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Riester-Rente — State-Subsidised Retirement Savings Explained

Riester-Rente offers subsidies and tax benefits for retirement savings. Learn who is eligible, how subsidies work, and whether Riester-Rente is still worthwhile in 2026.

Deutsche Begriffe: Riester-Rente | Grundzulage | Kinderzulage | Zulagenantrag | Altersvorsorge | Sonderausgabenabzug

What is Riester-Rente?

Riester-Rente is a state-subsidised private retirement savings plan. It was introduced in 2002 to help employees supplement their statutory pension with an **additional private retirement income**.

The state supports Riester-Rente through:

- **Subsidies** (direct payments to your account)
- **Tax benefits** (special expense deductions)

Who is eligible for support?

Directly eligible

- **Employees subject to social insurance** (employees, apprentices)
- **Civil servants**
- **Recipients of citizens' benefits** (ALG II)
- **Parents raising children** during the first 3 years of a child's life
- **Care providers** (non-commercial)

Indirectly eligible

• **Spouses** of directly eligible persons (even if they don't work themselves)

Not eligible

• Self-employed persons (without mandatory pension insurance)

• Students without a side job

• Pensioners

Important for foreigners: You must be **mandatorily insured in the German statutory pension insurance**. This is usually automatic for most employment relationships. Citizenship is irrelevant!

How do subsidies work?

Basic subsidy

• **€175 per year** for each eligible person

• Requirement: You contribute at least **4% of your previous year's gross income** (minus subsidies), but at least **€60 per year** (minimum amount)

Child allowance

• **€300 per year** for each child (born from 2008)

• **€185 per year** for each child (born before 2008)

• The child allowance goes to the parent who **receives child benefits** (usually the mother)

Early-career bonus

• **€200 one-time** for eligible persons under 25 years old

Calculation example

Family with 2 children (born 2018 and 2021), gross income €36,000:

Item	Amount
4% of €36,000	€1,440
minus basic subsidy	-€175

Item	Amount
minus 2 × child allowance	-€600
Your contribution	**€665/year** (approx. €55/month)
State support	**€775/year**

In this case, you pay €665 and the state adds **€775** — that's a subsidy rate of over 50%!

Tax benefits

In addition to subsidies, you can claim your Riester-Rente contributions as **special expense deductions** in your tax return:

• Maximum **€2,100 per year** (contributions + subsidies)

• The tax office automatically checks whether the tax saving or the subsidy is more beneficial (**favourable assessment**)

• For higher incomes, the tax benefit is often greater than the subsidies

Riester-Rente products

Product type	Suitable for whom?	Features
Riester Bank Savings Plan	Security-oriented	Rarely offered anymore
Riester Funds Savings Plan	Younger savers	Higher return potential
Riester Pension Insurance	Everyone	Guaranteed pension in retirement
Home Riester	Property buyers	Subsidies flow into loan repayment

Contribution guarantee

All Riester-Rente providers must guarantee that at retirement **at least the contributions paid plus subsidies** are available. You cannot lose money (nominally).

Disadvantages and criticism

• **High costs** — some contracts have acquisition and management fees of 1–2% per year

• **Complicated** — subsidy application, eligibility conditions, provider switching

• **Taxation in retirement** — Riester-Rente is **fully taxed** in retirement (deferred taxation)

• **Low flexibility** — money is locked in until retirement (exception: Home Riester)

• **Political uncertainty** — the federal government has been discussing reform for years

Is Riester-Rente worthwhile in 2026?

Particularly worthwhile for:

• **Families with children** — child allowances make up the majority of support

• **Low-income earners** — with just the minimum amount (€60/year) you receive the full subsidy

• **High earners** — benefit from special expense deductions

Less worthwhile for:

• Singles without children with middle income

• Persons who recently moved to Germany and **plan to emigrate** (subsidies may have to be repaid!)

Important when leaving Germany

If you leave Germany and can no longer use **Riester-Rente support**:

• **EU/EEA countries:** Subsidies and tax benefits must be **repaid**, but only upon pension payout (offsetting)

• **Outside EU:** Repayment of subsidies upon cancellation or payout

• **Suspend the contract:** You can pause contributions and receive the pension later from Germany

How do I open a Riester-Rente contract?

1. Compare providers — pay attention to costs (product information sheet)

2. Conclude the contract — at a bank, insurance company, or fund company

3. Submit subsidy application — either annually or as a **permanent subsidy application** (recommended!)

4. Provide social security number — to verify eligibility

5. Tax return — complete Schedule AV

Tip: Compare costs from different providers on platforms like **Finanztip** or **Stiftung Warentest**.

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