

# Life Annuity

established under Danish law by taxpayers in Denmark

A life annuity is a tax-advantaged pension scheme that provides you with a monthly income from the day you retire until you die. You can establish a life annuity scheme no matter how old you are.

### Who can establish a life annuity?

Provided you have permanent residence in Denmark, you can establish a life annuity with Danica Pension, irrespective of your age. You may establish the annuity personally or you can let your employer administer the scheme.

### What is your early retirement age?

If your life annuity was established after 1 May 2007, your early retirement age determines when you may start receiving retirement benefits.

If your life annuity was established before 1 May 2007, you may, as a rule, begin to receive retirement benefits when you reach the age of 60.

The table below shows your early retirement age.

If you were born...	Your early retirement age is...
before 1 January 1959	60
from 1 January 1959 to 30 June 1959	60½
from 1 July 1959 to 31 December 1959	61
from 1 January 1960 to 30 June 1960	61½
from 1 July 1960 to 31 December 1962	62
from 1 January 1963 to 31 December 1966	63
From 1 January 1967 onwards	63 (may be changed)

### How much are you allowed to contribute?

A life annuity is the only type of pension scheme into which you may contribute as much as you wish – either as a lump sum contribution or as regular contributions.

### Your contributions are tax-deductible

If you establish a life annuity as a personal scheme, you may deduct your contributions from your personal income. Any tax deductions that you do not use will be transferred to your spouse.

The amount deductible on a personal scheme depends on whether you make a single lump sum contribution or several, regular contributions to the life annuity.

### Tax deductions if the contribution period is longer than ten years

If you contribute a fixed amount for ten years or more, you may claim tax deduction for the entire annual contribution.

**Tax deductions if the contribution period is shorter than ten years (1/10 deduction)**

If you make a lump sum contribution or choose a contribution period of less than ten years, you may deduct one tenth of the contribution annually for ten years from your personal income. For example, if you make a lump sum contribution of DKK 300,000, you may claim tax deduction for DKK 30,000 a year for ten years.

**Upper-limit allowance**

The upper limit to the amount deductible in 2019 is DKK 51.500. This means that if your one-tenth deduction is less than DKK 51.500 (2019), you may increase the deduction up to this amount. However, you cannot deduct more than you have contributed.

For instance, if you make a lump sum contribution of DKK 300,000, you have the option of deducting DKK 51.500 for five years and DKK 42.500 in the sixth year, instead of deducting DKK 30,000 a year for ten years. In that way, you can deduct the amount in six years instead of ten.

You may use this allowance once a year only, and you should note that this option is personal. It includes all your life annuities, spouse covers, insurance policies taken out against loss of earning capacity and child annuities with a contribution period of less than ten years.

**Special rules for self-employed customers**

If you are self-employed, you have the option of using a special tax allowance.

The tax allowance totals 30% of the adjusted profit generated by your business in the relevant year. As a self-employed person, you may choose between the two types of allowance each year. However, you cannot use both allowances in the same year.

**If your employer administers your annuity scheme**

If your employer administers your scheme, your contributions are deducted from your wage or salary before income tax (*A-skat*) and labour market tax (*arbejdsmarkedsbidrag*) are

charged. This applies regardless of how large the amount is and how long the contribution period is. Danica Pension must therefore always withhold labour market tax (currently levied at a rate of 8%).

**You can insure your contributions**

If you choose to make regular contributions to your annuity scheme, you may opt for a waiver of premium clause. This means that you can let savings continue to accumulate without contributing to the scheme if your earning capacity is reduced to one third. To take out the insurance, you must be able to provide satisfactory health particulars.

**Disbursement from annuity pension schemes**

Disbursement from annuity pension schemes may begin when you reach your early retirement age or at a later date. Under a life annuity, you will receive annuities for the rest of your life. You have to pay income tax on the annuities, but not labour market tax.

### Disbursement in the event of death

Disbursements under your life annuity discontinue on your death. However, you can add supplementary cover to your life annuity to ensure that your surviving spouse or cohabitant receives your benefits for the rest of his or her life if you die. The benefits received by your surviving spouse or cohabitant are subject to income tax, but not labour market tax.

You can also attach a guaranteed period to your annuity scheme. With a guaranteed period, your beneficiaries will receive benefits in your place for the remainder of the guaranteed period if you die before it ends.

You can also use the guaranteed period to designate others than your spouse or cohabitant as beneficiaries, for instance your children.

If, during the guarantee period, benefits are disbursed to your spouse, co-habitant, registered partner, divorced spouse or registered partner, your children, your

cohabitant's children or your stepchildren under 24, they may choose to receive them in instalments for the remainder of the guaranteed period and pay income tax on the amount.

Your beneficiaries also have the choice of receiving your pension benefits as a lump sum subject to 40% tax.

Other beneficiaries, including children over the age of 24, will receive a lump sum subject to 40% government tax. Pension benefits are subject to inheritance tax.

### What is the rate of interest?

The return on your pension savings depends on the type of investment you choose. You have the following investment options when the scheme is taken out through Danske Bank:

- *Danica Balance*
- *Danica Link, Selv Valg*
- *Danica Select*

### Danica Balance

If you choose the *Danica Balance* solution, Danica Pension's experts manage how your savings are invested based on the investment strategy you prefer. With *Danica Balance*, there are ten different investment strategies to choose from. The returns on your pension savings are subject to 15,3% government tax.

### Danica Link

Choosing Danica Link, you decide how to invest your pension via investment trusts and you receive a return that reflects the investments you have chosen.

The returns on your pension savings are subject to 15,3% government tax.

### Danica Select

If you make a single contribution of at least DKK 100,000 and an annual regular contribution of at least DKK 50,000 to your pension schemes in Danske Bank and Danica Pension (hereof at least DKK 8,000 to Danica Select), you can choose the Danica Select option. If your savings in Danica Select exceed DKK 1,000,000, there is no requirement for a regular annual contribution. Danica Select

gives you maximum influence on the investment in your pensions scheme.

You can choose your investment among a range of 15,000 different securities in 17 stock exchanges in Europe and North America. The returns on your pension savings are subject to 15,3% government tax.

#### **Useful information**

Please note that the value of and the benefits disbursed under your annuity may affect your right to certain social security benefits and your early retirement benefits.

#### **Information about commission**

Danske Bank receives commission from Danica Pension.

#### **Further information**

If you have questions about life annuity schemes, please call us or visit one of our branches. You can read more about pensions at [www.danskebank.com](http://www.danskebank.com).