'Stock pension'

At the end of 2021, the impression could be gained that the so-called 'traffic light coalition' was preparing the introduction of an additional share-based pension scheme after having missed five decades to do so. The first ideas were developed under the heading of "stock pensions" as to how Germany could follow the path that comparable countries (Netherlands, Switzerland, Great Britain, Sweden, USA, Canada, etc.) have successfully gone decades ago.

Although it is no longer possible to catch up, it is still wise to do the right thing even if it happens very late. It should be remembered that the German DAX index, for example, has risen by an average of 6.6% per year since 1990, despite the many crises (dot.com collapse, September 11 terrorist attacks, Iraq and Afghanistan wars, subprime crisis, euro bailout crisis, Corona pandemic and most recently the Ukraine war).

Unfortunately, Russia's war of aggression on Ukraine has muddled the priorities of the 'traffic light coalition', so that initiating the 'equity pension' has now been put on the back burner. This is a mistake, because prolonged procrastination makes the demographic malaise work all the harder to the detriment of prosperity development. There is also an important timing argument. It is particularly attractive to enter the stock market when prices and valuations are low. But this is precisely the case now with many stocks, so it would be advisable to take advantage of the favorable prices to enter the 'stock pension'. Given the long-term nature of retirement investing, the government need not worry about short-term price fluctuations. On the contrary, the current stock market slump must be seen as an undeserved stroke of luck to make up now for the missed entry into the capital-based new pillar of old-age provision.

In view of the surprising and astonishing - though not yet completed - turnaround on the issue of financing the German armed forces, the red-green-yellow government should now take the initiative to make the best of the current turmoil on the financial markets. How about a 100 billion special pot financed by the issue of government bonds to launch an 'equity pension'? It would be even smarter to enable private equity fund savings plans for old-age provision. If, for example, citizens were allowed to save for retirement in equity funds from their gross income, then no new and, above all, large government bureaucracy would be needed to get the issue off the ground.

© LOYS – All Rights Reserved. Issue 06/22

Irrespective of this, citizens are still free to take advantage of the sometimes favorable stock prices as part of their private old-age provision in order to increase the proportion of shares. However, it would be desirable for the state to mitigate the high taxation of income from shareholdings or at least allow any losses to be offset against other types of income. Such measures would also set in motion a culture of stock ownership that is not to be found anywhere else in the country. It is no coincidence that Germany, by far the largest economy in Europe, is not home to the largest stock market. Looked at it closely, it is an embarrassment that has for decades been associated with major disadvantages in the wealth development of the German population that countries such as the UK, France and even Switzerland dwarf our country in terms of market capitalization. We must constantly remind ourselves that countries with a strong stock market culture are particularly far ahead in terms of wealth development, especially if financial wealth per capita is taken as a yardstick.

For LOYS investors, these findings are not new. Nevertheless, we remain persistent in our efforts to help equity fund investing achieve a breakthrough on a broad scale in Germany as well.

Sincerely yours,

Fund managers and co-investors

Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

© LOYS – All Rights Reserved. Issue 06/22

Contact us

Frank Trzewik

Managing Partner Sales

trzewik@loys.de

Tel. +49 (0) 441 92586-0

Raphael Riemann

Managing Partner Organization / Sales

riemann@loys.de

Tel. +49 (0) 69 2475444-01

Matthias Gindert

Sales Manager

gindert@loys.de

Tel. +49 (0) 69 2475444-02

Chris Thiere

Sales Manager

thiere@loys.de

Tel. +49 (0) 69 2475444-16

Alexander Piira

Sales Manager

(LOYS Suisse AG)

piira@loys.de

Tel. +41-41 766 77 35

Impressum - Company Details

Publisher:

LOYS AG
Heiligengeiststr. 6-8
26121 Oldenburg

Contact us:

Telephone: +49 (0) 69-2475444-0
info@loys.de

Responsible person:

Frank Trzewik
Managing Partner LOYS AG
www.loys.de

© LOYS – All Rights Reserved. Issue 06/22