Equity Investments and the Third Pillar of Retirement Provision

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Abstract

Broadly diversified equity investments are a suitable building block for the third pillar of retirement provision. Since 1987, Austrian equities have returned 4.46 percent per year in real terms after Austrian tax on investment income (KESt) and before costs, European equities 4.18 percent, and savings invested at the money-market rate (the savings proxy) −0.25 percent. In the sample starting in 1970, no window of 20 years or more ends in a real loss for Austrian equities, compared with more than 40 percent of the twenty-year windows for the savings proxy. The series extended back to 1958 returns 4.07 percent per year in real terms after KESt but also shows seven twenty-year windows that end in a real loss. Austria's own subsidized product, the Zukunftsvorsorge, combines a mandatory capital guarantee with an equity allocation invested mainly in the home market. Its number of contracts has more than halved since 2012. This purchasing-power analysis for Austrian investors under today's tax rules, the Austrian experience, and an international comparison of account models yield criteria for an Austrian retirement savings account.

Keywords: equities, retirement provision, third pillar, retirement savings account, capital markets, saving, inflation, returns, risk, savings and investment accounts, diversification, product design, capital guarantee

JEL Classification: D14, G11, G18, G22, H24, H55, J32

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1 Background and Research Questions

How can Austrian households build purchasing power over decades? Broadly diversified equities offer considerable return potential. Using them for retirement savings requires looking at long-term risks of loss, costs, and taxes together. This paper examines these factors for the Austrian investor on the basis of empirical evidence and derives design criteria for the third pillar.

More than one-third of the financial assets of Austrian households are still held in checking and savings accounts. That is more than 300 billion euros. Only about 6 percent of households hold listed shares directly, and about 12 percent hold investment funds (OeNB 2025 and Fessler, Riedl, and Schürz 2025). Take the year 2025. The consumer price index rose by 3.6 percent (Statistics Austria 2026), while the three-month Euribor averaged just under 2.2 percent. An investor who earned this rate lost about 1.9 percent in real terms after the Austrian tax on investment income (Kapitalertragsteuer, KESt).

Austria's statutory pension ranks among the highest in the world, with a net replacement rate of about 87 percent for an average earner with a full career (OECD 2025). By European standards, retirement income in Austria relies only to a small extent on other pillars. At the same time, the population aged 65 and over is projected to grow from 1.84 million in 2024 to 2.46 million in 2040 (Statistics Austria 2025). This is not an argument against the pay-as-you-go system. Rather, the paper argues for capital-market investment where savings deposits currently lose real value.

The policy debate gained momentum in 2026. In April, the federal government presented a package to strengthen the second pillar. It allows return-seeking investment of the assets in the occupational severance scheme (Abfertigung Neu) without a capital guarantee and gives all employees the option of transferring their balances to a pension fund. It also lowers the costs of the severance funds. The National Council, the lower house of parliament, adopted the package on September 23, 2026 (Parlamentskorrespondenz 2026). A comparable step for the third pillar has yet to be taken. On September 30, 2025, the European Commission formally recommended that member states introduce savings and investment accounts with simplified and advantageous tax treatment (European Commission 2025a). The Draghi report puts the additional investment needs of the EU at a minimum of 750 to 800 billion euros per year (Draghi 2024, Part A) and thereby underlines the importance of capital markets. In Germany, the government's pension commission (Alterssicherungskommission) and the German Council of Economic Experts have both recommended funded elements that let broad sections of the population share in capital market returns (Alterssicherungskommission 2026, German Council of Economic Experts 2025).

The literature on long-run equity returns mostly works with returns before tax and rarely takes the perspective of an Austrian investor. This paper adds a purchasing-power analysis under today's tax rules and examines how strongly the results depend on the historical starting point. It links this evidence to the experience with Austria's subsidized product, the prämienbegünstigte Zukunftsvorsorge, and to the account models that other countries have introduced for the third pillar.

The paper addresses three questions. A) What can a long-term equity investment achieve for the Austrian investor, and what are its limits? Section 2 reviews the literature and presents results for Austria. B) What international solutions for the third pillar already exist, what has Austria's own product achieved, and what design lessons follow for Austria? Section 3 covers this. C) What follows from both for the third pillar in Austria? Section 4 derives design criteria and identifies the limitations. Section 5 concludes.

2 Long-Term Equity Investments: Literature and Evidence for the Austrian Investor

2.1 Stocks for the Long Run?

Siegel (2022) advanced the thesis that stocks are safe in the long run. His study, updated since 1994, analyzes U.S. data going back to 1802. U.S. stocks returned 6.5 to 7 percent per year in real terms (after inflation), far more than bonds and bills. Over holding periods of 20 years or more, they never lost value in real terms, whereas bonds and bills did.

According to Samuelson (1969), by contrast, the optimal equity allocation does not depend on the investment horizon. This holds if returns are independent and identically distributed and relative risk aversion is constant. The variance of the cumulative log return then grows in proportion to time, and its standard deviation with the square root of time. Fama and French (1988) and Poterba and Summers (1988) find evidence that price swings partly reverse over several years. That would reduce the risk of long holding periods. Bodie (1995), however, shows that insurance against falling short of a risk-free return becomes more expensive with maturity, not cheaper. Pástor and Stambaugh (2012) consider an investor who does not know the expected return. Under this uncertainty, stocks are more volatile per year over long horizons than over short ones.

Jorion and Goetzmann (1999) compare 39 markets from 1921 to 1996. The United States achieved real capital appreciation of 4.3 percent per year, while the median of the other countries was 0.8 percent. Dimson, Marsh, and Staunton (2025) report a real return of 5.2 percent per year for a global equity portfolio from 1900 to 2024. Bonds returned 1.7 percent and bills 0.5 percent. Anarkulova, Cederburg, and O'Doherty (2022) analyze 39 developed markets from 1841 to 2019. An investor who invests broadly in the equity market of his or her own country loses in real terms over 30 years with a probability of 12 percent. McQuarrie (2024) shows with U.S. data from 1792 that stocks and bonds each led for several decades at a time. Japan provides the most recent counterexample. Including dividends and before tax, an investor who bought the Japanese equity market at its peak at the end of 1989 did not pull ahead of a saver earning the one-year government bond yield again until the end of 2023, that is, after 34 years (author's calculations, Data Appendix A).

Url (2009, pp. 34–35) shows for European equities that long investment horizons offer high return potential but that real capital losses remain possible even in a simulation with long investment periods. His results support a retirement savings strategy based on diversification and long horizons without guaranteeing the absence of losses.

Campbell and Viceira (2002) show that the money market is not risk-free for a long-term investor either, because the real interest rate on future reinvestment is unknown. Only an inflation-indexed bond with a matching maturity would be risk-free. For the Austrian saver, tax is an additional factor that the literature mostly leaves out. KESt is levied on nominal interest and thus also on the mere compensation for inflation. In the following sections, we address these questions from the perspective of an Austrian investor. We compare an equity investment before and after tax with savings invested at the money-market rate, which we call the savings proxy.

2.2 Data and Approach

The main analysis uses annual data from 1970 to 2025. As our measure of inflation, we use the published annual rates of change of the national consumer price index from Statistics Austria.[1] The savings proxy is represented by annual average interest rates. Until 1988, we use the discount rate of the Oesterreichische Nationalbank (OeNB), thereafter the three-month interbank rate (VIBOR, Euribor since 1999). The value-weighted equity returns come from the Kenneth R. French Data Library. They are available for Austria from 1987 onward and for a European portfolio including the United Kingdom and Switzerland from 1975 onward. The returns on European equities are converted into schillings and, from 1999, into euros. Austrian returns before 1987 are reconstructed from the changes in the December values of the OECD share price index plus an assumed constant dividend yield of 2.82 percent per year.[2]

The Austrian share price indices calculated until 1981 did not include dividends (Handler 1981, p. 206). The dividend assumption for the early years is therefore taken from Jorion and Goetzmann (1999, p. 965, Table III). For Austria from 1970 to 1995, their comparison yields a real geometric annual return of 4.89 percent including reinvested dividends and 2.07 percent excluding dividends. Url (2001, p. 127) uses the same approach in his calculations for the Austrian equity market from 1926 to 1998.

The main analysis in this paper starts in 1970 because the dividend comparison by Jorion and Goetzmann begins in that year. Data on directly observed total returns are available from 1987 onward. Section 2.5 extends the series back to 1958. The constant dividend remains a model assumption for all years before 1987.[3]

The dividend yield of Austrian equities averaged 2.5 percent from 1987 to 2025. For European equities, it was 3.7 percent over the period 1975 to 2025. In this paper, “after KESt” refers to today’s rules, with 25 percent per year on interest, 27.5 percent per year on dividends, and 27.5 percent on the capital gain at sale. The calculation applies these rules to the past as well.[4] Reinvested net dividends raise the cost basis, and no loss offset is assumed (Data Appendix C). The calculation also assumes a direct investment that replicates the market portfolio without taxable rebalancing. For an index portfolio with changing composition, this is an approximation. Different tax rules apply to investment funds and ETFs (Section 4.3). Unless stated otherwise, returns are before costs.

2.3 Saving: Loss of Purchasing Power After Tax

The savings proxy is an optimistic choice compared with overnight deposits. It assumes that savings continuously earn the money-market rate. From 1999 to 2025, this rate averaged 1.68 percent.

[1] These rates compare annual averages, whereas equity returns run from year-end to year-end. A robustness check with the December values of the consumer price index (OECD) changes the real returns by at most 0.06 percentage points per year. The holding periods of 19 and 20 years remain unchanged, while 15 instead of 16 of the 37 twenty-year windows end in a real loss for the savings proxy.

[2] Dividends fluctuate far less than prices. From 1987 to 2025, the dividend yield of Austrian equities ranged between 1.1 and 5.5 percent per year, and the price change between −59 and +95 percent. The constant dividend assumption therefore determines the level of the return, while the fluctuations come from the price index. For markets with long dividend series, Jorion and Goetzmann (1999, pp. 963–966) show that the ranking of real returns with and without dividends is essentially the same.

[3] With a dividend yield of 1.72 percent, the average of the observed dividend component from 1987 to 1995, the real return after KESt in the main analysis is 3.41 instead of 3.65 percent. Even with this value, no twenty-year window there ends in a real loss. If the dividends actually observed are used for 1987 to 1995, the comparison by Jorion and Goetzmann implies a dividend yield of 3.32 percent for 1970 to 1986. In the long series starting in 1958, the return with these two dividend values lies between 3.73 and 4.22 percent, and the number of loss-making twenty-year windows between five and seven.

[4] The calculation therefore does not reflect the actual tax burden of earlier years. For equities, it was lower because capital gains on shares bought before 2011 were tax-free after one year.

Overnight deposits of households earned 0.75 percent (OeNB 2026). After KESt and with average inflation of 2.44 percent, this corresponds to real annual returns of −1.18 percent for the savings proxy and −1.83 percent for overnight deposits.

That savers lose purchasing power after tax in periods of inflation follows from a simple argument. A savings deposit earns a nominal interest rate i, which is taxed at the rate t. If prices rise by π, purchasing power is preserved only if the interest rate is at least $\pi/(1 - t)$. With a 25 percent tax on interest, the interest rate must therefore exceed inflation by one-third. With 4 percent inflation, that is 5.33 percent. Darby (1975) and Feldstein (1976) showed for the high-inflation period of the time that, under taxation, the nominal interest rate must rise by more than inflation for the real after-tax return to remain unchanged. Empirically, only a little more than half of an additional percentage point of inflation shows up in the money-market rate (Bekaert and Wang 2010). At times, real losses for savers over long periods were even a deliberate element of financial repression (Reinhart and Sbrancia 2015). For 16 advanced economies since 1870, Jordà et al. (2019) document strongly negative real returns on government bills and bonds in both world wars and in the stagflation of the 1970s. For Austria, this can be shown since 1970. Inflation was at least 4 percent in 15 of these 56 years. In 14 of these 15 years, the money-market rate after tax at today's KESt rate fell short of inflation. In the six years with inflation above 7 percent, this was the case in every single year. Even before tax, it was the case in 11 of the 15 years. Over the entire period from 1970 to 2025, the savings proxy returned 0.2 percent per year in real terms before tax and −0.6 percent after tax. An investment of 100 units of purchasing power turned into 113 before tax and 69 after tax. For the Austrian long-term investor, the savings proxy thus did not preserve purchasing power. In addition to the real interest rate risk described by Campbell and Viceira (2002), this investor faces a real after-tax return that is negative on average.

2.4 Equities: A Risk That Can Be Limited

Over the long term, equities offer considerable opportunities to build purchasing power. An investment of 100 units in Austrian equities at the end of 1969 grew in real terms to 1,364 before tax and to 744 after KESt by the end of 2025. Since 1975, European equities have returned 5.46 percent per year in real terms after tax and Austrian equities 4.04 percent. The savings proxy returned −0.48 percent over the same period (Table 1, Figure 1). Since 1975, the standard deviation of real annual returns before tax has been about 30 percent for Austrian equities and about 18 percent for European equities. Broader diversification thus reduced annual fluctuations in this period.

Of the 47 rolling ten-year windows since 1970, 12 ended in a real loss for Austrian equities after KESt. In the common period from 1975 onward, the figure was 7 of 42 windows for Austrian equities and 4 for European equities. For Austrian equities since 1970, no window of 19 years or more ends in a real loss after tax. The same holds for European equities since 1975 for windows of 20 years or more.[5] Before tax, this threshold is also 19 years for Austrian equities because the window from 2007 to 2024 ends in a real loss even before tax. For European equities, it falls to 14 years before tax. The savings proxy, by contrast, ends in a real loss after tax in 16 of the 37 twenty-year windows since 1970. That is 43 percent. Even before tax, 22 percent of the twenty-year windows for the savings proxy show a negative real return.[6] The thresholds stated for equities describe the sample.

[5] A robustness check with the ATX Total Return of the Vienna Stock Exchange confirms this result. From the end of 1991 to the end of 2025, the index returned 5.7 percent per year in real terms before tax, compared with 5.5 percent for the series used here. With this index as well, no window of 20 years or more ended in a real loss.

[6] The periods starting in 1970 and 1975 contain 37 and 32 twenty-year windows, respectively, which overlap heavily. With annual costs of 1 percent, no window of 24 years or more ends in a real loss after KESt for Austrian equities.

Table 1: Real returns per year, Austrian investor, before and after KESt

Period	Inflation p.a.	Savings proxy before tax	Savings proxy after KESt	Austrian equities before tax	Austrian equities after KESt	European equities before tax	European equities after KESt
1970–2025	3.4%	0.2%	−0.6%	4.8%	3.6%	n.a.	n.a.
1975–2025	3.1%	0.4%	−0.5%	5.2%	4.0%	6.9%	5.5%
1987–2025	2.4%	0.5%	−0.3%	5.7%	4.5%	5.6%	4.2%
1999–2025	2.4%	−0.8%	−1.2%	6.6%	5.1%	3.3%	2.0%
2021–2025	5.1%	−3.2%	−3.6%	11.5%	7.6%	5.3%	2.8%

Geometric real annual returns on a lump-sum investment sold at the end of the period, before costs. European equities are available from 1975 onward. Austrian equities until 1986 from the OECD share price index plus an assumed dividend yield of 2.82 percent, thereafter total returns from the Kenneth R. French Data Library. The savings proxy is not an observed return on savings deposits. Source: author's calculations, data as described in Section 2.2.

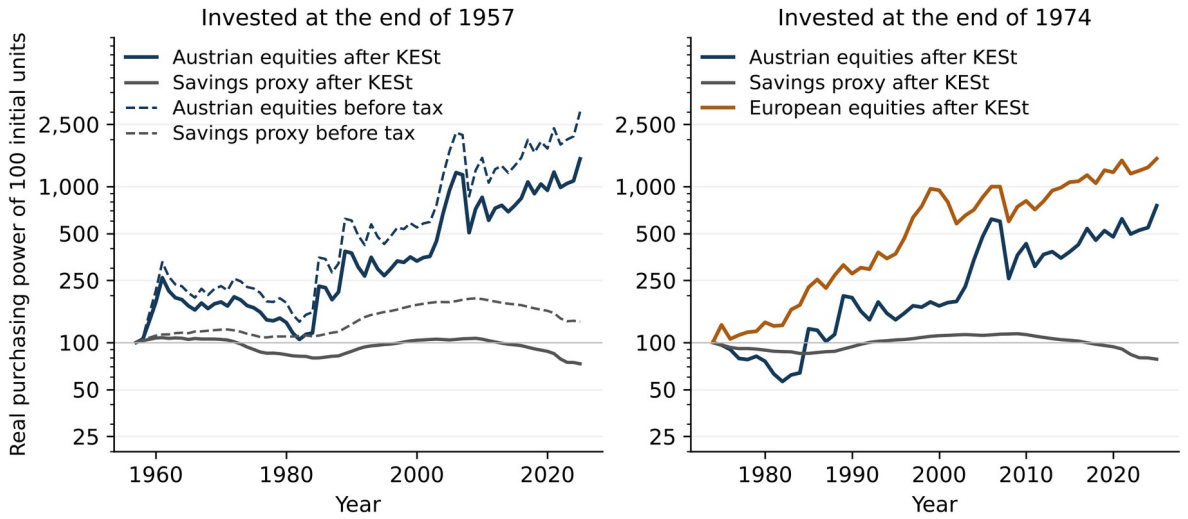


Figure 1: Real purchasing power of 100 initial units, logarithmic scale. Left: Austrian equities and savings proxy from the end of 1957, before tax and after KESt. Right: all three investments from the end of 1974, after KESt. Annual reinvestment, before costs. Source: author's calculations, data as described in Section 2.2.

2.5 The Austrian Long-Run Perspective Since 1958

The Austrian equity market re-established itself only from 1985 onward. Before that, it was institutionally narrow because the nationalizations after World War II restricted the listed corporate sector. The large banks were also state-owned and held substantial stakes in large industrial and construction companies (Aiginger 1999, p. 262). A large part of the share capital was closely held, and the free float was small (Handler 1981, pp. 205 and 213). The bull market from 1958 to early 1962 unfolded in this narrow market. A long decline in prices followed (Handler 1981, pp. 212–213). From 1962 to 1984, Austrian equities lost 3.2 percent per year in real terms before tax. In 1985, their real value more than doubled, triggered by a U.S. analyst who pointed to the market potential of the Vienna Stock Exchange. With the wave of privatizations starting in 1987, companies such as OMV (1987), Verbund (1988), and EVN (1989) were listed on the exchange (Wiener Börse 2021). The early index returns therefore reflect the equity market available at the time and not the Austrian economy as a whole. This limits their transferability to a present-day, internationally diversified portfolio. All available early years are nevertheless included in the long series.

Table 2: Austrian results with different starting points of the series

Period	Austrian equities, real before / after KESt p.a.	Savings proxy, real after KESt p.a.	20 years losses / windows	30 years losses / windows	40 years losses / windows
1958–2025	5.14 / 4.07%	−0.46%	7 / 49	0 / 39	0 / 29
1960–2025	4.63 / 3.55%	−0.55%	7 / 47	0 / 37	0 / 27
1968–2025	4.61 / 3.49%	−0.63%	1 / 39	0 / 29	0 / 19
1970–2025	4.78 / 3.65%	−0.65%	0 / 37	0 / 27	0 / 17
1987–2025	5.73 / 4.46%	−0.25%	0 / 20	0 / 10	n.a.

Geometric real returns on a lump-sum investment, before costs. A loss occurs if the real final value after KESt is below the initial value. The windows overlap. For an investment made at the end of 1961, real losses also occur after 31, 33, 34, and 35 years (Data Appendix B). Until 1986, a dividend yield of 2.82 percent is assumed. An entry of n.a. means that no complete window is available for this holding period. Source: author's calculations.

In the long series from 1958 to 2025, the real return on Austrian equities is 5.14 percent per year before tax and 4.07 percent after KESt (Table 2, Figure 1).[7] After tax, 100 units grow in real terms to about 1,503, compared with only about 73 for the savings proxy. In 7 of the 49 twenty-year windows, equity wealth after tax ends below the initial value. All seven windows start between 1960 and 1968. No twenty-year window starting in 1970 or later ends in a loss for equities. The worst window, from 1962 to 1981, ends at 39.47 units of purchasing power after tax. All seven windows are listed individually in Data Appendix B.

For Austria, as noted above, the long series covers two stock market regimes that can be compared only to a limited extent. Until the mid-1980s, the Vienna Stock Exchange was not a developed equity market like New York or London. Few stocks were listed, their free float was small, and trading was illiquid. The loss windows that start in the early years fall within this regime. The market structure of the time probably contributed to them and limits their transferability to a developed equity market. The finding is consistent with Jorion and Goetzmann (1999), who show that the experience of the U.S. market cannot simply be transferred to smaller markets. For retirement savings, it follows that broad diversification beyond the home market is important. Even so, Austrian equities returned 4.07 percent per year in real terms after KESt over the entire long series.

2.6 Looking Ahead: Simulation

Because the number of historical windows is small, we supplement the analysis with a simulation. We use a stationary block bootstrap (Politis and Romano 1994) with 20,000 paths of 40 years each. Each path consists of blocks of actual years with an average length of five years. For each block, a starting year is drawn at random, and a sequence of consecutive years is taken from that point. Each year enters the path with its inflation, its interest rate, its equity return, and its dividend yield. This preserves how these variables were related within a year and how good and bad years followed one another. In the baseline scenario, every year has the same probability of being drawn as a starting year.

Observations for Austrian equities are drawn from the years 1970 to 2025. For European equities, data availability allows this only from 1975 onward. For the future, we assume the same real equity return for both series. To this end, the historical returns are shifted so that their geometric mean before tax and before costs is 5 percent.[8] In the baseline scenario, Austrian and European equities therefore have the same mean return before tax. They still differ in their volatility, in the observation period, in their

[7] The monthly OECD share price index for Austria is available from 1957 onward and provides the first annual return for 1958. The inflation data come from the same source as in the main analysis. The OECD interest rate series begins in 1960. For 1958 and 1959, we use the OeNB discount rate (BIS 2026, Data Appendix A).

dividend yields, and in their relationship with inflation. The difference in the share of real losses therefore cannot be attributed to broader diversification alone.

In the baseline scenario, the savings proxy after KESt ends in a real loss in 67.4 percent of the paths after 10 years and in 80.5 percent after 40 years.[9] For Austrian equities, this share falls from 27.7 to 8.5 percent, and for European equities from 18.8 to 4.2 percent (Figure 2). Before tax, the corresponding values are 22.2 and 4.3 percent for Austrian equities and 13.5 and 1.5 percent for European equities. The probability of loss for equities declines markedly with the holding period but does not disappear even after 40 years, whereas it rises for the savings proxy.

The size of possible losses also matters. In the baseline scenario, after 40 years and after KESt, 5 percent of the paths for Austrian equities end below 75.3 of 100 units of purchasing power. For European equities, this fifth percentile is 107.3. The medians are 431.1 and 411.8, respectively. For the savings proxy, the median is 76.5. An unfavorable path for Austrian equities thus ends roughly where the savings proxy ends at the median.

A second scenario examines how the results change if years of high inflation occur more often than in the past. In the inflation scenario, 60 percent of the blocks start in a year with inflation of at least 4 percent. This raises the share of such years in the simulated paths for Austria from 27 to 43 percent. After 40 years and after KESt, 90.7 percent of the paths for the savings proxy then end in a real loss, compared with 19.4 percent for Austrian equities and 1.5 percent for European equities. The selection of block starts also changes the equity returns that are drawn. For Austrian equities, the mean real return falls to about 3.7 percent because real equity returns were negative in 9 of the 12 inflation years from 1970 to 1984. For European equities, it rises to about 5.8 percent because the inflation years from 1975 onward were followed by above-average equity years that are drawn in the same block. The 1.5 percent is therefore a result of this scenario and not evidence that European equities protect against inflation.[10]

[8] The real log equity returns are shifted by a constant amount before drawing. The target value of 5 percent is below the global long-run value of 5.2 percent (Dimson, Marsh, and Staunton 2025), above the Austrian value of 4.78 percent in the main analysis, and slightly below the 5.14 percent of the long series starting in 1958. For interest rates and inflation, the historical values apply.

[9] The rolling windows in Section 2.4 show a more favorable picture for the savings proxy. There, 43 percent of the twenty-year windows ended in a real loss after tax. In the simulation, the figure after 20 years is 73 percent of the paths. The difference arises from the overlap of the windows. A year from the middle of the series is included in 20 of the 37 twenty-year windows. The years 1970 and 2025 are each included in only one. In the middle years from 1985 to 2003, the real interest rate after tax was positive throughout. The simulation, by contrast, weights all years equally.

[10] If both series are restricted to 1975 to 2025, the gap in the baseline scenario remains (about 8 versus 4 percent after 40 years). With average block lengths of three to ten years, the values range from about 12 to 4 percent for Austrian equities and from about 6 to 2 percent for European equities. The inflation scenario reacts even more strongly to the block length and should be read as an illustration.

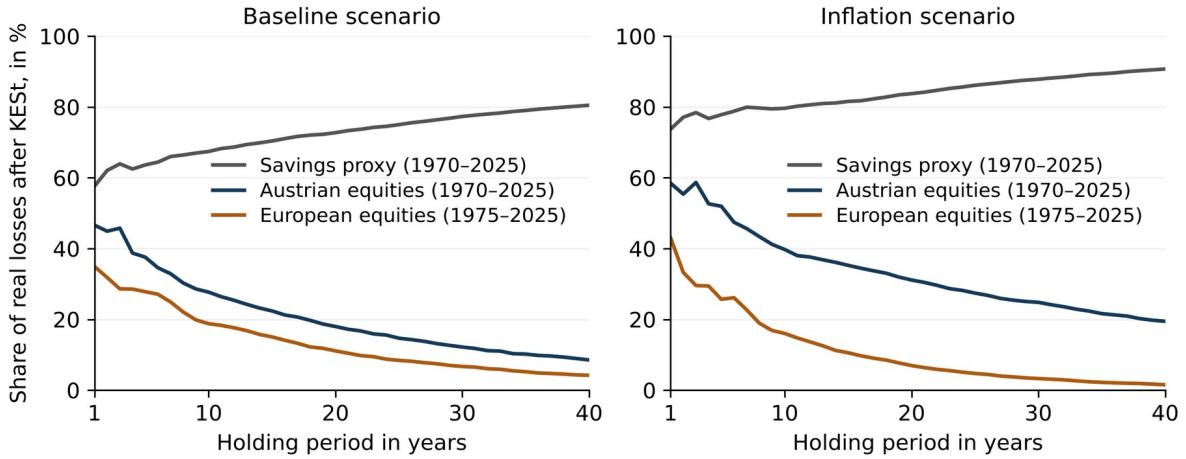


Figure 2: Simulated share of real losses after KESt, before costs. Stationary block bootstrap with 20,000 paths from the years 1970 to 2025, European equities from 1975 onward. Average block length of five years. Real equity returns calibrated to 5 percent, interest rates historical. In the inflation scenario, 60 percent of the blocks start in a year with inflation of at least 4 percent. Source: author's calculations.

An additional simulation with the long series starting in 1958 uses the same calibration and the same parameters. In the baseline scenario, the share of real losses for Austrian equities after KESt falls from 31.4 percent after 10 years to 10.5 percent after 40 years. These values are only slightly above those of the main analysis. For the savings proxy, the share of real losses after 40 years is 77.4 percent.

Even the savings proxy loses purchasing power on average after tax. The risk of loss in equities remains, but it declines with diversification and with the length of the investment. Two further factors matter for retirement savings. Higher costs lengthen the holding period beyond which no real loss occurs. In addition, sequence-of-returns risk comes into play in the withdrawal phase (Krischanitz 2026). A market slump at the start of withdrawals hits wealth when it is largest and is hard to make up while withdrawals continue.

3 The Third Pillar: Austrian and International Evidence

3.1 Typology

The tax treatment of the third pillar in Europe can be classified into five types. There are 1) tax-advantaged investment and retirement savings accounts, 2) exemptions that depend on the holding period (holding-period exemptions), and 3) annual tax-free allowances. In addition, there are 4) general exemptions for private capital gains and 5) models with annual taxation that tax a deemed return or the increase in value each year instead of the realized gain. Type 1 dominates in Europe. Of the 32 European countries, 14 have such an account or have adopted one, in some cases alongside other types.[11] The Czech Republic and Germany have created pension-linked variants. The Swedish Investeringssparkonto and the Danish Aktiesparekonto are among the 14 accounts but do not exempt returns from tax. Both levy tax every year, even without a sale (type 5). In Sweden, the tax is due even in years in which prices fall.

Austria has no account of type 1. Sections 3.3 and 3.4 examine its state-subsidized product, the prämienbegünstigte Zukunftsvorsorge.

[11] The count covers the EU and EFTA countries and the United Kingdom. For the EU and the EEA, the European Commission (2025b) lists eleven countries with savings and investment accounts. They are Denmark, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Norway, Slovakia, and Sweden. Slovenia and Poland have been added since then. Outside the EEA, the United Kingdom has such an account.

3.2 Country Profiles

Japan introduced the Nippon Individual Savings Account (NISA) in 2014 as an instrument of structural policy ("from savings to investment"). Until 2023, the tax exemption applied only for a limited period, the contribution limits were tight, and the account variants could not be combined. The 2024 reform remedied these weaknesses. Since then, gains and dividends have been permanently tax-free, with an annual limit of 3.6 million yen and a lifetime limit of 18 million yen, measured at acquisition cost. After sales, the freed-up room becomes available again from the following year (Financial Services Agency n.d.). The reform triggered a surge in demand. At the end of 2025, there were 28.2 million accounts, which works out to slightly more than one account for every four adults in Japan. Cumulative purchases reached 71 trillion yen, or about 386 billion euros (Financial Services Agency 2026).

The United Kingdom has offered the Individual Savings Account (ISA) since 1999 in several variants with a combined annual allowance of 20,000 pounds. Within this allowance, interest, dividends, and capital gains are tax-free. In 2024/25, 16.8 million adult ISAs received contributions, and holdings reached 952 billion pounds (HM Revenue & Customs 2026a). Because the tax advantage also covers cash deposits, a large share of the money flows into cash variants. Most recently, 64 percent of the accounts that received contributions were cash ISAs, and they accounted for 44 percent of holdings. Under the 2025 Autumn Budget, the cash ISA allowance for people under 65 will be limited to 12,000 pounds starting in April 2027. The remainder of the overall allowance will be open to securities only (HM Revenue & Customs 2026b).

France's Plan d'Épargne en Actions (PEA), introduced in 1992, is the oldest regulated investment account in the European Union. After five years without a withdrawal, gains and dividends are exempt from income tax, but social charges of 18.6 percent still apply. Eligible securities are those from the EU and the EEA (Code monétaire et financier, CMF, Art. L221-30 et seq.). At the end of 2025, there were about 7.3 million plans with securities holdings of 126.5 billion euros (Banque de France 2026). The PEA-PME, added in 2014, channels capital to smaller issuers.

Sweden and Denmark, by contrast, tax every year and not only at sale. In the Swedish Investeringssparkonto (ISK, 2012), a deemed return is taxed at 30 percent regardless of the actual gain. More than four million taxpayers hold an ISK. Since 2025, a tax-free base amount per person has applied, which was doubled to 300,000 kronor in 2026 and covers ISK and endowment insurance together (Skatteverket 2026). The Danish Aktiesparekonto (2019) taxes each year's increase in value at 17 percent, even if nothing was sold. Contributions are possible as long as the account value at the end of the previous year is below the ceiling of 174,200 kroner. Gains may carry the value above it (Skattestyrelsen 2026).

With its retirement provision reform act (Altersvorsorgereformgesetz, BGBl. 2026 I Nr. 156), Germany created a retirement investment account (Altersvorsorgedepot) that will replace the Riester pension for new contracts as of January 1, 2027. It provides for government subsidies of up to 540 euros plus 300 euros per child and for return-seeking investment without a mandatory guarantee. Every provider must offer a standard account with automatic de-risking and a cap on total costs of 1.0 percent per year. Two expert bodies go further. In June 2026, the pension commission recommended a mandatory funded component in the statutory pension with an additional contribution of 2 percent, invested centrally on the Swedish model at a target cost of no more than 0.1 percent per year (Alterssicherungskommission 2026). The Council of Economic Experts had proposed a subsidized account with automatic enrollment of the entire labor force and a state-run default product (German Council of Economic Experts 2025, paragraphs 422 and 423).

Several Central and Eastern European countries have also introduced such accounts. Since 2024, the Czech Republic has supported the long-term investment product (dlouhodobý investiční produkt, DIP) through a tax deduction for contributions of up to 48,000 koruna per year, which is shared with the other supported retirement products. Returns within the DIP remain taxable under the general rules. The tax benefit requires a term of ten years and a minimum age of 60 (Zákon č. 462/2023 Sb.). Slovenia has had the individual investment account (INR) since March 2026, in which the first payout after 15 years is tax-free if nothing was withdrawn before (ZINR 2025). Hungary has had the long-term investment account TBSZ since 2010, with an exemption after five years. It has no contribution limit, but contributions are possible only in the opening year (Szja tv. § 67/B). Since 2016, Slovakia has exempted long-term investment savings (DIS) after 15 years, with contributions of at most 6,000 euros per year (Zákon č. 595/2003 Z. z.). In July 2026, Poland adopted a personal investment account (OKI) that will start on January 1, 2027 (Dz. U. 2026 poz. 1098). Table 3 compares the parameters.

Table 3: Tax-advantaged investment and retirement savings accounts compared

Country	Instrument (since)	Annual limit	Lifetime limit	Holding or lock-in period	Tax treatment in the account
Japan	NISA (2014/2024)	¥3.6 million (approx. €19,600)	¥18 million (approx. €97,800) at acquisition cost, reusable after sales	None, permanent	0% on gains and dividends
United Kingdom	ISA (1999)	£20,000 combined	None	None (Lifetime ISA with withdrawal rules)	0%, including interest. Cash share limited from 2027
France	PEA / PEA-PME (1992/2014)	None	€150,000, with PEA-PME €225,000	5 years	Exempt from income tax, 18.6% social charges
Sweden	ISK (2012)	None	None	None	30% on deemed return, base amount SEK 300,000 per person across ISK and endowment insurance
Denmark	Aktiesparekonto (2019)	None	DKK 174,200, measured by the account value at the end of the previous year	None	17% on annual increase in value, loss carryforward
Germany	Altersvorsorgedepot (2027)	€1,800 subsidized, up to €6,840	None	Payout from age 65	Subsidy, taxed at payout. Standard account, total costs ≤ 1.0%
Czech Republic	DIP (2024)	CZK 48,000 deductible, shared with other retirement products	None	Age 60 and at least 10 years	Deduction for contributions, returns taxed as usual, clawback on early withdrawal
Slovenia	INR (2026)	€5,000 + €5,000 for domestic securities (year 1: €20,000)	€150,000	15 years	0% on first withdrawal after 15 years with no earlier withdrawal, 15% otherwise
Austria	**No account**	**Not applicable**	**Not applicable**	**Not applicable**	**27.5% from the first euro in a securities account**

Sources: legal provisions and official data as listed in the references. Yen amounts converted at the ECB reference rate of December 31, 2025. Hungary (TBSZ), Slovakia (DIS), and Poland (OKI, from 2027) are covered in the text. The Austrian Zukunftsvorsorge is a guaranteed product and not an account (Section 3.3).

3.3 The Austrian Zukunftsvorsorge

The prämienbegünstigte Zukunftsvorsorge is a state-subsidized retirement product governed by §§ 108g to 108i of the Income Tax Act (EStG). The law admits insurers, pension investment funds, and severance funds as providers. In practice, insurers and investment fund companies have sold it. Savers receive a government bonus on their contributions, and returns are tax-free if the capital is used for retirement. Subsidized contributions are capped. In 2025, the contribution limit was 3,553 euros per year (FMA 2026). In exchange, the law prescribes how the money is invested and when it can be withdrawn. The Financial Market Authority (FMA) reports on the market every year.

Contributions are locked in for at least ten years. The provider or a bank must guarantee that the amount available for an annuity is not less than the contributions paid plus the bonuses credited. The law also prescribes a minimum equity allocation. Initially, it was 40 percent of the assets. The stocks must have their first listing on an exchange in a country of the European Economic Area (EEA) whose stock market capitalization does not exceed a set percentage of GDP, 30 percent initially and 40 percent since 2007 (BGBl. I Nr. 10/2003 and § 108h EStG). This threshold excludes countries with large stock markets relative to their economies.

The minimum equity allocation was revised twice. A law passed at the end of 2009 lowered it to 30 percent for existing contracts and made it dependent on age for contracts concluded from 2010 onward. For these contracts, it is 30 percent below age 45, 25 percent from 45 to 54, and 15 percent from age 55. For contracts concluded since August 2013, the equity allocation must lie between 15 and 60 percent below age 50 and between 5 and 50 percent from age 50 onward, and the exchange requirement has to be met by only 60 percent of the stocks held (§ 108h EStG). The government bonus changed as well. It was between 8.5 and 9.5 percent of contributions from 2004 to 2011 and has been 4.25 percent since 2012 (FMA 2014 and FMA 2026).

After the lock-in period, savers can convert their claim into an annuity or transfer it to another retirement product. If a saver takes a lump sum instead, half of the bonuses must be repaid, the gains are taxed at 27.5 percent, and the guarantee lapses (§§ 108g to 108i EStG).

The product grew quickly in its first years. At the end of 2012, there were 1.64 million contracts (FMA 2014). The number has fallen in each of the 13 years since then. At the end of 2025, about 729,000 contracts remained, 6.7 percent fewer than a year earlier and less than half the 2012 figure.[12] Only 7,223 new contracts were signed in 2025. Of the 18 insurers surveyed by the FMA, four still offered new contracts, and investment fund companies have not sold the product for more than ten years. Assets under management amounted to 9.27 billion euros (FMA 2026).

Over the eight years to the end of 2013, the products returned 1.47 percent per year before costs. A benchmark that the FMA describes as 40 percent Austrian equities and 60 percent Austrian government bonds, without guarantee costs, returned 4.51 percent per year over the same period (FMA 2014). Consumer prices rose by 2.1 percent per year. On average, contributions thus lost purchasing power before costs and before the government bonus.

Since August 2013, insurers have had to disclose costs for new contracts. In 2014, the Vienna Chamber of Labor obtained offers from 17 insurers for a contract with a monthly premium of 100 euros. Where acquisition costs were stated as a total, they ranged from 340 to 1,440 euros. Only one insurer stated the ongoing costs as a total (Kollmann et al. 2014).

[12] The figure for 2025 covers only insurers, because the FMA no longer collects data from investment fund companies. At the end of 2013, insurers accounted for 94 percent of all contracts (FMA 2014 and FMA 2026).

3.4 Assessment of the Zukunftsvorsorge

The FMA attributed the weak performance in 2013 largely to the persistently low-interest-rate environment and to the capital guarantee required by law. It traced the differences in effective equity allocations between providers to the guarantee model used. At providers whose models reduce the equity allocation when prices fall, equity exposure was cut almost completely in 2008, and these contracts did not take part in the recovery that followed. At the end of 2013, 119,533 contracts, or 7.3 percent of the total, still had an effective equity allocation below 1 percent. Among the contracts of investment fund companies, 93.6 percent were in this position. Their equity holdings are hedged, which protects these contracts against falling prices but prevents them from benefiting when prices rise (FMA 2014).

The guarantee is nominal, whereas the loss documented in Section 2 for the savings proxy is a loss of purchasing power. For equities, the probability of a real loss declines with the holding period. As noted in Section 2.1, insuring against a shortfall below the risk-free return nevertheless becomes more expensive with the horizon (Bodie 1995). A nominal guarantee is a weaker promise. When interest rates are low, however, securing it ties up a large part of the capital in safe assets even over long terms. At the end of 2013, more than half of the contracts had terms of 30 years or more (FMA 2014). Over such periods, a mandatory nominal guarantee limits the equity allocation and does not protect against the loss of purchasing power.

Under the exchange requirement, the equity allocation was in practice invested almost entirely in Austrian stocks. At the end of 2013, equities made up about 33 percent of the assets, of which Austrian stocks accounted for 31.2 percentage points and foreign stocks for 1.6 (FMA 2014). The price of this concentration was risk rather than return. Since 1987, Austrian equities have returned slightly more than European equities after KESt (Table 1), but their annual returns have fluctuated far more (Section 2.4), and their simulated share of real losses after 40 years is about twice as high, a difference that Section 2.6 attributes only in part to diversification.

Within ten years, the product had three investment regimes, and the bonus was halved. The FMA attributes the decline in contracts to the low-interest-rate environment and the reduced bonus, and higher interest rates since 2022 have not revived new business (FMA 2026). The case shows, however, that the subsidy did not prevent the decline of a product with these features.

3.5 Design Lessons

The tax-advantaged annual amounts range from about 2,000 euros in Germany and the Czech Republic to 20,000 pounds in the United Kingdom. Slovenia and Slovakia lie in between, with 5,000 to 10,000 euros. Japan, France, Denmark, and Slovenia have a lifetime limit. The holding periods range from five years to retirement age, and four of the eight accounts in Table 3 have none. Permanence and simplicity of the rules also matter. In Japan, time limits and parallel accounts held back uptake until 2023. In Hungary, restricting contributions to the opening year makes regular saving difficult. One account per person with a single limit structure is a proven model. The British experience suggests limiting or excluding bank deposits. For investor protection, Germany relies on a default: every provider must offer a diversified standard product with a declining equity allocation and a cost cap. The Austrian case adds a lesson on guarantees, taken up in Section 4.2.

4 Implications for the Third Pillar in Austria

4.1 What the Evidence Shows

The results from Section 2 support broadly diversified equity investments in the third pillar. After KESt, equities achieved a real increase in wealth in all periods shown in Tables 1 and 2. The savings proxy, by contrast, lost purchasing power. A basic risk of loss in equities nevertheless remains. It declines with broader diversification and longer holding periods, and higher costs increase it. A tax-advantaged retirement savings account can make access to such an investment easier. The size of the tax advantage and its distributional effects require a separate decision. Participation itself has a distributional side. In Germany, households in the lower half of the wealth distribution hold mainly deposits and life insurance with low returns, and the return on wealth rises with net wealth (German Council of Economic Experts 2025, paragraphs 367 and 370). The Council cites evidence from Sweden, where mandatory funded provision raised stock market participation mainly among households that had not invested before, and from Denmark, where participation in lower income groups rose and wealth inequality fell (paragraph 395). The German pension commission counts reaching those who so far have no access to capital markets among the main reasons for strengthening funded elements (Alterssicherungskommission 2026, p. 59). For Austria, where only about 6 percent of households hold shares directly, this is an argument for an account that is simple to open and to use.

For tax policy, what matters is the difference between the results before and after tax. KESt is levied on nominal returns and thus also on the compensation for inflation. An investment of 100 units of purchasing power in Austrian equities at the end of 1969 has grown to 1,364 before tax and to 744 after KESt. For European equities since the end of 1974, the figures are 2,983 before tax and 1,507 after KESt. For the savings proxy since 1970, a real return of 0.2 percent before tax turns into −0.6 percent after tax. In an account exempt from KESt, the investor would keep the return before tax, and only foreign withholding taxes on dividends would still apply.

Such an account can also be justified from the standpoint of tax design. An investor who contributes out of taxed income and receives the returns tax-free is not taxed more heavily on future consumption than on present consumption. In this spirit, the Mirrlees Review in the United Kingdom recommends not taxing the normal return to saving, that is, the risk-free rate of return (Mirrlees et al. 2011). A full exemption within the account goes further because it also exempts excess returns.

4.2 Design Criteria for the Third Pillar

Table 4 shows the design criteria for an Austrian retirement savings account and their basis, and it sets them against the design of the Zukunftsvorsorge. Some of them rest on the results from Section 2, others on the Austrian experience and on the experience of the countries compared. The contribution limit, the lock-in period, and the withdrawal rules, by contrast, are design choices to be made by the legislature. The contribution limit caps the tax advantage per person. The distributional effect also depends on who participates and how fully the limit is used.

The case for a retirement savings account does not rest only on how widespread such accounts are in Europe. In its usual form, a holding-period exemption exempts every capital gain once the period has expired. A contribution limit and product requirements could also be built into such an exemption, but an account combines them in one place. It is also simple to administer because the holding period does not have to be documented for every single purchase.

Such an account supplements the first and second pillars of retirement provision. It does not replace any existing benefit and is not linked to any benefit parameter of the first pillar. The reform of the

second pillar adopted in 2026 points in the same direction by allowing return-seeking investment of Abfertigung Neu assets without a capital guarantee.

One criterion in Table 4 rests on the Austrian experience: no mandatory capital guarantee. The second-pillar reform just mentioned and the new German account both do without one.

An alternative would be a Zukunftsvorsorge without the guarantee. The legal framework, the distribution network, and the government bonus would remain. The bonus reaches savers regardless of the returns they earn, whereas a tax exemption pays off only when returns arise.

Several features would remain, however: the contract with a single provider rather than an account, the investment rules, the clawback of half the bonus, and above all the cost structure. Section 3.3 shows high acquisition costs and patchy disclosure of ongoing costs. Costs compound in the same way as returns. Ongoing costs of 1 percent per year reduce the final wealth of a 40-year investment by about one-third, and they lengthen the holding period beyond which Austrian equities no longer show a real loss after KESt from 19 to 24 years (Section 2.4). A reformed Zukunftsvorsorge would therefore need a cost cap and a standard product as much as an account would. An account separates the tax advantage from any particular product, lets savers choose low-cost, broadly diversified funds, and is not tied to one provider. The German reform of 2026 shows that a bonus can be combined with an account.

Table 4: Design criteria for a retirement savings account, compared with the Zukunftsvorsorge

Criterion	Retirement savings account	Zukunftsvorsorge	Basis
Account form	Dedicated account instead of a general holding-period exemption	Contract with an insurer or fund under prescribed investment rules	Country comparison (3.1, 4.2). An account combines a contribution limit and a standard product in a simple procedure
Long holding period	Incentive or lock-in for long-term holding	Lock-in period of ten years. Lump sum only with repayment of half the bonus	Evidence (2.4 to 2.6). The risk of loss in the equity market declines only over long holding periods. The form of the lock-in is a design choice
Broad diversification	Broadly diversified standard product as the default	Stocks from European markets with low capitalization relative to GDP, in practice Austrian stocks	Evidence (2.4, 2.6). European equities fluctuated less and have had fewer loss windows since 1975 than Austrian equities
Guarantee	No mandatory capital guarantee	Mandatory nominal guarantee of contributions and bonuses	Austrian experience (3.4). Equity exposure cut in 2008 under guarantee models that de-risk when prices fall. Germany without a mandatory guarantee from 2027
Low costs	Low ongoing costs, for example through a cap	No cap. Cost disclosure for contracts since August 2013	Evidence (2.4, 4.3). Ongoing costs reduce the compounding effect and increase the number of real loss windows
No bank deposits	Securities, no bank deposits in the account	No rule on deposits in the tax law. About two-thirds of the assets outside equities (2013)	Evidence (2.3). Even before tax, the savings proxy returned only 0.2 percent per year in real terms. British experience with cash ISAs (3.2)
Simplicity	One account per person, permanent rules	Three investment regimes since 2003. Bonus halved in 2012	Country comparison (3.2, 3.5). Japan before 2024, Hungary
Contribution limit	Cap on tax-advantaged contributions	Subsidized contributions capped at 3,553 euros per year (2025)	Design choice. Limits the budgetary impact. Reference values in Table 3
Withdrawal	Rules for the withdrawal plan and longevity	Annuity or transfer to another retirement product. Lump sum: gains taxed at 27.5 percent	Design choice. Sequence-of-returns risk (2.6)

Source: author's compilation. Zukunftsvorsorge according to §§ 108g to 108i EStG, FMA (2014), and FMA (2026).

4.3 Open Questions and Limitations

How strongly a tax-advantaged account changes saving behavior is not clear-cut empirically. Chetty et al. (2014) find for Denmark that tax advantages mainly redirect existing saving. There, the tax subsidy raised total saving by only about 1 percent of the budgetary funds spent, while automatic contributions had a far stronger effect. In Austria, however, the level of saving is not the main issue because households already save a great deal. From an economic point of view, it therefore makes sense for ongoing saving to flow into broadly diversified securities instead of savings deposits.

The fiscal costs must be calculated against the counterfactual, that is, measured against the tax that would actually have been collected without the account. The product of holdings, return, and tax rate can overstate the revenue loss because it assumes that the same money would otherwise have been held in a taxable securities account. What matters is which part of the money comes from bank deposits, from existing taxable securities accounts, or from additional saving. For money that would otherwise sit in savings deposits, only the KESt on interest is lost. Moreover, a revenue loss arises only when returns are earned.

The withdrawal phase also remains to be clarified. Longevity risk can be covered in several ways, of which annuitization is one. Alternatives are a tax-neutral transfer to a pension fund or a deferred annuity component starting at an advanced age. Whether and in what form such protection should be mandatory is for the legislature to decide.

Costs help determine the effect of a tax advantage (Section 4.2). The threshold of 24 years with ongoing costs of 1 percent per year falls to 20 years in the robustness check with the December values of the consumer price index. A cost cap therefore needs a clear definition of total costs and a fixed calculation method. A retirement savings account should also be accompanied by financial education and evaluated regularly.

The main analysis covers 56 years and the long series 68 years. The number of independent twenty-year periods is therefore limited. For the years up to 1986, the Austrian returns rest on an assumed constant dividend yield of 2.82 percent and not on observed dividends. The long series also covers two stock market regimes that can be compared only to a limited extent. The simulation is based on the same historical data. Its results also depend on the assumed equity return. With a real return of 4 instead of 5 percent, the share of real losses after 30 years and after KESt rises from 12.2 to 19.6 percent for Austrian equities and from 6.7 to 13.2 percent for European equities. Without calibration, that is, with the historical mean real returns of 4.8 percent for Austrian and 6.9 percent for European equities, the shares are 14.0 and 1.8 percent. All windows and simulations refer to a lump-sum investment. Regular contributions and withdrawals require a separate calculation. Finally, we apply today's KESt rules uniformly to all years and thus do not reproduce the historical sequence of tax rules. The calculation also assumes a direct investment. For investment funds and ETFs, deemed distributed income is already subject to KESt during the holding period, including part of the capital gains realized within the fund (§ 186 of the Investment Fund Act, InvFG 2011). The reported returns after KESt therefore cannot be read directly as the net returns of a fund.

5 Conclusions

Broadly diversified equity investments are a suitable building block for the third pillar of retirement provision. Since 1987, the first year with directly observed total returns, Austrian equities have returned 4.46 percent per year in real terms after KESt and before costs, and European equities 4.18 percent. Over the same period, the savings proxy has lost 0.25 percent per year in real terms even though it earns more interest than overnight deposits. In the sample, no window of 20 years or more

ends in a real loss for Austrian equities since 1970 or for European equities since 1975. For the savings proxy, by contrast, more than 40 percent of the twenty-year windows end in a real loss. The series extended back to 1958 yields a real return of 4.07 percent per year after KESt but also shows seven loss-making twenty-year windows. The Vienna equity market, which was very narrow until the mid-1980s, probably contributed to this and limits the transferability of these results. At the same time, they underline the importance of broad diversification beyond the home market. In the baseline scenario of the simulation, the share of real losses after KESt falls from 27.7 percent after 10 years to 8.5 percent after 40 years for Austrian equities and from 18.8 to 4.2 percent for European equities. The savings proxy, by contrast, ends in a real loss in 80.5 percent of the paths after 40 years.

In Europe, the tax-advantaged account is the most common way of promoting long-term saving in securities. In 14 countries, such an account exists or has been adopted. Two more countries have pension-linked variants. The Japanese NISA before the 2024 reform and the Austrian Zukunftsvorsorge illustrate how much design matters for a retirement product. The number of Zukunftsvorsorge contracts has more than halved since 2012, in a period that also saw low interest rates and a halved bonus. The product combines a mandatory nominal guarantee with a minimum equity allocation that was in practice invested in the home market, and its rules changed several times.

The results, the Austrian experience, and the country comparison yield criteria for an Austrian retirement savings account. It should be designed as a dedicated account with permanent rules, broadly diversified securities investment, and low ongoing costs. It should not require a capital guarantee, and it should not permit bank deposits. Such an account supplements the statutory pension and can reduce the strong concentration of private saving in bank deposits. The contribution limit, the lock-in period, and the withdrawal rules are for the legislature to determine.

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Declaration of generative AI use: The author used generative AI tools (Claude by Anthropic and ChatGPT by OpenAI) to prepare and check the data, to draft and edit parts of the text, and to improve language and readability. The author reviewed and edited all output and takes full responsibility for the content of the paper.

Data Appendix

A Data and Sources

Austrian equities. Until 1986, December values of the OECD share price index (FRED SPASTT01ATM661N) plus a dividend yield of 2.82 percent per year. From 1987, value-weighted returns with and without dividends from the Kenneth R. French Data Library.

European equities. Dollar returns since 1975 from the Kenneth R. French Data Library, converted into schillings and, from 1999, into euros (FRED CCUSSP01ATM650N and DEXUSEU).

Inflation and interest rates. National consumer price index from Statistics Austria (WKO 2026). OeNB discount rate until 1988 (BIS 2026, FRED IRSTCB01ATM156N), thereafter three-month interbank rate (FRED IR3TIB01ATM156N).

Robustness checks. ATX Total Return from the Vienna Stock Exchange (ISIN AT0000A09FJ6). Interest rates on overnight deposits from OeNB (2026). December values of the consumer price index since 1958 from the OECD (FRED AUTCPIALLMINMEI), December 2025 from Statistics Austria (2026). Japan from the end of 1989, before tax: total return on the equity market from the Kenneth R. French Data Library, converted into yen. Saver earning the one-year government bond yield (LSEG). For 1990, price return of the TOPIX plus dividend yield and the money-market rate from the Jordà-Schularick-Taylor Macrohistory Database.

B Historical Loss Windows

The table shows all twenty-year windows of the long series starting in 1958 with a real loss and all loss windows of 30 years or more. Real final values after KESt per 100 units of purchasing power, annual reinvestment, before costs. The savings proxy column refers to the same period.

Window	Length	Final value Austrian equities	Loss	Final value savings proxy
1960–1979	20 years	98.91	−1.09%	80.95
1961–1980	20 years	69.14	−30.86%	78.18
1962–1981	20 years	39.47	−60.53%	76.50
1963–1982	20 years	44.15	−55.85%	76.83
1964–1983	20 years	54.90	−45.10%	76.10
1965–1984	20 years	57.58	−42.42%	74.68
1968–1987	20 years	96.26	−3.74%	77.50
1962–1992	31 years	88.31	−11.69%	87.22
1962–1994	33 years	97.10	−2.90%	89.35
1962–1995	34 years	88.33	−11.67%	90.42
1962–1996	35 years	97.25	−2.75%	90.98

Source: author’s calculations. The years denote the annual returns included. A window 1962–1981 corresponds to an investment from the end of 1961 to the end of 1981.

C Tax Calculation

For equities, V denotes the nominal portfolio value and A the cost basis for tax purposes, both with an initial value of 100. With the total return r and the dividend yield d of year t, $V_t = V_{t-1}(1 + r_t) - 0.275\, d_t\, V_{t-1}$ and $A_t = A_{t-1} + 0.725\, d_t\, V_{t-1}$. The dividend is reinvested after deduction of KESt and raises the cost basis. At sale after T years, KESt of $0.275 \cdot \max(V_T - A_T, 0)$ is due. If the portfolio value is below the cost basis, no tax arises. No loss offset against other investment income is assumed. The real final value is the portfolio value after this tax, divided by the price index. For the savings proxy, positive interest is taxed at 25 percent each year. Ongoing costs reduce the portfolio value at year-end by the stated percentage.