

600,000 employees see benefit from new retirement savings

Approximately 600,000 employees leave the holiday allowance in the Holiday Allowance Fund - a type of retirement savings. A savings account with significant financial benefits. At the same time, LD Pensions is preparing to target the investments.

LD Pensions expects that approx. 20 billion DKK will remain in the Holiday Allowance Fund. This means that approx. 600,000 employees will get a new type of retirement savings as they are expected to leave the holiday allowance in the fund.

Until 10 May 2021, almost DKK 34 billion holiday allowance had been disbursed. To this can be added the DKK 52 billion, which was disbursed in autumn 2020. In total, 2.3 million employees requested disbursement of DKK 86 billion, which after tax corresponds to just over DKK 51 billion for possible consumption.

An economic advantage to leave the holiday allowance in the Holiday Allowance Fund

There is less than a month left of the second round of early disbursement of the holiday allowance, and LD Pensions notes that so far that the disbursement pattern from the first disbursement round in autumn 2020 seems to repeat itself from the second disbursement round.

The average age of the group with "frozen holiday allowance" in the fund is high. Approx. a quarter of all employees aged 50-59 choose to leave their holiday allowance in the fund, and almost half of the employees over 60 years of age seem to follow suit. This indicates that this is largely a group that focuses on the economy at retirement age.

"If you do not need the money here and now, it can be an advantage to continue "the freeze" – meaning to leave the holiday allowance in the fund. The means are invested in a way that should ensure an increase over time. If the means are deposited in a bank as "free means", they will - with the negative interest rates offered by the banks today - instead decrease over time. We know from experience with the Cost-of-Living Allowance Fund that those who leave their means longest in the fund, is a group which uses the "frozen means" as a supplementary savings they "thaw" whenever it suits them" says Dorrit Vanglo.

There are other ways to save up than "a freeze", but freezing provides an attractive low tax on returns, which is an economic advantage. The fact that part of the holiday allowance remains with the employers

provides another clear financial advantage. The return on this part of the means follows the wage development, and it provides a secure base in the savings, which at the same enters the fund as tax-free return.

An investment strategy that shifts gears

Until now, the individual's holiday allowance has increased with 1.7 %. The return, which is after PAL tax, can be followed on the webpage of LD Pensions.

“So far, the investments have been at quite a low risk. This is due to the large disbursements. However, as the employers have paid-up a significant part of the holiday allowance to the fund, we have something to work with and it becomes more clear what age profile the customers in the fund have. It means that, in the coming time our investment strategy will shift gear”, Dorrit Vanglo says.

Presently, approx. 30 % of the holiday allowance is paid into the fund, while the rest remains with the employers. Payments take place on an ongoing basis in pace with the employers evaluate their need for keeping the holiday allowance as liquidity in the companies. It is not free for employers to keep the holiday allowance as liquidity, as they must pay an interest rate corresponding to the wage development until the funds are paid into the fund.

Facts – figures from 10 May 2021

- Total earned holiday allowance: DKK 108.5 billion.
- Total early disbursement: DKK 85.6 billion (DKK 52 billion in 2020 and DKK 33.4 billion in 2021 plus DKK 0.131 billion as disbursement of “fundsferiedage” (fund holidays)
- Taxed holiday allowance paid into the fund via FerieKonto and feriekasser: DKK 10.7 billion
- Non-taxed holiday allowance paid into the fund by the employers: DKK 22 billion.
- Holiday receivables with the employers: DKK 75.8 billion.

Age profile for the holiday allowance

Age	Disbursed holiday allowance	Holiday allowance as retirement savings
0-29	95 %	5 %
30-39	87 %	13 %
40-49	81 %	19 %
50-59	75 %	25 %
60+	56 %	44 %
Unknown	9 %	91 %
All	79 %	21 %