



2022

The ABC's of pensions for the self-employed

What are pensions for the self-employed?

The pension under the Self-employed Persons' Pensions Act (YEL) is an earnings-related pension for entrepreneurs aged between 18 and 67 years. If you are self-employed, you must take out insurance under YEL with an earnings-related pension insurance company. When you pay pension contributions, you earn YEL pension. When you have YEL insurance, you are also insured for social security benefits.

What security does YEL offer me?

When you have YEL insurance, you have the right to get an earnings-related pension and other social security benefits. Earnings-related pensions offer security when you grow old or if you become disabled. If you were to die, your earnings-related pension may be paid to dependent family members.

In addition, your YEL insurance determines your other social security, including your parental and sickness allowances. Your YEL insurance also affects your voluntary accident insurance and unemployment security.

When must I take out YEL insurance?

You must take out YEL insurance from the start of your self-employment if

- your self-employment has continued without interruptions for at least 4 months,
- your income from self-employment is more than 8,261.71 euros (in 2022), and
- you are between 18 and 67 years old.

Note that simply owning a company is not in itself

grounds for the insurance – you must also work for the company. If you have several companies that you work for, one YEL insurance covers your work in them all. The company form makes no difference, but ownership structures may. If you own your company together with your family members or business partners, you should carefully sort out your obligation to take out YEL insurance.

What is my pension-declared income under YEL and how is it determined?

Your pension-declared income under YEL is the value of your work input in your company. Your contributions under the Self-employed Persons' Pension Act are based on your YEL income. Your pension-declared income should correspond to the wage that an external person would be paid for doing your work.

At the beginning of your self-employment, your pension-declared income and, as a result, your pension contributions are based on your own estimate. When you take out YEL insurance, you must estimate the value of your work input for the next 12 months. Your pension insurer confirms your pension-declared income, and you pay your insurance contributions to the company based on that.

For the first four years of self-employment, you get a 22-per-cent discount on your YEL pension contributions. This is because determining your pension-declared income under YEL may be difficult at first, and your company's cash flow may be small

at the beginning. That is why it is important that you adjust your pension-declared income as your company's operations grow. Any changes affect your future pension contributions and the benefit levels. Changes cannot be made in retrospect.

How much is the YEL contribution?

Your YEL contribution is 24.1 per cent of your monthly pension-declared income. If you are between 53 and 62 years old, your contribution is 25.6 per cent. The contribution is fully deductible in your taxation. Under certain conditions, the contributions are flexible which means that you don't have to change your pension-declared income.

The YEL contribution is statutory. It means that when you meet the conditions, you must take out YEL insurance and pay the contributions. If you have liquidity problems, contact your own earnings-related pension company.

How does my pension grow when I have YEL insurance?

If you are self-employed, your YEL insurance offers you pension and social security. Each year, earnings-related pension accrues at a rate of either 1.5 or 1.7 per cent (depending on your age) of your confirmed pension-declared income. All of your insured earnings, including those you have from work as a wage earner, are considered when your earnings-related pension is calculated.

If your earnings-related pension is small, it is supplemented by the national pension. You get a national pension if your monthly earnings-related pension is less than 1,403 euros.

Is the retirement age flexible for the self-employed?

Insurance under YEL offers alternatives when you are approaching your retirement age. At age 61, you can take out a partial old-age pension (25% or 50% of the pension you have earned up till then). There are no limits as to how much you can work and earn when you draw a partial old-age pension. As a self-employed person, you can continue with your self-employment even after you have retired on a full old-age pension. In that case, taking out YEL insurance is voluntary.

How do I claim my pension under YEL?

You must claim your earnings-related pension to get it. It is not granted or paid out automatically. As a rule, claim your pension from your own pension provider, but you can submit your claim to any pension provider. Before you can be granted a disability pension, all rehabilitation options must be considered. If you need help claiming a pension from abroad, contact the Finnish Centre for Pensions.

For how long do I get a pension for the self-employed?

Earnings-related pensions are paid out once a month to any country in the world. The old-age pension is paid out for the rest of your life. Other earnings-related benefits may be paid for a fixed term.

**For more detailed information
on earnings-related pensions, go to
[Tyoelake.fi](https://tyoelake.fi)**



Finnish Centre for Pensions
ELÄKETURVAKESKUS

You can take out YEL insurance from a pension insurance company or a company pension fund that offers pension insurance also for the self-employed.

Pension insurance companies

Elo Mutual Pension Insurance Company,
Ilmarinen Mutual Pension Insurance Company,
Varma Mutual Pension Insurance Company, or
Veritas Pension Insurance.

Company pension funds

Apteekkien eläkekassa, Eläkekassa Verso