



Changing jobs can result in a hefty bill for your old pension savings

Every year, Danes pay more than one billion kroner to have their old company pension savings managed – savings into which they no longer make contributions.

By Kristine Seest

Many Danes change jobs several times during their working lives. Often, a new pension plan comes with the new job, and in many cases the old pension savings are not transferred to the new pension plan, but are instead left with the previous pension company. In total, Danes have over two million so-called dormant pension savings accounts, into which they no longer make contributions, and for which they pay a total of more than one billion kroner in administration fees.

One-third of these dormant pension savings accounts arose in connection with a change of job. According to an analysis by The Danish Competition Council from 2024.

Investment costs rise significantly

The moment a pension savings account is no longer part of an occupational pension plan, it becomes a private pension savings account. Consequently, some of the discounts that came with the former employer's occupational plan are no longer available.

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Rasmus Dines

Executive Advisor, WTW Private Clients

»Investment costs, in particular, rise significantly when switching from a company plan to a private plan with a commercial pension company. If you do not take action yourself, you may end up paying these higher costs right up until retirement age, and even when your pension is being paid out. This can amount to a great many years and a great deal of money. For savings that remain untouched for many years, the extra costs can have a significant impact on the amount you have available as a pensioner,« says Executive Advisor Rasmus Dines, who advises on private pension savings at WTW Private Clients.

He finds that many clients are unaware that administration and investment costs rise when their

savings are held privately – and that many choose to transfer their savings from one pension company to another once they gain a full overview of the costs they are paying and the alternatives available to them.

Automatic risk reduction

It is not only the costs of holding private savings that matter to clients. In many cases, dormant pension savings are invested in pension companies' life-cycle products, where the risk is automatically reduced as

one approaches retirement age. Many clients at WTW Private Clients wish to change this when they receive advice on their private pension savings.

»Risk is a key topic in our advisory service. Many clients want a different investment approach to automatic risk reduction, because they want their savings invested in a way that better matches their financial situation, risk appetite and plans for the future. Investing private pension savings can be compared to investing in stocks – there are a great many options, and it is a matter of choosing the investment products and the level of risk expected to deliver the best return in the remaining years leading up to retirement,« says Rasmus Dines.

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As part of the advisory service at WTW Private Clients, all clients are asked to complete a risk assessment. The assessment helps them decide how their private pension savings should be allocated and invested.

»Once savings are no longer tied to an occupational pension plan, they are also no longer tied to a single pension company. Therefore, all relevant options in the commercial market can be taken into consideration. In most cases, the advice results in us recommending a different savings solution to the client, as it better matches their wishes while also offering a higher return and a larger sum available upon retirement,« says Rasmus Dines.

Clients in Private Clients receive ongoing guidance from a personal advisor, which ensures a regular assessment of the client's risk profile and, consequently, an assessment of whether risk should be reduced in the run-up to retirement – and, if so, when.

Dormant savings do not always need to be transferred

It is not just costs and returns that need to be assessed when deciding whether to consolidate or transfer pension savings. There may be certain terms and conditions and entitlements that lapse upon a transfer, meaning that it is not always the right thing to do. WTW also advises on terms and conditions to ensure that all clients receive the most optimal solution – and thereby the best financial foundations for a comfortable life in retirement.

Read more about the Danish Competition Council's study:

<https://kfst.dk/media/ukkd5lmi/20241009-hvilende-pensionsordninger-omfang-og-omkostninger>.