- By 2050, the average life expectancy could reach around 88.5 years—and it may rise even further by 2100. This means many people will spend more years in retirement, making it essential to start planning and saving as early as possible.
- That's why having a private pension plan is becoming increasingly important. It not only provides tax advantages but also helps secure a more comfortable and worry-free retirement. If you want to enjoy peace of mind and maintain a good lifestyle after you stop working, a private pension is a smart and practical step.

DID YOU KNOW?

WHAT IS A PENSION?

Your pension is the money you will use to live on after you retire, so putting money aside for it now is one of the best things you can do for your future.

Pensions in Malta typically come from three main sources, often called the Three Pillars:

- **Pillar 1 – The State Pension**
  This is a government-provided pension designed to ensure a basic standard of living for all citizens. It is funded through your Social Security Contributions during your working life.
- **Pillar 2 – Occupational (Employer) Pension Schemes**
  These are workplace pension plans set up by employers to help employees save for retirement. Contributions can be made by both the employer and the employee.
- **Pillar 3 – Personal (Private) Pensions**
  These are voluntary savings plans that individuals can set up on their own to boost their retirement income. They offer flexibility and tax benefits and are ideal for those who want to enjoy a higher standard of living in retirement.

WHAT IS A PENSION?

WHAT IS AVAILABLE IN MALTA?

In Malta, retirement savings can come from three main sources:

- the government provides a State Pension to ensure a basic income after retirement;
- some employers offer workplace pension schemes to help employees save more;
- and individuals can also choose to open a Personal Pension, which comes with tax benefits and offers greater flexibility to build a more comfortable retirement.

WHAT IS A PENSION?

WHY DO I NEED A PENSION?

Planning for retirement is one of the most important financial steps you can take—possibly even more significant than buying a home. How much you'll need depends on the lifestyle you want to enjoy after you stop working, so it is essential to think about where that money will come from and whether it will last throughout your retirement.

A private pension plan can help you build a more secure future without affecting your entitlement to the State Pension provided by the Maltese government. In other words, you can boost your retirement income without giving up the benefits you're already entitled to.

YOUR STATE PENSION

HOW MUCH WILL YOU RECEIVE?

THE MAXIMUM FIRST PILLAR (GOVERNMENT) PENSION FOR SOMEONE RETIRING IN 2025

FOR PERSONS WHO WOULD HAVE WORKED FOR 40 YEARS WITH AN AVERAGE INCOME AS INDICATED...

Maximum Pensionable Income	€ 28,303.00
Maximum Annual Pension	€ 18,868.91

* The Average COLA Adjusted Salary
** Amount shown is before tax and assumes retirement at age 61 with full contribution history

Salary	€ 15,000	€ 18,000	€ 25,000	€ 35,000	€ 50,000+
Expected Pension per month	€ 833	€ 1000	€ 1,389	€ 1,572	€ 1,572

YOUR STATE PENSION

MALTA'S MAIN STATE PENSION IS CALLED THE TWO-THIRDS PENSION

The maximum pensionable income for the year 2025 is being shown in the above image. It's the highest salary amount the government uses to calculate your pension. If you earn less than or equal to this limit, you'll receive about two-thirds of your actual salary as your pension.

Example: If you earn €15,000 a year, your pension would be around €10,000 a year (about €192 per week).

However, if you earn more than the maximum pensionable income, your pension is capped. This means your pension will still be based on the maximum limit—not your full salary.

So even if you earn €30,000 a year, your pension won't be two-thirds of that amount —it will be two-thirds of the capped figure.

This system ensures a basic level of income in retirement, but it also means that higher earners may need to consider additional savings, such as a personal or workplace pension, to maintain their lifestyle after retirement.

WHEN WILL YOU RECEIVE YOUR STATE PENSION?

If you are born after 1962, the statutory retirement age in Malta is 65 years.

YOUR STATE PENSION

HOW MUCH DO YOU NEED?

HOW MUCH WILL YOU NEED AT RETIREMENT?

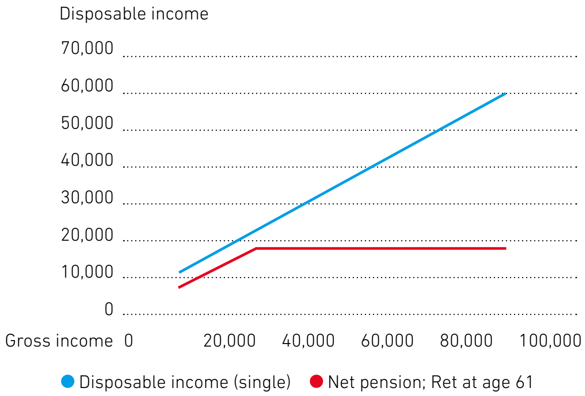
That depends on the kind of lifestyle you want to enjoy. A common guideline is that you'll need about two-thirds of your current salary to maintain a comfortable standard of living in retirement. This is because, by then, you may no longer have major expenses like a home loan or daily work-related costs

It is also important to check whether you qualify for Malta's Two-Thirds State Pension, which is designed to cover part of that income. However, for many people, the State Pension alone may not be enough.

To help you plan, you can use an online Retirement Planning Tool. It can show you how much income you might be missing and how much you should start saving now to close that gap.

A simple graph can help illustrate this: it compares your income while working to what you're likely to receive after retiring—and clearly shows the difference.

Disposable Income vs Pension



YOUR STATE PENSION

HOW MUCH WILL YOU NEED TO SAVE TODAY?

The amount you need to save today depends on how much you've already saved and the income you would like to have during retirement.

As an example, Mary is 25 years old and earns € 30,000 a year. She hopes to get two-thirds of her salary as income when she retires.

Because she earns more than the maximum amount covered by the state pension, she'll only get about 56% of her salary from it € 18,869—not the full two-thirds she's aiming for. So, she'll need to save extra on her own to reach her retirement goal.

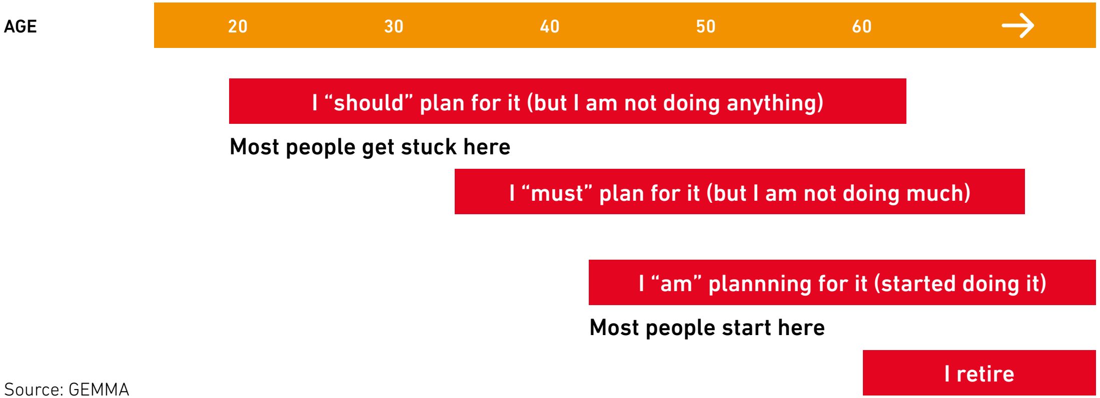
Saving consistently and investing in a private pension gives you the freedom to enjoy your future without financial stress.

YOUR STATE PENSION

PERSONAL RETIREMENT SCHEMES

Your state pension might not be enough to support the lifestyle you want in retirement. That's why it's a smart move to start saving some extra money now, so you can enjoy more freedom and peace of mind later.

Preparing for Retirement.
What Actually Happens



Source: GEMMA

SAVING FOR YOUR FUTURE JUST GOT EASIER

One of the easiest and most effective ways to do this is with a Personal Pension Plan. It's a private savings account you set up with a trusted provider, where you regularly add money over time.

Why is it a good idea?

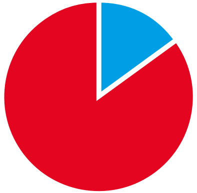
Because it's tax-friendly—you could pay less tax while growing your savings for the future. And thanks to compound interest (earning interest on your savings and the interest they've already earned), your money can grow faster the earlier you start.

Let's look at how starting at different ages can affect your savings. In the example below, each person saves €100 a month at a 2% interest rate. The only difference? The age they begin saving.

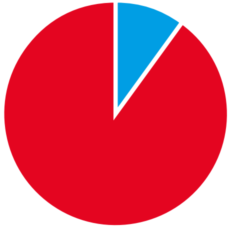
Start at Age 25

Start at Age 35

Start at Age 45



Start at Age 55



Money you will earn
Money you put in

SAVING FOR YOUR FUTURE JUST GOT EASIER


SAVING
FOR YOUR
FUTURE JUST
GOT EASIER

TAX BENEFITS

- **Get rewarded for saving:** For every €100 you put in, you could get €25 back in tax credits—up to €750 a year if you save €3,000.
- **You're in control:** You decide how your money is invested, based on your goals and comfort level.
- **Access your savings when it suits you:** You can start using your pension anytime between age 61 and 70 (based on current rules).
- **Enjoy a tax-free lump sum:** When you retire, you can take up to 30% of your savings as a tax-free cash payment. The rest can give you a steady income—either through regular withdrawals or by buying a guaranteed income for life (called an annuity).

Contribution	3,000 €
Tax Credits	750 € (3,000 € × 25 %)
Bottom Line	2,250 € (for 3,000 € contributed)

SAVING FOR YOUR FUTURE JUST GOT EASIER


SAVING
FOR YOUR
FUTURE JUST
GOT EASIER

A PRACTICAL EXAMPLE – BENEFITS

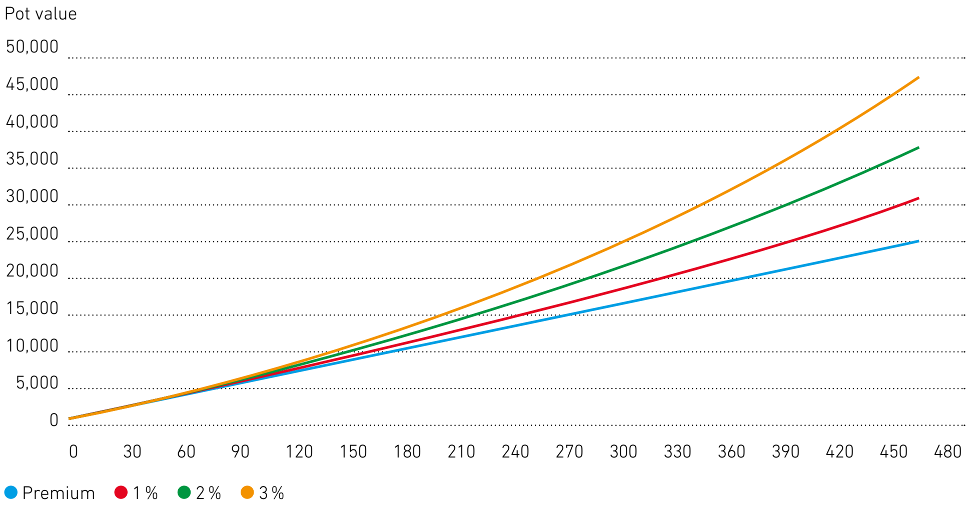
Let's say a 25-year-old saves €200 a month—that's €2,400 a year. Thanks to tax benefits, she gets 25% back as a tax credit, which means €600 off her tax bill every year (€2,400 x 25% = €600).

If she keeps this up until she's 65, she'll have contributed €72,000 from her own pocket. But with a 3% average return, her pension pot could grow to around €186,392—enough to give her a steady income in retirement.

And here's the bonus: those €600 yearly tax credits add up to €24,000 over 40 years. If she adds those to her pension too, her total savings could grow by another €38,832, giving her even more to enjoy in retirement.

Now, let's bring this to life with a graph showing how different monthly contributions and investment returns (1%, 2%, and 3%) can affect the final pension pot.

Fund Growth



SAVING FOR YOUR FUTURE JUST GOT EASIER

THE POWER OF SAVING EARLY

THE EARLIER YOU START SAVING, THE BETTER OFF YOU'LL BE

Starting to save early—even with small amounts—can make a big difference later on. Why? Because your money has more time to grow.

Think of it like planting a tree: the earlier you plant it, the more time it has to grow tall and strong. In the same way, small savings made in your 20s can grow into more than larger savings made in your 40s, thanks to compound interest—where your savings earn interest, and then that interest earns more interest over time.

So even if you can only save a little now, it's worth it. Your future self will thank you!

This can be illustrated in a simple short story.

George and Robert, 22 years old, discussing their savings for retirement.

George starts saving €250 each month, Robert thinks it's too early.

17 years later:
George cannot commit any further savings into his scheme because of family commitments, but will leave the accumulated amount invested.

Robert starts earning a decent salary and starts saving €250 each month for the next 26 years.

At age 65:
George paid in €51,000 over 17 years, then stopped, however the money continued to be invested over the next 26 years.

Robert started saving 17 years after George, but paid in €78,000 (€27,000 more than George).

George paid in much less than Robert.

Both would have accumulated approximately the same amount of €102,000 by the time they are aged 65 (assuming net returns of 2%).

IMPORTANT INFORMATION

A PENSION IS A LIFETIME COMMITMENT. You can only access your pension between the age of 61 and 70 according to current legislation (or any other age specified in S.L. 123.163 under the Income Tax Act, or any Regulations substituting this legislation).

THE INCOME YOU GET FROM THIS INVESTMENT MAY GO DOWN AS WELL AS UP.