

Reform of the German private pension system

March 2026

Background

Due to demographic trends in Germany, people planning for retirement face significant challenges in financing their standard for living in their later years. This affects all three pillars of the German pension system (first pillar: mandatory state pensions; second pillar: voluntary occupational pensions; third pillar: private pensions). Academics, consumer advocates, and providers of retirement solutions have been calling for the most popular form of private pension in Germany, the Riester pension, to be reformed as soon as possible. The German government is addressing this with a draft bill presented in December 2025. The draft is now being debated in the Finance Committee of the Bundestag, and the new law is scheduled to take effect on 1 January 2027.

The draft bill on the reform of the German private pension system

On 5 December 2025, the German Federal Ministry of Finance (BMF) submitted the draft bill on the reform of the German private pension system. Industry associations had only a few days to provide feedback; on 17 December 2025, the German government submitted the draft bill virtually unchanged. The draft closely resembles an earlier bill presented during the previous legislative period, which was abandoned following the collapse of the former coalition government. It is welcome news that the approach remains capital markets-based and private sector-oriented. Contribution guarantees and lifetime annuities will no longer be mandatory, but may still be offered. Capital markets-oriented retirement savers can also meet their living expenses in old age through a flexible retirement savings account (Altersvorsorgedepot) or a standard account (Standarddepot).

Flexible retirement savings account	Standard account
<ul style="list-style-type: none">• Advised and non-advised business segments, asset management• Investment instruments:<ul style="list-style-type: none">• UCITS with maximum Risk Class 5• Public AIFs with maximum Risk Class 5• ELTIFs with maximum Risk Class 5• Euro-denominated bonds issued by public authorities or European states/institutions• Option to reallocate during term• Obligation to also offer a standard account	<ul style="list-style-type: none">• Advised and non-advised business segments, asset management• Reduction in returns p.a. due to costs over the contract term (effective costs) capped at 1.5%• Investment instruments:<ul style="list-style-type: none">• UCITS with Risk Classes 1 & 2• UCITS with Risk Classes 3 - 5• Retirement saver is free to decide whether to invest in one or both groups of UCITS and what weighting to give them (fallback: provider decides)• If the Risk Class of a UCITS changes, the provider has to rebalance the portfolio• The provider has to ensure that:<ul style="list-style-type: none">• five years before the start of the payout phase, no more than 50% and• two years before the payout phase, no more than 30% of the capital is allocated to the high-risk UCITS group

Retirement savers can receive up to 480 euros a year in subsidies for contributions of up to 1,800 euros, and up to 300 euros is added for each of their children. Furthermore, up to a maximum of 6,840 euros can be invested in the accounts annually, thereby avoiding capital gains tax until payout. It is possible to enter into up to two retirement savings contracts. However, as is already the case with the Riester pension, self-employed individuals will be denied access to subsidised private retirement savings. Riester savers can continue their existing contracts with the corresponding subsidies, or can switch to the new system. A return to the Riester subsidy is then no longer possible; however, retirement savers can switch between providers and the various savings models.

The draft bill contains very few provisions regarding the payout phase. This phase is generally to begin upon reaching the age of 65 but no later than the age of 70. Here, retirement savers can then choose between:

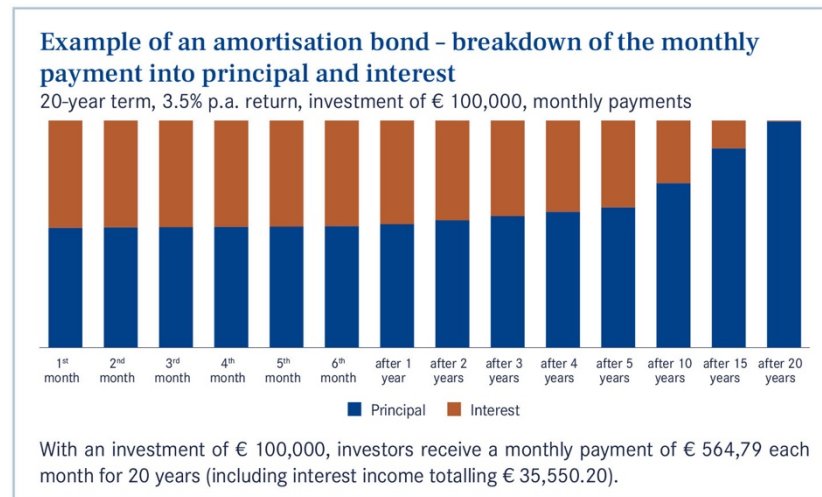
- a lifetime pension with fixed payments, or the conversion of 80% of the capital into a lifetime pension while continuing to invest the remaining 20%; or
- a payout plan that ends no earlier than the age of 85, and in which the amount of the monthly payout is recalculated at least every three years.

Position of the BSW

The BSW welcomes the fact the private pension system, including the Riester pension, will be made more attractive in the near future. We take a positive view of the following aspects of the reform:

- the private-sector and capital markets-oriented approach, including the emphasis on the personal responsibility of retirement savers;
- the open and digital structure (with or without a guarantee, annuity option yes/no, standard account/flexible retirement savings account, asset management/with investment advice/without investment advice);
- the SRI Risk Classes as the basis for product selection;
- the attractive government subsidies and the additional tax-advantaged savings options; and
- the goal of reducing bureaucracy in certification and subsidy procedures.

However, we take a critical view of the fact that, within the range of bonds, only government bonds (from the EU) were included in the list of eligible instruments for the flexible retirement savings account; bank bonds (and thus structured securities) were not. Many structured securities, such as fixed-rate and step-up bonds, have risk classes ranging from 1 to 3, and could have a stabilising effect on the flexible retirement savings account, particularly towards the end of the savings phase. As such, the BSW is of the opinion that at least capital-protected bank bonds should be eligible for private retirement planning. The same applies to the payout phase – although the regulations for this phase are currently not very detailed, amortisation bonds could prove a particularly worthwhile addition to portfolios in this period.



Amortisation bonds are specifically designed for investors who want to convert a lump-sum payment upon retirement into regular payments in order to reliably supplement their pension. The advantages of amortisation bonds include:

1. Pre-determined, constant, and high regular payouts
2. Intuitive product structure
3. 100% capital protection provided by the issuer
4. High-yield alternative to money market products – without equity risks
5. Low-cost investment with high transparency
6. Low Risk Class (SRI) – for security-oriented investors
7. Unlike annuity payment plans, amortisation bonds are 100% inheritable

Bundesverband für strukturierte Wertpapiere (BSW), the German Structured Securities Association, is the industry representative body for the leading issuers of structured securities in Germany: Barclays, BNP Paribas, Citi, DekaBank, Deutsche Bank, DZ BANK, Goldman Sachs, HSBC, J.P.Morgan, LBBW, Morgan Stanley, Société Générale, UBS, UniCredit, and Vontobel. Furthermore, the association's work is supported by over 20 sponsoring members, which include the Stuttgart, Frankfurt, and gettex exchanges, as well as Baader Bank, ICF BANK, the direct banks comdirect bank, Consorsbank, DKB, flatexDEGIRO, ING-DiBa, maxblue, S Broker, and Trade Republic, along with the finance portals finanzen.net and onvista, and other service providers.