

Handout

Providing for retirement

Note: We recommend that you read [“Planning ahead: saving for retirement”](#) before completing the tasks in this handout.



Task 1:

The Austrian pension system is based on a three-pillar model consisting of statutory pensions, occupational pensions and private pensions. Connect the definitions with their corresponding terms.

Pension system in which pension benefits are financed through the contributions paid in by the working population is based on this.

The insured person pays contributions over a longer period of time. At a certain point in time, they can, as a rule, choose between a lump-sum payment or lifelong pension payments.

Pension system in which the amount of pension benefits is linked to capital market developments.

Pension funds bundle the contributions of a large number of insured people in this way to collectively invest the funds paid in.

Investment and risk-sharing groups

Term life insurance

Contract between generations

Funded pension scheme

Task 2:

Complete the following tasks pertaining to Elisabeth Salk's pension:

Elisabeth Salk is 26 years old, completed her studies when she was 24 years old and currently works as a tax assistant in an international law firm for 40 hours a week. In two years, she will take her tax consultant exam. She is in a stable partnership and would like to have two children in the next 10 years. Elisabeth and her partner have agreed that she will reduce her working hours to 20 hours a week while the children are small in order to have enough time for the family.

a) Explain which factors influence the amount of Ms. Salk's statutory pension.

- **Training and career choice:** Ms. Salk has chosen a profession with good job prospects and high earnings. However, she studied until two years ago and paid hardly any pension insurance contributions during this time.
- **Family planning:** The fact that she would like to work part-time during childcare periods and for a limited period thereafter will have a negative impact on her pension amount.

b) Explain why private pension provisions will be more important for Ms. Salk than they have been for her parents.

Fewer and fewer working people are supporting more and more retirees. Missing funds are currently provided by the state. Since additional government debt has to be taken on to finance some of the pensions, it is unclear to what extent statutory pensions can be financed in the future. It is therefore also unclear whether the amount of Ms. Salk's pension will be sufficient to allow her to maintain her lifestyle.

c) Name at least three options that would allow Ms. Salk to make additional provisions.

- In addition to her statutory pension, she might have the option of drawing an occupational pension if her employer pays monthly contributions to a pension fund for her.
- She could also make private pension provisions, for example by regularly investing part of her income in a securities portfolio or a life insurance policy.
- She could also think about buying her own home. If she manages to pay off her mortgage before she retires, her financial burden in retirement will be much lower.

Task 3: Women and pensions

Read the following excerpt from a publication by the Austrian Association of Cities and Towns. Then complete the tasks below.

August 4, 2023, is Equal Pension Day

Women have 40.55% less in their pension pots

Equal Pension Day is the day when the pension amount received by men equals the amount women will have received only by the end of that year. In 2023, this day falls on August 4 in Austria, bringing the gender pension gap to 40.55% (41.06% in 2022) or 148 fewer days of pension benefits. The average gross pension income is EUR 2,162 per month for men, and EUR 1,285 per month for women (data: annual pension insurance statistics of December 2022, calculations: Municipal Department 23 – Economic Affairs, Labour and Statistics of the City of Vienna).

Source: <https://www.staedtebund.gv.at/themen/frauen/equal-pension-day/> (in German).

a) According to the excerpt, what difficulty does the Austrian pension system face?

In Austria, there is a big difference between the pension amounts of women and that of men. This is also highlighted by the Equal Pension Day, which points to the fact that women have on average a 40.55% lower pension income than men (equaling 148 fewer days of pension benefits per year).

b) Explain which factors contribute to the fact that women in Austria are particularly affected by poverty in old age.

- Often times, women still do most of the unpaid work in the family.
- Women are much more likely to work part-time than men.
- Women are more likely to work in lower-paid jobs.