

## Composition of expected income of future pensioners

The Dutch pensions system is structured on the basis of four pillars. First of all, every inhabitant in the Netherlands aged between 15 and 65 years contributes to the national old age pension scheme (AOW). The second pillar is a labour-related pension for persons in employment. The third pillar consists of individual pension schemes offered by insurance companies, which are backed by the government through favourable tax regulations. And the informal fourth pillar comprises other capital which can be used as a provision for old age, such as endowment insurance and real estate. The individual pension build-up per pillar diverges due to personal circumstances, statutory rules, and/or company policy.

Within each pillar, characteristic groups of people can be identified who are less likely to participate, partly participate, or are excluded. People who come to live in the Netherlands at older ages and those who have lived outside the Netherlands for a period of time will receive a lower first pillar pension. However, this national insurance should guarantee a minimum subsistence for everyone. People who are not employed, or who have been unemployed for a period of time may have built up insufficient pension in the second pillar. They will experience a considerable drop in income when they retire. If their personal situation permits, they can compensate for this by building up more pension in the 3rd and 4th pillars. Statistics Netherlands collects the relevant data from registrations and sample surveys among pension funds and insurance companies.

This article describes the distribution within the four pillars and the combined pension composition across the pillars of individuals and households. It also pays special attention to the groups of people and households who - based on their present income – will experience a substantial drop in income when they reach retirement age. Furthermore it will elaborate on the socio-demographic characteristics of these groups.