

Q+A Life-course savings scheme

What is the life-course savings scheme?

The life-course savings scheme enables employees to save part of their gross salary. These savings can be used to pay for a period of unpaid leave.

When can you join the life-course savings scheme?

You can join the life-course savings scheme when you are an employee working in the Netherlands.

How does the life-course savings scheme work?

With the life-course savings scheme you save part of your gross salary. You can later draw from these savings when you want to take unpaid leave. The reason for taking leave is not important. You can, for example, take leave if:

- you need to care for a seriously ill child or parents (long-term compassionate leave)
- you want to take a year off work to take a break or travel (sabbatical)
- you need to care for children younger than eight years old (parental leave)
- you want to study or do a course
- you want to take leave before you retire

You can use the savings from the life-course savings scheme to pay for the period of unpaid leave.

Life-course savings account or insurance

When you join the life-course savings scheme part of your gross salary is deducted. This is paid into a special savings account in your name. You can also place an account at an institution, a so-called life-course savings account. You can do this at an insurance company, bank, daughter of a pension fund, pension administrator or the administrator of another investment institution.

Saved time

In consultation with your employer you can also convert saved time, like extra holidays, overtime hours and days due to shorter working hours, into money. This amount can be paid into your life-course savings account. Your statutory holidays cannot be converted into money.

Maximum

You can save a maximum of 12% of your gross salary each year. You can save a total of up to 210% of your gross annual salary.

Some examples

- After saving twelve per cent of your gross salary for two years you can pay for three months of leave on full salary.
- If you accept getting 70% of your income during your period of leave, you can pay for a period of leave of 52 weeks after nearly six years of saving.

Tax– and contributions payment

Saving is tax-free. Only when you withdraw money, you pay income tax and the income-related contribution for your health and social care insurance. Contributions for employees insurances are also deducted from your deposit for the life-course savings scheme. That way the life-course savings scheme does not affect any unemployment insurance allowance (WW) or occupational disability allowance.

What arrangements should be made with your employer when you want to join the life-course savings scheme?

You should inform your employer when you wish to join the life-course savings scheme. You can join at any time of the year. You are not allowed to join the life-course savings scheme if you are taking part in the salary savings scheme during the same year. Your employer has three months to agree to your request. If you want to save towards the life-course savings scheme your employer can't refuse this.

Employers' contribution

Your employer may contribute to the balance on your life-course savings account, but he is not obliged to do so.

Take leave

If you want to take unpaid leave, you need the permission of your employer. This is not the case when you want to take [parental leave](#), because you are entitled to that. In case of long-term [care leave](#) your employer can only refuse if that would cause serious problems in your company or organisation. Your employer should have good reasons to refuse.

Leave policy

Your employer may have established a leave policy within your company or in cooperation with other companies. This could comprise, for example, rules about how long you are allowed to take leave and how to apply for leave. These rules are often included in a collective labour agreement.

Collective schemes

Your employer can offer a collective life-course savings scheme with a financial services company. You are not obliged to take part in this. You can also choose to join a scheme with another insurer, bank, daughter of a pension fund or investment institution.

More than one employer

If you have more than one employer, you can save at each employer separately towards the life-course savings scheme.

How much can you save in the life-course savings scheme?

You can save a maximum of 12% of your gross salary each year. You can save a total of up to 210% of your gross annual salary.

When you've used the savings, you can start saving again up to the maximum.

Older employees may save more

If you were 51 years of age or over on 31 December 2005, but not yet 56, you are allowed to save more than 12% of your gross salary. You can save a total of up to 210% of your gross annual salary.

If you were 56 years or over before 31 December 2005 there is no transitional arrangement for you. You can use the early retirement scheme and the pre-pension schemes, including their fiscal advantages. If there is no early retirement or pre-pension scheme in your company, you can join the life-course savings scheme. You can save up to 12% of your gross salary per year.

Interest

The interest on your life-course savings account is added to your savings balance. You can save up to 210% of your gross annual salary. The interest counts as well. When you have reached the savings maximum, the total balance can still continue to grow due to interest.

Life-course tool

With the life-course tool (www.spaarvooruwverlof.nl Dutch only) you can calculate how much you can save and for how long you can take leave.

How do you withdraw money from the life-course savings account?

If you want to withdraw money from your life-course savings account you must inform the institution administering your savings, for example your bank. This institution will transfer the money to your employer, who will withhold deductions, such as income tax

and social security contributions. The remaining amount will be transferred to you. You can now withdraw money for a period of unpaid leave.

Maximum withdrawal

You are not allowed to withdraw more than one month's salary per month, which is the wage of the month directly prior to your leave.

What is the tax advantage of joining the life-course savings scheme?

If you save via the life-course savings scheme, you are entitled to a tax relief on income tax of up to 195 euros per year. This is called the life-course leave tax-discount. You will receive this when you withdraw money from your life-course savings account. You will never receive more tax relief than the amount of tax you pay.

Partner

It is possible that the your income is too low to use the life-course leave tax-discount. If your partner does pay sufficient tax and contributions, you can enter the life-course leave tax-discount on his or her return form for income tax.

Property tax

You don't need to pay property tax on the balance of your life-course savings account.

Parental leave tax-discount

If you are taking unpaid parental leave and have joined the life-course savings scheme you are entitled to parental leave tax-discount. In case of full-time leave this will be approx. 650 euros per month.

How do you get parental leave tax-discount?

You enter the parental leave tax-discount on your tax return form. The Tax Department will deduct this amount from the income tax you must pay.

Only when taking part in life-course savings scheme

You will only receive the parental leave tax-discount if you have joined the life-course savings scheme. It doesn't matter how much you save.

Partner

It is possible that the your income is too low to use the parental leave tax-discount. If your partner does pay sufficient tax and contributions, you can enter the parental leave tax-discount on his or her return form for income tax.

Limit to parental leave tax-discount

There is a limit to the parental leave tax-discount. It cannot be more than the difference

between the taxable income in the year you are taking parental leave and the taxable income in the preceding year. For more information contact the [Tax Department](#).

Paid parental leave

Your collective labour agreement may contain a provision that your parental leave is partly paid for by your employer. You can then use the savings to pay for the part that is not paid for by your employer. You can also receive tax credits over these unpaid hours of leave.

Can you use the life-course savings scheme as a pre-pension?

You can use the savings of the life-course savings scheme to retire early.

Save faster with transitional arrangement

If you were 51 years of age or over on 31 December 2005, but not yet 56, you are allowed to save more than 12% of your gross salary. You can save a total of up to 210% of your gross annual salary.

56 years and over

If you were 56 years or over before 31 December 2005 there is no transitional arrangement for you. You can use the early retirement scheme and the pre-pension schemes including their fiscal advantages. If there is no early retirement or pre-pension scheme in your company, you can join the life-course savings scheme. You can save up to 12% of your gross salary per year.

Redemption of pre-pension claims

If your pension administrator agrees, you can redeem your pre-pension claims. You are then allowed to pay this amount into the life-course savings scheme without paying tax, provided you meet the requirements of the life-course savings scheme. You are then allowed to pay in more than 12% of the gross annual salary.

What consequences does joining the life-course savings scheme have for social security benefits?

When you apply for social assistance benefits the savings you built up in the life-course savings scheme will be ignored, so it will not be taken into account when determining your income or property.

Unemployment insurance (WW)

Saving in the life-course savings scheme does not affect any possible WW-allowance. If you become unemployed you cannot cash in the life-course savings. If the Social Security Agency (UWV) agrees, you can continue to save in the life-course savings scheme.

Illness and occupational disability

Saving in the life-course savings scheme does not affect any possible sickness benefits or occupational disability allowance.

AOW

The life-course savings scheme amount you build up will not affect the benefit you receive under the General Old Age Pensions Act (AOW). In some cases, however, using the life-course savings scheme amount that you have built up can affect the supplementary AOW partner's allowance your partner receives. For more information, visit the Social Insurance Bank ([SVB.nl](https://www.svb.nl)).

If you have not yet used the savings when you retire, the amount built up will be paid out in one go on the day before your retirement.

Are you allowed to join the life-course savings scheme and the salary savings scheme at the same time?

Each year you can choose which scheme you join: the life-course savings scheme or the salary savings scheme. You can't join both schemes at the same time, but you can withdraw money from both schemes in the same year.

With the salary savings scheme you are not saving towards one particular goal, so you can use your savings for anything you want. Savings for the life-course savings scheme must be used for a period of unpaid leave.

You can change which scheme you join each year.

What happens to the life-course savings when you die?

What happens to the balance of a life-course savings account when you die depends on the way you saved. You may have saved via a bank or an insurance company. It also depends on the terms and conditions.

Savings account

If the money is in a savings account, your heirs will receive the balance. Income tax and contributions for health and social care insurance will be deducted. Your heirs will also pay inheritance tax.

There is no entitlement to a life-course savings tax-discount.

Insurance

If the savings are placed in an insurance product or an investment product, it may be the case that you bear the death risk. You are likely to have received a higher allowance during life. When you die the insurance company will keep the remaining balance. Your heirs will receive nothing.

What happens to the life-course savings when you are out of work?

If you become unemployed, your life-course savings will remain in your account. It doesn't matter why you became unemployed. You are (temporarily) out of work, but as soon as you've found a job again, you can start saving again.

Life-course savings as supplement to your income

The life-course savings scheme is meant to pay for a period of unpaid leave. That is why you cannot withdraw the savings for another purpose, like bridging a period in which you earn no or little income, for instance when you're unemployed.

Bankruptcy employer

Your life-course savings are always paid out via your employer. If you become unemployed as a result of a bankruptcy, your former employer must still pay the deposit. Only when your former employer cannot be found, the financial services institution concerned will pay out the deposit to you. How it will be paid (in a single lump sum or in instalments) depends on the agreements made between you and the financial institution. If you choose to have the balance paid out you are not entitled to the life-course leave tax-discount. You can also opt to leave the savings until you have found a new employer. If you then withdraw the savings you are entitled to the tax-discount.

Redemption life-course savings

If you have a life-course savings account, you can only redeem the balance when you have terminated your employment. The option of redeeming the balance must have been agreed in writing in the life-course savings scheme.

You will pay tax on the balance in a single payment. You are not entitled to the life-course leave tax-discount.

Still a balance and retirement in sight

If you are no longer able to get a job and there is still a balance on your life-course savings account, it is paid to you in a single lump sum payment when you turn 65. You will still be entitled to the life-course leave tax-discount. This will be settled with the income tax, social security contributions and the income-related health and social care contributions.

Can you supplement your old age pension with the life-course savings deposit?

If you have an inadequate pension you are allowed to supplement your pension with your life-course savings.

You build up life-course savings on a life-course savings account. You inform the financial institution of your plans. Money can then first, for example, be saved on a high

interest rate savings account. That amount can be transferred tax-free to your pension account. The amount should be transferred at the latest one day before you turn 65 or one day before your pension starts (when that is before or after your 65th birthday).

In this case you won't get a life-course leave tax-discount.

If after this there is still a life-course savings balance left, the remainder will be paid out and taxed as income.

Payment of life-course savings scheme amount upon retirement

If all or part of the life-course savings scheme amount that you have built up is paid out in one go when you retire, you will be entitled to the life-course leave tax credit. This will be deducted from the income tax, social security contributions and income-related health insurance contribution you owe at the time.

More information

If you cannot find an answer to your question on this website, you can ask the Postbus 51 Information Service by calling free number 0800 8051. The service is available on working days from 08.00 to 20.00 hrs. If you are calling from abroad, the number is +31 77 4656767 and the regular rate will apply. Your question will usually be answered immediately, though sometimes you will be referred to another government or non-government agency.