EFAMA

European Fund and Asset Management Association

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Household Participation in Capital Markets

Assessing progress focusing on 2020-2022

January 2024

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Executive Summary

This report analyses the progress made in Europe in recent years in shifting household financial wealth from bank deposits to capital market instruments and presents concrete policy measures that should be taken at national and European level to move towards this objective.

We review the progress made in household participation in capital markets on the basis of two indicators: the ratio between the capital market instruments and the cash and bank deposits held by households (the so-called 'CMI' ratio, which was introduced in the 2020 EFAMA Report), and the ratio between the capital market instruments bought by households and the increase in their holdings of deposits, which we refer to as the 'CMI flow' ratio. We introduce to this new indicator to integrate the investment behaviour of households into the overall analysis and give less importance to the fluctuations in the value of financial assets held by households, which can have a big impact on the CMI ratio.

Two striking features emerge from our analysis:

- The CMI ratio for Europe has fallen from 1.73 in 2015 when the European Commission launched the Capital Markets Union initiative, to 1.43 in 2022. This decline has been driven by the massive increase of savings in deposits in reaction to the pandemic in 2020, and by the financial market downturn as a consequence of the start of the war in Ukraine in 2022. Consequently, European households held EUR 13,944 billion in cash and bank deposits at the end of 2022, or 41.1% of their total financial wealth, compared to 36.7% in 2015.

- The CMI flow ratio for Europe fell to 0.4 in 2020 before picking up to 0.8 in 2021 and 1.2 in 2022. Even if this increase is encouraging if one considers the exceptional circumstances that the European economy and society have been experiencing in 2020-2022, the fact remains that European households continued to increase their holding of deposits by a large amount in 2022 (EUR 486 billion).

By giving such a strong preference to immediate liquidity needs, households suffer a huge loss in revenue over the long term. For example, those who would have invested EUR 10,000 in equity UCITS and bond UCITS in equal amounts at the end of 2012, would have seen their real purchasing power increase by an additional EUR 4,279 by the end of 2022, compared to the return this amount of money would have generated if it had been held in a bank deposit.

It remains true, however, that there continues to be fundamental differences in the way households allocate their savings across Europe. In three countries (Denmark, Sweden, and the Netherlands), households remarkably held less than 30% of their financial wealth in deposits at the end of 2022, while in eight other Member States, the share of deposits exceeded 70%. This situation is mirrored by significant differences in the role played by funded pensions in the overall retirement system, which is important in the first group of countries and quite small in the second one. Three other factors contribute to explaining the high share of deposits held by households in many countries: a gross national income per capita that is well below the European average, a relatively low level of financial literacy, and insufficient tax incentives for investment.

Also, some countries made more headway in 2020-2022 than others. This is notably the case for Austria, Belgium, the Czech Republic, Denmark, Finland, Germany, Italy, Luxembourg, the Netherlands, Norway, and Slovakia. Interestingly, these countries are quite different in terms of total population, economic weight, financial development and geographies, which shows that progress toward one of the key objectives of the CMU can be achieved in any country.

Our country-level analysis highlights two important avenues to encourage households to save more in capital market instruments:

- On a collective level, boosting access to, and coverage of, funded occupational and personal pensions will set in motion a positive feedback cycle.

- At the individual level, it is essential to ensure that retail investors have access to affordable and quality advice to help them understand the specific features of the wide range of investment products available on the market, including the different kinds of investment funds, which have demonstrated their qualities in terms of investor protection, asset diversification, potential risk-adjusted return, liquidity, and transparency.

Against this background, the report also stresses the importance of ensuring that the Retail Investment Strategy will not discourage retail investors from investing in capital market instruments due to their negative impact on the access to the advice they need to take informed investment decisions.

The report also presents concrete policy recommendations to promote retirement saving at the national and European level. Europe's ageing population, the higher debt servicing costs, and the energy crisis, among others, are putting pressure on many countries, which will have no other choice but to raise taxes and/or reduce benefits in, for example, health care and public pensions to keep their budgets reasonably under control. In this context, a growing number of EU citizens will be at risk of poverty in older age if they are not able to save more for their retirement. This requires voluntarist public policy measures to inform citizens about the income they can expect in retirement, offer adequate tax incentives for retirement savings, implement auto-enrolment mechanisms, and amend the regulation on the pan-European Personal Pension Product (PEPP) to address the problems posed by the fee cap and the design of the risk-mitigation techniques.

More generally, it is hugely important that Member States take measures to strengthen financial education across the EU, such as financial health checks, and encourage long-term savings through tax incentives, for instance by establishing tax-exempt investment plans for individual retail investors. Indeed, few households invest in capital markets without being nudged or understanding the basic investment concepts.

1. Introduction

Shortly after the publication of the final report of the High-Level Forum on the CMU, A New Vision for Europe's Capital Markets, the European Commission published in September 2020 its new CMU Action Plan. The objective of the Commission was that the measures proposed therein be adopted by the end of the current legislature in 2024. Greater participation of retail investors in capital markets was an important objective of this action plan.

EFAMA also published in September 2020 a report on Household Participation in Capital Markets. In that report, we analyzed the investment behaviour of households across Europe, and we looked specifically at the progress made during the years 2009-2019 in shifting household financial wealth from bank deposits towards capital market instruments.

In addition, we made concrete policy recommendations to accelerate this shift, focusing on financial literacy, pension policies, and tax incentives, and proposed to measure progress by looking at the variation in the ratio between the amount of household financial wealth invested in capital market instruments and that placed in cash and bank deposits (the 'CMI' ratio).

In this new report, we focus our attention on the progress towards greater household participation in capital markets over the period 2020-2022.

In Section 2, we examine how the household financial portfolio composition and the CMI ratio have evolved at the European level. We strengthen our analysis by introducing a second indicator, that is the ratio of the acquisitions of capital market instruments to that of deposits (the 'CMI flow' ratio). In this way, we can distinguish the evolution of the stocks of financial assets held by households from that of the investment flows into the households' financial portfolios. This allows to discount the impact of the financial markets' fluctuations on the CMI ratio by integrating into the overall analysis the investment behaviour of households.

Section 3 provides an overview of the household financial asset ownership at the national level at the end of 2022 and highlights the key factors that explain the huge differences in the financial portfolio composition between European countries. This overview is followed by an assessment of the changes in the household portfolio composition that occurred during the 2020-2022 period.

Section 4 concludes by highlighting why fostering retail investments in capital markets is important, what the two main channels to achieve this objective are, and which policy measures should be taken at European and national level to broaden the retail investor base in Europe. We have analysed these issues having due regard to the policy actions recently taken in the field of financial literacy, pension policy, tax incentives and long-term savings, a summary of which can be found in Annex 1 to this report.

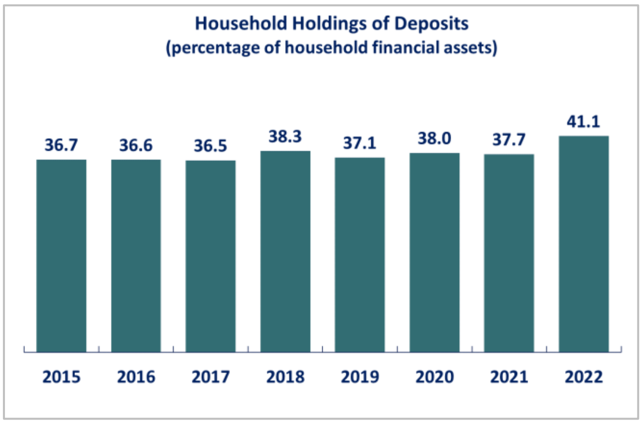
2. Household Financial Asset Ownership in Europe

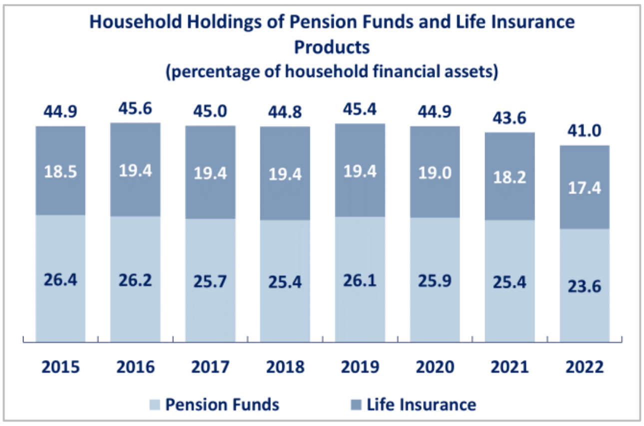
2.1 Evolution in the household financial portfolio

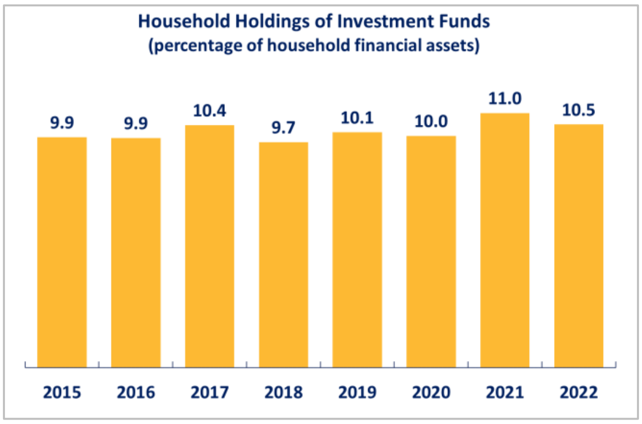
Households' financial assets can be broadly broken down into seven types of financial instruments: cash and deposits ('deposits'), pension plans in the form of funded pensions ('pension funds'), life insurance products ('life insurance'), investment funds, debt securities, listed shares, and other financial assets. Other financial assets include derivatives, loans, unlisted shares, and non-life insurance. These assets are not included in our analysis as they are managed based on different criteria than those that determine how households allocate their savings between the main types of financial instruments listed above.

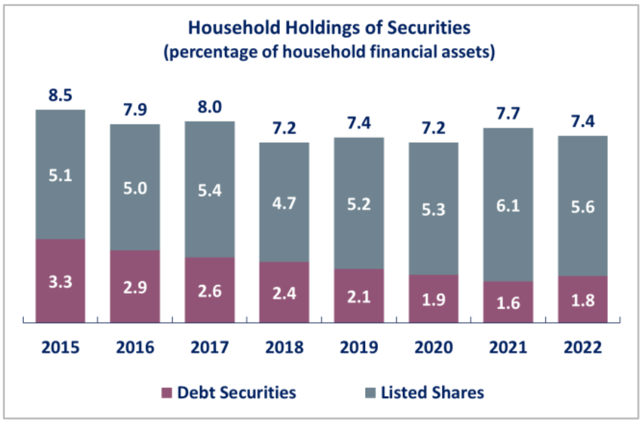
By way of illustration, unlisted shares, also known as unquoted shares, refer to shares of a company that are not traded on a public stock exchange. These shares are typically owned by a limited number of investors, often the company's founders, or a select group of individuals or institutions. Unlisted shares are less liquid than publicly traded shares because there is no readily available market for them. Selling unlisted shares can be more challenging and may require finding a willing buyer through private negotiations. For this reason, we have excluded those shares from our analysis as their ownership is influenced by other factors than those that can explain why many European households tend to have a small share of their financial wealth in capital market instruments.

Using data from the ECB's statistical data warehouse on sectoral financial accounts, the charts below summarize how the financial portfolio composition of European households has evolved in the 2015-2022 period.[1]

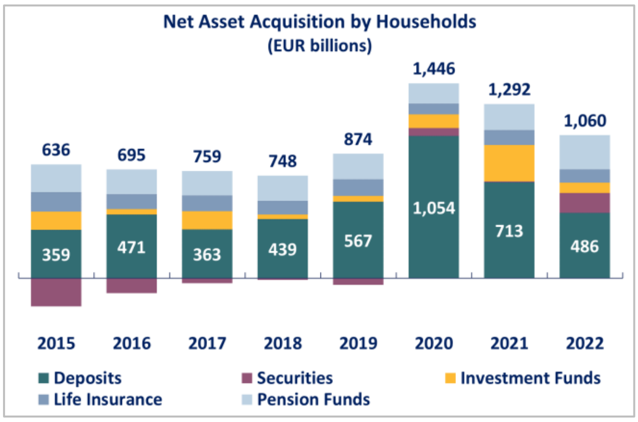


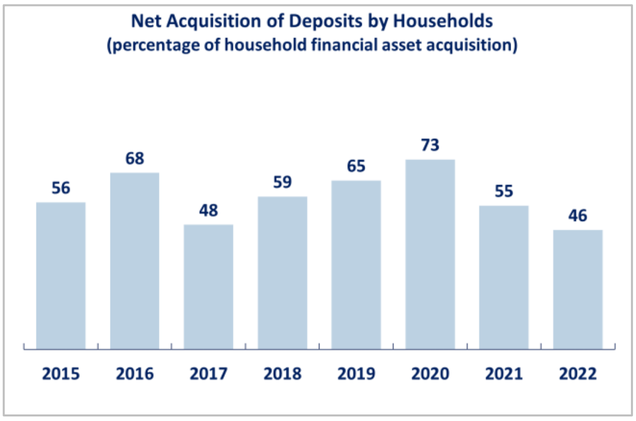






[1] Except noted differently, the European Central Bank (ECB) is the source of all the data presented in this report.





The following comments can be made:

- The financial wealth of European citizens totalled EUR 25,882 billion at the end of 2022, with EUR 11,383 billion held in deposits, EUR 4,188 billion in pension funds, EUR 4,936 billion in life insurance, EUR 3,192 in investment funds, EUR 604 billion in debt securities, and EUR 1,569 billion in listed shares.
- [2]
- From a starting point of 36.7% in 2015, the share of deposits increased to 38% in 2020, before reaching 41.1% in 2022. New money saved in deposits reached a total of EUR 4,093 billion in 2016-2022. This represented 60% of the total net acquisitions of financial assets by European households during this period.
- The share of pension funds fluctuated between 26.4% in 2015 and 25.4% in 2021, before falling to 23.6% in 2022. Accumulated net contributions to pension funds in 2016-2022 amounted to EUR 1,339 billion.
- The share of life insurance increased from 18.5% in 2015 to 19.4% in 2018, before falling to 17.4% in 2022. Accumulated net contributions to life insurance in 2016-2022 amounted to EUR 739 billion.
- The share of investment funds fluctuated between 9.9% in 2015 to 11% in 2021, before dropping to 10.5% in 2022. The slight increase can be explained by the reaction of households to the low-interest environment that prevailed until 2021 and the rebound in stock markets that increased the attractiveness of investment funds. Accumulated net acquisitions of investment funds amounted to EUR 701 billion in 2016-2022. It should be noted that these figures only refer to the direct ownership of investment funds. As pension funds and life insurance companies are the main clients of the investment funds industry – they held 33.7% of investment funds assets at the end of 2022 compared to 25.6% for households[3] – the direct and indirect ownership of investment funds by European households is far greater than 11%.
- Direct ownership of debt securities by households declined gradually during the reporting period until 2021, due to two factors: the increasing reluctance of households to invest in debt securities with very low interest rates and the limited offer to retail investors. During 2016-2022, European households made net disinvestments in debt securities totalling EUR 187 billion. The rise in interest rates that started in 2022 led to a rebound in the share of debt securities.
- The share of listed stocks increased from 5.1% in 2015 to 6.1% in 2021, before falling to 5.6% in 2022 due to the stock market downturn. Accumulated net acquisitions of listed shares amounted to EUR 188 billion in 2016-2022.

[2] See Table A1 in the Statistical Appendix to know the current composition of the financial portfolio of households at the national level at the end of 2022, 2019 and 2015.
[3] See page 62 of EFAMA Fact Book 2023.

2.2 Evolution of the CMI ratio

In our 2020 report, we proposed to assess the progress made in fostering retail investments in capital markets by monitoring the evolution of the ratio between the household savings invested in capital market instruments (CMIs) and those placed in deposits (the so-called 'CMI' ratio). This ratio is rooted in the principle that the most effective way to encourage household participation in capital markets is to incentivise households to shift part of their savings from bank deposits towards CMIs. The higher the CMI ratio, the more households are participating in capital markets.

The chart below shows the evolution of the CMI ratio for Europe since 2015. It can be observed that the ratio was significantly below pre-COVID levels at the end of 2022.

Three main factors influence the level of the CMI ratio over time: the amounts of deposits and CMIs acquired by households and the fluctuations in the valuation of capital market instruments. The chart on the right-hand side highlights the respective role of these three factors in 2016-2022. It can be observed that European households continued to increase their holding of bank deposits in 2016-2022. These increases had a negative effect on the CMI ratio, which was more than offset by increases in CMIs in 2016, 2017, 2019, and 2021, which explains why the CMI ratio increased during those years.

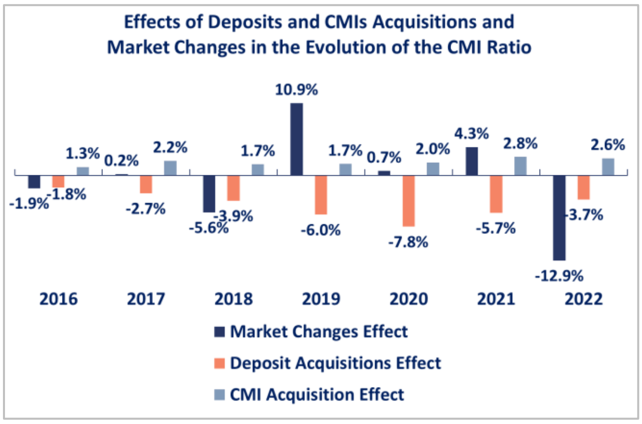
On the other hand, the CMI ratio fell sharply in 2018 and 2022 because of the combined effect of the increase in the holding of bank deposits and the decline in the holdings of capital market instruments.

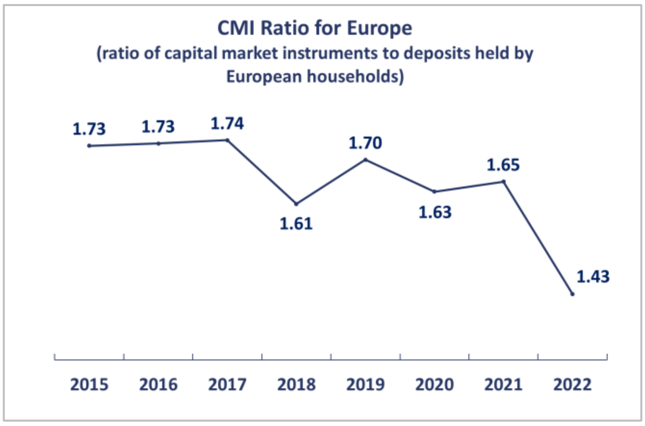
In 2020, the CMI ratio fell because of the sharp rise in bank deposits, which was stronger than the increase in capital market instruments.

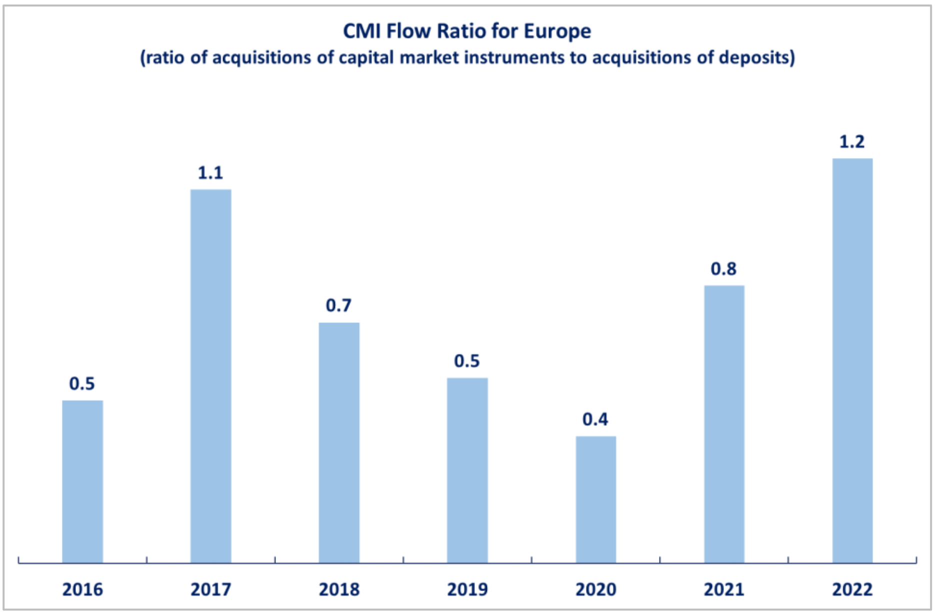
These considerations highlight the impact of the fluctuations in the valuation of capital market instruments on the CMI ratio. Therefore, to come a more precise assessment of the progress made towards greater retail participation in capital markets, we have decided to integrate in our analysis the evolution of the ratio of capital market instruments acquisitions to deposits acquisitions (the 'CMI flow' ratio). In this way, we can distinguish between the evolution of both the *stocks* of financial assets held by households and the investment *flows* into the household financial portfolios. This allows to discount the impact of the financial markets' fluctuations on the CMI ratio by integrating into the overall analysis the investment behaviour of households.

The evolution of this ratio is shown on the next page.

It can be observed that the retail demand for capital market instruments compared to deposits started to fall before the start of the pandemic and continued until 2020. Afterwards, the trend reversed despite the remaining uncertainty regarding the evolution of the pandemic and the start of the war in Ukraine. Yet, a flow ratio of 1.2 is still rather modest in view of the need to trigger a profound change in investment behaviour.



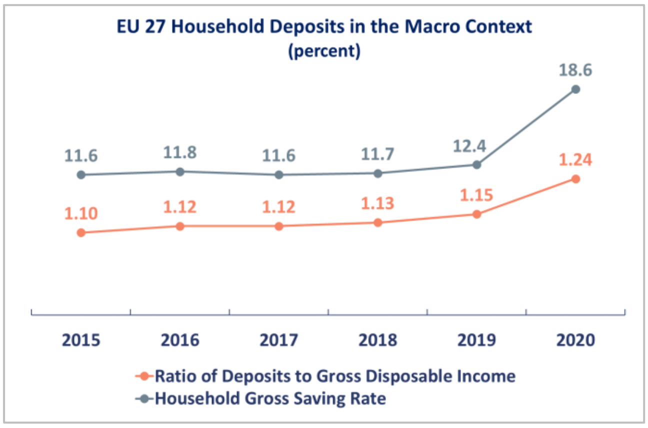


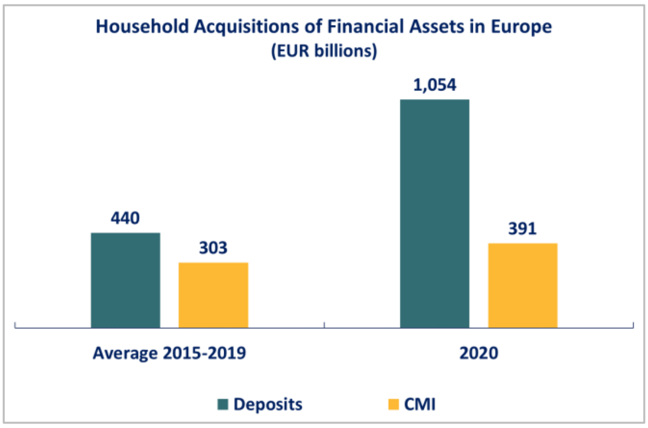


2.3 Analysis of the developments in 2020-2022

The pandemic had a major impact on many areas of the countries' economic and social life. The lockdown measures and the huge uncertainty regarding the risks posed by the virus caused a considerable change in the consumption and saving behaviour, and many risk-averse households became even more cautious.

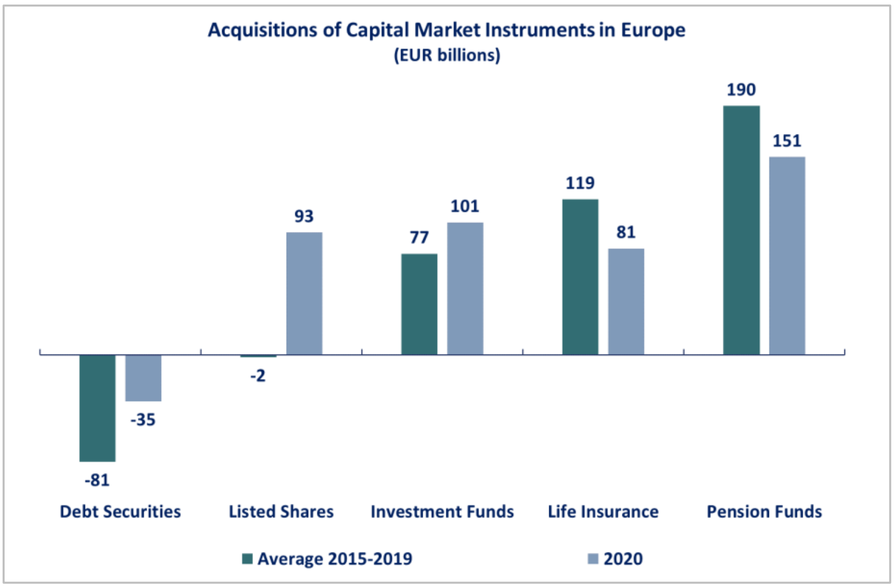
Consequently, the average gross saving rate of EU 27 households jumped from 12.4% in 2019 to 18.6% in 2020, and household acquisitions of bank deposits reached EUR 1,054 billion, whereas the ratio of deposits to gross disposable income of EU-27 households increased to 1.24 in 2020, from 1.15 in 2019. In this context, European households increased their deposits by EUR 2,029 on average in 2020, from an annual increase of EUR 846 during the 2015-2019 period.





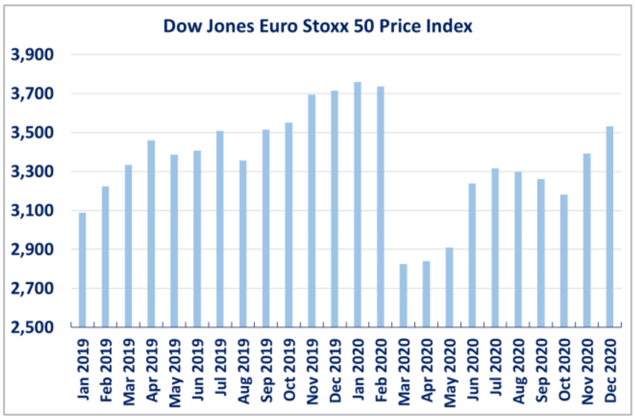
Source: Eurostat

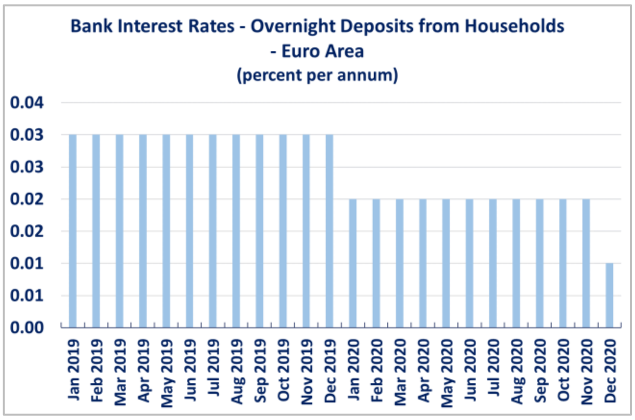
The chart below compares the amounts of new money invested in the main types of capital market instruments in 2020 with those invested on average in 2015-2019.



It can be observed that the acquisition of listed shares and investment funds was higher in 2020 than in 2015-2022. Different factors may explain this outcome:

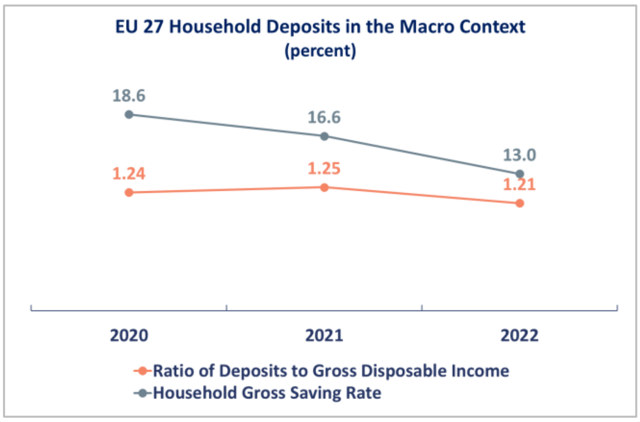
- The rebound of stock markets a few months after the start of the pandemic, following the determined policy actions by central banks and governments to cushion the economic blow.
- Investor sentiment, in particular among millennials, that market pullbacks can be seen as market opportunities instead of times to panic.
- The decline of bank deposit interest rates to close to zero.
- The easy-to-use online investment platforms and many online information channels, which made investments more accessible, especially to the younger investors.[4]

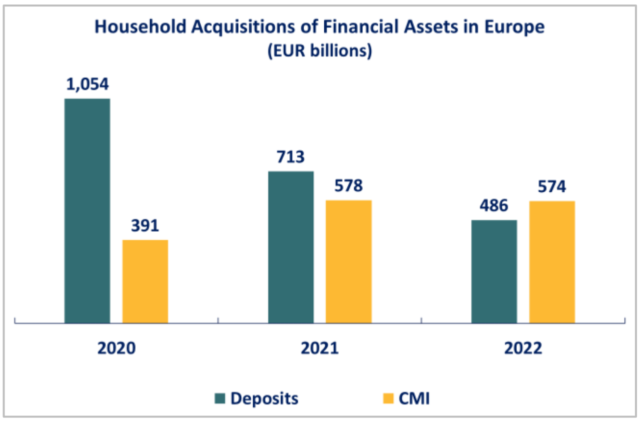




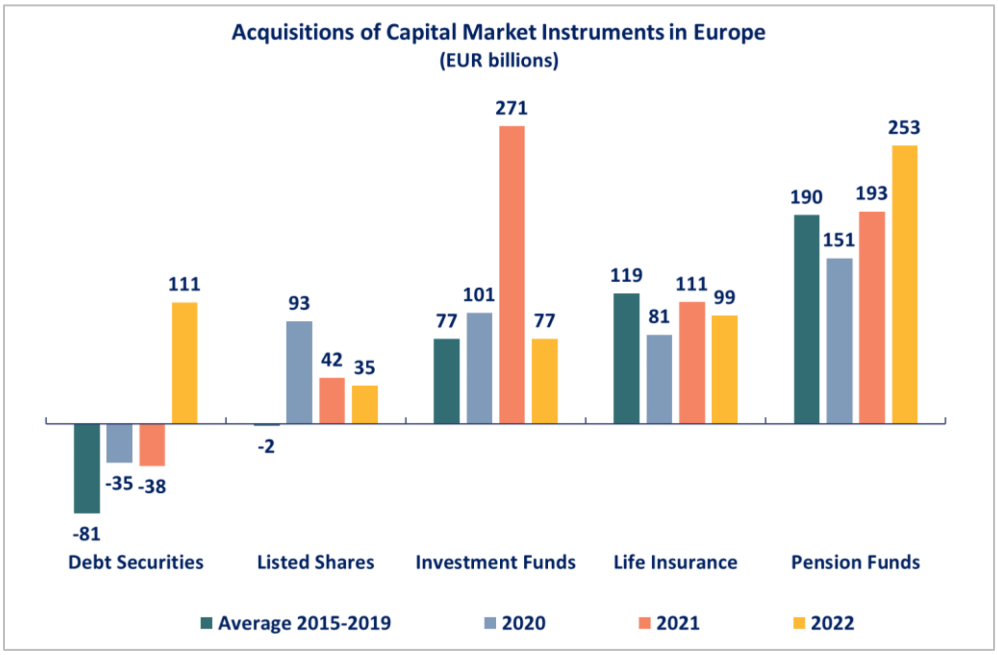
[4]The consulting company DIW ECON published a study based on the survey results of 216,000 users of the neobroker Trade Republic showing that approximately 70% of the users were below the age of 35 in 2022, with novice investors investing 56% of their portfolio in stocks, 31% in exchange-traded funds, 12% in cash and 1% in derivatives.

After having accumulated a massive amount of savings in deposits in 2020 by force of circumstances more than voluntarily, households decreased their saving rate in 2021 and 2022 and rearranged their asset allocation by investing larger amounts in capital market instruments than in 2020.





The chart below highlights how the investment flows evolved in 2020, 2021 and 2022, compared to what happened in 2015-2019.

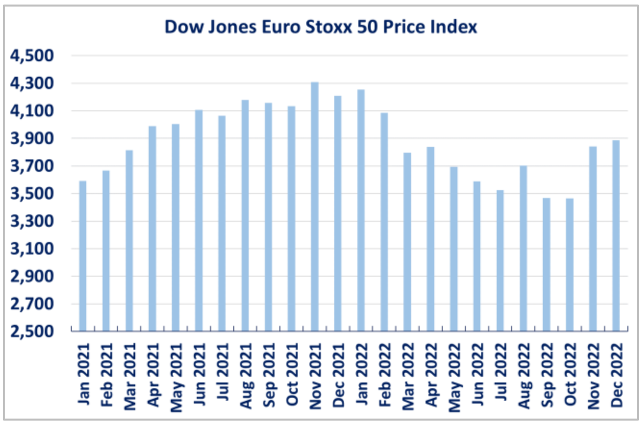


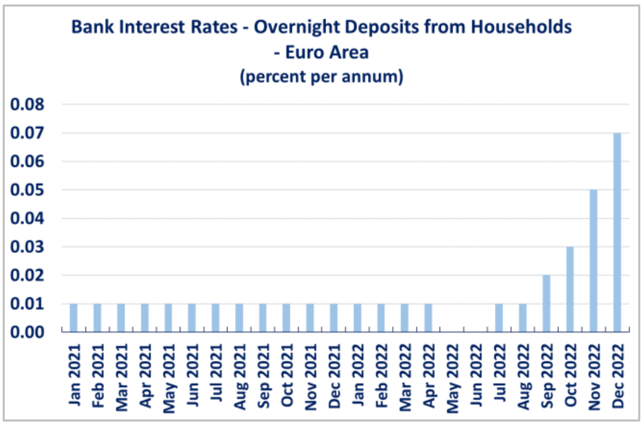
Four main observations can be made.

- The recovery from the pandemic, the huge amount of savings at the start of the pandemic, the sentiment that the downturn would be of short duration, and the media coverage of meme stocks are some of the factors that encouraged many households to invest in listed shares in 2020, against a backdrop of rising stocks and ultra-low interest rates.
- Investment funds emerged as the clear winners in 2021 with an exceptionally high level of net sales to European households. In most countries, households continued to invest in listed shares in 2021, albeit less than in 2020.
- The war in Ukraine, the severe tightening of monetary policy and the stock market downturn in 2022 caused a drop in the demand for investment funds and listed shares in 2022, but the increase in interest rates led to a huge

demand for debt securities in almost all countries.

- After having suffered a drop in contributions, pension funds recorded an exceptionally high level of new contributions in 2022, whereas the demand for life insurance remained subdue.





3. Household Financial Asset Ownership at National Level

3.1 Overview of the situation at the end of 2022

Turning our attention to the national level, the table below shows the share of wealth held by households in the six main categories of financial assets at the end of 2022. These are in ascending order for the share of deposits and descending order for the share of capital market instruments (pension funds, life insurance products, investment funds, debt securities and listed shares).

The countries highlighted in green are those in which households hold a lower-than-average share of deposits and a higher-than-average share of the relevant capital market instruments.

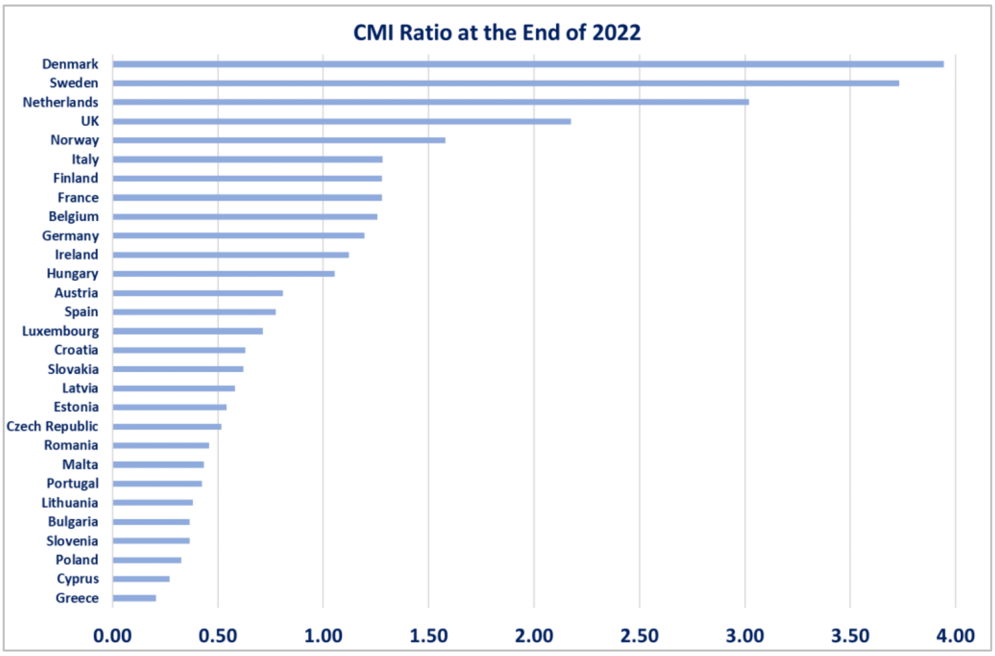
Share of Financial Assets Held by Households at End 2022
(percent)

Deposits		Pension Funds		Life Insurance		Investment Funds		Debt Securities		Listed Shares	
Denmark	20%	Netherlands	62%	France	41%	Belgium	23%	Hungary	23%	Finland	19%
Sweden	21%	United Kingdom	48%	Denmark	37%	Spain	20%	Malta	11%	Sweden	11%
Netherlands	25%	Sweden	44%	Italy	20%	Italy	18%	Italy	7%	Denmark	10%
United Kingdom	31%	Norway	41%	**Europe**	**17%**	Finland	16%	Slovakia	4%	Norway	7%
Norway	39%	Ireland	33%	Finland	17%	Luxembourg	16%	Czech Republic	4%	France	7%
Europe	**41%**	Croatia	29%	Germany	16%	Hungary	15%	Austria	4%	Belgium	7%
Italy	44%	Latvia	28%	Ireland	15%	Austria	14%	Luxembourg	3%	Germany	7%
Finland	44%	**Europe**	**24%**	Belgium	14%	Germany	14%	Romania	3%	Luxembourg	7%
France	44%	Denmark	22%	Luxembourg	12%	Sweden	13%	Belgium	2%	Austria	6%
Belgium	44%	Bulgaria	19%	United Kingdom	12%	Czech Republic	13%	Greece	2%	Malta	6%
Germany	46%	Romania	18%	Portugal	11%	Slovakia	11%	Germany	2%	Spain	6%
Ireland	47%	Slovakia	17%	Austria	10%	**Europe**	**10%**	Cyprus	2%	**Europe**	**6%**
Hungary	49%	Lithuania	17%	Sweden	10%	Denmark	10%	**Europe**	**2%**	Czech Republic	5%
Austria	55%	Germany	16%	Malta	9%	Norway	9%	Portugal	1%	Romania	5%
Spain	56%	Austria	11%	Spain	8%	Portugal	8%	Lithuania	1%	Poland	5%
Luxembourg	58%	Poland	10%	Netherlands	7%	France	7%	Latvia	1%	Greece	4%
Croatia	61%	Cyprus	10%	Slovenia	6%	Slovenia	7%	Denmark	1%	Slovenia	4%
Slovakia	62%	Belgium	9%	Slovakia	6%	Poland	6%	Poland	1%	Hungary	4%
Latvia	63%	Spain	9%	Hungary	5%	Greece	4%	France	1%	Bulgaria	4%
Czech Republic	66%	Czech Republic	9%	Greece	5%	Netherlands	4%	Finland	1%	United Kingdom	4%
Romania	69%	Slovenia	9%	Latvia	4%	United Kingdom	4%	Sweden	1%	Ireland	4%
Malta	70%	Italy	8%	Cyprus	4%	Romania	4%	Spain	1%	Italy	3%
Portugal	70%	Portugal	7%	Czech Republic	4%	Lithuania	3%	Croatia	1%	Lithuania	3%
Lithuania	72%	Hungary	5%	Croatia	4%	Malta	3%	Bulgaria	0.4%	Cyprus	3%
Bulgaria	73%	Luxembourg	4%	Norway	3%	Croatia	3%	Norway	0.4%	Croatia	2%
Slovenia	73%	Finland	3%	Lithuania	3%	Bulgaria	2%	United Kingdom	0.3%	Netherlands	2%
Poland	75%	Malta	2%	Poland	3%	Cyprus	2%	Netherlands	0.3%	Portugal	2%
Cyprus	79%	Greece	1%	Romania	2%	Latvia	2%	Slovenia	0.2%	Latvia	2%
Greece	83%	France	0%	Bulgaria	2%	Ireland	1%	Ireland	0.2%	Slovakia	1%

Note: Estonia is not included in the table due to the unavailability of data for pension funds at the end of 2022.

The next chart shows the CMI ratio at the end of 2022.[5]

The ratios at the end of 2022 ranged from 3.94 for Denmark to 0.21 for Greece, against a European average of 1.43.



3.2 Structural determinants of asset ownership

There are significant differences in the composition of household financial portfolio across Europe. Five key structural factors can explain these differences: the role taken by funded pensions in the overall retirement income system, the replacement rate of public pensions, the level of gross national income per capita, the level of financial literacy, and the tax incentives available for investments.

3.2.1 The role of funded pensions in the overall retirement income system

One of the most important factors explaining the degree of participation in capital markets is the extent to which households save for retirement. Indeed, four out the five countries with the lowest share of deposits (Sweden, Netherlands, United Kingdom, and Norway) have the highest share of financial wealth held in pension savings, and households in the Netherlands, United Kingdom, and Sweden have the highest level of pension funds per capita, followed by Denmark, which has the lowest share of deposits, and Norway.

The high level of pension funds saving in these countries reflects long-lasting policy efforts to achieve high coverage of funded pensions through mandatory or quasi-mandatory arrangements.

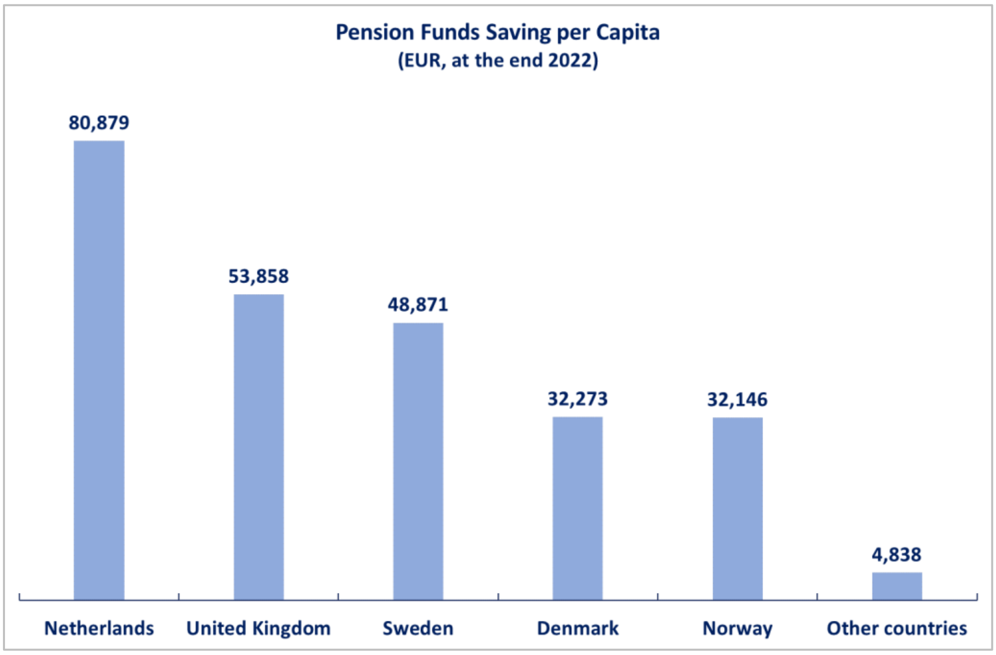
- In the Netherlands, most people automatically invest via their pension plans, without necessarily realising that they are investors.
- In the United Kingdom, the authorities have reformed the pension system several times to increase the share of funded structures in pension provision and to encourage additional savings to achieve a higher standard of living post-retirement.
- In Sweden, 2.5% of the pensionable salary goes to the premium pension system (PPM) to be invested in investment funds. In addition, most people benefit from an employer's occupational pension scheme; in four of the major

[5] The CMI ratios at the national level in 2015-2022 are shown in Table A6 in the Statistical Appendix.

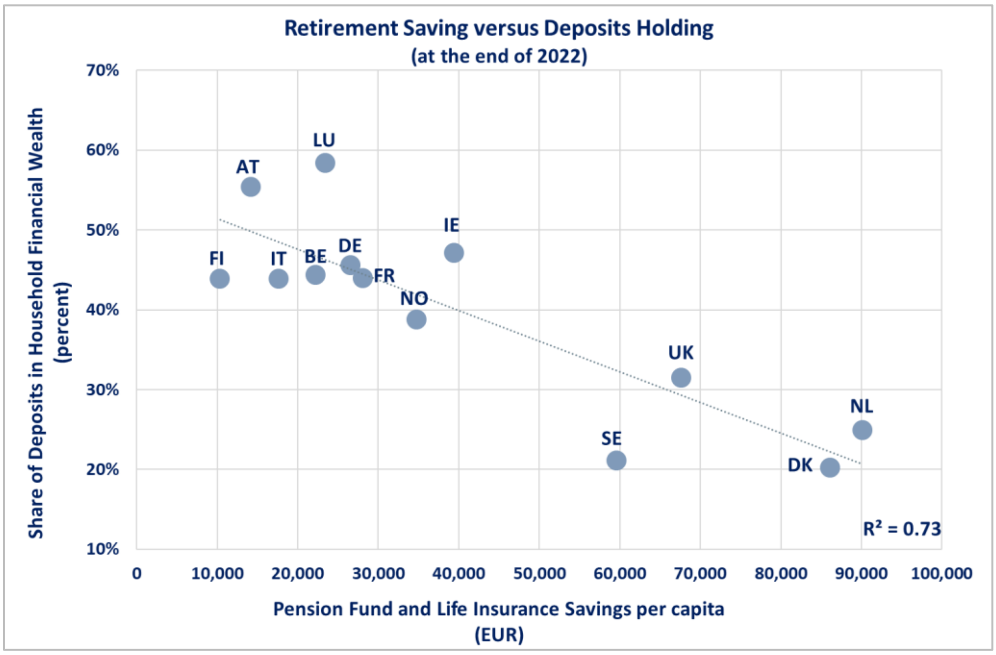
occupational pension arrangements, they can opt for schemes based on investment funds, which they take advantage of.

- In Denmark, the pension contribution rates are agreed between the employer and the employee, reaching 15-17% of salary for many workers.

- In Norway, occupational pension schemes were made mandatory in 2006. These pension schemes make extensive use of defined contribution schemes, where investment funds are to a large extent the preferred investment instrument and have made way for a growth in the role of funded pensions in Norway.



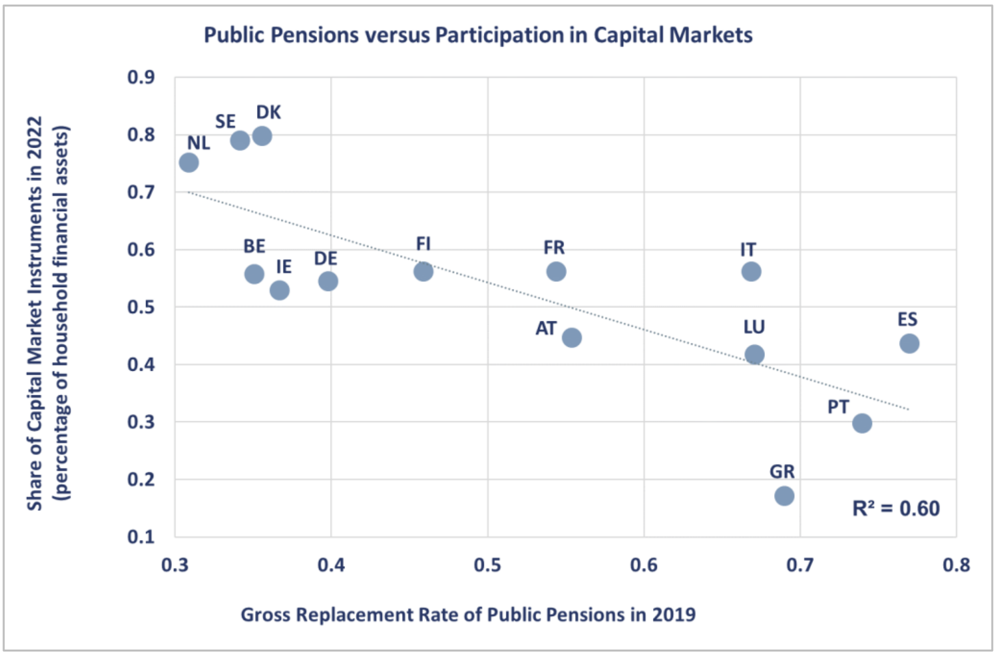
Some countries are also encouraging people to save for retirement by subscribing to life insurance policy. This is particularly the case in France, Denmark, and Italy. The chart below shows that there is a strong relationship between pension funds and life insurance ownership and the share of deposits.



Source: EFAMA calculation based on ECB and Eurostat data

3.2.2 The replacement rate of public pensions

The extent to which households can expect to benefit from a high public pension also influences their investment behaviour. Indeed, it may be that households in countries that have been able to provide a relatively high public pension until now have fewer incentives to save than those in countries with less generous public pension systems. The chart below confirms that the organization of the pension system is a determinant of the savings allocation decision.



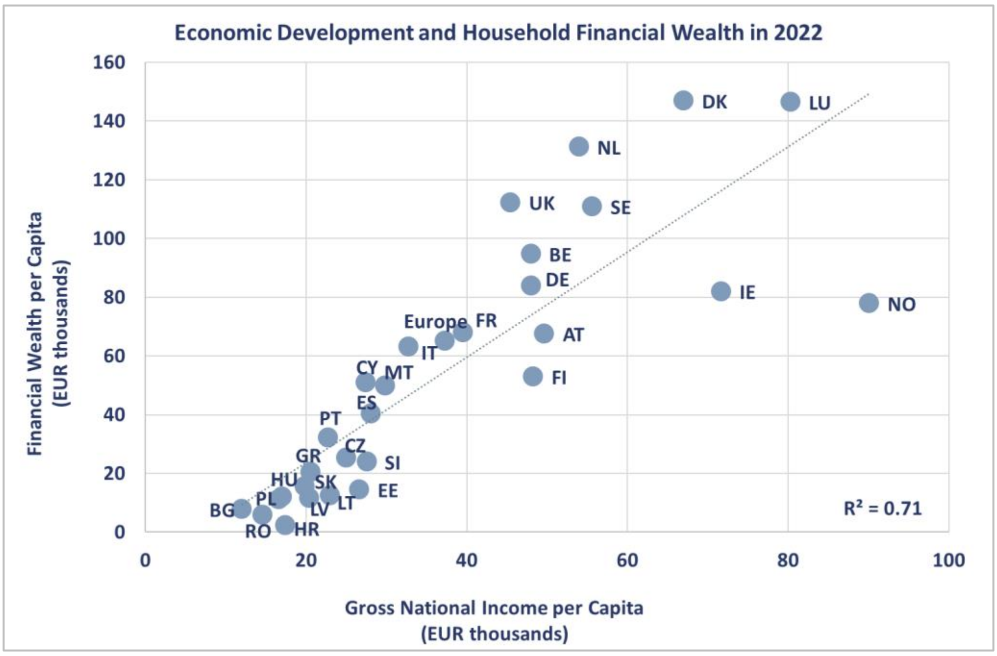
Source: The 2021 Ageing Report: Economic and Budgetary Projections for the EU Member States (2019-2070)

3.2.3 The level of gross national income per capita

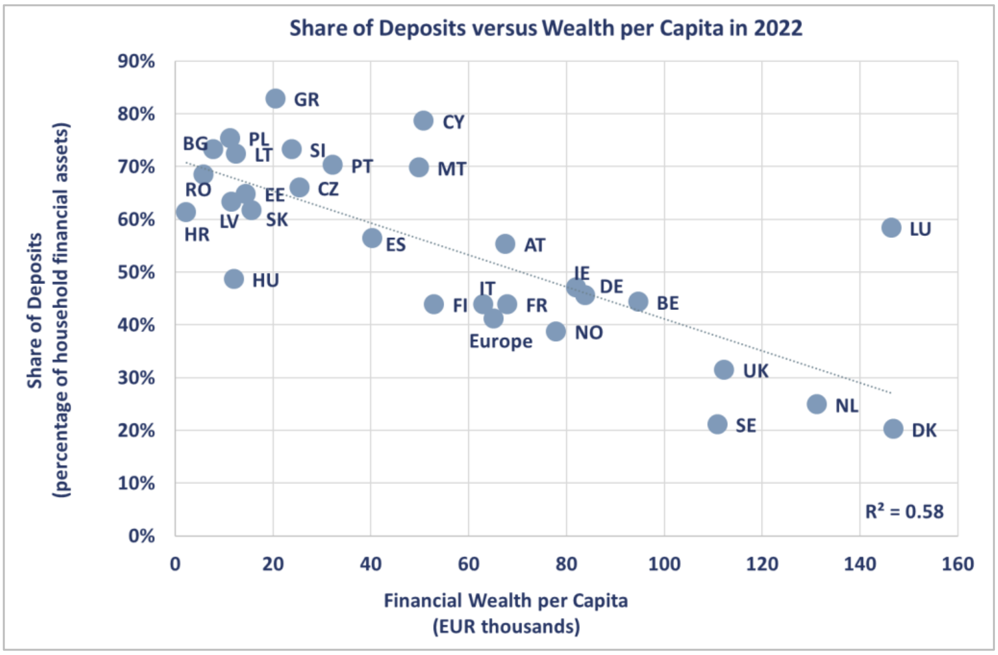
There is also a strong relationship between the level of gross national income per capita, the amount of financial wealth owned by households, and the share of financial wealth held in bank deposits. The reason is simple: households need to have enough cash to manage their everyday spending and meet any unforeseen needs. Hence, there is a minimum amount of money that households need to keep in their bank accounts. One can therefore expect that the share of deposits in the countries with a low level of deposits per capita will only gradually fall in time, in parallel with their economic development.

The charts below illustrate this by showing:

- The relation between the level of economic development measured by the countries' gross national income per capita, and the amount of financial wealth per capita, and
- The relation between the amount of financial wealth owned by households and the share of bank deposits.

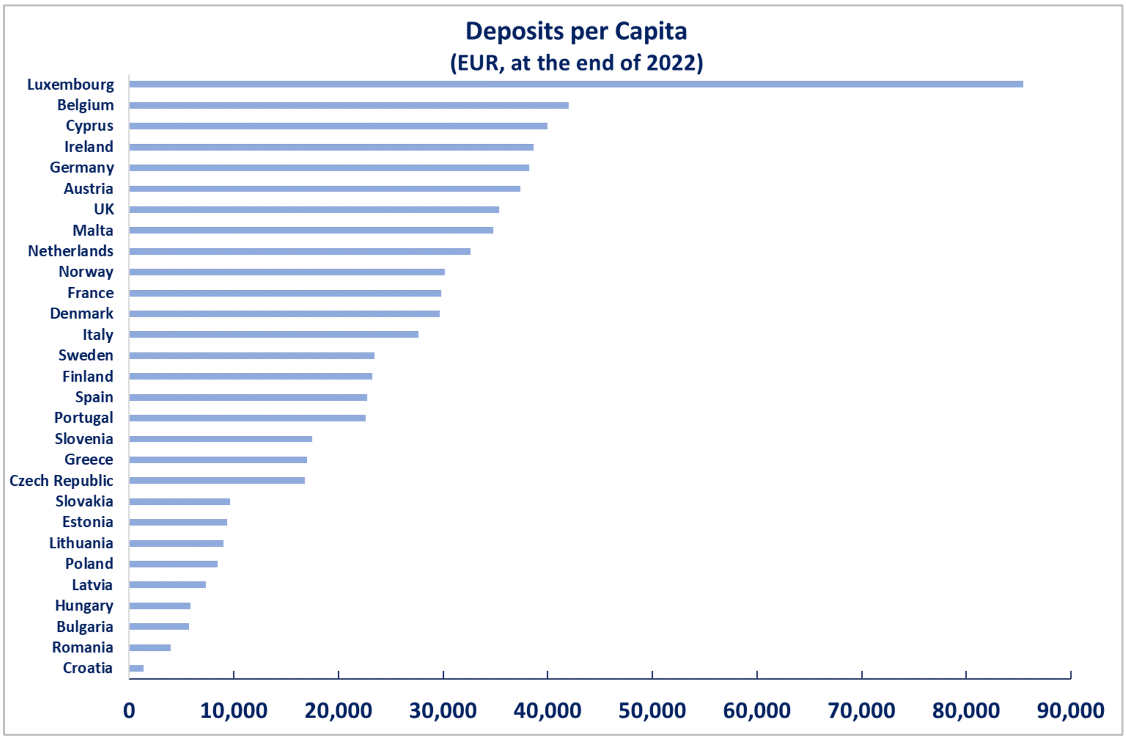


Source: EFAMA calculation based on ECB and Eurostat data



Source: EFAMA calculation based on ECB data

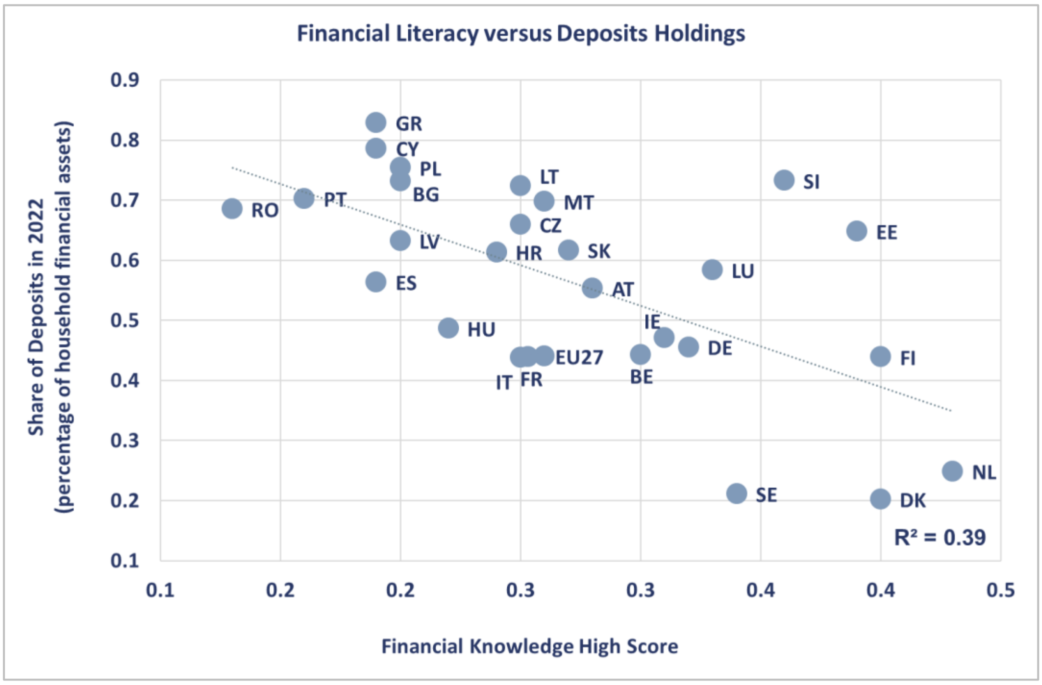
It is important to note, however, that households in the countries with the lowest share of deposits tend to have a high level of financial wealth and income, but also of expenditure. This is why they keep a relatively high amount of money, in absolute terms, in deposits, although relative to their high overall financial wealth, it tends to be low.



3.2.4 The level of financial literacy

Another factor explaining the share of deposits is the degree of financial literacy at the national level. Low level of financial literacy results in households being less likely to understand the functioning and the advantages of saving in capital market instruments.

The chart below supports this observation by showing a negative relation between the degree of financial literacy and the allocation of savings in deposits.



Source: EFAMA calculation based on data from the ECB and the Eurobarometer survey on financial literacy.

3.2.5 The tax incentives available for investment

Finally, it is well established that tax policy strongly influences the way households allocate their financial wealth. The following experience at national level illustrates this point.

- In Belgium, a favorable tax treatment granted to life insurance products led to a wide distribution of these products at the end of the 1980s. At around the same time, the government introduced 3rd pillar pension savings plans and encouraged the population to save in these products by putting in place an attractive tax regime.

- In Croatia, the introduction of a 12% tax on the income earned on savings accounts has strengthened the outflows from deposits into real estate investments.

- In Denmark, an equity savings account providing a special tax incentive scheme for equity instruments (including investment funds with more than 50% in equity) is available to a certain investment level and is favorable to other investments tax wise. It looks like an account for the investor, so it seems familiar to new investors but it is basically an investment account in separate custody account due to separate tax scheme.

- The concentration of life insurance savings in France can also be explained by the tax advantages enjoyed by these products (tax allowances and reduced rates after a certain holding period, advantages on inheritance tax, etc.), which are more favorable than those that apply to direct holdings of securities. To a lesser extent, equity savings plans known as "Plan d'Epargne en Action' (PEAs) and employee savings plans also benefit from tax incentives after a specific holding period under certain conditions (taxation limited to social security contributions).

- In Germany, insurance contracts and investment funds benefit from tax incentives under the state subsidised 'Riester' pension scheme and the so-called 'Vermögenswirksame Leistungen' (VL). This is a seven-year saving plan that allows employers to invest typically up to 480 euros per year in a savings contract of the employee's choice, for example an investment fund.

- In Italy, the government launched "PIR saving plans" (Piani Individuali di Risparmio) in 2017, which allowed asset managers to establish tax-exempt investment plans at no extra costs for individual retail investors. These PIR plans are exempt from the 26% substitute tax on capital gains and financial income (excluding those included in the taxable basis for Italian individual income tax purposes and taxed at progressive rates). To qualify, they need to meet certain conditions.

- In Portugal, the increase in the share of deposits is attributable to the fact that since 2015 long-term deposits have benefited from a reduction in the tax rate that applies to interest payments. While the 'normal' tax rate is currently 28%, this is reduced to 22.4% if the term of the deposit is at least five years, and to 11.2% if the term is longer than eight years.

- In Spain, the authorities have reduced the maximum contributions to 3rd pillar personal pension products from EUR 8,000 per year down to EUR 1,500. As a result, the total amount saved by households in such products was reduced by EUR 4.4 billion in 2021 and 2022.

- In the United Kingdom, pension products have long benefited from tax incentives in order to encourage citizens to provide for their own retirement. In particular, pensions are subject to an 'EET' tax treatment: that is both pension contributions and capital gains on investments within a pensions wrapper are exempt from tax, with income in retirement taxed at the individual's marginal rate of income tax. The UK system also provides for up to 25% of the accumulated pension assets to be taken as a tax-free lump sum on retirement. Together, these tax incentives provide a significant benefit to UK citizens saving for retirement. In addition, retail investors are incentivised to save through Individual Savings Accounts (ISA), which allows investors to save up to £20,000 a year without paying income or capital gains tax on investment returns, nor is tax payable on any money when withdrawn from the accounts. The authorities have applied an annual deadline, incentivising investors to add money to their accounts. This has encouraged investments and engagement in capital markets.

3.3 Analysis of the developments in 2020-2022

The table below shows that the share of deposits increased in most countries between the end of 2019 and the end of 2022.

Change between End 2019 and End 2022 in Share of Financial Assets Held by Households
(percentage points)

Deposits		Pension Funds		Life Insurance		Investment Funds		Debt Securities		Listed Shares	
Slovakia	-3.1%	Romania	2.2%	Denmark	0.6%	Belgium	2.3%	Czech Republic	0.9%	Denmark	2.6%
Romania	-1.3%	Slovakia	1.9%	Ireland	0.4%	Hungary	2.2%	Greece	0.5%	Norway	1.8%
Czech Republic	-1.2%	Croatia	1.7%	United Kingdom	0.1%	Slovakia	2.0%	Romania	0.2%	Romania	1.5%
Norway	-0.8%	Malta	0.6%	Bulgaria	-0.1%	Czech Republic	2.0%	Croatia	0.1%	Hungary	1.5%
Greece	-0.6%	Germany	0.6%	Netherlands	-0.2%	Austria	1.7%	Poland	0.1%	Austria	1.3%
Lithuania	0.2%	Lithuania	0.2%	Romania	-0.3%	Norway	1.3%	Ireland	-0.01%	Poland	0.9%
Germany	0.4%	Italy	0.03%	Sweden	-0.5%	Finland	1.3%	Netherlands	-0.02%	Latvia	0.7%
Hungary	0.6%	France	0.0%	Cyprus	-0.5%	Luxembourg	1.2%	Spain	-0.04%	Germany	0.7%
Bulgaria	0.6%	Greece	-0.03%	Norway	-0.7%	Portugal	1.2%	United Kingdom	-0.1%	Luxembourg	0.6%
Croatia	0.9%	Austria	-0.04%	Latvia	-0.8%	Germany	0.8%	Denmark	-0.1%	Cyprus	0.6%
Cyprus	0.9%	Sweden	-0.1%	Greece	-0.8%	Lithuania	0.6%	France	-0.1%	Belgium	0.5%
Luxembourg	0.9%	Luxembourg	-0.3%	Slovakia	-0.8%	Spain	0.5%	Norway	-0.1%	Italy	0.4%
Latvia	0.9%	Finland	-0.4%	Lithuania	-0.9%	Greece	0.5%	Bulgaria	-0.2%	Greece	0.4%
Denmark	1.0%	Latvia	-0.6%	Finland	-0.9%	Netherlands	0.4%	Sweden	-0.2%	Sweden	0.4%
Finland	1.0%	Czech Republic	-0.6%	Croatia	-1.0%	Bulgaria	0.4%	Slovakia	-0.3%	Lithuania	0.4%
Sweden	1.7%	Portugal	-0.8%	Malta	-1.0%	Slovenia	0.4%	**Europe**	**-0.3%**	**Europe**	**0.3%**
Austria	2.9%	Poland	-0.9%	Luxembourg	-1.1%	Cyprus	0.4%	Slovenia	-0.4%	Czech Republic	0.3%
Slovenia	2.9%	Bulgaria	-1.0%	Hungary	-1.1%	**Europe**	**0.3%**	Cyprus	-0.4%	Slovakia	0.3%
Italy	3.3%	Cyprus	-1.0%	Poland	-1.3%	Ireland	0.2%	Germany	-0.4%	Netherlands	0.2%
Poland	3.8%	Spain	-1.0%	Czech Republic	-1.5%	Latvia	0.1%	Lithuania	-0.4%	Bulgaria	0.2%
Europe	**4.1%**	Slovenia	-1.1%	**Europe**	**-2.0%**	France	0.0%	Latvia	-0.4%	Slovenia	0.1%
Belgium	4.1%	Hungary	-1.3%	Slovenia	-2.0%	Denmark	0.0%	Finland	-0.5%	France	0.1%
Spain	4.3%	Norway	-1.4%	Germany	-2.1%	United Kingdom	-0.4%	Italy	-0.9%	Portugal	-0.1%
United Kingdom	4.6%	Belgium	-1.4%	Italy	-2.4%	Italy	-0.4%	Belgium	-1.1%	Ireland	-0.2%
Ireland	5.4%	**Europe**	**-2.5%**	Spain	-3.1%	Croatia	-1.1%	Luxembourg	-1.3%	United Kingdom	-0.3%
Portugal	6.0%	United Kingdom	-3.9%	Portugal	-4.1%	Sweden	-1.2%	Austria	-1.7%	Finland	-0.5%
France	6.2%	Denmark	-4.1%	Austria	-4.2%	Romania	-2.4%	Hungary	-1.8%	Croatia	-0.6%
Malta	6.5%	Ireland	-5.8%	Belgium	-4.3%	Poland	-2.6%	Portugal	-2.1%	Spain	-0.7%
Netherlands	6.6%	Netherlands	-7.1%	France	-6.1%	Malta	-2.8%	Malta	-2.2%	Malta	-1.2%

Note: Estonia is not included in the table due to the unavailability of data for pension funds at the end of 2022.

The following observations can be made:

- The 4.1 percentage points average increase in the share of deposits in Europe between the end of 2019 and 2022 was mostly driven by the decline in the stock and fixed income markets in 2022, which had a strong impact on the share of pension funds in the Netherlands, Ireland, Denmark, and the United Kingdom.

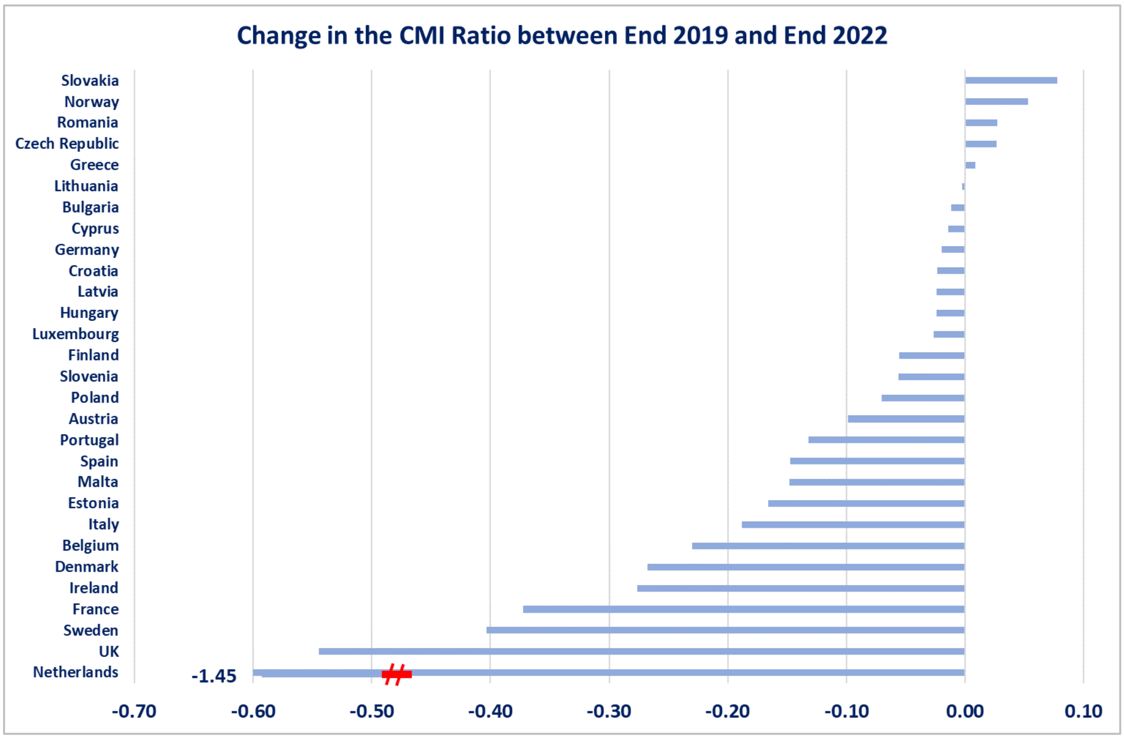
- In Belgium, Spain, Portugal, and France, the greater-than-average increase in the share of deposits was primarily caused by the decline in the share of life insurance, which was triggered by the negative impact of the rise in interest rates on the valuation of life insurance products.

- On the other hand, the share of deposits fell in five countries. In Slovakia and Romania, this outcome mirrored an increase in the share of pension funds, whereas this development mostly reflected an increase in the share of investment funds and debt securities in Greece and the Czech Republic, and an increase in investment funds and listed shares in Norway.

* Investment funds and listed shares were the two categories of capital market instruments that saw their shares increase in the household financial wealth in the largest number of countries, 21 in total.

The developments during these two years can also be analysed by looking at the evolution of the CMI ratio and the CMI flow ratio.

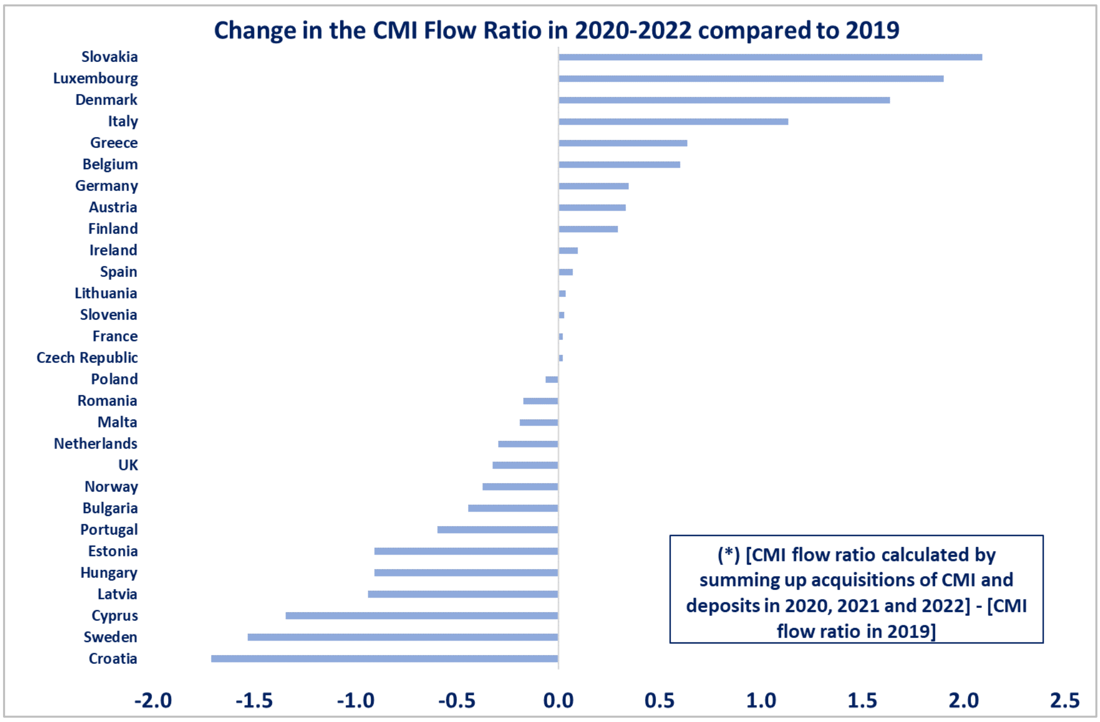
Looking at the evolution of the CMI ratio during the years 2020-2022, the five countries where the share of deposits declined – Slovakia, Romania, the Czech Republic, Norway, and Greece – also recorded a slight increase in the CMI ratio. On the other hand, the sharp market downturn in 2022 had a significant negative impact in the countries with a relatively high share of financial wealth held in pension funds (the Netherlands, United Kingdom, Sweden, and Ireland) and life insurance (France, Denmark, and Italy).



A large group of different countries in terms of total population, economic weight, financial development, and geographies, recorded an increase in the CMI flow ratio: Slovakia, Luxembourg, Denmark, Italy, Greece, Belgium, Germany, Austria, Finland, Ireland, Spain, Lithuania, Slovenia, France, and the Czech Republic.

This outcome reflects the fact that many households shifted part of their savings towards capital market instruments in 2021 and 2022, following the exceptionally strong increase in their deposits in 2020.

This finding confirms the importance of considering in our analysis the acquisition of deposits and capital market instruments as the evolution of the CMI ratio and the composition of the household financial portfolio can be heavily impacted by the fluctuations in capital markets.



The table below attempts to measure the level of progress in fostering retail participation in capital markets during the years 2020-2022 by looking at the following indicators:

- the change in the CMI ratio in 2020-2022
- the change in the CMI flow ratio in 2020-2022
- the level of the CMI ratio at the end of in 2022
- the level of the CMI flow ratio in 2022

The first two indicators compare the increases in the CMI ratio and the CMI flow ratio across countries, whereas the other two compare the level of the CMI ratio and the CMI flow ratio achieved by each country.

In this way, our overall assessment of the progress achieved in fostering retail participation in capital market gives less importance to a decrease in the CMI ratio and the CMI flow ratio in countries where households are heavily invested in capital markets than in countries where it is less the case.

The countries are ranked from 1 to 29 in columns 2 to 5. The country with the highest increase in the CMI ratio is ranked first in column 2 and the country with the highest increase in the CMI flow ratio is ranked first in column 3. The country with the highest CMI ratio is ranked first in column 4 and the country with the highest CMI flow ratio is ranked first in column 5.

The ranking in column 6 is based on the sum of the scores obtained in columns 2-5. The ranking between 1 and 10 are highlighted in green, between 11 and 20 in blue, and between 21 and 29 in yellow.

It can be observed that the countries with the highest ranking are quite diverse.

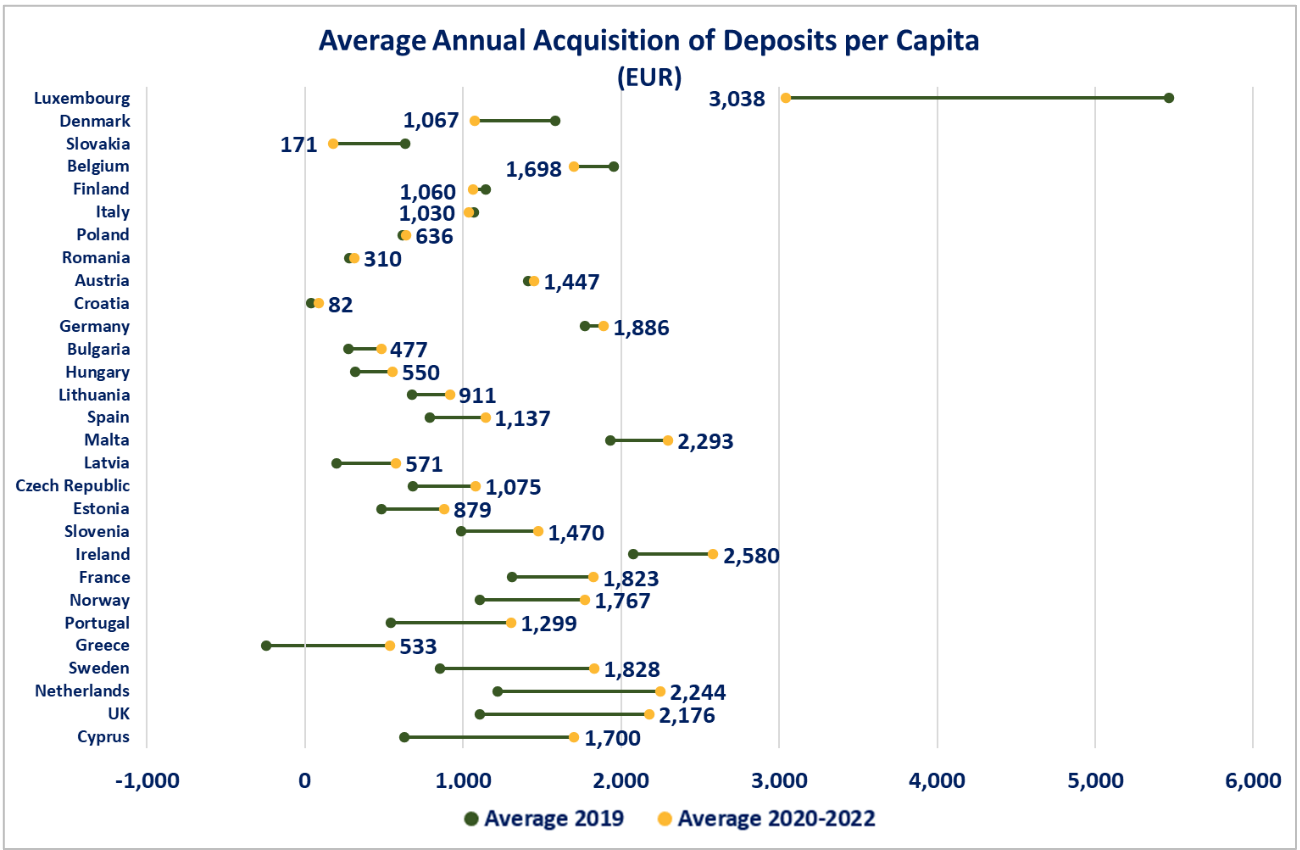
European Countries Ranking by Indicator					
Countries	Change in CMI ratio [(1)]	Change in CMI Flow ratio [(2)]	CMI ratio at end 2022	CMI Flow ratio [(3)]	Average Country Rankings [(4)]
Austria	17	8	13	12	8
Belgium	23	6	9	14	9
Bulgaria	7	22	25	21	23
Croatia	10	29	16	18	22
Cyprus	8	27	28	24	26
Czech Republic	4	15	20	16	10
Denmark	24	3	1	5	4
Estonia	21	24	19	28	28
Finland	14	9	7	9	6
France	26	14	8	23	21
Germany	9	7	10	6	2
Greece	5	5	29	17	11
Hungary	12	25	12	8	13
Ireland	25	10	11	19	17
Italy	22	4	6	7	7
Latvia	11	26	18	10	18
Lithuania	6	12	24	20	15
Luxembourg	13	2	15	3	5
Malta	20	18	22	27	27
Netherlands	29	19	3	11	16
Norway	2	21	5	4	3
Poland	16	16	27	26	25
Portugal	18	23	23	29	29
Romania	3	17	21	15	12
Slovakia	1	1	17	1	1
Slovenia	15	13	26	25	24
Spain	19	11	14	22	20
Sweden	27	28	2	2	14
UK	28	20	4	13	19

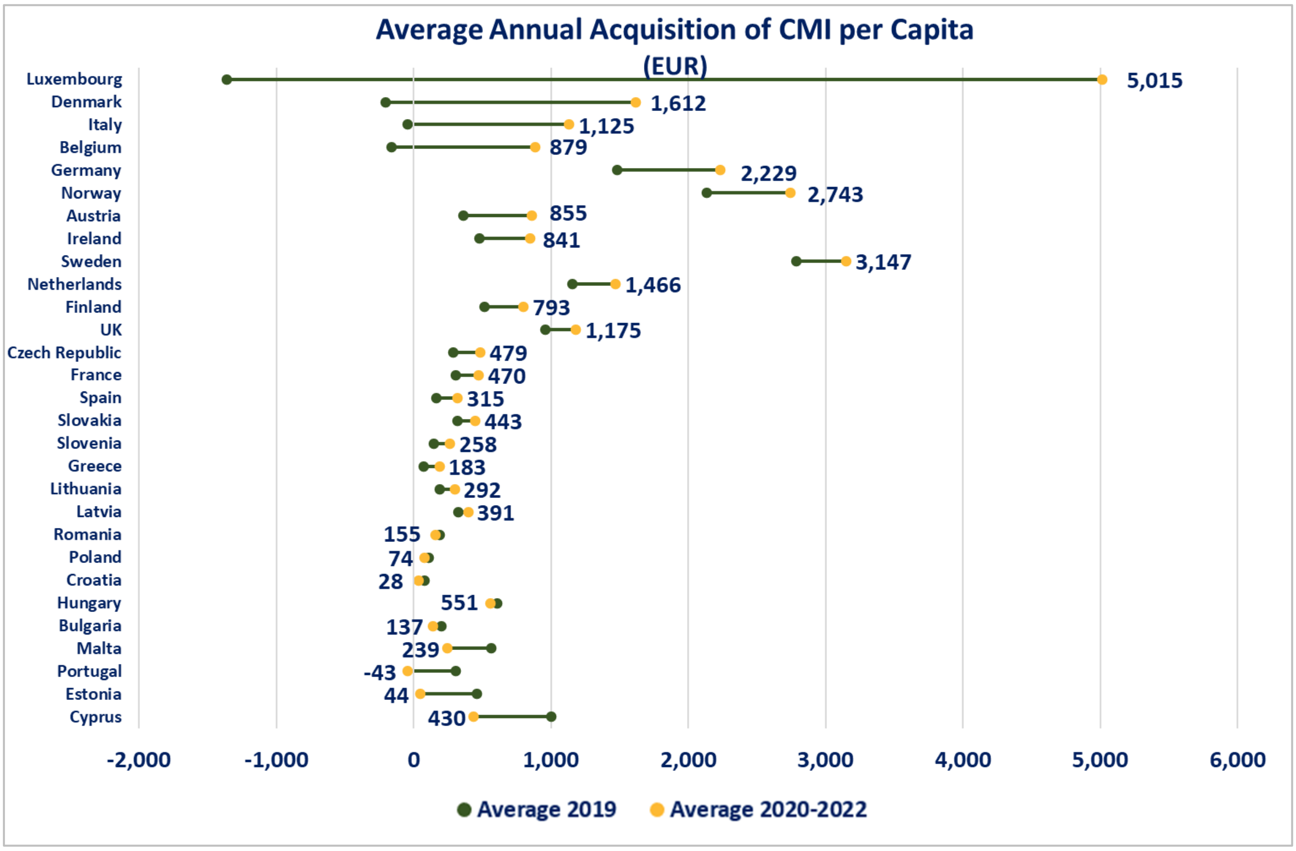
KEY	Ranked 1	Ranked 29
	Higher rankings ←	Lower rankings

(1) [CMI ratio in 2022] - [CMI ratio in 2019]
(2) [CMI flow ratio calculated by summing up acquisitions of CMI and deposits in 2020-2022] - [CMI flow ratio in 2019]
(3) Ratio calculated by summing up acquisitions of CMI and deposits in in 2020-2022
(4) Ranking calculated by summing up the ranking obtained under the four indicators

Another way to look at the developments in recent years is to compare the average annual acquisition of deposits and capital market instruments per capita in 2019 and 2020-2022. This is shown in the next charts.

Unsurprisingly, the countries where households have reduced their acquisition of deposits and increased their acquisition of capital market instruments in 2020-2022, compared to 2019, are those that ranked relatively well in the above table.


Average Annual Acquisition of Deposits per Capita
(EUR)
Luxembourg
Denmark
Slovakia
Belgium
Finland
Italy
Poland
Romania
Austria
Croatia
Germany
Bulgaria
Hungary
Lithuania
Spain
Malta
Latvia
Czech Republic
Estonia
Slovenia
Ireland
France
Norway
Portugal
Greece
Sweden
Netherlands
UK
Cyprus
3,038
1,067
171
1,698
1,060
1,030
636
310
1,447
82
1,886
477
550
911
1,137
2,293
571
1,075
879
1,470
2,580
1,823
1,767
1,299
533
1,828
2,244
2,176
1,700
-1,000
0
1,000
2,000
3,000
4,000
5,000
6,000
Average 2019
Average 2020-2022

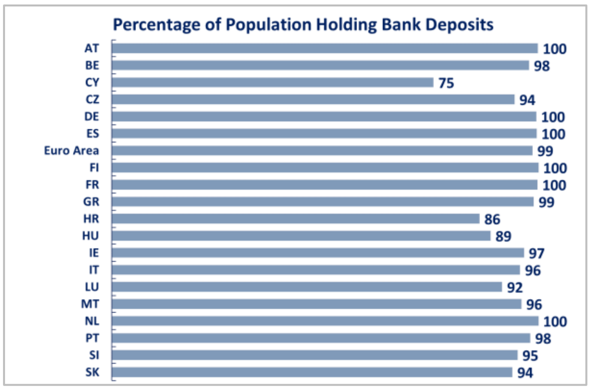

Average Annual Acquisition of CMI per Capita
(EUR)
Luxembourg
Denmark
Italy
Belgium
Germany
Norway
Austria
Ireland
Sweden
Netherlands
Finland
UK
Czech Republic
France
Spain
Slovakia
Slovenia
Greece
Lithuania
Latvia
Romania
Poland
Croatia
Hungary
Bulgaria
Malta
Portugal
Estonia
Cyprus
5,015
1,612
1,125
879
2,229
2,743
855
841
3,147
1,466
793
1,175
479
470
315
443
258
183
292
391
155
74
28
551
137
239
-43
44
430
-2,000
-1,000
0
1,000
2,000
3,000
4,000
5,000
6,000
Average 2019
Average 2020-2022

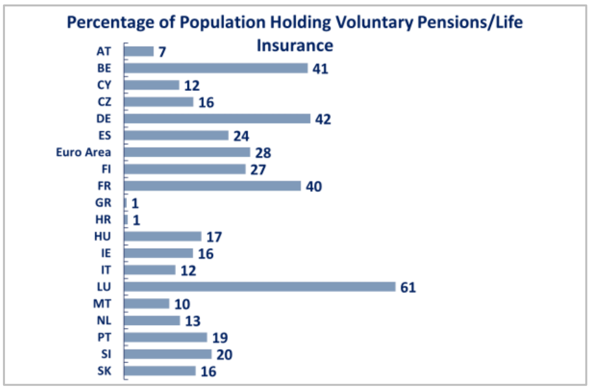
4. Policy Recommendations

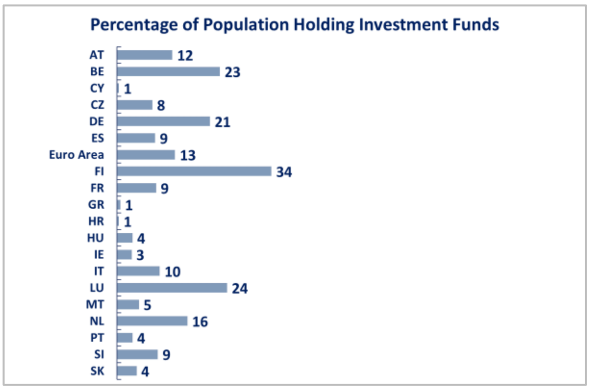
4.1 Why is fostering retail investment in capital markets important?

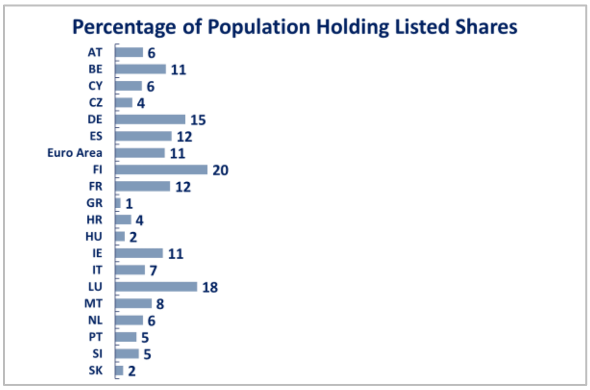
More than ever, additional efforts to encourage European households to save in capital market instruments remain are necessary. The following two facts alone should be enough to accept this point.

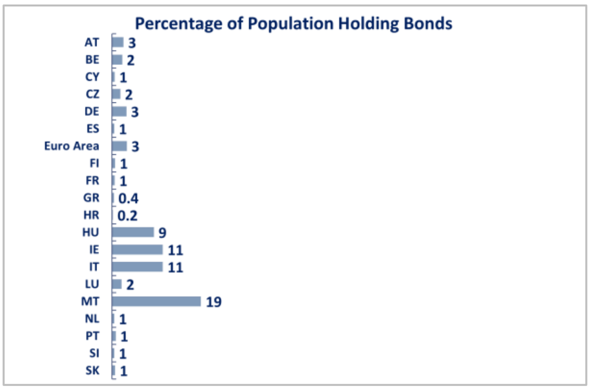
First, the figures presented in the previous sections hugely overestimate the degree of retail participation in capital markets. The reality is that a very small number of European households invest significant parts of their financial wealth in capital markets, whereas most households keep all their financial wealth in deposits. This has been confirmed by the latest ECB Household Consumption and Finance Survey, which was carried out between the first half of 2020 and the first half of 2022. So, for example, although 10% of European household financial wealth is in investment funds, only 13% of households in the euro area hold funds. It is therefore essential to find ways to encourage a larger section of the population to put their savings to work in capital markets.







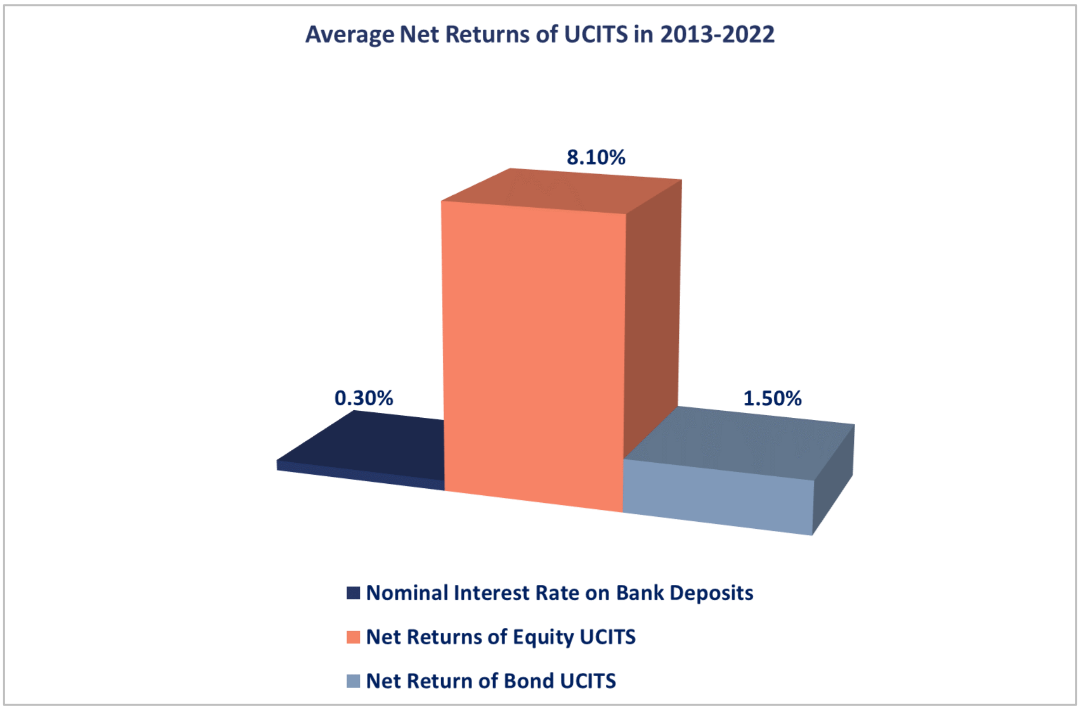




Source: ECB House Financial and Consumption Survey

Secondly, it is all the more important to foster retail investments in capital markets that the demographic development clearly points to an increasing need to direct savings into instruments and solutions that offer the potential of a higher return over the long-term and are suitable for providing a complementary income for retirement. By putting their savings in bank deposits at low yield and redeemable at short-term notice, households deprive themselves of the possible returns that investment products can provide over a long-term investment horizon.

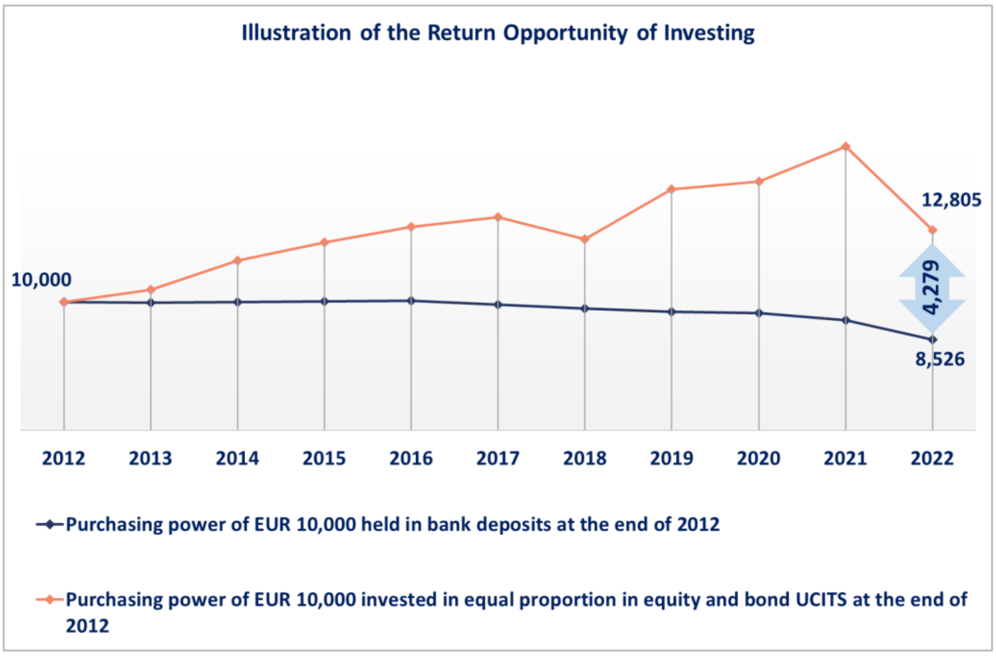
Indeed, whereas the interest rate on deposits [6] averaged 0.4% over the last ten years, the average returns on equity and bond UCITS, net of ongoing charges, for the same period were 8.1% and 1.5%, respectively. In addition to these higher returns, investing in funds offers other benefits, notably the reduction of non-systematic risk, i.e., the risk that is specific to an individual investment or asset and is not related to broader markets or economic factors.



To fully appreciate the return opportunities of investing, we have compared the expected value at the end of 2022 of EUR 10,000 invested over the last ten years in a hypothetical retail fund portfolio composed of equity (50%) and bond (50%) with the value of this amount of money held over the same period in a bank deposit.

We have calculated the expected value in terms of purchasing power, considering all costs as well as the impact of inflation. The next chart shows that under these assumptions, the purchasing power of the fund portfolio would reach EUR 12,805 at the end of 2022, whereas the real value of the bank deposit would be EUR 8,526. Despite the sharp falls in global financial markets in 2022, the opportunity cost of holding EUR 10,000 in bank deposits rather than in equity and bond funds can be estimated at EUR 4,279.

[6] The interest rates shown in the charts below correspond to the rates offered to households in the euro area on overnight deposits and deposits with an agreed maturity, with a weight of 60% given to the overnight rates.



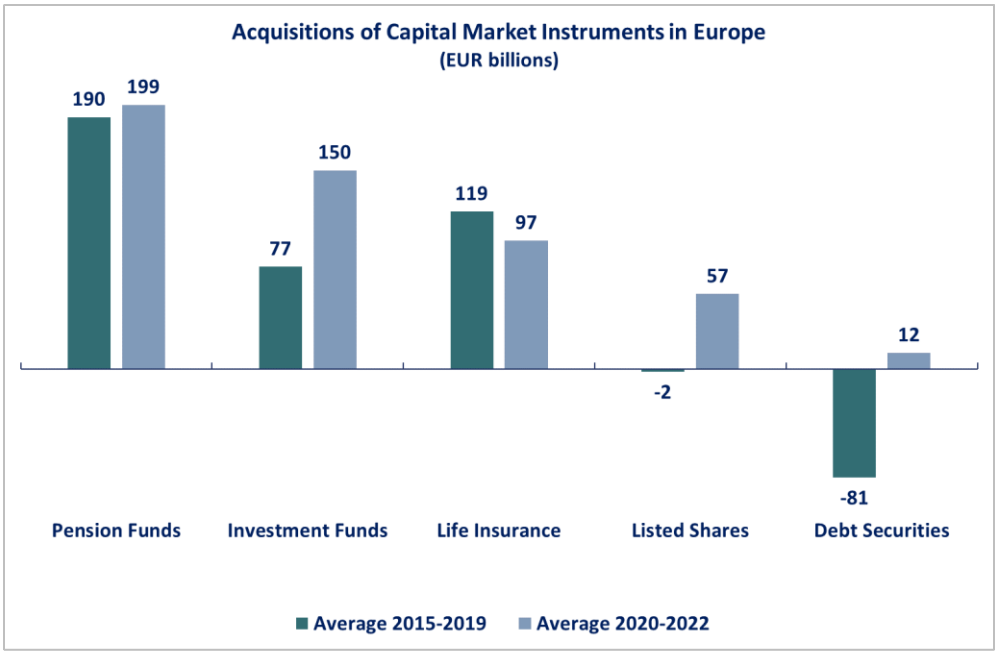
4.2 How to create a broader retail investor base?

Our analysis in sections 2 and 3 highlights two main channels that are powerful in empowering European citizens to become long-term savers and individual investors.

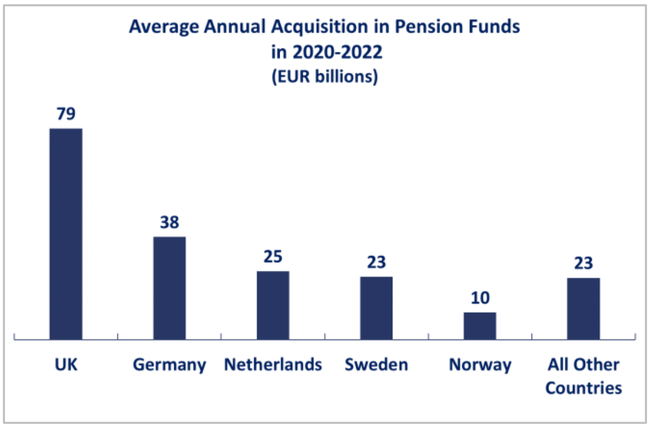
➢ *Funded pensions are an important gateway to capital markets*

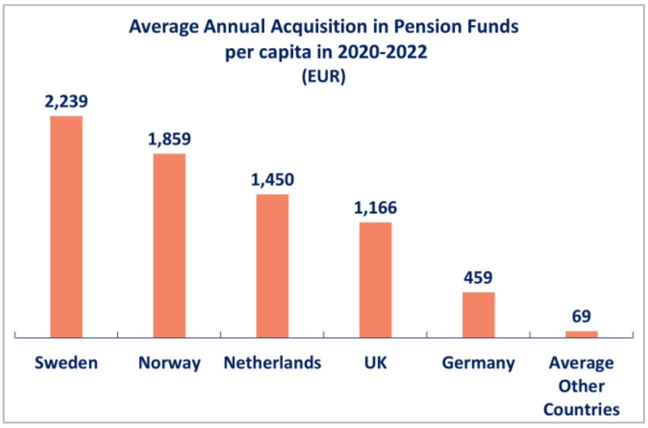
The charts below confirm that pension funds are attracting the largest total volumes of household investment in capital markets on a regular, sustained basis.

Importantly, 88% of the total average annual net contributions to pension funds in 2020-2022 took place in only five countries (United Kingdom, Germany, Sweden, the Netherlands, and Norway), and the annual acquisitions in those countries were very significantly higher than in most other countries. Ireland is the only country where the annual acquisitions per capita are greater than in Germany.



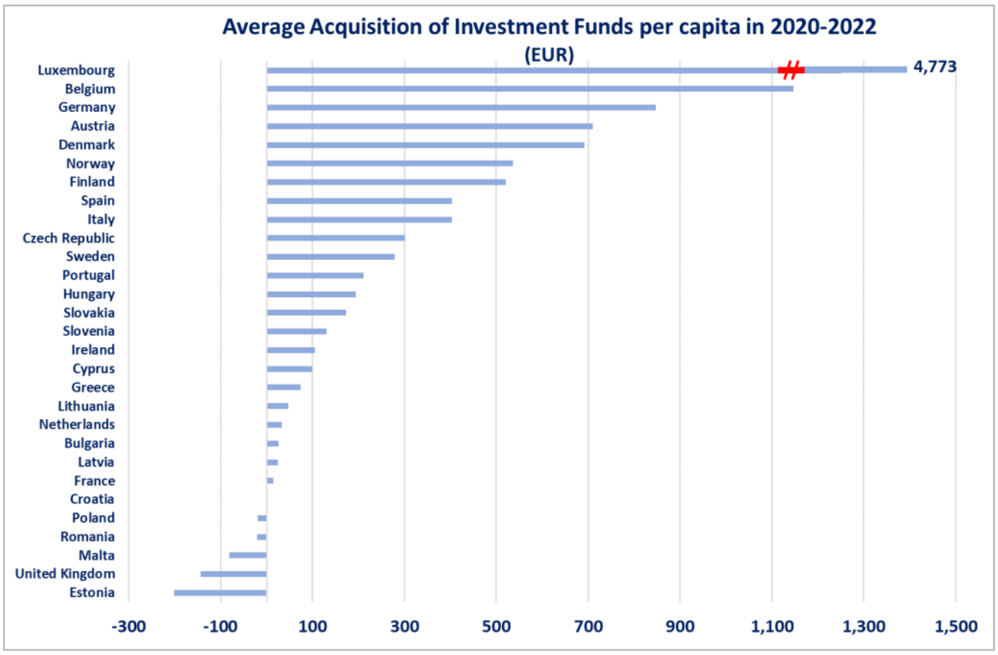
People are saving a lot for retirement in those countries because those countries have a highly developed funded pension system, which is founded on some form of mandatory pension savings in the Netherlands and Sweden, auto-enrollment mechanisms in the United Kingdom, and relatively generous tax incentives in Germany.





➢ *Investment funds are also key to household participation in capital markets*

The data on acquisitions of investment funds per capita in 2020-2022 confirms the attractiveness of investment funds among European citizens.



There are many reasons why investors choose to invest in investment funds.

- Professional management: investment funds are managed by professionals with extensive experience of the markets, financial products and investing.

- Investor protection: investment funds are strongly regulated and supervised products offering a high degree of protection to their investors.

- Diversification: funds invest in a wide range of assets, thereby reducing risk. For this reason, funds are considered a less risky route into investing compared to buying individual shares or bonds.

- Liquidity: investment funds are assets that can be quickly turned into cash.

- Choice: investors can choose between two main types of investment strategies (passive funds which seek to replicate a specified financial market index, and active funds which try to outperform a specific benchmark index or achieve a particular investment objective), or opt for exchange-traded funds, which tend to be more liquid as they trade on exchanges like shares.

- Sustainable finance: investment funds provide individual investors with easy access to sustainable investment opportunities. Their managers conduct research, analysis, and due diligence to select sustainable assets that align with the fund's ESG objectives. Investment funds allow investors to see where their money is invested. This transparency can help investors ensure that their investments align with their sustainability goals. Investment funds are also subject to regulations that require them to disclose ESG-related information and adhere to sustainable investment guidelines. This can help ensure that the funds remain aligned with its stated sustainability objectives.

4.3 Policy recommendations

The EFAMA 2020 report presented specific examples of policy measures that could be taken at European and national levels to encourage households to invest in capital market instruments, focusing on four areas: financial literacy, pension policies, tax incentives and monitoring progress. The European Commission's new Action Plan also included actions to empower citizens through financial literacy, build retail investors' trust in capital markets, and support people in their retirement.

We summarized in Annex 1 the key actions that have been taken at the European and national levels in these areas.

We remain convinced that further progress towards household participation in capital markets depends on the willingness of Member States to take measures to strengthen financial education, such as financial health checks, and encourage long-term savings through tax incentives. One effective way to incentivize savers is to create accounts/products that allow individuals to save without paying income or capital gains tax on investment returns, nor tax on any money withdrawn from the accounts. The experience of the United Kingdom Individual Savings Accounts (ISA) and Italy's Piani Individuali di Risparmio (PIR) to promote retail investments confirms the validity of this approach.

In this section, we highlight two key additional areas of action where there remains an important potential to increase the share of household savings in capital markets: investment funds and retirement savings.

4.3.1 Keeping access to affordable and quality advice for all EU citizens is essential

Most European households, especially among the less wealthy part of the population, lack the proper skills and competence level to invest without assistance. This highlights the value of having access to investment advice to understand the benefits of investing in capital markets as well as the drawbacks of keeping an excessive amount of savings in bank deposits.

Many consumers do not feel comfortable (yet) using automated advice services relying on algorithms. Most people want to speak to a person, especially during the initial onboarding process, to make sure they are not making mistakes.

We would encourage the European authorities to provide more accurate and objective views on what retail investors can expect when investing in a UCITS. The overriding impression given by the European Commission in its Retail Investment Strategy is that the fees paid by retail investors are excessive. The narrow focus on costs, potential conflicts of interest, and poor value for money is an open invitation to retail investors to keep their savings in bank deposits. If the European authorities want to encourage people to save in capital markets, they should clearly highlight the fact that one of the most tangible benefits of investment funds is that they offer higher returns than risk-free assets over the long term, even after all fees are deducted.

Also, we find that the emphasis put on the cost of distribution and advice paid by retail investors is misleading. Indeed, as shown in Annex 2, this cost is very low for the average citizen in absolute terms.

While we agree with the Commission that the existing ecosystem for retail investors to access retail investment products can be further improved, notably by adapting disclosure rules to the digital age, access to financial advice needs to be preserved and the coexistence of the fee- and commission-based advice models consequently maintained. Failure to do that will decrease retail participation in capital markets to the detriment of those most in need.

More generally, our hope is that the Retail Investment Strategy, if properly calibrated, will help encourage a greater number of European citizens to become long-term investors.

4.3.2 New initiatives should be taken to promote retirement savings

A mature pension market is the foundation on which a genuine Capital Markets Union could emerge in Europe and the primary access point for households to invest in capital markets.

Europe's ageing population and the pressure put by the COVID-19 crisis on public finances has forced several Member States to reform state pension arrangements, resulting in a strong decline of future retirement income in pillar one. According to EIOPA, the so-called pension benefit ratio (average pension / average wage) relating to pillar one is expected to decline from 42% in 2019 to 33% of the average wage in 2070.[7] Hence, European households will need to save more for their retirement to avoid falling into poverty in the future.

These circumstances should incentivize Member States and the European authorities to adopt initiatives to promote retirement savings.

At the national level

1. Member States should follow EIOPA's recommendations to put in place pension tracking systems (PTS). The main goal of PTS is to provide an overview of accrued entitlements and projected retirement income provided by all possible pension sources in a simple, understandable, and meaningful manner to citizens within Member States. This information helps citizens understand what income they can expect in retirement and whether they are on track to meet their retirement goals or if they need to adjust their savings and investment strategies.

   According to EIOPA, digital personal information covering state, occupational and personal pensions are only provided in 7 countries: Denmark, Estonia, Lithuania, Norway, and Sweden. In Belgium and the Netherlands, the information provided only covers state and occupational pensions. Four EU Member States (Austria, Germany, France, and Hungary) are currently developing a PTS, as well as the United Kingdom. This means that 16 EU Member States still need to put in place PTS to inform their citizens about their pensions' entitlements. One can only hope that this will rapidly change.

2. Member States should also strengthen their pension systems by putting in place mechanisms of auto-enrolment to automatically enroll individuals into a retirement savings scheme unless they actively opt out.[8] Such schemes, depending on their design, encourage regular savings in cost-effective pension products that invest in a diversified portfolio of assets.

   The pension system in five EU Members States (France, Germany, Italy, Lithuania, and Poland) as

[7] See here EIOPA's Technical advice for the review of the IORP II Directive.
[8] This recommendation is in line with the Recommendation of the OECD Council for the Good Design of Defined Contribution Pension Plans.

well as in the United Kingdom includes auto-enrolment schemes.

The European Commission has commissioned a study to identify and evaluate best practices for the design of auto-enrolment pension schemes, informed by an in-depth qualitative and quantitative assessment of pension schemes in selected EU and non-EU countries and consultations with pension experts and stakeholders.

The best practices cover the entire saver's journey, including the initial decision to save through a pension, fund choice, growing pension entitlements and post-retirement choices. In addition, best practices are presented on the implementation of an auto-enrolment pension scheme. Finally, a scoreboard is presented that assesses each best practice against key evaluation criteria, including its relative importance in the functioning of an auto-enrolment pension scheme and its impact on performance measures, namely participation, savings and investment returns.

This study offers an ideal reference for Member States to modernize their pension systems with auto-enrolment schemes.

At the European level

The European Commission should do all it can to convince Member States to modernize their pension systems by offering pension tracking systems and mechanisms of auto-enrolment.

In addition, there are two areas where the Commission could act:

1. The PEPP regulation, which has not allowed the PEPP market to take off.

   The failure of the PEPP comes as no surprise. Indeed, EFAMA and the investment management industry at large expressed serious concerns about the fee cap for the Basic PEPP because it was clear that this would make the PEPP unworkable for many potential providers looking to enter the market. This is also one reason why the PEPP cannot compete with the existing national pension product. Furthermore, the major disparities between the national pension and tax systems complicate the PEPP offering on a cross-border basis. At best, the PEPP will suffer the same fate as ELTIF and will have to wait until a satisfactory framework is in place to possibly take off.

   Among other things, this would require addressing the problem posed by the fee cap. The fact that the Regulation requires that prospective PEPP savers receive personalised financial advice - and its insistence this advice is provided within an overall fee cap of 1% that covers all other costs (with the important exception of guarantees) - imposes very high barriers to entry. The most pragmatic solution would be to exclude the initial cost of advice from the fee calculation. Finding solutions to overcome the problems caused by the different tax treatments of pension products across the EU would also be useful. Another avenue would be to consider how the PEPP could be offered as an occupational pension product to increase the potential demand for the PEPP.

   Article 45 of the PEPP Regulation foresees that every two years from the date of application of the Regulation, the Commission should, after having consulted EIOPA and, where applicable, the other ESAs, review the adequacy of the 1% fee cap, taking into account in particular its impact on the availability of PEPPs. The Commission is empowered to adopt delegated acts to amend the fee cap to ensure appropriate market access for PEPP providers.

   We, therefore, call on the European Commission to urgently ask EIOPA to review the problems faced by potential PEPP providers and make recommendations to solve these problems as a matter of priority.

2. The European Retirement Week (ERW), which was launched in 2021 at the initiative of EFAMA aims at raising awareness of the urgent need to address the increasing retirement savings gap and at providing stakeholders and policymakers with a platform to discuss possible solutions to the pension challenge and share best practices.

The European Commission should integrate the European Retirement Week in the official EU calendar, as was done for example with the EU Green Week. The European Retirement Week should become an annual opportunity to trigger discussions, both at national and EU levels, on the pension challenge, the importance of saving enough for retirement and the progress made toward that objective. EFAMA and the thirteen other partaking European associations would keep organizing the ERW so that the European Commission would not need to do anything unless it wants to.

Annex 1: Recent policy actions targeted at retail investors

1. Introduction

The EFAMA 2020 report made ten recommendations for increasing the level of retail participation in capital markets. These focused on four areas: financial literacy, pension policies, tax incentives and progress monitoring. The European Commission's new Action Plan also included actions targeted at retail investors, namely:

- Action 7: Empowering citizens through financial literacy.
- Action 8: Building retail investors' trust in capital markets.
- Action 9: Supporting people in their retirement.

This annex sets out the key actions that have been taken in these areas at European and national levels.

2. Actions to strengthen financial literacy

2.1 Actions at the European level

The HLF has clearly highlighted financial literacy as a key area of interest. It has identified a number of initiatives that the European Commission and EU Member States could take to promote financial education, enabling individuals to make better-informed financial decisions.

In its 2020 CMU Action Plan, the Commission committed to developing joint EU/OECD financial competence frameworks for adults and youth. In January 2022, the joint EU/OECD-INFE financial competence framework for adults was officially published. The framework outlines key areas of competences pertaining to personal finance (e.g., planning a budget, investing, borrowing or preparing for retirement). The framework covers the knowledge/awareness, skills/behaviours and confidence/attitudes/motivation that individuals need to support their financial wellbeing throughout their lives.

The Commission services and the OECD have now begun to disseminate the framework and facilitate its uptake among Member States and stakeholders, including through targeted exchanges. The objective is to encourage the use of the framework in concrete policies, tools and educational materials, and to offer a platform for policy makers and stakeholders to exchange good practices and lessons learnt when taking up the framework.

In order to improve financial literacy in the EU, it is essential to have a tool capable of measuring levels of financial literacy, so the Commission has committed to publishing a Eurobarometer survey that evaluates the levels of financial literacy throughout the EU. The Eurobarometer survey was published in June 2023 and showed that, overall, levels of financial literacy in the EU are low. However, there was wide differences between Member States.

In the 2020 CMU action plan, the European Commission also committed to assessing the appropriateness of extending the principle enshrined in Article 6 of the Mortgage Credit Directive to relevant sectoral legislation. The objective of so doing would be to promote learning measures that support the financial education of consumers, particularly in the area of retail investment.

As part of the Retail Investment Strategy presented in May 2023, the Commission included, in the Markets in Financial Instruments Directive II (MiFID II) and the Insurance Distribution Directive (IDD), the requirement to promote national measures to support citizens' financial literacy, regardless of either their age or their social and educational backgrounds.

In addition to the work on dissemination and uptake of the financial competence framework for adults, the Commission services and the OECD also published a financial competence framework for children and teenagers in September 2023.

For its part, EFAMA published a leaflet entitled 'Investing for a better future – 5 tips to do more with your savings'.

2.2 Actions at national level

Austria has implemented a national financial literacy strategy for promoting financial education and literacy among its citizens. This aims to improve financial management skills and increase the financial knowledge of individuals, households and businesses. Austria's strategy has encompassed a range of important initiatives. One of these is to promote financial education in schools, including integrating financial education into the national curriculum.

The Austrian Association of Investment Management Companies (VÖIG) is involved in a range of activities for promoting financial literacy. To deliver these, the association is working on several initiatives. These include publishing a brochure that provides basic and easy-to-read information for retail investors on the concept and structure of investment funds as well as how to use them. It also provides academic/professional training on investment fund-related topics, and it is planning to offer financial education, including quizzes and presentations on topics such as saving, investing and retirement planning.

In Belgium, the supervisory authority, the Financial Services and Markets Authority (FSMA), which coordinates financial literacy in Belgium, has already launched several projects aimed at promoting financial literacy in schools. As of 2020, the educational system includes financial literacy as an attainment target. This means that children from first to sixth grade in secondary schools benefit from financial training as part of their main curriculum.

The FSMA organises an annual Belgian edition of the 'Global Money Week', with an emphasis on different aspects of the financial spectrum. The FSMA also launched the so-called 'Wikifin' programme, which is composed of three distinct pillars: Wikifin.be for the general public, Wikifin School for students and Wikifin Lab, a new interactive centre for financial education in the FSMA buildings in Brussels. There are separate chapters provided for pensions and tax matters. There is also a range of books on investing for beginners. Information can be found via the financial and economic sections of newspapers, or via annual reports and other documents published by listed companies.

The government, the Belgian federation of the financial sector (Febelfin), the Belgian Asset Managers Association (BEAMA), the professional association of insurers (Assuralia) and the banks are also active in the area of financial literacy; there is, however, a long way to go. A new survey by Deloitte, Ghent University and a Belgian retail bank shows that 61% of respondents feel insecure when thinking about their financial situation. Half of the respondents also did not know how they could gain greater insight into their future financial situation. Despite this, it remains difficult to drive concrete behavioural changes and to encourage people to take a different approach to their finances. The new research focuses on the concept of 'financial health'. The intention is that the concept is comprehensive and that future governments, NGOs and financial institutions - among others - will use the results of the study to encourage Belgian people to handle their money matters more wisely.

The Belgian Asset Managers Association (BEAMA) contributes to various seminars and accompanying press communications on the benefits of savings and investment vehicles, such as pension savings and investment funds. The Association promotes investing as a judicious way to manage personal finances. In the coming years, BEAMA will focus on empowering end investors in their financial decisions.

BEAMA has contributed to several educational websites targeted at prospective retail investors. The most recent major contribution has been 'Club Invest', a web platform for informing new investors. The website clearly explains the basics of investing and provides an overview of potential investment options. Another website, 'My finances and me', focuses on materials to help guide youngsters in managing their finances. This website was refreshed in 2022. The association also issued in 2022 several guidance notes to reassure long term pension savings investors about the impact of volatile markets.

In Bulgaria, a Working Group has been established by the Ministry of Finance, with the participation of the Bulgarian Association of Asset Management Companies (BAAMC), with the task of preparing a national financial literacy strategy and action plan.

This National Strategy for Financial Literacy (NSFL) for the 2021-2025 period, as well as an Action Plan, was adopted by the Council of Ministers. The Strategy includes measures and events aimed at increasing financial literacy. A portal for financial literacy was also set up by the Ministry of Finance, with BAAMC providing content for the Investment Section of the portal. There will be a link on BAAMC's website to the landing page, which features materials created for an education and advertising campaign by BAAMC to promote the investment management business and the operation of the collective investment schemes in Bulgaria. BAAMC made a number of proposals on the structure and the content of the Investment Section of the MF portal. These included: planning for the future by investors, savings, investments, drafting of an investment plan, differing types of investments, structuring of investment portfolios, investing in different types of CIS, ETFs, NIFs and AIFS, individual portfolios with explanation of risks, the tax regime of CIS investments and other investment funds and retirement schemes and benefits.

In Croatia, the government has adopted a national strategic framework for consumer financial literacy for the period 2021-2026. The Association of Investment Fund Management Companies (HGK) contributes to a number of the initiatives, including the Global and European Money Week in March (a project entitled 'The More We Know; The Better We Understand', providing education for pupils in high schools and students) as well as World Savings Day and World Investor Week in October. As a part of the celebration of World Investment Fund Day, the association held its annual 'Top Of The Funds' award for the most successful UCITS and the best investment fund management company in 2021, including education for students.

In Cyprus, the Cyprus Investment Funds Association (CIFA) has taken a significant step forward in addressing the issue of financial literacy by signing an MoU with the University of Nicosia. In early 2023, the Association organised joint seminars and trainings with the leading Cyprus universities. It also prepared a holistic strategy for promoting financial literacy and developing financial education in Cyprus.

In Denmark, Finance Denmark and the Danish Investment Association (DIA) are promoting one of the major annual events, 'Pengeuge' ('Money Week'). During this, local schools are given tutorial material and lectures, provided and undertaken by practitioners from both organisations. Also, both organisations are increasingly incorporating educational material and information for young people on their websites.

In Finland, the association 'Finance Finland' (FFI) is contributing to the national strategy for financial literacy, in line with the proposals issued by the Bank of Finland. In particular, it is helping shape curricula and study materials through the Ministry of Education and Culture. The goal is to have schools and educational institutions equip people with the basic skills of managing their personal finances and understanding risk. The association supplies schools with teaching materials on personal finance.

In France, the Strategic Committee on Financial Education brings together the main players - including the French Asset Management Association (AFG) - involved in promoting financial literacy in France. The committee is the driving force behind the national strategy for economic, budgetary and financial education under the aegis of the Ministry of the Economy, Finance and Recovery (EDUCFI). However, the implementation is undertaken by the Operational Committee led by the Banque de France.

The Committee is implementing the following actions:

- Deploying the EDUCFI Passport for middle-school students.
- Integrating financial education into the 'autonomy' module of the universal national service (SNU) for young people aged 15-17.
- Organising regional savings events for the general public to shed light on changes in the economic circumstances for savings and savings products.
- Developing the 'EDUCFI' label, awarded to financial education initiatives run by private players.
- Raising awareness of financial education through a public information campaign in the regional and national daily press.

After publishing its 12 principles for saving and investing guide, AFG launched a campaign entitled 'Être acteur de mon épargne', designed to raise awareness and educate retail investors, such as the young among graduates, young working people and families, future homeowners and those seeking to anticipate their retirement preparation. In July 2022, AFG teams undertook financial education workshops for high school students as part of the Universal National Service. Conducted in partnership with the Banque de France, these took the form of educational games entitled 'Sur la piste de Mathieu' ('On the trail of Mathieu'). A financial education guide on employee savings was released in 2023, to help employees better understand the benefits of employee savings and retirement schemes, acquire the necessary knowledge to take a rigorous approach to managing their financial investments. This will enable them to avoid certain pitfalls and behavioral mistakes when attempting to achieve their medium and long-term objectives.

In Germany, there are several initiatives to improve financial literacy, but any overarching strategy at a national level is still in its infancy. In March 2023, the Federal Ministry of Education and Research (BMBF) and the Federal Ministry of Finance (BMF) finally decided to develop a national financial education strategy and create a central platform as an entry gate to a range of services in this area. There will be a stronger focus on research on financial education. In addition, there are several well-established private sector initiatives, such as BVI's 'Hoch im Kurs' education initiative, where teaching materials for schools are developed and made available to teachers. Also, BVI has developed a well-received 'Financial Experts in Schools' programme within the 'Hoch im Kurs' initiative. Here, BVI member company professionals visit schools, providing specially crafted materials to train students in the essentials of financial knowledge.

There is a foundation in Hungary, founded and financed by the National Bank and other relevant financial associations that plays a major role in promoting financial literacy in Hungary, particularly among students (aged 12-18). Its main activities on are in publishing books and other learning materials for basic and secondary schools, training teachers and organising educational events (such as 'Money Week'), competitions and games.

In Ireland, the Central Bank and the government have undertaken a number of financial literacy initiatives aimed at enhancing the financial knowledge and capabilities of the general population. Some of these include:

- The Department of Finance has launched a public consultation entitled 'Funds Sector 2030: A Framework for Open, Resilient & Developing Markets' to support the Government's commitment to *"implement the Ireland for Finance – Financial Services Strategy to continue to deliver a competitive and resilient financial services sector". (Programme for Government.)*
- The Central Bank of Ireland has a dedicated Consumer Protection Division that focuses on protecting consumers in their financial transactions. It also provides educational resources, including guides and information on various financial products to empower consumers in making informed decisions.
- In 2023, the Department of Finance announced the first National Financial Literacy Strategy for Ireland, which will be developed in line with the OECD Recommendation on Financial Literacy.
- Both the Central Bank of Ireland and government agencies provide online resources and interactive tools to help individuals improve their financial literacy. The resources include budget planners, retirement calculators and guides on various financial topics.

Irish Funds launched the new Transition Year Financial Literacy Pilot Programme, which targets 16-17-year-old students in 12 schools. The goal of the programme is to build financial literacy in school-age students and to foster and develop an interest in the funds and financial services industry.

In Luxembourg, the government, the regulator (CSSF) and private initiatives (including associations such as ALFI and ABBL at schools) have launched campaigns to educate the public of how investing works.

During 21-25 March 2022, the Association of Luxembourg Fund Industry (ALFI) joined forces with the Foundation of the Luxembourg Banker's Association (ABBL) to contribute to the 'Woch vun de Suen' ('Global Money Week'), a well-established project supported by the Ministry of Education, Children and Youth. Members of ABBL, ALFI and employees of the CSSF delivered informal training sessions for young pupils aged 10-12 in 57 Luxembourg schools.

In Malta, the Financial Services Authority (MFSA) took part in IOSCO's World Investor Week in 2023; the second consecutive year. Through the campaign, the MFSA aimed to make investors aware of the types and level of risk associated with particular investments or asset class and to mitigate these through diversification. The MFSA also conducted an information campaign on Insurance-Based Investment Products (IBIPs). This was aimed at providing consumers with essential information on how these products work and what they should look out for before investing in them.

In Norway, the Norwegian Fund and Asset Management Association (VFF) has co-sponsored the production of a series of eight short documentaries. These explain, in simple terms, how the financial markets work and what role they play in the economy. They also explain how and why companies raise capital through share issues (IPOs) and bond issues and the role of a well-functioning secondary market ('What is a stock exchange?'). They also set out how retail investors can participate in the capital market and benefit from this via, for example, investment funds. The short documentaries mainly target high school and university-level students, and the aim is to reach all high schools in Norway. The documentaries were published in 2023. The Association is continuing with its website titled 'Den lille fondshåndboken' ('The little handbook for mutual funds investing'), which is a retail investor-oriented handbook on how to get started with long-term investing in investment funds. The handbook covers a broad range of topics such as 'What is a mutual fund', types of funds, risk, return, costs, tax and recommended holding periods.

In Portugal, the Government established the National Plan for Financial Education (PNFF), coordinated by the three Portuguese financial supervisors. The promotion of financial literacy in schools has been one of the cornerstones of the strategy of the PNFF. It includes the production of workbooks aimed at basic and secondary education students, with a view to supporting teachers and students in learning more.

Following the conclusion of four workbooks targeted at secondary education level, the most recent work is focused on producing a pre-school education manual. This is the result of a partnership between the financial supervisors (Bank of Portugal, the Insurance and Pension Funds Supervisory Authority and the Securities Market Commission), the Ministry of Education (via the Directorate General for Education) and four financial sector associations, including the Portuguese Association of Investment Funds, Pension Funds and Asset Management (APFIPP). To support the promotion of financial literacy, regular training sessions have been offered for different audiences, such as educators, employees of municipal entities and other public entities, as well as associations of a social nature.

APFIPP is supporting the goals of the PNFF, notably by producing financial education workbooks for students of various ages. The Association again joined the Financial Training Week organised by the Portuguese Financial Supervisors around World Savings Day in October 2022. Throughout this week, the partners of the PNFF promoted initiatives aimed at different target audiences, including students of all ages, teachers and other trainers, managers of micro and small enterprises as well as the wider population. APFIPP promoted an activity for students aged 10-11 entitled 'Discovering Savings'. It also took part in an online workshop for managers of micro and small enterprises on the topic of 'Pension Funds and Retirement Savings'.

During IOSCO's World Investor Week, APFIPP joined the Annual Conference organised by the Portuguese Securities Market Commission (CMVM), on 4 October 2022. The event was dedicated to the theme of 'Saving in the Capital Market: Investing in a Sustainable Future'. APFIPP also continued its collaboration with Euronext Lisbon, joining forces to support a special episode of the 'MoneyLab' podcast on the topic of 'What to do with investments in a scenario of uncertainty?' In addition, a video was also made available. On the promotion of financial literacy, APFIPP also collaborated with a journalist (Camilo Lourenço) in 2022 to disseminate a series of short videos on relevant topics in the field of asset management and pension funds - as well as other topics in the field of personal finance - via social media (Facebook and YouTube). Eleven episodes had been published by the end of 2022.

In Romania, there are specific programmes run by the National Bank (in schools), ASF (national FSA) and different NGO's trainings, but these are much less than are needed. If we take into account that functional illiteracy in Romania exceeds 50%, it becomes a lot more difficult to undertake financial education. The Romanian Association of Asset Managers (AAF) has its own financial education programme, as it decided a few years ago to join general efforts to respond better to the overall need for financial education. It continued its own investor education programme, 'Economiseste inteligent!' – ('Smart Saving!'), aiming at increasing the level of information among citizens on important financial concepts (inflation, risk, return, diversification), the investment fund industry and specific products and the benefits of investments in terms of financial wellbeing.

In 2022, the strategy for the project considered widening the target audience mix by expanding from radio and online TV to include mobile news app exposure.

In April 2022, the National Strategy for Financial Education (NSFE) was released for public consultation. This was developed by the Ministries of Education and Finance, the FSA, the Romanian Banks Association and the National Bank of Romania with the involvement of public-private stakeholders as a result of the consultation procedure. The estimated period for the implementation of the NSFE is 2022–26. Improving the degree of financial education among the entire population requires a unified vision at the level of key institutions in the financial field, in order to develop and implement a strategy in the medium and long term. This should have two general objectives. The first should be to increase the degree of financial education by training in the field of financial education among children and adolescents, preparing them to become informed consumers of financial products, instruments and services. The second should be to improve the knowledge and skills of the adult population in planning their own finances, to save for the future and become informed consumers of services, products and financial instruments.

In Sweden, the Swedish National Network on Financial Education, a nationwide network for educational initiatives on personal finances, continues its work. The network, a cooperation between authorities, organisations and financial firms, was established in 2010 by the Swedish Ministry of Finance and is coordinated by the FSA. The goal is to improve consumers' understanding of their personal finances. This is primarily achieved through educational initiatives where the network trains instructors who can spread the knowledge to others, so it continues to disseminate.

The Swedish Investment Fund Association (SIFA) is active in the activities of the network and is responsible for the fund saving element of the training. It should also be mentioned that major financial institutions - banks, insurers and fund platforms - have their own 'saving economists'. Their job is to inform savers about savings and products, both through the company channels and also via media. To create trust and achieve an impact, they try to take an objective view of both products and other general recommendations. At an aggregate level, their work generates a lot of media attention, which probably has a significant impact on financial literacy and the level of market participation. SIFA's savings economist regularly shares savings tips there and promotes the website on social media. During the year, our savings economist has also started a podcast to spread knowledge on fund investments.

SIFA is a co-financer of 'Ung Privatekonomi' ('Young Personal Finances'), a school information project providing personal finance and savings education every year for more than 35,000 young people in Sweden's upper secondary schools. The underlying concept is 'youth meets youth'. The talks and educational materials are made available to upper secondary schools free of charge, with the projects financed by a number of organisations, including SIFA. It employs communicators throughout Sweden, covering as many upper secondary schools as possible. SIFA's 'Fondkollen' ('Fund Check') initiative provides a financial education website with interactive tools such as an investment calculator, 'check my fund' and 'find a new fund'. The aim of SIFA is to boost savers' financial self-confidence.

In Slovakia, the Central Bank has been actively involved in a programme called '5 peňazí' ('5 Money'). The project focuses on providing financial education and increasing financial literacy in Slovakia. One element is the website 5.penazi.sk, which was created by experts from the Central Bank. External experts, including the Slovak Association of Fund Management Companies (SASS), contribute to the creation of educational materials and articles. The project provides news, opinions, experiences and recommendations from financial market experts.

SASS contributes to financial education, particularly in the online space. On its website, it has published an interactive presentation called 'Investing for a better future', which guides people through the basics of investing in an accessible way.

In Slovenia in early 2023, the government adopted the '*Strategy on the revival of the Slovene capital market*'. This includes activities in the fields of financial literacy and taxation, but pension reform is missing. Unfortunately, the operational implementation of the strategy is delayed.

Financial literacy is one of the strategic objectives of the Slovenian Investment Fund Association (ZDU). This is being pursued through a range of initiatives, including the following:

- Regularly publishing articles on its website, its LinkedIn profile, organising free webinars as well as other activities.
- Redesigning the ZDU website, featuring useful tips for investors, a glossary of the most-common financial terms and publishing the recordings of ZGU's past webinars.
- Conducting a survey among Slovenian citizens on their knowledge of financial investments and financial literacy.
- Organising free educational webinars on a range of topical issues featuring external guests and experts. The recordings of these webinars are available free of charge on ZDU's YouTube channel and via the ZDU's website.
- Organising and executing, twice-yearly, annual training programmes and skills tests on the marketing of investment fund units.

In Spain, the authorities are continuing their efforts to increase financial literacy through the National Financial Literacy Plan, which is being promoted by the Bank of Spain, the Spanish supervisor CNMV and the Ministry of Economic Affairs and Digital Transformation. The Spanish Association of Investment and Pension Funds (Inverco) contributes to investor education via the 'INVERCO Observatory'. This disseminates and explains the characteristics and advantages of investments funds and pension plans. In 2022, the Observatory completed the third edition of 'Rumbo a tus sueños' ('On course to your dreams'), a finance training programme for young students. In this, volunteers from asset management companies explain the importance of setting clear objectives and of saving and investing properly to achieve them. The goal is to explain different basic financial concepts to vocational students who do not study finance as part of their curriculum. The Observatory also published its fourth report on financial education initiatives carried out by asset managers. The aim of this is to gather the main initiatives in financial education and demonstrate their relevance to society as a whole.

In Switzerland, the Asset Management Association Switzerland (AMAS), launched, together with evrlearn, a new offering for continuing education for investment management professionals. Evrlearn offers an overview of various training opportunities available in the areas of asset management, sustainable finance, real estate, private markets, blockchain and crypto, sales and distribution, data science, innovation and fund administration. AMAS is also continuing its successful support of the Lucerne University of Applied Sciences and Arts (HSLU), which offers a CAS continuing education programme in asset management. For employees of its member institutes, AMAS has introduced a new knowledge transfer forum, AMAS Meet & Eat. In this, each month a company presents innovative topics with the aim of sharing new knowledge. In 2022, the focus was on topics such as crypto investing, chain fund management, decentralised finance and the ESG investment and data landscape.

3. Actions to strengthen pension savings

3.1 Actions at the European level

The European Commission's 2020 Action Plan included three non-legislative actions for improving pension provision and retirement savings in the EU. These are: the development of pension dashboards, the development of best practices for the setting up of national tracking systems and the launch of a study to analyse autoenrollment practices.

Against this background, the Commission asked EIOPA to prepare a technical advice on pensions dashboards and one of the developments of pension tracking systems. These were delivered in December 2021.

The Commission also committed to launching a study to identify and score best practices in auto-enrolment schemes for several EU and non-EU countries. The study, which was published in November 2021, gathered information from interviews, experts meetings and desk research and ran an empirical analysis to measure the impact of such mechanisms on pension participation and adequacy.

Finally, the Pan-European personal pension product (PEPP) Regulation, adopted in 2019, came into force on 22 March 2022.

For its part, EFAMA - together with Insurance Europe and PensionsEurope - proposed the launch of a 'European Retirement Week' to a group of European associations. The goal of this initiative is to raise awareness on the pension challenges and the need to save for retirement. The first three editions of this 'European Retirement Week' took place during Week 48 of 2021, 2022, and 2023.

3.2 Actions at national level

In the Czech Republic, a new pension product is currently being discussed with the Ministry of Finance. The so-called 'Long-term Investment Account' will bring new opportunities for local households to enjoy tax deductions when investing into long-term investment products for retirement. This new product should be adopted by the Parliament by end of 2023.

National implementation of the pan-European Personal Pension Product (PEPP) took place in 2022, with both levels 1 and 2 legislation adopted. PEPP will benefit from tax incentives when complying with the detailed rules set for the individual pension products in the Czech Republic.

In France, the Action Plan for Business Growth and Transformation (PACTE) law created a new pension savings plan (PER) regime and harmonised collective company pension schemes and individual pension products. This facilitates transfers between these products and enhances competition in the pension market. Pension product design focuses on lifecycle strategies (the default option for all supplementary pension plans), portability (retirement savings follow career paths) and flexibility in decumulation (savers can choose between annuities and capital or a mix of the two). All of these measures, combined with tax incentives (such as the abolition of the flat-rate social security contribution for companies with fewer than 250 employees), have facilitated the development of these individual or collective company retirement savings plans. By the end of June 2023, PER assets totalled around EUR 100 billion and had benefited almost 10 million people.

In Germany, the government has not placed any emphasis on reforms in the pension system in recent years, possibly due to the COVID-19 pandemic and other crises. The new government has not yet passed significant pieces of legislation but has decided in their coalition agreement to work on a fundamental reform of the third pillar of the pension system.

To this end, an independent focus group was formed to revisit the current system and provide advice on the introduction of a low-cost fund offered by the state (with the option of opting out), and on the legal recognition of private investment products with higher expected returns, such as investment funds (currently, primarily life insurance contracts are legally recognised). In its July 2023 report, the focus group recommended that private pension products should no longer offer guarantees and annuitization in the future and should be able to structure the payout phase flexibly. In addition to existing products, funds should be permitted in an eligible retirement savings account. The recommendations of the focus group therefore indicate a notable paradigm shift in private old-age provision. In addition, it has advised against the idea of further pursuing a public sector fund.

Another core element of likely future federal government reforms is the entry into partial capital funding in the first pillar. This would not change the composition of household financial assets but would nevertheless represent a significant step in increasing the indirect exposure of private households to capital markets.

In Ireland, the government is currently reforming the existing pension system to ensure that it provides better value and security for individuals. This includes introducing a new system of auto enrolment to address pension gaps among employees. The current plan is to enrol those aged 23-60 who are earning over EUR 20,000 per annum, with contributions matched by employers and the state. Opt-ins for those falling outside the age range and earning less would be possible. Contributions will be phased in and flexibility allowed. An independent body, the Central Processing Authority, will oversee the system. The reform also foresees an increase in the state pension age and a new cap of EUR 100,000 on the tax relief that individuals can receive on pension contributions. Legislation and processes will be implemented from now, with the launch of the scheme and paid contributions to start from September 2024.

In Italy, the legislative framework provides significant incentives (especially tax incentives) to promote membership of pension schemes. For instance, contributions are deductible up to EUR 5,164.57 per year, returns on investment accrued annually are subject to a 20% substitute tax and benefits paid to the savers are subject to a flat tax, with rates ranging from 15% to 9%, depending on the form of out-payments and the period of participation.

National implementation of PEPP took place in 2022. The PEPP national sub-account benefits from the same tax advantages as other pension schemes.

The government is working on measures to open a new campaign of large-scale membership in pension schemes.

In Luxembourg, there are strong incentives in place for savers to allocate parts of their income to pension/insurance schemes. Payments into such schemes can be deducted from personal income tax, albeit to a limited amount. The government also amended legislation in 2021 to allow for investments into PEPPs to benefit from the same income tax treatment as other pension/insurance savings schemes.

In the Netherlands, a pension reform approved in 2023 will be implemented over the coming years.

In Spain, the authorities aim to promote saving in the second pillar through creating Public Promotion Occupational Pension Funds. However, this measure will come at the detriment of third pillar personal plans, since the maximum annual contribution to these has been reduced from EUR 8,000 to EUR 1,500.

In Slovakia, the assets in pension funds - particularly in the second pillar, where the majority of Slovaks save for retirement - has been increasing steadily in recent years. Assets in second pillar pension funds will continue to increase in the future, as this saving is mandatory for everybody entering the system. People cannot change their mind even if they were dissatisfied with the performance; they can only switch from one pension company to another one.

In Sweden, no new measures have been taken. This means that both the first and second pillar pensions are constructed in a way that leads to a large proportion of savings being invested in the capital markets. The Swedish Pension authority, together with the pension industry, has created an information hub called Min Pension (My Pension). On this and the connected app, people can find updated information on all their different pensions schemes, including public first, second and third pillar pensions. The information is detailed and, among other things, provides information on when you can begin pension payouts. A substantial proportion of Swedish citizens have used the service, which gives a good picture of the level of need to either work longer or increase your private savings.

In the United Kingdom, auto-enrollment has been in force since 2012, with the mandatory minimum 8% contribution rate applying from 2019. While there have been no further changes to the minimum required contributions under autoenrollment since then, a debate remains over how to further increase savings, with the government looking to employers to voluntarily take the lead in further raising pension contribution rates. This conversation has become more challenging over the course of 2022-23, as higher inflation has had a negative impact on some people's ability to make pension contributions. One important reform that took place in 2023 was the reduction of the minimum age for autoenrollment from 22 to 18 years, which will further boost pensions coverage in the UK.

Beyond these issues of overall pension system design, recent debate in the UK has focused on helping DC schemes in particular access more investments on private markets. This is a recognition of both the macroeconomic role the DC system can play as a source of long-term risk capital to the economy, and of the diversification and return benefits that UK pension investors could achieve through exposure to private markets. The UK's Financial Conduct Authority (FCA) introduced, in 2021, a new authorised fund regime, the Long-Term Asset Fund (LTAF), to facilitate such allocations by UK DC and retail investors. Since the launch of the regime a number of LTAF products have been launched.

4. Actions to increase tax incentives and long-term savings

4.1 Actions at the European level

In November 2021, the European Commission published three legislative proposals relating to the 2020 Action Plan, containing four different objectives:

- Establishing a European Single Access Point (ESAP) to create a single point of access to public information about EU companies and EU investment products.
- Promoting long-term investments through European Long-Term Investment Funds (ELTIFs).
- Making funding more diversified for companies by reviewing the Alternative Investment Fund Managers Directive (AIFMD).
- Enhancing market transparency by reviewing the Markets in Financial Instruments Regulation (MiFIR).

ELTIFs were created in 2015 as a new type of collective investment framework. These allow investors – mainly institutional and high-net-worth retail investors – to put money into companies and projects needing long-term capital.

A review of the ELTIF Regulation was required to address some of the main obstacles that had restricted the product's appeal since its introduction. The review of the framework has made the ELTIF fund structure more attractive to investors. It led to improved access and safer conditions for retail investors, including the removal of the previous EUR 10,000 entry ticket and the minimum net worth requirement. It also saw the harmonisation of the distribution regime through aligning the ELTIF suitability test with MiFID II.

The redesigned ELTIF regime, which will apply from 10 January 2024, has generated considerable interest among industry participants. Prior to the review, there were only around 20 ELTIFs in the ESMA register, while today 89 ELTIFs have been launched in the EU, with many more in the pipeline. This means that the market grew by more than 50% year-on-year in 2022 alone, reaching a total volume of approximately EUR 11.3 billion by the end of 2022.

Finally, the European Commission published a Retail Investment Strategy (RIS) in May 2023, to update and modernise the regulatory framework relevant to retail investments.

4.2 Actions at national level

In Austria, the newly formed coalition government introduced, in January 2020, a proposition within its governing agreement, suggesting tax incentives for long-term investments in stocks and investment fund-based products. Such incentives would apply to long-term investments, encompassing investment funds, provided they adhere to widely accepted ESG (Environmental, Social and Governance) principles. This proposition would encourage retail participation in capital markets.

In Belgium, a law was adopted in January 2022 to introduce the ELTIF tax regime. The aim of this is to make ELTIFs more accessible in Belgium and to create a level playing field with neighbouring countries. To date, no domestic Belgian ELTIF has been launched, mainly due to the obstacles and shortcomings identified in the initial ELTIF regulatory framework.

Third pillar pension saving funds under Belgian law are collective investment vehicles, available for Belgian residents or residents of another Member State of the European Economic Area who has a Belgian employment contract. There are two ceiling amounts on pension savings for which an annual tax benefit in personal income tax applies: EUR 990, for which the tax reduction amounts to 30%, and deposits higher than EUR 990 and up to a yearly maximum of EUR 1270, for which a tax reduction of 25% is granted. At the end of 2020, the Federal Government decided not to index a number of tax ceilings for the income years 2020-2023. The maximum amounts for tax reduction remain unchanged from 2019.

In France, income from securities and capital gains on the sale of securities by individuals are now subject to a flat-rate tax, the so-called 'prélèvement forfaitaire unique' (PFU) of 12.8%, plus social security levies at a rate of 17.2%. Together, these are referred to as a flat tax of 30%. However, French tax levels are still higher than those of other EU Member States. France remains one of the countries with one of the highest proportions of capital taxes in GDP, relative to both its European neighbours and to other EU Member States.

In Germany, the federal government increased the tax-free allowance for capital income from EUR 801 to EUR 1,000 from the start of 2023. In 2021, a law aimed at strengthening Germany as a fund domicile ("Fondsstandortgesetz") also delivered some improvements to German fund legislation: less bureaucracy, more digitalisation, a new retail fund type for infrastructure investments and some minor improvements for other regulated retail fund types.

In Hungary, the government started, in 2022, to issue a new series of long-term inflation linked bonds for retail investors. To provide a further incentive, it also raised the withholding tax on funds and deposits from 15% to 28% (starting in July 2023), while retail government bonds remained tax free. Long-term savings (deposits, fund units and other securities held on special saving account for at least five years) also remained tax free. The effect of the tax increase seems to be controversial from the governmental perspective, since retail investors started to withdraw bank deposits, but instead of buying long-term government bonds, they chose to invest into short-term bond funds, with massive inflows into these funds continuing during the year. As an additional measurement, according to a new regulation, the banks - starting in October 2023 - must regularly inform their clients about the potential loss they suffer by holding their money in cash instead of investing the same amount into government bonds.

In Italy, tax-free investment plans for retail investors, known by the acronym (PIR) were introduced in 2017 with the aim of directing savings and increasing investments towards Italian companies, in particular small and medium-sized enterprises. These plans proposed a programme to the individual investor that, if complied with, would ensure no taxation. The requirements included fund-like portfolio diversification, a minimum five-year holding period, minimum investment in financial instruments issued by Italian listed companies other than blue chips and maximum contribution levels on an annual and five-year basis. A new class of PIR (Alternative) was introduced in 2020, with a specific focus on unlisted companies and a higher level of contribution. PIR-compliant funds currently represent around 2% of the total assets of the Italian fund market.

Two other types of measures were introduced:

- A fintech regulation that, among other things, includes rules on the issuance and circulation of financial instruments in digital form and on the DLT pilot regime.
- Tax incentives for pension funds that invest in the 'real' economy and in startups and innovative SMEs.

The following measures are currently under discussion:

- A capital competitiveness bill with several objectives, including promoting financial inclusion by introducing financial education in secondary schools.
- A general tax reform that will also affect the taxation of financial income, with a view to enhancing greater simplicity and overall consistency.

In Ireland, the Deposit Interest Retention Tax (DIRT) rates were changed after 2016 to incentivise individuals to increase their savings and to encourage more responsible financial behaviour. Before 1 January 2017, the DIRT rate was 41%. This meant that 41% of the interest earned on deposits was automatically withheld and paid directly to the Revenue Commissioners as tax. Since then, the DIRT rate began to decrease gradually, reaching 33% in January 2020. This policy contributes to explain the increase in deposits.

In the Netherlands, starting in 2023, a new tax policy entered into force which favours savings to the detriment of stocks.

In Portugal, the authorities approved an amendment to tax capital gains on securities held for less than one year. This makes it mandatory for individuals with an annual income above EUR 78,800 to include these gains in their income statement, which means a taxation between 48% and 53%. For gains on securities held for longer than one year and/or taxpayers below that threshold, the inclusion is optional; if the option is not exercised, the capital gains are taxed at 28%. This amendment was approved with the State Budget Law for 2022 but only entered into force on 1 January 2023.

In Romania, there are tax incentives (1% or 3%) on capital gain for individuals on investments sold after or before 365 days from their purchase and no right to deduct loses from gains. This measure entered into force from 1 January 2023, but there are discussions over changing the levels to 3% and 5%. The aim is to get more money into the budget in order to bring the national fiscal deficit below 5%.

In the United Kingdom, efforts have been made to increase retail investment in long-term assets through the introduction of the Long-Term Asset Fund (LTAF). The LTAF, a UK mirror of the ELTIF, provides the framework for authorised open-ended funds to investment in long-term, illiquid assets - such as venture capital, private equity, private debt, real estate and infrastructure - while overlaying the regime with appropriate retail investor protections.

5. Actions to monitor progress towards retail participation in capital markets

EFAMA proposed that the European Commission measure progress at a national level and review the measures taken by Member States to encourage their citizens to save more in capital markets.

Every year, the European Commission publishes a list of indicators that help track developments in capital markets and measure progress achieved by the CMU policy. The indicators help identify whether specific rules need to be adjusted to boost Europe's capital markets or if new measures are required. The latest version was published on 18 July 2023.[9]

For its part, EFAMA is monitoring the variation in the so-called 'CMI ratio' (the ratio between the household savings invested in Capital Market Instruments (CMI) and those placed in deposits). It also introduced a new indicator (the 'CMI flow' ratio) in this report to eliminate the effect of market fluctuations.

[9] See here.

Annex 2: The cost of distribution and advice in the UCITS market

The goal of this annex is to shed light on the cost of investing in UCITS, focusing on the cost of distribution and advice paid by retail investors.

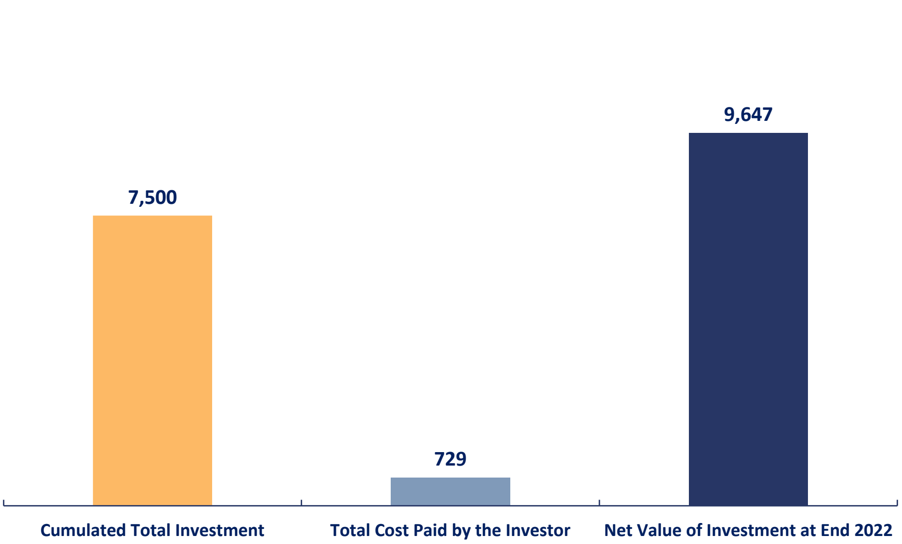
A real-life example

Against this background, we have analysed the cost paid by a saver who would have invested EUR 750 per year for 10 years in some equity and bond UCITS, in equal proportions. This amount is high compared to the average acquisition of investment funds per capita in Europe in 2020-2022, i.e., EUR 288. It would therefore be a great success for the CMU if European households who are not yet investing in capital markets could be convinced to start investing this amount of money on an annual basis.

According to ESMA, the average annual gross performance of equity and bond UCITS reached +9.17% and +2.39%, respectively, over the 2013-2022 period, whereas the average annual ongoing charges of these funds over this period were 1.59% and 1.03%, respectively.[10] We have calculated the cost of the investment taking into account these charges, assuming that the investor would have also paid every year an entry fee of 0.9% for the equity fund and 0.60% for the bond fund for the EUR 750 investment.[11]

Figure 1 shows that the value of the investment after deducting total costs would have been EUR 9,647 after ten years, whereas the total cost paid by the investor would have been EUR 729. This cost covers the full range of services that are delivered to the investor along the investment fund value chain, i.e., product development services, investment management, fund administration, depositary and other services, tax paid by the fund, and distribution and advice.

Figure 1: Hypothetical Yearly Investment of EUR 750 over the 2013–2022 Period
(EUR)



[10] See ESMA's Market Report '*Costs and Performance of EU Retail Investment Products 2023*' and its statistical annex, which are available here.
[11] Those are the average entry fees reported in European Commission, Directorate-General for Financial Stability, Financial Services and Capital Markets Union, Uličná, D., Vincze, M., Mosoreanu, M., et al., *Disclosure, inducements, and suitability rules for retail investors study: final report*, Publications Office of the European Union, 2023.

Using data from [Fitz Partners](), a fund research company specializing in the detailed calculations of fund charges for cross-border UCITS, we have broken down the total cost paid by the investor into three parts: the entry fee charged by the distributor (EUR 56), the fee retroceded by the fund manager to cover the distribution and advice cost, sometimes referred to as 'inducements' (EUR 256), and the fee charged to cover product development, investment management, fund administration, depositary and other services, and tax (EUR 417).

Figure 3 shows the evolution of the cost of distribution and advice paid by the investor every year over the ten-year investment period and compares this cost to the growth in the fund asset value.

Figure 2: Breakdown of the Total Cost Paid by the Investor over the Ten-Year Investment Period
(EUR)

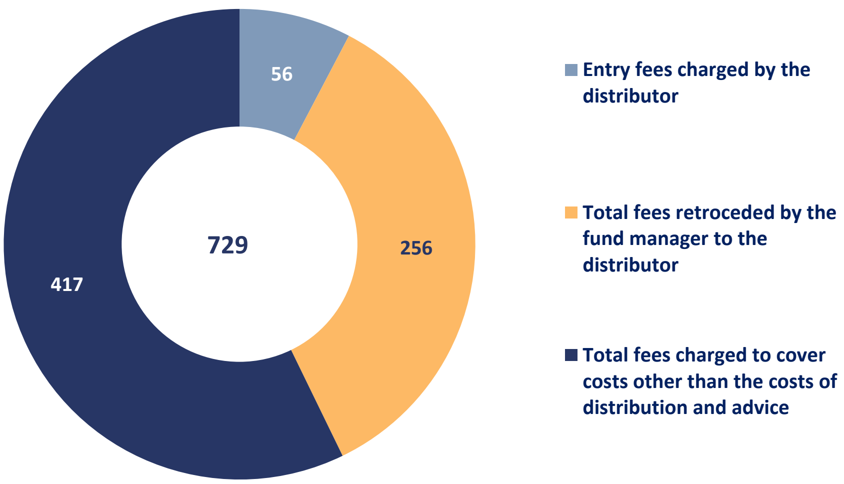
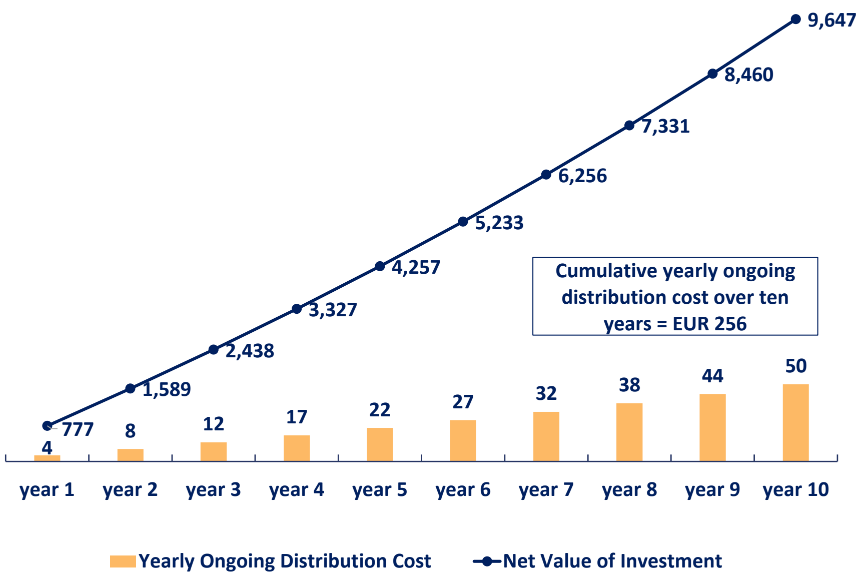


Figure 3: Yearly Ongoing Distribution Cost Paid by the Investor
(EUR)



This real-life example highlights the following points:

1. Low annual payments: the ongoing cost paid to the distributor is EUR 4 in the first year and a cumulative total of EUR 64 during the first five years and EUR 256 over the ten-year period. In return, the saver has access to the services of a distributor, who must act in accordance with the best interests of the client under MiFID II and assess, since last year, how to meet its client' sustainability preferences. These services enable retail investors to increase the net long-term return on their savings. In the example analyzed above, the return on the investment totaled EUR 2,147.

2. Freedom of choice: the saver has no obligation to purchase a fund after having met face-to-face with a distributor and may decide to disinvest at all times and opt for another product.

3. Support from the wealthiest to the less wealthy: the existing system of fund distribution can be financed thanks to the mutualization of costs between the wealthiest and the less wealthy. Figure 3 illustrates this by showing that savers with not much money to invest – say EUR 5,000 – pay on average EUR 26 per annum, whereas those who can make greater investment – say with EUR 10,000 – pay about EUR 52. It is thanks to this system that fewer wealthy citizens can have access to a wide range of investment products and financial advice at a very low cost.

Conclusion

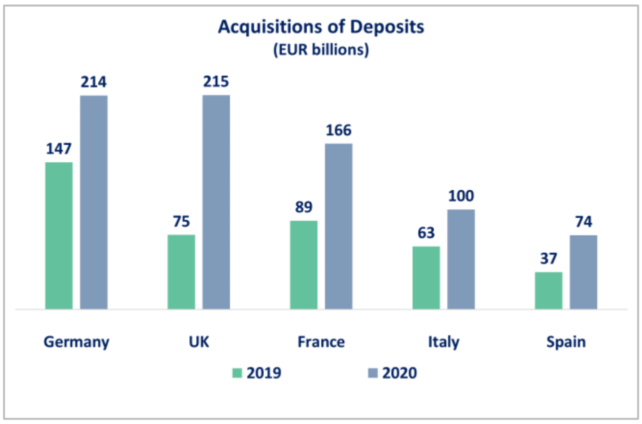
This note shows that under the existing commission-based distribution system of investment funds, the cost of distribution and advice paid by the average EU citizen is very low in absolute terms.

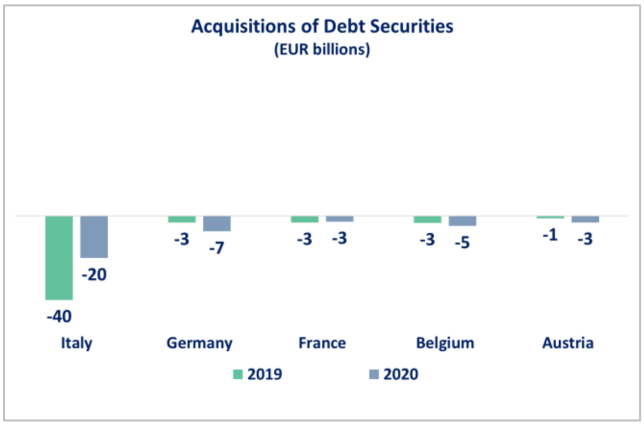
This cost is also low compared to the amount that can be charged by a financial adviser for a one-hour consultation. Indeed, if a professional financial adviser would charge a fee like that of a lawyer, there is evidence that the cost of one hour of face-to-face advice would vary between EUR 150 and EUR 200 (excluding VAT).[12] As a percentage of the invested assets, this cost is also low compared to the annual fee that professional financial adviser can charge as a percentage of the invested assets. By way of illustration, this fee paid in the UK for ongoing advice is 0.80% per annum[13]; this fee is higher than the average ongoing cost of distribution and advice (0.51%) which has been calculated based on data from ESMA and Fitz Partners.

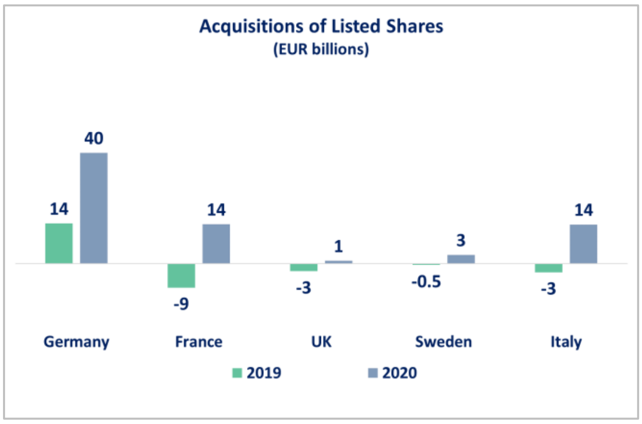
[12] See Study on the Transparency of Costs of Civil Judicial Proceedings in the European Union by clicking here.
[13] See the evaluation of the impact of the Retail Distribution Review and the Financial Advice Market Review published by the Financial Conduct Authority (FCA) in the UK in December 2020.

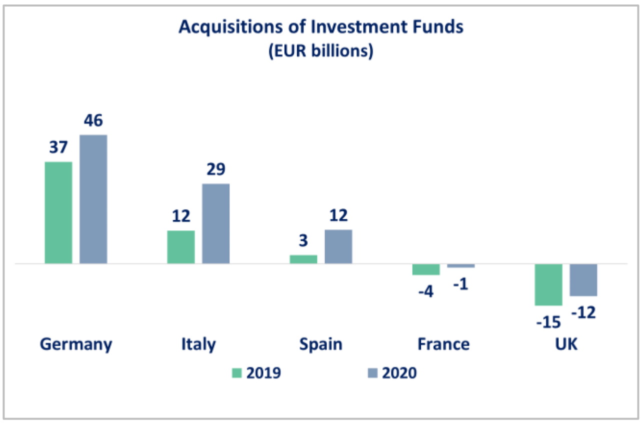
Statistical Appendix

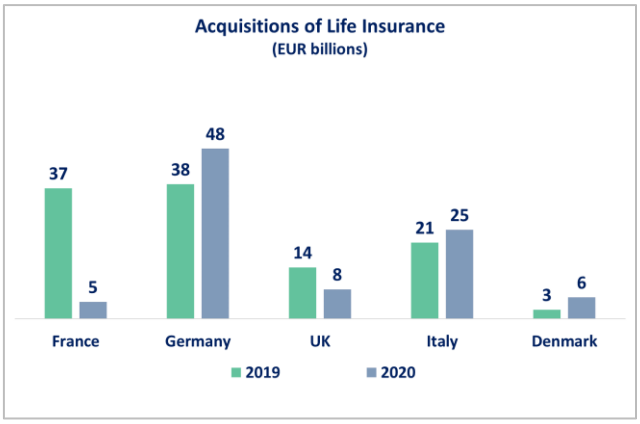
I. Acquisitions of financial assets in top 5 countries in terms of household asset ownership of the asset in question at the end of 2022

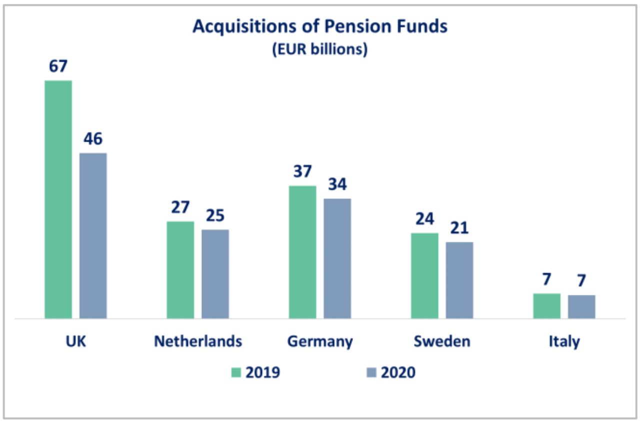


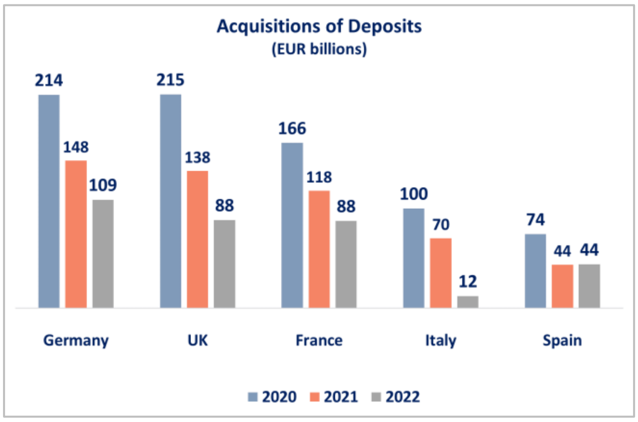


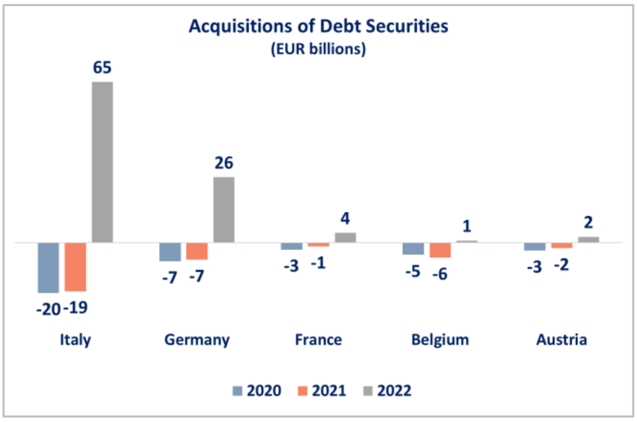


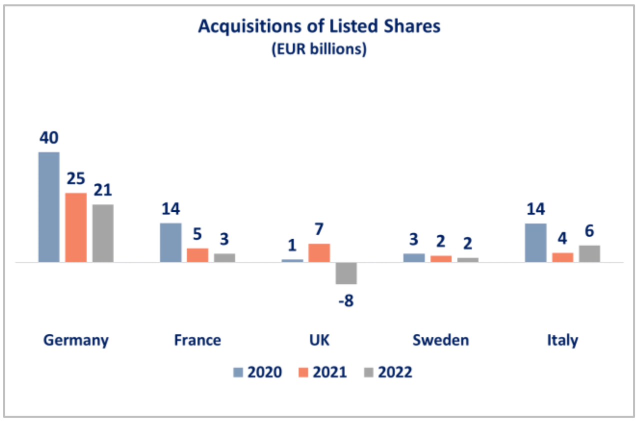


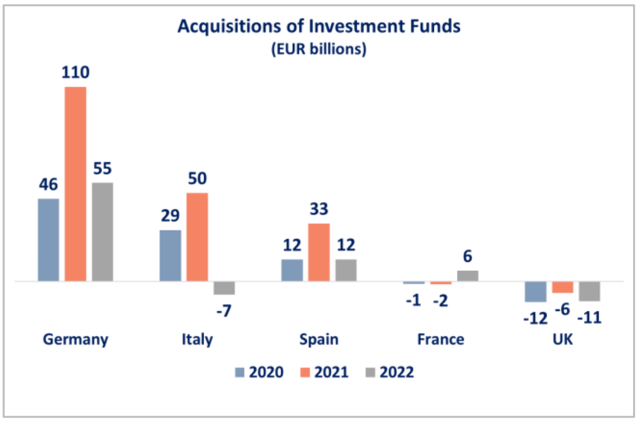


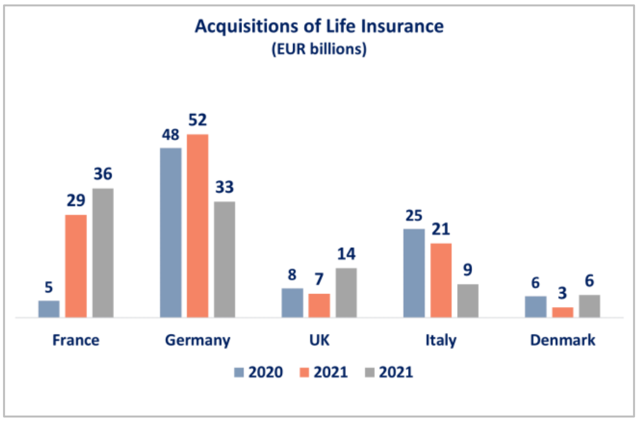


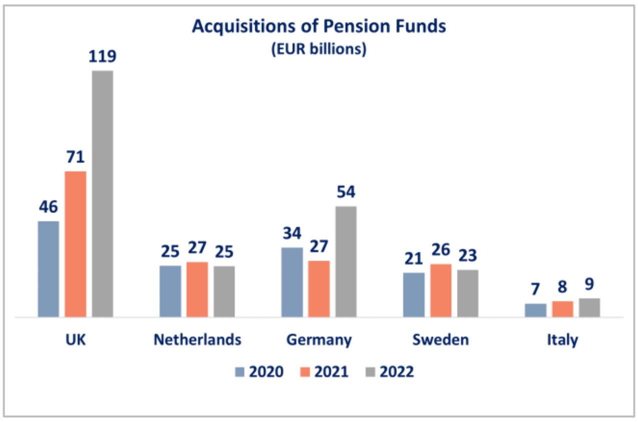

Acquisitions of Deposits
(EUR billions)
214
148
109
215
138
88
166
118
88
100
70
12
74
44
44
Germany
UK
France
Italy
Spain
2020
2021
2022


Acquisitions of Debt Securities
(EUR billions)
65
-20
-19
26
-7
-7
4
-3
-1
1
-5
-6
2
-3
-2
Italy
Germany
France
Belgium
Austria
2020
2021
2022


Acquisitions of Listed Shares
(EUR billions)
40
25
21
14
5
3
1
7
-8
3
2
2
14
4
6
Germany
France
UK
Sweden
Italy
2020
2021
2022


Acquisitions of Investment Funds
(EUR billions)
46
110
55
29
50
-7
12
33
12
-1
-2
6
-12
-6
-11
Germany
Italy
Spain
France
UK
2020
2021
2022


Acquisitions of Life Insurance
(EUR billions)
5
29
36
48
52
33
8
7
14
25
21
9
6
3
6
France
Germany
UK
Italy
Denmark
2020
2021
2021


Acquisitions of Pension Funds
(EUR billions)
46
71
119
25
27
25
34
27
54
21
26
23
7
8
9
UK
Netherlands
Germany
Sweden
Italy
2020
2021
2022

A1: Household Financial Wealth at End 2022 (EUR billions)							
Countries	**Deposits**	**Pension Funds**	**Life Insurance**	**Investment Funds**	**Debt Securities**	**Listed Shares**	**Total**
Austria	336	64	63	84	22	38	607
Belgium	488	102	157	250	27	77	1,101
Bulgaria	39	10	1	1	0.2	2	53
Croatia	5	3	0.3	0.3	0.1	0.2	9
Cyprus	36	5	2	1	1	1	46
Czech Republic	176	24	10	34	10	12	267
Denmark	174	190	316	86	8	88	863
Estonia	13		0.4	5	0.1	1	19
Finland	129	9	49	48	2	57	294
France	2,025		1,907	317	38	326	4,613
Germany	3,183	1,120	1,095	949	152	485	6,984
Greece	178	3	10	10	5	10	215
Hungary	57	5	6	17	27	5	117
Ireland	195	135	64	4	1	15	415
Italy	1,631	289	751	664	260	126	3,721
Latvia	14	6	1	0.4	0.2	0.4	22
Lithuania	25	6	1	1	0.5	1	35
Luxembourg	55	3	12	15	3	6	95
Malta	18	0.4	2	1	3	2	26
Netherlands	574	1,423	164	98	6	43	2,308
Norway	164	174	14	38	2	30	423
Poland	319	44	13	24	4	19	424
Portugal	234	24	38	26	5	6	333
Romania	76	20	2	4	3	5	111
Slovakia	53	15	5	9	4	1	85
Slovenia	37	5	3	3	0.1	2	50
Spain	1,078	173	152	387	13	110	1,913
Sweden	245	511	112	153	9	130	1,159
United Kingdom	2,387	3,636	932	314	21	293	7,582
Europe	**13,944**	**7,998**	**5,882**	**3,544**	**627**	**1,892**	**33,887**
EU 27	**11,393**	**4,188**	**4,936**	**3,192**	**604**	**1,569**	**25,882**

A2: Household Financial Wealth at End 2019 (EUR billions)							
Countries	**Deposits**	**Pension Funds**	**Life Insurance**	**Investment Funds**	**Debt Securities**	**Listed Shares**	**Total**
Austria	298	60	83	69	30	28	568
Belgium	430	114	199	218	39	70	1,070
Bulgaria	29	8	1	1	0.2	1	41
Croatia	4	2	0.3	0.3	0.03	0.2	7
Cyprus	30	4	2	1	1	1	39
Czech Republic	133	19	11	21	6	9	199
Denmark	156	212	293	82	9	61	814
Estonia	9	5	0.5	0	0.1	1	15
Finland	110	9	45	39	3	51	258
France	1,653		2,080	302	41	305	4,381
Germany	2,710	925	1,069	769	153	375	6,001
Greece	157	3	10	8	3	8	188
Hungary	50	6	6	13	26	3	104
Ireland	151	139	55	3	1	14	363
Italy	1,448	277	809	654	283	105	3,577
Latvia	10	5	1	0.3	0.2	0.2	17
Lithuania	18	4	1	1	0.4	1	25
Luxembourg	49	3	11	12	4	5	85
Malta	15	0.2	2	1	3	2	23
Netherlands	456	1,715	181	95	7	40	2,494
Norway	144	156	15	29	2	20	365
Poland	272	43	16	32	3	14	380
Portugal	194	24	47	20	11	6	301
Romania	59	13	2	5	2	2.6	85
Slovakia	49	12	5	6	3	0.4	76
Slovenia	28	4	3	2	0.2	2	39
Spain	917	178	195	346	13	113	1,761
Sweden	204	462	106	151	10	113	1,046
United Kingdom	2,026	3,907	918	344	25	317	7,537
Europe	**11,810**	**8,309**	**6,167**	**3,225**	**680**	**1,667**	**31,859**
EU 27	**9,641**	**4,246**	**5,234**	**2,852**	**653**	**1,330**	**23,956**

A3: Household Financial Wealth at End 2015 (EUR billions)							
Countries	Deposits	Pension Funds	Life Insurance	Investment Funds	Debt Securities	Listed Shares	Total
Austria	252	48	73	54	38	20	485
Belgium	361	86	172	183	68	63	934
Bulgaria	23	5	1	0.3	0.2	1	30
Croatia	4	1	0.3	0.1	0.03	0.2	6
Cyprus	30	3	2	0.2	0.4	1	37
Czech Republic	96	13	10	12	9	2	142
Denmark	129	169	215	65	12	52	642
Estonia	7	3	0.5	0.3	0.1	0.3	10
Finland	90	24	28	27	5	39	214
France	1,369		1,665	351	69	241	3,695
Germany	2,188	779	920	564	176	279	4,905
Greece	172	3	6	12	3	5	201
Hungary	38	5	6	13	12	2	75
Ireland	132	106	52	2	1	13	307
Italy	1,284	241	615	577	414	103	3,234
Latvia	9	2	0.4	0.2	0.3	0.1	13
Lithuania	12	2	1	0.4	0.4	1	17
Luxembourg	38	2	9	9	5	4	67
Malta	11		2	1	3	1	19
Netherlands	409	1,326	152	86	9	35	2,017
Norway	125	121	13	20	2	13	296
Poland	195	37	18	25	1	10	286
Portugal	173	21	47	15	10	6	272
Romania	41	6	1	5	1	1.4	56
Slovakia	38	8	4	5	2	0.2	56
Slovenia	21	3	3	2	0.2	1	31
Spain	851	165	160	266	36	120	1,598
Sweden	180	374	111	113	17	98	891
United Kingdom	1,982	3,828	895	363	35	325	7,427
Europe	**10,260**	**7,381**	**5,180**	**2,771**	**930**	**1,438**	**27,959**
EU 27	**8,153**	**3,431**	**4,272**	**2,388**	**893**	**1,099**	**20,237**

A4: Household Net Asset Acquisition in 2020 (EUR billions)							
Countries	Deposits	Pension Funds	Life Insurance	Investment Funds	Debt Securities	Listed Shares	Total
Austria	20.01	1.40	-1.79	4.13	-3.08	2.39	23.06
Belgium	26.88	2.77	-4.32	9.26	-4.82	6.17	35.94
Bulgaria	3.16	0.85	0.08	0.09	0.02	0.03	4.23
Croatia	0.32	0.08	0.00	-0.05	0.00	0.02	0.37
Cyprus	2.54	0.11	0.05	0.03	0.07	0.05	2.85
Czech Republic	16.72	1.31	0.01	0.22	-0.48	-0.73	17.05
Denmark	16.40	-4.01	6.04	3.91	-0.31	1.88	23.92
Estonia	1.24	0.35	0.00	0.07	0.00	0.13	1.77
Finland	8.68	0.36	-0.12	2.03	-0.58	1.17	11.54
France	165.85		4.79	-1.28	-2.69	14.20	180.87
Germany	214.21	33.70	47.71	46.50	-7.42	39.92	374.62
Greece	10.68	0.16	0.23	0.20	0.03	0.26	11.56
Hungary	7.91	0.18	0.18	0.56	2.84	0.53	12.20
Ireland	16.42	1.48	0.54	0.33	0.07	-0.05	18.80
Italy	100.10	6.68	24.97	28.90	-20.15	14.12	154.62
Latvia	1.20	0.53	-0.04	0.01	-0.02	0.05	1.72
Lithuania	3.79	0.38	0.06	0.11	0.13	0.04	4.51
Luxembourg	2.93	-0.31	0.40	3.80	-0.79	0.02	6.04
Malta	1.45	0.03	-0.01	-0.01	-0.23	-0.13	1.09
Netherlands	43.98	24.95	-1.74	-3.71	-0.14	2.46	65.80
Norway	11.76	7.44	0.45	2.36	0.47	1.33	23.81
Poland	39.53	2.19	0.07	-0.59	-0.50	1.85	42.56
Portugal	14.26	0.56	-2.59	1.60	-0.68	0.13	13.29
Romania	7.77	2.17	0.12	-0.55	0.52	0.35	10.37
Slovakia	2.70	0.91	0.02	0.28	0.35	0.11	4.36
Slovenia	3.51	0.21	-0.03	0.15	-0.01	0.06	3.88
Spain	74.27	-1.63	-3.57	12.28	-0.33	2.80	83.83
Sweden	21.46	21.48	1.42	1.98	-0.48	3.17	49.02
United Kingdom	214.67	46.45	8.32	-11.55	3.01	1.02	261.91
Europe	**1,054.37**	**150.79**	**81.24**	**101.05**	**-35.20**	**93.34**	**1,445.58**
EU 27	**827.93**	**96.90**	**72.47**	**110.24**	**-38.68**	**90.99**	**1,159.85**

A5: Household Cumulated Net Asset Acquisition in 2021-2022 (EUR billions)							
Countries	Deposits	Pension Funds	Life Insurance	Investment Funds	Debt Securities	Listed Shares	Total
Austria	18.96	3.04	-1.68	15.00	0.28	3.35	38.95
Belgium	32.31	0.16	-7.91	30.74	-5.02	3.61	53.89
Bulgaria	6.62	1.12	0.13	0.45	-0.01	0.07	8.37
Croatia	0.63	0.26	-0.02	0.05	0.01	-0.02	0.92
Cyprus	2.08	0.23	0.05	0.24	-0.01	0.36	2.95
Czech Republic	17.19	2.13	-0.92	9.31	3.52	0.76	31.99
Denmark	2.40	0.58	9.26	8.27	1.04	1.76	23.30
Estonia	2.27	0.01	-0.08	-0.86	0.04	0.55	1.92
Finland	8.96	-0.19	3.11	6.64	-0.31	1.10	19.30
France	205.28	0.01	65.41	4.39	2.60	8.32	286.00
Germany	256.83	81.04	84.35	165.03	19.60	46.19	653.03
Greece	6.03	0.03	-0.02	2.14	2.24	0.49	10.92
Hungary	8.08	0.50	0.50	5.11	3.39	2.23	19.81
Ireland	22.74	6.03	2.90	1.27	-0.16	0.37	33.14
Italy	82.34	16.92	30.32	42.46	45.35	9.72	227.12
Latvia	2.01	1.21	0.27	0.13	0.02	0.05	3.70
Lithuania	3.89	1.10	0.08	0.30	-0.11	0.38	5.63
Luxembourg	2.95	0.11	-0.15	5.45	0.51	0.69	9.56
Malta	2.14	0.13	0.29	-0.11	0.40	0.03	2.88
Netherlands	74.43	51.55	-1.18	5.47	0.15	-0.45	129.97
Norway	17.00	22.83	2.17	6.37	-0.26	1.49	49.60
Poland	32.27	7.10	-2.35	-1.61	1.50	0.67	37.58
Portugal	26.09	1.11	-1.53	4.97	-4.42	-0.50	25.72
Romania	9.92	5.68	0.22	-0.61	0.72	0.29	16.21
Slovakia	0.09	2.62	0.26	2.54	0.14	0.01	5.66
Slovenia	5.78	0.44	0.00	0.68	-0.02	0.16	7.05
Spain	87.49	2.18	-6.90	45.09	2.80	-7.87	122.78
Sweden	35.87	48.75	12.04	6.77	-0.57	4.12	106.98
United Kingdom	226.05	189.65	20.73	-17.48	-1.07	-1.07	416.81
Europe	**1,198.71**	**446.29**	**209.34**	**348.19**	**72.36**	**76.85**	**2,351.75**
EU 27	**955.65**	**233.68**	**186.44**	**359.17**	**73.69**	**76.43**	**1,885.07**

A6: Evolution of CMI Ratio								
Countries	2015	2016	2017	2018	2019	2020	2021	2022
Austria	0.93	0.91	0.93	0.87	0.91	0.87	0.91	0.81
Belgium	1.59	1.61	1.60	1.43	1.49	1.45	1.50	1.26
Bulgaria	0.30	0.32	0.36	0.34	0.38	0.38	0.41	0.37
Croatia	0.50	0.55	0.58	0.59	0.65	0.63	0.65	0.63
Cyprus	0.23	0.24	0.24	0.26	0.29	0.28	0.28	0.27
Czech Republic	0.48	0.46	0.45	0.43	0.49	0.46	0.48	0.52
Denmark	3.96	4.04	4.29	4.04	4.21	4.16	4.67	3.94
Estonia	0.54	0.58	0.66	0.63	0.71	0.70	0.62	0.54
Finland	1.37	1.36	1.39	1.22	1.33	1.32	1.51	1.28
France	1.70	1.76	1.74	1.59	1.65	1.53	1.49	1.28
Germany	1.24	1.22	1.24	1.17	1.21	1.19	1.27	1.19
Greece	0.17	0.16	0.17	0.17	0.20	0.19	0.22	0.21
Hungary	0.99	1.02	1.08	0.99	1.08	1.00	1.05	1.06
Ireland	1.32	1.35	1.34	1.24	1.40	1.31	1.34	1.12
Italy	1.52	1.47	1.53	1.42	1.47	1.43	1.44	1.28
Latvia	0.39	0.44	0.50	0.51	0.61	0.61	0.65	0.58
Lithuania	0.34	0.37	0.39	0.35	0.38	0.37	0.41	0.38
Luxembourg	0.76	0.74	0.74	0.69	0.74	0.73	0.83	0.71
Malta	0.73	0.72	0.67	0.57	0.58	0.49	0.46	0.43
Netherlands	3.93	4.18	4.09	4.06	4.47	4.50	4.05	3.02
Norway	1.36	1.40	1.47	1.43	1.53	1.52	1.52	1.58
Poland	0.47	0.45	0.50	0.41	0.40	0.36	0.39	0.33
Portugal	0.57	0.54	0.57	0.54	0.56	0.51	0.50	0.42
Romania	0.37	0.37	0.41	0.40	0.43	0.43	0.49	0.46
Slovakia	0.48	0.50	0.53	0.53	0.54	0.55	0.60	0.62
Slovenia	0.43	0.42	0.44	0.40	0.42	0.40	0.43	0.37
Spain	0.88	0.90	0.96	0.89	0.92	0.86	0.89	0.77
Sweden	3.96	3.92	3.96	3.65	4.14	4.09	4.49	3.73
United Kingdom	2.75	2.87	2.85	2.62	2.72	2.57	2.57	2.18
Europe	**1.73**	**1.73**	**1.74**	**1.61**	**1.70**	**1.63**	**1.65**	**1.43**
EU 27	**1.48**	**1.49**	**1.51**	**1.41**	**1.48**	**1.44**	**1.47**	**1.27**

A7: Evolution of the CMI Flow Ratio								
Countries	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Austria	0.22	0.13	0.05	0.07	0.26	0.15	0.83	1.42
Belgium	1.25	-0.42	-0.01	-0.22	-0.08	0.34	0.51	0.98
Bulgaria	0.58	0.45	1.61	0.21	0.73	0.34	0.61	-0.01
Croatia	1.27	0.60	0.90	0.55	2.06	0.14	0.71	-0.05
Cyprus	-0.67	-0.10	1.19	-13.63	1.60	0.12	0.48	0.30
Czech Republic	0.70	0.19	0.29	0.06	0.43	0.02	0.52	1.39
Denmark	3.50	0.98	1.50	1.32	-0.13	0.46	-4.95	1.64
Estonia	0.72	0.74	0.66	0.62	0.96	0.43	-0.34	0.76
Finland	0.14	0.45	1.03	0.12	0.45	0.33	1.28	0.95
France	1.18	0.19	0.31	0.50	0.24	0.09	0.26	0.57
Germany	0.88	0.71	1.13	0.79	0.84	0.75	1.40	1.74
Greece	-0.52	0.45	0.07	0.05	-0.29	0.08	0.54	3.65
Hungary	0.76	1.06	1.53	0.50	1.91	0.54	1.16	2.04
Ireland	0.70	0.47	0.80	0.54	0.23	0.14	0.23	0.79
Italy	-2.62	-0.38	2.28	1.62	-0.04	0.54	0.89	6.76
Latvia	2.76	1.38	1.56	1.37	1.62	0.44	0.58	1.53
Lithuania	-0.17	0.33	0.39	0.22	0.28	0.19	0.25	1.02
Luxembourg	-0.62	-0.41	0.07	-0.22	-0.25	1.06	1.24	4.51
Malta	0.30	-0.19	0.17	-0.46	0.29	-0.25	0.17	0.63
Netherlands	5.47	1.70	2.40	2.07	0.95	0.50	0.81	0.69
Norway	1.39	1.62	1.99	1.70	1.93	1.03	1.81	2.08
Poland	0.27	0.17	0.62	-0.04	0.18	0.08	0.25	-0.01
Portugal	-0.46	-0.27	0.58	-0.13	0.56	-0.07	0.13	-0.14
Romania	0.45	0.41	0.47	0.53	0.68	0.33	0.56	0.74
Slovakia	0.29	0.44	0.84	0.50	0.50	0.62	0.88	-0.80
Slovenia	0.31	0.03	0.22	0.14	0.15	0.11	0.29	0.14
Spain	-2.17	1.66	-5.55	-0.41	0.21	0.13	0.57	0.24
Sweden	1.77	1.53	1.91	1.61	3.26	1.28	2.41	1.47
United Kingdom	0.77	0.63	0.93	1.51	0.87	0.22	0.58	1.25
Europe	**0.77**	**0.48**	**1.09**	**0.70**	**0.54**	**0.37**	**0.81**	**1.18**
EU 27	**0.75**	**0.41**	**1.11**	**0.59**	**0.47**	**0.40**	**0.85**	**1.15**

Source: ECB and EFAMA

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About EFAMA

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Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities.
EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book.

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