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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
<b>Your contribution</b>	<b>€665/year</b> (approx. €55/month)
<b>State support</b>	<b>€775/year</b>

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
<b>Riester Bank Savings Plan</b>	Security-oriented	Rarely offered anymore
<b>Riester Funds Savings Plan</b>	Younger savers	Higher return potential
<b>Riester Pension Insurance</b>	Everyone	Guaranteed pension in retirement
<b>Home Riester</b>	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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