The Danish pension system — in a class of its own
Preface

The Danish economy has improved fundamentally over the past 25 years. Unemployment and inflation rates have been reduced considerably, and the balance of payments and public finances are under control. The reasons are several. A number of structural reforms, particularly in the labour market, have made Denmark more competitive. The flexible employment rules together with unemployment benefit rules ensuring reasonable cover (flexicurity) pull in the same direction. However, the importance of occupational pension schemes to Danish economic recovery is often overlooked.

Historically, occupational pension schemes were primarily reserved for public-sector employees and high-earning salaried employees, but as a result of the Joint Declaration from 1987 between the government and the two sides of industry, occupational pension schemes became available throughout the labour market. Concurrently, the market for individual company pension schemes was also developed.

In this document, we will show how occupational pension schemes benefit the economy as a whole and the individual person’s financial situation in retirement. Both now, 25 years after the signing of the Joint Declaration, and in the context of a fully mature system, which will be realised in a few decades when largely all Danes will have saved up for retirement during their entire working life.

The overall Danish pension system – the interplay between the public pension, ATP (the Labour Market Supplementary Pension Scheme) and occupational pension schemes – has just been rated best in the world.

And for good reason. The public pension and ATP ensure that all pensioners, regardless of labour market attachment, will have an adequate basic income. Occupational pension schemes ensure that a person’s income in retirement will not be markedly lower than the income earned during working life. The individual pension schemes cover any special retirement wishes. Furthermore, politicians have addressed the challenge of more elderly people by raising the retirement age.

Despite our number one position, we cannot afford to rest on our laurels. Our pension system must be continually developed and keep abreast of times. This requires all of us to conform to the ideas of the Joint Declaration as we will then have a solid foundation for the future expansion of our pension system. One of the reasons for marking the 25th anniversary is to outline the fundamental prerequisites for the continued development of our pension system.

Danish Insurance Association
Per Bremer Rasmussen, CEO
Occupational pension schemes are very much the result of a social contract entered into 25 years ago. In the Joint Declaration of 8 December 1987, the two sides of industry and the Danish government, headed by Poul Schüller, signed a letter of intent to introduce occupational pension schemes to employees working in sectors covered by the LO (The Danish Confederation of Trade Unions) and the DA (The Confederation of Danish Employers).

At the time, occupational pension schemes were a benefit reserved for public-sector employees and certain groups of salaried employees in the private labour market. Civil servants had their civil service pension schemes. In total, only one third of employees in the labour market were secured an income in their retirement in addition to the benefits paid under the public pension and ATP (the Labour Market Supplementary Pension).

With occupational pension schemes, this scenario has changed completely. Today, employees working in the LO/DA sectors typically pay 12% of their salary into a pension scheme which is based on a collective agreement. In other sectors, similar occupational pension schemes exist, which are based on agreements in the individual companies. One advantage of the agreement-based system is that it has resulted in faster and better solutions than provided by legislation.
The Danish pension system is a success ...

... because it secures Danes a favourable pension and promotes equality

- Especially unskilled and skilled workers receive a higher pension income as the occupational pension system is being expanded. The system provides a more fine-meshed financial safety net to secure the individual person's financial situation in retirement.

- The number of poor, elderly people has fallen sharply over the past 10 years, although the number of poor people in other age groups has increased.

- Narrowing income gaps in a twofold sense – both within the group of pensioners and between pensioners and people engaged in active employment – ensures cohesion in society.

... because it secures Denmark a robust economy

- Occupational pension schemes increase private savings. For every additional DKK 1 contributed, total savings increase by DKK 0.80. This helped turn the economy round in the 1990s. The balance of payments – the Achilles' heel of the Danish economy since the beginning of the 1960s – has more or less been in surplus ever since.

- The economy is strengthened by the fact that Danes are eligible for full tax relief on their pension contributions and do not pay tax on their pensions until the time they start taking their pension income. In this way, the elderly save up funds to cover public spending on public pension, care for the elderly and healthcare, all of which services they may need as they grow older and retire. In other words: Money is being channelled into the government coffers as expenditure arises.

- The deferred tax on pensions ensures political discipline, which helps stabilise the economy and public finances, the reason being that funds are tied up until the day they are needed.

- Our savings-based pension system has spared us of the acute measures that other countries have been forced to take in response to the financial crisis. The reason is that pension benefits in our system are market-based instead of being based on political decisions, which is the case in many other countries where pension systems are exclusively financed through taxes.
- Especially Southern European countries have been forced to introduce tough intervention measures in relation to their pension systems in order to restore the confidence of the financial markets in the long-term economic sustainability of the countries’ economies. This is the case in Greece, Italy and Portugal, but also France has had to change its pension system following the financial crisis.

... because it ensures that Denmark can afford more

- The fact that people save up to pay for their own retirement eases the burden on public finances. If pensioners were to receive the same income in the fully expanded system – around 2050 – and this was to be funded using public finances, the extra expenditure incurred would be equal to the costs of operating the Danish Folkeskole (primary and lower secondary school) or building the future super hospitals or the Fehmarn Belt Link. And this would still only cover one year.

- We, as a society, can afford to take care of the weakest and poorest pensioners and ensure them high social standards because so many people manage to take care of themselves.

But ...

... success does not come by itself

The pension system faces a number of challenges:

- UNCERTAINTY ABOUT SAVINGS: Frequent political changes of the framework governing pension savings – especially changes to tax rules in recent years – cause uncertainty and discourage people from saving up for retirement.

- SMALL GROUP OF DANES WITH NO PENSION: Even though the pension system covers almost all people, there is still a small group of Danes who do not save up enough money for their retirement. If occupational pension schemes are made even more common, the problem may be solved as this group will then be targeted.

- LACK OF INCENTIVE TO SAVE UP: For some groups of people, it makes little economic sense to save up for retirement as their pension scheme income reduces their public pension benefits and rent subsidies. Such interaction problems must be addressed.
In the past 10 years, the number of poor pensioners has dropped by 60%, whereas the number of poor young people has increased by more than 30%. The higher equality among pensioners is e.g. due to the expansion of the pension system.

Poverty among the elderly is a huge social problem. As opposed to e.g. students, they have very limited opportunities to improve their future income. That is the reason why improvements for the elderly with low income are so important.
An LO family – consisting of a woman employed under a collective agreement negotiated by the Danish Union of Commercial and Clerical Employees in Denmark (HK/handel) who is married to a man employed under a collective agreement negotiated by the Danish Metal Workers’ Union (Dansk Metal) – would, without any pension savings, receive DKK 270,000 before tax as pensioners.

In the expanded system, under which 12% will be paid into a pension scheme until retirement, the family’s total income before tax will increase to DKK 420,000 annually. The money saved up for retirement from 1993 and until today will already increase their income in retirement from DKK 270,000 to DKK 310,000.

Based on the agreed contributions, the occupational pension schemes will therefore provide the LO family with a huge financial boost in their old age.

Occupational pension schemes ensure that the LO family is better off financially in old age and ...

Source: Own calculations on the basis of the family type model defined by the Danish Ministry of Finance.

Comment: The LO family consists of a woman employed under a collective agreement negotiated by the Danish Union of Commercial and Clerical Employees in Denmark (HK/handel) who is married to a man employed under a collective agreement negotiated by the Danish Metal Workers’ Union (Dansk Metal). In 2012, the family’s total income from employment amounts to DKK 638,000.
... protect them from a significant fall in their income in retirement (high replacement rate)

The replacement rate represents the ratio between the income available in retirement and the income earned during the last years of active employment. In the fully expanded pension system, the replacement rate has been improved for unskilled and skilled workers in particular. This is not surprising as particularly these groups have only recently been offered a pension scheme as part of their employment package. In the coming years, we will therefore witness smaller income gaps between pensioners and people engaged in active employment. This is due to occupational pension schemes; however, for people engaged in active employment, the replacement rate resulting from public pension and ATP benefits alone is not impressive.

The pension system will not be fully mature until LO employees have contributed to the pension scheme during their entire working life. This will not be realised until some decades into the future – also even if contributions to the occupational pension schemes started almost 20 years ago. Another reason is that the initial contributions were low and did not reach the preliminary final level of 12% until 2010.
In continuation of the Joint Declaration, an agreement was reached on occupational pension schemes for LO/DA employees in connection with the collective bargaining in 1991, which took effect as from 1993. Occupational pension schemes not only provide basic income support in retirement. They also provide financial security in the event of disability and death.

In 1993, only about 1% of wages and salaries was paid into pension schemes. Since then, contributions have increased to 12% (for the time being).

Contributions in respect of LO/DA employees are thus in line with those of e.g. nurses and have approached the level of university graduates.
The pension system will be fully expanded after 2040 ...

The first baby-boomers who will have saved up for their retirement during their entire working life become pensioners after 2040. By then, pension payouts will correspond to contributions, and pension funds will equal twice the amount of Denmark's annual production. Today, pension funds make up 1.5 times the annual production.
... but already in 2030, pension payouts will exceed public pension benefits

Ten years before the pension system has been fully expanded, occupational pension income will exceed public pension benefits. The fall in public pension benefits from 2021 is due to a higher retirement age resulting from longer lives; cf. the Welfare Agreement from 2006.

Although it will take several decades before the pension system has been fully expanded, we, as a society, have already benefited greatly from the system. We have managed to stabilise the socio-economic development and maintained discipline in public finances.

Source: DREAM’s baseline projection, 2011.
Occupational pension schemes helped restore the balance of payments

The Danish economy was characterised by a chronic savings deficit from the beginning of the 1960s until the late 1980s, when external debt peaked at almost 40% of GDP.

With the exception of one single year, we have, on the other hand, been seeing a surplus on the balance of payments since 1990. This also means that the external debt has disappeared and instead, foreign countries now owe us money.

Two structural factors have been decisive for the turnaround in the balance of payments, and both factors have contributed to increasing private sector savings on a permanent scale. Firstly, a number of tax reforms have made it more attractive to save up, while at the same time removing the incentive to incur debts. Secondly, the development of occupational pension schemes and individual company schemes has contributed to higher savings.

The panel of economic advisers have prepared calculations showing that for each additional DKK 1 contributed to an occupational pension scheme, savings will increase by approx. DKK 0.80. Consequently, the agreement-based pension schemes only to a lesser extent result in lower savings in other areas, such as e.g. individual pension schemes and savings held in liquid form.

For higher income groups – who also hold a higher amount of savings in liquid form – pension schemes are more seen as an alternative to other savings products.
Tax on pension payouts secures funds for the state when they are needed

Danes’ pension contributions are tax-deductible. On the other hand, Danes must pay tax when the pension is paid out. This means that taxes go into the government coffers when the need arises – i.e. when people retire and have a strong need for home care assistance, hospital treatment and other public services. This income eases the burden on public finances.

If pension savings were taxed at the time when contributions are made to the scheme instead of at the time when the pension income is taken, there is a high risk that the funds would be spent today. In that case, the state would be short of funds when the baby-boomers retire.

This is almost offset by the higher income generated by occupational pension schemes and individual company schemes in 2050, i.e. almost DKK 28 billion more than today. The easing of the burden on public finances is due to higher income taxes, consumption taxes and lower income-dependent pension supplements.

### Public expenditure relating to old-age pensioners in 2011 and in 2050

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2050</th>
<th>Difference</th>
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<tbody>
<tr>
<td>Number of old-age pensioners 1)</td>
<td>844,000</td>
<td>1,021,000</td>
<td></td>
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<tr>
<td>DKK billion (2008 level)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Public pension benefits</td>
<td>89.3</td>
<td>96.7</td>
<td></td>
</tr>
<tr>
<td>Health and social care expenditure</td>
<td>56.9</td>
<td>80.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total additional expenditure</strong></td>
<td><strong>146.2</strong></td>
<td><strong>177.0</strong></td>
<td><strong>30.8</strong></td>
</tr>
</tbody>
</table>

1) In 2050, the public pension age is expected to be 71.

Source: DREAM’s baseline projection 2011 and own calculations.
The deferred tax ensures financing of expenditure for a higher number of elderly people. It would therefore be wrong to bring forward the taxation of pensions.

In such case, the state would be short of funds when the baby-boomers retire.

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**Easing of the burden on public finances in 2011 and 2050 due to occupational pension schemes**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2050</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational pension payouts</td>
<td>40.6</td>
<td>86.4</td>
<td></td>
</tr>
<tr>
<td>Income tax on pension payouts</td>
<td>16.2</td>
<td>34.6</td>
<td></td>
</tr>
<tr>
<td>Impact on VAT and consumption taxes</td>
<td>5.2</td>
<td>11.1</td>
<td></td>
</tr>
<tr>
<td>Phasing out of pension supplement</td>
<td>3.1</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total easing</strong></td>
<td><strong>24.5</strong></td>
<td><strong>52.2</strong></td>
<td><strong>27.7</strong></td>
</tr>
</tbody>
</table>

Source: DREAM’s baseline projection 2011 and own calculations.
Our pension system spares Danes of acute measures in response to the financial crisis

In a large number of countries, politicians have promised the population huge, tax-financed pensions. However, they have been short of money when it was needed. The result has been large public deficits and unsustainable national debt.

In Denmark, occupational pension schemes have secured a comfortable income for future pensioners. Politicians have therefore not been forced to promise unsustainably high public pension benefits.

At the same time, politicians have addressed the issue of Danes’ increasing life expectancy. In 2006, a majority in the Danish parliament decided to let the retirement age under the tax-financed schemes follow the life expectancy. In the savings-based pension system, all private individuals have a financial incentive to postpone their retirement when life expectancy increases. Otherwise, you will have to pay for your retirement yourself, resulting in a lower annual pension.

The fact that the Danish pension system is designed to meet future requirements ensures that we can avoid any sudden and drastic measures in response to the financial crisis that other countries are forced to take. This is not to say that all welfare services can be maintained unchanged, cf. the latest reform of the voluntary early-retirement pay scheme.

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**Public pension expenditure in % of GDP is modest in Denmark**

![Graph showing public pension expenditure in % of GDP across various countries, with Denmark having the lowest expenditure.](source: OECD "Pensions at a Glance, 2011").
Many Southern European countries have designed their pension system differently: A substantial proportion of pensions are guaranteed at a high level without being supported by savings. In addition, the countries operate with a low retirement age. Several countries have had to realise that this is a toxic cocktail when you have to convince the financial markets that you have a sustainable economy.

As part of its economic recovery measures, Greece has both raised the retirement age and cut down pension benefits. That was absolutely necessary: In 2007, public pension expenditure made up more than 12% of GDP and without any intervention, this expenditure would have increased to 24% in 2060 as the population grows older.

As part of its recovery measures in response to the financial crisis, France has been given a recommendation from the EU to ensure the sustainability of its pension system. Consequently, the country’s retirement age has been raised, just as the savings-based pension system is being supported.

In Italy, the retirement age has been increased significantly and indexed in line with life expectancy, and a particularly low retirement age for women will be abolished as from 2018. In Portugal, the retirement age was increased already in 2007, but as a result of the financial crisis, benefits will now be adjusted relative to the remaining life expectancy at age 65.

The chart below clearly shows that the Danish system with low public pension expenditure does not result in a low replacement rate. The occupational pension schemes ensure a high replacement rate in Denmark. The chart also reveals that the high public pension expenditure in France and Italy does not ensure a high replacement rate.
Pension system challenges

The development of a pension system which is in a class of its own has only been possible because the social contract underlying the pension system has involved a clear division of roles:

- The state must provide a reasonable framework – including maximum predictability of the taxation of pension savings and pension payouts. Saving up money and tying it up for a long term must be advantageous.

- The two sides of industry must ensure that the schemes are made available through the collective agreements. Thanks to this social responsibility, we have succeeded in ensuring a regular development of pension cover for employees.

- Employees must accept that part of their salary is tied up until they retire. This has probably been possible because the pension scheme is savings-based and individual. This provides security for each individual person and co-ownership as regards the pension system structure.

The division of roles also highlights the areas where the system faces challenges. Here, it is important to remember that the general support for the pension system begins with the individual pension saver. It will be very difficult to maintain support for the pension system if no clear incentives are provided for saving into a pension and if no reassurance is provided in relation to the savings framework.

Obviously, the pensions industry also holds a great deal of responsibility for this. The industry must manage pension savings in a responsible manner and ensure a sound return on savings.
The pension system requires a stable framework – otherwise savings will suffer

Establishing a pension scheme is one of the most long-term financial decisions of our lives. That is the reason that pension schemes require a predictable and stable framework so that we can be certain that the money we contribute to the scheme is not constantly eroded by new taxes or taxes brought forward. Pension schemes call for trust in the politicians. It must be attractive to tie up money for a period of 20, 30 or 40 years in a scheme. So pension taxes must be lower than taxes on savings held in liquid form where the money can always be spent on something else. It must also be reflected that a pension scheme involves a political tie. It is not a tie that a pension saver can exchange for higher returns in the capital markets.

Recent years’ tax reforms have pushed this balance. Not only have taxes on returns on savings held in liquid form been reduced, but the tax freeze has in fact halved taxes on own homes since 2001. And taxes on pension investment returns have in neither case followed suit. On the contrary, they have risen.

The tax framework conditions for pension savings have also directly deteriorated. The ceilings on contributions to term annuity pension schemes – initially DKK 100,000 in 2010 and then DKK 50,000 in 2012 – have discouraged people to save up for retirement. A special tax has been introduced on large pension payouts, and the pension investment returns tax has been raised.

... to be continued
In 2013, the tax payable on lump sum pension will also be brought forward. Taxes on lump sum pension can be prepaid at a rate of 37.3% instead of 40%. And future contributions to lump sum pension must be made for taxed money.

Moreover, in connection with the tax reforms, proposals were also tabled, but not adopted, but they still compromise trust in the system. Some of the proposals were to adjust the basic pension benefit for retirement income and introduce an age-dependent third-tier tax.

In 2011, pension savings were about DKK 20 billion lower than in 2009.

Offhand, the fall of DKK 20 billion in pension contributions means more money in the government coffers. The explanation is that the state receives taxes on the billions of Danish kroner when pension savings are no longer tax-deductible. The amount will run into a total of about DKK 10 billion in the coming years. But as the taxes are brought forward, the money will be needed later. On balance, the government coffers will suffer a loss. This
calls for higher income or lower expenditure elsewhere. The requirements for fiscal tightening depend, among other things, on government budget discipline.

If the funds generated by the taxes brought forward are spent on reducing general government debt, fiscal tightenings in the amount of DKK 2 billion a year will be needed. The reason is that public pensions increase when we do not save up ourselves.

But the situation grows worse if the politicians do not have the discipline needed to repay general government debt and instead spend the funds on increased public expenditure and tax relief. Then, the deficit will be bigger after a few years compared to a situation where taxes had not been brought forward. Tightening in the amount of DKK 9 billion is needed if public finances are to balance.

The deficits will materialise even sooner and will be bigger if the lower pension contributions are allowed to result in higher public expenditure on social assistance, public pension benefits and other public transfer payments. Public expenditure will rise automatically if the reason for the lower pension contributions is that the two sides of industry agree to reduce the rate of contribution and increase the wages and salaries paid. The so-called rate adjustment means that the trends in wages and salaries paid after pension contributions rub off on transfer payments.

### Lower pension savings require a tighter fiscal policy

<table>
<thead>
<tr>
<th>Requirement for permanent tightening of fiscal policy (DKK billion, 2008 level)</th>
<th>Taxes brought forward are used for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- reduction of general government debt</td>
<td>2</td>
</tr>
<tr>
<td>- lower taxes and increased consumption</td>
<td>9</td>
</tr>
<tr>
<td>- lower taxes, increased consumption and higher transfer payments</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: DREAM and own calculations.
CHALLENGE NO. 2

Pension taxes that are brought forward are poisonous to economic sustainability

The ceilings on term annuity pension schemes have brought forward the taxation of an amount equal to some DKK 20 billion. An even more extensive measure could be to levy tax at an even earlier time, so that in future, tax would be payable at the time the contribution was made and not in connection with pension payouts.

In 2013, the tax payable on lump sum pension will, as already mentioned, be brought forward. Taxes on existing lump sum pension – approx. DKK 400 billion – can be prepaid. This is rewarded by a lower tax rate of 37.3% instead of 40%. Future contributions to the lump sum pension are not tax-deductible. According to the government’s assessment, the tax income brought forward amounts to DKK 10 billion in 2013 and DKK 5 billion onwards. However, the income in 2013 may be considerably higher; up to DKK 150 billion.

As already stated, this involves a high risk that the money is spent right away on tax relief or consumption so that the government coffers will fall short when the large older generations retire. A recent example is the Faroese tax reform. Here, a considerable income tax relief is “financed” by bringing forward taxation of pension savings to the time of contribution. This has been introduced in a situation of large public deficits.

The lack of future income must be compensated for, either through public spending cuts or tax increases. Consequently, both the OECD and EU recommend that pension savings be taxed when the pension income is taken.
Some people have saved up too little and will experience a huge drop in income when they retire

Today, almost all Danes in the labour market save up money and therefore stand to receive a pension which will guarantee them a reasonable standard of living in retirement and ensure that the standard of living will not be significantly reduced when they retire. People who have not been active in the labour market are secured an income in retirement which is very close to the income they received before through the public pension and ATP (the Labour Market Supplementary Pension). What remains is a group of people who have not saved up enough money. They will therefore experience a huge drop in their disposable income when they retire. Among the current pensioners, this group of people make up 7-11%. When the pension system is fully mature, the group will make up between 4 and 5%.

Occupational pension schemes primarily form part of collective agreements, but have had a knock-on effect on other sectors. The best way to ensure more pension to the group referred to above is by making occupational pension schemes available to all sectors of the labour market. This is primarily a task for the two sides of industry. Shop workers and employees in the transport industry are e.g. overrepresented in the group, the reason precisely being that occupational pension schemes are not equally common in all parts of these industries.

Self-employed persons also belong to the group of people who have not saved up enough money. Here, a change in attitude is required. The problem is that too many self-employed people “save up” in their business and nothing else.

<table>
<thead>
<tr>
<th>Share of people with insufficient pension savings in %</th>
<th>Today</th>
<th>Mature pension system (in 20-30 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income</td>
<td>10.7</td>
<td>5-6</td>
</tr>
<tr>
<td>Medium income</td>
<td>8.6</td>
<td>4-5</td>
</tr>
<tr>
<td>High income</td>
<td>6.8</td>
<td>3-4</td>
</tr>
</tbody>
</table>

Source: The Danish Insurance Association, Analysis report 2010:11 “Remaining group with low and insufficient pension savings”. 
Offsetting rules reduce the incentive to save up

Pensioners with lower income are adversely affected by an unfortunate interaction between taxation of pension payouts and set-off against public benefits. Some groups therefore become subject to a so-called combined marginal income tax of up to 60%. This is due to the fact that a rise in income – e.g. a higher pension payout – initially means that the public pension will be reduced by approx. 30%. Subsequently, the remaining amount will be subject to tax at a rate of approx. 37%. In addition, any rent subsidy received may also be reduced. Consequently, these pensioners are taxed so heavily that it hardly pays off to save up any more money in the years until retirement.

It is no secret that solving the problem of interaction is not an easy task. But it is not impossible either. One method could be to deduct e.g. 25% from the income base that is used as a basis for the set-off – and then target this deduction at payments from pension schemes providing lifelong benefits. This model will at the same time both reduce the combined marginal income tax considerably and encourage people to place their savings in pension schemes providing lifelong benefits.

For each individual person, it is essential to keep in mind that it will, without a doubt, become more and more important to have a pension scheme. This is the best guarantee to ensure that you have a buffer in your retirement. We cannot take it for granted that the broad range of welfare services that we know today will also exist in future.
On 8 December 1987, the two sides of industry and the Danish government, headed by Poul Schlüter, signed a letter of intent – the Joint Declaration – to introduce occupational pension schemes in the LO/DA sector.

At the time, occupational pension schemes were a benefit reserved for public employees and certain groups of salaried employees in the private labour market. In total, only one third of employees in the labour market were secured an income in their retirement in addition to the benefits paid under the public pension and ATP (the Labour Market Supplementary Pension). With occupational pension schemes, this scenario has changed completely.

"The Danish pension system – in a class of its own" documents how occupational pension schemes benefit the economy as a whole and the individual person’s financial situation in retirement.