5

STRENGTHENING WEALTH ACCUMULATION, TAXING INHERITANCES AND GIFTS MORE EVENLY

This is a translated version of the original German-language chapter "Vermögensaufbau stärken, Erbschaften und Schenkungen gleichmäßiger besteuern", which is the sole authoritative text. Please cite the original German-language chapter if any reference is made to this text. This translation was generated using AI.

KEY MESSAGES

↘ Wealth inequality in Germany is high compared to other European countries. The available data does not take pension entitlements into account.

↘ To strengthen wealth accumulation, the GCEE proposes the introduction of a state-subsidised long-term investment account.

↘ The current inheritance and gift tax taxes different asset types unevenly. A reform should reduce the preferential tax treatment for business assets and thus align taxation more closely with the ability-to-pay principle.

THE MOST IMPORTANT POINTS IN BRIEF

Wealth distribution is **influenced by economic and political decisions**. **Wealth differences** that arise over the course of a lifetime **due to different savings and investment behaviour can** be **economically efficient**. However, **high wealth differences at the start of life can be economically inefficient** if they limit the educational choices, career choices or opportunities for business start-ups of less wealthy individuals. **Very high wealth inequality** can also lead to a **concentration of economic power and political influence**.

The **analysis of wealth distribution in Germany** is **complicated by** the **lack of official wealth data**. In addition, available survey data do not adequately capture high-net-worth households and individuals. This chapter therefore uses adjusted survey data that reduce the underreporting of very wealthy households and harmonise the data with overall economy wealth aggregates. **Wealth inequality** in Germany is **high by European standards.** It has increased since reunification and has remained roughly constant since the 2010s. However, **pension entitlements** are **not included** in standard definitions of wealth **due to their lack of tradability**. **Including** these entitlements **reduces** the **calculated wealth inequality**. The **composition of wealth varies** considerably **along the wealth distribution**. **Households in the lower half** of the wealth distribution predominantly **hold asset types with lower returns**.

An individual's position in the wealth distribution can change over the course of their life cycle, with **wealth mobility** in **Germany** being **lower at the upper and lower ends of the distribution than in the middle**. For a **fundamental restart of wealth accumulation**, the GCEE proposes the **introduction of a subsidised long-term investment account**, which is intended in particular to contribute to security in old-age provision. The **previously fragmented state subsidies for wealth accumulation should** be **simplified** and **consolidated within this long-term investment account**. This can specifically strengthen the **savings capacity of low-income households**.

International studies show a **high correlation of wealth between successive generations**, which is due **in particular to inheritances and gifts**. In Germany, the share of wealth attributable to inheritances and gifts is estimated at 30 % to 50 %. A **reform of inheritance and gift tax should ensure more equitable taxation** that **is more closely aligned with the ability-to-pay principle** and, in particular, **reduce** the **preferential treatment of business assets. Generous deferral of the tax burden** could **avoid** a **high liquidity burden at the time of the transfer of assets**. **Better collection and provision of wealth-related data** is **necessary for research and evidence-based policy advice**. In particular, the data infrastructure should be expanded by linking official data more closely.

I. INTRODUCTION

340. In accordance with its statutory mandate, the **GCEE updates its regular analyses of income and wealth distribution in Germany** in this chapter on the basis of currently available data (most recently in the 2023 Annual Report, items 251 ff.). While the 2021 and 2023 GCEE Annual Reports primarily discussed the development of income distribution, this chapter focuses on the development of wealth distribution. An update of key indicators for income distribution is provided in the appendix. ↘ ITEM 485

Wealth plays an **important role** in an economy. ↘ ITEM 388 It enables private households **to compensate for income fluctuations** and to make **provisions for old age or periods of unemployment**. In addition, wealth can generate **regular income** in the form of interest, dividends and rental income. In addition to regular income, wealth in the form of equity is necessary for the **purchase of residential property**. In **companies**, wealth is tied up in **productive capital stock** and enables the production of goods.

341. The **distribution of wealth** in a society **is influenced by economic and political decisions**. ↘ ITEM 389 The **politically desirable level of wealth inequality is** a **normative question and depends on society's distributional preferences** and **the** potential **economic side effects of redistribution measures**. Wealth differences that arise over the course of a lifetime can be economically efficient, provided they are primarily the result of different savings and investment decisions. However, if a significant proportion of private households are unable to accumulate any or only very little wealth, they are denied the positive effects of wealth. Various channels are discussed in the theoretical literature. ↘ ITEM 389 For example, high wealth disparities at the start of life can cause economic inefficiencies. If less wealthy individuals have difficulty accessing credit, their educational decisions, career choices and opportunities to start a business may be limited, thereby inhibiting their wealth accumulation (Banerjee and Newman, 1993; Bell et al., 2019). In addition, very high wealth inequality can lead to a concentration of economic and political power, which can generate economic and political instability and distort political decisions (Alesina and Perotti, 1996; Acemoglu et al., 2015).

342. The **availability of wealth data** that can be used to analyse wealth distribution in Germany **is very limited**. ↘ ITEM 351 **Official wealth data** is **not collected**. Although **survey-based data** covers many sections of the population well, it does **not adequately capture high-net-worth households and individuals**, who hold a large proportion of the wealth. This chapter therefore analyses wealth distribution in Germany using adjusted survey data. To this end, the method developed by Albers et al. (2024) is used, which compensates for the under-coverage of high-net-worth households through a so-called top correction and also harmonises the survey data with macroeconomic wealth aggregates through extrapolations. ↘ BOX 24

343. **In 2023, the Gini coefficient of wealth distribution**, a relative measure of inequality, **was 0.76 in Germany** based on adjusted survey data from the study "private households and their finances" (PHF) conducted by the Deutsche Bundesbank. ↘ CHART 68 Relative wealth inequality has increased since reunification and has remained constant since the 2010s. ↘ ITEM 352 **Relative wealth inequality in Germany** is **high compared to other European countries**. ↘ ITEM 355 However, the inclusion of pension entitlements, which are usually not included in economic wealth definitions due to their lack of tradability, significantly reduces wealth inequality within Germany. ↘ ITEM 357 Due to a lack of comparative data, however, wealth inequality including pension entitlements can hardly be compared with other European countries.

344. The **composition of wealth varies considerably along the wealth distribution**. ↘ ITEMS 358 F. While real estate is the most important type of wealth for private households between the 50th and 99th percentile, the top 1 % of households hold a large proportion of their wealth as business assets. The bottom 50 % of households hold mainly savings deposits and life insurance policies. This **heterogeneous composition of wealth** has **an impact on real asset growth** and on the **risk of real asset losses**. ↘ ITEM 360

345. An individual's position in the wealth distribution can change over the course of their life cycle. In Germany, there is **little intragenerational wealth mobility** at **the upper and lower ends of the wealth distribution** over the life cycle. ↘ ITEMS 363 FF. **Households at the lower end of the wealth distribution** accumulate less wealth because they **save only a small proportion of their income** and their **savings** generate **lower returns**. International studies on **intergenerational wealth mobility between successive generations** show that individual wealth positions are strongly influenced by the wealth positions of parents. ↘ ITEMS 372 FF. The **most important determinants** are both **direct wealth transfers through inheritance and gifts** and the **savings and investment behaviour** learned within the family. For Germany, the **share of wealth attributable to inheritance and gifts** is estimated at **30 % to 50** %. ↘ ITEM 375

346. The **wealth accumulation of private households** can be **strengthened** in the long term **by increasing participation in capital markets and targeted promotion of wealth accumulation**. ↘ ITEMS 422 FF. International experience shows that close integration of private pension provision and wealth promotion plays an important role in this regard. In Germany, however, the Riester pension has undermined confidence in funded pension schemes shaped by state regulations. To achieve a fundamental restart of wealth accumulation, the GCEE proposes the **introduction** of **a subsidised long-term investment account** that combines high-yield fund investments, a simple standard product based on the life cycle principle and flexible payout options, thereby contributing in particular to providing security in old age. **Low-income households benefit** especially **from** a from **strong incentives to participate**. This can be achieved through the automatic enrolment of all working individuals. The savings capacity of low-income households can be further enhanced through targeted support measures. Overall, state support for wealth accumulation should be more focused

and simplified in order to improve its precision and efficiency. The planned early-start retirement account can serve as an entry point for the new system by enabling early participation in the capital market, enhancing practical financial education, and ensuring greater continuity of wealth accumulation over the course of a lifetime. In this way, Germany can restore trust in subsidised pension provision, enable broad segments of the population to build wealth and develop a sustainable capital market culture.

347. **Business assets** are **predominantly held by households in the top 1 % of the wealth distribution**. ↘ ITEM 358 Increased start-up and scaling of new companies can contribute to the long-term build-up and broader distribution of business assets. The German ecosystem for growth companies has recently developed significantly through initiatives such as the Growth Fund Germany. ↘ ITEM 401 However, in order to catch up with other countries, the **prospects for a successful exit**, for example via initial public offerings (IPOs) or company takeovers, should be improved for growth companies in Europe. **Enhancing the tax regulatory framework** for start-ups could also be helpful. ↘ ITEMS 401 FF.

348. **Inheritances and gifts**, as key **determinants of intergenerational wealth mobility**, are taxed in Germany through inheritance and gift tax. With reference to **securing jobs during company transfers, business assets** are **subject to comprehensive preferential tax treatment**. ↘ ITEMS 383 F. This is intended to prevent the liquidity burden arising from inheritance and gift tax at the time of the transfer of assets from jeopardising the continued existence of the company. ↘ ITEM 416 The comprehensive preferential tax treatment leads to **uneven taxation** of **different types of assets**, can distort legal form and financing decisions, and encourages circumvention arrangements. ↘ ITEMS 416 F. In addition, the different tax treatment of business assets has **an impact on wealth mobility**, as these are predominantly held by households at the upper end of the wealth distribution. ↘ ITEM 358

349. **Inheritance and gift tax needs to be reformed**. In recent decades, the Federal Constitutional Court (BVerfG) has repeatedly criticised the disproportionately unequal taxation of different types of assets. ↘ BOX 27 More uniform taxation of different types of assets would **bring inheritance and gift tax more into line with the principle of ability to pay** and **strengthen intergenerational wealth mobility**. **Instead of the current allowances**, which can be claimed several times, a **lifetime allowance** could be introduced for all cumulative transfer of assets received over the course of a lifetime. ↘ ITEM 431 The comprehensive **benefits for transfers of business assets below €26 million** could **be significantly reduced** if, in return, a **deferral of the tax burden on business assets** avoids a high liquidity burden at the time of the transfer of assets. ↘ ITEM 432 The **retrospective tax waiver** on transfers of **business assets exceeding €26 million** through the **need-based exemption test** is susceptible to tax planning and means that in many cases, high business assets are transferred almost or completely tax-free. It should therefore be abolished or significantly restricted. ↘ ITEMS 433 FF. Here, too, excessive tax burdens can be effectively avoided through generous deferral arrangements and, where appropriate, reduced tax rates.

350. A **better data basis** on the distribution of wealth, inheritances and gifts in Germany is **essential for evidence-based policy advice**. ↘ ITEMS 440 F. In particular, a more precise recording of the market values of business assets and real estate is necessary. An important step that has already been taken in many countries of the European Union is the comprehensive linking of already available official statistics. In addition, it should be possible to link official statistics with survey-based data sources.

II. STARTING POINT: WEALTH IN GERMANY

1. Data and current developments

351. **Since the suspension of the wealth tax in 1997, no administrative data on the distribution of wealth** have been collected for Germany. Since then, the wealth distribution has been analysed primarily based on survey data. ↘ BACKGROUND INFO 22 However, high-net-worth households and individuals are underrepresented in survey data. This makes it difficult to analyse the wealth distribution, as the GCEE has regularly pointed out in the past (GCEE Annual Report 2014 item 686; GCEE Annual Report 2016 item 824; GCEE Annual Report 2019 item 628). In recent years, researchers have therefore developed new methods to close such data gaps. Survey data is adjusted using so-called rich lists and corrected macroeconomic wealth accounts ↘ BOX 24 (Bach et al., 2019; Albers et al., 2024; Deutsche Bundesbank, 2025a) or supplemented by oversampling high-net-worth individuals (Schröder et al., 2020).

This chapter analyses the **wealth distribution based on the adjusted survey data from Albers et al.** (2024). ↘ BACKGOUND INFO 22 ↘ BOX 24 The Income and Expenditure Survey (EVS) is primarily used to describe long-term trends between 1993 and 2018. As no newer waves of the EVS survey have been published yet, the "Private Households and their Finances" (PHF) survey is used for analyses of the latest developments up to 2023. The Socio-Economic Panel (SOEP) is used to supplement the data for in-depth analyses.

↘ BACKGROUND INFO 22

Background: Definition of wealth and survey-based wealth data in Germany

In this chapter, **wealth** is **defined as** the **value of assets held by private households net of debt**. This includes tangible assets such as real estate (net of mortgage debt), financial assets such as bonds, bank deposits, life insurance policies and private pension plans, as well as listed and unlisted business assets. It does not include consumer durables, hard-to-assess items, such as works of art, non-tradable future entitlements from statutory or occupational pension schemes, or human capital. The definition used is largely in line with the concepts commonly used in OECD, ECB and Bundesbank statistics (Blatnik et al., 2024; Deutsche Bundesbank, 2024a;

OECD, 2025), which focus on marketable assets. The concept of "augmented wealth" provides a broader concept of wealth that extends traditional household wealth to include entitlements from statutory and occupational pension schemes (Bönke et al., 2020).

The most important data sources for analysing the wealth distribution in Germany are the Socio-Economic Panel (SOEP), the survey "Private Households and their Finances" (PHF), and the Income and Expenditure Survey (EVS). The **SOEP**, an **annual survey** conducted in West Germany since 1984 and in East Germany since 1990, has covered between **11,000 and 20,000 households** each year since then. Since 2002, it has also collected information on wealth at the individual level every five years as part of special focus surveys (Grabka and Westermeier, 2015). These surveys ask about real estate, business and financial assets, including private pension products, consumer durables and debt. In order to better capture wealthy households, separate samples for high-income earners and high-net-worth individuals were integrated into the SOEP in 2002 and 2019 respectively.

The **PHF** is a **panel survey on the wealth and financial situation of private households** that has been conducted by the Deutsche Bundesbank every three to four years since 2010 and covers between **3,500 and 4,900 households per wave**. It is part of the HFCS (Household Finance and Consumption Survey), a methodologically harmonised survey conducted throughout the euro area. The PHF covers the same asset categories as the SOEP, but records various forms of financial assets and debt in much greater detail. In order to better represent the distribution of wealth, wealthy households are specifically oversampled. SInce the 2017 wave, a lower participation rate of households with very high net wealth compared to previous years has led to a significantly lower coverage of these households (Deutsche Bundesbank, 2019, 2025a).

The **EVS** is a **survey of almost 60,000 private households** conducted every five years by the Federal Statistical Office and the statistical offices of the federal states. First conducted in West Germany in 1962/1963, it has included questions on the financial situation of households since 1978 and has also been conducted in East Germany since 1993 (Albers et al., 2024). In contrast to the PHF and SOEP, the EVS is a cross-sectional survey, which means that the households surveyed cannot be tracked across survey waves. Furthermore, it does not cover all business assets, but only listed company shares such as stocks and investment funds, and does not include the value of consumer durables (Federal Statistical Office, 2022).

↘ BOX 24

Background: Data adjustment by Albers et al. (2024) and Distributional Wealth Accounts

Albers et al. (2024) adjust the survey data from PHF, SOEP and EVS in order to improve the coverage of high-net-worth households. Although SOEP and PHF use oversampling procedures for high-net-worth households, these remain underrepresented. This can be attributed to a lower probability of these households being included in the sample, as well as an increased rate of non-response. In addition, business and financial assets in particular are insufficiently recorded in survey data, as evidenced by the fact that micro data aggregates fall short of the corresponding macroeconomic aggregates. One reason for this is that the valuation of assets is based on self-assessments by the households surveyed rather than on market values (Westermeier and Grabka, 2015).

Albers et al. (2024) make **two key adjustments**. First, the **under-recording of high-net-worth households in the survey data** is **reduced by means of** a so-called **top correction**. To this end, high-net-worth households are added to the survey data based on the Manager Magazin's rich

list, which has attempted to map Germany's wealthiest households annually since 2001. The high-net-worth households are imputed at the top end of the distribution, assuming a Pareto distribution. Secondly, the **survey data** is **harmonised with the macroeconomic wealth aggregates**. This is carried out using the Deutsche Bundesbank's wealth balance sheet for the private households and private non-profit institutions serving households sectors. In addition to the officially published aggregates of the Deutsche Bundesbank, Albers et al. (2024) also use other aggregates to adjust real estate assets and business assets. Real estate assets are adjusted to market value developments in order to capture the rise in real estate prices observed since 2010. Similarly, the authors revise upwards the aggregate of business assets of limited liability companies and partnerships, as market values are not usually available for these privately held companies. The effects of the adjustments made on the wealth distribution are presented in detail in the appendix. ↘ ITEM 487

In addition to Albers et al. (2024), the European Central Bank (ECB) also provides an **adjusted distribution of wealth based on the PHF survey** as part of its **Distributional Wealth Accounts (DWA)**. Based on the similar concept of net household wealth and comparable methods, the ECB has been estimating these wealth accounts on a quarterly basis for all euro area countries since 2009. To compile the DWA for Germany, the Deutsche Bundesbank combines PHF survey data with the Manager Magazin's rich list and macroeconomic wealth accounts adjusted for unlisted business assets (Deutsche Bundesbank, 2022). The distribution measures estimated on the basis of the DWA show comparable results to those estimated by Albers et al. (2024).

352. **In 2023**, the most recent survey year covered by the PHF, the nominal **median wealth of private households** amounted to **around €160,000**, with the top 10 % of the wealth distribution having assets of at least around €1.1 million and the top 1 % having assets of at least around €6 million. Real **median wealth** increased **significantly from the mid-2010s** onwards, rising by around 32 % between 2017 and 2021. However, **inflation** led to a **decline** of just under 8 % **between 2021 and 2023**.

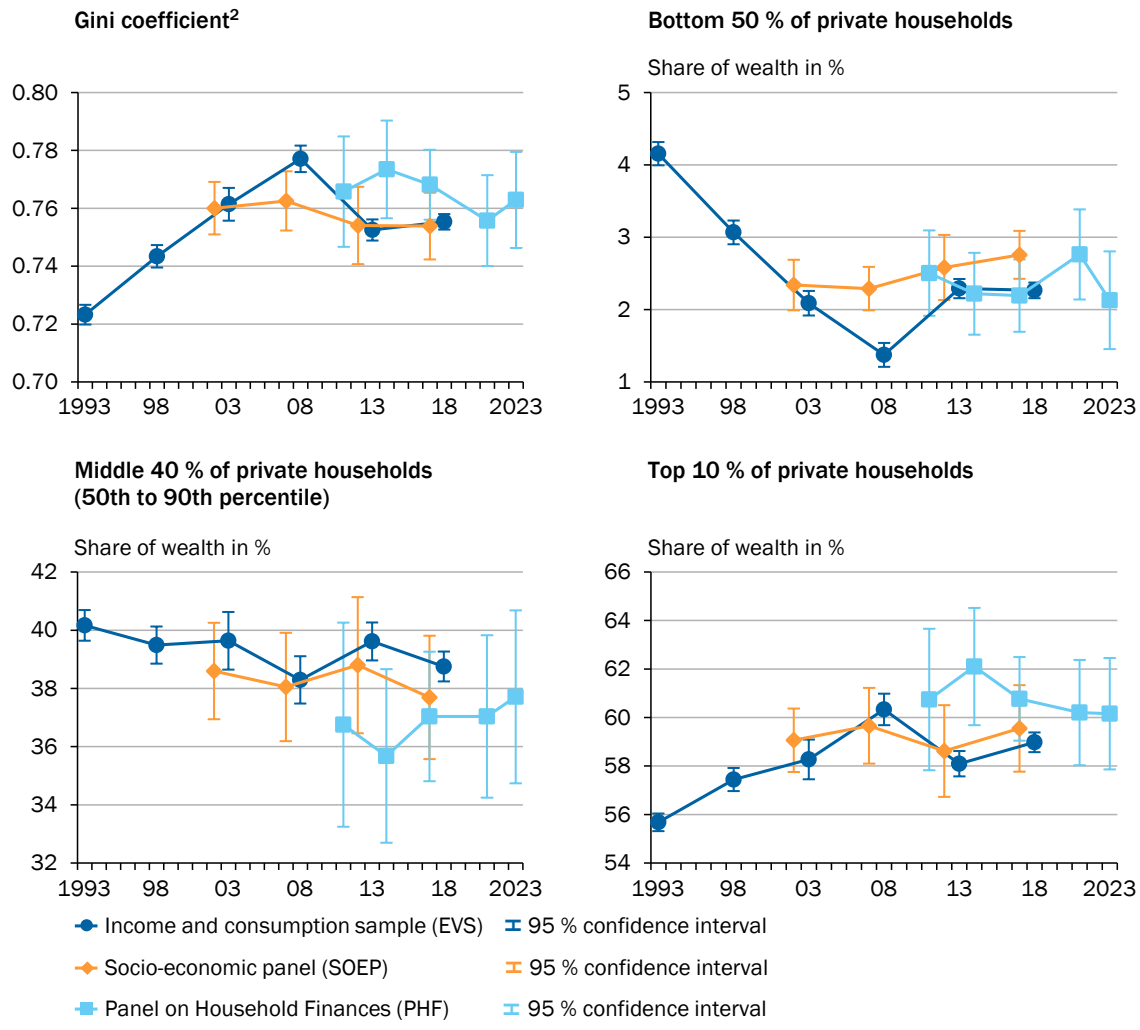
The **Gini coefficient**, ↘ GLOSSARY a relative measure of inequality, stood at around **0.76** in 2023. ↘ CHART 68 **After reunification**, relative **wealth inequality in Germany increased** significantly. **Since** about **2010**, however, the standard measures of inequality have remained **largely stable**. The Gini coefficient rose from 0.72 to 0.78 between 1993 and 2008, but has fluctuated relatively constantly around a value of 0.75 since the 2010s. ↘ CHART 68 TOP LEFT

353. To illustrate the long-term change in wealth distribution, private households are ranked in ascending order according to their wealth and grouped into three categories: the bottom 50 %, the next 40 % (from the 50th to the 90th percentile) and the top 10 % of the wealth distribution. **Consistent trends in distributional indicators** can be seen **across various data sources**. Based on the EVS, the **share of wealth held by households in the top 10 %** of the wealth distribution **rose from 56 % to 60 % between 1993 and 2008** and **then** remained **constant at around 59 %**. ↘ CHART 68 BOTTOM RIGHT In contrast, the **share of** total net wealth **held by households in the bottom 50 %** of the wealth distribution fell **from around 4 %** in 1993 **to less than 2 %** in 2008. Since 2010, this group's wealth share has fluctuated between 2 % and 3 %. ↘ CHART 68 TOP RIGHT The

share of households in the 50th to 90th percentile remained **relatively constant between 37 % and 40 %** in the period between 1993 and 2023. ↘ CHART 68 BOTTOM LEFT From a historical perspective, wealth inequality, measured by the share of wealth held by the wealthiest 1 % of households, has almost halved since 1895, with this decline occurring almost exclusively in the first half of the 20th century. ↘ BOX 25

↘ CHART 68

Measures of relative wealth inequality over time[1]



1 – The distribution measures for the EVS are taken directly from Albers et al. (2024). The distribution measures for the SOEP and the PHF were calculated using the SOEP and PHF data adjusted using the methodology of Albers et al. (2024). The confidence intervals shown were determined using a bootstrapping procedure. Specifically, 1,000 weighting sets were generated at random and applied to the original sample. The confidence interval covers the middle 95 % of the distribution of the 1,000 resulting estimates. 2 – The Gini coefficient is a measure of relative concentration or inequality and can take a value between 0 and 1. In the case of equal distribution, the value would be zero, and in the case of concentration of all wealth in the hands of just one person, the value would be 1.

Sources: Albers et al. (2024), Deutsche Bundesbank (2025b), SOEP v40, own calculations

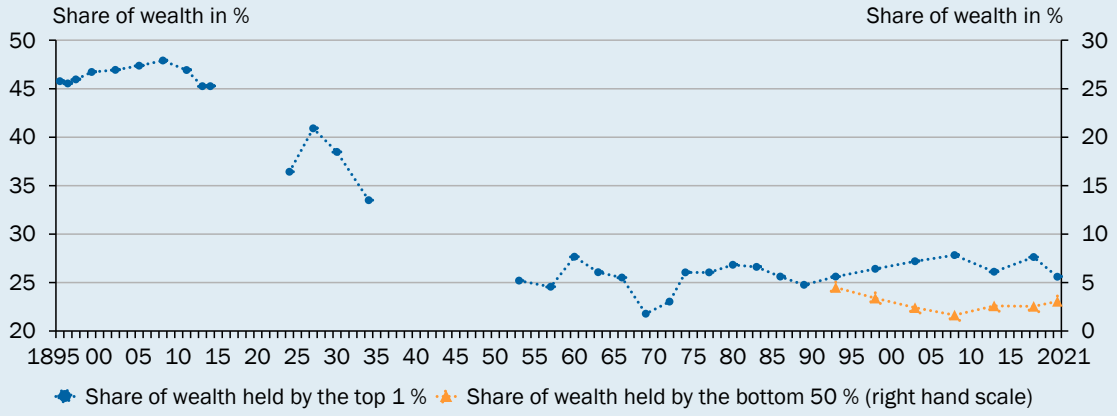
↘ BOX 25

Background: The development of wealth inequality in Germany since 1895

Albers et al. (2024) document the historical development of the wealth distribution in Germany since 1895. Their findings show that the **share of wealth held by the top 1 % of the wealth distribution** halved **between 1895 and 1969, from around 46 % to around 22 %**, followed by a moderate **rebound to around 26 % in 2021.** ↘ CHART 69 A similar trend can be observed in many developed countries today. Albers et al. (2024) show that the wealth share of the top 1 % in Germany halved in the first half of the 20th century, largely due to the wealth-destroying effects of the two world wars, the hyperinflation and the global economic crisis in the interwar period, as well as tax policy measures such as the so-called *Lastenausgleich* (equalization of burdens) ↘ BOX 28 of 1952. ↘ CHART 69

↘ CHART 69

Historical development of wealth inequality in Germany[1]



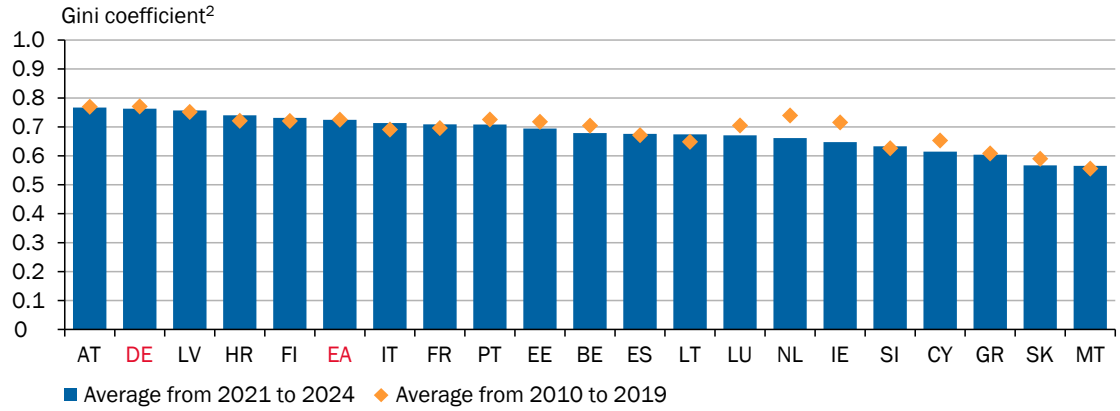
1 – The analysis is taken directly from Albers et al. (2024). The authors estimate the wealth share of the top 1 % up to 1989 based on wealth tax data. The share of wealth held by the bottom 50 % can only be estimated using survey data from the Income and Consumption Survey (EVS) and the study "Panel on Household Finances" (PHF), which have been used since 1993 and 2017 respectively and now also form the basis for estimates of the share held by the top 1 %.

Source: Albers et al. (2024)

354. **Between 1993 to 2018**, an **uneven development of wealth can be observed along the distribution**. During this period, the **wealthier half** of households **doubled their real wealth**, while the **lower half of the wealth distribution** recorded **only a real increase of 10** %. As a result, absolute wealth differences have increased. The average wealth of the top 10 % rose in 2015 prices from around €1.2 million in 1993 to €2.4 million in 2018. The group between the 50th and 90th percentile also almost doubled their average wealth in 2015 prices – from around €210,000 to around €390,000. Private households in the lower half of the wealth distribution, on the other hand, recorded only a slight increase from an average of €19,000 to €21,000 (Albers et al., 2024). Between 2017 and 2021, wealth rose visibly across the entire distribution when adjusted for inflation. In contrast, **between 2021 and 2023**, low nominal wealth growth and **high inflation rates** led to a **decline in** average **inflation-adjusted net wealth**, which was particularly **pronounced in the lower half** of the wealth distribution. ↘ ITEM 360

↘ CHART 70

Wealth inequality in the euro area[1]



1 – AT-Austria, DE-Germany, LV-Latvia, HR-Croatia, FI-Finland, EA-euro area, IT-Italy, FR-France, PT-Portugal, EE-Estonia, BE-Belgium, ES-Spain, LT-Lithuania, LU-Luxembourg, NL-Netherlands, IE-Ireland, SI-Slovenia, CY-Cyprus, GR-Greece, SK-Slovakia, MT-Malta. 2 – The Gini coefficient is a measure of relative concentration or inequality and can take a value between 0 and 1. In the case of equal distribution, the value would be zero, and in the case of concentration of all wealth in the hands of just one person, the value would be 1.

Sources: ECB, own calculations

355. A **European comparison of wealth inequality** is possible using the ECB's Distributional Wealth Accounts (DWA). ↘ BOX 24 According to the DWA, **net wealth in Germany** is **currently distributed more unequally than in almost all other** euro area **member states**. ↘ CHART 70 The average Gini coefficient for the euro area countries for the years 2021 to 2024 is 0.72, with Germany's Gini coefficient of 0.76 surpassed only by Austria (0.77). In the **U.S.**, however, wealth concentration is **significantly higher**, with a Gini coefficient of 0.83 in 2023 (WID, 2025). In 2021, the top 10 % of private households in the United States held around 68 % of total wealth, compared to around 61 % in Germany (Deutsche Bundesbank, 2022). **International differences** in wealth inequality can be **attributed**, among other things, **to differences in the composition of wealth and the concentration within individual types of wealth**. ↘ ITEM 359

356. Previous analyses have **not included pension entitlements from statutory and occupational pension schemes**. Most wealth studies do not take into account entitlements from pay-as-you-go pension schemes, as these are merely entitlements and not marketable assets. They are **neither tradable nor mortgageable** and are therefore **not liquid**. Furthermore, they cannot be transferred by inheritance or gift. In addition, they are difficult to value, especially in international comparisons (Bartels et al., 2023; Deutsche Bundesbank, 2025a). Taking pension entitlements into account could improve the comparability of wealth between people with and without coverage in the statutory pension system (including many self-employed persons) and between countries with predominantly pay-as-you-go and those with more funded pension systems. However, due to the incomplete data available, a **consistent international comparison** is **not possible**.

357. Based on the PHF survey, the Deutsche Bundesbank uses a simulation of statutory pension entitlements to estimate that the **Gini coefficient for 2023 would fall significantly from 0.72 to 0.58 if pension entitlements were included**. This can be attributed to the fact that statutory pension entitlements play a major role, especially for households with little wealth (Deutsche Bundesbank, 2025a). ↘ ITEM 361 The simulation does not take into account variations in life expectancy across the wealth distribution. This is likely to result in the present value of pension entitlements for households with lower wealth being overestimated due to a shorter life expectancy. Therefore, the adjusted Gini coefficient of 0.58 is likely to be a lower limit of the actual value.

The **share of wealth held by households in the bottom 50 %** of the wealth distribution **rises from around 3 % to around 10 %** when statutory pension entitlements are included. Calculations using SOEP survey data come to a similar conclusion (Bönke et al., 2020; Bartels et al., 2023). The Gini coefficient falls much more sharply for Germany than for the U.S. when pension entitlements are included, as they account for a larger share of total assets in Germany and are distributed more equally. Bönke et al. (2020) estimate that for 2013, the inclusion of pension entitlements reduces the Gini coefficient in Germany from 0.76 to 0.51, while in the United States it falls from 0.89 to 0.70. For Austria, Knell and Koman (2022) estimate a reduction in the Gini coefficient from 0.73 to 0.53, thus showing a similar effect of including pension entitlements as in the case of Germany.

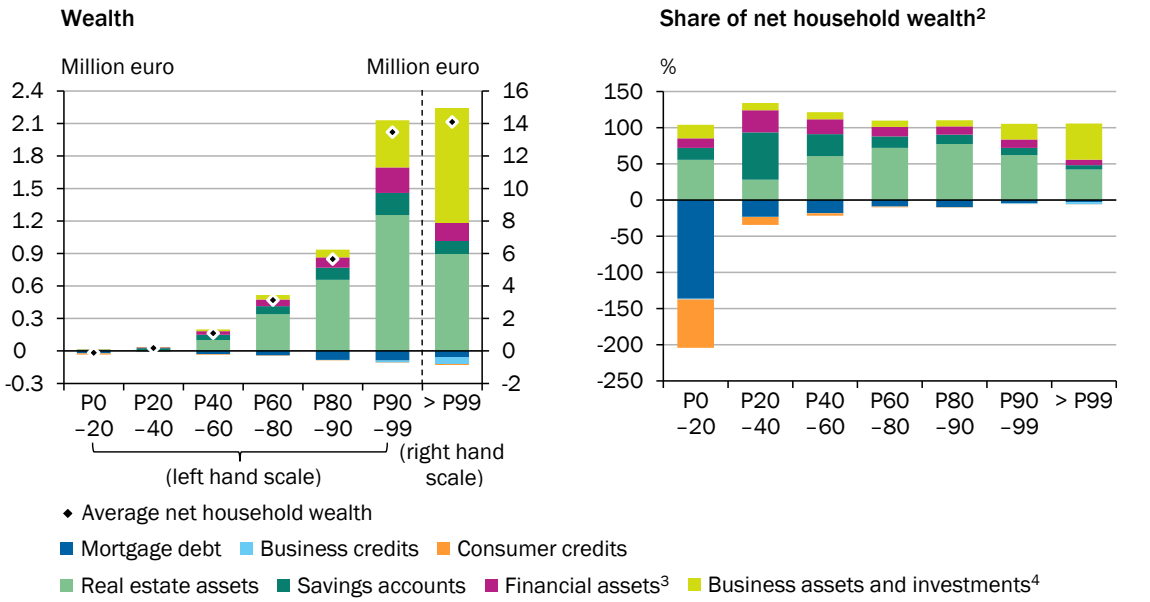
2. The composition of wealth

358. The composition of wealth plays a key role in the form and development of wealth distribution. The **composition of wealth differs significantly along the wealth distribution**. ↘ CHART 71 Private households in the lower half of the wealth distribution primarily hold their assets in savings deposits and other low-interest assets such as life insurance policies. For households above the median up to the 99th percentile, real estate assets dominate: they account for around 60 % of total assets for households between the 50th and 90th percentile and almost 55 % for those between the 90th and 99th percentile. In the top percentile of the wealth distribution, business assets predominate, accounting for around 50 % of the total assets of these households (Albers et al., 2024). It should be noted that, due to the lack of frequent market transactions or market prices, **real estate** and **unlisted business assets** can often only be valued using **estimation methods** such as the earnings approach or comparative value method ↘ BACKGROUND INFO 25, which can lead to **uncertainties compared to actual market values**. In 2023, 39 % of households had outstanding debts that reduced the value of their total netwealth. Unsecured loans such as consumer loans or overdraft facilities are particularly common among households with lower levels of wealth and income, while mortgage loans dominate among households with higher level of wealth and income (Deutsche Bundesbank, 2025a).

359. **Real estate and business assets contribute more to wealth inequality in Germany than financial assets.** ↘ BOX 29 Real estate assets contribute to wealth inequality because they account for a large share of total assets and are predominantly held by households in the upper half of the distribution. Unlisted

↘ CHART 71

Composition of net wealth in 2023[1]



1 – In respective prices. The analysis uses data from the study "Panel on Household Finances" (PHF) prepared on the basis of the methodology of Albers et al. (2024). 2 – Households in the lowest quintile (P0–20) have average gross assets of €17,000, offset by debts of €33,000. Just under 4% of households in this quintile (P0–20) own real estate assets and have mortgage debts. However, due to the low value of assets, a few observations with high real estate values and mortgage debts have a strong influence on the average for this group. 3 – Includes bonds, endowment life insurance policies and funded pension plans. 4 – Includes holdings in corporations and partnerships as well as indirect corporate exposure via investment funds.

Sources: Albers et al. (2024), Deutsche Bundesbank (2025b), own calculations

business assets contribute to wealth inequality because they are highly concentrated at the upper end of the distribution. Shares and funds account for only a small proportion of total wealth and therefore contribute only marginally to wealth inequality in Germany. Financial assets in the form of savings deposits and insurance policies are more evenly distributed and therefore have less impact on wealth inequality.

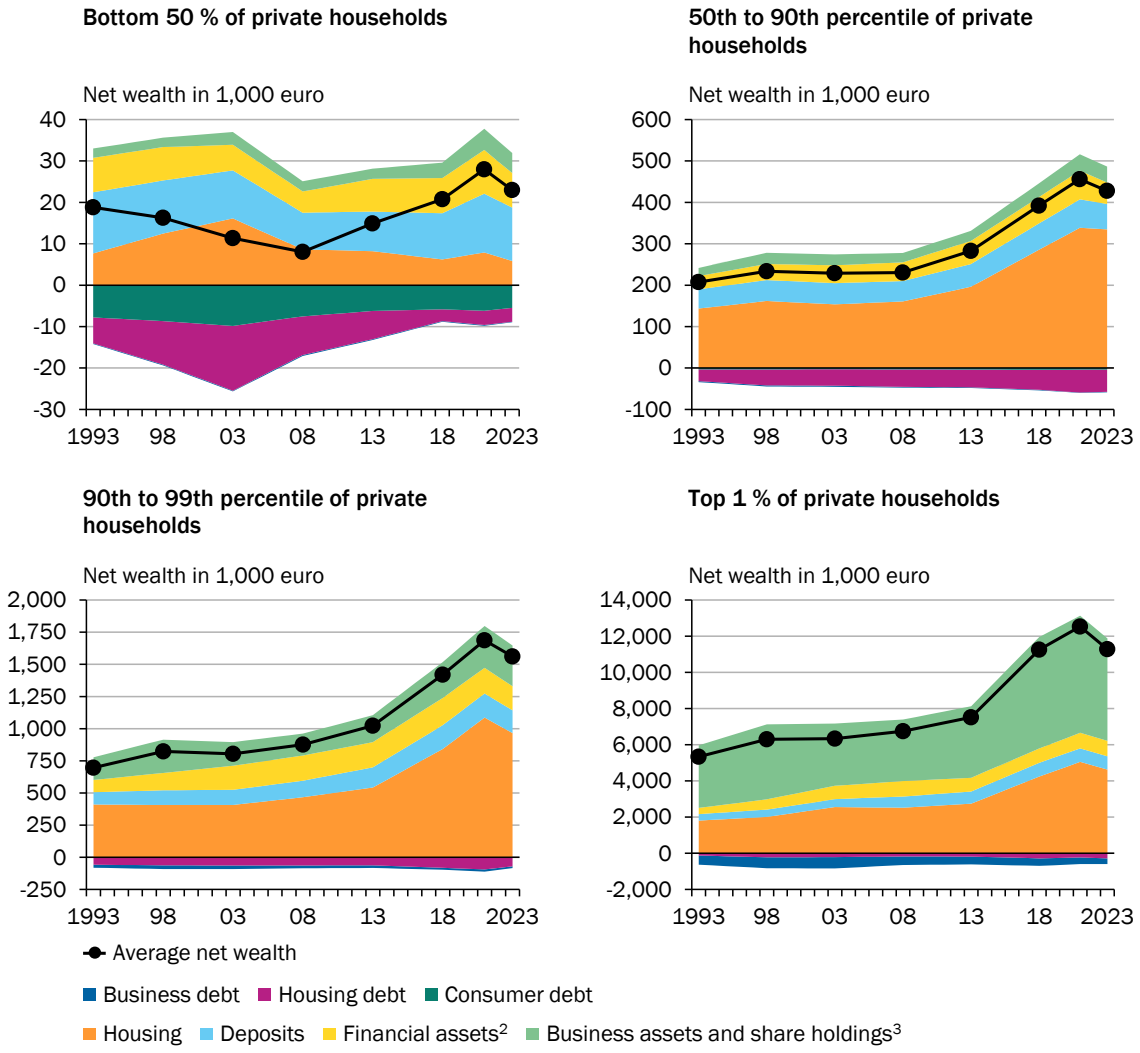
In international comparison, specific **asset types**, especially real estate and business assets, are **highly concentrated in Germany**. The comparatively high level of wealth inequality in Germany and Austria correlates with a lower home ownership rate and a higher concentration of real estate assets compared to other countries (Pfeffer and Waitkus, 2021). Around 50 % of real estate assets are held by the wealthiest 10 % of households, while households in the bottom half of the wealth in distribution hold only around 3 % of real estate assets. In the euro area, the concentration of real estate assets is lower, with the top 10 % of households in wealth distribution owning around 44 % of real estate assets and the bottom 50 % of households holding 9 % of real estate assets (Deutsche Bundesbank, 2022). In addition, in Germany the higher concentration of business assets also contributes to its high level of wealth inequality in international comparison (Pfeffer and Waitkus, 2021). In Germany, over 85 % of business assets are held by the top decile (Albers et al., 2024). In international comparison, German households only hold a small proportion of their wealth in shares and funds, although this

proportion has been increasing since the COVID-19 pandemic (Deutsche Bundesbank, 2025a).

360. The **varying composition of wealth along the distribution** not only influences the distribution of wealth at a given point in time, but also **leads to heterogeneous wealth growth over time**. ↘ CHART 72 Among the bottom 50 % of the wealth distribution, average real net wealth fluctuated around €20,000; between 1993 and 2008, it actually declined and subsequently increased only slightly, with the result that net wealth for these households rose by only around 20 % between 1993 and 2023. ↘ CHART 89 TOP LEFT APPENDIX One key reason for this is the composition of these households' wealth: it consists mainly of savings deposits and life insurance policies, which showed little increase in value after adjustment for inflation. In contrast, households between the median and the 99th percentile in particular

↘ CHART 72

Heterogeneity of portfolios for different distribution groups over time[1]

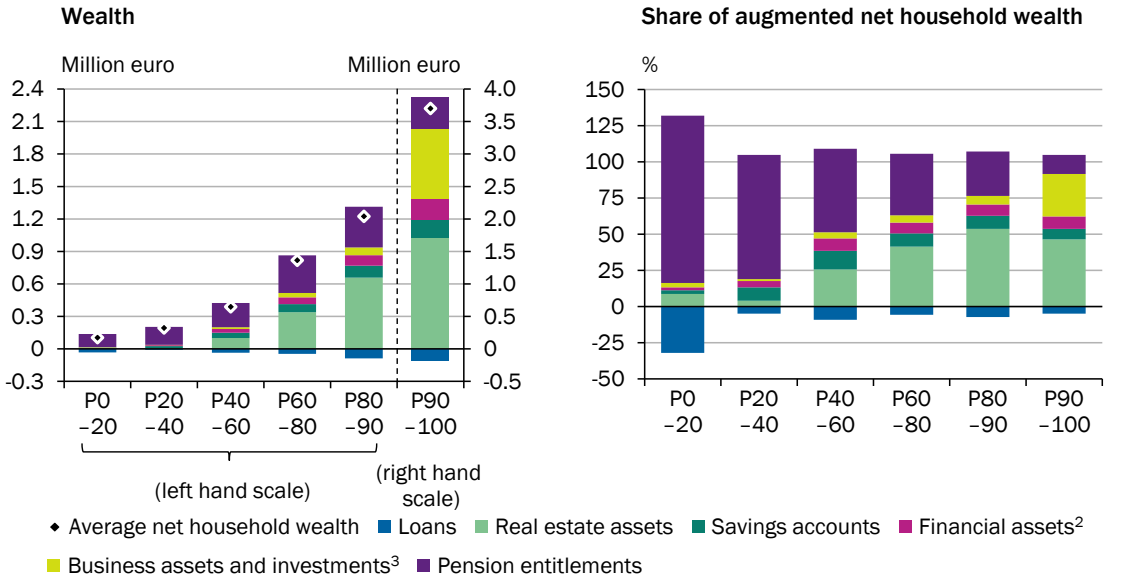


1 – In 2015 prices. Until 2018, the analysis is based on EVS data (income and consumption sample); from 2018 onwards, these are updated using the growth rates of the PHF data (Panel on Household Finances) prepared according to Albers et al. (2024). 2 – Includes securities, capital-sum life insurances and funded pension schemes. 3 – Includes holdings in corporations and partnerships as well as indirect corporate exposure via investment funds.

Sources: Albers et al. (2024), Deutsche Bundesbank (2025b), Federal Statistical Office, own calculations

↘ CHART 73

Composition of augmented net wealth in 2023[1]



1 – In respective prices. The analysis represents an estimate and not an exact quantification. It is based on data from the study "Panel on Household Finances" (PHF) prepared according to the methodology of Albers et al. (2024). The estimated pension entitlements per quantile based on the Deutsche Bundesbank (2025a) were added to this. The underlying methodologies differ slightly. 2 – Includes bonds, endowment life insurance policies and funded pension plans. 3 – Includes holdings in corporations and partnerships as well as indirect corporate exposure via investment funds.

Sources: Albers et al. (2024), Deutsche Bundesbank (2025a, 2025b), own calculations

were able to significantly increase their real net wealth; as their assets consisted mainly of real estate, the price of which increased significantly – especially between 2008 and 2018 – leading to considerable wealth growth. Overall, net wealth in the upper half of the distribution grew by over 100 %. For households between the 50th and 90th percentile, the majority of the growth was attributable to residential real estate, and for households between the 90th and 99th percentile, it was attributable to residential real estate and business assets in partnerships and corporations. In the top 1 % of the wealth distribution, wealth consists predominantly of listed and unlisted business assets, whose value growth led to significant increases in both the 1990s and the 2010s. In this group, real estate assets and business assets each account for just under half of the increase in wealth, with the latter largely attributable to unlisted business assets (Albers et al., 2024).

Between 2021 and 2023, **weak nominal wealth growth and high inflation** led to **real net wealth losses** across all segments of the wealth distribution. This was exacerbated by stagnating real estate prices and a decline in the average value of business assets (Deutsche Bundesbank, 2025a). **Households in the bottom half of the wealth distribution** suffered the **highest relative losses** of around 20 % of their average net wealth due to their wealth being concentrated in savings deposits and fixed-income products (Deutsche Bundesbank, 2025a).

361. **Entitlements from statutory pension schemes** account for a larger share of total wealth among less wealthy households. **Including** these entitlements therefore **increases** the **wealth of less wealthy households more than those of wealthier households**. ↘ CHART 73 Pension entitlements account for more than half of the total wealth in this extended wealth concept for the bottom 60 % of households and decrease significantly across the wealth distribution – from around 120 % of extended net wealth in the bottom 20 % to around 15 % in the top 10 % of the wealth distribution. Their inclusion on the basis of approximate simulations by the Deutsche Bundesbank (2025a) thus significantly reduces the estimated wealth inequality. However, it should be noted that **differences in life expectancy across the wealth distribution** are **not taken into account**. Furthermore, pension entitlements do **not** represent **marketable assets**. ↘ ITEM 357

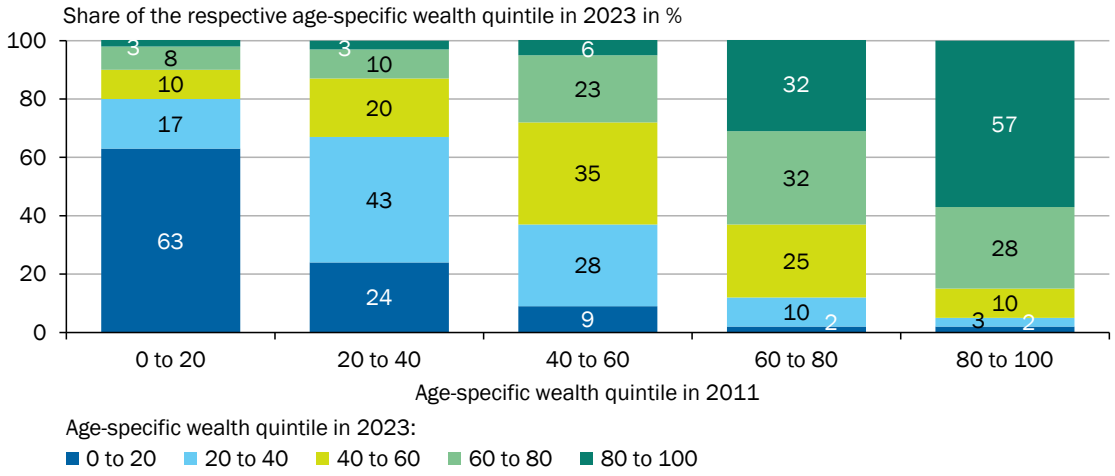
3. Intragenerational wealth mobility: Determinants of wealth accumulation

362. An individual's position in the wealth distribution can change over their life course (intragenerational wealth mobility). **Three factors** are particularly important for **wealth accumulation within a generation**: firstly, **saving from current income**; secondly, **increases in the value of assets** such as real estate or business equity; and thirdly, **investment income** such as interest and dividends, the reinvestment of which accelerates wealth accumulation via saving. However, the role of these factors in wealth accumulation differs across the wealth distribution, as savings behaviour and portfolio structures vary greatly. As a result, these factors also influence the development of wealth inequality.

363. An analysis of age-specific wealth positions by the Deutsche Bundesbank (2025a) shows that **intragenerational wealth positions at the upper and lower ends of the wealth distribution** are **relatively persistent**. ↘ CHART 74 The majority of households in the lowest and highest age-specific wealth quintiles remained in their respective wealth quintiles between 2011 and 2023. **Wealth mobility** occurs **primarily in the middle of the wealth distribution**. For Germany, a higher degree of mobility in the middle of the distribution is also evident on the basis of SOEP wealth data (Bundesregierung, 2025) and similar patterns can also be observed in other countries, such as the U.S., Sweden, and Norway (Jianakoplos and Menchik, 1997; Klevmarken et al., 2003; Audoly et al., 2024).

↘ CHART 74

Wealth mobility between 2011 and 2023[1]



1 – Difference from 100 due to rounding. As of March 2025; households whose reference person was between 20 and 69 years old in the first wave of the PHF study (Panel on Household Finances) in 2010/2011 are considered. Based on the age of the reference person in the first wave, households are grouped into ten-year cohorts (ages 20 to 29, 30 to 39, 40 to 49, 50 to 59, 60 to 69). The relative wealth position of households within these age cohorts is then calculated for each wave. Reading aid: 63 % of households that were in the lowest wealth quintile in 2011 will still be in the lowest wealth quintile in 2023.

Source: Deutsche Bundesbank (2025a)

Saving behaviour

364. **Saving rates and thus also the absolute amount of savings increase significantly along the income and wealth distribution.** ↘ CHART 75 While the bottom 30 % of households in the income and wealth distribution save less than 5 % of their net income, the share rises to over 18 % of net income for the top decile of the income and wealth distribution. It should be noted that the bottom 20 % of households in the income distribution have a net equivalised income below the at-risk-of-poverty threshold, i.e. less than 60 % of the median net equivalised income, so that their ability to save must be considered severely limited. In 2023, 13 % of private households stated that they were unable to save at all due to limited financial resources (Deutsche Bundesbank, 2025a).

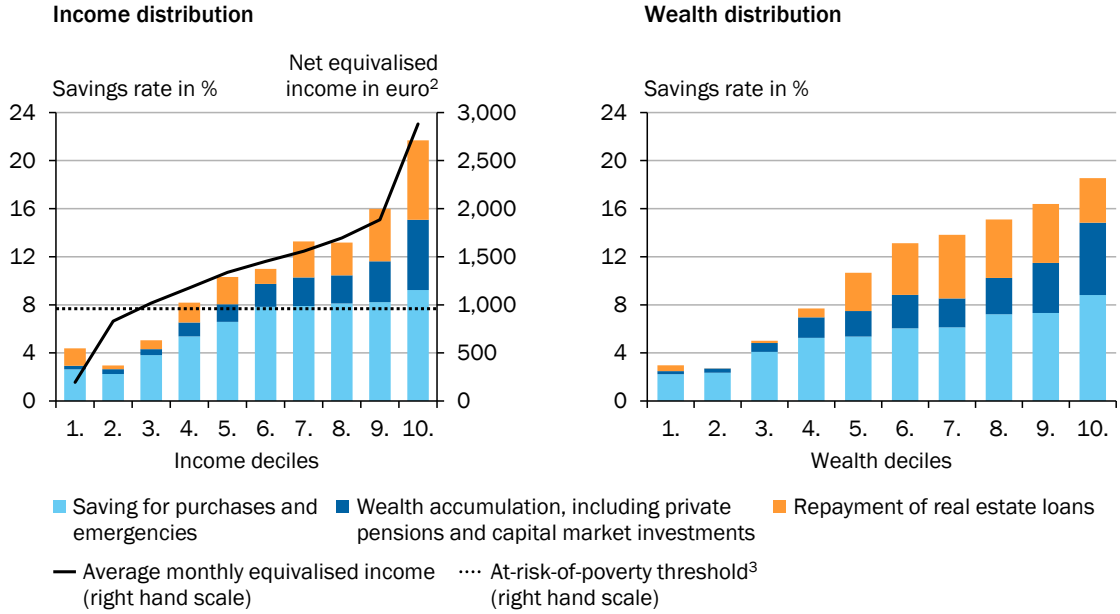
365. Not only **do savings capacity and saving rates vary along the distribution**, but so do the saving **motives**. While the motive of saving for purchases and emergencies accounts for a large proportion of saving in the lower 90 %, the proportion of longer-term saving for wealth accumulation, retirement provision and real estate ownership increases with both income and wealth. ↘ CHART 75 Loan repayments are a form of saving and contribute significantly to wealth accumulation through real estate ownership. Along the income distribution, the average repayment rate rises with net equivalised income. ↘ CHART 75 LEFT Along the wealth distribution, the bottom half shows almost no repayments; from the median onwards, the repayment rate rises significantly – here, real estate assets become a central component of wealth accumulation. ↘ CHART 75 RIGHT

Saving motives and forms not only influence the saving rate along the distribution, but also **shape** the composition of portfolios and **the resulting returns**. ↘ ITEM 367 Households with lower incomes and wealth mostly save for emergencies in more liquid forms of wealth that are subject to lower value fluctuations, including savings deposits. Households with higher incomes and wealth, on the other hand, choose less liquid forms of wealth such as real estate or more volatile forms such as shares for longer-term wealth accumulation goals.

366. On average, **households with a migration background hold significantly less wealth** than the rest of the population. Based on adjusted PHF survey data, households whose head had a direct migration background held an average (median) net wealth of around 227,000 (30,000) euros in 2023, compared to around 591,000 (228,000) euros for households with no or an indirect migration background. Households headed by a person with a direct migration background are overrepresented in the bottom half of the wealth distribution, while they are significantly underrepresented in the upper deciles. Studies indicate that this **wealth gap** is largely **due to structural differences in the labour market**: People with a migration background are more likely to be employed in lower-paying sectors, which leads to lower incomes and thus limited opportunities to save (Ingwersen and Thomsen, 2021). Remittances to families in the country of origin can also contribute to less financial resources remaining in the host country.

↘ CHART 75

Savings rates along the income and wealth distribution in 2021[1]



1 – Saving rates are defined as the ratio of savings to disposable income. The methodology used for the analyses is that of Albers et al. (2024) based on the SOEP (v40). The saving rates were harmonised with the aggregate savings rate.
2 – In order to make the incomes of households of different sizes and compositions comparable, the equivalised disposable income is used, which is calculated using the modified OECD scale. The first household member over the age of 14 is assigned a demand weight of 1; other household members over the age of 14 are each assigned a weight of 0.5, and children under the age of 14 are each assigned a weight of 0.3. The real total income of a household is then divided by the sum of the demand weights, resulting in the weighted per capita income. 3 – The at-risk-of-poverty threshold corresponds to 60 % of the median net equivalised income.

Sources: Albers et al. (2024), SOEP v40, own calculations

Based on SOEP data, Cardozo Silva and Zinn (2024) show that around 7 % of refugees and 12 % of migrants without a refugee background transferred money abroad in 2021. Among people without a migration background, the proportion was around 1.5 %.

According to the IMF (2010) definition, personal remittances across national borders consist of support payments from residents to other countries (so-called home remittances) and cross-border compensation of employees. While cross-border compensation of employees amounted to approximately €13.5 billion in 2024, support payments from residents to other countries amounted to only around €7.7 billion (Deutsche Bundesbank, 2024b). Based on the adjusted SOEP, the data suggests that the **saving behaviour of people with a migration background** – within comparable income and wealth groups – **hardly differs from** that of **the population without a migration background**. ↘ CHART 90 APPENDIX In addition to limited saving capacity, a lower-yield asset composition makes it more difficult to accumulate wealth. On average, people with a migration background hold a smaller share of their wealth in real estate and company shares and often start building wealth later in life (Fainінger and Flechtner, 2025). Overall, despite significant immigration, the wealth distribution in Germany has remained fairly stable since 2010, especially in the bottom half. ↘ CHART 68

Heterogeneous capital gains and returns

367. The **varying composition of wealth** across the wealth distribution **leads to heterogeneous value growth**. Households in the upper half of the distribution, whose portfolios consist more heavily of real estate and business assets, benefit more from capital gains and investment returns, while households in the bottom half of the distribution achieve only low capital gains and investment returns with assets such as savings deposits and life insurance policies (Albers et al., 2024).

368. Albers et al. (2024) use the adjusted EVS ↘ BOX 24 to break down the wealth growth observed since 1993 along the distribution into the contributions of capital gains on real estate and business assets as well as saving. The authors find that between 1993 and 2018, **capital gains of real estate and shares** contributed **more** to **wealth growth** in the **upper half of the distribution** than in the bottom half. The importance of capital gains on business assets, especially shares, rose along the distribution. While households between the 50th and 99th percentiles of the wealth distribution were able to increase their net wealth primarily through saving, both saving and capital gains on business assets and shareholdings contributed in roughly equal parts to the doubling of the net wealth of the top 1 % of the wealth distribution. Due to the real estate price boom between 2008 and 2018, capital gains on real estate gained in importance during this period and contributed to greater wealth accumulation among households between the median and the 99th percentile than among the top 1 % of households in the wealth distribution. However, the increase in property values varied greatly from region to region: in urban areas, real price increases were significantly higher at around 25 % than in rural regions, where they amounted to only around 1 % (Bartels et al., 2024; Bundesregierung, 2025).

Regional differences in wealth development are also closely related to the respective portfolio composition. West German households benefited much more from capital gains due to their greater participation in the real estate and equity markets, while East German households with portfolios more focused on savings deposits and life insurance policies recorded significantly lower wealth growth.
↘ BOX 26

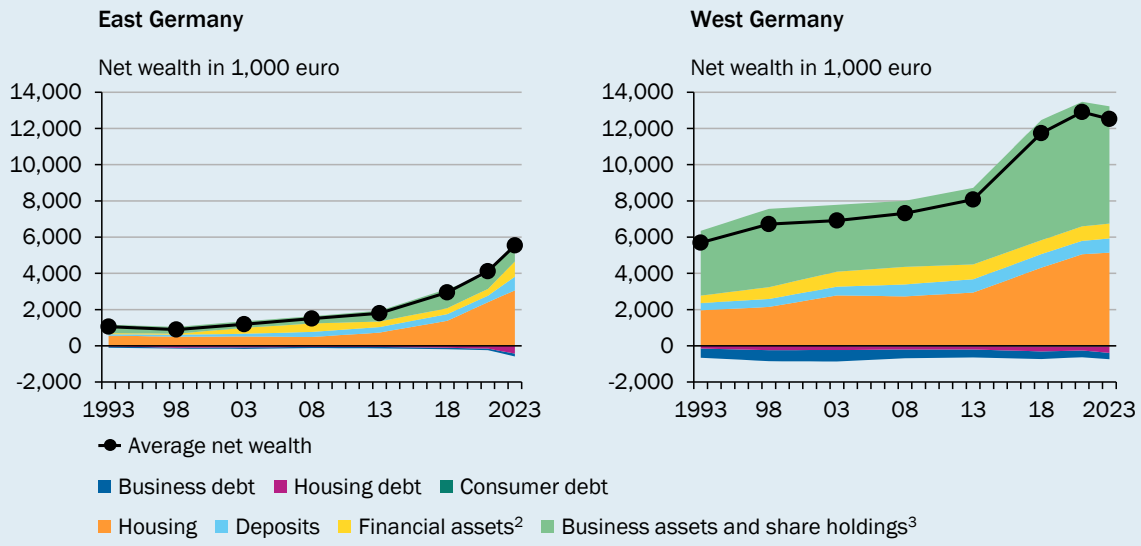
↘ BOX 26

Background: Wealth development in East and West Germany since reunification

35 years after reunification, there are still significant **differences in the wealth of private households between East and West Germany**. In 2023, based on adjusted data from the PHF, the median wealth in Easter Germany was just under €52,000, still significantly below the level of around €217,000 in West Germany. In 1990, East German households had significantly lower wealth than West German households and have hardly reduced this gap in the years since. One important factor is the differences in portfolio structure. West German households invest to a greater extent in real estate and equities and thus benefit more from rising asset prices than their East German counterparts. Savings deposits and other financial investments such as life insurance policies are comparatively more important in East German portfolios, while real estate and business assets play a lesser role (Albers et al., 2024). The reluctance of East German households to invest in equities and their preference for lower-yielding assets also reduce wealth accumulation through savings, as this means foregoing long-term equity returns (equity premium) (Laudenbach et al., 2024).

↘ CHART 76

Net wealth of the top 1 % of private households in East and West Germany over time[1]



1 – In 2015 prices. Until 2018, the analysis is based on EVS data (income and consumption sample); from 2018 onwards, these are updated using the growth rates of the PHF data (Panel on Household Finances) prepared according to Albers et al. (2024). 2 – Includes securities, capital-sum life insurances and funded pension schemes. 3 – Includes holdings in corporations and partnerships as well as indirect corporate exposure via investment funds.

Sources: Albers et al. (2024), Deutsche Bundesbank (2025b), Federal Statistical Office, own calculations

Although **East Germans** are currently just as likely to be entrepreneurs as West Germans (Neef, 2023), **they have significantly less business assets**, especially in the top 1 % of the regional wealth distributions. ↘ CHART 76 The different portfolio structure at the top end of the wealth distributions – in particular the significantly lower business assets – is also likely to be due to the privatisation strategies pursued for East German companies after 1990. Studies show that the larger and more productive companies were mainly acquired by West German shareholders (Mergele et al., 2025).

369. Jordà et al. (2019) show, based on historical time series, that **equities have generated higher average real total returns than residential real estate since the Second World War**. Total returns include both investment income – i.e. dividends and rental income – and capital gains. Dividends and rental income remained relatively stable over time; however, rental income exceeded dividends on average in the long run. The return advantage of equities thus results primarily from stronger capital gains. However, these are accompanied by significantly higher price fluctuations and greater dependence on the economic cycle. In order to achieve reliably high real returns, investors must therefore hold equities over longer periods of time. Although residential real estate generated slightly lower overall returns due to lower capital gains, it exhibited significantly lower volatility. Taking these lower value fluctuations into account, it becomes apparent that **residential real estate generated higher risk-adjusted returns than equities on average**.

Furthermore, Jordà et al. (2019) show that real returns on assets have consistently **exceeded the growth rate of the economy (r > g)** – usually by a margin of 3 to 4 percentage points – and conclude that these persistently high returns on capital have contributed to **increasing wealth concentration** despite rapidly growing asset holdings.

370. The Deutsche Bundesbank (2022) calculates real returns on assets along the wealth distribution based on their Distributional Wealth Accounts. These include both investment income and capital gains on asset types. The results show that the **average real returns** achieved between 2009 and 2021 **increase with higher net wealth**. While the bottom 50 % hold low-risk assets, including deposits and insurance policies with low returns, households in the top half of the distribution benefited from high returns on real estate assets.

371. **Differing returns on assets** across the wealth distribution mean that the **risk of real asset losses due to inflation** is **unevenly distributed** across population groups. Households in the bottom half of the wealth distribution are exposed to a higher risk of inflation due to their higher share of savings deposits, current accounts and life insurance policies with low returns. In contrast, the higher share of real estate assets and mortgage debt in the upper half of the distribution reduces the inflation risk (Deutsche Bundesbank, 2023, 2025a). This was particularly evident in the years 2021 to 2023, when the real wealth position of households in the bottom half of the wealth distribution fell more sharply than that of households in the upper half.

4. Intergenerational wealth mobility: Wealth transfers

372. **Intergenerational wealth mobility** describes the **change in wealth position across generations**. International studies based on US and Scandinavian data estimate that the intergenerational correlation of wealth is relatively high (Charles and Hurst, 2003; Adermon et al., 2018; Black et al., 2020). Adermon et al. (2018) and Black et al. (2020) find an intergenerational rank correlation between two consecutive generations of 0.3 to 0.4 for net wealth. This implies that a ten percentage-point increase in the wealth position of parents is associated with a three to four percentage-point increase in the wealth position of children. This suggests relatively low intergenerational wealth mobility. Due to insufficient data on wealth, there are no studies on intergenerational wealth mobility in Germany. ↘ ITEM 351 However, various empirical studies show that **intergenerational income mobility in Germany** is **low** (OECD, 2018; Dodin et al., 2024). Children's income and educational attainment correlate strongly with their parents' income. Since disposable income largely determines savings and investment opportunities, ↘ ITEMS 364 F. this correlation can influence wealth mobility.

373. The **determinants of intergenerational wealth mobility** are the subject of various international studies. Some studies attempt to distinguish these determinants **according to genetic factors** ("nature") **and environmental factors** ("nurture"). Genetic factors describe the genetic inheritance of abilities and preferences that correlate with higher wealth. Environmental factors, on the other hand, describe the wealth correlation that arises from investments in children's education, the use of professional contacts, savings and investment behaviour, and direct monetary transfers. The distinction between wealth correlation based on genetic factors and environmental factors can be made by analysing wealth development after adoptions. Black et al. (2020) and Fagereng et al. (2021) show for Swedish and Norwegian data that the wealth of adopted children correlates strongly with the wealth of their adoptive parents. This shows that **environmental factors** have a **significant influence on wealth accumulation**. Direct wealth transfers in particular, but also the saving and investment behaviour learned in the family, influence intergenerational wealth correlation.

374. Direct **wealth transfers** are an **important determinant of intergenerational wealth mobility** (Boserup et al., 2017; Adermon et al., 2018). Adermon et al. (2018) show that wealth transfers explain around half of the observed intergenerational wealth correlation in Sweden. However, the correlation determined depends on the point in time at which the household is observed within its life cycle. The younger the parents are, the lower the proportion attributable to inheritances and gifts. Before inheritances and gifts are received, the **savings and investment behaviour** learned within the family is **an important explanatory factor**. Charles and Hurst (2003) show for the USA that, prior to an inheritance or gift, around 11 % of the intergenerational wealth correlation can be statistically attributed to the similarity of the portfolio structure between parents and children, making it the most important explanatory factor alongside income level.

Inheritances and gifts

375. **Inheritances and gifts** are also an **important determinant of intergenerational wealth mobility** in Germany and **contribute** significantly **to wealth accumulation**. Using microdata from the PHF, Bönke et al. (2016) calculate that around one third of wealth in Germany is attributable to inheritances and gifts and two thirds to personal savings. There are no significant differences in terms of wealth distribution. However, the significance of the results is limited by the fact that the top 1 % of households are insufficiently represented in the PHF wealth distribution ↘ BACKGOUND INFO 22 and that inheritances are capitalised at a uniform interest rate across the wealth distribution. Alvaredo et al. (2017) use macro data and estimate the share of inheritances and gifts in private wealth in Germany for 2010 at around 50 %, with an upward trend since the 1980s.

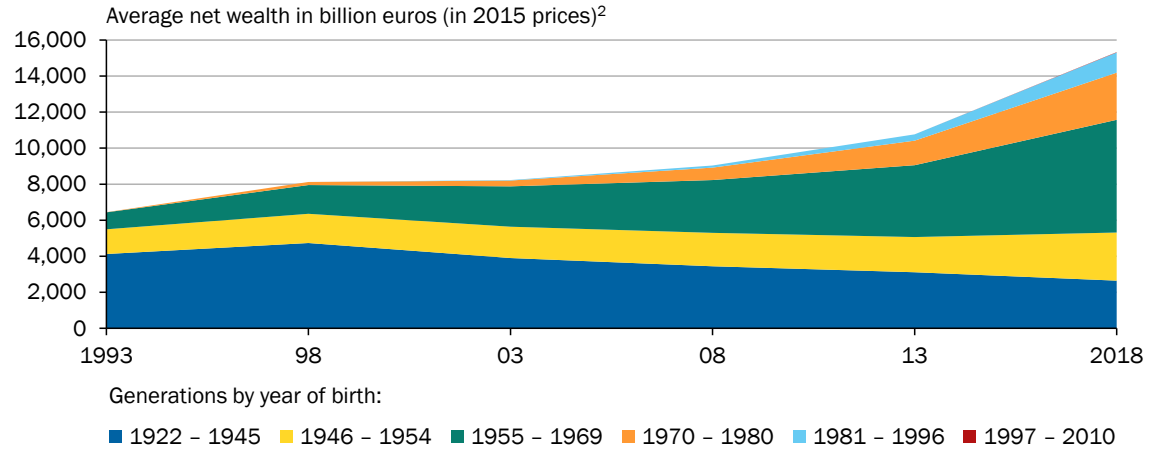
Studies have also examined the extent to which **inheritances and gifts influence wealth inequality**. They show that inheritances reduce relative wealth inequality but increase absolute wealth differences. This is because less wealthy heirs gain more relative to their wealth, while wealthier heirs inherit higher absolute amounts (Boserup et al., 2016; Elinder et al., 2018; Nekoei and Seim, 2023).

376. The **volume of inheritances and gifts**, and thus also the significance of the transfer of assets for wealth distribution, **could increase in price-adjusted terms** over the **next 20 to 30 years**. The reason for this is the currently high proportion of wealth held by older generations. **In Germany**, the **baby boomer generation** (born between 1955 and 1969) holds **a large share of private wealth**, similar to the situation in the USA (where those born between 1946 and 1964 are considered baby boomers). ↘ CHART 77 In Germany, for example, this figure is around 40 % in 2018. This is mainly due to the fact that older generations have been able to accumulate wealth over a longer period of time than younger generations. In addition, the baby boomer generation is larger than subsequent generations. Furthermore, driven by historically high returns on real estate and equities, returns on assets during the baby boomers' savings phase were significantly higher on average than for younger generations (Jordà et al., 2019). However, the high wealth of the baby boomer generation could decline over time, e.g. due to the financing of care services.

377. There is only **limited information** available on the **volume of inheritances and gifts** in Germany. Statistics only record tax-assessed transfer of wealth, which amounted to around €113.2 billion in 2024 (Federal Statistical Office, 2025a). Transfer of wealth are assessed for tax purposes if they have been reported to the tax office and the tax office has subsequently initiated a procedure to determine the tax liability. However, many transfers of wealth fall below the relevant tax allowances and therefore do not appear in tax statistics. They can only be estimated using survey data. According to SOEP data, around 10 % of all adults in Germany received an inheritance or gift between 2002 and 2017 (Baresel et al., 2021). No information is available for longer periods. Due to the limited availability of data on inheritances and gifts, the actual annual volume of the transfer of wealth can only be estimated. Depending on assumptions about value increases and savings volumes, **estimates of the total annual volume** range **between**

↘ CHART 77

Wealth held by different generations over time[1]



1 – The analysis uses data from the Income and Consumption Survey (EVS) prepared on the basis of the methodology developed by Albers et al. (2024). 2 – Deflated using the consumer price index.

Sources: Albers et al. (2024), EVS, Federal Statistical Office, own calculations

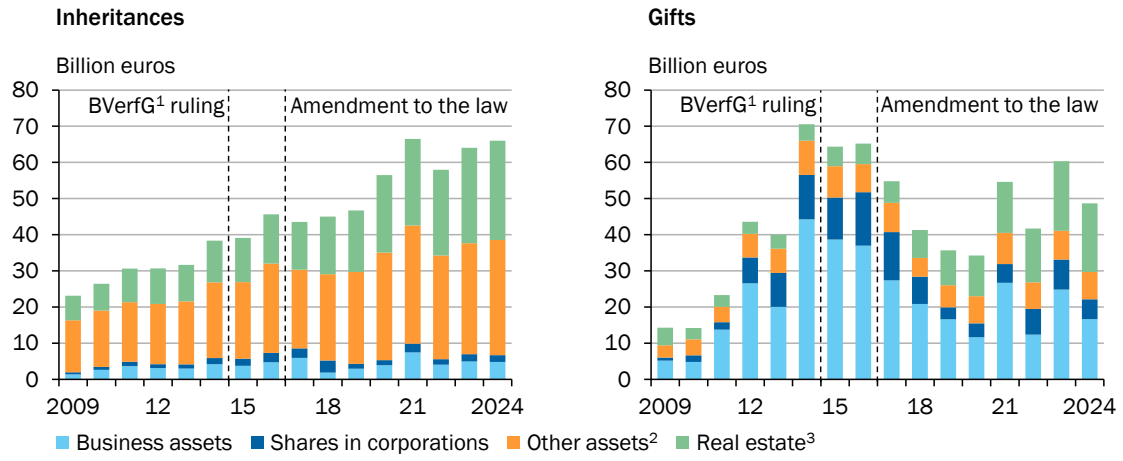
€200 billion and €400 billion (Braun, 2015; Bach and Thiemann, 2016a; Tiefensee and Grabka, 2017). Based on these total volumes, between 30 % and 60 % of transfer of wealth would be subject to tax because they exceed the applicable allowances.

378. The **composition of transferred wealth** differs **significantly between inheritances and gifts**. While inheritances consist primarily of real estate, financial assets and valuables, business assets dominate gifts. ↘ CHART 78 **Taxable inheritances have risen steadily over the past 15 years, both in nominal and real terms.** ↘ CHART 78 LEFT Between 2009 and 2024, the volume of inheritances rose by an average of around 5 % per annum in price-adjusted terms. **Taxable gifts rose** by around 6.3 % per annum in price-adjusted terms over the same period. However, there is **considerable variation in growth rates over time**, as the volume of gifts reacts strongly to (anticipated) changes in the law. ↘ CHART 78 RIGHT ↘ BOX 27 After the Federal Finance Court referred the matter to the Federal Constitutional Court in 2012, and at the latest after the Federal Constitutional Court's ruling in 2014, it was assumed that the preferential tax treatment and legal benefits for business assets could be restricted in the near future. As a result, there was a significant increase in advance gifts, particularly of business assets, prior to the legislative change in 2016.

379. **Inheritances and gifts** are also **very unevenly distributed** due to the unequal distribution of wealth, but somewhat more evenly than wealth itself. ↘ ITEM 353 According to SOEP data, around 50 % of the annual volume of inheritances and gifts goes to the top 10 % of recipients of inheritances and gifts, while only 7 % of the volume goes to the bottom 50 % of recipients (Baresel et al., 2021). However, the share of the top 10 % of beneficiaries of transfer of wealth is probably underestimated, as very high transfers of wealth are underrepresented in the dataset. In contrast, high transfers of wealth are fully recorded in the tax data, but transfer of wealth below the tax-free allowances are missing. The taxable transfer

↘ CHART 78

Asset compositions of inheritances and gifts



1 – Federal Constitutional Court. 2 – Includes, among other things, financial assets (excluding shares in corporations), agricultural and forestry assets, and valuables. 3 – Includes developed and undeveloped land, provided that it is not part of other types of assets (agricultural and forestry assets or business assets).

Sources: Federal Statistical Office, own calculations

of wealth is very unevenly distributed. In 2024, more than 37 % of taxable transfers accounted for just under 0.7 % of the transfers (Federal Statistical Office, 2025b).

380. The **frequency** and **amount of inheritances and gifts received increases along the income and wealth distribution and also correlates with region**, **gender and age**. Gifts are more common among people under the age of 45, while inheritances are more common among people over the age of 55 (Baresel et al., 2021). Due to the lower level of wealth in eastern Germany ↘ BOX 26 people there receive fewer and significantly lower wealth transfers per person than in western Germany (Baresel et al., 2021; Gohla and Hennicke, 2023). There are also **gender-specific differences**. Based on inheritance and gift tax statistics, Tisch and Schechtl (2025) calculate that between 2007 and 2020, **women** received a total of around 37 % **less in gifts** and around 13 % less **in inheritances** than **men**. During this period, women received fewer gifts of business assets than men. Due to the different tax treatment of business assets, they also pay higher effective tax rates than men.

Inheritance and gift tax

381. **Inheritance and gift tax is levied** on **the acquisition of wealth free of charge through inheritance and gifts**. It has been reformed several times in recent decades as a result of rulings by the Federal Constitutional Court. ↘ BOX 27 Wealth transfers are taxable if the transferor or the recipient is a resident of Germany or if the assets to be transferred are located in Germany (or if several of these conditions apply). The majority of transfer of wealth remains tax-free due to allowances. ↘ TABLE 23

The **amount of tax payable depends** in principle **on three factors**: the **value of the transferred assets**, the **degree of kinship** between the person receiving the assets and the person transferring them, and the **type of assets**. The degree of kinship determines both the amount of the allowances and the tax class to which the acquirers are assigned. Given a certain amount of transferred assets, the tax rate increases with the tax class. Within each tax class, the tax rate also increases with the amount of transferred assets. ↘ TABLE 23

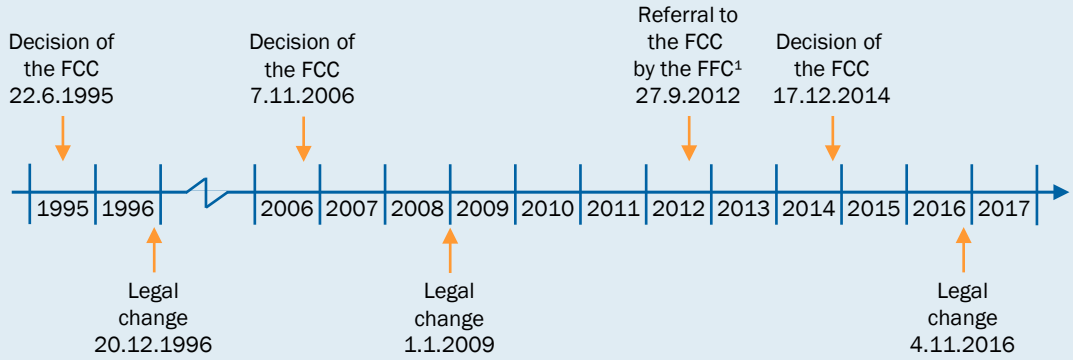
↘ BOX 27

Background: Judgments of the Federal Constitutional Court and reforms of inheritance and gift tax

Since the 1990s, the **Inheritance and Gift Tax Act** has been significantly influenced by rulings of the Federal Constitutional Court. ↘ CHART 79 The **central challenge** for legislators lies in the **constitutionally compliant valuation and taxation of different types of assets without violating the principle of equality** derived from the Basic Law. In 1995, the Federal Constitutional Court ruled that the low tax burden on real estate due to the use of outdated tax bases ("unit values") was not compatible with the Basic Law. Instead, the Federal Constitutional Court demanded that real estate, similar to other types of assets, be valued at current market value. In response, the valuation of real estate was approximated to market values from 1996 onwards (Bundesregierung, 1996).

↘ CHART 79

Decisions of the Federal Constitutional Court (FCC) and legal changes on inheritance and gift tax



1 – Federal Fiscal Court.

Sources: Federal Constitutional Court, Federal Fiscal Court, Federal Gazette
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In a ruling **in 2006**, the Federal Constitutional Court criticised the **inconsistent valuation of different types of assets**, as business assets in particular were only valued at tax balance sheet values, which in some cases can deviate significantly from the current market value (BVerfG, 2006). Instead, the BVerfG demanded that the valuation of all types of assets should be based on fair market value, i.e. the price that could be achieved in normal business transactions in the event of a sale. However, it left the legislature the option of reducing the tax base through exemption rules if there were sufficient reasons of public interest and, if necessary, granting very extensive preferential tax treatment on the acquisition of certain assets. Exemption rules are only constitutional if they pursue clear steering objectives, define the group of beneficiaries appropriately and have targeted and equitable effects (BVerfG, 2006).

As part of **the inheritance tax reform of 2009**, the tax base for all types of assets was

uniformly converted to **market value**. In return, the transfer of business assets, shares in corporations and agricultural and forestry assets was comprehensively exempted from taxation, provided that certain wage regulations and holding periods were complied with in subsequent years. As this benefit was not limited in amount, it could also be claimed for very high-value business transfers. In 2012, the Federal Finance Court requested the Federal Constitutional Court to examine whether the comprehensive tax exemption for the acquisition of business assets, shares in corporations and agricultural and forestry assets violated the general principle of equality. In a **ruling in 2014**, the Federal Constitutional Court declared that the **exemption rules** were **not compatible with the principle of equality**, as the exemption extended beyond the scope of small and medium-sized companies without providing for a so-called needs test (BVerfG, 2014).

With the latest **inheritance tax reform in 2016**, the application **of the exemption rules** was therefore limited **to the transfer of assets below €26 million** (Bundesregierung, 2016). At the same time, however, the possibility of a retrospective tax waiver was introduced for higher transfers of assets with the **need-based exemption test**. The continued comprehensive preferential tax treatment for business assets is currently being reviewed again by the BVerfG on the basis of a constitutional complaint (1 BvR 804/22). In addition, a judicial review procedure initiated by the Free State of Bavaria is pending before the Federal Constitutional Court (1 BvF 1/23). The applicants are calling for an adjustment of the amount of the allowances and a regionalisation of inheritance and gift tax, which would allow the federal states to set their own allowances and tax rates in future (Füracker, 2023).

382. The **type of asset influences the amount** of inheritance and gift tax, as different types of assets are subject to **different exemption rules**. **Real estate** is **subject to preferential tax treatment** in that the inheritance or gift of a so-called family home to a spouse or life partner is tax-free. The prerequisite for this is that the transferring person had their main residence in this property until the transfer. In addition, the transfer of a family home to children and grandchildren whose parents have died can be tax-free by inheritance, provided that the living space does not exceed 200 square metres and the heirs use the family home continuously for their own residential purposes within ten years of the inheritance. In addition, real estate is given tax relief in that a valuation discount of 10 % is generally applied to the tax calculation for properties rented out for residential purposes.

383. **Special regulations** also apply to the **transfer of business assets**, **shares in corporations** and agricultural and forestry assets. These types of assets are referred to as **preferential assets**. ↘ BACKGROUND INFO 23 Up to a transfer sum of €26 million, **preferential assets** remain **85 % tax-free due to the so-called exemption allowance** (standard exemption). The condition for this is that the purchasers do not sell the preferential assets received for five years and that the total wage bill of the business within five years amounts to at least 400 % of the initial wage bill. The initial wage bill is the average wage bill for the last five years before the tax was incurred. **Upon application**, the preferential assets can also be **100 % tax-exempt** (optional exemption). In this case, the holding period is increased from five to seven years and the wage bill must instead amount to at least 700 % of the initial wage bill over the following seven years. In addition, the administrative assets ↘ BACKGROUND INFO 23 may not exceed 20 % of the value of the

↘ TABLE 23

Allowances and tax rates for inheritance and gift tax

	Tax class					
	I				II	III
	Spouses and civil partners	Children and step-children	Grand-children	Parents in the case of inher-itance	Siblings and other bene-ficiaries in tax class II[1]	All other bene-ficiaries
	Allowances in euro					
	500,000	400,000	200,000	100,000	20,000	20,000
Value of the acquisition after deduction of allowances[2] up to and including:	Tax rates[3] in %					
75,000 euro	7				15	30
300,000 euro	11				20	30
600,000 euro	15				25	30
6,000,000 euro	19				30	30
13,000,000 euro	23				35	50
26,000,000 euro	27				40	50
over 26,000,000 euro	30				43	50

1 – Including parents in the case of gifts, step-parents and step-children. 2 – Taxable acquisition. 3 – Tax rates are always applied to the total taxable acquisition. Exceeding the value limits would result in a sharp increase in the tax burden. To mitigate this effect, the additional tax amount resulting solely from exceeding the value limit is only levied to the extent that it is covered by the excess amount. If the tax rate is 30 % or less, a maximum of half of the excess amount is taken into account. If the tax rate is above 30 %, up to three quarters of the excess amount may be taken into account.

Source: Inheritance Tax and Gift Tax Act (ErbStG)

preferential assets. For higher transfers, the exemption reductions are gradually reduced and are completely eliminated for transfers of 90 million euros or more.

↘ BACKGROUND INFO 23

Background: Preferential assets

Preferential assets include **agricultural and forestry assets**, **business assets** and **shares in corporations** (if the person transferring the assets held more than 25 % of the nominal capital of that corporation). So-called **administrative assets** within the business assets are not preferential, unless they represent the main purpose of the respective company. It includes financial resources, insofar as these account for more than 15 % of the business assets after deduction of debts, real estate leased to third parties, holdings in corporations of less than 25 %, securities and valuables used for private purposes (e.g. works of art). Administrative assets are eligible for preferential treatment if they account for less than 10 % of the total business assets. However, "young" administrative assets that have been attributable to the business for less than two years at the time of taxation are generally not considered to be eligible for preferential treatment. If the share of administrative assets exceeds 90 % of the total operating assets, the preferential treatment does not apply to the entire operating assets.

When transferred, **preferential assets** are taxed at the **lower tax rates of tax class I**, regardless of the degree of kinship. In addition, a reduction of up to 30 %

may be granted on the preferential assets if the partnership agreement contains restrictions on distribution, disposal or compensation (Section 13a (9) ErbStG). This is intended to take into account the limited market value of these shares. If an inheritance contains preferential assets, the tax due on them can be deferred for up to seven years upon application. In this case, a corresponding partial amount must be paid annually (Section 28 ErbStG). Interest of 6 % per annum is charged on the remaining debt from the second year onwards.

384. For **transfers of exempt assets exceeding €26 million**, there is the **option of a so-called need-based exemption test**. This test enables recipients of business assets to reduce inheritance and gift tax. To settle the tax burden on business assets, they must use a maximum of half of their available assets; the remainder of the tax burden can be waived. Available assets include non-preferential transferred assets and the non-preferential private assets of the recipients. Preferential private assets of the recipients and the private assets of the person transferring the assets are not taken into account in this assessment. In many cases, this rule can enable **the transfer of very large assets** to be **almost tax-free**, especially if the heirs, for example children of entrepreneurial families, do not have any substantial non-preferential assets. In addition**,** there are **extensive** opportunities for **tax planning** by converting existing assets into preferential assets before receiving the transfer of assets.

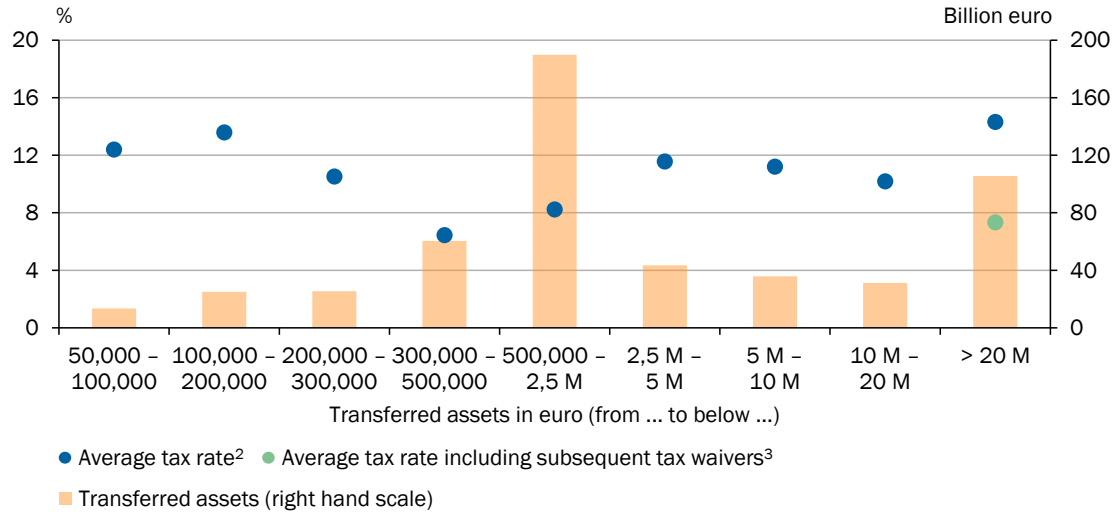
385. According to data from the Federal Statistical Office, **in 2024**, excluding subsequent tax waivers, **€13.3 billion in inheritance and gift tax** was levied **on inheritances and gifts totalling €113.2 billion**. The **preferential tax treatment on business assets** in inheritance and gift tax reduces tax revenue by around **€9 billion annually** (BMF, 2025). In particular, subsequent tax waivers on the transfer of assets of more than €26 million through the need-based exemption test have risen significantly from around €450 million in 2021 to around €3.4 billion in 2024, according to data from the Federal Statistical Office. Only a few people benefited from the tax exemptions, with the approximately €3.4 billion in tax waivers in 2024 going to just 45 people.

386. The **relationship between** the **amount of transferred assets** and the effective **average tax rate** for assessed transfer of wealth is not **clear**. ↘ CHART 80 Transfers of wealth below €300,000 have comparatively high average tax rates due to a composition effect. Due to the high allowances for close family members, the tax statistics in these size categories mainly show transfers of assets to persons with low allowances and higher tax rates (e.g. transfer of assets to non-relatives). ↘ TABLE 23 For transfers of assets above €2.5 million, the average tax rate is significantly influenced by tax breaks for business assets. When subsequent tax exemptions based on the need-based exemption test are taken into account, the average tax rate actually paid on the transfer of assets exceeding €20 million falls significantly, from around 14.3 % to around 7.3 %. Overall, this results in a **decreasing average tax rate** for **the transfer of assets exceeding €2.5 million**.

387. The composition of the transferred wealth varies between inheritances and gifts, with **gifts** accounting for **a higher proportion of tax-privileged business assets**. ↘ ITEM 378 As a result, the **average tax rates for inheritances** are

↘ CHART 80

Effective average tax rate by size class of transferred assets in the years 2020 to 2024[1]



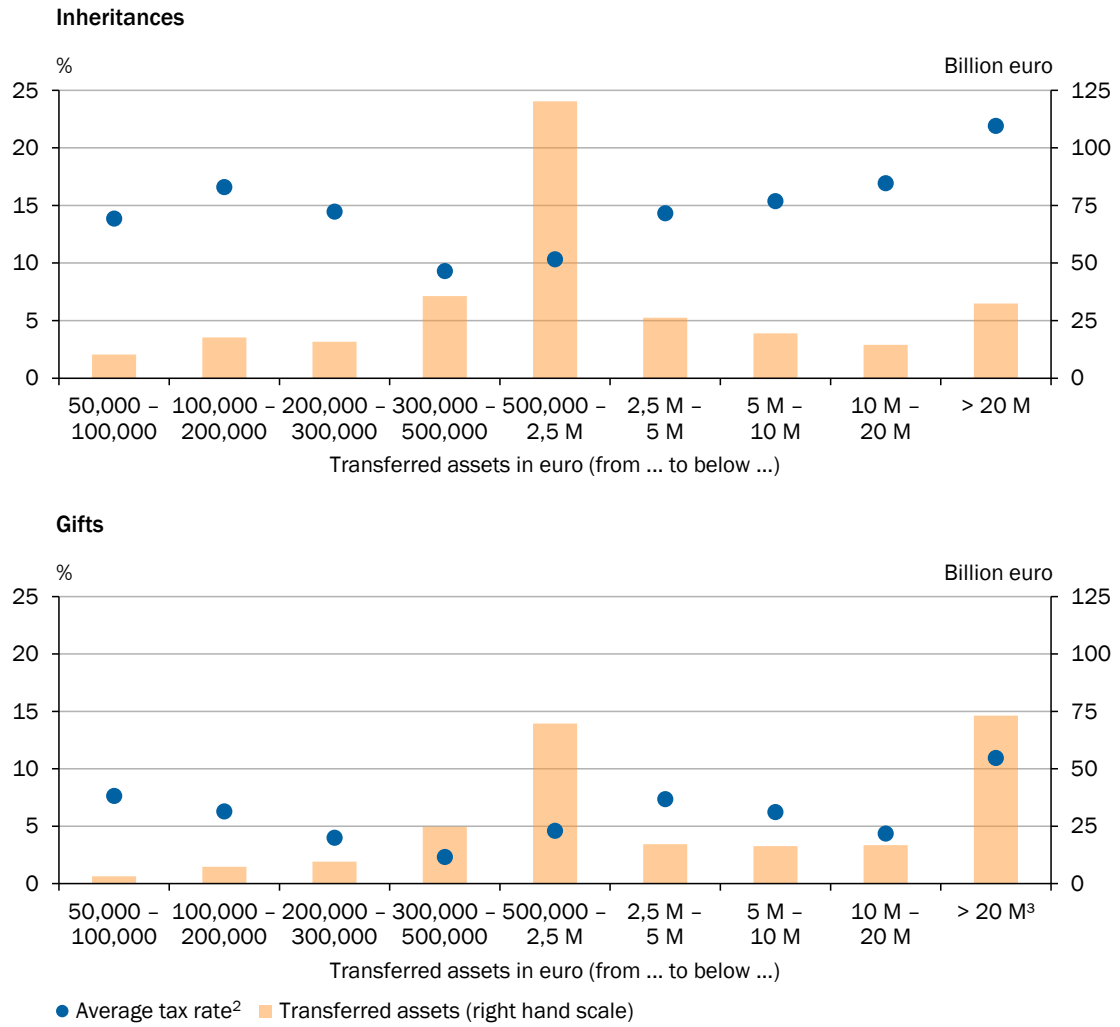
1 – Reading aid: The dots indicate the effective average tax rate paid on inheritances and gifts in the respective size categories in the years 2020 to 2024. The bars show the total amounts transferred in this period in the form of inheritances and gifts in the respective size categories. 2 – Calculated as the actual tax assessed divided by the value of acquisitions before deduction. 3 – Calculated as the tax actually assessed minus subsequent tax waivers divided by the value of acquisitions before deduction.

Sources: Federal Statistical Office, own calculations

significantly higher than for gifts. ↘ CHART 81 As expected due to the progressive tax rates, the average tax rate for assessed inheritances rises from the exemption limits for close family members ↘ TABLE 23 with the amount of wealth transferred. This is not always the case for assessed gifts. This suggests that **large amounts of business assets** are **predominantly gifted** rather than inherited. However, these figures do not include subsequent tax waivers resulting from the need-based exemption test, as it is not possible to distinguish between inheritances and gifts in each year. In 2024, more than 95 % of the volumes waived were attributable to gifts (Federal Statistical Office, 2025c). The actual average tax rate for gifted assets over €20 million is therefore likely to be significantly lower than shown in the chart. ↘ CHART 81 BOTTOM

↘ CHART 81

Effective average tax rate by size class of transferred assets and type of transfer in the years 2020 to 2024[1]



1 – Reading aid: The dots indicate the effective average tax rate paid on inheritances and gifts in the respective size categories in the years 2020 to 2024. The bars show the total amounts transferred in this period in the form of inheritances and gifts in the respective size categories. 2 – Calculated as the actual tax assessed divided by the value of acquisitions before deduction. Subsequent tax exemptions for asset transfers exceeding €26 million due to the need-based exemption test are not taken into account, as these cannot be distinguished between inheritances and gifts in each year. 3 – The effective average tax rate for gifts over €20 million is probably significantly lower than shown here, as the subsequent tax exemptions for transfer of assets over €26 million that are not taken into account mainly apply to gifts.

Sources: Federal Statistical Office, own calculations

III. CHALLENGES

388. **Wealth** enables private households **to compensate for fluctuations in income** and to make **provisions for unemployment or old age**. In addition, wealth can generate **regular income** in the form of interest, dividends and rental income. Finally, in addition to regular income, wealth is necessary for the **purchase of residential property**. Given high real estate prices and ancillary purchase costs, equity from savings or family transfers is often crucial for property acquisition (BBSR, 2023).

389. The **distribution of wealth** in a society **is influenced by economic and political decisions**. The **politically desired level of wealth inequality** is a **normative question and depends on** the **distributional preferences of society** and **the** potential **economic side effects of redistribution measures**. Wealth differences that arise over the course of a lifetime can be **economically efficient** if they are mainly due to **different savings and investment decisions**. Differences in returns between different investment opportunities can create incentives for investment in productive activities, such as education or company, thereby promoting innovation and growth (Foellmi and Zweimüller, 2006; Aghion et al., 2019).

However, if a significant proportion of private households are unable to accumulate any or only very little wealth, they are denied access to the positive effects of wealth. High wealth disparities at the start of life can also cause **economic inefficiencies**. If individuals with lower wealth find it difficult to access credit, their **educational choices**, **career choices and opportunities to start a business** may be **limited**, thereby inhibiting their income generation and wealth accumulation (Banerjee and Newman, 1993; Galor and Zeira, 1993; Bell et al., 2019). Very high wealth, in turn, can lead to a **concentration of economic and political power**, which can create **political instability and** distort **political decisions** (Alesina and Perotti, 1996). Some studies show that a high concentration of wealth or income correlates with increased political representation of wealthy or high-income groups (Gilens and Page, 2014; Acemoglu et al., 2015; Elsässer et al., 2017).

390. The fact that individual wealth positions in Germany are relatively persistent at the lower and upper ends of the wealth distribution ↘ ITEM 363 highlights **two challenges**. First, households at the lower end of the wealth distribution face particular **obstacles to wealth accumulation**. ↘ ITEMS 391 FF. Wealth accumulation is made more difficult both by the fact that these households can only save small amounts due to their low disposable income and by the fact that the wealth they do save generates only low returns. In addition, government support programmes for wealth accumulation do not reach these households sufficiently. ↘ ITEMS 397 F. Secondly, the **uneven taxation of wealth and transfer of assets** can inhibit intergenerational wealth mobility at the upper end of the wealth distribution. ↘ ITEM 414 In Germany, the comprehensive preferential treatment of business assets in inheritance and gift tax leads to uneven taxation of different types of assets

and different levels of wealth. ↘ ITEMS 383 FF. This can also distort legal form and financing decisions without any intention to do so. ↘ ITEMS 418 FF.

1. Obstacles to wealth accumulation

391. **Many private households** in Germany **possess only modest wealth**. ↘ CHART 71 There are **substantial differences in wealth accumulation across income and wealth distributions** in Germany. In the lower three deciles of the income and wealth distribution in particular, saving ratios are significantly lower than in the rest of the distribution due to limited savings capacity. ↘ ITEM 364 These households primarily save for emergencies and major purchases rather than for long-term wealth accumulation. ↘ ITEM 365

392. The **differing savings motives** and **savings capacity** of private households influence the composition of wealth and the returns they achieve. Since **households in the lower half of the wealth distribution** save primarily for emergencies and purchases, they hold a larger share of their wealth in **investment forms with only low value growth and returns**, such as savings deposits and life insurance policies. **Households in the upper half of the wealth distribution**, by contrast, invest more heavily in real estate and business assets with **higher returns and stronger value appreciation**. ↘ ITEMS 367 FF. As a result, wealth at the lower end of the wealth distribution grows more slowly than above the median of the distribution. Over time, this increases the absolute wealth gap and can thus exacerbate wealth inequality.

393. In particular, households that have so far held predominantly low-volatility and low-return forms of investment could achieve higher long-term wealth growth by increasing their holdings of equities and real estate. ↘ ITEM 369 **Access to capital market investments is** much easier **for private investors** today than in the past. Even **with low monthly savings amounts**, it is possible to establish low-cost exchange-traded fund (ETF) savings plans that allow for broadly diversified investment in stock or bond markets. Similarly, real estate investment trusts (REITs) offer the opportunity to participate indirectly in real estate markets with comparatively small amounts, without directly purchasing a property. These instruments thus offer small investors the opportunity for **broad diversification with comparatively low entry barriers** and thus easy access to the capital market, which was previously accessible primarily for institutional investors.

394. **Financial education can have a positive impact on wealth accumulation** through various channels (van Rooij et al., 2011; Behrman et al., 2012; Bucher-Koenen et al., 2023). It enables private households to make informed decisions about savings and investment strategies and how to manage debt. Scientific literature shows that financial education is associated with higher retirement savings, the creation of diversified investment portfolios, the avoidance of excessive debt and, ultimately, better wealth accumulation. In an international comparison, the average level of financial literacy in Germany is high (OECD, 2024a), even though individual socio-demographic groups have knowledge gaps (Bachmann et al., 2021). However, Germany performs **below average** in international

comparisons when it **comes to translating financial knowledge into investment decisions** ("financial behaviour") (OECD, 2024a). Research suggests that changing financial behaviour does not depend solely on theory or school education, but that **practical experience** is particularly **important** (Malmendier and Nagel, 2011; Galaasen and Raja, 2025).

395. The **pension and retirement system** plays a central role in the wealth accumulation of private households. The **integration of capital market investments**, **especially stock market investments**, **into individual retirement provision** can increase participation in the stock market and reduce participation costs. For example, the introduction of mandatory funded pension provision in Sweden has contributed to a very high level of private stock market participation by international standards (in addition to indirect stock market participation through public pension system reserves) (Massa et al., 2006; Kaustia et al., 2023). Stock market participation increased particularly among households that had not previously invested in the capital market. In Sweden, dealing with fund selection and risk information acted as a financial education tool (Massa et al., 2006). Andersen et al. (2024) show that in Denmark, too, capital market participation among lower income groups increased significantly as a result of the mandatory introduction of funded pension funds to complement the pay-as-you-go system. This enabled low-income households to build wealth and participate in capital market returns, which, according to the study results, led to a decline in wealth inequality in Denmark.

396. In Germany**,** there are **various government support programmes and tax incentives** designed to help individuals **build up their private assets**. ↘ BACKGROUND INFO 24 All of these instruments require private households to have a certain savings capacity, although in the case of the Riester pension, for example, the minimum personal contribution required to receive the full government allowance is low, at just €60 per year. Due to the requirement of a certain ability to save and the relatively low subsidy volumes**,** these subsidy instruments **can only have a moderate direct impact on wealth distribution in the long term**. However, indirect effects resulting from easier access to higher-yield asset classes can also have a significant influence on wealth accumulation. Poterba et al. (1996) and Bernheim et al. (2002) show that tax-advantaged private pension plans such as IRAs (Individual Retirement Arrangements) ↘ GLOSSARY or 401(k)s ↘ GLOSSARY in the USA lead to additional savings and higher total wealth. This effect is particularly evident in private households with low income and little prior experience of the capital market (Engen and Gale, 2000; Attanasio and Rohwedder, 2003). However, Chetty et al. (2014) emphasise that tax incentives can also lead to a reallocation of existing savings without additional returns and that it is primarily households with higher incomes and greater financial literacy that actually save more.

↘ BACKGROUND INFO 24

Background: State support for private wealth accumulation in Germany

In Germany, there is a wide range of government measures to support private wealth accumulation. Under **the capital-forming benefits** (VL) **scheme**, employers can invest up to €40 per month for their employees. Supplemented by the **employee**

savings allowance, government subsidies of up to €123 per year are possible, depending on income and type of investment. The **housing subsidy** supports the accumulation of equity for the purchase, construction or modernisation of residential property with up to €70 per year for single persons and €140 per year for married couples. In addition, various **programmes** offered **by the Kreditanstalt für Wiederaufbau (KfW)** provide low-interest loans and subsidies, particularly for the construction or purchase of residential property and for energy-efficient renovations. Until 2006, the **home ownership allowance** was an important support instrument, followed between 2018 and 2021 by the **Baukindergeld** (**child benefit** for home buyers), which supported families in purchasing residential property.

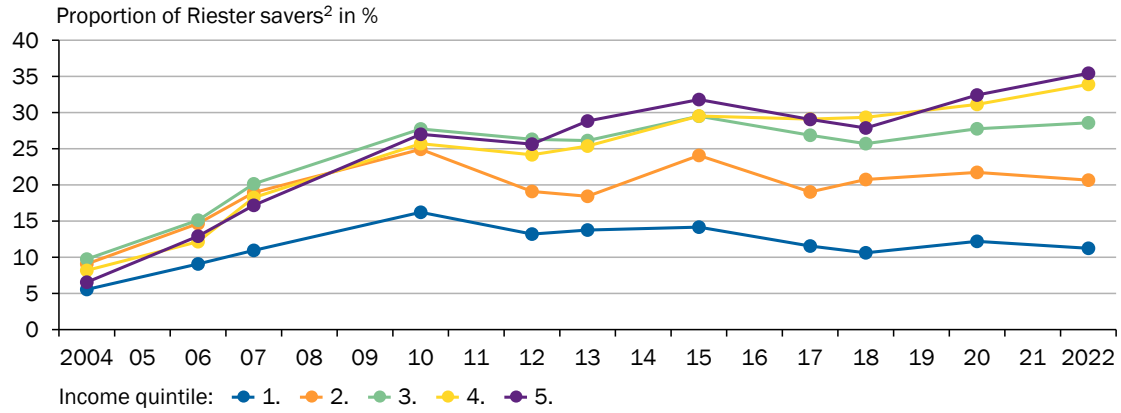
In addition, there are numerous tax incentives: the **saver's allowance** exempts capital gains of up to €1,000 (single persons) or €2,000 (married couples) per year from tax. For retirement provision, two tax-privileged models for private provision are available: the **Riester pension** and the **Rürup pension**. The Riester pension provides state subsidies which, depending on income, are partially or fully offset against the tax-reducing effects of deductibility of up to €2,100 per year as special expenses, while the Rürup pension offers high tax deduction options for the self-employed and higher earners. In **occupational pension schemes**, contributions of up to 8 % of the contribution assessment ceiling for statutory pension insurance are tax-free, and **tax-privileged employee share ownership** also boosts wealth accumulation.

397. **In an international comparison**, both **tax** and **non-tax incentives for private wealth accumulation are relatively modest** in Germany (OECD, 2024b). Households with medium to high incomes benefit more from tax relief due to their higher marginal tax rates. Non-tax incentives such as subsidies or contribution-proportional allowances, on the other hand, tend to have a more progressive distributional effect. Brenzel-Weiss et al. (2024) refer to tax incentives based on the Swiss model, in particular the tax deductibility of mortgage interest and the significantly more generous tax incentives for voluntary contributions to private and occupational pension schemes. In a simulation calculation, they show that such incentives would have a significant impact on the composition of private households' net assets in Germany: shifting away from a low-yield portfolio dominated by bank deposits and towards a stronger mix of real estate, pension accounts and capital market investments. This would primarily benefit households with home ownership, higher incomes and financial leeway for voluntary pension contributions.

398. **In Germany**, **private wealth accumulation is** primarily **earmarked** for specific purposes, such as retirement provision or the purchase of residential property, and **is promoted through a variety of programmes with different funding logics**. ↘ BACKGROUND INFO 24 The programmes are not coordinated with each other, but have grown over the decades as a result of individual political decisions. This has resulted in a **fragmented support landscape that incurs high information and advisory costs** and particularly disadvantages households with low financial literacy. In addition, these programmes only have a selective effect, as only employees with the ability to save benefit, while certain groups, such as the self-employed or low-income earners, remain largely excluded.

↘ CHART 82

The prevalence of Riester pensions increases with income[1]



1 – Household incomes are equivalence-weighted according to the modified OECD scale. 2 – Adults up to and including 65 years of age.

Sources: SOEP v40, own calculations
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399. In addition, in many cases, such as the Riester pension, **support** is **only** provided **upon application**. Behavioural economics research suggests that **this** tends to disadvantage **socially disadvantaged households** (Beshears et al., 2025). In fact, Corneo et al. (2015) show that the selection effect is so strong that it negates the otherwise favourable subsidy structure. The subsidy logic, with its income-independent subsidies offset against the effects of tax deductibility of pension savings, does have a progressive effect overall. At the same time, however, voluntary participation has a regressive effect, as low-income households are less likely to take out a Riester pension plan (Coppola and Gasche, 2011; Geyer et al., 2021).

↘ CHART 82

400. In contrast to Germany, other countries, such as Switzerland and Sweden, pursue the **concept of non-earmarked support for wealth accumulation** for any form of saving (OECD, 2024b). This enables state support **without** specifying a **particular use of funds**. In Switzerland, for example, funds from occupational pension schemes can be used to promote the purchase of owner-occupied residential property, either by withdrawing accumulated assets or by mortgaging future pension entitlements. Wealth accumulation is thus understood as an overarching goal that is not limited to individual forms of investment and savings purposes. It also enables households **to use** their **accumulated assets in accordance with** their individual **preferences and life situations**. A scientific report commissioned by the Federal Ministry of Economics concluded back in 2013 that the introduction of multi-purpose and flexible support for wealth creation in Germany, based on the Swiss model, would **increase transparency**, **reduce windfall effects and more effectively address population groups with low savings capacity** (Boockmann et al., 2013).

Sweden promotes private wealth accumulation through the **Investeringssparkonto** (ISK), which does not specify any particular purpose and offers attractive tax conditions. Taxation takes the form of a flat-rate annual tax on the total value of the account. Although use is subject to application, the ISK is widely

used due to its simplicity and flexibility. Around half of Swedish adults have such an account, with the likelihood of use increasing with income and level of education (Bonthron, 2024). In 2023, the median ISK saver had a balance of around SEK 78,000, which corresponds to approximately €7,000 (Jansson et al., 2024).

401. Business assets are very unevenly distributed in Germany. ↘ ITEM 358 A **dynamic start-up scene** could contribute to the accumulation and further spread of business assets in the long term. Although start-up activity in Germany rose slightly in 2024 compared to the previous year, it has been trending sideways overall since 2018 (Metzger, 2025). In international comparison, the **number of start-ups in Germany** is **low**, which is likely due to the complex and cost-intensive start-up process in Germany (World Bank, 2020; GCEE Annual Report 2023 item 223).

Start-ups in Germany are extremely heterogeneous. They range from part-time start-ups with low capital requirements to growth-oriented start-ups. Start-ups arise across the entire income distribution spectrum. This means that they are **potentially a source for building up business assets**. **However**, **start-ups often initially serve to secure livelihoods**. The decisive factor for wealth creation is therefore not so much the mere establishment of a business, but rather its **scaling**, as this **can create significant new business assets if successful**. However, only a small proportion of start-ups currently grow beyond the micro-business stage (Metzger, 2025). The German ecosystem for growth companies has recently undergone noticeable development, accompanied by a significantly expanded and professionalised venture capital market (Metzger et al., 2024). Nevertheless, there are **still shortcomings** in international comparison, which are particularly evident in the insufficient financing of capital-intensive growth phases.

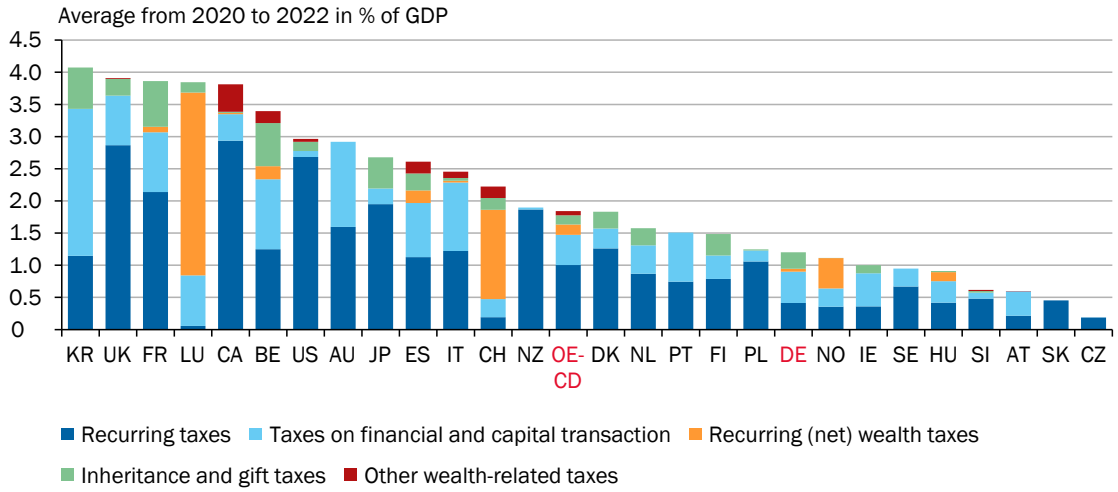
2. Wealth taxation: Uneven taxation of inheritances and gifts

402. Wealth is an indicator of economic capacity. This is not only derived from the income that can be generated from it, such as dividends, interest, rental and business income, but also from the ability to hedge risks. **Taxation of wealth or transfer of wealth** takes this into account by **including** this **capacity in the tax burden**. In Germany, the ownership and acquisition of real estate is taxed by means of land transfer tax and property transfer tax, while the transfer of wealth is taxed by means of inheritance and gift tax.

403. **Taxation of wealth can** lead to a distortion of investment decisions. A **balance** must therefore always be struck **between** the **desired distribution and revenue effects and the associated costs** resulting from the distortion of incentives. The extent of the distortions caused by taxation depends heavily on the specific design of the wealth tax. Different wealth-related taxes can fulfil different functions, which must be taken into account when comparing their total revenue internationally. ↘ ITEMS 404 FF.

404. An international comparison reveals considerable differences in the structure of wealth taxation. ↘ CHART 83 In Anglo-Saxon countries in particular, wealth-related

↘ CHART 83
Revenue from wealth-related taxes in international comparison[1]



1 – KR-Republic of Korea, UK-United Kingdom, FR-France, LU-Luxembourg, CA-Canada, BE-Belgium, US-USA, AU-Australia, JP-Japan, ES-Spain, IT-Italy, CH-Switzerland, NZ-Newzealand, OECD-average across the member states, DK-Denmark, NL-Netherlands, PT-Portugal, FI-Finland, PL-Poland, DE-Germany, NO-Norway, IE-Ireland, SE-Sweden, HU-Hungary, SI-Slovenia, AT-Austria, SK-Slovakia, CZ-Czechia.

Sources: OECD, own calculations

tax revenue consists primarily of recurring property taxes. The **recurring taxation of real estate** serves to **finance locally provided public goods**. It thus creates a certain equivalence to locally consumed public services, such as local infrastructure or childcare.

In Germany, too, real estate is taxed through an annual property tax. In international comparison, Germany has a below-average revenue from this tax, although the revenue effect of the recent property tax reform is not yet foreseeable. ↘ CHART 83 The revenue from property tax flows entirely to the municipalities to finance locally provided public goods. The municipalities can determine the amount of the tax via a municipal scaling factor. **Property tax** therefore **only applies to certain assets** and **is not aimed at taxation according to the ability-to-pay principle**. It is therefore **not designed** as **an instrument for reducing wealth inequality**.

Recurring net wealth taxes

405. Only **a few OECD countries** levy **recurring net wealth taxes**. ↘ CHART 83 Net wealth taxes are levied on the assets of private households minus debts. Compared to property tax, which only taxes land ownership, the tax base is thus significantly broader. A net wealth tax is therefore more closely aligned with the ability-to-pay principle and is more suitable as a redistribution policy instrument than a property tax. In addition, it can often better account for the economic capacity of very wealthy households than personal income tax. The latter can be circumvented by retaining profits or using holding companies, which means that profits do not appear as taxable income for shareholders. Net wealth as a tax base, on the other

hand, is less variable and more accurately reflects the capital gains actually achieved (Zucman, 2024).

In Germany, there has been no **net wealth tax** since the suspension of the wealth tax following a ruling by the Federal Constitutional Court in 1997. ↘ BOX 28 Nevertheless, OECD statistics show a small amount of revenue in this category, as the bank levy and contributions to the deposit guarantee fund are classified as net wealth taxes. In Switzerland, on the other hand, the largest share of wealth-related tax revenue comes from recurring net wealth taxes. There, each canton levies a wealth tax that varies in amount and progression, based on the balance of worldwide assets minus debts.

↘ BOX 28

Background: Wealth tax in Germany

From 1923 to 1997, a **wealth tax** was levied **on net wealth** in Germany, but this has been suspended since 1997 following a ruling by the Federal Constitutional Court. According to the Basic Law, the revenue from the wealth tax is payable solely to the federal states. The tax rate fluctuated between 0.5 % and 1.0 % per annum over time, taking into account fixed allowances and additional allowances for business assets. Revenue from wealth tax amounted to around 0.4 % of gross domestic product (GDP) (Bach and Beznoska, 2012). However, this share declined steadily in the following decades and amounted to only 0.2 % of GDP in the 1990s. The reason for this was the low valuation of real estate ("Einheitswerte"), which had not been updated since 1964, resulting in a preferential tax treatment for real estate. In 1995, the Federal Constitutional Court declared this **failure to adjust valuations** to **be unconstitutional**, as it had done in the case of inheritance and gift tax. ↘ BOX 27 Since the ruling on wealth tax, unlike inheritance and gift tax, there has been no new constitutionally compliant regulation of wealth valuation, and it has not been levied since the end of the transition period in 1997 (Thiele, 2023). In addition to the wealth tax, a **one-off (wealth) levy** was introduced in 1952 in the form of the **burden equalisation levy**. This was levied on the value of assets as at 21 June 1948 and could be paid in instalments over 30 years. Its purpose was to cushion the losses of wealth suffered as a result of war, expropriation and expulsion. While the revenue from the burden equalisation levy amounted to around 1.4 % of GDP at the beginning, this share fell significantly in subsequent years (Bach and Beznoska, 2012).

406. At the same time, a **net wealth tax** carries significantly **greater risks of behavioural adjustments** than property tax. These include **changes in savings and investment behaviour** as well as incentives for **tax avoidance and evasion**. The empirical evidence for the individual effects differs between different European countries. In Denmark, Jakobsen et al. (2020) find that the now-abolished wealth tax had significant negative effects on the accumulation of wealth by very wealthy households, while avoidance reactions were only minor. In contrast, studies for Spain (Agrawal et al., 2025; Mas-Montserrat et al., 2025), Sweden (Seim, 2017) and Switzerland (Brülhart et al., 2022) point to pronounced tax avoidance and tax evasion reactions, without finding any evidence of significant adjustments in savings behaviour.

Overall, it appears that **taxable assets react** particularly **strongly to a net wealth tax** when there is **no** mandatory **third-party reporting obligation**,

for example by banks, when certain types of assets are exempt from taxation, and when taxation varies regionally within a country (Advani and Tarrant, 2021).

407. A net wealth tax can entail **significant collection costs**, as assets must be valued on a regular basis. ↘ BACKGROUND INFO 25 Regular valuation results in **administrative costs** for the state and **compliance costs** for taxpayers. Estimates of the total collection costs vary widely. Earlier studies estimate very high administrative costs of between 10 % and 20 % and total collection costs of up to 32 % (Bauer, 1988; Rappen, 1989). A more recent study by the German Institute for Economic Research (DIW) estimates the total collection costs at between 4 % and 8 % based on estimated cost rates from the National Regulatory Control Council (Bach and Thiemann, 2016b). A paper commissioned by the interest group "Die Familienunternehmer" (The Family Entrepreneurs), on the other hand, estimates these rates to be significantly higher, putting collection costs at up to 20 % (Schneider et al., 2013). In 1996, the Federal Ministry of Finance (BMF) estimated the administrative costs for the wealth tax, which was still levied at the time, at only 3 %, although the valuation, particularly of real estate assets, was less complex under the legal regulations in force at the time than it is today (Deutscher Bundestag, 1996). ↘ BACKGROUND INFO 25 ↘ BOX 28 There is agreement that **collection costs decrease with the size of allowances**, as the collection effort decreases when fewer people are liable for tax. In addition, administrative costs could be reduced with increasing digitalisation of the tax system (Fuest et al., 2017).

↘ BACKGROUND INFO 25

Background: Valuation of various assets

The valuation of various assets is complex, especially if it is to be consistent and suitable as a basis for uniform taxation. The valuation rules for the various assets are laid down in the Valuation Act. The **valuation** is carried out **on the valuation date** (e.g. in the case of inheritances, on the date of death of the testator) and **is based on the fair market value**, i.e. the price that could be achieved in the ordinary course of business in the event of a sale (Section 9 BewG). All circumstances affecting the price are taken into account, but unusual or personal circumstances are not considered. Financial assets are generally easier to value than other assets. **Bank deposit and cash** are valued at their **nominal value**, while **listed shares in corporations and securities** are valued at their **market price on the valuation date** (Section 11 BewG). Unlisted shares in corporations, on the other hand, are valued according to the valuation rules for business assets.

The **value of business assets** is estimated either **by derivation from recent sales or**, if these are not available, **on the basis of earnings prospects**. In the latter case, the valuation can be carried out either by means of an individual company valuation report or by means of a simplified earnings approach, in which the company value is determined by multiplying the annual profit by a fixed capitalisation factor of 13.75 (Section 200 BewG). The (gross) annual profit is calculated as the average of the last three years, adjusted for special effects and then reduced by a flat rate of 30 % to take income tax into account.

Undeveloped land is valued on the basis of standard land values, while three different valuation methods are provided for developed land, depending on the type of land (Sections 247 and 250 BewG). Rental residential properties are valued using the income approach, which takes into account both the land value and the rental income. For most other types of land, the comparative value method is used,

in which the value is measured against past purchase prices of comparable properties. If no comparative values are available, the asset value method is used instead, which takes into account the land value and the building asset value. The latter is calculated from the construction costs, adjusted using a construction price index, minus a depreciation for age.

Inheritance and gift taxes

408. Transfer of wealth is taxed in many OECD countries. **Revenue** from **inheritance and gift tax in Germany** is **slightly above average**. ↘ CHART 83 In France, inheritance and gift taxes account for the highest share of wealth-related tax revenue in international comparison, with legal regulations similar to those in Germany, including varying allowances and progressive tax rates depending on the degree of kinship. Inheritance and gift taxes are conceptually similar to a net wealth tax, whereby wealth is taxed only once upon transfer (through inheritance or gift) rather than annually. This has the advantage that assets only need to be valued at the time of transfer. This reduces the cost of tax collection compared to an annual net wealth tax.

In addition**, inheritance and gift tax** could distort **savings and investment** behaviour **less** than an annual net wealth tax. In theory, the extent of **the impact depends on** which **inheritance and gift motives** prevail. If transfers are made without inheritance or gift motives, for example if assets are held primarily for personal use in old age or for risk hedging, wealth accumulation is unlikely to be affected by taxation. If, on the other hand, the transfer of wealth is made for inheritance or gifting purposes, it is to be expected that wealth accumulation will respond to taxation. This can reduce savings formation, as the transfer of wealth becomes more expensive and personal consumption becomes more attractive in comparison. Conversely, taxation can also lead to greater savings if the transferor wishes to compensate for the higher tax burden. On the part of the recipients of the wealth transfer, a reduction in the wealth received due to taxation can trigger positive labour supply effects (Schratzenstaller, 2025). Brülhart et al. (2025) show empirically for Switzerland that receiving inheritances reduces the labour supply of heirs and can thus impair overall economy.

409. Empirically, the **effect of inheritance and gift taxation on savings formation** is **difficult to identify**, as there may be long periods of time between a possible behavioural adjustment and the timing of taxation. Studies conclude that **behavioural adjustments in response to** a change in **inheritance and gift tax are** significantly **less pronounced than those in response to** a change in **net wealth tax** (Schratzenstaller, 2025).

For Germany, Glogowsky (2021) estimates a **low short-term elasticity** of less than 0.1 based on kink points in the calculation of inheritance and gift tax. According to this estimate, an increase in the inheritance and gift tax rate from 20 % to 28 %, which would correspond to a 10 % reduction in the net-of-tax rate (1 minus tax rate) relevant for the elasticity calculation, would be expected to reduce assets at the time of transfer by less than 1 %. Both internationally and in Germany, it has been shown that gifts respond more strongly to tax incentives

than inheritances (Schratzenstaller, 2025). This can be explained by the fact that gifts are a conscious act for which tax considerations can be of central importance. Empirically, this is particularly evident in the large fluctuations in the volume of gifts in recent years. ↘ ITEM 378

410. Another possible behavioural response would be **to transfer assets and residence abroad in order to avoid German tax liability**. There are no reliable empirical estimates of the extent of this effect, either for Germany or internationally. International studies find only a moderate effect on the internal migration of older and wealthy households within a country (Schratzenstaller, 2025). In practice, legally circumventing tax liability on the transfer of assets in Germany also involves **high legal**, **administrative and economic hurdles**. For example, the assets must first be transferred abroad, and both the transferor and the recipient must not have had their permanent residence in Germany for at least five years. ↘ ITEM 381 The cross-border transfer of shares in corporations abroad is also subject to exit taxation in Germany, whereby a fictitious sale of the shares is assumed and the previous increase in value is taxed.

411. Before taxation, **transferred assets** are **reduced by personal allowances**. ↘ TABLE 23 These can be claimed again every ten years. This 10-year period means that the individual tax burden depends not only on the amount of assets received, but also on the timing of those transfers. This creates considerable scope for planning, which in practice leads to significantly higher effective allowances. In theory, each parent can transfer a total of €1.2 million tax-free to each of their children in just over 20 years through three gifts of €400,000 each.

412. In Germany, **business assets** are subject to comprehensive **preferential tax treatment** in terms of inheritance and gift tax. ↘ ITEMS 383 FF. The question of the extent to which **unequal taxation of different types of assets** is compatible with the Basic Law has been examined several times in the past by the Federal Constitutional Court. ↘ BOX 27 In its latest ruling in 2014, the Federal Constitutional Court stated that the legislature has considerable discretion in choosing the tax base and setting tax rates (BVerfG, 2014). However, if it deviates from a tax decision that has already been made, any resulting unequal treatment must be measured against the principle of equality and justified by an objectively valid reason. The requirements for justification increase with the extent of the deviation. Preferential tax treatments are only constitutional if they serve a legitimate public interest.

413. The preferential treatment of business assets in inheritance and gift tax is **motivated** by the **need to secure jobs in the event of company succession**. Wage rules and holding periods ↘ ITEM 383 as prerequisites for preferential treatment are intended to ensure that preferential treatment only applies if the steering objective is achieved. In its latest ruling in 2014, the Federal Constitutional Court did not object to the comprehensive preferential treatment of business assets in principle (BVerfG, 2014). However, it ruled that the transfer of large companies may only be given preferential treatment if a needs assessment has been carried out beforehand. The exact definition of company size is left to the legislator.

414. In addition to the question of constitutionality, the uneven taxation of different types of assets also has direct **distributional effects**. The comprehensively favoured business assets are predominantly held by private households at the upper end of the wealth distribution. Households in the top 10 % of the wealth distribution hold an estimated 85 % of business assets. ↘ ITEM 359 Since inheritances and gifts are also one of the most important determinants of intergenerational wealth mobility, ↘ ITEMS 373 FF. the comprehensive preferential treatment of business assets can particularly **inhibit intergenerational wealth mobility at the upper end of the wealth distribution**.

415. The **comprehensive tax exemption of business assets** is often **justified by the high liquidity burden on companies** at the time of transfer of assets. In principle, it is not the companies themselves that are liable for tax, but the recipients of the business assets. Taxpayers can settle the resulting tax burden either through existing private assets, external financing, a (partial) sale of company shares or capital withdrawals from the company. In theory, this can mean that the taxation of asset transfers is not neutral for investment and financing decisions. A deduction of equity capital, e.g. by distributing more profits, can reduce the financial resources available for investment. If the company offsets the deduction of equity capital with debt capital, a higher debt ratio may change the risk behaviour of the owner or make it more difficult for the company to take out further loans. Overall, the withdrawal of liquidity due to taxation could theoretically lead to a reduction in capital formation and possible job losses or reduced employment dynamics (Advisory Board to the Federal Ministry of Finance, 2012).

416. However, there is **little empirical evidence for** the **effects of inheritance and gift taxes on capital formation**. Only Tsoutsoura (2015) estimates a strongly negative effect in the first two years after the transfer of assets for a change in the law in Greece in 2002. However, due to the differences in the tax systems of the two countries, the transferability to Germany is questionable. There are **no empirical estimates for Germany**, **only survey data** from companies on the expected effects of a reduction in the preferential tax treatment on business assets in inheritance and gift tax. For example, a majority of family businesses surveyed on behalf of an interest group stated that they would invest less and reduce employment after a business transfer if tax benefits were eliminated (Potrafke et al., 2014).

417. The **impact on the liquidity** of transferred companies **should** therefore **be taken into account when designing inheritance and gift tax**. However, there is no evidence that the comprehensive tax relief on business assets is necessary to the extent currently provided in order to secure jobs. Instead of a complete exemption from taxation, **deferral of the tax burden** would be **an effective measure**. In addition, Houben and Maiterth (2011) show that the **actual liquidity withdrawal for companies** could be **significantly lower**, as many recipients of business assets receive other types of assets that could be used to settle the tax liability. These are not currently taken into account in the exemption allowance and are only partially taken into account in the need-based exemption test. ↘ ITEMS 383 F.

418. **Preferential tax treatment for business assets** can also lead to **distortions in the choice of legal form for a company**. For example, the transfer of shares of less than 25 % in corporations does not qualify for preferential tax treatment, whereas the transfer of the same percentage of shares in a partnership does. ↘ BACKGROUND INFO 23 In addition, there is the possibility that assets may be deliberately converted into business assets prior to a transfer of assets in order to reduce the tax burden (Micó-Millán, 2025). Although the legislator attempts to prevent this through regulations on administrative assets, ↘ BACKGROUND INFO 23 these difficulties in delimitation can generate transaction costs for both the state and taxpayers.

419. The linking of provision of preferential tax treatment to conditions aimed at securing jobs is required by constitutional law, as established by the Federal Constitutional Court. However, these conditions can lead to necessary restructuring within companies being delayed for tax reasons. **Conditions such as holding periods and wage bill regulations** can distort **investment decisions** and **limit** the **adaptability of businesses**.

420. The long holding periods for transferred business assets can also contribute to both company ownership and management remaining within the family. Krug and Langenmayr (2025) show in a theoretical model that this leads in particular to less suitable descendants taking over the management of the company, which can result in efficiency losses. Empirically, Bennedsen et al. (2007) find for Denmark that transferring the management of a family-run company to **descendants of the previous managing director leads causally to lower company performance**. The total return on capital employed falls by an average of at least 4 percentage points in the first three years after the transfer compared to companies where management is not transferred to descendants. Further international studies come to a similar conclusion (Pérez-González, 2006; Bloom and Van Reenen, 2007). In addition, for tax reasons, some companies may reduce employment before the transfer of assets in order to more easily comply with wage regulations. From an overall economic perspective, both the comprehensive preferential treatment of business assets and the conditions attached to their provision can thus lead to significant distorted incentives in investment decisions.

IV. OPTIONS FOR ACTION

421. **The accumulation of wealth** by private households in Germany could be **strengthened through greater participation in the capital market** and **targeted promotion of wealth accumulation**. The introduction of a subsidised long-term investment account could link and standardise private pension provision and wealth promotion. ↘ ITEMS 422 FF. High commitment and targeted promotion could strengthen the **savings capacity of low-income households**. A **sensible design of the early-start retirement account**, which is linked to the new long-term investment account, can make an important contribution. ↘ ITEM 426 The accumulation of business assets through the establishment and scaling of new companies would benefit from more attractive exit prospects in Europe, whereas the tax regulatory framework and bureaucracy can continue to have a dampening effect. ↘ ITEMS 428 F. A **reform of inheritance and gift tax** should **reduce** the **preferential tax treatment of business assets** and thus ensure **more equitable taxation** that is more closely aligned with the ability-to-pay principle. ↘ ITEMS 432 FF. Deferring the tax burden could also avoid a high liquidity burden at the time of the transfer of assets. ↘ ITEM 432 A better understanding of wealth distribution in Germany and its dynamics continues to be hampered by insufficient collection and provision of relevant data. The data infrastructure should be improved, in particular by **linking official data**. ↘ ITEMS 440 FF.

1. Strengthening wealth accumulation by private households

422. The **wealth accumulation of private households** can be **strengthened** in the long term **through greater participation in the capital market** and **improved support for wealth creation**. As international experience shows, this can be achieved by linking private pension provision and wealth promotion. ↘ ITEM 395 For a fundamental restart of wealth accumulation, the GCEE proposes the **introduction of a state-subsidised long-term investment account** that serves both private pension provision and non-earmarked wealth accumulation. ↘ BACKGROUND INFO 26 High-yield funds, a pre-selection of funds based on the Swedish model and flexible payout options would ensure efficiency and transparency (Malmendier et al., 2025c, 2025b). The core of the system should be a **simple standard product based on the principle of a life cycle model**, which allows high equity allocations at a young age and gradually reduces risk in old age. The aim should be to achieve a **high** degree of **flexibility** in the payout modalities. Larger partial payouts, for example to repay debts or to adapt a property to make it suitable for older people, should also be possible. This would enable pension savers to build up **inheritable and mortgageable assets** that can be used flexibly while also benefiting from capital market returns.

↘ BACKGROUND INFO 26

Background: Core elements of the long-term investment account according to Malmendier et al. (2025b)

The long-term investment account is intended to create a lifelong, capital market-based pension product that exists from childhood to retirement. Upon reaching the age of majority, contributions saved from the early-start retirement account are automatically transferred to the account, so that asset accumulation, pension provision and payout are bundled in one system. All working people should be automatically registered to ensure broad and binding participation. The account can be managed by the state or by private providers. Contributions are invested exclusively in high-yield, low-cost and broadly diversified funds. Only funds with a certain minimum diversification and liquidity that invest in tradable securities (UCITS funds) and funds with unlisted assets (ELTIFs) can be selected. In order to ensure a manageable product selection, high quality and low costs, the funds are procured centrally by an independent fund selection authority. The key criteria for fund selection are fees and quality. The assessment is based on a comprehensive qualitative and quantitative analysis as well as ongoing monitoring.

Based on the Swedish model, private fund offerings compete with a government-managed standard product. This can be managed by the Deutsche Bundesbank or KfW, for example. Those who do not make an active choice automatically receive the government-managed standard product with the option of switching to a private fund at any later time. The standard product follows a life cycle model: it consists of higher-yield funds (UCITS risk classes 4–5) and lower-risk funds (risk classes 1–2), the proportion of which shifts with increasing age. Up to around the age of 50, the focus is on high-yield assets, followed by a gradual shift to lower-risk funds. Pensioners decide on the payment terms shortly before retirement, with the emphasis on high flexibility rather than mandatory annuitisation.

423. Experience with the Riester pension and international models suggests that households with low incomes and assets would benefit particularly from a **high level of commitment to participating in the long-term investment account**. ↘ ITEM 399 This can be achieved through the automatic enrolment of all working people (**auto-enrolment**), combined with the option to actively opt out of participation (opt-out). Targeted support can then strengthen the savings capacity of low-income households. The current income-based system of Riester subsidies is not fundamentally problematic and could be retained in the new long-term investment account: deferred taxation complies with international standards for the taxation of pension savings (OECD, 2024b). The fixed allowances, which are offset against tax relief, result in high subsidy rates for low-income earners. If **high take-up by lower income groups** were ensured, the current Riester subsidy system would achieve a significantly progressive distribution effect (Ihle, 2017). However, the level of the allowances would need to be adjusted. The basic allowance has only been increased once since 2008, by €21 to €175; the child allowance was significantly increased in 2008 (from €185 to €300), but has remained constant since then. In order to avoid recurring political debates about the level of subsidies and to secure the real value of the subsidies, a **rule-based dynamic adjustment of the allowances** should be introduced for in future, whereby adjustments are made automatically in line with price or real wage

developments. The income-dependent minimum contribution calculation, which has contributed to the high administrative costs of the Riester pension to date, should be reformed, and various proposals exist for this (BMF, 2023).

424. The existing subsidy system for private wealth accumulation is fragmented and complex. It currently does not sufficiently reach households in the lower income groups. ↘ ITEMS 397 F. In future, **state subsidies for wealth accumulation** should therefore be **designed** to be **more systematic**, **targeted and administratively simpler**. Programmes that do not achieve these goals should be fundamentally questioned. This applies, for example, to the employee savings allowance, which evaluations have found to be insufficiently targeted and to have high deadweight effects and administrative costs (Boockmann et al., 2013; Beznoska et al., 2018). By incorporating existing government support options for private wealth accumulation into the new long-term investment account, this could become **a central**, **lifelong element of wealth accumulation in Germany**, following the international model. The long-term investment account should also be opened up to occupational pension schemes. Existing Riester contracts would have to be grandfathered under the reform. At the same time, however, it should be possible to transfer existing Riester contracts to the long-term investment account without this being detrimental to subsidies already granted. It should also be possible to transfer dormant Riester pensions or occupational pension contracts without losing government subsidies. Flexible payout models contribute to greater purpose neutrality in the promotion of wealth accumulation. ↘ ITEM 400

425. Overall, such a **reform of the subsidy system** is likely to result in **higher government costs**, **but in the long term** it should lead to **more efficient**, **transparent and socially balanced support for wealth accumulation**. In recent years, government expenditure on subsidies for Riester contracts, consisting of allowance payments and tax relief, amounted to around €4 billion annually (BMF, 2024). Assuming that around 80 % of the employed and recipients of unemployment benefit I, which corresponds to an opt-out rate of 20 %, participate in the long-term investment account and the average basic allowance achieved remains largely constant compared to the current Riester subsidy, the GCEE estimates **that the higher participation rate will result in additional expenditure on allowances of around €5 billion per year**. Indexing the allowances ↘ ITEM 423 could increase costs further, while a decline in the number of people in employment is likely to have a dampening effect. In addition, a shortfall in tax revenue is to be expected. The amount of this shortfall will depend in particular on the average income of participants, which is likely to be lower than under the previous Riester subsidy scheme as a result of automatic inclusion.

On the other hand, there would be **potential savings through the reduction and consolidation** of **existing** asset formation support **programmes**. ↘ BACKGROUND INFO 24 The abolition of the employee savings allowance would avoid annual costs of around €75 million (BMF, 2025). Fiscal costs for the saver's allowance, which currently amount to around €320 million per year, could also be saved through automatic tax recording of capital gains in the long-term investment account if income remains tax-free until payout. Similarly, the housing subsidy (currently around €220 million per year) could be integrated into the new system.

Finally, costs could be saved by transferring tax-free employee shareholdings to the long-term investment account (currently around €500 million). In addition, subsidies from the Baukindergeld child allowance, which could only be applied for until 31 December 2022, will gradually phase out in the coming years. Subsidies that have already been approved will continue to be financed until 2033 and currently cost around €800 million per year.

426. Such a long-term investment account could tie in with the Federal Government's current plans. The planned **early-start retirement account could play a key role here**. As proposed by the GCEE (2024; GCEE Annual Report 2023 item 266), children and young people between the ages of 6 and 18 should in future receive a small state contribution for investment in the capital market. This will anchor participation in the capital market early in life, enable broad sections of the population to gain long-term experience with capital market assets and their return opportunities, and strengthen capital market financing in Germany in the long term. However, the success of the early-start retirement account depends largely on its design (Malmendier et al., 2025a). **The core element** of the early-start retirement account should **be** the **automatic registration of all eligible children**, so that no application is required. This could be organised easily using existing interfaces via family benefits offices and tax identification numbers (Malmendier et al., 2025a). Automatic participation can prevent selection effects such as those observed with the Riester pension. ↘ ITEM 399

The early-start retirement account could thus become an **institutional door opener for the new long-term investment account**. The amounts saved should be **automatically transferred to the account** when the child reaches the age of majority. In this way, wealth accumulation would be consistently organised from childhood through the working phase to retirement – with clear, transparent products, without bureaucratic hurdles and without application-dependent subsidy procedures.

427. Internationally, **various concepts for a so-called "basic inheritance"** are being discussed, **which differ** primarily **in terms of amount**, **timing**, **earmarking and financing**. Piketty (2021) proposes a basic inheritance of around €120,000 for France, to be paid out at the age of 25, financed by progressive wealth and inheritance taxation. The annual financing requirement in France would be around €145 billion. Bach (2021) discusses a basic inheritance in Germany of €20,000 at the age of 18. According to the proposal, the resulting costs of around €22.6 billion per year could be financed by an increased inheritance tax, a wealth tax on high net worth individuals and more effective taxation of real estate assets. His simulations show that this could significantly reduce wealth inequality in Germany.

Ackerman and Alstott (1999) conceived the "stakeholder society" for the USA, in which every US citizen receives a one-off start-up capital of USD 80,000 upon reaching the age of majority, financed by an annual wealth tax of 2 % on the richest 40 % of Americans and a repayment clause upon death. The authors estimated the total one-off funding required to pay out such start-up capital to all eligible persons in a given cohort at around USD 268 billion. In the United Kingdom,

there has been discussion for some time about a "citizen's inheritance" of £10,000 at the age of 25 or 30 (Intergenerational Commission, 2018; The Guardian, 2024). According to the proposals, the costs of around EUR 7 billion per year would be financed by a reform of inheritance tax. In addition to the **high financing requirements**, the **long-term effect** of a basic inheritance **on wealth distribution** is **uncertain**, as the funds could be used in different ways, including for consumption. Furthermore, it **does not** create **any lasting incentives for regular saving** and does not in itself promote structural participation in the capital market.

428. The accumulation of business assets in Germany is hampered by a low level of start-up activity compared to other countries. ↘ ITEM 401 Although **dynamic start-up activity** is **unlikely** to have **any short-term impact on wealth distribution**, it could **contribute to** the **accumulation and further spread** of business assets **in the long term**. Start-ups can be hampered by the highly fragmented start-up process, which requires contacting several authorities at different levels of government. ↘ ITEM 607 **To simplify start-ups**, a central digital platform ("one-stop shop") for all applications would be useful. ↘ BOX 34 It would also be helpful if authorities could access documents and applications already submitted to other authorities via a central register in order to avoid multiple submissions ("once-only principle"). ↘ ITEM 656 Both concepts are being successfully implemented in Estonia and are provided for in the Federal Government's coalition agreement (CDU, CSU and SPD, 2025).

The general tax regulatory framework also **has an impact on start-up activity**. Curtis and Decker (2018) show that higher corporate taxes lead to lower start-up activity in the United States. In Germany, the fact that losses can only be offset against future profits to a limited extent could have a dampening effect in this context. ↘ BOX 17 This reduces the attractiveness of risky projects, especially for young, innovative companies that are not yet generating profits. ↘ ITEM 291

429. Only the scaling of new companies can create significant new operating assets if successful. The Growth Fund **Germany** launched last year is an **example of the successful interaction of public and private funds in venture capital financing** (GCEE Annual Report 2023 item 257). For the first time, institutional investors were attracted to the German venture capital market on a large scale. At the end of 2023, almost 70 % of the fund volume came from private funds (KfW, 2024). The planned second generation of funds should contribute to further strengthening the German and European venture capital ecosystem.

In order for institutional investors to remain in the venture capital asset class in the long term, a **successful exit**, for example via initial public offerings (IPOs) or company takeovers. Europe lags behind the US in this respect, where both the number of IPOs and the presence of large companies with strong acquisition capabilities are significantly higher. Strengthening European capital markets generally helps to improve exit prospects. The creation of a **pan-European secondary market for technology companies prior to** their IPO could increase the attractiveness of exit options for investors. ↘ ITEM 203

2. Eliminate asset dependence in inheritance and gift taxes

430. A reform of inheritance and gift tax has several advantages over the reintroduction of a net wealth tax. It builds on an existing system, incurs lower collection costs and is likely to trigger fewer inefficient behavioural adjustments. ↘ ITEMS 408 F. A case currently pending before the Federal Constitutional Court concerning the constitutionality of the current structure of inheritance and gift tax could, depending on the outcome of the proceedings, necessitate new legislation. ↘ BOX 27 **In accordance with the principle of ability to pay**, a **reform of inheritance and gift tax should strengthen the uniformity of taxation**, reduce possible incentive distortions and not lead to revenue losses compared to the existing legal situation. There is a particular need for reform in **the scope of the exemption rules for business assets** and in **the structure of personal allowances**.

431. **Instead of the current allowances**, a **lifetime allowance** could be introduced, **tiered by degree of kinship** as in the current law. Received transfers of wealth would only be taxed if they exceeded this allowance on a cumulative basis. This would **reduce tax planning opportunities and align taxation more closely with actual ability to pay**. ↘ ITEM 411 This would require the systematic recording of inheritances and gifts via the tax identification number. To a certain extent, such recording is already necessary today in order to monitor the 10-year period. When determining the amount of the lifetime allowance, it should be taken into account that the allowances have not been adjusted for inflation since 2009. At the same time, it must be noted that high lifetime allowances lead to significant declines in revenue. Simulation results by Bach et al. (2025) show that setting a uniform lifetime allowance of €1 million for all inheritances and gifts over the course of a lifetime would lead to significant declines in revenue. Tiering lifetime allowances according to degree of kinship, e.g. €1 million for close relatives and €100,000 for other acquirers, would significantly reduce these declines in revenue. **Differentiation according to degree of kinship** should therefore be retained, particularly as it takes account of **differences in the motives for inheritance** and thus **reduces** potential **behavioural adjustments due** to **taxation** (GCEE Annual Report 2008 item 370). ↘ ITEM 408

432. The **comprehensive benefits for business assets should be significantly restricted** in the interests of uniform taxation. To this end, the **exemption allowance** ↘ ITEM 383 would have to **be significantly reduced for business assets below €26 million**. The 30 % valuation discount applied to operating results when valuing business assets, which takes income tax liability into account, should remain in place. The goal **of avoiding excessive liquidity burdens for small and medium-sized companies** could be achieved **by deferring the tax burden**. A deferral of the tax burden for up to seven years is already possible under current law upon application for inheritances of business assets. ↘ BACKGROUND INFO 23 The deferral period could be extended. The **deferral regulations** should also be **accessible and** applicable **at low cost**. **Interest rates** should **be based on current market rates for the deferral period**. Deferral can

significantly reduce the liquidity burden on the company. If the exemption discount were to be completely abolished, a company worth €5 million would have to spend around 37 % of its pre-tax income annually on a deferral with an interest rate of 3.5 % over 5 years; with a deferral over 20 years, this would be considerably less at around 12 % annually. ↘ TABLE 24 In practice, this income burden is likely to represent a maximum that is only reached if the recipients of business assets do not also inherit or receive other assets that they can use to pay tax (Advisory Board to the Federal Ministry of Finance, 2012). ↘ ITEM 416 As Houben and Maiterth (2011) have shown, the latter is likely to be the case for a large number of transfers of business assets.

433. While small and medium-sized companies are likely to experience a **liquidity burden if inheritance and gift tax is not reduced by allowances**, this is **not** the case **to the same extent for larger companies**, especially public limited companies. Recipients of larger business assets can more easily sell company shares to settle the tax burden and also have better opportunities to raise funds on the capital market. The **possibility of retrospective tax waiver through the need-based exemption test for business assets exceeding €26 million should** therefore **be abolished** in principle. Comprehensive retrospective tax waiver often results in a very large transfer of assets being completely or almost completely tax-free, even though the concerned companies have sufficient financing and income opportunities to pay the tax without jeopardising jobs or the continuation of the business.

If the preferential tax treatment for business assets is reduced or abolished, the conditions attached to receiving the waiver in the form of **holding periods and wage bill regulations** should **be relaxed or abolished**. Although these conditions mechanically secure employment during the transfer of

↘ TABLE 24

Maximum annual tax burden if the preferential treatment of business assets is abolished and the tax burden is deferred[1]

Value of the transferred business assets[2]	Fixed tax		Sustainable annual income before taxes	Maximum annual income burden if tax liability is deferred over … years			
				5	10	15	20
euro				%			
1,000,000	90,000	(9.0 %)	103,896	18.9	10.2	7.4	6.0
5,000,000	874,000	(17.5 %)	519,481	36.6	19.9	14.4	11.6
10,000,000	2,208,000	(22.1 %)	1,038,961	46.3	25.1	18.1	14.7
30,000,000	8,880,000	(29.6 %)	3,116,883	62.0	33.7	24.3	19.7

1 – The complete abolition of the exemption allowance and the exemption needs test is assumed. The maximum implicit burden on the sustainable annual pre-tax icome due to inheritance and gift tax is calculated. To calculate the tax burden, an allowance of €400,000 is assumed and the tax rates according to tax class I are applied. An interest rate of 3.5 % is assumed for the deferred inheritance tax liability. The average of advance and deferred interest payments is used to calculate the annual annuity. 2 – The simplified income approach is used for the calculation. First, the sustainable annual income before tax is determined using the average annual operating result for the last three financial years. This result is then reduced by a flat-rate valuation discount of 30 % to take income tax expenses into account. The adjusted value is then multiplied by a capitalisation factor of 13.75 to determine the capitalised earnings value.

Sources: § 19 Inheritance and gift tax law (ErbStG), own calculations

assets, they can also delay necessary restructuring and lead to inefficient business decisions. ↘ ITEMS 419 F.

434. A **reduction in the preferential tax treatment of business assets** will in itself lead to **additional revenue from inheritance and gift tax**. Bach et al. (2025) calculate, on the basis of an inheritance and gift volume of €117 billion, that a complete abolition of the exemption rules for business assets and for residential rental properties would lead to **additional annual revenue of €7.8 billion**. If tax breaks were only partially reduced, this amount would be correspondingly lower. In addition, the additional tax revenue would be spread over several years due to the deferral options.

This estimate **does not take into account any behavioural responses** on the part of taxpayers. However, based on the literature, only minor behavioural adjustments are to be expected in the case of inheritances, as deaths often occur unexpectedly and inheritances have responded only to a limited extent to tax incentives in the past. ↘ CHART 78 Gifts, on the other hand, have responded strongly to tax incentives in the past, which is why an increase in the volume of gifts transferred can be expected in the short term before a reform and a decrease after a reform. In the long term, this decline could be smaller if gifts of business assets are only postponed and transferred at a later date, possibly as inheritance.

435. It is unclear how serious the problem of liquidity withdrawal and the associated risks for investment and employment in the transferred companies is. However, many reform proposals attempt to limit potential risks by proposing lower tax rates. This often involves calls for **the introduction of a flat tax**, which would tax all inheritances and gifts at a uniform low rate. Most recently, tax rates of 5 % to 10 % have been proposed (Blömer et al., 2025). Such a flat tax is primarily intended to protect the heirs of business assets from higher tax burdens. However, there are many arguments in favour of **retaining** the current, fundamentally **progressive tax structure and the allowances and tax rates tiered by degree of kinship** in the reform. Even a low flat tax could tax inheritances and gifts of business assets more heavily on average than under current law and achieve a progressive effect due to the high concentration of business assets in the high-net-worth segment. However, it would remove the significant progression of inheritance and gift tax on other private assets, with rates of up to 30 % and 50 % respectively, which is currently enshrined in the tax system, and provide massive tax relief for such private assets, which could run counter to the principle of ability to pay. A flat tax therefore carries the political and economic risk that, out of consideration for the interests of corporate heirs, tax rates will be set so low that the fiscal objective and a tax progression in line with prevailing notions of fairness cannot be achieved.

436. The **revenue losses** resulting from a **very low flat tax** would also significantly exacerbate the existing financing problems of the federal states in which the tax falls under their revenue sovereignty. Bach et al. (2025) estimate the revenue shortfall resulting from a low flat tax of 10 % with the simultaneous abolition of the preferential tax treatment of business assets at €4.3 billion. A tax rate of just under 15 % would be necessary for a revenue-neutral solution. With such a tax

rate, households with relatively low transferred private assets and tax rates between 7 % and 11 % ↘ TABLE 23 would be taxed more heavily than under current law. The problem of **additional burdens on low inheritances and gifts as a result of a flat tax** could be countered by higher allowances. However, this would in turn increase the flat tax required for revenue neutrality. If, for example, the flat tax were combined with a lifetime allowance of €1 million for close relatives and €100,000 for other acquirers, the tax rate required for revenue neutrality would rise to over 20 %, as estimated calculations based on the simulation results of Bach et al. (2025) show. This would potentially conflict with the political goal of limiting the burden on business assets during company transfers.

437. **If** the **additional burden on business assets over €26 million** resulting from the reduction in preferential tax treatment **is to be limited**, a need-based exemption test could be retained, combined with a **minimum tax rate** of, for example, 15 %, even after subsequent tax waiver. This would rule out a large reduction or even complete remission of the tax, thereby ensuring more uniform taxation of business assets.

438. A reformed inheritance and gift tax should continue to adhere to **uniform allowances and tax rates throughout the country**. Regionalisation of inheritance and gift tax, whereby the federal states can set allowances or tax rates independently, could lead to very uneven taxation of transfer of assets across regions. Taxation would thus no longer be based on individual ability to pay. In addition, this would create extensive opportunities for tax planning, e.g. through changes of residence.

439. **If** a reform of inheritance and gift tax **were to generate additional revenue**, **this would accrue entirely to the federal states** and increase their Fiscal Space. Since, under Germany's federal system, the federal states are primarily responsible for education, it would be desirable to use the additional revenue to boost spending on education. Higher education spending could not only improve the quality and accessibility of the education system, but also contribute to greater income mobility by reducing the hitherto strong influence of social background on educational and career opportunities. As a result, this would also improve the opportunities for wealth accumulation among broader sections of the population, which could lead to greater equality of opportunity in wealth accumulation in the long term. To ensure that any additional revenue generated by inheritance tax reform is actually channelled into education, the **minimum quotas for education** proposed by the GCEE could be used (GCEE Annual Report 2024 item 179).

3. Strengthening data infrastructure

440. The **analysis of the distribution of wealth**, **inheritances and gifts** in Germany continues to be **hampered by insufficient collection and provision of relevant data** (GCEE Annual Report 2023 items 530 ff.). In particular, the market values of business assets and real estate are inadequately recorded. In addition, the possibilities for linking different official statistics are limited. In other

European countries, such as Denmark and the Netherlands, such linking is possible and enables more comprehensive analyses of wealth distribution.

One **way to improve the data on wealth** in Germany would be to **link the microcensus with administrative data** and use this as a basis for estimating wealth. Financial assets could be estimated using capital income tax, business assets using Bundesbank data on company financial statements, and real estate assets using a building and housing register (Bachmann et al., 2023). To simplify the linking of different data sources, a cross-dataset identifier, such as the tax identification number, should be used (Bachmann et al., 2023).

441. An improvement in the data infrastructure was planned in the last legislative period through the Research Data Act (Deutscher Bundestag, 2024). However, this was not implemented due to the break-up of the so-called traffic light coalition. Among other things, the draft law provided for the legal possibility of **linking administrative data sets** by amending the Federal Statistics Act and **introducing a German Microdata Centre** (**DZMD**) (BMBF, 2024) in order to create human resources for data processing. The DZMD was to act as **an independent**, **central data trustee**, through which data from various actors could be provided centrally and linked with each other. Despite several appeals to implement the law in a timely manner (Caliendo et al., 2025; Deutscher Bundestag, 2025; Schiersch and Ullrich, 2025), it remains unclear whether the draft law will be presented to the cabinet in 2025. This legislative project and the provision of linked administrative data sets should be implemented promptly in order to improve both research and evidence-based policy advice on issues of wealth distribution in Germany.

A differing opinion

1. Analysis and interpretation of the data

442. One member of the GCEE, Veronika Grimm, believes that **key aspects were not sufficiently taken into account in the analysis of wealth distribution and that the analysis and recommendations for action are not always consistent**. The dissenting Council member therefore does not share the majority of the Council's assessments of the economic policy options – in particular their prioritisation.

443. The main text places particular emphasis on the methodological recording of high wealth and explains in detail the inclusion of rich individuals in the data basis. ↘ ITEM 351 ↘ BACKGROUND INFO 22 ↘ BOX 24 On this basis, it is shown that **the Gini coefficient of wealth distribution has changed only slightly since the financial crisis**, while at the same time emphasising that Germany continues to show above-average inequality in the distributional wealth accounts (Distributional Wealth Accounts, DWA) of the ECB.

444. **Important factors influencing wealth distribution** – in particular the institutional design of social security funds (especially the pension system) and its effect on life cycle-related savings behaviour – **are** discussed in ↘ ITEMS 356 F. AND 361 for Germany, but **are not adequately taken into account in the classification of the results and the derivation of recommendations for action**. The main text thus follows a widespread and misleading trend in recent inequality research, which focuses primarily on the upper end of the distribution, while the implicit wealth claims from public security systems are largely ignored when deriving recommendations for action (Wroński, 2023a). The influence of immigration on wealth distribution, which could be significant in theoretical and empirical terms, is also discussed, but not included in further considerations.

445. Against the backdrop of some supplementary analyses, the dissenting Council member assesses the economic policy options for action quite differently from the Council majority and adds some important options for action in this minority opinion.

The role of social security systems

446. Theoretical and empirical analyses clearly show that **both pay-as-you-go and mandatory funded pension systems** tend **to crowd out private pension savings** (Wroński, 2023a; Andersen et al., 2024; GCEE Annual Report 2016 item 839).

447. Firstly, a well-developed system of social security, and in particular a pay-as-you-go pension insurance system, has a dampening effect on the individual propensity to save: **the more generous the expected state transfers**, **the lower the**

incentive and the need to build up additional personal retirement assets – especially for lower income groups (Börsch-Supan et al., 2001; Kim and Klump, 2010). This tends to lead to a reduction in aggregate private wealth, so that the inequality of the measured wealth distribution exaggerates the actual inequality of wealth (see also ↘ ITEMS 356 F. of the main text).

448. Secondly, **the age structure in Germany contributes to lower wealth accumulation**, as the preference for risky forms of investment is lower in old age (Le Blanc et al., 2014).

449. Thirdly, **(de facto) mandatory funded elements have an effect on wealth accumulation**, **particularly in the lower income bracket**. People on low incomes – who typically save little (if anything) in a purely voluntary system – become savers. This can make the measured distribution of wealth appear more even, even though the institutional framework forces wealth accumulation (Andersen et al., 2024).

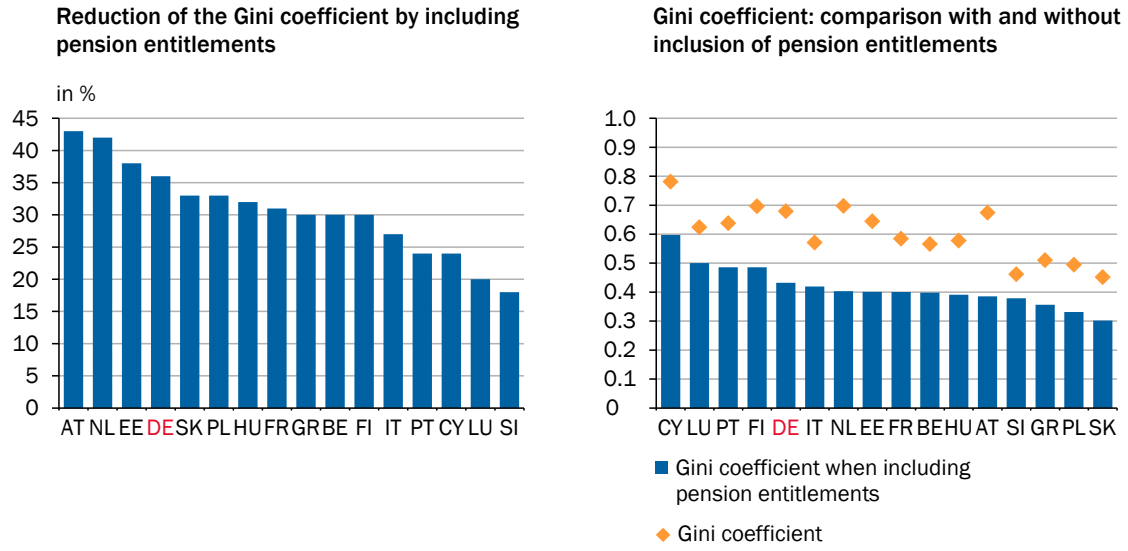
450. Fourthly, the return mechanisms of the two systems differ fundamentally: while the **implicit return of a pay-as-you-go system depends primarily on demographic developments and productivity growth**, the **return on funded systems** corresponds **to the capital market return, which is generally higher under conditions of dynamic efficiency**. The strong increase in the value of equities and real estate has meant that funded pension schemes contribute to higher wealth growth than purely pay-as-you-go systems, even at the lower end of the wealth distribution.

451. This theoretical relationship is supported empirically by recent studies. They show that the inclusion of asset-like entitlements from public pension and social security systems significantly reduces the measured wealth inequality (in addition to the studies cited in item 357, see also Wroński, 2023a; Andersen et al., 2024; Catherine et al., 2025). ↘ ITEM 357 This explains, for example, the finding of particularly high wealth inequality in Sweden and Denmark, which are known internationally for their relatively homogeneous income distribution (GCEE Annual Report 2016 chart 111). This underlines the fact that **conventional measurements of the wealth Gini coefficient**, **which do not take these claims into account**, **convey a distorted picture of actual inequality**. It is surprising that the majority of the Council points out this connection but ignores it when deriving recommendations for action, unlike in previous GCEE Annual Reports (GCEE 2016; GCEE 2018; GCEE 2019).

452. The **significance of the international comparison** shown in chart 70 of the main text (which is even highlighted in the first "Key Message" for the chapter) therefore **remains limited**, ↘ CHART 70 **as the institutional arrangements of the pension systems compared here vary considerably**. Countries with more capital-funded systems typically have higher levels of private wealth, while more generous (less generous) pay-as-you-go systems lead to lower (higher) levels of individual wealth accumulation. These differences are particularly reflected in the **rate of home ownership**, which **tends** to be **higher in countries with lower levels of public provision**, such as Italy or Spain. An isolated comparison of net assets without taking into account the different pension systems is

↘ CHART 84

Impact of the inclusion of pension entitlements on wealth inequality among pensioners in selected EU member states[1]



1 – Based on data from the third wave of the Household Finance and Consumption Survey (HFCS) by the ECB in 2017. AT-Austria, BE-Belgium, CY-Cyprus, DE-Germany, EE-Estonia, FI-Finland, FR-France, GR-Greece, HU-Hungary, IT-Italy, LU-Luxembourg, NL-Netherlands, PL-Poland, PT-Portugal, SI-Slovenia, SK-Slovakia.

Source: Wroński (2023b)

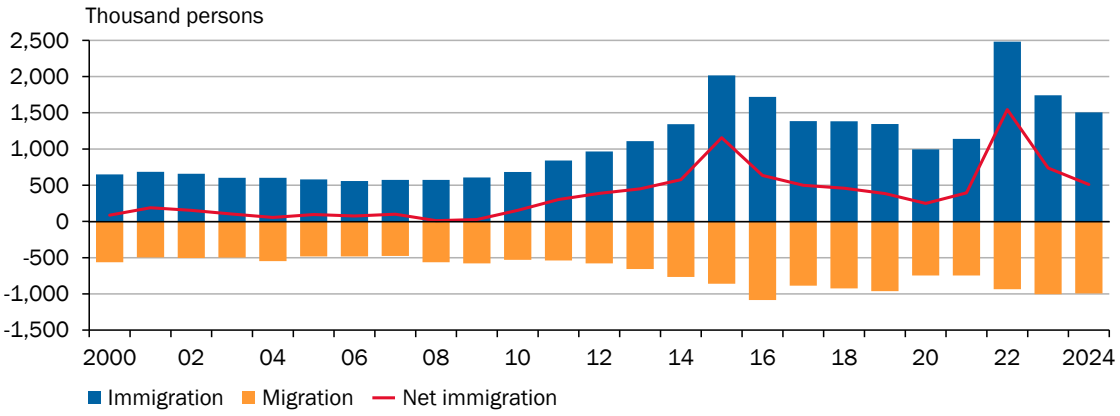
therefore insufficient and is unlikely to provide an adequate basis for economic policy recommendations.

453. To supplement the main text, it is worth taking a look at the empirical findings on the effects of public pension entitlements on wealth distribution among pensioners (Wroński, 2023b). Using data from the Eurosystem Household Finance and Consumption Survey, Wronsky shows that in the 19 European countries he examined, **the inclusion of statutory pension insurance entitlements reduces the measured wealth inequality among pensioners by about 30 %**. However, the Gini coefficient is reduced to a very different extent in the countries examined, ranging from 18 % (Slovenia) to 42 % (Austria). **In Germany, the Gini coefficient falls by 36 %**. This illustrates that assessing wealth distribution without taking implicit pension assets into account provides an incomplete picture of the economic reality, especially for older cohorts.

The influence of immigration

454. Empirical studies show that, **on average, immigrant households in many countries hold significantly less net wealth than the rest of the population** and also often **transfer a considerable portion of their income to recipients in their countries of origin**. The majority of the Council discusses this in item 366 and chart 90. ↘ ITEM 366 ↘ CHART 90 Migration therefore has economically relevant consequences for wealth distribution: (a) ceteris paribus, measured wealth inequality increases as a result of immigration (cf. Koczan and Loyola, 2018) and (b) remittances to the country of origin lead to wealth accumulation

↘ CHART 85
Annual immigration to Germany (excluding German citizens)



Source: Federal Statistical Office

that is usually not recorded in the national wealth statistics of the host country – for example, in the form of real estate (cf. Vandenbussche et al., 2015) or company shareholdings (cf. Brown et al., 2011).

455. Overall, the extent to which migration-related factors actually increase measured wealth inequality remains largely unclear. Several methodological and empirical uncertainties make it difficult to arrive at a reliable assessment: For example, wealth surveys in host countries often do not record foreign assets or systematically track remittance outflows, and short-term cross-sectional findings on new immigrants can differ significantly from longer-term observations of established migrant groups or the second generation (Faininger and Flechtner, 2025). **However, annual immigration** ↘ CHART 85 **has increased significantly in recent years, as have remittances** (Cardozo Silva and Zinn, 2024), so that an assessment of these effects on wealth distribution would be appropriate.

Unconvincing classification of wealth distribution

456. The international comparison of wealth distributions, which is used in the report to derive recommendations for action and is prominently highlighted in the first key message of the chapter ↘ CHART 70 fails to take key contextual factors into account. **Claims from pay-as-you-go pensions and migration-related influences on wealth distribution are mentioned, but are not taken into account when deriving recommendations for action**. The institutional environment – in particular the well-developed social and free education systems – also plays no role in the classification of wealth distribution. This results in an incomplete picture of the actual extent and causes of the observed inequality. Drawing far-reaching conclusions about possible economic inefficiencies or political risks on this limited empirical basis appears methodologically unconvincing. Here are a few examples:

457. Firstly, even in the absence of a comprehensive analysis, the majority of the Council should have classified the discussion of the low growth in wealth at the lower end of the wealth distribution. ↘ ITEM 354 In this context, it **is noteworthy that**

wealth distribution in Germany **has remained** relatively **stable despite significant immigration**, **low incentives to save due to the well-developed social security system**, **and several years of crisis**, as confirmed by the Federal Government's latest report on poverty and wealth (Bundesregierung, 2025).

458. Secondly, the low level of intergenerational mobility in Germany is linked to wealth distribution in the main text on the literature on the "middle-income trap". ↘ ITEMS 341 AND 389 The cited literature refers to **capital market frictions that hinder upward mobility in countries with insufficient public funding for education**. **For Germany**, with its comprehensive social system, Bafög and free access to education, **this argument is hardly relevant**. The thesis that low wealth directly impairs access to education and career choice is therefore unlikely to hold water for Germany, especially in an international comparison. Rather, substantial reforms in the education system are likely to be the key to greater equality of opportunity. ↘ ITEMS 472 FF.

459. Thirdly, the statements in the main text on the connection between wealth concentration and the distribution of political or economic power, which – according to the majority of the Council – could "create economic and political instability", are also particularly weak. ↘ ITEMS 341 AND 389 This argument also originates from the US context. **Institutional peculiarities such as the German social security system and the stable political representation structure are not taken into account** or are not discussed at all.

460. In the opinion of the dissenting Council member, an **appropriate assessment of wealth distribution** in Germany **should be based** more **on national data and the specific institutional regulatory framework**.

International comparison of wealth taxation Incomplete

461. The main text deals extensively with wealth taxation. Among other things, it argues that there are considerable differences in the structure of wealth taxation when compared internationally. As evidence, **wealth-related tax revenue** is presented **in an international comparison** ↘ CHART 83 and it is pointed out that Germany has a below-average level of revenue.

462. However, the discussion by the majority of the Council largely **ignores the fact that both the tax system and the substantive definition of the tax base for recurring asset-related taxes** ↘ CHART 83 **differ significantly**, which is why **the amount of recurring property taxes** between countries **can only be compared to a limited extent**. As with other urgently needed contextualisations, this is briefly touched upon, ↘ ITEM 404 but then plays no further role in the derivation of recommendations for action. This classification will therefore be revisited in more detail at this point.

463. Firstly, the tax bases and fiscal functions of wealth-related taxes vary considerably internationally. Tax and levy rates vary greatly in the countries under review; in particular, **the level of wealth-related taxes does not provide any indi-**

cation of the tax and levy burden (BMF, 2021) or the intensity of redistribution. In Germany, property tax is an object-related property levy linked to the value of land and buildings. Its fiscal significance lies primarily in stabilising municipal revenues. In Anglo-Saxon countries such as the USA, Canada and the United Kingdom, on the other hand, property tax functions as a value-based wealth tax on real estate ownership. It is levied regularly on the basis of the current market value, is of much greater significance in terms of revenue and at the same time fulfils a financing function within local tax revenue, with a partially redistributive effect. In some countries, property tax is creditable against income tax (Wallace, 2025), which also makes comparison difficult. In Germany, on the other hand, redistribution takes place via state transfers, progressive income and consumption taxes, and municipal levies.

464. Secondly, the composition of the components and the scope of coverage differ. **While German property tax is based exclusively on property**, **property taxes in many Anglo-Saxon countries include municipal services** (e.g. waste collection, sewage, road maintenance or school funding), cf. Lukinski, 2023; Walzer, 2025). In these countries, other local fees or charges may therefore be lower or non-existent because the services are already financed through property tax. In Germany, on the other hand, such municipal services are charged through separate fees, which relativises the nominally lower property tax.

465. Finally, there are **fundamental differences in the tax classification of residential property**. In continental European systems – such as Germany or France – owner-occupied property is predominantly treated as a consumer good: the imputed rental value remains tax-free, and maintenance or financing expenses are not deductible. In Anglo-Saxon countries, on the other hand, residential property tends to be regarded as a capital investment, so that maintenance and financing costs can often be claimed for tax purposes. At the same time, capital gains are generally subject to capital gains tax.

466. These differences in system, task demarcation, fee integration, tax logic and redistribution effect mean that the **nominal amount of property taxation is not directly comparable between countries** and can only be interpreted in the context of the respective financing structure, property policy and fee practice.

2. Recommendations for action

467. Given the evidence on wealth distribution presented in the main text and the additional analyses in this minority opinion, it is surprising that 40 % of the analysis and discussion in the chapter is devoted to inheritance, gift and wealth taxation.

468. The dissenting Council member would set different priorities for analysis and action. It seems appropriate **to create a structural regulatory framework that facilitates wealth accumulation among broader sections of the population** – for example, through education and labour market policies that enable long-term independence and wealth accumulation, regulatory framework that facilitates the acquisition of real estate, and adjustments to old-age pension

systems. These measures are more sustainable and help **to reduce inequality through opportunities rather than transfers**.

Adjusting the pension system

469. The findings of Andersen et al. (2024) suggest that the reform of the pension system in Denmark contributed significantly to reducing wealth inequality between 1992 and 2017. During this period, the Gini coefficient of wealth distribution fell from over 0.75 to below 0.69 (Andersen et al., 2024, Table 1), which is below the European average. The decline is mainly due to higher savings by lower-income households, which are increasingly saving for old age through a (de facto) mandatory funded pillar of the pension insurance system. A **significant strengthening of the funded pillar therefore has the potential to reduce wealth inequality in the long term**.

470. The majority of the Council is therefore right to take up the idea of a mandatory funded pension scheme (albeit with the option of opting out), which would increase household savings and contribute to wealth in the long term. However, the model is likely to lead to significant additional government expenditure in the form of allowance payments and tax relief, which would remain constant compared to the current Riester subsidy. ↘ ITEM 425 Due to the additional government expenditure **involved**, **the state-subsidised long-term investment account** discussed by the majority of the Council should **therefore be accompanied by reforms to the statutory pension insurance system that curb expenditure**.

471. **These reforms** have long been described (see Grimm et al., 2025) and **could create financial leeway for strengthening funded pension schemes**. On the one hand, insured persons would have additional (albeit limited) leeway to make funded provisions for old age thanks to less steep increases in pension contributions. Secondly, a smaller increase in the federal subsidy for statutory pension insurance would give the state more leeway to cover the additional expenditure for promotion. However, this is not being discussed by the majority of the Council. **Without appropriate reforms**, **however**, **it is likely to be difficult to achieve "greater capital market participation"** (a key demand of the majority of the Council) **for lower income groups**. Due to the federal government's tight budgetary situation, ↘ ITEMS 141 FF. it is also unlikely that extensive subsidies could be financed without a corresponding reduction in the increase in expenditure on statutory pension insurance.

Educational opportunities

472. In Germany, low wealth does not prevent access to education. However, for other reasons, the **education system does not guarantee equal educational opportunities for children from different social backgrounds**. More and more pupils are leaving school without a qualification. For a long time, the proportion of school leavers without a qualification was around 6 per cent. In 2023, it was 7.1 per cent – that is just under 55,708 young people in that age group; in 2024, this figure rose further to 62,036 (7.7 per cent of that age group). Most

recently, the coronavirus pandemic has left deep scars that have not yet been adequately addressed (Anger et al., 2025; Stanat et al., 2025). There is indeed a need for action here, which may also have an impact on the financial situation of lower income and wealth groups in the medium term.

473. Germany continues to rank only in the middle of the OECD comparison in terms of expenditure per child or pupil on early childhood care and primary education (GCEE Annual Report 2021 item 375 and chart 99). Higher capital formation is needed – but money alone is not enough. It is crucial **to improve the quality of services and respond to new challenges that have become significantly more acute in recent years**.

474. Social diversity has grown significantly in recent decades – culturally, socially and digitally. **Children grow up with very different starting conditions**: language skills, family educational traditions and access to and use of digital media vary considerably. Almost 40 % of children under the age of ten today have a migration background – in some large cities, the figure is more than 50 %.

475. **Strengthening early childhood education** is of crucial importance. Numerous studies show that capital formation in early childhood education has a significant positive effect on lifetime income and thus also on the opportunity to build wealth (Schlotter and Wößmann, 2010; Spieß, 2013; GCEE Annual Report 2014 item 845). However, **Germany still invests too little** in early childhood education **compared to other countries** (GCEE Annual Report 2021 items 360 ff.). More funding and better concepts could help to strengthen social skills at an early age, promote integration and teach the necessary language skills before children start school. Parents' participation in the labour market would also benefit if reliable and high-quality services were available – which in turn would strengthen families' income situation (Lanfranchi, 2002; GCEE Annual Report 2023).

476. In primary school, the **introduction of compulsory full-day schooling** – which has already been successfully implemented in Hamburg, for example (Anger et al., 2025) – can help to overcome key challenges. When homework and leisure activities are effectively integrated into the school day, children whose parents have to work or are not yet familiar with the language and customs of the country are less likely to fall behind (Lanfranchi, 2002; Fischer et al., 2009; Steiner and Fischer, 2011; Seidlitz and Zierow, 2020). In Hamburg, the afternoon of compulsory full-day schooling is organised by sports clubs, which – incidentally – reach significantly more children and young people with their activities (FAZ, 2025).

477. When all-day schooling is introduced, there are good reasons to make it comprehensive and compulsory. **Studies indicate that voluntary all-day programmes lead to selection**. Children with high socioeconomic status benefit more often from attractive programmes (Steiner, 2009), while they are more likely to avoid programmes of lower quality (Fischer et al., 2014) – but integration and resilience in a society can only be strengthened if the more socioeconomically advantaged groups also engage with the broader society.

Adjustment of housing policy

478. Another lever exists in the area of housing policy. Here, the focus should be on improving supply conditions and facilitating access to home ownership (GCEE Annual Report 2024). Construction and acquisition costs could be significantly reduced by **reducing regulatory barriers** in the construction industry, **simplifying planning law procedures** and **reviewing cost-intensive building standards** (GCEE Annual Report 2024 items 386 ff.). In addition, a **reduction in land transfer tax for owner-occupiers or relief from transaction costs** would make it easier for middle-income groups in particular to acquire property (GCEE Annual Report 2024 item 390). **Less restrictive rent regulation** could also strengthen investment incentives for new construction and thus contribute to an expansion of the housing supply (GCEE Annual Report 2024 items 412 ff.). This should also make it more attractive to hold residential property for the purpose of retirement provision, which also contributes to wealth accumulation. If market mechanisms are used to increase home ownership among the population and spread wealth creation more widely, this is likely to meet with general acceptance.

Inheritance and gift tax

479. The majority of the Council avoids motivating the recommendations on inheritance and gift tax with the aim of redistribution. However, the structure and thematic focus of the chapter, in which the GCEE updates **its regular analyses of income and wealth distribution in** Germany in accordance with its statutory mandate, ↘ ITEM 340, could well suggest such an intention. The analysis of wealth distribution initially focuses heavily on high-net-worth households (top 1 %), which hold "a large proportion of [their] wealth as business assets". ↘ ITEMS 341, 351 FF. AND 358 FF. ↘ BOX 24 The first "key message" of the chapter states that "wealth inequality in Germany [...] is high by European standards". ↘ ITEM 341 of the text already states that "very high wealth inequality can lead to a **concentration of economic and political power**, which can create economic and **political instability and** distort **political decisions**" (bold in the main text, ↘ ITEM 389) – whereupon 40 % of the text is devoted to the discussion of wealth, inheritance and gift taxes.

480. However, the proposal to reduce the preferential tax treatment of business assets is justified in the text on the grounds of reducing the uneven taxation of different types of assets. ↘ ITEMS 430 FF. If the aim is neither redistribution nor an increase in revenue, **one** would expect **such a detailed discussion** to be found **in a general chapter on the tax system in Germany**.

481. In recent years, the GCEE has repeatedly commented on the issue of inheritance tax, in particular on the advisability of **moving away from the unequal treatment of different asset components**, which, however, **would have to be combined with sufficiently low tax rates** (GCEE Annual Report 2015 item 810). However, the majority of the Council rejects a low flat tax and instead recommends "**retaining** the current, fundamentally **progressive tax structure and the allowances and tax rates tiered by degree of kinship** in the

reform". A flat tax would entail "the political and economic risk that, out of consideration for the interests of corporate heirs, tax rates would be set so low that the fiscal objective and a tax progression in line with prevailing notions of fairness could not be achieved". ↘ ITEM 435

482. In the **current situation of weak private investment appetite and** – closely linked **to this** – **precarious potential growth**, it **seems** downright **negligent to discuss a higher level of taxation on inheritances of business assets to this extent**. This is particularly true when such a proposal can be derived in such an inadequate manner from the empirical analysis presented. Proposals to increase the effective inheritance and gift tax on the transfer of business assets should be based on a comprehensive analysis of the tax system. However, the majority of the Council itself admits that "it is unclear how serious the problem of liquidity withdrawal and the associated risks for investment and employment in the transferred companies is". ↘ ITEM 435 It is not clear why the majority of the Council has decided to deviate from previous Council positions in this way, particularly in the current deep economic structural crisis.

483. In any case, the text clearly states that the aim of any reform should be at least revenue neutrality. The Council majority states that revenue shortfalls (due to "prevailing notions of fairness" ↘ ITEM 435 and also because revenue losses could cause financing difficulties for the federal states ↘ ITEM 436) should not be accepted. **It is surprising that,** in times of weak investment, **less importance is apparently attached to the possible financing difficulties of companies**. A higher tax burden on business transfers could well be associated with considerable risks of lower investments. The proposals of the Council majority to defer tax payments do not remedy this, as **even in the case of deferral**, **the creditworthiness and thus the room for manoeuvre of companies would be negatively affected**.

3. Conclusion

484. Overall, it remains unclear why the Council majority has chosen this focus in its distribution chapter in view of the considerable economic policy challenges, instead of placing greater emphasis on the performance of the existing system. **Compared to other countries, Germany has a far-reaching redistributive tax and transfer system that effectively cushions income and life risks** (cf. Kuypers et al., 2021). The central challenge therefore lies less in inadequate social security and more in **the lack of scope for private initiative and capital formation**, **which can have a positive impact on individuals' wealth accumulation.** Given the current situation, this perspective should have been given much greater prominence.

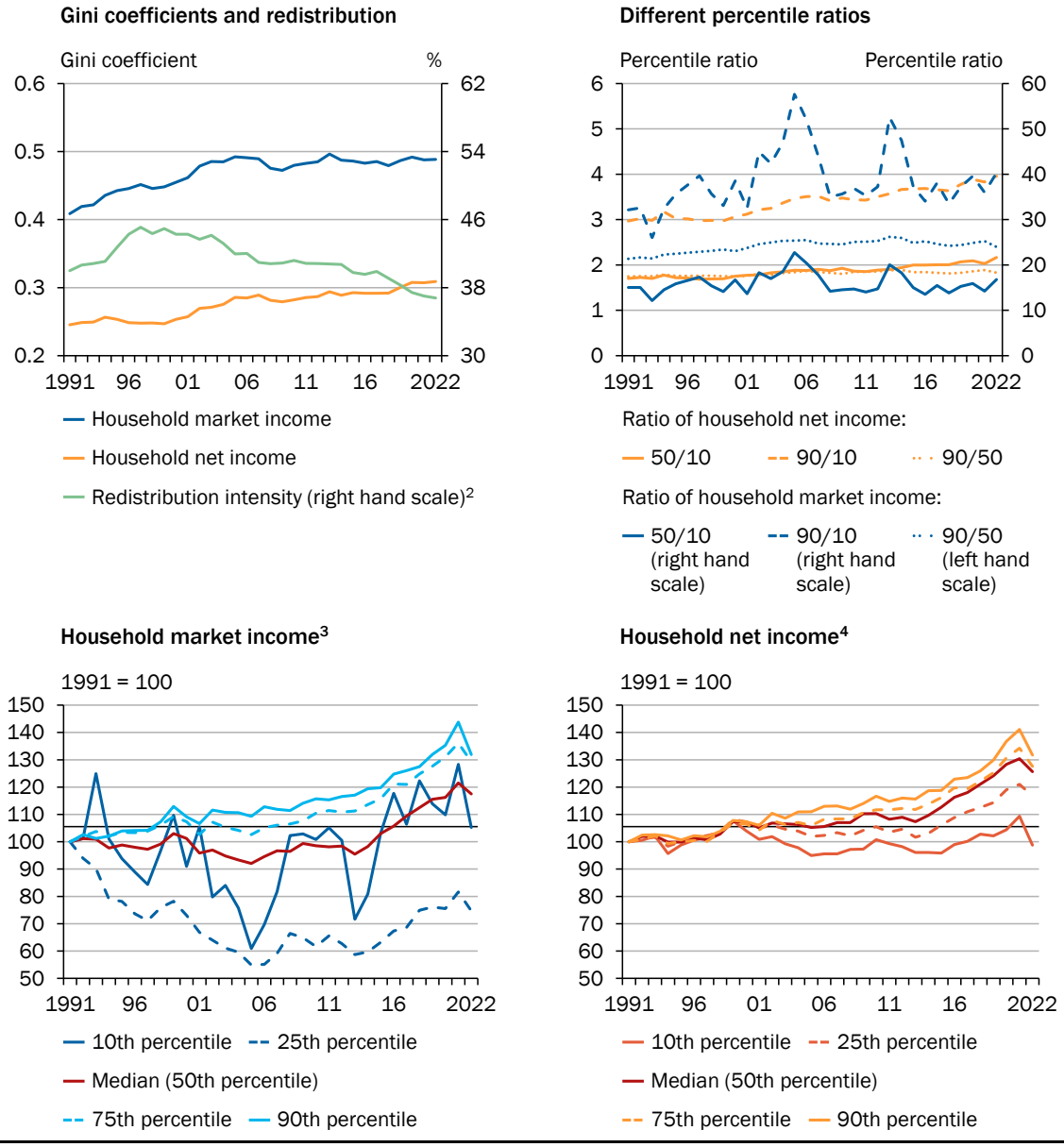
APPENDIX

1. Income distribution

485. This section **updates its analysis of income trends in Germany** from the 2023 GCEE Annual Report (GCEE Annual Report 2023 items 287 ff.). It is again based on income data from the SOEP, which has been extended to 2022.

↘ CHART 86

Income developments[1]



1 – Price-adjusted using the consumer price index (2015 = 100). Household incomes are equivalence-weighted according to the modified OECD scale. 2 – Difference between the Gini coefficient of household market incomes and household net incomes relative to the Gini coefficient of household market incomes. 3 – Income before taxes and transfer payments and excluding pensions from statutory pension insurance and civil servants' pensions. 4 – Income after taxes and transfer payments and with pensions from statutory pension insurance and civil servants' pensions.

Sources: SOEP v40.1, own calculations

Equivalence-weighted net incomes have risen in real terms since the early 2010s. ↘ CHART 86 BOTTOM RIGHT In 2022, however, high inflation led to a significant decline in real net household incomes across the entire income distribution.

Relative inequality in net income, as measured by the Gini coefficient, remained relatively stable at around 0.29 in the 2010s. ↘ CHART 86 TOP LEFT However, an increase is visible from 2019 onwards. In 2022, the Gini coefficient for net income stood at 0.31. The decline in redistribution intensity that had already previously been observed continued recently. However, interpreting the latest developments is complicated by the fact that the sample size for income analyses in the SOEP has decreased significantly since 2021 due to a change in the survey institute (DIW, 2021, 2025).

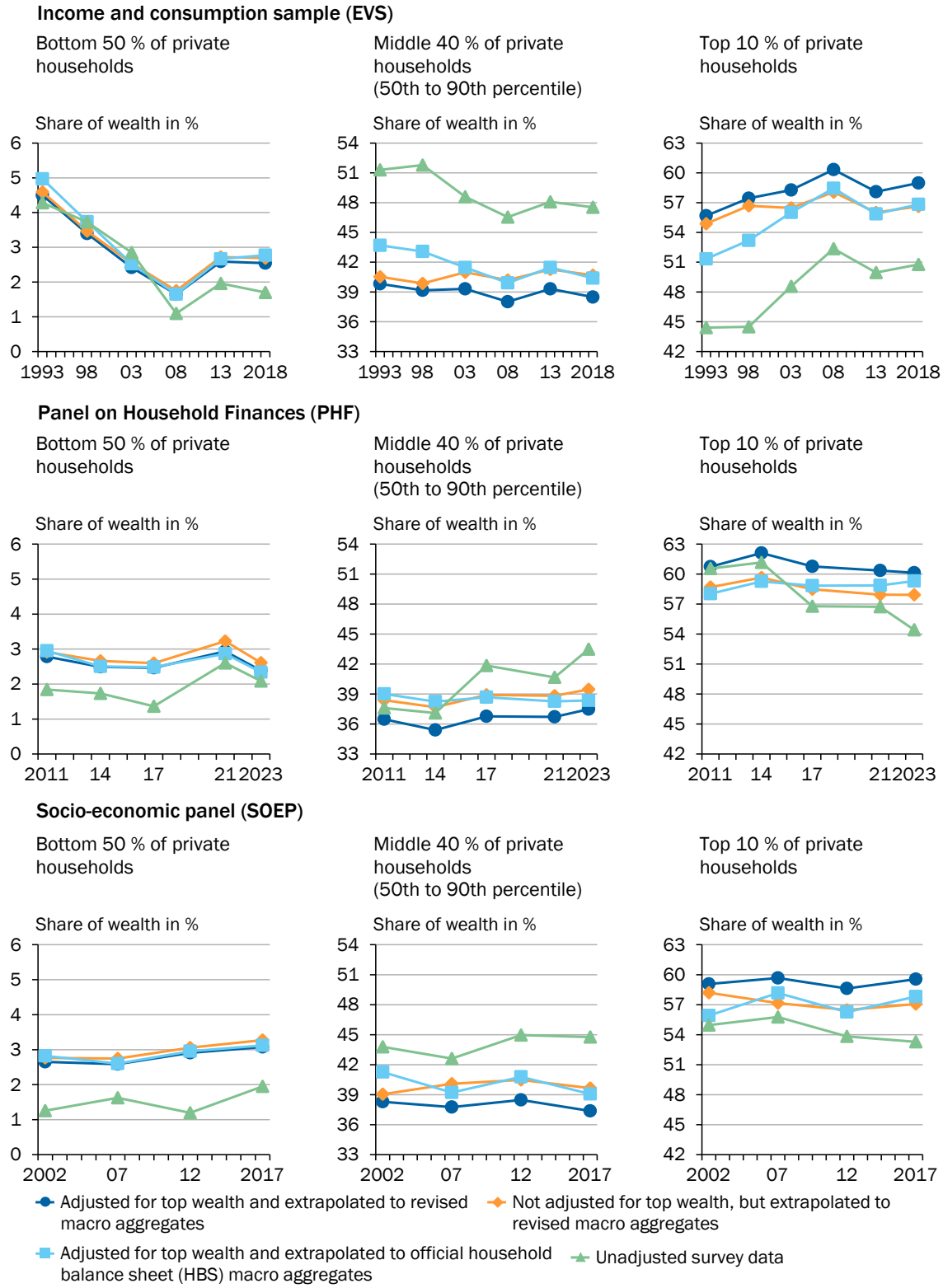
2. Further analyses of the wealth distribution

486. **The wealth and income distribution are closely related**. ↘ ITEM 485 Capital income in the form of dividends, interest, rental income and business income represents returns on assets held. Capital income is much more concentrated than labour income, as wealth is distributed much more unequally than income. Capital income is strongly concentrated at the upper end of the income distribution. Due in particular to highly concentrated business income from partnerships with few partners, Germany has a high concentration of income in the top percentile (Bach et al., 2026). Conversely, income influences the ability of households to save, which is an important factor in wealth accumulation. ↘ ITEM 364 ↘ CHART 75

487. **The adjustments made** to the survey data **by Albers et al.** (2024) **have different effects on wealth across the wealth distribution**. ↘ CHART 87 The share of total wealth held by households in the bottom 50 % of the wealth distribution hardly changes, as these households have little wealth. The share of wealth held by households between the 50th and 90th percentile declines, while the share of wealth held by the top 10 % of the wealth distribution increases. The greatest influence comes from the harmonisation of the survey data with the macroeconomic aggregates of the wealth balance sheets. By contrast, the influence of the top-correction using high net worth individuals based on Manager Magazin's rich list is more limited. ↘ CHART 87 Offshore wealth in tax havens, estimated at around 8 % to 10 % of national income, is not taken into account; including it would moderately increase the share of the top percentile, but would hardly change the trends and wealth composition discussed here (Albers et al., 2024).

↘ CHART 87

Measures of wealth inequality over time based on survey data before and after corrections[1]



1 – The distribution measures for the EVS are taken directly from Albers et al. (2024). The distribution measures for the SOEP and the PHF were calculated using the SOEP and PHF data adjusted using the methodology of Albers et al. (2024).

Sources: Albers et al. (2024), Deutsche Bundesbank (2025b), SOEP v40, own calculations

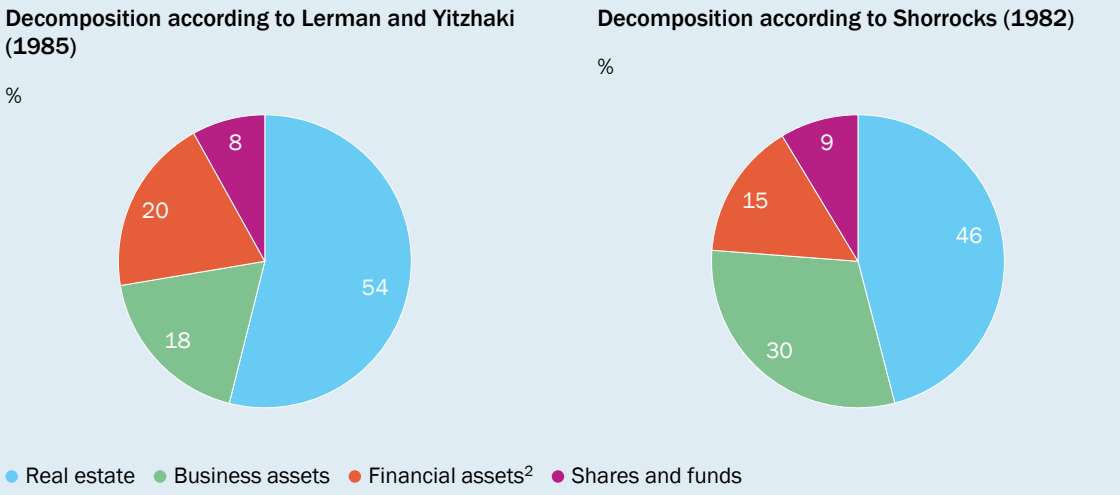
↘ BOX 29

Methods: Decomposition of inequality measures

Different types of assets contribute to net wealth inequality to varying degrees. The contributions of business, real estate and financial assets to total net wealth inequality can be determined using various methods. The Gini coefficient can be decomposed into the contributions of individual asset types using the methodology developed by Lerman and Yitzhaki (1985). The contribution of each asset type to the total Gini coefficient is made up of three components: the share of the asset type in total net wealth, the Gini coefficient within the asset type, and the correlation between the rank in holdings of this asset type and the rank of total wealth. Multiplying these three variables gives the contribution of an asset type to overall wealth inequality, with the sum of all contributions equal to the Gini coefficient of total net wealth. Alternatively, the variance of wealth can be decomposed into contributions from individual asset types using the method developed by Shorrocks (1982). This method measures the absolute dispersion around the mean and assigns shares of the total variance to each type of asset. These shares result both from the variance within an asset type and from its covariance with other types of assets. Both variants can lead to different results. The Gini coefficient reacts more strongly to changes in the middle of the wealth distribution, while the variance is particularly sensitive to concentration at the edges of the distribution.

↘ CHART 88

Contributions of different types of wealth to overall inequality in 2023[1]



1 – The analysis uses data from the study "Panel on Household Finances" (PHF), prepared on the basis of the methodology of Albers et al. (2024). Net assets are calculated by deducting outstanding mortgage loans from real estate assets, outstanding consumer credits from financial assets excluding shares and funds, and outstanding operating liabilities from operating assets. 2 – Includes bank deposits, bonds, endowment life insurance policies, funded pension plans and other financial investments (e.g. shares in cooperatives).

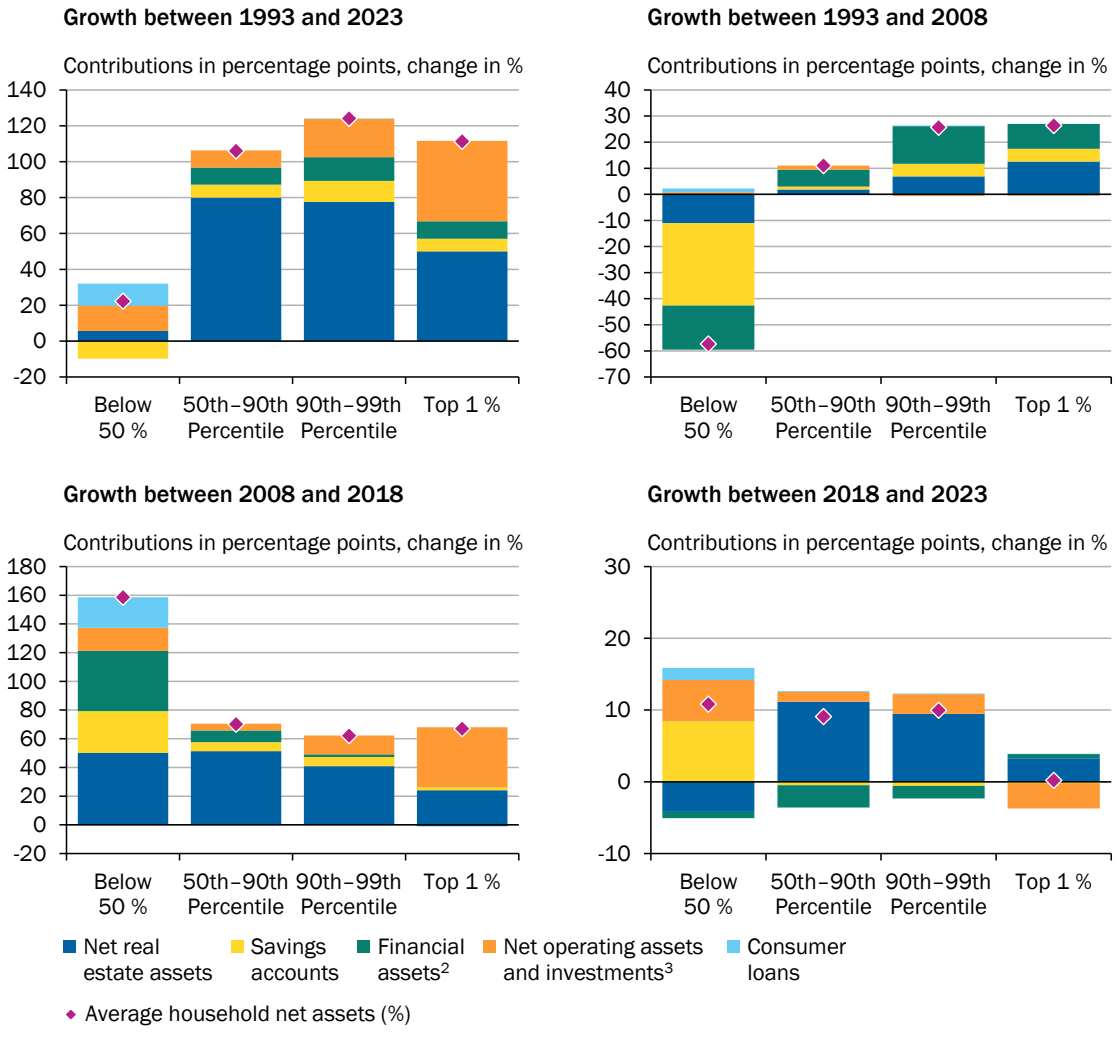
Sources: Albers et at. (2024), Deutsche Bundesbank (2025b), own calculations

Based on the decomposition of the Gini coefficient according to Lerman and Yitzhaki (1985), using adjusted PHF data for 2023, it is clear that real estate assets are responsible for the largest share of wealth inequality. ↘ CHART 88 LEFT This is mainly because real estate assets account for over 50 % of total wealth and are predominantly held by households in the upper half of the wealth distribution. Unlisted business assets, on the other hand, are extremely unequally distributed, but contribute less to the overall inequality due to their small share of total wealth. Despite their very unequal distribution, shares and funds contribute little to wealth inequality because they represent only a small fraction of total wealth. A different picture emerges when

the variance of wealth is broken down into the variance within the asset types and their covariances using the methodology of Shorrocks (1982). ↘ CHART 88 RIGHT Since the variance reacts more strongly than the Gini coefficient to extreme values at the upper end, highly concentrated business assets contribute more to wealth inequality using this decomposition method, even though their share of total wealth is lower than that of real estate (Schröder et al., 2020). Regardless of the chosen decomposition method, financial assets consistently play a smaller role in wealth inequality in Germany, which can be attributed to their smaller share of total wealth and their more equal distribution, particularly for current and savings accounts.

↘ CHART 89

Heterogeneity of real portfolio growth rates for different distribution groups[1]

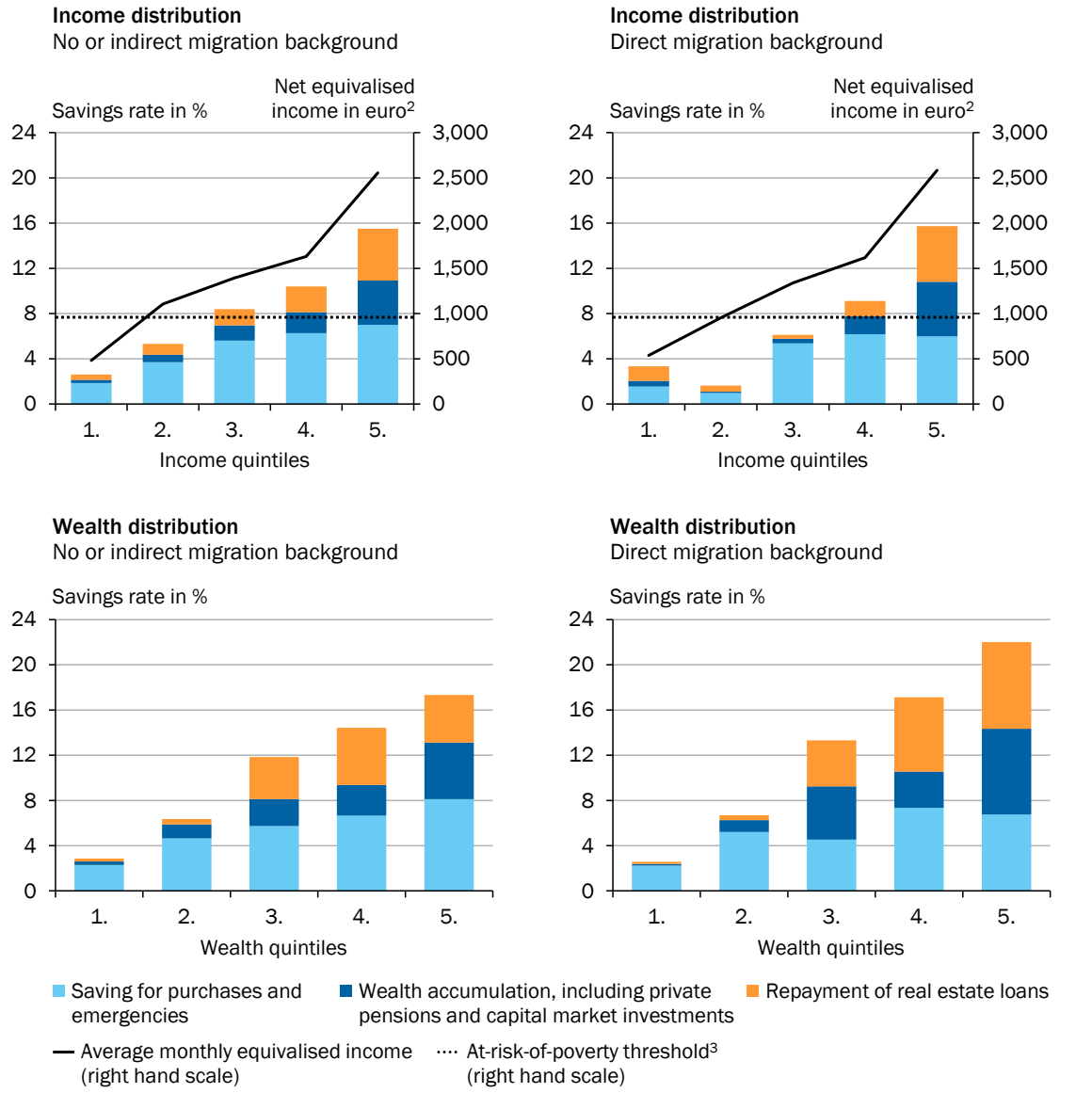


1 – Based on asset holdings at 2015 prices, deflated using the consumer price index. Until 2018, the analysis is based on EVS data (income and consumption sample); from 2018 onwards, these are updated using the growth rates of the data from the study "Panel on Household Finances" (PHF) prepared according to Albers et al. (2024). 2 – Includes bonds, endowment life insurance policies and funded pension plans. 3 – Includes investments in corporations and partnerships as well as indirect corporate exposure via investment funds, less corporate credits.

Sources: Albers et al. (2024), Deutsche Bundesbank (2025b), EVS, own calculations

↘ CHART 90

Savings rates along the income and wealth distribution in 2021[1]



1 – Saving rates are defined as the ratio of savings to disposable income. The methodology used for the analyses is that of Albers et al. (2024) based on the SOEP (v40). The saving rates were harmonised with the aggregate savings rate.
2 – In order to make the incomes of households of different sizes and compositions comparable, the equivalised disposable income is used, which is calculated using the modified OECD scale. The first household member over the age of 14 is assigned a demand weight of 1; other household members over the age of 14 are each assigned a weight of 0.5, and children under the age of 14 are each assigned a weight of 0.3. The real total income of a household is then divided by the sum of the demand weights, resulting in the weighted per capita income. 3 – The at-risk-of-poverty threshold corresponds to 60 % of the median net equivalised income.

Sources: Albers et al. (2024), SOEP v40, own calculations

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