Empowering retail investors

1. Current trends in retail investment in Europe

1.1 Growing participation of investors

An industry speaker described a "retail investment revolution" already taking place in Europe with a strong market-driven expansion of participation already well under way. Recent research shows that ten million first-time investors entered the market in the past year, a trend expected to continue for more than a decade. This marks a structural shift in retail participation, led by Germany but spreading to other markets. The gender investment gap, still around fifteen percentage points, is also narrowing as more women invest. Despite these encouraging trends, Europe remains far behind markets such as the United States, where over 80 % of individuals invest compared with less than 40 % in Europe. Participation also varies widely within the EU, with higher engagement in the Nordics and lower rates in southern Europe.

A regulator highlighted that trust in capital markets is improving, especially among young Europeans whose participation has multiplied in recent years. In Austria, investment activity among 18- to 24-year-olds has quadrupled since 2023, while that of 25- to 39-year-olds has doubled.

1.2 New investment channels

An industry speaker explained that exchange-traded funds (ETFs) are driving the current retail investment growth, thanks to their low cost, transparency, and simplicity, attracting self-educated investors who mainly invest through digital channels. About 75 % of ETF investors now use online platforms, which have simplified onboarding and lowered barriers compared with traditional bank-based advice. Fintechs have been central to this transformation, removing the complexity that long discouraged many potential investors. For those who once found in-person advice processes or traditional online brokers too cumbersome, streamlined digital journeys have made investing easier and more accessible, driving participation. This shift has also led to differences in trends across investment channels: execution-only digital brokerages are expanding rapidly, supported by innovation in business models and customer journeys, while the traditional advice segment remains largely stagnant and overly focused on product sales.

A regulator confirmed that ETFs are the main driving force behind this expansion, indicating a structural shift in investment behaviour and in distribution models. From a supervisory perspective, however, the rapid growth of online brokers, trading apps, and neobrokers increases, among other aspects, the risk of unauthorised providers entering the market.

2. Retail Investment Strategy: progress and priorities

2.1 Progress made on the RIS proposal

The chair noted that trilogue negotiations on the Retail Investment Strategy (RIS) proposal are under way. The RIS aims to empower retail investors to participate in EU capital markets safely, confidently, and cost-effectively. It forms an essential component of the broader Savings and Investments Union (SIU) initiative, which seeks to channel a larger share of European household savings from low-yield bank deposits into productive capital-market investments.

An official emphasised that the RIS is an essential part of the effort to boost retail participation in capital markets and underlined the urgency of concluding the trilogue negotiations. Although the file is complex, it remains crucial to deliver tangible benefits for citizens. Under discussion since May 2023, the proposal still contains overlaps and overly prescriptive provisions that are likely to be simplified through the negotiation process. The central objective should be to give citizens access to products that generate real returns, rather than leaving their savings in low-yield deposits eroded by inflation. The "value for money" framework should also be refined to reflect product quality and suitability, not merely low cost. Finally, streamlining the client investment journey is essential, as multiple layers of suitability and best-interest assessments risk creating confusion instead of improving investor protection.

An industry speaker agreed that finalising the RIS is essential to advance the broader SIU agenda, which notably seeks to channel household deposits into long-term investment. This would be a key step toward closing Europe's pension gap and strengthening households' long-term financial security.

2.2 Key priorities and focus areas for the next steps of the RIS

2.2.1 Enhancing investor information and communication

An industry speaker stressed that one of the key priorities of the RIS should be to simplify investor information rather than increase its volume. Excessive documentation leaves most consumers overwhelmed: studies show that 62 % feel lost in the amount currently provided and 77 % of clients find that more information would be unhelpful. The proliferation of warnings and disclosures is therefore counterproductive, much like online cookie pop-ups that users dismiss without reading, showing how current requirements have drifted away from their purpose. The focus should shift toward improving the quality and relevance of information, favouring clear and comprehensible communication over formal compliance, in line with the RIS proposals to modernise disclosure rules and enable digital-bydefault communication. The industry speaker added that aligning the RIS with ESMA's work on the retail-investor journey and incorporating the RIS in the broader SIU framework instead of rushing it, would help create a more coherent framework centred on providing quality information and ensuring genuine investor understanding.

Another industry speaker agreed that simple and clear information is key to reinforcing trust. For financial intermediaries serving a wide range of customers, communication should be tailored to client preferences and needs: younger clients tend to favour concise, visual formats and online interaction, while older savers prefer narrative explanations and personal contact.

A regulator concurred that the current proliferation of disclosures, warnings, and prospectuses has created excessive paperwork that discourages investor participation. Paradoxically, taking out a digital loan is now easier than opening an ETF savings plan through a bank.

2.2.2 Implementing value for money provisions

An industry speaker supported embedding value-for-money assessments within supervisory practice, noting that this approach already exists in the insurance sector through product and governance rules that ensure products remain appropriate throughout their lifecycle. Such assessments must be kept at national level to allow supervisors to identify outliers that could undermine trust in the wider industry. The insurance sector's experience demonstrates how these mechanisms can strengthen consumer confidence and market integrity.

2.2.3 Modernising and personalising advice

An official stressed that measures are needed to improve the quality and accessibility of advice. Evidence gathered in Ireland shows that nearly half of Irish citizens feel more confident seeking investment advice from family or friends than from financial advisers.

An industry speaker agreed that improving the quality of advice can play a key role in rebuilding citizens' trust in capital-market investment, which was lost after the financial crisis. Financial decisions are existential for many clients and must be approached by financial institutions with a clear understanding of individual risk tolerances and personal circumstances. Advice should be designed to meet clients' diverse needs and levels of understanding. Advice requirements must remain flexible, using simpler, potentially AI-based tools for basic products and more personalised support for complex ones. Legislation should recognise this diversity rather than impose uniform models. Overly complex compliance procedures, such as KYC rules, can create anxiety and deter participation, underscoring the need for clarity and simplicity. Learning must also take place on the advisers' side, as regular interaction with clients provides valuable feedback that helps improve advisory practices.

A second industry speaker suggested that adopting a financial-planning approach that links investment products to specific personal goals would help investors better manage risk, according to the purpose and time horizon of each investment. In other regions such as the US, advice is structured around comprehensive financial planning, with product recommendations forming the final step. Asking for a customer's overall risk tolerance is often misleading, since it may depend on the type of investment. Individuals may wish to avoid risk for short-term savings but accept full equity exposure in their pension plans.

Moving towards holistic, goal-based planning represents a major opportunity for Europe's retail-investment market. It could pave the way for a simplified advice framework in which products or product ranges are deemed suitable for specific financial objectives identified through accessible, goal-based advice, offering an intermediate option between execution-only investing and full financial advice. This approach directly supports the RIS proposals to make advice more proportionate, digital, and tailored to investors' actual needs.

A third industry speaker observed that traditional financial institutions are also modernising the way they provide advice, developing digital tools that aggregate available data and help individuals visualise their pension coverage and identify income gaps. This aggregated information enables advisers to offer meaningful guidance based on a customer's overall situation and investment objectives, rather than focusing on the sale of individual products.

The first industry speaker agreed that portfolios should be aligned with the underlying purpose of saving - whether to accumulate capital, generate income, or finance personal projects - and that financial institutions should design solutions that address these different motivations while supporting customers in their financial planning.

2.2.4 Protecting investors in digital channels

An official noted that while digital tools hold significant potential to support retail investment, policymakers and regulations must keep pace with ongoing market developments in this area.

A regulator stressed that the RIS should give greater priority to protecting young investors and improving EU-wide coordination in issuing warnings about unregulated entities. The rapid growth of crypto-asset service providers in particular, which account for around half of consumer complaints to Austrian supervisors, highlights the need for stronger safeguards. The spread of gamification, social-media promotion, and speculative trading further exposes inexperienced investors to potential harm, although finfluencers can help raise financial awareness if they act responsibly and comply with investment-advice rules. However, stronger supervisory powers and enhanced cross-border information-sharing are still needed to ensure that retail participation develops in a safe and transparent environment.

3. Enhancing financial literacy and investor understanding

The chair invited the panellists to share their priorities for strengthening financial literacy and improving the collective understanding of the role of capital markets, and to discuss how financial education can empower investors throughout their investment journey.

3.1 Current state of financial literacy

A regulator highlighted the significant gaps in financial literacy among the population. Recent Austrian survey data show that one third of respondents believe dividends are guaranteed, half view stock markets as gambling, and another half consider monthly investments pointless. The level of financial literacy is particularly low among the younger population. Many still lack even basic economic knowledge - such as understanding their salary, managing a budget, and assessing what they can afford - leaving them vulnerable to poor financial choices.

An industry speaker added that surveys indicate that 11% of young Europeans leave school without any financial education, showing how much progress is still needed.

3.2 On-going initiatives to strengthen financial literacy

An official underlined that strengthening financial education is essential to raise awareness of the benefits of capital-market investment, help savers understand available products, and support informed decisions that improve returns on their savings. The forthcoming Commission recommendation on financial education is expected to enhance EU level coordination in this area. Illustrating national efforts, the official outlined Ireland's national financial-literacy strategy, launched in 2022 following a review of the retail-banking system. Developed through a broad stakeholder process involving consumer associations, education authorities, and social partners, the strategy recognises that financial-literacy needs vary widely - from households managing weekly budgets to savers with large sums of money to invest more productively - and provides differentiated education programmes to strengthen citizens' financial capability. Ireland has also worked with the OECD and other European peers to identify best practices. The official added that financial literacy must extend beyond citizens to policymakers and regulators, who need sufficient market understanding to design effective measures.

An industry speaker suggested that financial education should complement regulation as a lifelong process aiming to equip citizens with the knowledge and confidence to take responsibility for their financial well-being from an early age through adulthood. Rather than adding new regulatory layers, the EU's financial-education strategy should promote practical, hands-on learning through simulations and similar initiatives. One such example is the European Stock Market Learning game, launched by the German savings banks in 1983, which enables participants to gather and analyse information on stocks and build and manage a virtual portfolio, teaching them in a practical way the basics of investment. Now involving more than 100,000 participants of all ages across several EU countries, the initiative also helps promote a shared culture of investment.

Another industry speaker explained that their institution implements a range of initiatives focused on investment principles and the benefits of long-term saving, including webinars, partnerships with universities, and cooperation with public institutions to reach customers of all generations. New digital tools integrating banking, insurance, and investment products into a single, user-friendly application are also designed to enhance customers' investment experience. Financial education should, however, also target client-facing employees. In physical branches, staff handle queries of varying complexity - from PIN code changes to investment questions - and must be able to direct clients to the appropriate advice channel, making training a central priority. These efforts are supported by an internal corporate university that develops both advisory and digital skills. Pacciani added that financial and digital literacy needs increasingly converge, as many clients struggle to use online financial tools effectively and protect themselves against cybersecurity risks and scams.

A regulator agreed on the need to strengthen both financial and digital education so that investors can better navigate information, use digital tools effectively, and make informed choices.

3.3 Further priorities for improving financial literacy

An industry speaker suggested that enhancing financial literacy requires a combination of efforts by public authorities, private firms, and individuals. These efforts should include continuous learning, the use of digital tools such as AI, and behavioural nudges like pension auto-enrolment, which has dramatically increased participation in the UK (from 22 % to about 90 %), particularly among younger generations. Advice also plays a key role in enhancing the trust and financial literacy of investors, provided it is delivered transparently and in a trustworthy way, with clear disclosure of its nature, costs, and value, and subject to proper supervision. The RIS can play an important role in supporting this goal.

A regulator stated that practical education and communication initiatives are preferable to new EU regulatory measures that would only add further layers of disclosure and complexity. An area of focus of financial education efforts should be to ensure that young investors are able to make informed decisions and understand risk. Strengthening financial literacy more broadly among the population is also essential to improving citizens' understanding of how capital markets support the economy and how to invest savings for the long term.

4. Conclusions and key takeaways

The chair closed the panel discussion by highlighting the balance between realism and optimism reflected in the panellists' comments. To address the deep financial-literacy gaps that persist across Europe, some practical solutions that can be implemented without radical changes were identified. Moreover, the growing participation of younger investors offers a strong foundation for further progress, which needs to be accompanied by a sound policy approach that supports the development of retail investment while addressing potential risks.

In a concluding round, the chair asked speakers to highlight one key priority each for developing retail investment. The following priorities were identified: simple, transparent products distributed through supervised channels; a user-friendly pan-European savings and investment account; aligning mindset and regulation through meaningful information and practical education; integrating the RIS, SIU, and FiDA frameworks to enhance transparency and facilitate access to financial products in a cost-efficient way; and restoring a sense of purpose in investment by helping individuals understand how their money supports public and private goals. Three guiding principles of retail investment were moreover identified: awareness, trust, and easy access.