

Salary conversion/ deferred compensation schemes

Status quo

No one can rely on the statutory pension insurance. The progressively ageing population in Germany, with fewer and fewer employees having to finance a steadily growing number of retirees, has led to a consistently downward spiral in the state pension benefits. The younger the employees are, the more significant the gap between their earnings during active employment and the level of the state pension will be.

Public support for individual pension provision

According to German law, employees are entitled to pay an amount of their gross salary into a company pension plan (salary conversion / deferred compensation). Employees' contributions for salary conversion purposes are exempted from tax up to a limit of 8% of the current social security contribution ceiling (= 7.248 Euro p. a. in 2024 and from social security charges up to 4% of the social security contribution ceiling.

In addition, an employer is free to offer its employees a supplementary pension plan for converting contributions exceeding 8% of the social security contribution ceiling. These contributions can be converted into a benefit entitlement from either the current salary or special payments such as profit-related bonuses.

How does a salary conversion or deferred compensation scheme work?



Advantages for the employer

- The company presents itself as an attractive and socially responsible employer
- Realisation of the employees' legal right to convert salary into benefit entitlements
- Defined contribution plan without impacts on the local and international balance sheet
- Attractive benefit scheme for the employees
- No additional administrative burden

Advantages for the employees

- Improvement of the pension situation
- Tax exemption up to payment of the benefits

Swiss Life Germany sets benchmarks as a provider of employee benefit solutions

Quality

Swiss Life Germany is a leading provider of pensions and financial solutions. With award-winning products and profound expertise, the company is a premium provider on the German market.

For more than 150 years

Established in 1866, Swiss Life Germany is one of the most experienced life insurance companies on the German market. With a premium volume of more than 1 billion Euro, Swiss Life is among the foremost life insurance companies in Germany.

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