



**GEMMA**  
know, plan, act.

# GEMMA

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## PLANNING FOR YOUR RETIREMENT

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August 2021

V1.0

# Contents

1. Retirement landscape in Malta
2. Retirement planning aspects to take into account
3. Understanding the state pension
4. Achieving an adequate quality of life in retirement
5. Understanding the personal pension retirement scheme
6. Understanding the voluntary occupational retirement pension scheme

# RETIREMENT LANDSCAPE IN MALTA

# OECD / INFE Malta Survey: 2018

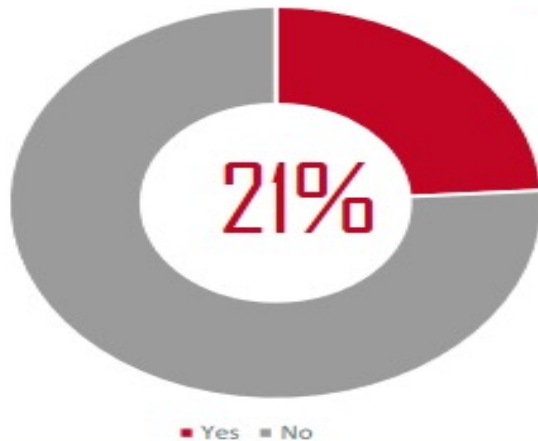
Do not have a retirement plan

Total	18-19	20-29	30-39	40-49	50-59	60-69	70-79	M	F
%									
45.2	44.1	37.3	23.1	30.0	37.6	74.6	77.6	43.5	46.8

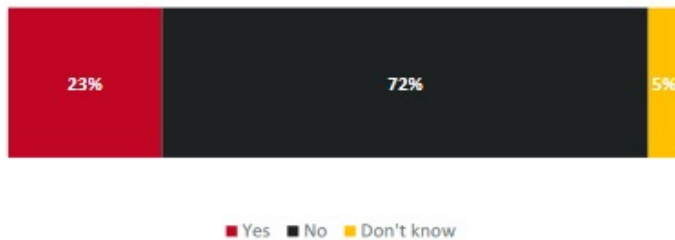
Financing of retirement

	Total	18-19	20-29	30-39	40-49	50-59	60-69	70-79	M	F
%										
With draw from savings	54.1	26.5	33.9	37.6	46.7	53.2	81.9	86.2	55.1	53.2
Government pension	44.8	23.5	21.5	29.5	36.0	43.5	74.6	77.6	49.4	40.5
Continue to work	31.6	23.5	32.8	33.5	44.7	51.1	16.4	4.3	35.6	27.7
Income generated from assets	26.2	5.9	10.2	18.5	22.7	31.7	42.4	38.8	27.5	24.9
Private pension plan	14.9	2.9	10.2	25.4	23.3	21.0	6.8	1.7	15.8	14.1

# GEMMA Pulse Household Money Management Survey: 2021

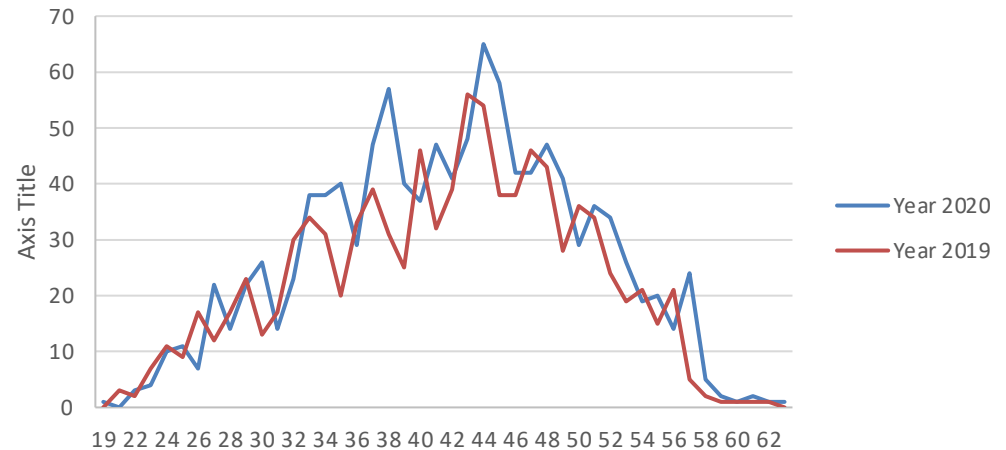


Hold a pension plan



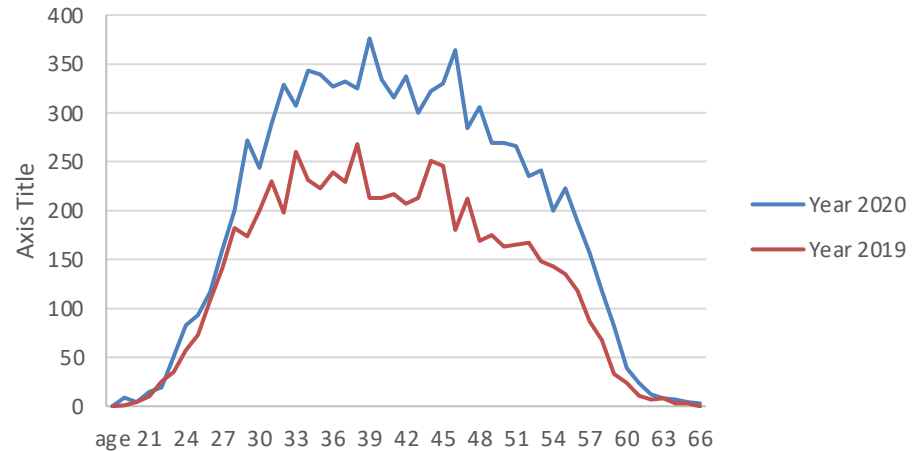
Plan to increase pension plan contribution

VORPS Membership



Total: 2020: 1,275 2019: 975

Personal Private Pensions Membership



Total: 2020: 9,473 2019: 6,467

# **RETIREMENT PLANNING ASPECTS TO TAKE INTO ACCOUNT**

# KEY LIFE JOURNEY MILESTONES TO CONSIDER

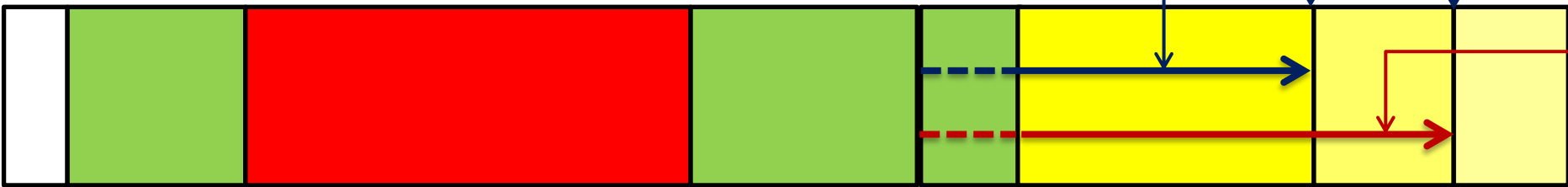
For persons born 1962 and over retirement age is 65 years – but if born between 1962-1968 can retire at 61 with 40 year contributions; and if born on and after 1969 can retire at 61 years with 41 contributions

Retirement 14 yrs;  
19 yrs if early exit  
option is chosen

Retirement 19 yrs;  
24 yrs if early exit  
option is chosen

Male  
longevity

Female  
longevity



18  
yrs

28  
yrs

50  
yrs

61  
yrs

65  
yrs

79  
yrs

84  
yrs



Initiate 1<sup>st</sup>  
Job or  
continue  
education

Likely enjoying  
life and spending  
on consumer  
goods and  
travel

Settling down and  
saving to start a  
family – during this  
period structured costs  
entered into – mortgage,  
education, etc. Like to  
have **dis-savings**.

Period leading to  
retirement (at 61 or 65  
years) is period most  
likely to save as mortgage  
is paid and children have  
grown

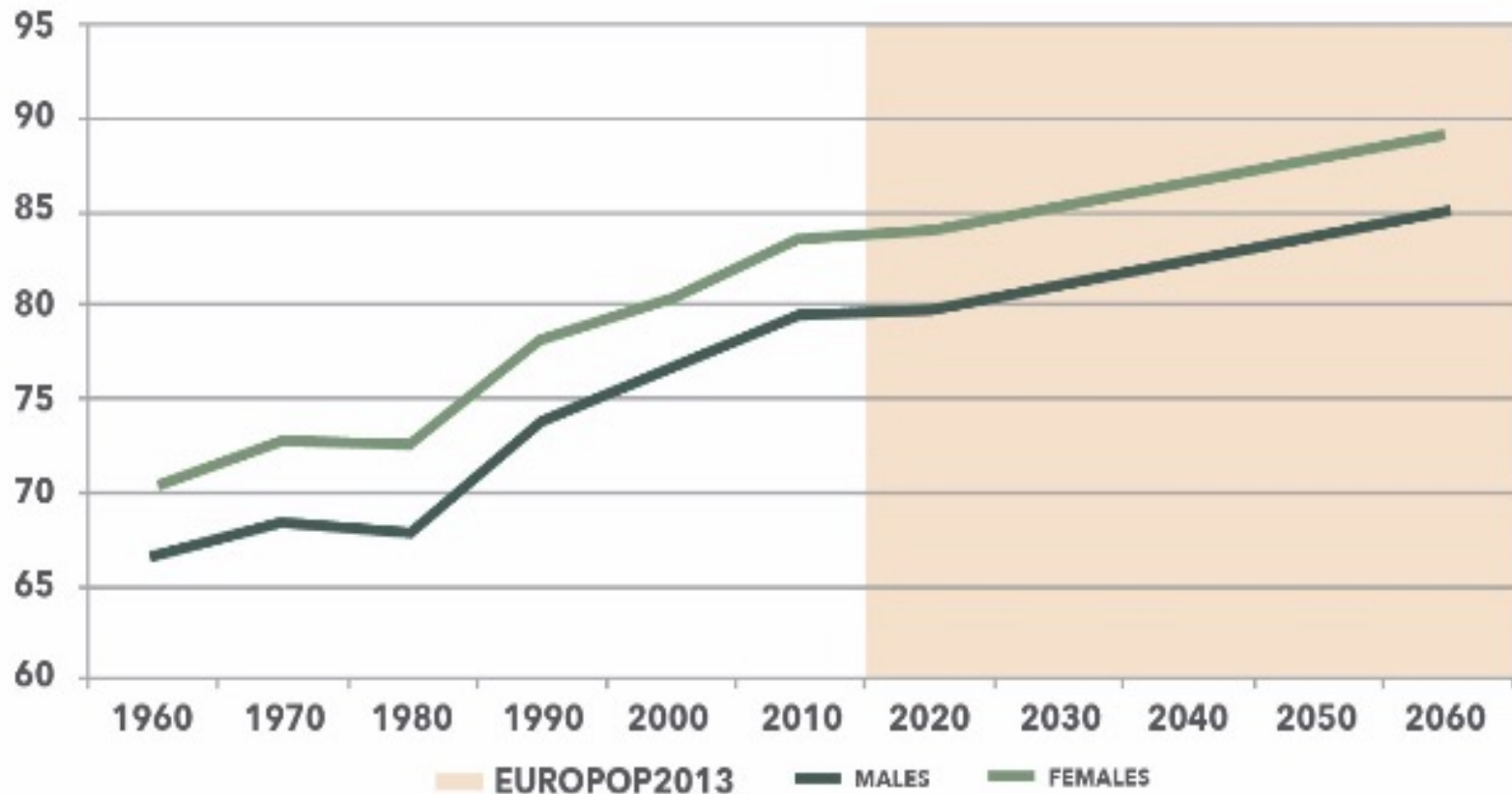
Likelihood of eating through  
savings in the absence of  
a retirement plan. A  
female is more likely to  
be vulnerable to this as  
she has a longer life  
expectancy than a male

# RETIREMENT FACTORS

- Retirement is a major life change: be aware and prepare so you can make sound decisions as you begin and move through your career
- Retirement can last a long time: a sure way to an unsure future is to put off planning for retirement

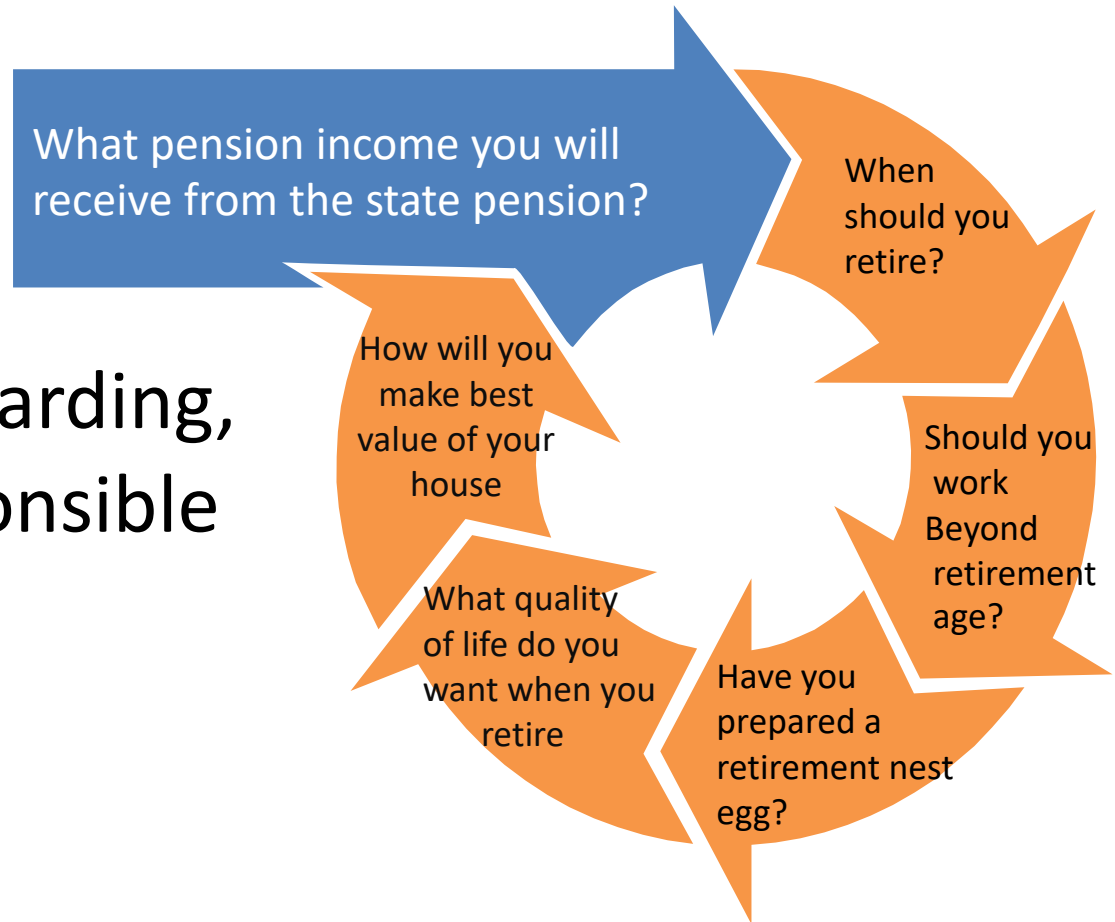


# LIFE EXPECTANCY



# LOOK INTO THE FUTURE

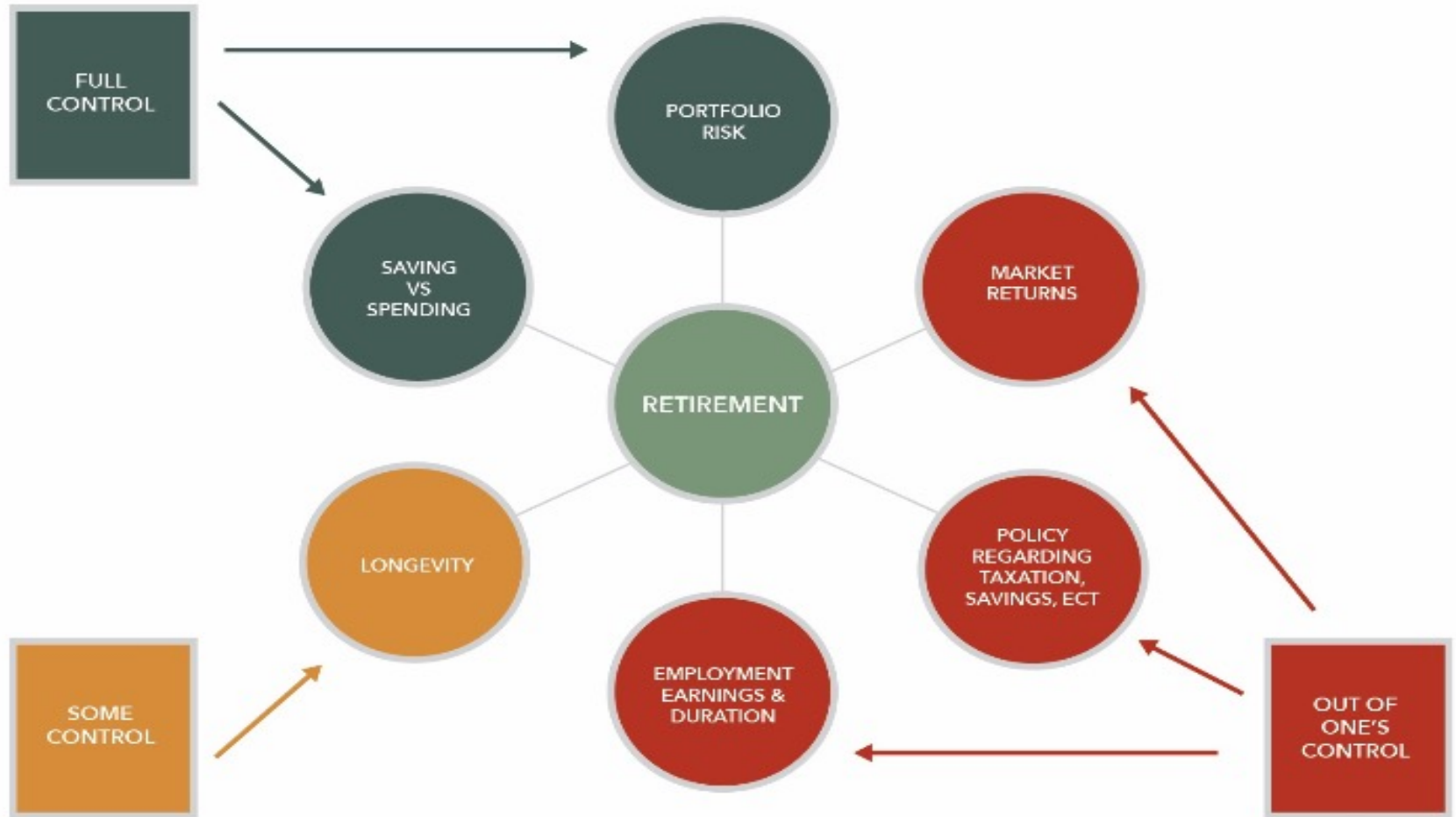
A successful retirement begins with envisioning a rewarding, healthy and responsible lifestyle



# THE WHAT IF QUESTIONS?

- What if you have health issues?
- What if you have assisted living costs?
- What if the kids don't leave?
- What if the kids come home in crisis?
- What if inflation rises?
- What if you have unpaid debts?

# RETIREMENT LANDSCAPE



# INFLATION IMPACT

Inflation likely to continue after you retire

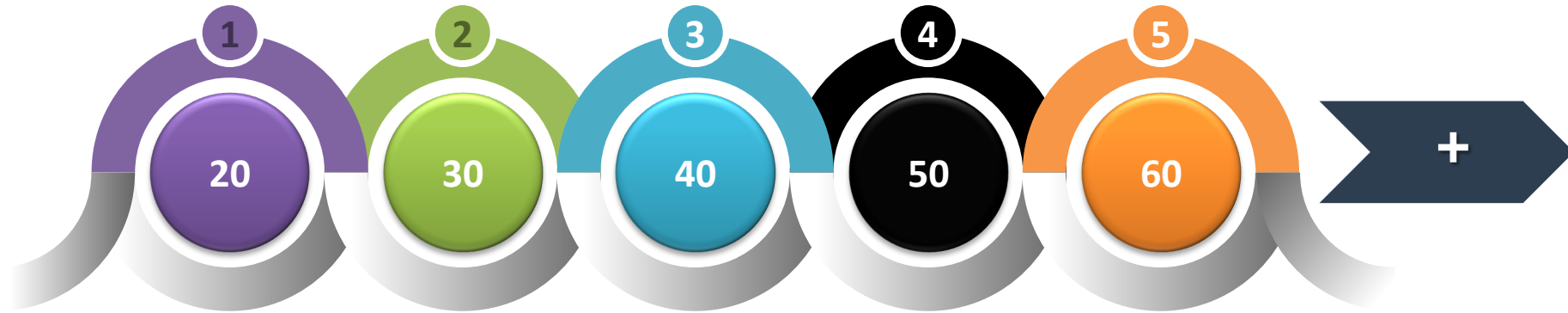
		Inflation	Purchasing Power Value
2019	€10,000	2%	€10,000
2025			€8,880
2030			€8,043
2035			€7,284
2040			€6,598

# 65+ HOUSEHOLD BUDGET

18 to 64 Years		65+ Years
18.2%	Food and non alcoholic beverages	25.6%
15.6%	Transport	8.9%
11.1%	Other	11.1%
8.6%	Restaurant and hotels	7.5%
8.5%	Recreation and culture	6.4%
8.3%	Clothing and footwear	6.3%
7.8%	Housing, water, etc.	10.8%
7.3%	Furnishing equipment	8.0%
4.7%	Health	9.1%
4.3%	Communication	4.5%
3.4%	Education	0.6%
2.3%	Alcohol and tobacco	2.6%

# WHERE ARE YOU ON THE RETIREMENT TIMELINE

AGE



I “should” plan for it (but I am not doing anything)

Most people get stuck here!

I “must plan” for it – but I am not doing much

I “am” planning for it – started doing it

Most people start here!

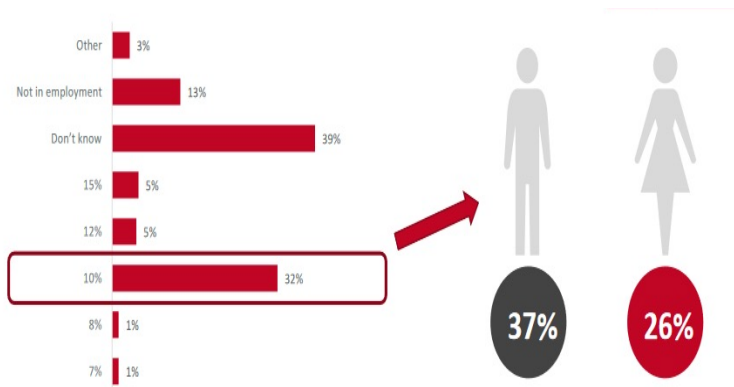
Retire

# UNDERSTANDING THE STATE PENSION

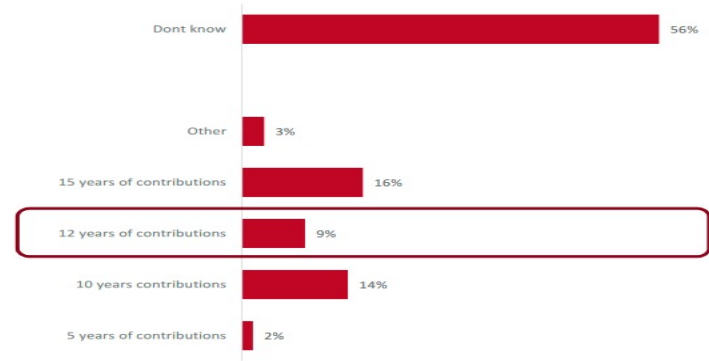


# GEMMA Survey

## Understanding of pension system by persons born in or after 1962



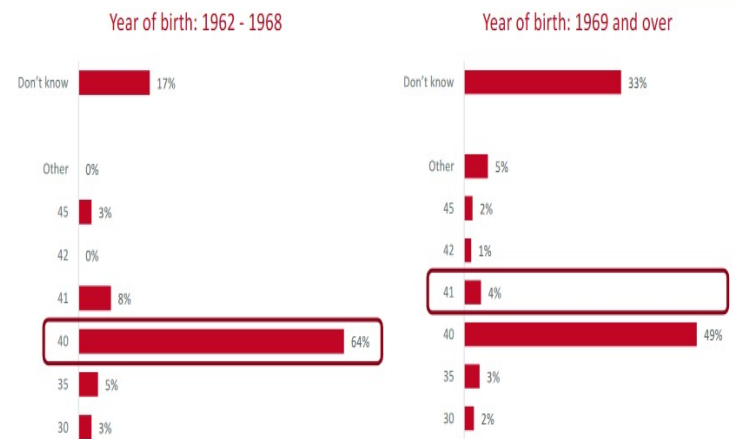
Contribution paid



Minimum contributions to qualify



Maximum Pensionable Income Ceiling



Contributions to qualify for full pension

# THE SOCIAL SECURITY PENSION

How it works

**What is taken into consideration in the calculation of your pension?**

The pension is calculated on basic wage only

Any other income is not included for pension purposes

Overtime

Allowance

Bonus

# THE SOCIAL SECURITY PENSION

How it works

What is the contribution you pay if you are in F/T employment

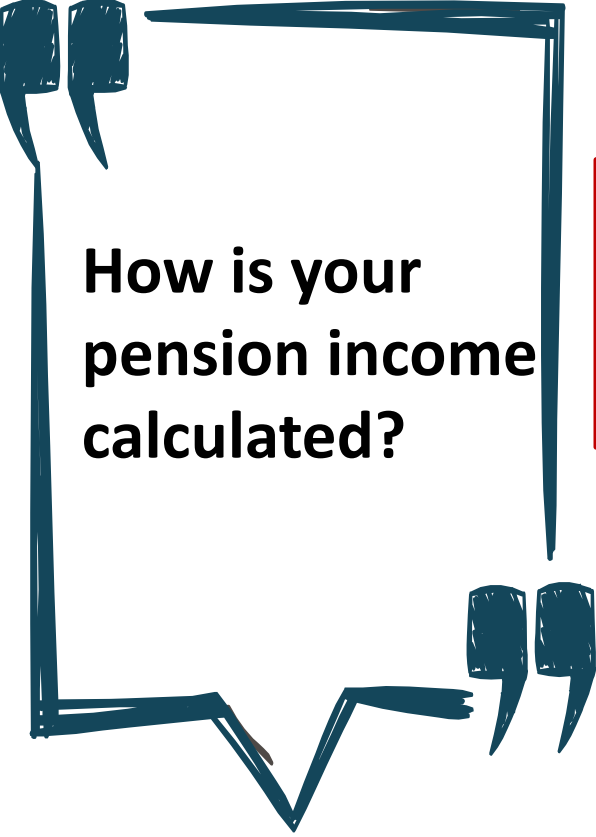
10%

Up to

MAXIMUM PENSIONABLE INCOME

# THE SOCIAL SECURITY PENSION

How it works



**How is your  
pension income  
calculated?**



**Average of the best 10  
years of contribution paid**

# THE SOCIAL SECURITY PENSION

How it works

How do you  
qualify for  
a full  
pension?

Born  
between  
1962 and  
1968

40 Years  
Contribution

Born on and  
after 1969

41 Years  
Contribution

# THE SOCIAL SECURITY PENSION

How it works

How do you  
activate  
early  
retirement?

40\* Years  
Contribution

+

61 Years

“

**NOT ALLOWED TO  
WORK BEFORE 65 YEARS**

# THE SOCIAL SECURITY PENSION

How it works

**What is  
the MPI?**

**2021 - €25,258**

**IN 2027, WHEN PERSON BORN  
IN 1962 RETIRES THIS IS  
ESTIMATED TO BE €30,000**

# THE SOCIAL SECURITY PENSION

How it works

What is the  
Maximum  
Pension  
you may be  
entitled to?

**2/3 OF €25,258**

IF 10 YEARS OF MAXIMUM CONTRIBUTIONS ARE  
PAID

**€16, 839**

**AVERAGE  
PENSION '18**

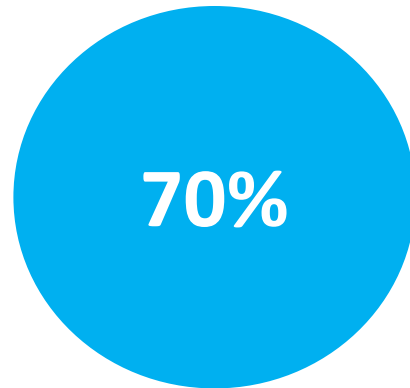
**€8,015**



# THE SOCIAL SECURITY PENSION

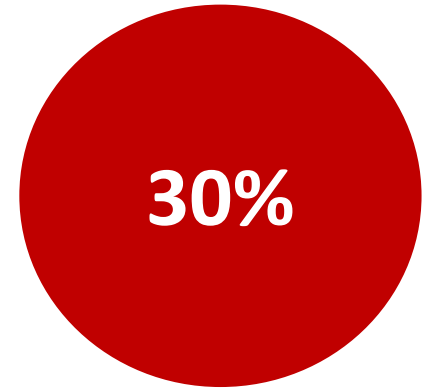
How it works

Do the MPI  
and the  
Pension  
Income  
Increase  
Over time?



Wage  
Inflation

+



Retail  
Inflation

# THE SOCIAL SECURITY PENSION

How it works

**Contribution  
paid on part  
time work?**

**If in F/T employment  
and holding one P/T job**

**10% NI**

**If F/T Self Employed  
and holding one P/T job**

**15% NI**

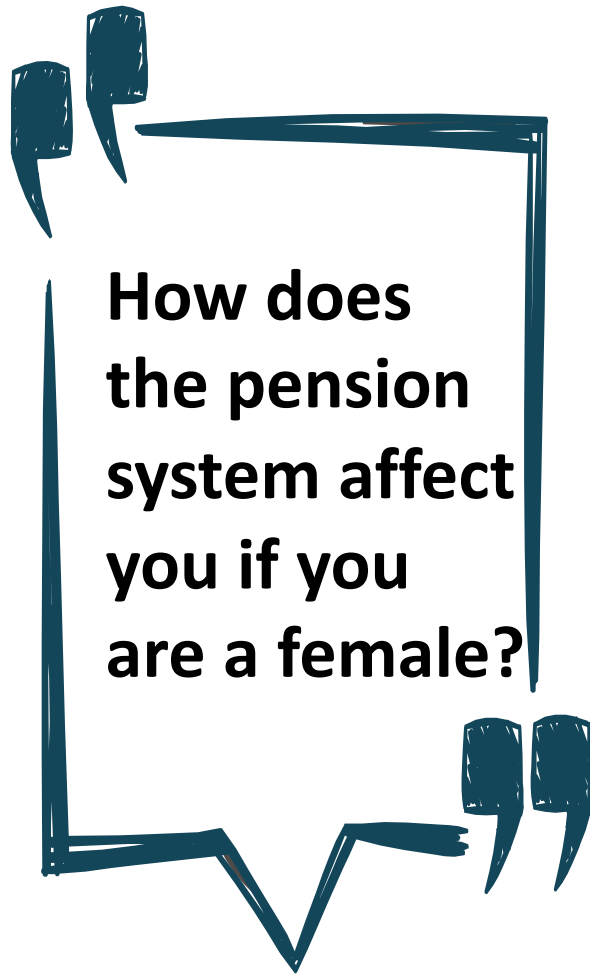
**If holding one P/T job  
only**

**10% NI**

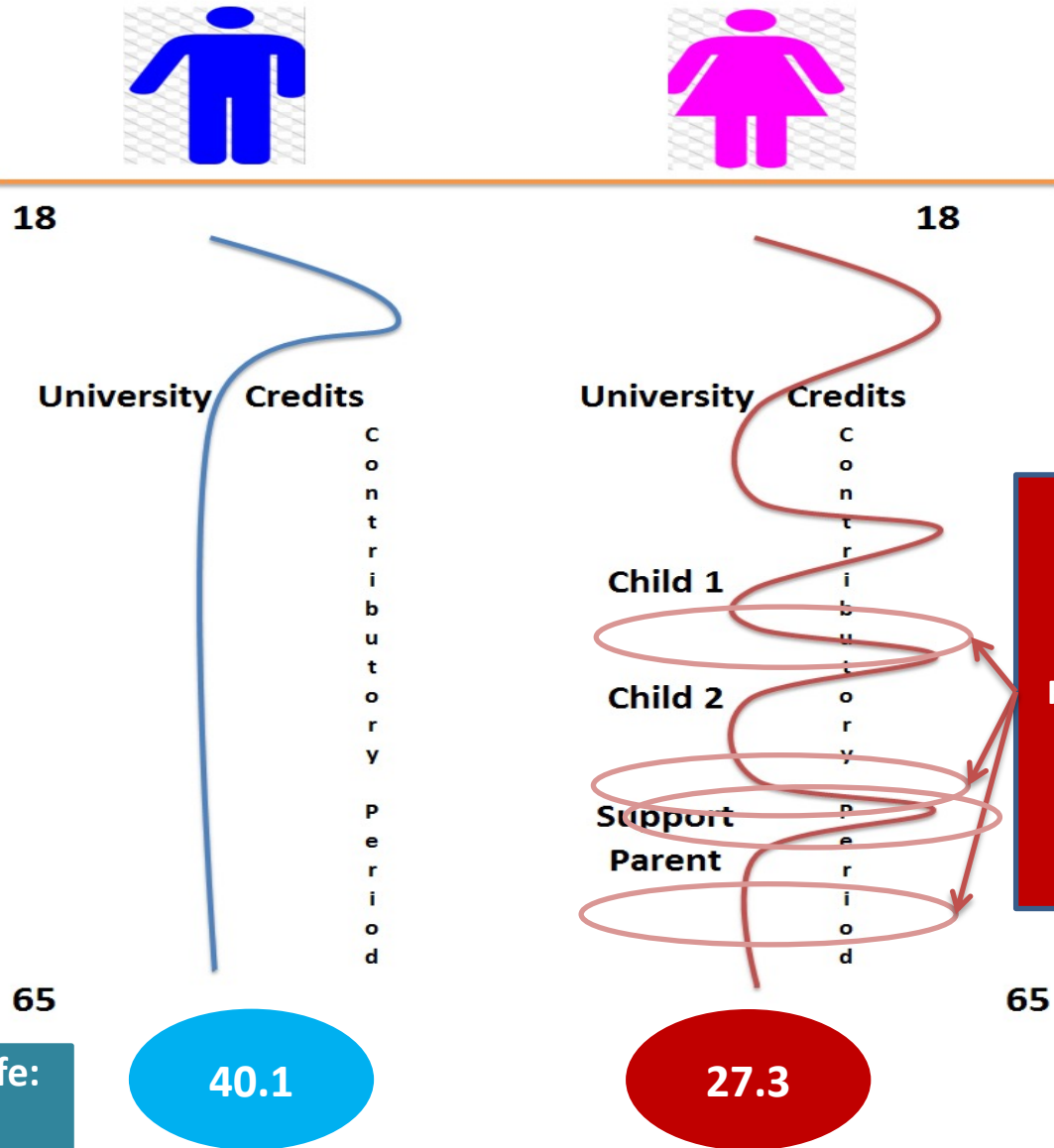
**If holding multiple P/T  
jobs**

**10% NI on  
highest wage  
only**

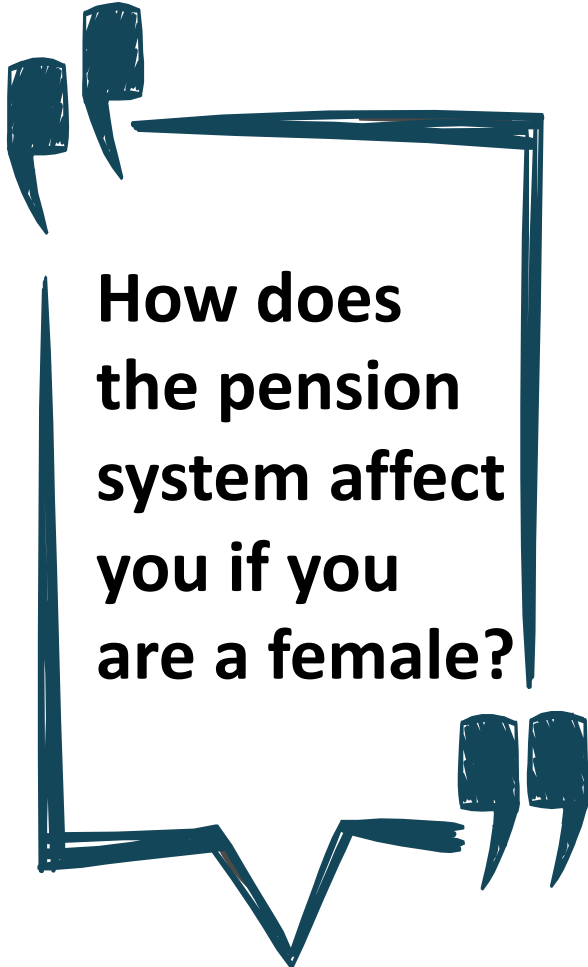
# THE GENDER PENSION JOURNEY



Average Working Life:  
Yrs



# THE GENDER PENSION JOURNEY

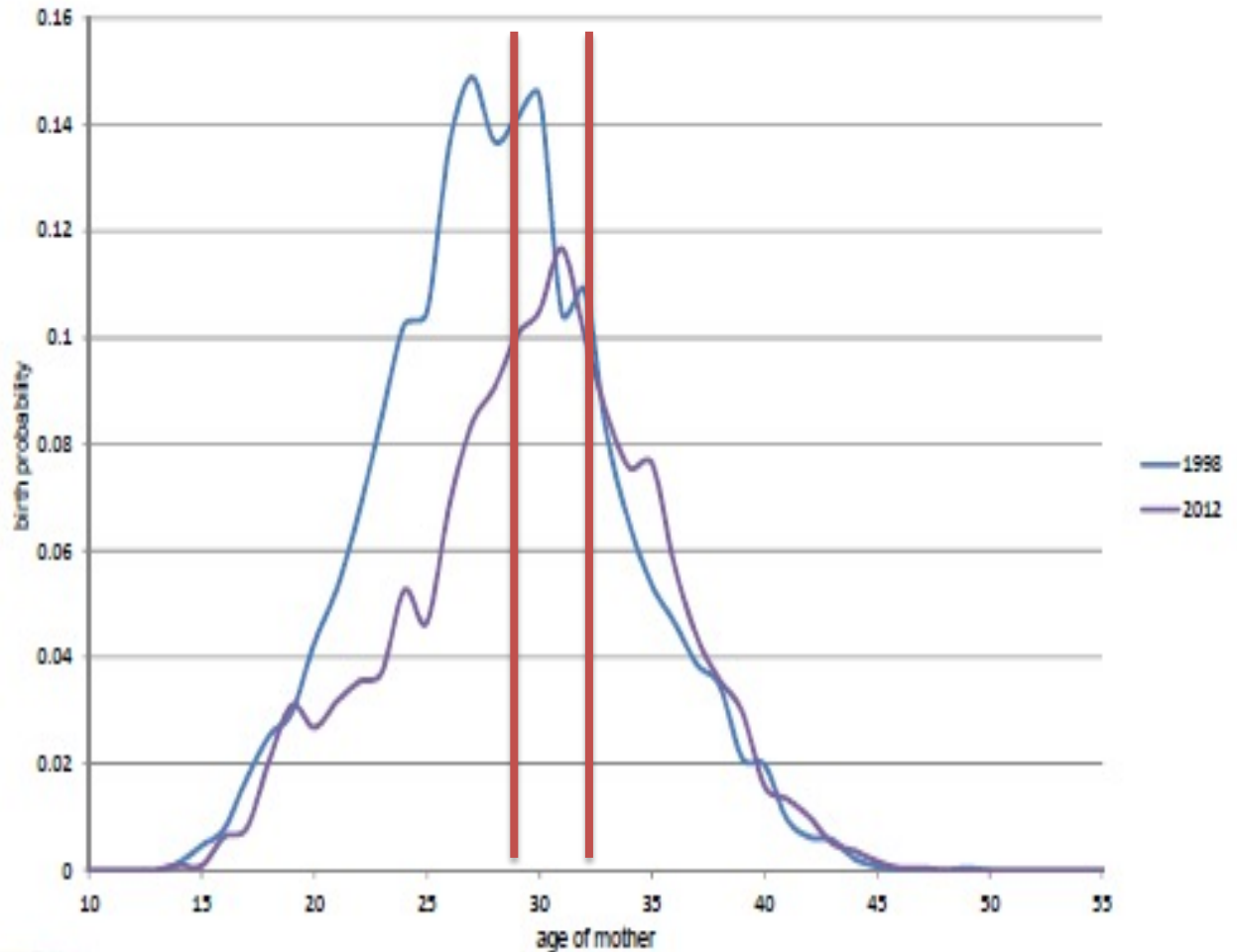


**How does  
the pension  
system affect  
you if you  
are a female?**

- Exit the labour market before reaching pension qualification period
- Higher representation in tertiary education
- Gaps in contributory period
- Shorter working life
- Higher participation in atypical employment
- Participation in the shadow economy
- Life longer than males, and longevity increasing
- Survivor's pension does not equate to full pension
- Pension impact as a result of divorce and separation

# THE GENDER PENSION JOURNEY

**How does the pension system affect you if you are a female?**



# RENDERING THE PENSION SYSTEM MORE GENDER EQUAL

How child  
rearing  
credits can  
impact you?

Child	Transitional Recommendation as presented in the report	Transitional As amended	Switchers Recommendation as presented in the report	Switchers As amended	Severely Disabled Child (with a Disabled Child Allowance)
Child's Age Limit	6 years		6 years		10 years
Credit for First Child	3	2	5	4	
Credit for Second Child	2	2	4	4	
Credit for Third Child	1	2	3	4	
Credit for a Disabled Child	4	4	8	8	
Qualifying period of fully paid contributions to benefit from credit contributions for child rearing			1st January 2016 increases from 10 to 12 years		

# RENDERING THE PENSION SYSTEM MORE GENDER EQUAL

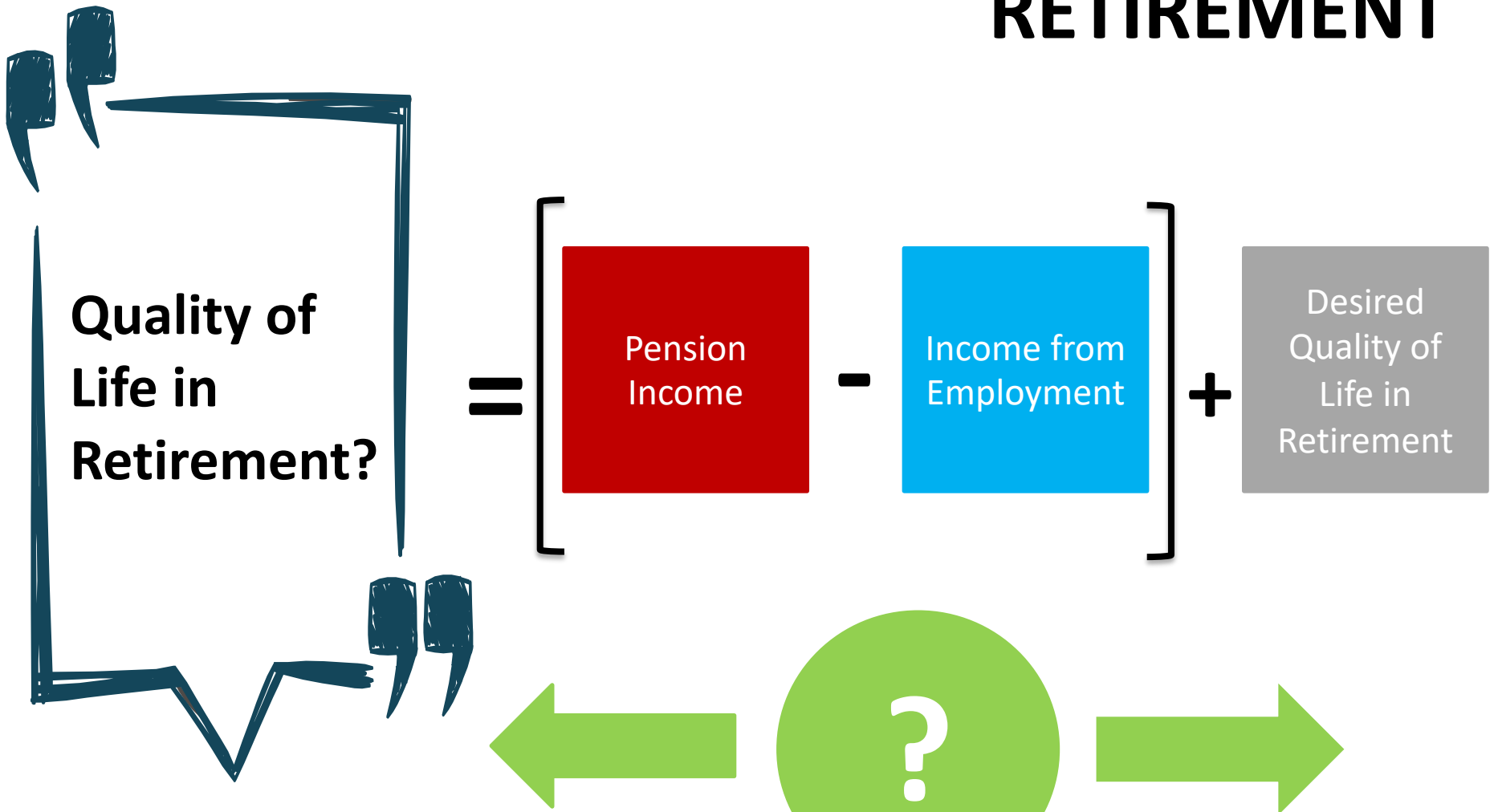
**How human  
capital  
credits can  
impact you?**

MQF Level	Crediting of Contribution
Lifelong Learning	5 contributions for every year of study
Level 5	9 contributions for every year of study
Level 6	26 contributions for every year of study
Level 7	26 contributions for every year of study
Level 8	52 contributions for every year of study

# **ACHIEVING AN ADEQUATE QUALITY OF LIFE IN RETIREMENT**



# YOUR DESIRED QUALITY OF LIFE IN RETIREMENT



# DESIRED QUALITY OF LIFE (II)

**Pension  
income  
in 2020**

**Born on  
and after  
1962**

Maximum Pensionable Income	€25,258			
Maximum Annual Pension	€16,839			
Salary	€25,000	€30,000	€40,000	€50,000
Pension in proportion to Salary	67%	56%	42%	33%

# HOW MUCH DO YOU NEED TO LIVE COMFORTABLY IN RETIREMENT



Moderately

60-70%

Comfortably

70-85%

Well

85-100%

Of your  
income  
during  
employment

# HOW MUCH IS ENOUGH?

In determining what is enough you must take into account the following




**MONTHLY AMOUNT SAVED**

**PERIOD YOUR ARE SAVING**

**PLANNED WITHDRAWAL**

# THE POWER OF COMPOUNDING

Investing **€1,000** annually at 2.5% Interest Rate

	Age	Invest for	Amount at age 65
		25 years → 40 years →	€70,087
		40 years → 25 years →	€36,011
		50 years → 15 years →	€19,380

# SAVING FOR A COMFORTABLE RETIREMENT IS UP TO YOU

## Plan for the unexpected

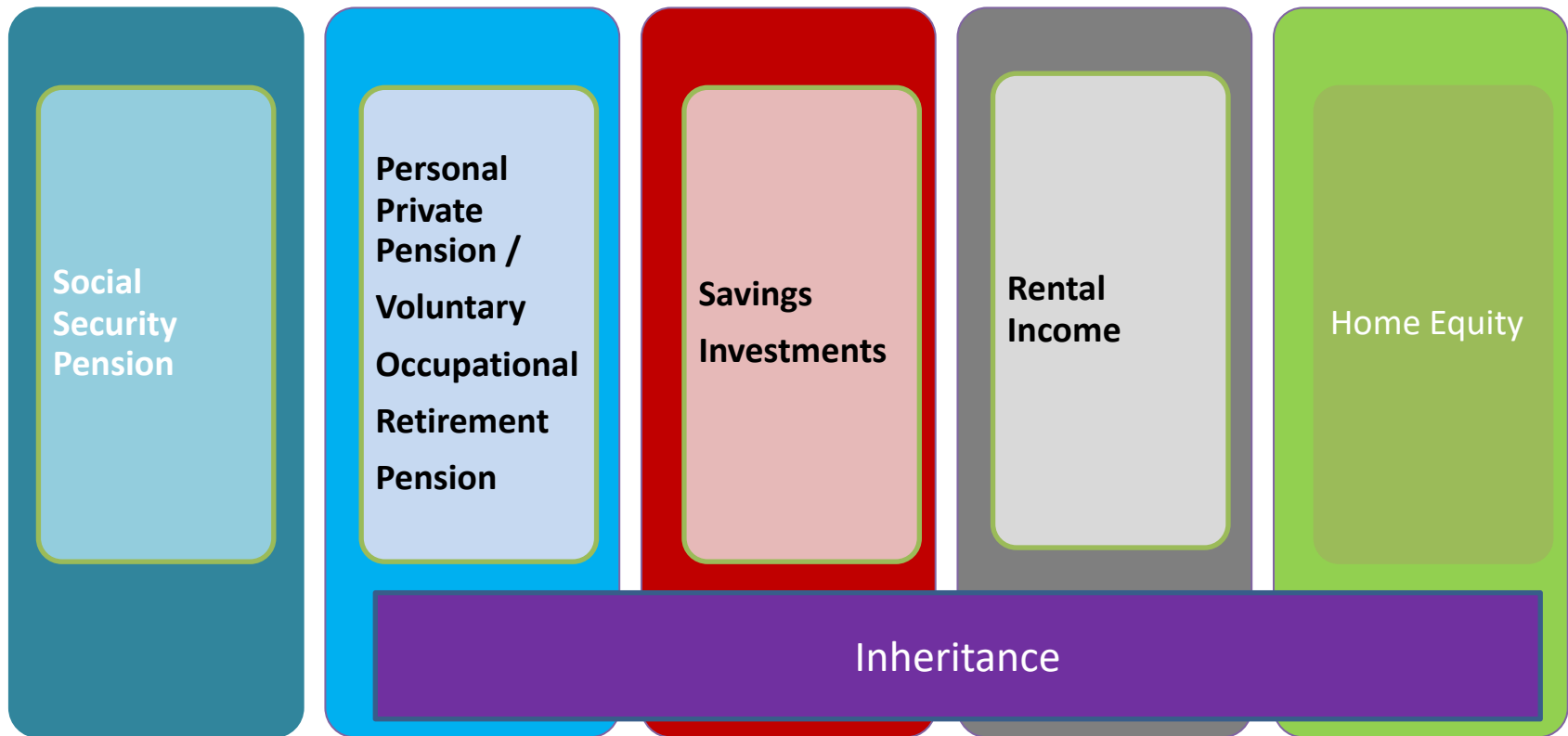
**You may think you are right on target with your retirement savings plan.**

- **But what if the unexpected occurs?**
  - What if your elderly parents require financial assistance?
  - What if your children need financial assistance?

If the unexpected happens, a well-constructed retirement savings plan can help you stay on track to meet your retirement income goals and allow for adjustments along the way as needed



# POSSIBLE INCOME SOURCES DURING RETIREMENT



# **UNDERSTANDING THE PERSONAL PENSION RETIREMENT SCHEME**



# THE BASIC RULES

Need to be domiciled and / or resident for tax purposes in Malta

Age at entry

18  
years

Benefits payable anytime between

61  
years

to

70  
years

Minimum duration of plan (may depend on provider) is

10  
years

When plan finishes a person must be

70  
years

# THE BASIC RULES

Under current legislation can apply for a tax credit of up to 25% on a maximum contribution of €3,000 annually

Maximum  
annual tax  
credit of  
€750

Can appoint a beneficiary and in case of death savings and accumulated funds will be inherited

If circumstances change contributions can be stopped; savings / benefits continue to be invested

Possibility of restarting payments in the event you freeze contributions

# THE BENEFITS

**MAXIMUM ANNUAL TAX  
CREDIT ENTITLEMENT**

25%

**MAXIMUM ANNUAL  
CONTRIBUTION**

€3,000

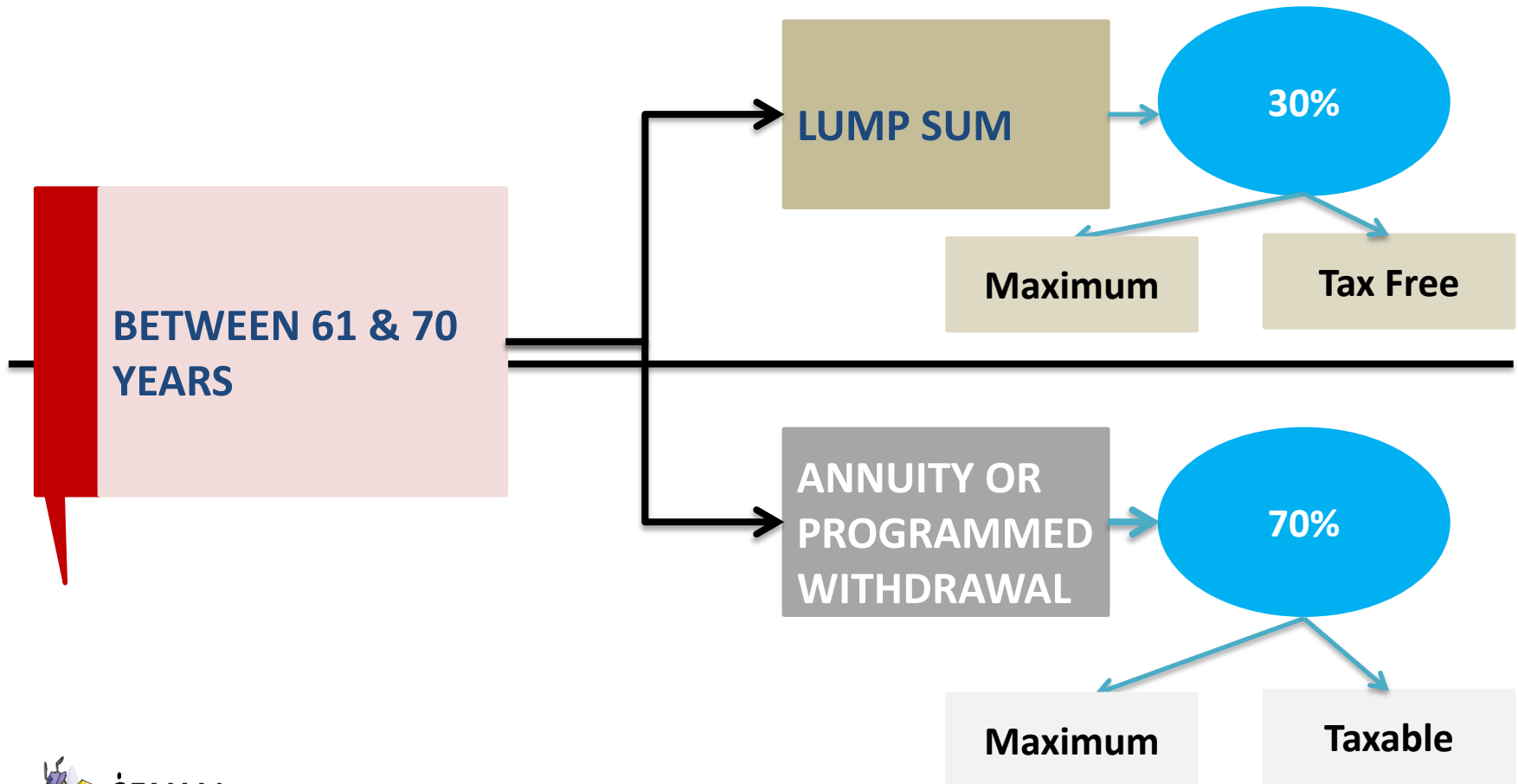
**MAXIMUM ANNUAL VALUE OF  
TAX CREDIT**

€750

LIMITED TO THE INDIVIDUAL'S TAX BILL: A PERSON  
WITH A TAX BILL OF €100 CANNOT RECEIVE A TAX  
CREDIT MORE THAN €100

# ENJOYING THE BENEFITS

## MAXIMUM ANNUAL TAX CREDIT ENTITLEMENT



# BENEFITS TO BE ENJOYED UNDER DIFFERENT SCENARIOS

Duration of Plan	Accumulation of Bonus under different Rate of Return		
	2.5%	3.5%	4.5%
20	€30,291	€35,398	€41,354
30	€52,060	€64,615	€80,418
40	€79,925	€105,830	€141,048

The above is calculated on the assumption that your monthly contribution to your Personal Pension Plan is of €100/month

# **UNDERSTANDING THE VOLUNTARY OCCUPATIONAL RETIREMENT PENSION SCHEME**

# ENJOYING THE BENEFITS

A tax credit amounting to 25% contributions made into a scheme – up to €750 each year

+

Tax Credits received under the Personal Retirement Scheme

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Portable

Withdrawal similar to a Personal Retirement Scheme

Can have both a Voluntary Occupational Retirement Scheme and a Personal Pension Scheme and a tax credit on both – maximum of €1,500

# WORK WITH A TRUSTED FINANCIAL PROFESSIONAL

A trusted financial professional works with you to identify your goals, needs and aspirations and helps you choose and implement financial strategies that meet your particular goals and needs, given your risk tolerance and time horizon.

## Action steps



**Carefully consider the goals for your retirement.**

Visualize how you would like your retirement lifestyle to be and write it down. Be as specific as possible.

**Consider all the realities** that may interfere with your retirement savings, such as rising health care costs.

**Estimate your income gap.**

Use the worksheets within the brochure to help you estimate how much you may need to save to reach your retirement goal.

**Be proactive.**

The earlier you invest, the better. Being consistent with your retirement savings will pay off for the long term.

**Contact your Financial Professional.**

They are there to provide guidance with creating a strategy to help you realize your retirement goals.



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# FOR FURTHER INFORMATION

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**GEMMA**

Office of the Permanent Secretary

Ministry for Social Justice and Solidarity, the Family, and Children's Rights

[www.gemma.gov.mt](http://www.gemma.gov.mt)

[gemma@gov.mt](mailto:gemma@gov.mt)

