

# Retirement savings took a beating in 2022

**Pension savers came out of 2022 with extensive losses on their investments – regardless of savings product and risk. However, the year ended on a positive trend.**

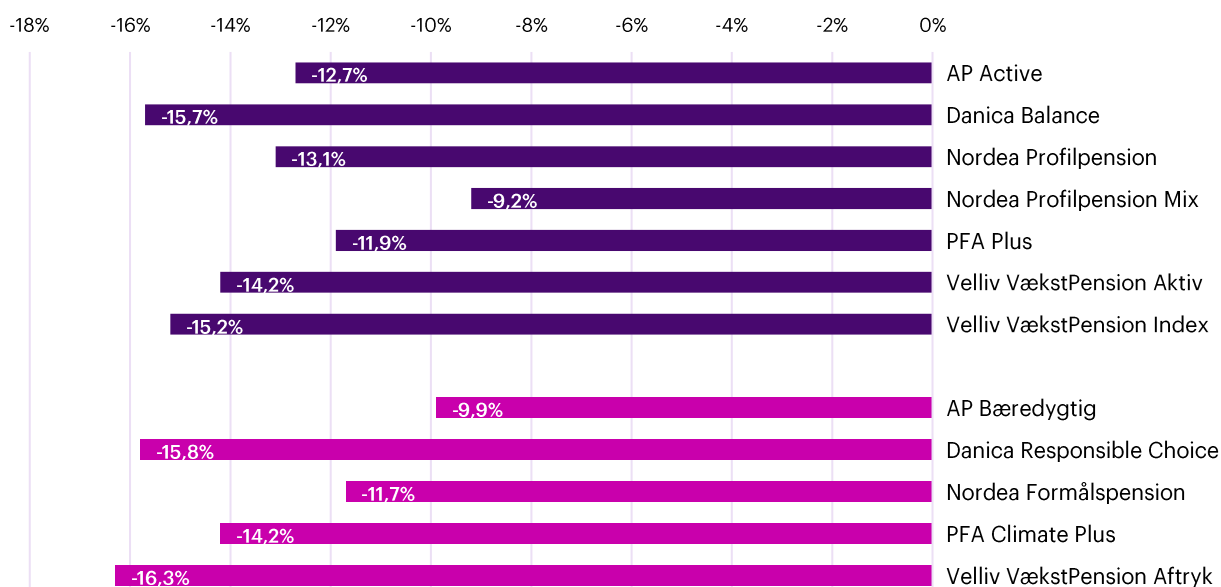
*By Martin Wex*

From minus 9.2 to minus 16.3 percent. That is the return spread on pension savings in 2022 for everyone with more than 30 years until retirement and their retirement savings invested with medium risk in a so-called life cycle product, where the risk is automatically reduced as the retirement age approaches.

Clients in Nordea Pension – formerly Topdanmark Livsforsikring – with their savings invested in Profilpension Mix have fared the best – suffering a loss of 9.2 percent in 2022. Velliv clients who have chosen Velliv's green savings product, VækstPension Aftryk, have done the worst – suffering a loss of 16.3 percent in 2022.

»2022 has been a tough year with extensive losses on stocks and bonds all over the world, so it has been virtually impossible for pension companies to find a safe haven for their investments in securities. On the other hand, the pension companies have had success with their so-called alternative investments in for example properties and infrastructure – and this has counteracted some of the loss,« says Investment Analyst Bo Henriksen from WTW.

## Pension company returns on life cycle products in 2022



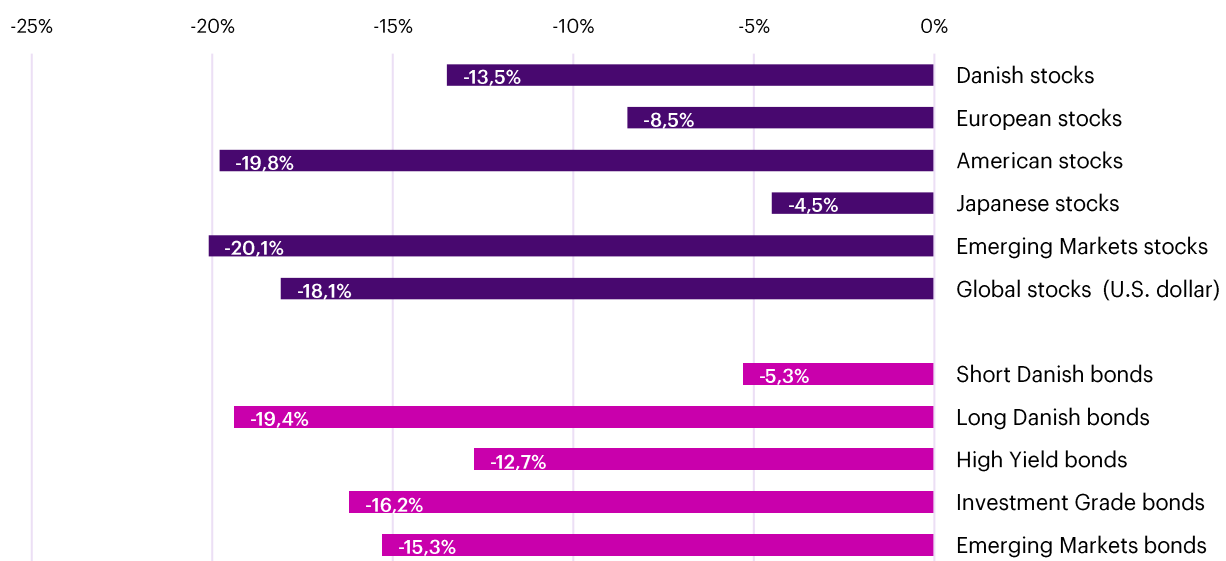
**COMPANY RETURNS** The bar chart shows the returns from 1 January to 31 December 2022 on life cycle products for people who have chosen medium risk and have more than 30 years until retirement. The pink bars show the returns on sustainable investments.

All international stock markets suffered losses in 2022, but some stock markets made smaller losses than others. Japanese stocks performed the best with a loss of 4.5 percent, while U.S. and Emerging Markets stocks performed the worst, with losses close to 20 percent.

On the bond side, Danish bonds ended up at the top and at the bottom. Short-term Danish bonds performed the best with a loss of 5.3 percent, while long-term Danish bonds, which are very interest rate sensitive, performed the worst with a loss of 19.4 percent.

According to Bo Henriksen, the large losses on long-term bonds are also the reason why those who had chosen a low-risk life cycle product suffered losses almost equal to those with medium and high risk.

## Stock and bond market returns in 2022



**MARKET RETURNS** The bar chart shows the returns from 1 January to 31 December 2022 in different investment markets. The purple bars show the returns on stocks. The pink bars show the returns on bonds.

## Positive end to the year

During the first three quarters of 2022, stock markets were in a constant negative trend. In the fourth quarter, however, the trend was reversed across most of the world.

»Overall, 2022 has been a nightmare for investors, but especially during October and November we actually saw a rise in stock prices in several markets, so the overall result for 2022 ended up being not quite as bad as it seemed at the end of September. This is mainly due to a falling U.S. inflation rate, which created an expectation of falling interest rates, and that investors' risk appetite returned at the end of the year,« says Bo Henriksen.

At the end of September, Danish stocks were down 26.8 percent, but rose by 18 percent in the fourth quarter, ending the year with a more tolerable minus of 13.5 percent. Similarly, European stocks went from a minus of 17.2 percent after three quarters to a total minus of 8.5 percent at the end of the year.

WTW offers webinars that provide insight into the retirement savings investment options with the five commercial pension companies – AP Pension, Danica Pension, Nordea Pension, PFA Pension and Velliv – and also webinars on the pros and cons of sustainable investments. Find out more at [wtw-event.dk](https://www.wtw-event.dk)