

Engelska – English

# TAKE CONTROL OF YOUR PENSION

– TEN TRAPS FOR WOMEN TO AVOID

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# *Foreword*

LIFE IS FILLED WITH TRAPS. Traps that we might need help in identifying.

This book helps you to identify the ten most important traps that you must avoid in order to receive the best possible pension.

We know that women generally receive a much worse pension than men. This is due to a number of reasons, such as wage inequalities and other forms of discrimination. Changing this requires work by trade unions and politicians.

But there are also a number of causes that we women can influence ourselves. Choices we make that have consequences for our pension, perhaps without our even thinking about it.

We have a State pension system that guarantees everyone a minimum pension level. This is our basic security. Most employees also receive a pension through their job, an occupational pension under a collective agreement. This is an important element of the overall pension.

It's important that we don't allow ourselves to be frightened, to become so afraid that we switch off and refuse to talk about life after work and how we will manage financially. Some don't want to listen

and see the future as a big, poor, black hole. Others sign up to expensive, low-quality pension products, when there are better alternatives, and believe that this will solve all their problems.

Take the time to read through this advice, talk to your friends and your colleagues at work. Don't be afraid to ask questions and discuss the future. This will give you a richer life as you get older – and not just in financial terms.

The opinions expressed here are entirely my own and may not be attributed to others.

*Annika Creutzer  
Stockholm, September 2013*

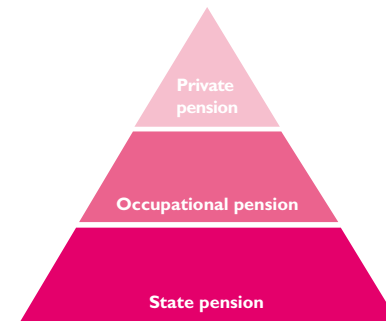
KPA Pension is a pension company for employees within municipal authorities and county councils. We invest pension funds securely and ethically, and most of our customers are women. Women who have chosen to dedicate their lives to taking care of and developing other people in the healthcare, education and social care sectors. It is therefore important for us to help our customers so that they receive the best possible pension. This is why we have chosen to fund the publication of this book.

*Lars-Åke Vikberg  
CEO, KPA Pension*

# Contents

<i>What are pensions? .....</i>	<i>8</i>
<i>The Education Trap.....</i>	<i>12</i>
<i>The Cash-in-Hand Trap.....</i>	<i>16</i>
<i>The Benefits Trap.....</i>	<i>20</i>
<i>The Part-Time Trap.....</i>	<i>26</i>
<i>The Health Trap.....</i>	<i>30</i>
<i>The Panic-Saver Trap .....</i>	<i>38</i>
<i>The Cost Trap.....</i>	<i>42</i>
<i>The Couples Trap.....</i>	<i>46</i>
<i>The "Stop Working" Trap .....</i>	<i>50</i>
<i>The Pension Trap.....</i>	<i>54</i>

# *What are pensions?*



YOU MUST PROVIDE YOURSELF with the best possible pension. Start by viewing your future pension as a pyramid. Then divide the pyramid into three levels.

The lowest part is the State pension. This is national, statutory and available to all. The size of this pension is determined by your income throughout your whole life.

Every year, a sum is set aside for your pension. For every 1,000 you earn, 185 kronor are set aside. Of this, 160 kronor go to the income pension. The rest, 25 kronor, can be invested by you in premium pension funds. If you don't want to choose which funds, that's fine. In that case the money will be invested in the Seventh AP Fund in the "Såfan" fund.

Every year you receive an orange envelope telling you what you can expect from your State pension, the base of the pyramid.

But most people in work also have an occupational pension, or contractual pension as it's also known. This is the middle level of the pyramid. This pension is regulated by agreement between trade union and employer, and is available to all employees at a workplace where there are collective agreements. There are also some employers who have their own pension solutions for their employees. The money is paid in by the employer.

Every year, statements about the occupational pension will drop through the letterbox from various insurance companies and pensions advisory centres that deal with various occupational pension agreements.

The top level of the pyramid is the private pension, for which you can save if you wish and have the ability to do so. You deposit your own money, and the most common method is a deductible pension savings scheme with an insurance company. When your policy is paid out, you have to pay tax in the same way as you do on other sources of pension income. You can also choose to save in other ways and call this your pension savings.

You can get the best view of your overall future pension, the whole pyramid, by visiting [www.minpension.se](http://www.minpension.se).

# 1

## *The Education Trap*

*Don't study for too long, and choose the right course*

STUDIES AFFECT YOUR PENSION. There are many factors that affect which career path we opt for – interests, family traditions, job opportunities, the influence of friends and simple fate.

The basis of a pension is our work. The more we earn and the longer we spend in work, the higher the pension we will receive. So in terms of your pension, you're borrowing from yourself when you study.

Even as a student, you receive a very small sum that is set aside for your pension. In the State pension system, this sum is calculated on the contributory element of the student loan. If you study full time, you will receive a pension as though you had an annual salary of 39,000 kronor (2013).

If we look at your pension, it's important that you choose a course that offers plenty of opportunities and that leads to a career that you can pursue for your whole working life or that can be developed or advanced through further education. The labour market changes rapidly, so no one can say which professions will be attractive in 30-40 years. But we can make qualified guesses, as there will always be people needed for schools, healthcare and social care.

People who have chosen to study will as a rule work for longer than those without educational qualifications. There are many explanations: education can lead to more interesting jobs, professions that require an education can be less physically demanding and it can be easier to move on to other tasks if you have an education behind you.

Basically, career choices are all about interests and what you're suitable for. But at the same time, it's not a bad idea to ask yourself – is this what I want to be doing for the next 40 years? And if the answer's no – is this something that will help me when I move on to other jobs?

If you choose to study, it's important to start working as soon as you can. One extra year in education costs you in terms of your future pension, although one way of compensating for this is to work for longer.

Also bear in mind that it's not all about money. Employees in municipal authorities and county councils enjoy above-average health, despite lower average salaries and slightly higher stress levels at work. This is revealed in a survey by the trend analysis company Kairos Future. Employees in municipal authorities and county councils have the highest educational qualifications, satisfy their ambitions to develop and have good relationships with their family, friends and colleagues. They are also often idealists and emphasise more than others that their own ideals and convictions are important in life.



# 2

## *The Cash-in-Hand Trap*

*Don't do illicit work*

IT'S TEMPTING TO receive a salary that you don't pay tax on. You get more cash in your hand and you don't have to share it. Maybe you'll earn 70 kronor an hour "clear" instead of 50 kronor after tax. It's good to have an extra 20 kronor.

Every legitimate job you have makes a small contribution to your future pension. A serious employer pays an employer's contribution based on the salary you earn. The employer's contribution includes a pension contribution.

If you work cash-in-hand, you lose out in many ways, and the pension is one of them. Nor are you insured at work, which can become a major problem if you suffer an injury. Nor can you be sure that you'll actually receive your money. Your employer can quite simply swindle you. Thirdly, you can become liable to pay your own tax and employer's contribution. The Swedish Tax Agency can make such demands up to five years after you received the money. Finally, you can't mention any details of the illicit job when applying for other jobs.

Even if it's simply a summer holiday job when you're a teenager, a small sum is set aside for your future pension. The only condition is that your annual earnings are more than 18,900 kronor (2013). This is also the level at which you start to pay income tax.

# 3

## *The Benefits Trap*

*Don't miss out on your occupational pension*

WHEN YOU'RE DISCUSSING a new job, it's important to look at the right benefits. It's common for an employer to entice you with gym passes and coffee breaks. That's all very well, but these are mere trifles compared with whether or not the employer has a collective agreement. The collective agreement includes various insurance policies and other rights, and above all – it includes an occupational pension. So, never forget to ask about the occupational pension when discussing terms of employment!

Most employers have signed up to collective agreements. If you're working for a municipal authority, county council or the government you don't need to worry, as they all have collective agreements. As an employee at workplaces with collective agreements, you'll always have an occupational pension, sometimes also known as a contractual pension.

The best option is to have a collectively agreed occupational pension. Parties in the labour market, i.e. trade union and employers' organisations, have forced down the charges made by pension companies. This means that more money goes to pensions and less to

charges, which in due course provides you with a higher pension. Every year, your employer pays in money, and you can decide where this money is to be invested.

If you're either unable or unwilling to decided how to invest the money, you don't have to. Each agreement offers a ready-made alternative. This has been selected in order to give the money a chance to grow in a sound, secure way. These are traditional insurance policies backed by a small guarantee.

KPA Pension is the preferred pension company for employees in municipal authorities and county councils. If you're employed in the private sector with an LO agreement (the "LO-SAF" agreement), your money is invested with AMF Pension. If you're a salaried employee in the private sector (ITP) it's with Alecta, and if you're a government employee (PA03) your fund is managed by Kåpan Pensioner. These are the four biggest collective agreements, but there are a large number of other agreements. If you don't know which agreement is relevant for you, you can contact your trade union, the wages office or your manager.

### ***9 out of 10 employees have an occupational pension under a collective agreement***

If you earn a high salary, the occupational pension takes on even greater importance. Many high earners receive just as much or more from their occupational pension than they do from the State pension.

Employers who do not have a collective agreement can choose to have a local collective agreement. This gives you the same pension benefits as those agreed under a collective agreement. There are also employers who have their own pension solutions. These can also be generous and good, but the charges are often higher.

But look out for employers who don't offer any pension at all! In that case you'll have to make sure you receive a much higher salary, so that you can make your own pension payments. You need a salary that's at least five per cent higher. This corresponds to most agreements as well as the higher charges you'll have to pay.

Workplaces with collective agreements are covered by what is known as a collective agreement guarantee. Even if your employer has failed to make payments on your behalf, you are protected and will receive your money.

Another benefit of a collectively agreed occupational pension is that you also receive pension contributions when you take parental leave. For how long and to what extent will be regulated in the various agreements. This is very significant for your future pension if you have several children and take parental leave for long periods. Other employers can also provide compensation in connection with parental leave, but this is less common. Don't forget to ask what applies for you! And if necessary, make sure it's written into your employment contract!

If you have your own company, it's important that you make sure that you pay your own pension contributions corresponding to an occupational pension. If you're thinking of starting up your own company, it's important that you include the occupational pension and other insurance policies in your calculations.

**Fact box:**

Three examples of what an occupational pension can mean to you when you retire:

We'll assume that Sara is now 30 and will start drawing her pension at the age of 65. She started work at the age of 21. Every month she has the equivalent of 4.5 per cent of her wages paid in under the KAP-KL collective agreement. She has the same amount paid into her private solution, and the funds are managed in the KPA Private Traditional policy, which is the private policy most similar to the one she has through the collective agreement. The pension funds grow effectively by three per cent a year. She has two children and works full time. The monthly payments are expressed in current monetary values. They thus represent her current purchasing power.

Sara's occupational pension is lower in the private alternative as the employer does not make any contributions during parental leave. In the third alternative, without the occupational pension, she just receives the income pension and the premium pension (State pension).

<b>Monthly salary</b>	<b>SEK 15,000</b>	<b>SEK 25,000</b>	<b>SEK 35,000</b>
Income pension	SEK 6,010	SEK 9,570	SEK 13,050
Premium pension	SEK 1,145	SEK 1,880	SEK 2,560
<b>Total pension under KAP-KL</b>	<b>SEK 9,853</b>	<b>SEK 15,946</b>	<b>SEK 21,904</b>
<b>Total pension, private occupational pension</b>	<b>SEK 9,561</b>	<b>SEK 15,446</b>	<b>SEK 21,198</b>
<b>Total pension without occupational pension</b>	<b>SEK 7,155</b>	<b>SEK 11,450</b>	<b>SEK 15,610</b>

Note: Sara may also be entitled to supplement this with a guarantee pension and housing supplement in the event that her pension is very low. Source: KPA Pension/Swedish Pensions Agency.

# 4

## *The Part-Time Trap*

*Part-time work reduces your pension*

THE BIGGEST TRAP FOR women when it comes to pensions is part-time work. Someone who's worked part-time for many years will receive a significantly lower pension.

This trap is actually a number of traps. A person who works part-time often has smaller wage increases, fewer opportunities for further education and fewer opportunities to achieve higher pay.

There can be many reasons for working part-time. Some you can influence, others not. If it's not possible to work full-time, it's difficult to do anything other than try to fight for more working hours or to try to find a new job. The battle for the right to full-time work is also a battle for better pensions.

If you're the one making the decision to work part-time, it's important that you think carefully about what it means. On the plus side, for example, you have more time for children or older parents. The other side of the coin is not as easy to visualise.

The best way to see what a part-time future might cost you is to go to [www.minpension.se](http://www.minpension.se) and do a calculation. Enter the wages you receive if you work part-time, and then see what you can expect to

receive as a pension. Part-time work means that you'll receive not only a lower State pension, but above all a lower occupational pension.

During the first four years of a child's life you receive compensation within the State pension system. This means that the pension is not affected by whether you work part-time or stay at home. An occupational pension will usually pay compensation for 3-12 months.

Voluntary part-time working when your children are young can have many involuntary effects later on in life. Women who work part-time often take more sick leave than women who work full-time. There can be many reasons, such as stress and difficulties in coping with work and the pressure of assuming ultimate responsibility for home and family. Many part-time jobs are in physically demanding professions in areas such as healthcare, retail and many other sectors. Some people refer to the "skills trap" making women ill.

Women who work part-time also find it more difficult to earn wage increases at the workplace. It can quite simply be more difficult to show what you can do if you're not at the workplace as much as those who work full-time. It can also be more difficult to access workplace-related courses and other further education programmes. This makes it difficult to maintain skills levels, which also affects wages and pensions.

Poorer opportunities to gain additional qualifications and poorer faith in your opportunities to develop then in turn impact on women's wages. This is one of many reasons why women have lower wages than men. There is also less security in the labour market, which can result in periods of unemployment, which in turn also affect the pension.

***Women take about three out of four days of parental leave; men take the fourth.***

***Women take two out of three days to care for sick children, men take the third.***

Most parent couples comprise one woman and one man, with the man earning more. It's a common preconception that a family has less

money available if the man stays home with the child and claims parental allowance. This is usually wrong.

Parents who share parental leave equally during a child's first years receive the highest total income after tax. The explanation is primarily that both parents benefit from the special work tax deduction and from the wage supplement in collective agreements. As there is no ceiling to the wage supplement, the higher earner also receives more money during parental leave. Cases where it doesn't pay for equal claims for parental allowance are often cases in which the man's income is twice as high as the woman's or the woman has no income at all. The couple that benefits most from taking an equal share is the one where both have high incomes.

The sharing of responsibility for children and the home also affects the relationship between parents. Many studies show that there are fewer divorces in relationships with a more even distribution of parental allowance. The distribution of parental leave and leave to care for sick children is part of the explanation why women have fallen behind when it comes to pensions. They often have the main responsibility for home and family.

It's possible to some extent to "repair the damage" and obtain various kinds of compensation for the fact that you're receiving a lower pension.

The first way is to give away your premium pension. The one who earns more transfers his or her premium pension to the other partner. This is done in advance, before the pensions are actually drawn. There is a form available at the Swedish Pensions Agency. If you divorce, the premium pension cannot be reclaimed. It's also possible to submit a new form if you want the transfer to stop. This transfer is only allowed between those who are married or are registered partners. Cohabitants cannot do this.

Another way of compensating for the lower pension is through an endowment policy or an investment savings account. Read more about these savings options in the section entitled The Panic-Saving Trap.

# 5

## *The Health Trap*

*Health affects your pension*

THERE ARE MANY REASONS for safeguarding your health. Maybe in the first instance we don't view it as pension saving, it's more a question of feeling well. But your body and health are among the most important factors for your pension. If you don't feel like working or can't work, your pension will be worse. Regular exercise and a good diet are therefore also a form of saving for your pension.

Although women exercise more as a rule, and are less overweight than men, women take more sick leave than men. This is true above all of women with small children.

There's plenty of advice on health and exercise, and most of us probably know what we need to do.

Your employer also has a responsibility for your health and thereby for your pension. You have a right to a workplace that doesn't make you ill or cause you injury. The website [suntliv.nu](http://suntliv.nu) offers tips and advice on how to achieve a better working environment.

If you're having problems with your working environment, you can contact the health and safety representative at your workplace. You can also report the problems to the trade union and management.



The worst thing you can do is suffer in silence.

A good occupational healthcare service can also prevent ill health and create a good working environment. Doctors and nurses know the workplace and can offer advice based on the work situation. This means that they can help prevent long-term sick leave.

You can find plenty of tips and advice on how your workplace can be improved at AFA Försäkring's website, [www.afaforsakring.se](http://www.afaforsakring.se). This website also has the Occupational Injury Report, which is a summary of the various workplace injuries that affect men and women. For women, for example, violence and threats to care are a bigger problem than for men.

If you're looking after your health and your future pension, changing jobs can be a real health treatment. Instead of being unhappy or feeling run down, the best medicine can be to look for another job.

*Rosie*  
Music teacher



“ I married a man from Ghana, and we'd like to move there to open an orphanage. When the option of making pension choices was introduced, I wasn't really interested. The money should just be there and be enough for us all.”

*Georgia*  
Administrator



“ I hope to be able to lead the life I want. Travel, have children, and I think that's the way it'll be. I've heard about the pension system and know that we get a pension through work – but I haven't saved anything else yet.”

*Susanna*  
School nurse



“ For me, it's important to stand on my own two legs financially, even when I'm married. But it's not all about money matters – I want to have time for my leisure time and family, and to make sure that the children are well. ”

*Emmeline*  
Restaurant assistant



“ My greatest dream is to work with flowers, maybe to open a flower shop. When I get a pension things will hopefully be nice and peaceful, but I'm a workaholic and I'd like to continue working. ”

# 6

## *The Panic-Saving Trap*

*Don't be controlled by feelings of guilt*

DO YOU NEED TO SAVE FOR YOUR PENSION? Don't fall into the trap of starting to save for your pension just because you think you have to and because others tell you to. Saving is always a good idea, but it's not certain that a regular pension saving scheme is the best option for you.

Get an idea of what you can expect from your future pension by visiting [www.minpension.se](http://www.minpension.se). Trade unions, pensions advisory centres and pension companies have information about occupational pensions, and pension companies and banks also provide information about private pension saving options.

If you are able to save, the next step is to give some thought about how you want to save, what risks you want to take and when you expect to need your money. If you want some help from an advisor, it can be a good idea to talk to more than one. Feel free to take a friend or family member along so you can discuss the advice afterwards. Many advisors are not impartial and want to sell a particular company's products.

What we usually refer to as private pension saving is the saving for which we make deductions in our tax return. So you reduce your income tax when you save, but you have to pay income tax on the funds when you draw them.

You can deduct a maximum of 12,000 kronor a year. The exception is if you're in work and don't have an occupational pension, which in that case you can deduct 12,000 kronor plus a maximum of 35 per cent of your wages. If you're not sure what applies for you, you can ask the Swedish Tax Agency.

If you save using tax deductions, you must be aware that the funds are locked. You cannot draw them until you have reached the age of 55 and you must spread the payments over at least five years.

Deductible pension saving is most beneficial for tax purposes if you pay a high tax rate when you're paying in the money and a low tax rate when the money is drawn.

If you currently have an income below the level for national tax (approximately 35,500 per month in 2013), tax-deductible pension saving may have some drawbacks. Firstly, the tax will be somewhat higher when the money is drawn, as you won't have any earned income tax credit on your pension income. Secondly, the payment drawn may result in you receiving a lower amount in housing supplement when you retire.

Two alternatives to tax-deductible pension saving are an endowment policy and an investment savings account (ISK). You may not make any deductions when you invest the money, but on the other hand you avoid paying income tax on the money when it is paid out. During the period of saving you have to pay an annual flat rate yield tax. Both forms of saving are good if someone else, for example your husband, is saving for your pension. In the event that he wants to give you a sum of pension capital, he can set aside money in an endowment policy or an investment savings account set up in your name. To make sure that the money is not divided in the event of a divorce, you can draw up a prenuptial agreement stating that the balance in your account and the yield shall remain your own property.

# 7

## *The Cost Trap*

*Look out for costs when you invest your pension funds*

WE HAVE TO INVEST more and more ourselves. We now have a greater responsibility for investing our own pension funds than before. This means that we also have to find out more and have greater knowledge of pensions than was the case for previous generations.

In other words, we don't know how big these pensions will be. It depends largely on how we invest them and how the economy at large performs. But what we do know in advance is the cost of investing our money. You should therefore think about the importance of cost and which trap you can fall into if you go for an expensive option.

Pension saving is saving over a long period of time. It's easy to miss the fact that a charge of just a couple of per cent will eat up a lot of the capital thanks to the interest-on-interest effect.

When it comes to pension saving, as a general rule there are a lot of different charges. If some of your savings are in funds, they will incur a management charge. There may also be a charge for the pension insurance policy as such. Sometimes you'll accept the help of a pensions advisor, who receives his remuneration in the form of a

commission from the insurance company that you choose. This is also a cost for you.

It can sometimes be worth paying a higher charge for something better. This can be the case, for example, when you choose different funds. Share funds are often more expensive than fixed income funds, but they can also increase more in value. But if there are two funds of equal value with the same prospects of growing in future, you should benefit from choosing the one with the lower charge.

You can see which charges have been incurred when you receive your annual pension statements from the Swedish Pensions Agency, various pension companies such as KPA Pension and various pensions advisory services.

Collectively agreed occupational pensions will usually have lower charges than pension solutions available from an employer without a collective agreement. Trade unions and employers have been good at forcing down charges when they selected the companies that manage collectively agreed pensions.

Bear in mind that someone who calls himself or herself an advisor is also a salesperson. This is why the Swedish Financial Advisory Services to Consumers Act is there to protect you.

If you're given advice on investments, by law the advisor must conduct a careful review of your finances. You have the right to retain a record describing the advice you received. Read it carefully before you sign the record. Feel free to take a friend or a family member with you to an advisory meeting. You have the right to know what commission payments and other remuneration the advisor will receive from various companies.

There are many people wanting to help you manage your pension funds. One example is all the PPM managers offering to invest your premium pension funds for a charge, usually of 500 kronor a year. To cover this cost, your funds must generate a yield that is well above the average. Many surveys reveal that this is rarely the case.

Another trap emerges when you arrange or transfer your mortgage. Banks will often offer a discount on the interest rate if you transfer your pension savings to the bank's insurance company. This can be

tempting, but the issue of who will manage the pension is even more important. There is a risk that you lose more in the transfer than you gain from a lower mortgage rate.

You can add various kinds of insurance cover to your pension savings. The most common are survivor protection and repayment protection. Survivor protection, also known as family protection, means that if you die prematurely, your relatives receive a certain amount for a certain period of time. Repayment protection means that they receive the sum you have saved in a certain pension fund.

If you have no repayment protection, you will instead have some of the money that comes from others who die prematurely and have no repayment protection. The money ends up in a shared fund that others can share, known as inheritance gain. This means that you receive a higher pension if you have no repayment protection.

If you're a municipal or county council employee, you will always have repayment protection in your occupational pension, which you can decline if you don't need it. In other areas of contract practice it is usual that you yourself must actively choose to have repayment protection. This provides reassurance for both you and your relatives.

Survival protection and repayment protection are insurance policies, and you pay for them with some of your pension capital. If you have no relatives, the money is effectively wasted. In that case you should decline these policies and make sure that all of your money goes to your pension instead.

# 8

## *The Couples Trap*

*Expect to be left on your own*

IF YOU'RE LIVING WITH a man and looking ahead to life in retirement, you're probably thinking about how you'll spend your lives together. In that case it's not so important if your pension's a bit lower, as after all you have two pensions to live on. Unfortunately, life isn't always what you expect it to be. It's very likely that you'll be living on your own for all or some of your life as a pensioner. So expect to be on your own sooner or later.

Among people who become pensioners nowadays, divorced women have the worst pensions. Among all poor pensioners, there's a disproportionate number of divorced women and widows.

We no longer have a widow's pension in Sweden. That disappeared many years ago. Instead we have a conversion pension, which is paid if you are below the age of 65. You receive this for one year. If you have children under the age of 18, you can receive the pension for two years or until the youngest child reaches the age of 12. The conversion pension is usually around 5,000 kronor a month before tax.

The most important protection you have is in the collective agreement. This has your occupational group life insurance (TGL). It



includes an amount for survivors, an amount for children and an amount for a funeral. For municipal and county council employees, this insurance cover is called TGL-KL.

In the event of a divorce, we share the assets. Whatever is not individual property becomes part of the assets to be shared. But when it comes to pension assets, there is a lot that cannot be shared. Each party retains his or her income pension and premium pension, as well as the whole occupational pension. Private pension policies must be shared (there are some exceptions), and the same is true for endowment policies if there is no prenuptial agreement.

# 9

## *The "Stop Working" Trap*

*Don't stop working too early*

THE AMOUNT OF TIME YOU HAVE LEFT in your working life is very significant for your pension. Think about it when you consider whether it's time to stop work or to work less.

There are many reasons by women in general don't work for as long as men. Some female occupations are demanding, and maybe the body can't take it any longer. It can also be involuntary – you lose your job and can't find a new one. But if we assume that you can decide for yourself when you want to leave work, you should be aware of how much you might lose financially by doing so.

If you stop work at 61 instead of 65, you can lose almost one third of your pension. If you start to draw your pension at the age of 61 and have a low pension, you should also be aware that at the age of 65, when you start to draw your guarantee pension, you can't count on a full guarantee pension, i.e. not even a full minimum pension.

Your occupational pension can also be affected if you draw a pension before you reach the age of 65. In this respect, however, different agreements contain different terms and conditions. You can also be affected by various transitional rules between older and

younger agreements. If you go to [www.minpension.se](http://www.minpension.se), you can experiment with various pension ages and see how both the State pension and the occupational pension are affected depending on when you choose to draw the various pensions.

One reason why many women stop working before the age of 65 is spoken and unspoken demands from the family and relatives. It's often the older woman who is expected to give up her job to step in when older parents need help or when the children need help with the grandchildren. It might feel like the obvious thing to do, to step in, but you should also think about what it's costing you. This trap could also be called "The Niceness Trap", as it's often our desire to be nice and take care of our nearest and dearest that makes us leave the labour market prematurely.

There is no requirement in Swedish law that children must take care of their parents, and the municipal authority cannot demand it. You should therefore make tougher demands on the healthcare service. Don't accept doing unpaid work. Question why they expect you to do it. If you're one of several siblings – get together and show a united front.

If the healthcare provided is not sufficient, you can buy services. Bear in mind that adult children can claim tax deductions for domestic services at their parents' homes. You can tell this to your brother who doesn't have time to help because of his important, well-paid job. Let him buy services and claim tax deductions. Share the job as well. Involve more people in the family and relatives in helping your parents. Not wanting to do everything yourself doesn't make you a bad woman or daughter.

Another reason why many women finish their careers earlier is that they live with an older man. When the man retires, it can be nicer to be pensioners together. Shared leisure time is the most common reason why women give up work early.

If you choose to retire at the same time as your older husband, you might not notice the financial impact so much, on the condition that your husband's pension makes up most of the total household income. But such a calculation easily overlooks all of the money you

also lose in your future pension if you don't work for as long as he does. After all, all work provides pension entitlement. Do a calculation at [www.minpension.se](http://www.minpension.se) before you agree to join your husband in retirement.

Some occupational pensions are defined benefit schemes. This means that the wages during the final years determine the size of the pension. Reducing your working hours or finishing prematurely can have major consequences. If you're unsure what the situation is regarding your pensions, you can take a look at [www.minpension.se](http://www.minpension.se) or speak to the wages office, pension fund manager or a pensions advisory centre.

Also consider whether you might actually want to continue working for a while. The State pension will then also be topped up. And the negotiations on a new collective agreement for municipal and county council employees are also suggesting that working until the age of 67 will provide even more in an occupational pension. It is likely that other collective agreements will follow suit in due course.

It is worth a great deal for your well-being and for your finances to reflect for a while about whether you have the energy, the desire and the ability to work for as long as you want.

# 10

## *The Pension Trap*

*The best way to draw your pension*

AVOID A RETIREMENT DATE. We often say that we're going to retire, that on one specific day we will go from a demanding job and being woken by the alarm clock to not having any demands made of us at all. In terms of our health, that's the worst possible thing we can do. Our body quite simply doesn't cope well with grinding to a halt like this. It's not unusual for the heart to react badly, and an infarction can result in there being no life as a pensioner at all. The transition for women is usually not as dramatic, after all there are plenty of unpaid jobs that always have to be done.

But man or woman – the best thing for your health is still if we can retire in stages.

Before you retire you should review which pensions you have and when they are paid out.

The State pension system has a high level of flexibility. You can draw both income pension and premium pension in stages – quarter, half, three-quarter or full pension. You can also change the payment when you like. If you start to draw a full pension and then take on a part-time job, you can reduce your pension. This will increase your

future pension, as you're both deferring some of it and earning some extra pension entitlement from your part-time work.

If you draw pensions from several sources, there's a major risk that too little tax will be deducted. Do a check using the calculator on the Swedish Tax Agency's website, or phone and ask. If you want one to deduct more tax, you can request an adjustment or make sure that you set aside money to pay the tax.

The rules of occupational pensions are governed by the various collective agreements or, if they are individual ones, by the individual insurance agreement. A lot of occupational pensions can be drawn even at the age of 55. But the age limit is usually 60 or 61. It's tempting to draw as much as possible in as short a time as possible, especially if the charges are high as well. But bear in mind that you might have significant needs throughout your whole life.

If you're a woman and you retire at the age of 60, it's highly likely that you'll live for another 30 years. You'll be healthy for most of that time. It's likely that you will have significant healthcare requirements during the final year of your life. That's when we consume half of all the healthcare we need during our entire life.

Find out whether you're entitled to the housing supplement for pensioners. You can do this on the Swedish Pensions Agency's website. Bear in mind that the housing supplement is provisional. This means that if you draw more pension or have other incomes over the level you stated, you may be obliged to repay money.

Many people view their home as their primary pension fund. When the day comes that income from work is replaced by a pension, the house will be sold and a smaller home bought. But this approach has a number of traps. First of all, you have to want to move. Now that you've finally got the time to tidy up the garden, you might not want to leave it. Also, it can be expensive to sell your house and move, paying capital gains tax and so on. If you'd planned to swap your own home for a property with tenancy rights, the low level of new construction might also make this difficult. In this respect, there are of course major differences depending on where you live. Finally, this can affect the housing supplement. An owned property is not

included in your assets when the housing supplement is calculated. But the money you might have in the bank following a property sale is included.

For most people, the total pension will be so low that it will only be taxed at municipal and county council tax level. But if you draw your occupational pension over a short period of time, and maybe also private pension policies, you may risk passing the level for national tax. It's therefore better to even out your pension income over the years so that you don't exceed this limit.

It's tempting for pensioners to move to a warmer country or back to their old home country. But it's important to find out the implications for pensions. If you have a full or partial guarantee pension, you should be aware that it is only paid in countries in the EU/EES (EES = Norway, Liechtenstein, Iceland). The income pension, premium pension, occupational pension and private pension policies are paid wherever you are, but you should be aware of how they are taxed.

If you've spent a few years working in Sweden and then move to your home country, you'll receive a Swedish pension. The pensions authority in your home country can help you. If you've worked in other countries in the EU/EES, your Swedish pension is coordinated with these State pensions. If, however, you've worked outside the EU/EES, you should find out for yourself whether you have any pension entitlement. You will have to keep track of any occupational pensions, which in many countries can be associated with previous employers.

It can be difficult to keep all your pension entitlements under control – and the long, complex administration processes – so it's best to act in good time.

Finally, the ultimate aim of all of this talk about pensions is that you should have the best possible life when you've finished work. The responsibility rests with three parties: politicians, trade unions and employers, and you. Hopefully, this book has offered you support and assistance in avoiding the most important traps into which you as a woman might fall, so that your future life in retirement is the rich, positive life of which we all dream.

# *Important addresses:*

Min Pension – [www.minpension.se](http://www.minpension.se)

Swedish Consumers' Insurance Bureau – [www.konsumenternas.se](http://www.konsumenternas.se)

Swedish Pensions Agency – [www.pensionsmyndigheten.se](http://www.pensionsmyndigheten.se)

Swedish Tax Agency – [www.skatteverket.se](http://www.skatteverket.se)

Health: [www.suntliv.se](http://www.suntliv.se), [www.afaforakring.se](http://www.afaforakring.se)

Funds: [www.fondkollen.se](http://www.fondkollen.se), [www.morningstar.se](http://www.morningstar.se)

Advisory centres, agreements in brackets:

Pensionsvalet AB (KAP-KL, Gamla PA-KFS, PA-KFS 09),

[www.pensionsvalet.se](http://www.pensionsvalet.se)

Electum (KAP-KL), [www.electum.se](http://www.electum.se)

Valcentralen (KAP-KL, etc.): [www.valcentralen.se](http://www.valcentralen.se)

Collectum (ITP), [www.collectum.se](http://www.collectum.se)

Fora (SAF-LO), [www.fora.se](http://www.fora.se)

National Government Employee Pensions Board, [www.spv.se](http://www.spv.se)



## Important addresses

**Min Pension:** [www.minpension.se](http://www.minpension.se)

**Swedish Consumers' Insurance**

**Bureau:**

[www.bankforsakring.konsumenternas.se](http://www.bankforsakring.konsumenternas.se)

**Swedish Pensions Agency:**

[www.pensionsmyndigheten.se](http://www.pensionsmyndigheten.se)

### **Advisory centres, with agreements in brackets Pensionsvalet**

(KAP-KL, Gamla PA-KFS, PA-KFS 09):

[www.pensionsvalet.se](http://www.pensionsvalet.se)

**Electum** (KAP-KL): [www.electum.se](http://www.electum.se)

**Valcentralen** (KAP-KL, etc.):

[www.valcentralen.se](http://www.valcentralen.se)

**Collectum** (ITP): [www.collectum.se](http://www.collectum.se)

**Fora** (SAF-LO): [www.fora.se](http://www.fora.se)

**National Government**

**Employee Pensions Board:** [www.spv.se](http://www.spv.se)

## *Is this all there is?*

The fact that women generally receive a much worse pension than their husbands is not exactly news.

Many choose to ignore reality, as the prospect of a future in poverty is frightening. Others sign up for expensive, low-quality pension products in the belief that these will solve their problems.

But putting off the problem is not a good strategy. There are, however, alternatives. Annika Creutzer, well-known expert on private finances, teaches us to take control of the situation and our pension. In this book, she describes ten traps you must avoid - such as the couples trap and the part-time trap.

Take control of your pension. It's not too late!



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