

COVID-19 & PENSION



There is currently a lot of news about the Covid-19 virus (Corona). Below you can read what effect Covid-19 can have on your pension in the DC-scheme at SNPS.

WHAT IS A DC-SCHEME ANYWAY?

In a DC-scheme, the pension premiums paid are invested. These premiums along with the return on the investments, constitute a pension capital. On your retirement date you can either use that pension capital to buy a fixed pension benefit, or you can choose to continue to invest your pension capital after your retirement date. This is called a variable pension.

WHAT'S GOING ON?

The coronavirus affects the stock market, which is currently experiencing a significant decline. This will also influence the prices of pension investment funds. Prices of risky investments have fallen (sharply) and it is therefore likely that your pension assets have also been affected by this.

The interest rate can also fluctuate. A lower interest rate means that the pension capital can increase, however on the other hand, it also becomes more expensive to purchase a pension benefit.



YOUNG & PENSION

The younger you are and the riskier you invest your pension, the greater the impact. At younger ages, shares are typically more significantly weighted in your portfolio. In addition, most of these are risk-free investments that largely protect you against a crisis like this. If you are further from your retirement date, keep in mind that you still have a long time to invest and to make up for a decline. We therefore estimate that the impact on your expected retirement income is limited.

STAY CALM

Pensions are invested for the long term. Substantial decreases are more common, the stock markets have typically recovered in the past.

Experts predict that the stock market will bounce back following this pandemic. Currently, however we do not know when this will happen.



CLOSE TO YOUR RETIREMENT?

If you expect to retire soon, the decline in the stock markets are likely more concerning. The low interest rate means that the pension benefit that you can purchase is lower.

- If you opt for a fixed pension on the retirement date, you will no longer be able to benefit from a later rise in the stock market.
- If you opt for a 'variable pension'. Your pension will then remain invested, giving you the possibility to profit again from the increased stock market or if the interest rate starts to rise after the retirement date. There is potential that the value of your pension may also decline further.

PENSION IN CASE OF DEATH

The pension scheme, during employment, also provides for a partner pension. This partner pension is paid out to your partner in the event of your death. In addition, your children receive an orphan's pension.

WANT TO KNOW MORE?

If you have questions about your pension and COVID-19, keep an eye on our website where we will keep you informed about the impact on the pension.



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WHAT IS PENSION ANYWAY?

In an average pay scheme, the amount of the pension is based on your average earned salary during your career. You accrue a 'piece' of pension each year. The pension premium that is paid for you is added to the pension assets of your pension administrator who then invests this.



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WHAT DOES THIS MEAN?

If the turmoil on the financial markets continues, it may mean that a lower indexation percentage can be granted in the coming years, or none. In our professional opinion, this is not likely in 2020. That said, it is not yet possible to predict what will happen next year.



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