

THINK OF RETIREMENT NOW?



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What will be my pension?

Young people should not rely on the government, but think about retirement now. It is advantageous to diversify retirement savings from several pillars and also to invest in assets, as state pensions will not be high. Unfortunately.

Your amount of the **pension from the first pillar** will depend on the number of years worked, the income of the insured during the whole period and on the strength of the Slovak economy at the time when he will retire. The first pillar is solidary. The money is partially redistributed from those who earn more and paid to the social insurance company to those who earn less.

The amount of the **pension from the second pillar** will depend on the contributions paid to the old-age pension savings and their appreciation on the capital markets. So your pension will only depend on your salary and its value in the DSS.

A person who is only in the first pillar will have a pension very dependent on the state of the Slovak economy, while a person who has both pillars will have a pension dependent on the strength of the Slovak economy, but also on their lifelong contributions to the DSS and their appreciation. world capital markets.

In addition, the money in the personal pension account is the property of the saver and, in the event of his death, will go to the persons he designated when signing the contract or will be inherited.

The third pillar, i.e. supplementary pension savings will enable people to receive supplementary retirement income in old age. Something extra that is not mandatory. Pensions in Slovakia are not high and it is good to have extra resources so that our standard of living does not fall in old age.



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Do we need to save for retirement more than is mandatory?

Life expectancy is increasing, which is good news. The current generation will live longer than their grandparents, on average by more than 8 years. So we will draw a pension for more years, there will be more pensioners.

In order to maintain the same population as now, the average fertility rate should be 2.1 children per woman. In Slovakia, this number is much lower. In 2016, it was an average of 1.48 children per woman. This will lead to a decrease in the population of Slovakia. There will be fewer workers.

Slovaks live longer, raise fewer children and do not like immigrants. At least now. Or immigrants do not like to move to Slovakia. Compared to the rest of Europe, Slovakia is one of the countries with the lowest net migration (the difference between emigrants and immigrants) and it does not seem likely that this trend should change significantly.



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The problem of population aging can be observed throughout Europe, but in Slovakia it is even more serious. In the coming decades, fewer people will enter the workforce each year due to low fertility. But as people live longer, few workers will have to fund a pension for more retirees.

By 2060, when you will start to look forward to retirement, the workforce will be reduced from 3.8 mil. to 2.4 mil. people. However, the number of pensioners will increase by 28% by 2060.

The first pillar of pension savings will therefore not be sustainable in the long run. By 2060, the average number of workers financing one pensioner will decrease from the current 1.75 workers per pensioner to 0.98 workers per pensioner.

The generation that is now entering the labor market (you) will have to work into old age to be able to support all retirees. This is not a great future.

An aging population will create an even greater burden on the health care budget. Many older people will need to increase spending on doctors and hospitals, which will also have to fund workers. The health care budget will also be funded by workers.

Increased fertility

The other baby boom in our country was observed in the 70s of last century. It is now up to your generation to increase the birth rate.

Improving the size of the workforce

The workforce can be increased by increasing the participation of the population through various measures such as the integration of the unemployed into the workforce, longer working hours, older retirement ages, more part-time jobs and for specific groups of the potential workforce, including mothers, young children, university students and pensioners. Another option for increasing the workforce is immigration. People from abroad can enter our labor market and thus cover the missing workforce. The opposite of immigration, ie emigration, is also a factor that affects the size of the workforce, especially in poor regions of the Slovak Republic. It would help if we managed to reduce the number of people born in Slovakia who are constantly leaving to work and live outside the country.



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Increasing labor productivity

We are already seeing a relatively significant increase in productivity in some areas. Much of this improvement is due to science, technology, computers, the Internet and robots. Here's your job to help increase your productivity. However, not all human activities can be subject to increased productivity. Jobs that are directly linked to the problem of an aging population are, in fact, the least affected by inventions of science and technology, e.g. caring for the elderly and the sick will require as much human labor in the future as in the past.

Private pension schemes

Workers must take some responsibility for their aging. The importance of the second and third pillars of pension systems (private mandatory and voluntary schemes) will grow.