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Retirement Savings Account: Good Reform, Familiar Reflexes

It is not often that one praises pension policy made in Berlin. The Altersvorsorgedepot (retirement savings account), passed by the Bundestag on 27 March 2026 with the Altersvorsorgereformgesetz (Retirement Provision Reform Act) and set to launch on 1 January 2027, is one such rare case. Whatever criticisms may apply in detail, it represents the overdue break with more than two decades of the Riester pension, one of the costliest economic policy misunderstandings in the history of the Federal Republic. At last, the capital market moves to the center of state supported private provision, at last costs are explicitly capped, at last the grotesque bureaucracy of subsidy applications disappears, a system that cost savers more nerves over the years than it brought them in contributions.

And yet: the ink under the law is barely dry, and the search for loopholes has already begun. Distributors, structured sales organisations, product manufacturers and marketing departments are repositioning themselves, looking for ways to turn what is meant to be a lean product back into what Riester was for two decades: a subsidy machine for everyone standing between the investor and the capital market. That is exactly why a second, critical look is worthwhile.

Riester as a Warning

Anyone who wants to understand why the Altersvorsorgedepot matters so much should first recall the track record of its predecessor. Of the more than 16 million Riester contracts once in existence, just under 15 million remained at the end of 2024, and the number keeps falling despite population growth. A significant share of these have been made contribution free, effectively dead. Studies by the Bund der Versicherten and by Finanzwende showed years ago what every affected saver already suspected: with classic Riester pension insurance policies, around a quarter of contributions paid in were on average absorbed by costs, in extreme cases up to 38 percent. Upfront commissions of around 2.5 percent on all contributions and subsidies were the norm; average net returns typically sat in the low single digits, below the inflation rate of a normal year, let alone that of recent years.

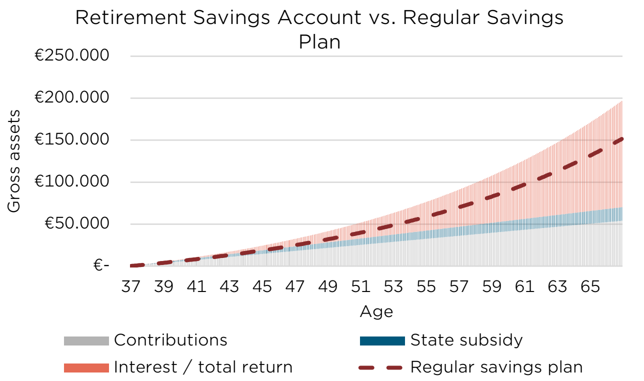
Riester was therefore not simply a mediocre or poor product. Riester was the central reason an entire generation of investors came away with the impression that the capital market is a place where commission agents help themselves and savers lose out. The fact that Germany's direct share ownership rate remains below 20 percent despite the recent recovery, while in Sweden virtually the entire working population participates in the capital market through the mandatory premium pension system, is also the price of this construction. Young people today do not distrust the stock market itself, they distrust constructions like this one, and not without reason.

What the Altersvorsorgedepot Gets Right

Against this backdrop, the basic architecture of the Altersvorsorgedepot is a remarkable political achievement.

It follows a simple, almost Anglo-Saxon logic: the state defines the framework, the saver decides on the investment, the capital market delivers the return. The subsidy system has been radically simplified compared with Riester. For every euro of own contribution up to 360 euros a year, the state adds 50 cents; beyond that, up to the ceiling of 1,800 euros, it adds 25 cents per euro. The maximum state subsidy is therefore 540 euros. Up to 300 euros more is added per child eligible for child benefit, and young professionals under 25 receive a one-off bonus of 200 euros. The subsidy no longer depends on income, only on the saver's own contribution. That is simpler, fairer and far less prone to the notorious repayment demands.

Equally important is what is missing: the contribution guarantee. Under Riester, this was the economic death knell, because in a zero-interest world it forced almost all capital into low yielding bonds and reduced the equity share to a homeopathic level. The new account allows genuine investment in shares, ETFs and funds. And finally, there is the cost cap: every provider is obliged to offer a standard product whose effective costs may not exceed one percent a year, a notable win for consumer advocates and the SPD against considerable resistance from the German banking industry, down from an originally proposed 1.5 percent. Providers may continue to sell freely designed, more expensive accounts alongside it; the cap does not apply there. For a country that has treated the term "effective costs" as a state secret for years, the existence of a hard, visible ceiling for a standard financial product is already a paradigm shift.



Model calculation, 37-year-old saver, monthly contribution of €150, term of 30 years, 6% p.a. return, excluding ETF costs, not accounting for income tax or deferred taxation.

Source: own calculation

A simple model calculation shows how powerfully these three elements, the subsidy, the equity share and low costs, work together. A 37-year-old who saves 150 euros a month until retiring at 67 ends up with a gross wealth of nearly 200,000 euros in the Altersvorsorgedepot. In a regular savings plan without subsidies, the figure is around 140,000 euros. The difference is essentially the subsidy effect, amplified by three decades of compound interest.

Sweden Shows How Simple It Can Be

I How ambitious, or rather how unambitious, this one percent cost cap really becomes clear in comparison with Sweden. The Swedish pension system rests on three pillars: a pay as you go income pension, a funded premium pension and occupational pension provision. The premium pension is the direct structural counterpart to the German Altersvorsorgedepot: every working person is obliged to pay 2.5 percent of gross salary into an individual capital account. Anyone who does not make an active fund choice is automatically placed in the state standard fund AP7 Såfa. That applies to about half of all working Swedes, roughly five million people. The crucial difference from the German model is that this is not a voluntary supplementary system but a mandatory part of the statutory pension architecture.

AP7 Såfa is therefore what the German standard account could become but has not yet become. The law does empower the federal government to authorise a public provider as an operator of a standard account by ordinance. Whether and when this power will be used remains open. Until it happens, the standard account will remain a regulatory construct filled by private providers, with all the conflicts of interest that entails. Sweden has solved this problem by having the state itself act as provider and set the benchmark against which everyone else is measured. This anchor is still missing from the German model. AP7 costs only around 0.1 percent a year, tracks the global equity market with leverage, automatically shifts into more defensive investments as the saver ages, and delivered a return of over 27 percent in 2024. No salesperson, no bonus booklet, no kickback structure. The state organises the infrastructure, the capital market does the rest.

Anyone who looks at the Swedish model arrives at an uncomfortable conclusion: a one percent cost cap is not tight, it is generous. It leaves room for a German AP7 competitor operating at a tenth or a twentieth of that cost.

There are early signs of this: some neo brokers and direct banks have already announced they will offer the Altersvorsorgedepot without custody fees or for just a few basis points. Combined with a broad world equity ETF costing 0.1 to 0.2 percent, these offers already come close to the scale of a Swedish standard fund. Whether this competition survives once the market has settled, or whether costs quietly creep back up once the launch phase is over is the truly interesting question.

Familiar Patterns, New Product

While the implementing ordinance is still being fine-tuned in Berlin, the search for loopholes is already well underway in sales departments. And one has to admit, it is creative. Three patterns are emerging.

The first concerns the question of what exactly falls under the one percent cap. As long as the ordinance on this point is not finalised, it is easy to predict what providers will do: place expensive in-house target funds with generous TERs inside the account, list advisory and service fees separately, or wrap the account in an insurance shell whose true costs run quietly on the side. Anyone following the discussions within the industry associations knows that exactly these constructions are already being modelled out. Whether the ordinance, expected in the second half of 2026, will draw the necessary conclusions from this remains open, and is likely one of the most important unresolved regulatory questions of the current legislative term.

The second pattern is mathematical in nature. A one percent cap and classic upfront commissions of 2.5 percent on all contributions simply cannot coexist. Rather than honestly restructuring compensation, the reflex across large parts of the intermediary market is different: use the Altersvorsorgedepot as a door opener to sell higher margin add on products alongside it, disability insurance, unit linked life insurance, closed end fund participations. The account becomes the bait, and the real revenue is made elsewhere.

The third pattern concerns existing Riester contracts. A substantial share of expected new business will not come from fresh savings contributions but from intermediaries persuading customers to cancel or suspend their old Riester contract and transfer the balance into a new Altersvorsorgedepot, also known as re wrapping. From a sales perspective, this counts as a new contract with everything that entails: a new upfront commission, a new cost phase, a new advisory cycle. Savers whose Riester contract has spent years absorbing its upfront costs and is now entering its most profitable phase risk being switched out at exactly the moment the contract finally starts working for them. Regulators and consumer protection bodies will need to watch this very closely.

Behind all these patterns lies a more fundamental argument the industry has used for years: retirement provision is sold, not bought, so commission driven distribution remains necessary. The statement is empirically true and still a circular argument. It does not follow that old distribution structures must be preserved. What follows instead is that the state should create a simple, low-cost standard product that people can use without needing advice, opt out instead of opt in, as in Sweden. This is exactly what the law envisions but has not yet regulated.

Who Benefits, and Who Should Benefit

The provider landscape is sorting itself out along predictable lines. Neo brokers such as Trade Republic and Scalable Capital are positioning themselves aggressively because the product fits their cost structure and opens access to a customer group they would otherwise have to build laboriously: the long-term planning family saver. Their real challenge lies not in technology but in the German investor. Neo brokers will have no trouble reaching the young, app savvy target group. The saver who traditionally arranges retirement provision through the local bank branch or the insurance broker is a harder case. Particularly with the lucrative re-wrapping of existing Riester contracts, the established advisory channel is likely to play to its advantage.

Insurers themselves have the infrastructure but a cost problem. Their distribution models are calibrated for commissions well above one percent. They will have to offer the Altersvorsorgedepot because their existing customers expect it, but they will do so reluctantly, and they will try to bundle it with other products. Branch banks sit somewhere in between, with existing custody infrastructure but no experience running Riester at scale. Savings banks and cooperative banks, in turn, have what everyone else lacks: broad based trust and access to a customer group neo broker apps cannot reach. If they find the courage to offer a genuinely simple standard product, they could be the real winners. Whether they have that courage is another question.

For private banks, annual savings amounts of 2,000 to 3,000 euros are not core business. Still, it would be a mistake to ignore the account: advising clients independently and competently on product selection, without being a provider oneself, fills exactly the role that is rarely occupied in a market shaped by sales interests. That builds trust, retains the next generation, and is ultimately the strongest argument for a private bank, not selling the product but making the market transparent and working with the client to find the solution that fits them.

What Matters Now

The Altersvorsorgedepot is the best chance in a generation to anchor the capital market broadly across German society and to restore a reputation damaged by two decades of commission driven distribution. Whether this chance is seized will be decided in the implementing ordinance, in how the public standard offering is put into practice, in providers' sales and cost practices, and in the subsequent supervision.

Three points deserve particular attention in our view. The cost cap must cover all fees, including the costs of target funds held within the account and of any insurance wrapper used to package it. The re-wrapping of existing Riester contracts must be regulated tightly enough that it only happens when it benefits the saver, not the intermediary. And Germany needs a genuinely low-cost standard product modelled on the Swedish example, one that people can use safely without advice.

It would be bitter if the right reform ultimately failed because of the wrong incentives. The patterns are familiar; the actors are the same. It is now up to policymakers, regulators and an attentive public to look more closely this time.

Dr. Rebekka Haller

Market data

Stock markets (in local currency)	As of 04.09.2026 10:20	Change versus 21.08.2026 -1 week	27.07.2026 -1 month	27.05.2026 -3 months	27.08.2025 -1 year	31.12.2025 YTD
S&P 500	7759	1,1%	4,7%	3,2%	19,7%	13,3%
Nasdaq	26584	1,5%	6,6%	-0,3%	23,1%	14,4%
DAX	26020	-0,4%	2,6%	3,3%	8,2%	6,2%
MDAX	32382	0,8%	0,9%	-1,9%	6,2%	5,8%
TecDAX	4049	-1,0%	6,3%	-0,5%	8,1%	11,8%
EuroStoxx 50	6381	-1,3%	1,6%	5,1%	18,3%	10,2%
Stoxx 50	5424	-1,2%	0,1%	4,0%	18,2%	10,3%
SMI (Swiss Market Index)	14412	-0,3%	-0,1%	5,8%	18,1%	8,6%
Nikkei 225	65021	-1,5%	0,1%	0,0%	52,9%	29,2%
Brasilien BOVESPA	185188	8,3%	5,6%	5,4%	33,0%	14,9%
Indien BSE 30	76671	-1,1%	-0,2%	1,1%	-5,1%	-10,0%
China CSI 300	4548	-1,5%	-3,3%	-7,3%	3,7%	-1,8%
MSCI Welt	5001	0,6%	4,3%	3,6%	19,6%	12,9%
MSCI Emerging Markets	1703	-1,1%	3,7%	-2,1%	34,2%	21,3%
Bond markets						
Bund-Future	122,92	-90	-205	-305	-686	-465
Bobl-Future	113,10	-54	-98	-270	-449	-306
Schatz-Future	105,22	-20	-28	-70	-190	-157
3 Monats Euribor	2,65	12	19	42	61	62
3M Euribor Future, Dec 2026	2,79	2	2	13	89	69
3 Monats $ Libor	3,84	-4	-12	16	-42	17
10 year US Treasuries	4,76	3	11	28	53	61
10 year Bunds	3,35	13	26	40	70	53
10 year JGB	2,92	6	19	25	130	88
10 year Swiss Government	0,45	4	2	-1	14	13
US Treas 10Y Performance	633,47	0,5%	0,2%	-0,3%	1,2%	-1,0%
Bund 10Y Performance	554,02	0,1%	-0,7%	-1,1%	-1,2%	-0,7%
REX Performance Index	455,27	-0,4%	-0,6%	-1,1%	-0,8%	-0,8%
IBOXX AA, €	3,86	1	10	31	75	53
IBOXX BBB, €	4,07	1	10	26	66	50
Commodities						
MG Base Metal Index	581,84	-0,1%	2,7%	-0,4%	35,4%	12,8%
Crude oil Brent	95,04	0,7%	7,5%	0,8%	39,6%	56,2%
Gold	4483,34	-2,4%	10,0%	1,2%	32,3%	3,7%
Silver	69,27	0,4%	18,6%	-7,2%	79,3%	-2,8%
Aluminium	3229,48	0,1%	1,5%	-13,0%	23,8%	8,8%
Copper	14453,90	1,2%	5,0%	7,3%	49,5%	16,1%
Iron ore	99,42	4,4%	1,1%	-9,0%	-2,1%	-7,2%
Freight rates SPCI	3510	2,9%	14,6%	58,2%	148,0%	111,9%
Currencies						
EUR/ USD	1,1621	-0,7%	2,0%	-0,1%	0,2%	-1,1%
EUR/ GBP	0,8583	0,2%	0,4%	-0,9%	-0,3%	-1,7%
EUR/ JPY	181,64	-2,2%	-2,5%	-2,1%	5,8%	-1,3%
EUR/ CHF	0,9396	0,5%	1,2%	2,7%	0,5%	0,9%
USD/ CNY	6,7105	-0,2%	-0,8%	-1,0%	-6,2%	-4,0%
USD/ JPY	159,40	0,3%	-2,7%	-0,1%	8,1%	1,7%
USD/ GBP	0,74	0,7%	-1,7%	-0,9%	-0,6%	-0,6%

Source: LSEG Datastream

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