

# Tobin tax will hit the man in the street and his pension

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From Dr Lars Oxelheim.

Sir, Chris Lenon, Theo Keijzer and Krister Andersson (Letters, November 24) argue that the financial transaction tax would adversely affect investments and jobs in Europe, and call for tax policies that will foster sustainable growth. In response, Sharan Burrow, Bernadette Segól and John Evans Tobin (Letters, November, 29) argue that the FTT "would shield the real economy, workers and employers from excesses of financial speculation"; however, they do not mention the cost to the workers of that kind of shield.

The fact is that the FTT will directly affect ordinary citizens in Europe. One area in particular is the impact on pensions of workers active today. When they set aside part of their salary for a pension, tax will be levied and the initial investment will be reduced.

Furthermore, every time the worker reallocates his pension fund, or if the fund does it for him, the tax will be due. A reallocation will trigger the tax both when the assets are disposed of and when new ones are acquired in the same fund (or in another pension fund). Since the tax is compounding, the overall impact on the pension is substantial.

The impact on each worker's pension depends on the number of times reallocation takes place, the rate of return on assets in the pension fund and the number of years to retirement. Just to give an indication, a 30-year-old worker, retiring at the age of 65, having a pension fund yielding 5 per cent per annum, with a turnover of the portfolio of 1.5 times a year, will see his pension reduced by 5 per cent due to the Tobin tax.

Pension savings are long-term, but it does not mean that the same investment should be held until retirement. In turbulent times, there may be a need to dispose of highyield stocks in favour of low-yield ones, and if the economic situation worsens there may be a need to buy bonds or even move into cash. When the economy rebounds, there is a need to adjust the portfolio again. As the workers become older and closer to retirement, there is also a need to reallocate assets. All these necessary changes will result in a Tobin levy.

The FTT is presented as directed at the financial industry, but eventually the man in the street is the one to foot the bill.

**Lars Oxelheim**