



**EPH**  
EXPAT PENSION HOLLAND



**CORPORATE OR PRIVATE DUTCH PENSION PLAN?**

## A) Introduction

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One of the first questions of most Expats is: Should I have a Dutch Pillar 2 Workplace Pension Plan or the Dutch Pillar 3 Private Annuity 'Pension' Plan?



This brochure will provide all the relevant major details you need in order to be able to decide which approach is optimal for your situation. We will not focus on minor details and will present the information in a clear and sometimes simplified manner for you.

After you have made your decision, it is possible to search for the best specific pension product.

## B) Facts that apply equally to Pillar 2/Pillar 3 Plans

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The essence of optimal pension coverage is to:

- Use all and the highest tax benefits;
- To make sure your costs are as low as possible and there are no not needed mandatory clauses as those costs do not generate a Compounded Return On Investment for several decades;
- To make sure that the required risk coverage is available;
- Due to the historically extremely low interest rate, guaranteed Defined Benefit (DB) pension plans are in general way too expensive and thus we will only focus on investment based Defined Contribution (DC) plans;



- In case you leave The Netherlands after several years and stop having taxable income in The Netherlands, then you thus lose the option to continue to participate in the plans *with* tax benefits, which will mean that the infusion of additional premium should end;
- In case you do not retire in The Netherlands and will receive pension terms from a Dutch plan abroad, then you need to see if it is possible by means of applying a Double Tax Agreement (DTA) to request an exemption from Dutch Withholding Tax as of retirement age, so that it is only taxed in your residential country. (The related forms for such an exemption are enclosed on our site.)

## C) Pillar 2: Workplace Pension Plan

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### Legal Position

According to Dutch Law a formal pension plan is only possible in case the Expat is according to Dutch Labor Law an employee with a contract to match. *The Pillar 2 pension plan is thus according to Dutch Law the only real pension plan.*



### Tax Benefits

The most important aspect of this pension plan is the chance to annually receive non taxed pension premiums from the company. Which will generate Compounded Return On Investment for several decades in order to only pay (at a probably lower rate) income taxes as of retirement age.

The maximum allowed Pension Earning Wages amount in 2019 to € 107.593,-. As an offset of at least € 13.785,- is mandatory, this means that the maximum 2019 Pension Base amounts to € 93.808,-. (In case you are not just employee but also director and owner of the company, the minimum 2019 offset amounts to € 20.209,- which lowers the Pension Base and maximum premium amount.)



The annual maximum amount of premium is a percentage of that maximum Pension Base. This premium percentage is age related and will thus increase with age. To give you a good indication of how the maximum premium will increase with age:

<b>Age</b>	<b>Premium Percentage</b>
25-29	19,80 %
30-34	21,20 %
35-39	22,80 %
40-44	24,60 %
45-49	26,60 %
50-54	28,80 %
55-59	31,30 %
60-64	34,30 %
65-67	37,10 %



So for the maximum 2019 Pension Premium you take the percentage that corresponds with your age times your 2019 Pension Base of maximum € 93.808,-.

In order to make a comparison right away, we use the age of Expat X who is age 40:  
His 2019 maximum Pension Premium amounts to 24,60% \* € 93.808,- = **€ 23.077,-**.

For sake of completeness it be mentioned that this is the Net Premium which will be increased by Administrative and Risk Costs.



## **Investments**

The annual premium is invested according to your own Risk Profile which creates a large pension capital at pension age. Many products have fine investment options and risk reduction near retirement age.

In case your Risk Profile has not yet been defined accurately, please feel free to use our 4 pages form, which is enclosed on our website.



### Pay-Out

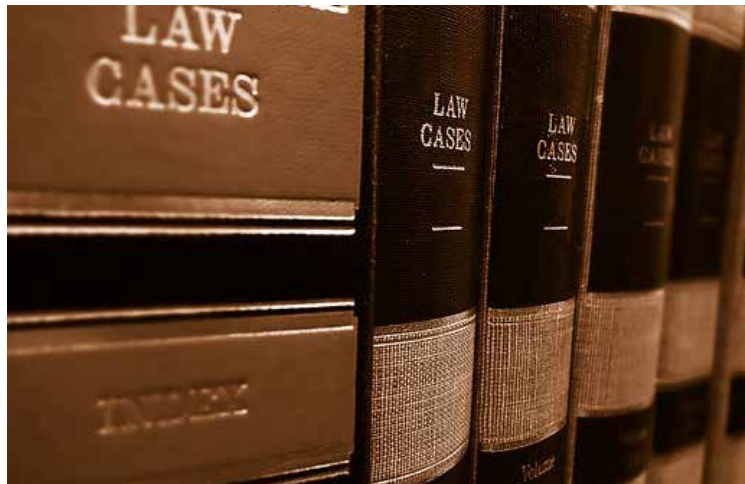
In general the pension can only be paid out as a lifelong annuity. A Lump Sum or temporary pension annuity is not allowed.

The only available flexibility is that:

- It is possible to choose to have a slightly higher pension during the first 5-10 years and a lower pension after that;
- It is possible to keep investing a part of the capital and to only use that capital later on in order to generate more pension capital. Which adds to the investment risk.

### Next of Kin Coverage

There are many variations possible. From a capital based coverage till a guaranteed risk based amount of life long Next of Kin pension plan for a partner.



### Legal Obligations

A contract lasts in general at least 5 years during which years you are expected to participate in the plan. If you were to leave The Netherlands and stop working in The Netherlands, then you are in general not obliged to keep participating.

## D) Pillar 3: Private Annuity 'Pension' Plan

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### Legal Position

This plan is not related to the company and strictly a private affair. It does not qualify as a legal Pension Plan but only as a Private Annuity.

## Tax Benefits

Regarding Year X you have to look at the pre tax income of Year X minus 1. So if you like to start the plan in 2019, you have to look at your 2018 pre tax Dutch Wages. The same for future years.

The 2019 maximum amount of premium which is tax deductible amounts simplified to:

- $13,3\% \times$  (your 2018 wages with a maximum of € 107.593,- minus € 12.275,-):
- Thus 13,3 % of € 95.318,- is **€ 12.677,-**.



For sake of completeness it be mentioned that to the extent that you have not used this annual tax benefit for the last seven years while working in The Netherlands, it can be partially used in the current year as a onetime back service. The maximum amount of this back service is in 2019 € 7.254,- and if you are age 56 and 4 months or older even € 14.322,-.

## Investments

The annual premium is invested according to your own risk profile which creates a large pension capital at pension age. Many products have fine investment options and risk reduction near retirement age.

## Pay-Out

A substantial difference is that it is not mandatory to have a lifelong pension annuity. It is possible to choose to have a temporary annual annuity during at least 5 years. So there is much more flexibility!

## Next of Kin Coverage

In case you pass away prematurely, the existing capital will be used to buy a Next of Kin annuity for your partner or heirs.



## Legal Obligations

It is possible to get a plan and to not have the obligation to deposit each year but to have the chance to do so if deemed suitable.

## E) Advisory Costs

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According to Dutch law consultants have to at least request three different type of quotes from insurance companies in order to thus provide a good conclusion.

Our fee regarding the search, analyses, explanation in a quality pension memorandum and complete implementation amounts to:

- Pillar 2 Pension Plan : € 1. 975,- and no VAT;
- Pillar 3 Private Annuity Plan : € 475,- and no VAT.

The reason for the difference in costs is that Pillar 2 plans require much more time.

## F) Conclusion

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In general we advise Expats to acquire a Pillar 2 Pension Plan as it will generate the highest annual tax advantages and highest pension capital at pension age.

The example of Expat X at age 40 shows that his maximum 2019 Workplace Pension Premium amounts to **€ 23.077,-** whereas his maximum (not really age related) Private Annuity Premium amounts to **€ 12.677,-**. Which difference will become even bigger in case an Expat is older than age 40.



Finally we will gladly assist you with taking into account all (minor) facts that might be relevant in your situation.

## International experience and Network

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We have more than 20 years of experience in international expat and collective pension consultancy. Thus we have an elaborate international network. If so desired, we can advise and act swiftly in international matters.



### Contact

For further information please contact pension jurist/consultant Patrick Donders:

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