

Effects of life-events on wealth accumulation

“More attention needed on risks from disability and unemployment”

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What is the focus of the paper?

The paper examines how life-events (long-term unemployment, disability, divorce, and the death of a partner) are related to earned income and wealth accumulation over the lifetime of the individuals experiencing the shock.

What are the key findings?

Work-related risks have a much greater impact on lifetime income and wealth accumulation than divorce and partner loss. Individuals who become disabled or experience long-term unemployment (between the ages of 38 and 47) lose 30 percent and 25 percent of their income until their 68th birthday, respectively. In contrast, the impact of divorce and partner loss is less than 10 percent. A lower income limits the ability to build up pension wealth.

What are the implications?

- Social partners can mitigate the financial effects of work-related risks by agreeing on pension schemes that provide for a disability pension and (possibly contribution-free) pension accrual during periods of disability or unemployment.
- It may be desirable for social partners to look beyond the legally required distinction by age when designing pension schemes, transition plans and implementation plans. They could, for example, differentiate within age cohorts based on employment status (active participant, unemployed, disabled, surviving dependent).
- A mandatory disability insurance can help prevent distressing situations and simultaneously reduces differences in social contributions by form of employment.
- The government could consider making it mandatory for working people to build up pensions. This would reduce differences in social contributions between different forms of employment, but does not provide insurance against work-related risks.

Want to know more? Read the paper (Dutch):

**Gevolgen van levensloopschokken voor vermogensopbouw:
Vooral arbeidsgerelateerde risico's groot**