

Key results

Net pension wealth, like the equivalent indicator in gross terms, shows the present value of the lifetime flow of pension benefits. But it also takes account of taxes and contribution paid on retirement incomes. Both figures for pension wealth are expressed as a multiple of individual gross earnings.

For average earners, net pension wealth for LAC countries averages 11.6 times gross individual earnings for men and 13.3 for women. Values are higher for women than men, due mainly to differences in life expectancy between the sexes.

Because net pension wealth is expressed as a multiple of individual gross earnings, it is less than gross pension wealth (if there is some tax liability during retirement) or the same (if pensions are not taxed or pension income is below tax thresholds). This is clear in the two charts opposite. For example, pension wealth is the same, in both net and gross terms, in Brazil and Ecuador because pensions are not taxable. This is the case though in over half of the countries in the region.

Therefore the rankings of pension wealth do not really change when measured on a net rather than a gross basis. The main exception to this is Colombia which is ranked 16th for men and 17th for women for gross pension wealth but is 10th for men and 12th for women in net pension wealth rankings.

Impact of individual earnings

Low earners are not liable for taxes or contributions in 17 of the LAC countries covered. The same is also the case for average earners in the same 17 countries and in 15 of them for those at twice average earnings.

For high earners, those at three times the average, there are still twelve countries that are identical for gross and net figures. There is actually greater range in the results, with those in Ecuador with pension wealth around twelve times that of Suriname. Half of countries have net pension wealth in the range of seven to 13 times annual earnings. The main exceptions to this, along with Ecuador and Suriname mentioned above, are Nicaragua (at 18.1 times earnings for men), followed by Paraguay at 17.7 times. At the other end of the scale are the Bahamas at 3.4 and Peru at 3.7 times earnings.

For women the picture is virtually identical, but due to higher life expectancy and, in some cases, lower retirement ages the duration spent in retirement will be longer. Therefore the level of pension wealth is naturally going to be higher as a result. The largest difference across all earnings levels is in

Honduras, where women have a net pension wealth about 28% higher than that for men. The exceptions to this trend are for women earning twice or three times average earnings in Chile or El Salvador, where in both cases the net pension wealth for women is slightly smaller than that for men. This is because women receive a lower replacement rate than men as they retire five years earlier and with the ceiling to contributions applying at these earnings levels the longer duration of retirement does not quite balance the picture.

It is important to note that these calculations look at the benefit side of the pension system only. The impact of taxes and contributions paid by people of working age on living standards during retirement relative to when working work are discussed above in the indicator of "Net pension replacement rates".

Definition and measurement

Net pension wealth is the present value of the flow of pension benefits, taking account of the taxes and social security contributions that retirees have to pay on their pensions. It is measured and expressed as a multiple of gross annual individual earnings in the respective country. The reason for using gross earnings as the comparator is to isolate the effects of taxes and contribution paid in retirement from those paid when working. This definition means that gross and net pension wealth is the same where people are not liable for contributions and income taxes on their pensions.


Taxes and contributions paid by pensioners are calculated conditional on the mandatory pension benefit to which individuals at different levels of earnings. They calculations take account of all standard tax allowances and tax reliefs as well as concessions granted either to pension income or to people of pension age.

Details of the rules that national tax systems apply to pensioners can be found in country profiles.

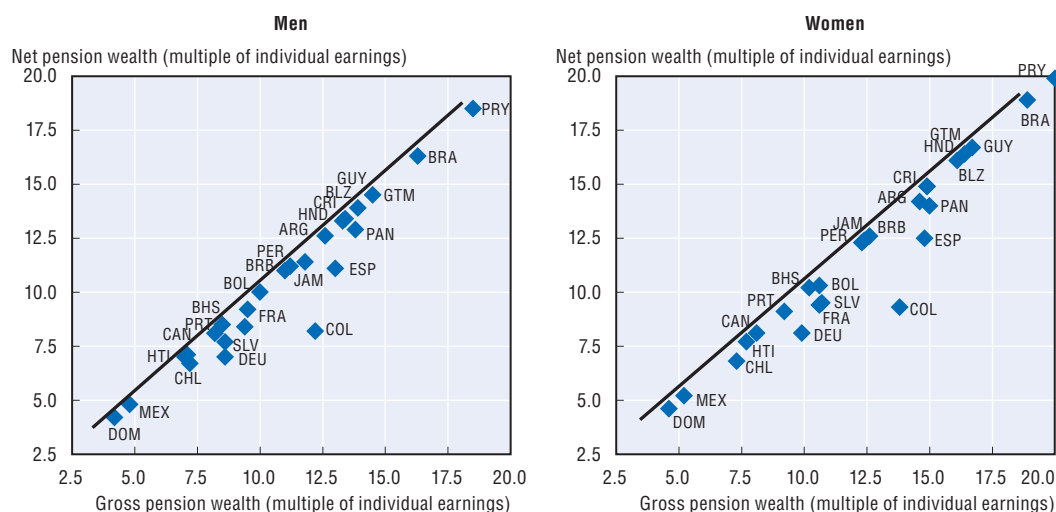
3.13. Net pension wealth by earnings

	Multiple of individual annual gross earnings									Multiple of individual annual gross earnings							
	0.5	1.0	2.0	3.0	0.5	1.0	2.0	3.0		0.5	1.0	2.0	3.0	0.5	1.0	2.0	3.0
	Men				Women					Men				Women			
Argentina	13.2	11.4	10.3	9.4	16.6	14.2	12.9	11.8	Nicaragua	22.7	22.7	18.1	18.1	25.2	25.2	20.2	20.2
Bahamas	8.5	8.5	5.1	3.4	10.2	10.2	6.1	4.1	Panama	12.9	12.9	12.9	12.9	14.0	14.0	14.0	14.0
Barbados	10.0	10.0	8.4	5.6	12.6	12.6	10.6	7.0	Paraguay	18.5	18.5	18.0	17.7	20.0	19.9	19.4	19.1
Belize	13.3	13.3	11.2	7.4	14.9	14.9	12.4	8.3	Peru (DB)	12.0	11.0	5.5	3.7	13.4	12.3	6.2	4.1
Bolivia	8.5	9.2	7.6	7.1	9.5	10.3	8.6	8.0	Suriname	11.9	6.0	3.0	2.0	13.7	6.9	3.4	2.3
Brazil	15.7	16.3	17.5	14.7	18.2	18.9	20.3	17.0	Trinidad and Tobago	13.7	7.2	7.6	7.1	16.4	8.7	9.1	8.5
Chile	9.1	6.7	5.9	5.9	10.1	6.8	5.2	5.1	Uruguay	10.8	10.3	11.1	12.4	13.0	12.3	13.3	14.7
Colombia (DB)	11.8	8.2	8.2	8.2	14.9	9.3	9.3	9.3	Venezuela	23.4	16.0	12.3	11.0	28.2	19.0	14.4	12.8
Costa Rica	14.8	13.4	13.4	13.1	16.4	14.9	14.9	14.6	LAC26	13.3	11.6	10.3	9.5	15.4	13.3	11.7	10.7
Dominican Republic	4.2	4.2	4.2	4.2	4.6	4.6	4.6	4.6									
Ecuador	23.2	23.2	23.2	23.2	25.6	25.6	25.6	25.6	OECD countries								
El Salvador	15.3	7.7	4.8	4.8	18.8	9.4	4.7	4.5	Canada	12.5	7.1	3.6	2.4	14.2	8.1	4.1	2.7
Guatemala	14.5	14.5	14.5	14.5	16.4	16.4	16.4	16.4	France	10.1	8.4	6.1	5.3	11.5	9.5	7.0	6.0
Guyana	14.3	13.9	11.8	9.0	17.3	16.7	14.2	10.8	Germany	7.8	7.0	5.0	3.3	8.9	8.1	5.7	3.8
Haiti	7.0	7.0	7.0	6.8	7.7	7.7	7.7	7.5	Portugal	8.6	8.1	7.2	6.6	10.0	9.1	8.1	7.4
Honduras	12.6	12.6	12.6	12.6	16.1	16.1	16.1	16.1	Spain	12.2	11.1	8.1	5.4	13.9	12.5	9.2	6.1
Jamaica	15.7	11.2	9.0	6.7	17.4	12.4	9.9	7.4	United Kingdom	8.7	4.8	2.5	1.7	9.8	5.4	2.8	1.9
Mexico	9.4	4.8	4.5	4.4	10.3	5.2	4.5	4.4	United States	7.9	5.9	4.2	3.0	8.8	6.6	4.7	3.4

Source: OECD pension models.

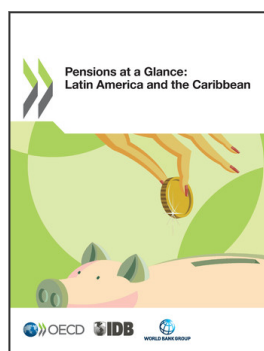
StatLink  <http://dx.doi.org/10.1787/888933161947>

3.14. Gross versus net pension wealth by sex, average earner



Source: OECD pension models.

StatLink  <http://dx.doi.org/10.1787/888933161529>



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