Dutch Private Pension Plan (DPPP): Example Case B

A] Prelude

As an actual case might clearly show what the relevant aspects and benefits are of a DPPP, we will now summarize a recent case.

B] Personal Situation

- Client B
- Age 45
- Annual Dutch gross wages of € 150.000,-
- Regular Dutch tax status
- Retirement age 68
- Living and working in The Netherlands as of 2018
- His Personal Risk Profile is Offensive

C] Tax Max Premium

- We have calculated the current max tax deductible premium of € 45.000,-.
- Which premium will be invested this year.
- In this case we will not calculate with extra premium payments in the future. (Which often happens.)

D] Final Capital Projection

The final capital at retirement age 68 depends on the compounded return on investment until age 68. As that amount can fluctuate, we will mention several scenarios as used by pension providers:

- Positive Scenario : € 297.153,- *
- Negative Scenario : € 34.361,- *
- 4% Annual Return Scenario : € 94.444,- *
- **Statistic Most Likely Outcome : € 115.561,-** *

The final capital at retirement age has to be used to buy an annual annuity of at least 5 years. It is also allowed to first get a 10% one-time Lump Sum payment.

* The effect of annual inflation is expected to be substantial but not yet included in the projections.

E] Conclusion

- The total premium payment is € 45.000,-.
- After the tax deduction that makes a net premium of € 22.725,-.
- So the capital builds up from € 45.000,- but the net investment is only € 22.725,-.
- Until retirement age the capital in the plan is exempted from Dutch Box 3 wealth taxation.
- In the most likely scenario the final capital at retirement age amounts to gross € 115.561,-.
- Which amount can be used to first get a Lump Sum of gross € 11.556,- followed by an annual annuity during the minimum 5 years of indicative gross € 22.000,-.

(This example is only included to offer additional insight and provides no guarantees.)