a glance all their retirement income. We therefore urgently need a data-safe and easy-to-use pension cockpit in Germany, with which everyone can call up all retirement income at the click of a button. The sum calculated in euros and cents gives people more security than any discussion about an abstract pension level. This is not only the result of my many years of teaching financial education, but also the result of the first large-scale scientific study on the effect of such pension cockpits. With the help of two large financial institutions, the Goethe University Frankfurt am Main, in cooperation with the Max Planck Institute for Social Law and Social Policy and the Deutsche Renten Information e.V. (DRI), has given more than 20,000 people the opportunity to gain an overview of their entire retirement income.

### **More insights with the pension cockpit**

Anyone who stand to the end – and that was a representative sample with over a thousand participants – received his personal pension cockpit. The name was deliberately chosen: like in the car, we wanted to achieve a view that was easy to grasp and as simple as possible. Instead of showing annual sums, we have concentrated on the monthly expected income in the same way as salary payments. They were shown as guaranteed as well as additional possible sum and also divided into gross and net values. We asked the participants whether they can assess their retirement income. 66 percent said they could not. After using the pension cockpit, 61 percent of respondents said they felt well informed about their retirement plans. 64 percent find the pension cockpit clearly helpful. These values make it clear how useful such an instrument would be. In May 2018, DRI began working on a prototype for such a retirement cockpit with ten partners from the finance industry and science. We want to create an open platform for all private and public pension providers by the end of 2019 at the latest.

Anyone as a politician who wants to prevent that citizens turned off by politics look for alleged security in populists, should therefore quickly create the legal requirements for such a pension cockpit provided for in the Coalition Agreement. This is insight rather than promises - and solid social policies against populism.

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