SWEDEN'S SAVINGS & PENSION MODEL

– A system that works

About this paper

This paper, published by Insurance Sweden, highlights that Sweden is already achieving many of the retail investment, pension and capital markets objectives that policymakers seek to deliver for the European Union. It aims to illustrate how features of Sweden's pension and savings system have contributed to these outcomes, and to demonstrate the central role that our members – insurers and occupational pension companies – play within it.

It may provide useful lessons for EU policymaking on the Savings and Investments Union (SIU), the Supplementary Pensions Package (SPP) and related initiatives, whose aims and objectives Insurance Sweden supports. However, future legislative initiatives should be proportionate, evidence-based and targeted at clearly identified market gaps, while preserving arrangements that are already delivering the intended policy outcomes.

The paper starts with an Executive summary providing an overview of the Swedish achievements in relation to the European Commission's objectives and the key features that have contributed to the success of Sweden's pension and savings system. The remainder of the paper is intended for readers who wish to explore the Swedish system in greater depth.

Stockholm, September 2026

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Executive summary

Sweden consistently ranks among the world's best-performing economies for household savings, retirement security, and capital market participation. Its insurance savings and pension system is a central pillar of this success – combining high coverage, strong investment returns, competitive costs and a very high degree of equity market engagement.

The table on the next page provides evidence that Sweden has, in practice, already achieved many of the core objectives that the European Commission is now seeking to advance through initiatives such as the Savings and Investments Union (SIU) and the Supplementary Pensions Package (SPP). Insurance and occupational pension companies play a key role helping the Swedish financial system to work so well.

Table 1: How Sweden is meeting key SIU and SPP objectives
(for year 2025 unless otherwise stated)

Objective		In Sweden	
Savings & Investment Union (SIU)			
Channel household savings from bank deposits into capital markets (2023)	✓	Bank deposits (% household financial assets) Sweden 13% EU average 31% US 13%	Equity market capitalisation (% of GDP) Sweden 169% EU average 69% US 177%
Increase retail investor participation in capital markets (2024)	✓	70% of Swedish adults have private investments in funds ~100% of Swedish working adults have pension equity investments	
Promote simple, transparent insurance savings products offering value for money to foster citizens' wealth and access to equity investment	✓	Insurance Endowment Savings products & Investment Savings Accounts (ISK)	
Boost equity investment by institutional investors	✓	Equity investment incl. via funds (% total assets) Swedish insurers 61% vs 31% for EU Swedish occupational pension companies: 52% vs 35% for EU	
Support access to finance for innovative companies, scale-ups and SMEs	✓	€450 venture capital per capita in 2023 - highest in EU Highest number unicorn companies[1] created per capita in EU 823 IPOs[2] from 2016 to 2023 (More than DE, FR and IT combined)	
Supplementary Pensions Package (SPP)			
Ensure adequate retirement income for EU citizens	✓	73% average income replacement rate (for those who retired in 2024)	
Increase coverage of occupational and personal pension schemes	✓	Occupational pension coverage is Sweden is ~95%	
Improve pension transparency through tracking systems and dashboards	✓	Swedish pension tracking system/dashboard MinPension[3]: 98% coverage across all 3 pillars v	
Strengthen governance and performance of occupational pensions	✓	Very strong solvency, governance and reporting requirements Dual governance for each collective scheme: Employer + trade union	
Mobilise long-term pension savings for productive investment	✓	Over €1trillion total pension related assets (Pillars I, II and III) – about 175% of GDP - create a major source of investment	
General			
Maintain high levels of customer protection and financial stability	✓	Zero failures in last decades	

Source: Insurance Sweden

[1] A unicorn is a privately held startup company with a current valuation of $1 billion or more
[2] An initial public offering (IPO) is the very first time a private company sells its shares of stock to the general public.
[3] A private-public partnership between Insurance Sweden and the Swedish Pension Authority.

Understanding the drivers of its success and the role of insurers

Sweden's savings and pension model is the product of decades of government policy, industry development, social partnership and consumer trust. A number of features stand out as particularly significant. These are summarised below, with more details provided throughout this paper.

High level of traditional products with guarantees and smoothed returns

In Sweden, there is a wide choice of good value insurance investment products available for savings and occupational pensions, including both traditional and unit-linked products. Traditional insurance products – those offering a diversified investment mix, capital guarantees and smoothed return – remain a substantial part of the Swedish pensions and savings landscape. Their persistence reflects the social partners´ view that allocating a significant share of pension savings in such products is in the best interests of employees. There is also a clear preference among many customers to avoid or limit their exposure to market downturns and volatility. In addition, many savers prefer simple products that relieve them of the need to make investment choices or decide when to buy and sell. In Sweden, traditional products invest across a broad range of asset classes, with a significant proportion allocated to equities (more than 50%) and government bonds. In doing so, they contribute to economic growth and help to finance government borrowing. At the same time, they have delivered strong long-term returns to customers with an average annual compound rate of 6.7 per cent over the last 20 years.

Policymakers should carefully assess the potential impact of future regulatory changes on the continued availability of traditional products, given their contribution to consumer choice, retirement adequacy and a key source of stable financing for governments and capital markets.

Quasi-mandatory Occupational Pensions through collective agreements

The near-universal coverage of occupational pensions in Sweden is achieved not through statutory mandate or auto-enrolment but through collective bargaining. Employers and trade unions across sectors have agreed, over many decades, to include pension contributions in employment contracts. This cross-party, employer-union-industry collaboration creates a system with high legitimacy, broad buy-in and effective cost discipline. By being part of a collective agreement framework, individual companies benefit from large scale, centrally provided IT platforms for their employees and collectively negotiated products and fees. For example, the annual fees members of collectively negotiated supplementary pensions pay for the default investment option are typically in the range of 0.11% to 0.20% for a traditional product.

Insurance products are an attractive alternative to the Commission's Savings and Investment Accounts

The Swedish market experience suggests that insurance-based savings products can compete effectively with investment accounts in terms of cost, accessibility and customer outcomes. Sweden's tax-advantaged investment account (ISK) was one of the models considered by the Commission in developing its recommendation for a Savings and Investment Account (SIA). The Swedish experience suggests that insurance savings products can be an attractive alternative to SIA. Swedish insurance endowment savings products are just as simple and easy to purchase as an ISK and offer comparable performance and pricing with a similarly broad choice of unit linked funds. Also, as an insurance product they offer additional features including traditional product options that reduce market risk, assignability, pension type payout option, avoidance of double taxation on dividends, and can be used by companies to, for example, provide occupational pension solutions for employees. The coexistence of insurance products and investment savings accounts in a competitive market has contributed to lower costs and improved quality across both segments.

High level of digitalisation

Sweden's financial services sector is highly digitalised. Consumers can open and manage savings and pension products online with minimal friction. Digital onboarding satisfies IDD requirements through interactive processes, making compliance proportionate and accessible. It has also helped insurers to lower their operating cost and offer very good value for money. This digitalisation is an important key enabler of Sweden's high retail participation rates and should be recognised in EU-level regulatory design as an effective mechanism for meeting consumer protection goals.

Direct sales and absence of mandatory advice requirement

Sweden's financial market suggests that high retail participation in equity investment does not require mandatory financial advice. Insurance savings products are normally purchased directly online, and ISK accounts can be opened and managed online without the involvement of an intermediary. Customers can easily choose to use an adviser or broker, but this is a customer decision, not a regulatory precondition. The Swedish experience suggests that high levels of retail participation can be achieved through a combination of transparency, digital access and financial literacy, without requiring mandatory advice as a precondition for investment.

No insurance guarantee scheme – and no insurance failures

The Swedish insurance market operates without a mandatory insurance guarantee scheme of the kind currently under discussion at EU-level. There have been no failures among Swedish insurers for decades. This strong track record reflects the effectiveness of Solvency II as a prudential framework, the strength of Sweden's supervisory regime and the well-established risk management culture among Swedish insurers, which predates Solvency II. Ensuring a full and effective Solvency

II framework, with supervisors playing their full role, is the appropriate response to consumer protection concerns. Before introducing additional guarantee scheme requirements, policymakers should carefully assess whether the expected consumer benefits outweigh the associated costs and potential market impacts.

High transparency

High transparency is a key feature of the Swedish savings and investment landscape. This includes:

- The Swedish Pension Authority provides general information on the pension system (pensionsmyndigheten.se) and individual forecasts in collaboration with minPension.
- minPension is a pension tracking portal (minpension.se) with 98% coverage of all three Pillars.
- The social partners provide information on occupational pensions including fees and performance through for example avtalat.se.
- The Consumers' Insurance Bureau (Konsumenternas försäkringsbyrå) provides information on insurance and occupational pension products (konsumenternas.se) as well as independent, free guidance and comparison of product features, costs and performance for consumers.

High financial literacy

Swedish consumers outperform many EU peers on measures of financial literacy. For example, Sweden had the highest financially literacy according to S&P's 2015 report on Literacy Around the World and was in the top 6 in according to the 2023 Commission's Eurobarometer Financial Literacy Survey. The best education is often learning by doing and in this respect, part of the Swedish pillar I state pension gives every working Swede real experience of equity investment. This has likely played a key role in improving general understanding on equity returns and risks. It therefore supports greater participation in equity investments in general, more active engagement with pension choices and better long-term savings decisions. In terms of protection products too, awareness of the need and benefits of insurance is high in Sweden.

Conclusion

Sweden's savings and pension model is a proven success. The model works because it combines proportionate regulation with market competition, social partnership with individual choice, and strong financial literacy with transparent digital access. It does not depend on mandatory advice, guarantee schemes, detailed harmonised EU disclosures or data requirements – and its track record suggests that these are not necessary conditions for achieving the consumer protection and investment outcomes that the European Commission seeks. Greater use of recommendations for good practice will often be a better approach than new regulation.

1 Sweden’s savings and pension landscape

Sweden’s total funded asset base is estimated to exceed SEK 22,000 billion in 2025 – more than 300% of Swedish GDP– and is striking both for its scale and its composition. Swedish households keep relatively little in bank deposits and much more in other types of savings. Even larger amounts are invested backing Pillar I or II pension schemes. The elements of the three pension pillars and the insurance endowment policies are explained later in this paper.

A significant portion of pension funding and retail savings is invested in listed and private equity, reflecting the deeply market-oriented savings culture. The ISK is Sweden’s tax-advantaged investment account which was one of the inspirations for the Commission’s recommendation on Savings and Investment Account. While it has played an important role in growing retail equity investment, its contribution to Sweden’s savings and capital markets success is far smaller than pension related investments and the overall contribution of insurers and occupational pension providers.

The sustained large flows of long-term capital seeking good risk-return trade-off is the primary reason Sweden’s stock market capitalisation stands at more than double the EU average with 170% of GDP, and for its vibrant innovation and entrepreneurial ecosystem with, for example, more IPOs over the past decade than France, Germany, the Netherlands and Spain combined. As highlighted in the Bruegel Working Paper 17/2025, there is a natural bias towards Swedish and EU investment despite accounting for only 1% and 11% of global equity respectively. While there is significant and understandable political focus on the importance of equity investments, the crucial role played by occupational pension companies and insurers in funding government debt should not be overlooked. They buy nearly 25% of all Swedish government bonds and are also buyers of other EEA government bonds.

Table 2: Landscape of Funded Assets 2025

Source	SEK billion	of which insurer/ occupational pension provider	Est. % equities	Contribute significantly to VC/private equity financing
Pillar I				
Income Pension Buffer Funds (AP-funds)	2,230	—	~50%	✓
Premium Pension (PPM)	2,860	—	~90%	—
Pillar II: OCCUPATIONAL PENSIONS				
Occupational pension companies	3,400	3,400	~50%	✓
Insurers	2,500	2,500	~50%	✓
Pillar III: PRIVATE PENSIONS				
Pillar 3 (private pension insurance)	550	550	~70%	—
"Pillar IV" INDIVIDUAL SAVINGS				
Insurance Endowment Policies	1,200	1,200	~80%	✓
ISK (Investment Savings Accounts)	2,100	—	~90%	—
Privately held investments	4,300	—	~70%	✓
Households Bank deposits	2,900	—	0%	—
Total (all lines above)	22,010	7,700		

Note that these numbers include estimations and equity % figures are indicative.

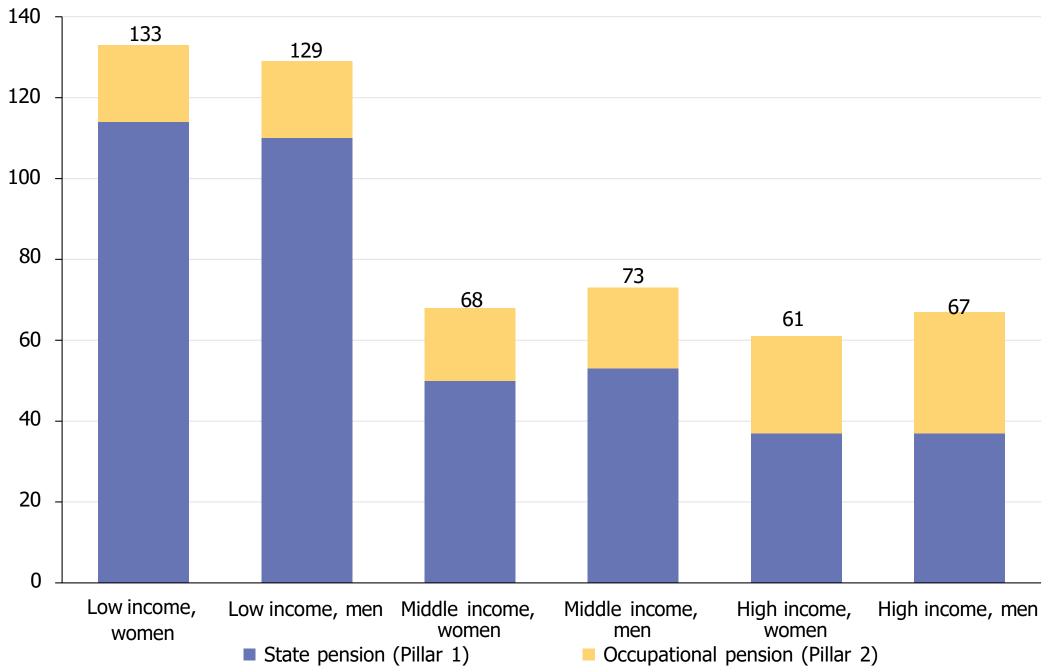
Source: Insurence Sweden.

2 Pensions in Sweden

Sweden's pension system has evolved through policy measures and industry developments into one which provides very high levels of salary replacement at retirement across all income levels, while ensuring it can be funded now and in the future without impacting the general budget and government borrowing.

Figure 1: Retirement income in Sweden as share of final salary

Pension replacement rates for pillar 1 and 2 in percentage (%) of final salary, 2024

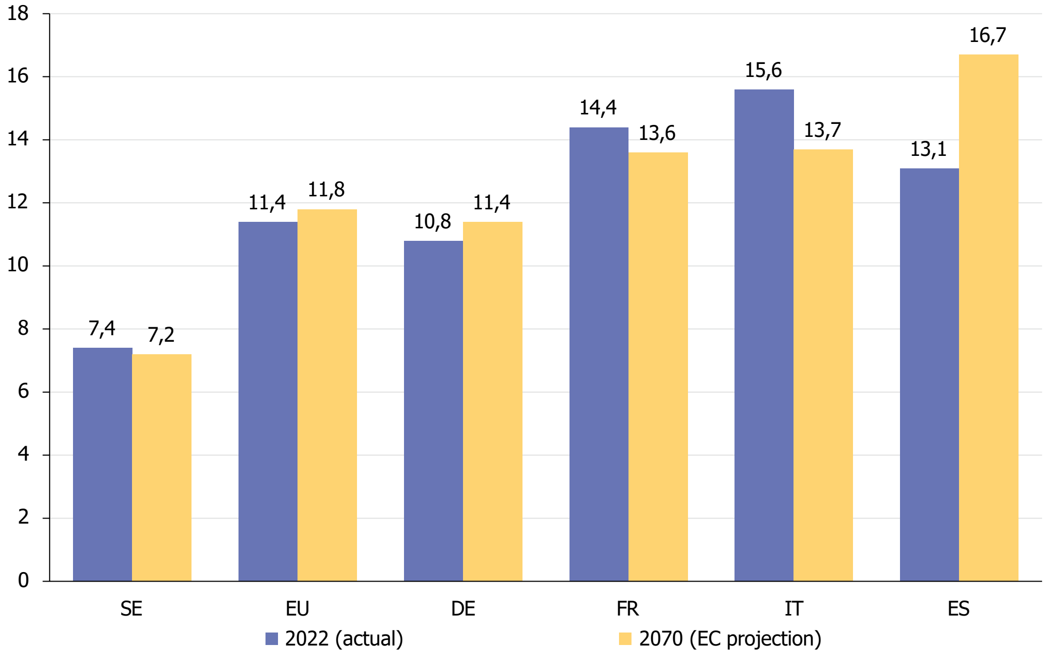


Note: "Final salary" is the average pensionable income over the five years immediately before retirement. Rates > 100% for low earners because of guaranteed minimum pension higher than final salary.

Source: Pensionsmyndigheten

Figure 2: State pension costs as share of GDP

Pension costs for different countries in percentage (%) of GDP, 2022 and 2070 (projected)



Source: European Commission (2024), Ageing Report: Economic and Budgetary Projections for the EU Member States (2022–2070).

This has been achieved through…
…A Pillar I that is sustainable, fair and built to last

- Fundamental reforms were introduced to Sweden's Pillar 1 in 1999 and 2000, replacing an unsustainable defined-benefit Pay as you go (PAYG) scheme. Two components were introduced – income pension and premium pension.
- The income pension (inkomstpension) component operates on a notional defined-contribution basis, with 16% of pensionable earnings paid to support it and benefits calculated at retirement based on individual lifetime contributions. Pension rights accrue up to the pensionable income ceiling, (currently around €62k annual income) which means earnings above the ceiling generate no additional pension entitlements.
- Three state buffer funds (called AP2, AP3 and AP4), absorb shorter-term volatility in the PAYG flows. The buffer funds have significant (50%+) equity exposure (including venture capital) and their good investment returns overtime have helped them grow to hold SEK 2,230 bn in 2025. An automatic balancing mechanism adjusts indexation in response to demographic and economic conditions, taking into account the buffer funds performance, ensuring long-term solvency without recourse to general government revenues.
- The premium pension component (premiepension) is fully funded: 2.5% of pensionable earnings is invested in individual capital market accounts. Each individual is entitled to decide how these funds are to be invested from a wide selection of (UCIT type) investment funds provided by Swedish, European and

international fund managers. If no individual choice is made the default option is the state AP7 Såfa fund. This is the largest fund within the premium pension system, accounting for about 50% of the total assets and has had an average return of 11% annually since 2000 (helped by its leveraged equity portfolio).
- For those with very low earnings or only a few years earning history, there are means-tested benefits with the guaranteed pension (garantipension) as the most important element which provides a minimum income floor, ensuring that even those who have worked only a few years or had low incomes receive an adequate basic pension. These means-tested benefits are funded by general tax revenues and thus part of the annual budget.
- Both the income pension and premium pension are paid exclusively as lifelong monthly annuities, no lump sum withdrawal is permitted.

… A retirement age that adjusts with longevity – supporting long-term sustainable pensions and predictability

- The minimum retirement age at which the Pillar I pension can be claimed has been gradually increased, following from decisions taken by the Parliament since 2020. In 2026 the process for changing the retirement age was changed and a recommended retirement age was introduced. This age is based on calculations by the Swedish Pensions Agency taking in developments in the life expectancy of the population and varies by year of birth. It is the Government that formalises the recommended and minimum retirement ages. This happens annually through an ordinance, and this is done six years before it takes effect.
- Citizens can see current applicable and projected recommended and minimum retirement ages as well as forecasts for coming generations on the Swedish Pensions Agency's website (pensionsmyndigheten.se)
- The current recommended retirement age is 67 and is projected to increase to 69 for those born in 1990s. For most people, the minimum age they can access their Pillar I pensions is three years before their recommended retirement age.
- The longer a citizen defers drawing their pension, the higher their monthly annuity – creating a financial incentive to extend working life. There are also tax incentives for the employee as well as for the employer to encourage work after the recommended retirement age.

… A fully funded Pillar II that delivers near-universal coverage, strong returns, high efficiency and robust customer protection

- Sweden's occupational pension system has gradually developed since 1913, with a major expansion in occupational pension coverage in 1973. It currently covers approximately 95% of the workforce – 90% through collective bargaining agreements, with a further 5% covered by individual employer agreements. It is funded with assets of SEK 5,900 bn in 2025 which represented about 90% of Sweden's GDP.
- Sweden's occupational pensions have for some years been shifting from defined benefit (DB) to defined contribution (DC). While DB still accounts for a large share of accumulated assets, new funds flowing into occupational pensions are overwhelmingly DC. Most of these DC premiums go into traditional type pensions.

- The scheme design and governance are shared between employers and trade unions through collective agreements, embedding long-term stakeholder alignment into the system.
- Four main collective agreement schemes cover the workforce by sector and employment type: ITP (private white-collar), SAF-LO (private blue-collar), AKAP-KR (municipalities and regions) and PA16 (central government). Contributions are paid by the employer, with no employee contributions.
- Occupational pension companies are a new form of provider introduced by Sweden in 2019 and are covered by the IORP II Directive. Sweden´s transposition of the IORP II directive allowed Solvency II companies, that only provided occupational pensions to transform into occupational pension companies.
- Although the EU regulation only sets qualitative prudential requirements for risk, governance, disclosures and supervisory review, Sweden implemented this regulation with a much extended set of requirements. This is a bespoke version of the Solvency II (three pillar) framework. For example, it is calibrated at 97% rather than 99.5% which facilitates higher equity and other real asset investment. Insurers who provide occupational pensions are regulated under Solvency II.
- For the DC-schemes, the collective agreement determines which providers and which product types applies to a given employee. The collectives can choose to offer traditional insurance products, a choice of unit linked or a mix of the two. Contributions go into a personal account mostly managed by insurers or occupational pension companies.
- Collective schemes are independent of all providers and negotiated on behalf of its members, creating competition and achieving very good value for money
- In order to give an example of the choices and value for money these schemes offer, the ITP (private white-collar) scheme can be used as an example. It comprises of:
- A default fund (the traditional insurance product from Alecta – a mutual life insurer)
- Options to choose instead of the default:
    - ~5 traditional insurers
    - ~5 unit-linked providers (each offering a wide range of funds to choose from)
- Employees are required to put at least 50% of their contributions into traditional insurance products
- Insurance protections
    - Standard: disability pension, premium waiver, life insurance
    - Optional insurance: pension capital to family, income protection to family
- Fees
    - One-off administration fee of 0.55% on paid-in premiums (capped at around 40 euros). This covers the cost of managing fund system the ITP scheme and does not go to the provider of the traditional or unit linked product provider
    - For traditional products, annual fees range from 0.11% (for the default fund) to 0.22%
    - For unit linked products, the “wrapper fee” ranges from 0.06% to 0.16% annually and then the employee pays the fund management fees which depend on the funds they select - these can range from 0.1% annually for simple index funds to 1.5%+ for actively managed and specialist strategies

- Traditional products dominate occupational pensions – with about 90% of occupational pension company assets and an estimated 50% of insurance company occupational pension assets in 2024. These are products where the provider makes all the investment choices and manages a diversified portfolio. There are typically capital guarantees of 80%, minimum return guarantees (currently typically about 0.1%) and returns are smoothed over time using buffer funds. They deliver attractive long-term outcomes while protecting members from short-term market volatility. These hold significant equity investments and the average annual return on traditional products in Sweden was 6.7% over 2003–2024. While the high use of traditional products is in part due to minimum requirements set by the collective agreement (eg to invest at least 50% in traditional products), it also means that many employees choose traditional insurance funds.
- Where unit-linked options are offered within a scheme, the provider decides which funds to offer, but often the choice is very large - in some cases the employee has a vast amount of funds to choose from. While traditional insurance products dominate the total Pillar II assets, unit-linked has been growing as a share of the market over the past decade, mainly for products bought from insurance companies.
- The age at which members can access their occupational pension capital varies by agreement but according to the Income Tax Act it must be at least 55 and withdrawal must be made over a minimum of 5 years.

… A Pillar III - voluntary payments, primarily for self-employed and others not covered by an occupational pension scheme

- Pillar III is relatively small but still amounts to about SEK 550 bn (€50bn) or about 8% of GDP
- Since 2016 Pillar III contributions are only tax deductible for self-employed and others not covered by an occupational pension scheme
- Offered by life insurers with savings individually funded and invested and normally locked until retirement.

… A vibrant Pillar IV - insurance endowment savings and ISK which, while not formal pension products, are used by many to boost pension savings

- This is especially the case after most workers lost the right to deduct Pillar III pension contributions from taxable salary. However, these products are also more flexible than Pillar 3 pensions products and benefit from lower and simpler taxation than direct investment.
- See Section 4 of this paper.

… A tax framework that supports pension contributions and long-term saving

- Pillar I pension is taxed on an EET basis, i.e. contributions and investment returns are exempt from tax, with income taxed only on withdrawal at retirement while Pillar II and Pillar III pensions are taxed on an ETT basis, with a small tax on investment returns and withdrawals are taxed at retirement. This supports good outcomes, as tax free contributions and decades of tax-free/low tax compounding significantly increase the ultimate retirement pot compared to conventional taxed savings.
- For Pillar I, the employee contributions are a deductible expense and for the employee their contribution creates an equal income tax credit so the effective net cost is zero.
- For Pillar II, employer contributions are fully deductible as a business cost. They are not subject to the usual 31.42% social security charges, but employers pay a lower (special wage) tax of about 24,26% on those contributions. Overall, it is less costly to pay into a Pillar II pension than increase wages.
- Also, many employees are also able to voluntarily exchange part of their gross salary for additional employer pension contributions. For higher earners, in particular, this can provide a tax-efficient way to increase retirement savings.
- Pillar II and Pillar III investment returns are taxed under a simple notional method (yield tax) that is particularly beneficial in years of high yields or capital gains. A notional return is calculated by applying the government borrowing rate (the average yield on government bonds with a remaining maturity of at least five years, taken from the previous year and subject to a 0.5% floor) to the value of the pension capital at the start of the year. That notional amount is then taxed at 15%. For 2026 this works out to roughly 0.35% of capital, regardless of the actual return earned. This is significantly lower than taxation for direct investments.
- For Pillar III, since 2016, the tax deductibility from income tax only applies to the self-employed and the small percentage of employees not covered by an occupational pension scheme.

… Very high levels of funding - which means high costs above gross salary for employers

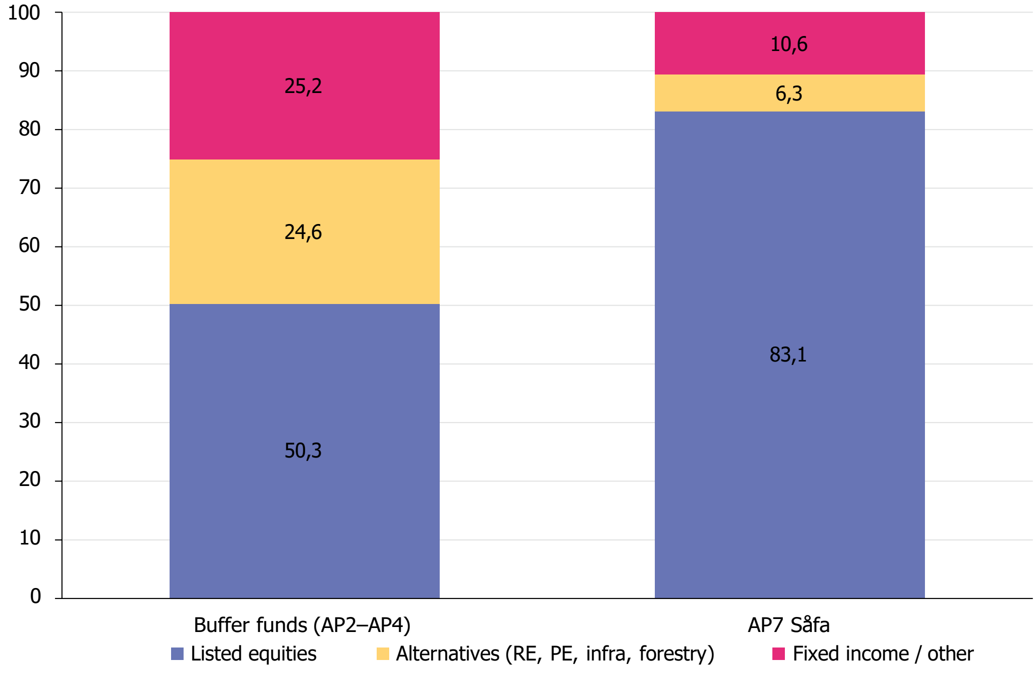
- Pillar 1 is funded from 17,21% of gross salaries. Employers pay overall 30.42% social security charges, and 10,21 percentage points of this goes to fund the Pillar 1 pension costs. Employees contribute 7% of their gross salaries. About one seventh of a worker’s total annual Pillar 1 funding goes into their Premium Pension account each year.
- Pillar 2 is fully funded by employers. Contribution rates are set by the agreements and vary by salary band – typically between 4.5-6% (sometimes more) up to SEK 625,500 (€58k), then 30-31.5% for higher salaries. In the ITP scheme, the contributions are capped at very high salaries (up to approximately SEK 2,502,000 (€231k), whereas no such upper limit applies in the other collective agreements.
- The very high replacement rates, including both Pillar 1 and Pillar 2, that Sweden has across all levels of salary levels are achievable because of the high total

annual funding. For higher salaries this can approach 50% of gross salary.
- This is likely to have an effect to lower salaries, so employees may be indirectly helping to fund the higher pensions as a tax efficient way to arrange their total compensation.

… Significant equity investments

- In Sweden both the state pension funds and occupational pension companies invest very significantly in equites, including in private equity and venture capital. They are able and required to take a long-term view and this exposure has helped provide good long-term returns, allowing better pension outcomes for citizens while supporting innovation, venture capital and the capital markets in Sweden and beyond.
- The AP2, AP3 and AP4 funds that support the Pillar 1 PAYG income pension invest significantly in equities, including private equity and venture capital. The AP7 fund, the default option for the Pillar 1 premium pension, invests almost entirely in equities and is leveraged to allow greater exposure. Data is not readily available for the premium pension funds chosen by the individuals, but it is reportedly also mostly in equity funds.
- Swedish occupational pension companies invest over 50% of assets directly in equities or via funds - significantly more than the average for other EU countries.

Figure 3 Asset mix of Swedish buffer funds and AP7 Såfa
Percent (%) of total assets, 2025



Source: The AP funds' annual reports for 2025.

Figure 4 Asset mix of Swedish and EU IORPs
Percent (%) of total assets, 2025

Source: EIOPA.

… Financial education and transparency that builds engagement and trust

- Sweden's high financial literacy has been built on both formal education and by making access to and participation on capital markets easy, transparent and rewarding – so that citizens learn by doing.
- One driver has been the pillar 1 premium pension system itself: for many years now working Swedes have had a personal funded pension account invested in capital markets, giving millions of people direct, long-term experience of equity investment. Having watched their premium pension accounts grow over decades, Swedish workers have seen first-hand the benefits of staying invested in equities through market cycles – building an investment culture grounded in lived experience rather than financial theory.
- A notable feature complementing this is the annual orange envelope (det orangea kuvertet), introduced alongside the pension reforms, which gives every working Swede a personalised annual statement of their accumulated Pillar I pension entitlements. Simple, tangible and arriving digitally or through every letterbox in the country, it reinforces engagement with retirement savings year after year.
- This has been reinforced by targeted initiatives including Ung Privatekonomi (high school personal finance), Unga Aktiesparare (Swedish Young Shareholders' Association) and Gilla Din Ekonomi, a national financial literacy network coordinated by the Financial Supervisory Authority.
- On transparency, minPension.se gives every citizen a consolidated view of their pension entitlements and projected retirement income across all three pillars, covering 98% of total pension capital, with tools to help people identify their retirement needs and to understand the impact of retiring before or after their recommended retirement age. minPension is a private-public partnership between Insurance Sweden and the Swedish Pension Authority established in 2004.
- The Consumers' Insurance Bureau (Konsumenternas Försäkringsbyrå) – set up jointly by Insurance Sweden, Sweden´s Financial Supervisory Authority and the Swedish Consumer Agency in 1979 – provides independent, free guidance and comparison of insurance and pension products for consumers.
- Fondkollen – run by the Swedish Investment Fund Association – allows consumers to compare funds by cost and performance, reinforcing downward fee pressure.
- Together these have produced a population that engages actively with its retirement savings and trusts the system.

3 Insurance-Based Savings in Sweden

Insurance-based savings products in Sweden offer retail investors an accessible, cost-effective and flexible route into equity or other investments. They can be purchased quickly and easily online without the need for financial advice or through a broker if wanted. When bought online compliance with the Insurance Distribution Directive (IDD) is embedded in the sales and onboarding process. These products are comparable in costs, choice, investment performance and tax treatment to the Investment Savings Account (ISK) – Sweden's tax-advantaged direct savings wrapper – while also providing additional benefits.

3.1 Endowment insurance – three main types

The three types of endowment insurance sit on a spectrum from fully managed with guarantees to fully self-directed and flexible, covering the needs of a wide range of retail savers and corporates. Each offers very good value for money.

All endowment insurance must include a life insurance element – most commonly guaranteeing that 101% of the policy value is paid out on the policyholder's death. The cost of this cover is very small: e.g. SEK 0.67 per year per SEK 100,000 of savings.

Table 3 Key Features of Endowment Insurance

Traditional insurance *Traditionell försäkring*	Unit-linked insurance *Fondförsäkring*	Private placement life insurance *(PPLI) Depåförsäkring*
✓ Capital guarantee	No guarantee	No guarantee
HOW IT WORKS	HOW IT WORKS	HOW IT WORKS
The insurer manages a diversified portfolio (equities, bonds, property, alternatives) and bears all investment risk. Returns are smoothed via buffer funds, with bonus returns distributed on top of the guaranteed base. Typically, with an 80% capital guarantee, on which there is also a low return guarantee – e.g. currently 0.1%	Policyholder selects from a curated fund menu. Insurers may pre-screen funds, for example, against ESG criteria. The policyholder bears all the investment risk and performance depends entirely on how the underlying market assets behave. The insurer provides the insurance wrapper and administration.	Policyholder invests across individual securities – shares, bonds, ETFs and funds –beyond a predefined list. The policyholder bears all the investment risk and performance depends entirely on how the underlying market assets behave. The insurer provides the insurance wrapper and administration.
GOOD VALUE FOR MONEY	GOOD VALUE FOR MONEY	GOOD VALUE FOR MONEY
Charges typically range from 0.5% up to 0.8% per year for online direct, with in some cases also a small, fixed fee, e.g. between SEK 120 and SEK 250 per year Buying through a broker with advice, is optional and can add for example 0.3% per year For products with guarantees, the average return from 2004 to 2023 was 6.7% after fees	Often no additional "wrapper" charges from the insurer, if the customer buys directly online. The customer then pays only the fund management fees (the same as with the ISK product) which vary (0.1% to 1.5+ %), depending on whether the customer has chosen low-cost index funds or actively managed funds. Some insurers, for example, where the product is sold through a broker with advice, charge an annual fee depending on level of savings, for example, between 0.3% and 0.65%.	Same as for unit linked with additional brokerage fees to cover buying and selling of individual assets.
TYPICALLY FOR	TYPICALLY FOR	TYPICALLY FOR
Savers wanting a simple, fully hands-off experience – no fund selection or ongoing investment decisions required.	Savers comfortable choosing their own funds, with a similar experience to an ISK but within an insurance wrapper.	Experienced savers and corporates wanting bespoke portfolio management.

Source: konsumenternas.se

3.2 Taxation – a simple and effective incentive – that also minimises treasury impact for government

The design of the taxation has a number of advantages which incentivises movement of money from bank accounts into equity and other real asset investment, while being simple to calculate for the insurer and still providing some tax revenue. For those investing through an endowment insurance product (or an ISK), there are no complex tax returns to worry about or a need for help of an expert.

Table 4 Taxation of Endowment Insurance

How it works	Why it works
Core taxation method	**Benefits**
• Tax is based on a notional return: government borrowing rate + 1% • Notional return taxed as income at 30% • Insurer calculates and pays tax automatically • No limit on how much can be saved	• Zero administration burden for the customer • Simple, predictable tax regardless of actual returns – no other taxes to pay on withdrawal • Greatly reduces data and complexity for the tax calculations the insurer has to do • Very beneficial when dividends are high or there are capital gains – long-term, accumulative impact very high for savers • Encourages investment in higher-yielding assets (e.g. equities) – low-risk bonds have little or even negative tax benefit • Government gain reasonable tax revenues – may even receive additional revenues if savers switch from bankaccounts
Limited Tax-free allowance (2026-)	**Benefits**
• Increased in 2026: first SEK 300,000 (~€28k) is tax-free • Applies across ISK + endowment insurance combined • For individual holders only – not companies	• Creates high incentive to start saving • Relative impact is much greater for smaller savers than the wealthy • Tax revenue impact is limited overall

Source: Insurance Sweden.

3.3 High competition and transparency supporting good value for money and innovation

Competition and transparency are supported by

- Konsumenternas Försäkringsbyrå (konsumenternas.se) – provides independent, free guidance and comparison of products for consumers;
- Fondkollen – run by the Swedish Investment Fund Association – allows consumers to compare the cost and performance of the funds they can choose in unit linked endowment products

3.4 Insurance endowment products have the same advantages as the ISK but with additional features

Same advantages as ISK products

- Simple products with low costs and wide choice of funds and equities available
- Simple and quick to buy online, with no requirement for advice (but available if wanted)
- Tax incentives (for retail customers)
- No tax administration required for income/corporate tax
- Very high customer protection (for insurers through IDD and SII, for ISK providers through MiFID/investor protection rules)

Additional benefits with, or available with, insurance endowments products

- Guarantees and smoothing of returns available through the traditional products. These products also are a key reason why insurers have a need and interest to invest in government bonds as well as equities and so support government funding as well as financing the economy
- Can be used by companies to invest surplus capital – greatly increasing flow of money from bank accounts to capital markets (although companies do not get the additional tax-free allowance)
- Designated beneficiaries possible – with ability to tailor assignment details – means insurance products can be set
    - Used as savings products for children or grandchildren with access given at 18 or older chosen age
    - Used by companies as flexible pension products because they can assign an employee as beneficiary at a certain age
- Allows for periodic payment (e.g. lifelong monthly payments) and so can be used as a flexible pension product
- Assets are legally owned by insurer not the customer which means
    - The insurer can offer additional tax benefits by reclaiming double dividend taxation on equities from other countries (where there is a suitable tax treaty, which is most cases)
    - Voting rights held by the insurance company which means they can use their collective share ownership for stewardship to encourage and support good ESG company policy and actions

4 Conclusion

Sweden's savings and pension model is a proven success. It is the result of decades of government policy, industry innovation, social partnership and building consumer trust. The system will continue to evolve and it is crucial that the political commitment to the long-term principles of the pension model remains.

The Swedish savings and pension model delivers

- high savings rates
- strong pension outcomes
- deep capital market participation
- financial resilience
- good value for money

Insurance companies are central to this success: as providers of savings products, as occupational pension administrators and as long-term institutional investors channeling Swedish household savings into equity markets, venture capital and public sector financing.

The model works because it combines proportionate regulation with market competition, social partnership with individual choice, and strong financial literacy with transparent digital access. It does not depend on mandatory advice, guarantee schemes, detailed harmonised EU disclosures or data requirements – and its track record suggests that these are not necessary conditions for achieving the consumer protection and investment outcomes that the European Commission seeks.

As the EU develops its Savings and Investments Union, Pensions Package, Retail Investment Strategy and related initiatives, we urge the Commission and legislators to look carefully at what Sweden has achieved – Any future measures should be guided by clear evidence of an existing market failure and should demonstrably improve consumer or market outcomes relative to existing arrangements. Care must be taken to avoid legislation that risks undermining a system that is already working well or adds costs without enough benefits to justify them. Greater use of recommendations for good practice will often be a better approach than new regulation.

Insurance Sweden (Svensk Försäkring) is the trade association for insurance and occupational pension companies operating in Sweden. Our members account for approximately 90% of the Swedish insurance market. We represent insurers in public policy, regulatory and legislative matters at national and European level.

Insurance Sweden

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