



This is how you earn a pension

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Försäkringskassan [The Swedish Social Insurance Agency] is responsible for pension benefits, including income [inkomst-], supplementary [tilläggs-] and guarantee pension [garantipension], adjustment [omställnings-] and survivor's pension [efterlevandepension] and housing supplement for pensioners [bostadstillägg till pensionärer]. Försäkringskassan also pays out the premium pension [premie-pension] that the Premium Pension Authority (PPM) is responsible for. Together, these benefits contribute to financial security when people get older or become a widow or widower.

Pension is earned throughout life

You earn national basic pension [allmän pension] throughout your life for every year that you work. The national basic pension also takes into consideration the different phases of life. There are therefore other things besides work that are pensionable, for instance, when you have small children or are doing national service or studying.

Pension entitlements [Pensionrätt]

Your future pension is based on the pension entitlements that you earn.

In 2007, you can earn pension entitlements for income up to around SEK 30,900 per month. After deduction for pension charges, this will give you a pensionable income of at most SEK 344,250 kronor.

The three parts of the national basic pension

Income pension

The largest part of the national basic pension will consist of income pension for most people. Income pension is based on the total income you have earned during your life. The size of your income pension is determined by how

large a pension entitlement you have accumulated the day that you decide to start to draw your pension. The income pension is subsequently adjusted in accordance with the development of wages. In practice, this means that if it goes well for Sweden, pensions increase and when it goes less well, they decrease. Income pension is also higher, the longer you wait before starting to draw it. For those who have guarantee pension or guarantee supplement [garantitillägg], it is not certain that the total amount will be increased.

Premium pension

The premium pension is the part of the national basic pension which you can invest yourself in funds. The premium pension is administered by the Premium Pension Agency (PPM). However, you are responsible yourself for deciding which funds to invest the money in. If you do not make a choice, your money will be invested in the Premium Savings Fund [Premiesparfonden], which is a global equity fund [aktiefond] administered by the Seventh AP (Pension Insurance) Fund. It may be worth knowing that you can transfer your premium pension entitlement to your spouse or registered partner with a deduction of 14 per cent.

Guarantee pension

The guarantee pension is a basic protection for those who have had a low or no income during their life. The guarantee pension serves as a supplement to the pension that has been earned and the size of the amount depends on the number of years you have lived in Sweden, whether you are married or single, how much you have paid into your income and premium pension, and the development of prices in Sweden. The amount is also affected by whether you have a widow's pension [änkepension], occupational annuity [yrkesskadelivränta] and/or certain foreign pensions. However, the size of the amount is not affected by how your own premium pension funds have developed. The

guarantee pension can be at most 6,381 Swedish kronor (SEK 6,381) per month for a married person and SEK 7,153 kronor for a single person.

You can receive guarantee pension from the age of 65. However, to receive full guarantee pension, you must have lived in Sweden from the year you attained the age of 25 until you attain the age of 65.

If you have lived in another EU/EEA country, other rules may apply. The guarantee pension may be lower if you do not have 40 years of residence [bosättningsår]. Special rules apply for certain other persons, for instance, refugees in need of protection.

You can read more about guarantee pension in the factsheet **Guarantee pension – for those born in 1938 or later**.

Where does pension money come from?

Pensionable income [pensionsgrundande inkomst]

You receive pension entitlements on your pensionable income. Pensionable income means your earned income with a deduction for the national pension charge which is at present 7 per cent. The national pension charge is paid together with tax on your wage. Additional charges for the pension system are paid through employers' contributions.

There is a ceiling for pensionable income at 7.5 income base amounts (SEK 344,250 per year in 2007). This means that income over SEK 30,900 per month (2007) do not earn pension entitlement and do not either pay a national pension charge.

The total charge for the national basic pension is 18.5 per cent of your pensionable income. Of this 18.5 per cent, 16 per cent goes to income pension. The system keeps track of payments and gives you entitlement to pension in relation to how much has been paid in for you. You also receive a kind of interest on the money which depends on the development of wages in Sweden. It could be said that pension is part of your wage which you transfer from the period when you work to take later, and that you receive interest during this period.

The money which is paid in today is used to pay pensions to today's pensioners. When you become a pensioner, your pension will be paid by those working then, although it will be calculated in accordance with the pension entitlements that you have earned during the whole of your working life. In other words: The more money you have paid in during your working life, the larger will be your pension.

The remaining part of 2.5 per cent of the national basic pension will go to your premium pension. This is the part that you may invest in funds yourself. The more you earn, the more money you have to invest. The size of your premium pension will depend on how your funds develop.

Pension entitlement for children, studies and national service

You can receive additional pension entitlements when you have small children, when you study or do your national service. The condition is that you have had an income corresponding to at least two income base amounts per year for a total of five years. The condition shall be met before you attain the age of 70. How much extra pension entitlement you receive for children depends on how much you earned before you had children and how much you earn in subsequent years. You do not therefore need to have been at home with your children to have an additional pension entitlement. It is given for the child's first four years and goes automatically to the parent with the lowest income. If you do not want to have this breakdown as a parent, you must notify Försäkringskassan at the latest by 31 January the year after the relevant year. If, for instance, you wish to transfer pension entitlement for 2007, notification must have been submitted at the latest by 31 January 2008.

Pension from several places

You may receive pension from several places, from, for instance, national basic pension and from an employer in the form of occupational pension [tjänstepension] and from your own pension saving. The different pensions are combined and will together be your total pension.

The orange envelope

In your annual statement, which is sent to you in the orange envelope every year, you will be notified of how much money you have earned to date for your national basic pension. And how much you can be assumed to receive every month when you become a pensioner. The calculation of your future pension is based on you having the same income until you start to draw your pension as you have today. You can also make your own forecast on www.forsakringskassan.se.

Occupational pension

If you want to know how much money you will receive in occupational pension, you can go to the occupational pension companies and the state's joint service www.minpension.se where you can see your national basic pension and occupational pension from most occupational pension companies. Otherwise, you can contact your occupational pension company or your employer. Many receive approximately 10 per cent of their final wage in occupational pension.

Private pension saving

If you have private pension saving, you can contact them you save with and ask to have a pension calculation. When the sums are added together, you will know approximately how large your pension will be.

This is how you can affect your pension

You can affect the size of your pension in various ways. You can either increase your income or work a bit longer after the age at which you were originally planning to start drawing your pension. It is also important how you invest premium pension money.

The simplest way for most people to increase their pension is to work additional years and thus pay in to the pension system for more years. More money in provides quite simply more money out in the form of income pension. For those who have guarantee pension, it is not certain that the total amount will be increased.

You decide when to start to draw your pension

You can start to draw your pension at any time after you have attained the age of 61. You can draw the whole or parts of pension and you can continue to work at the same time as you draw your pension. Guarantee pension and guarantee supplement are not paid until the age of 65.

Finally: Remember that you must apply for your pension yourself.