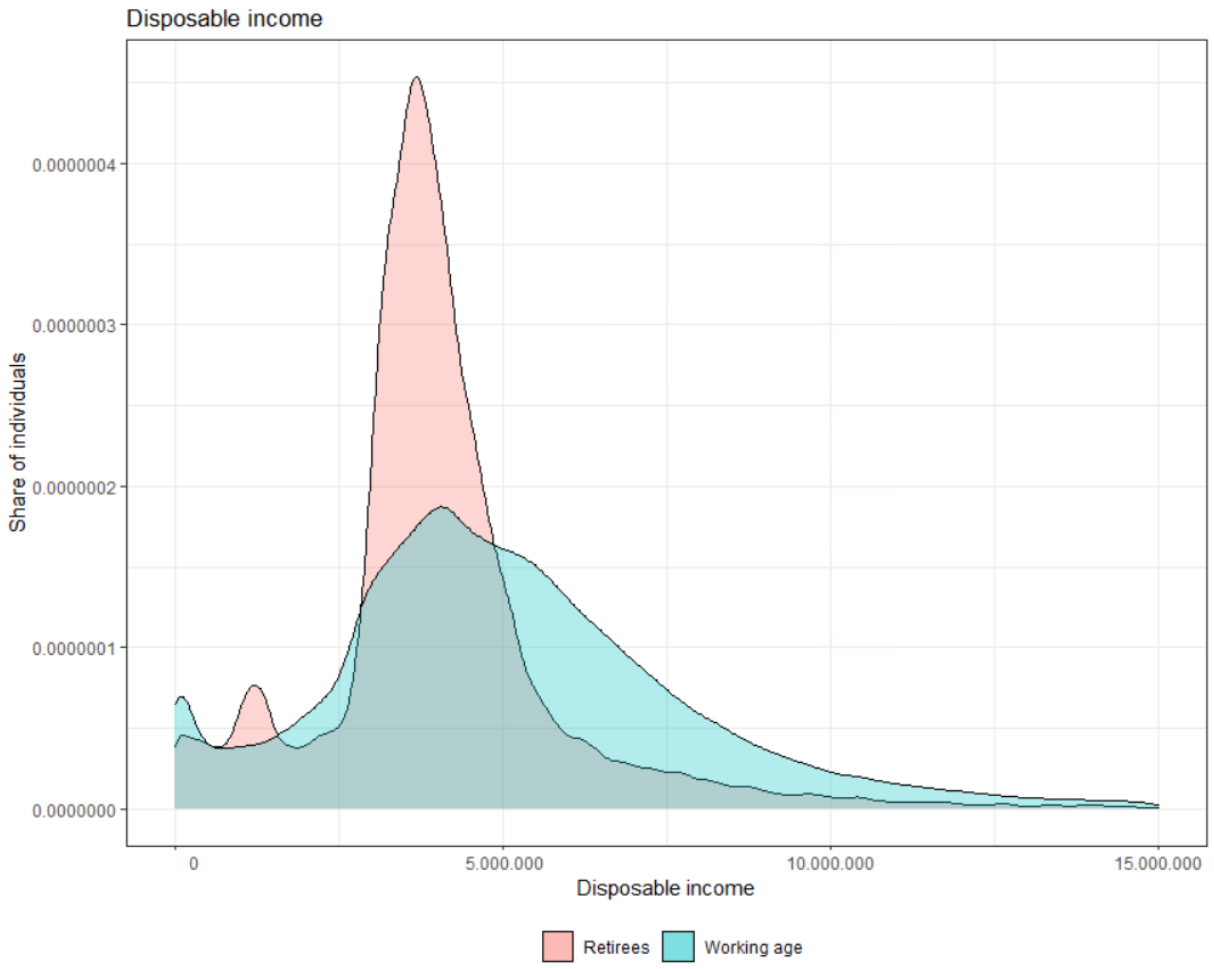
Data from tax returns, year 2020

Disposable annual income of all taxpayers



	Working age (25-69)		Retirees (70+)	
	ISK	euros	ISK	euros
Mean	5,196,333	37117	4,302,141	30730
Median	4,661,068	33293	3,824,699	27319
Below 3 million ISK (21,400 euros)	24%		18%	

- Compression of retirement income compared to working-age income implies limited voluntary saving and the importance of pension income.

- Distribution of retirement income bimodal. Average disposable income lower for retirees and a segment with very low income??

- High ranking of Iceland's pension system is based on the future projections, currently there are people in retirement on low incomes.

<u>Some characteristics of the Icelandic system</u>

- Someone with no Pillar 2 nor other income gets 3,2 million ISK per year after taxes (2020), which is 22,860 euros. This is close to the median income of the retirees!

- Pillar 1 income tested. An increase in Pillar 2 pension income of 1000 euros increases disposable income by 200 euros (Stefán Ólafsson, 2022). Savings plus interest income of 800 goes to reduce the Pillar 1 spending by the state.

- Pillar 1 spending by government a lower share of GDP than in most other countries.

- Pillar 1 income deductions are probably excessive!

Concluding thought

Important to have a centralized data base with data on disposable income of all taxpayers from tax returns plus data from individual pension funds.

This database could be used to inform policy makers and pension fund managers.