

Strengthening long term retail investment in the EU

The chair opened the session by noting that developing long-term retail investment, one of the main pillars of the Savings and Investment Union (SIU), ultimately depends on investor engagement and confidence. Developing pensions is central to achieving this goal, while other initiatives, such as savings and investment accounts and product labelling, can also play a key role in mobilising household savings. Taxation and investment-localisation constraints are key yet complex aspects of the long-term investment debate that must also be addressed.

A policymaker outlined the European Commission's ongoing work on retail investment under the SIU Strategy adopted in March 2025. Several initiatives are being prepared in successive "batches" for adoption before the end of the year. One forthcoming package will focus on pensions, promoting best practices among member states, particularly those that do not have supplementary pension schemes in place yet. These practices include auto-enrolment, pension-tracking systems and dashboards, which have proven effective in various jurisdictions. The aim is not to impose a uniform model but to present a range of successful approaches for developing supplementary pensions that member states may adopt. Further legislative reviews are also planned, including updates to the Pan-European Personal Pension Product (PEPP) and the Institutions for Occupational Retirement Provision (IORP) Directive, alongside broader reviews of securities trading and post-trading regulations.

The policymaker added that the European Commission will issue a recommendation on savings and investment accounts (SIAs) by 30 September. These accounts aim to encourage citizens to reallocate part of their idle savings from low-yield deposits into productive investments. With trillions of euros currently sitting in bank accounts, even a modest shift could help finance key European priorities such as the green and digital transitions and defence efforts, as underlined in the Draghi, Letta and Noyer reports. Successful national models, including Sweden's Investment Savings Account (ISK) and France's Plan d'Épargne en Actions (PEA), inspired the initiative. The forthcoming recommendation will invite member states without similar instruments to develop one, setting out guiding principles such as simplicity, flexibility, and tax incentives to motivate savers to move beyond deposits. The text will remain concise and non-binding, allowing member states to adapt it to their national contexts. The Commission will closely monitor implementation. A communication on financial literacy aimed at improving citizens' understanding of investment and risk will complement these measures.

1. Developing supplementary pensions in the EU

1.1 Existing national best practices

An official noted that many aspects of retail investment, including pensions fall mostly within the competence of member states, making it essential to build on national best practices to identify successful approaches that can be shared and adapted across the Union.

Responding to the chair's invitation to describe Denmark's experience with developing supplementary pensions, the official explained that the system, established in the 1980s, now covers almost the entire working population and holds the highest pension assets in the world relative to GDP. It contributes to fiscal sustainability and ensuring adequate retirement income, and provides a stable source of long-term financing for the economy.

The Danish model's strength lies in its combination of robust auto-enrolment, which underpins its extensive coverage and high savings rate, and a gradual transition from defined-benefit (DB) schemes to defined-contribution (DC) plans without guarantees. Currently, over half of Danish savers have non-guaranteed pensions. While this shift has transferred more risk to savers, it has also improved their overall returns over the past two decades. The removal of guarantees has enabled pension funds to adopt more effective investment strategies, achieving better risk-adjusted return through a lower share of fixed-income assets, greater exposure to equities, private equity and infrastructure, and increased international diversification. However, venture capital remains limited in Denmark, unlike the US.

The official attributed a large part of the Danish system's success to the trust and consensus built over time through collective agreements. The original auto-enrolment framework was negotiated between employers and employees in the 1980s, and subsequent reforms, such as the move to DC, were also agreed in a consensual way rather than imposed by legislation. Together with tax incentives, sound governance, and the prudent-person principle, these factors have sustained public confidence in the system for decades. While the Danish experience reflects specific national circumstances, its underlying ingredients - broad participation, stakeholder buy-in, and long-term trust - can offer valuable lessons for pension development elsewhere in Europe.

An investor representative agreed that guarantees are costly and tend to reduce long-term investor returns. According to Better Finance's pension-return report, the highest real returns in Europe were achieved in

Sweden, largely due to the use of life-cycle investment strategies in pension products and the maintenance of significant equity exposure even at retirement age.

1.2 Review of the PEPP and IORP frameworks

A regulator highlighted that Europe's pension gap reflects a structural imbalance between a high savings rate and a limited investment culture, with around a third of household savings still held in deposits. Redirecting even a small share of these savings into supplementary and personal pension products would deliver substantial benefits to the EU economy. The PEPP was conceived to meet this need through a simple, standardised, transparent and portable cross-border pension solution, yet it has seen limited uptake, with only two providers currently active.

EIOPA's 2024 staff paper on the future of the PEPP identifies three key obstacles: (i) the 1% fee cap, which discourages providers from entering the market, as this is the only product subject to such a restriction; (ii) the requirement to maintain sub-accounts in each member state to support portability, adding administrative complexity; and (iii) the lack of tax alignment, which prevents the PEPP from offering the same advantages as national pension products. To revitalise the product, EIOPA proposed a comprehensive redesign renaming the PEPP with a more recognisable name such as "EuroPension", removing the sub-account requirement, introducing a value-for-money framework in place of the fee cap, and simplifying advice obligations for the basic PEPP. With clear communication on the safety and return potential of the redesigned PEPP, these changes could make it more attractive to both providers and savers. The regulator also underlined the need for the EuroPension to operate within workplace pension schemes, supported by auto-enrolment and pension-tracking systems across member states.

Regarding the forthcoming IORP review, the regulator called for consideration of a "28th regime", an optional pan-European framework with a flexible opt-in, to overcome national differences in social and labour law, achieve scale, and ultimately reduce costs and improve returns for long-term investors.

An industry speaker emphasized that developing robust supplementary pension products is crucial, as the pension gap remains wide across Europe and public finances face growing constraints in meeting future liabilities.

The speaker welcomed the EIOPA proposals to redesign the PEPP, noting that they provide a solid foundation, but that success will depend on careful product design and the ability to generate real demand. In addition, for product providers, clarity, flexibility, and scalability are essential conditions for engagement. Launching a redesigned EuroPension product will require investment in education and building awareness, as demand will not materialise spontaneously. The first version of the PEPP contained commercially unattractive features, notably the fee cap, which limited both provider margins and the ability for distributors to provide appropriate advice. Reaching financially inexperienced savers indeed requires significant upfront marketing investment and

ongoing information and advisory efforts that are costly. Greater flexibility in product design is also needed to manage investment risk more effectively, for example through lifecycle structures that gradually reduce exposure to riskier assets as individuals approach retirement. Such approaches, widely used in other pension markets, can improve long-term outcomes and help build investor confidence.

The industry speaker added that portability across the EU remains a major challenge, as it depends on a certain degree of alignment in tax treatment, which is difficult to achieve since taxation remains a national competence.

Responding to a question from the chair on how to persuade savers to invest in supplementary pension products rather than keeping their money in bank deposits, an investor representative stressed that this requires high-quality investment products capable of delivering attractive long-term returns and ensuring pension adequacy. Better Finance's annual reports show that most EU citizens remain invested in underperforming products, which undermines confidence in long-term saving.

Auto-enrolment, pension-tracking systems and dashboards can improve outcomes, but their impact depends on the design and quality of the underlying products. The return savers obtain is the key measure of success, driven by sound investment strategies and low fees. Transparency, accessibility and ease of entry and exit are other important factors to enhance confidence, while tax incentives that reward long-term saving are needed to encourage savers to invest. Effective enforcement, communication and portability are also essential to sustain trust and participation over time.

The investor representative concurred with most of EIOPA's 2024 recommendations, except the proposal to remove entirely the 1% fee cap, which should be retained for the basic default option to guarantee cost efficiency, a key factor for long-term returns. A simplified and redesigned PEPP, promoted both as a Pillar 3 supplementary pension product and as a Pillar 2 workplace pension option supported by auto-enrolment, would be an effective tool to foster capital-market investment. In addition, a simple and transparent default PEPP could also be offered on an execution-only basis, without advice. The obligation to provide sub-accounts in other member states should be voluntary during a transition period to ease administrative burdens as the product develops. Ensuring equitable tax and regulatory treatment across member states should also be a priority, allowing the PEPP to compete on equal terms with national pension products. Portability remains important but seems a more secondary objective.

An industry speaker agreed that auto-enrolment in supplementary pension products is a key driver of capital market investment, noting that it can be implemented through simple, practical mechanisms and supported by non-fiscal incentives, such as bonuses for new subscriptions, to encourage participation. Regarding the PEPP, the speaker supported the proposal to replace the fixed fee cap with a value-for-money

approach, where costs are assessed relative to returns, to make the product more appealing for providers and foster broader market participation. Tax asymmetries and the complexity of cross-border portability remain further obstacles that must be overcome to relaunch the PEPP effectively.

2. Savings and investment accounts

An official supported the forthcoming Commission recommendation on SIAs, seeing them as a practical tool to mobilise household savings and channel investment toward the EU's strategic priorities. Such accounts should be simple and intuitive, enabling retail investors to access a broad range of investment opportunities and helping to build confidence in long-term saving.

An investor representative also welcomed the forthcoming EU proposal on SIAs, underlining that such accounts can play an important role in encouraging retail savers to invest. Member states should draw lessons from Sweden's ISK, replicating its simplicity and straightforward tax procedures, while avoiding geographic investment restrictions, a feature Sweden tested unsuccessfully and now advises against.

An industry speaker warned that SIAs, if poorly designed, could end up favouring short-term, highly liquid instruments rather than investments with a longer term perspective, potentially creating financial stability risks e.g. through pro-cyclical withdrawals during periods of market stress. The recent period of rising interest rates illustrates this risk, as pension and other long-term products, such as insurance-based investment products (IBIPs), proved much more stable than short-term instruments.

3. Product labelling

An official noted that while EU-level SIU initiatives, such as the forthcoming recommendation on SIAs, are steps in the right direction, many measures to develop capital markets in Europe fall within the competence of member states and must be implemented nationally to complement the SIU. To avoid fragmentation, these actions must be coordinated however. To this end, Spain launched the Competitiveness Lab in October 2024, joined by several member states, to align national efforts and promote joint projects consistent with the SIU. Operating as a voluntary sandbox, the Lab allows interested countries to collaborate on pilot projects with the participation of the European Commission, which may later recommend extending successful initiatives across the Union. Private-sector involvement in relevant projects is also encouraged.

The Lab's first project, the "Finance Europe" label, was agreed in June 2025 by seven member states, with additional projects under consideration. The label aims to mobilise savings toward investments that strengthen Europe's strategic assets and competitiveness, providing

a common European reference framework for retail investment products aligned with these priorities. It is designed as a flexible, non-prescriptive instrument, with a set of common features that member states can adapt within their national frameworks. Labelled products should be simple, widely distributed through banks and investment firms, and benefit from preferential tax treatment, although specific fiscal incentives remain at national discretion. Implementation is under way, with participating countries in the process of identifying which existing products may qualify. Participating states will reconvene in October to review progress.

The chair observed that the recommendation to create a common investment label raises the question of whether it is preferable to build on existing national products or to develop new instruments to foster long-term retail investment.

Another official cautioned against restricting pension-saver investment choices in advance. While voluntary labels can help guide investors, mandatory rules requiring investment in particular countries or EU priority sectors risk limiting diversification and reducing real returns, ultimately undermining investor trust.

4. The role of life-insurance products

An industry speaker argued that the role of life insurance in fostering long-term investment should be given greater prominence within the SIU. Current discussions focus too heavily on product costs and making products more accessible through standardisation, at the risk of undervaluing other factors essential to mobilising household savings, such as product quality and investor protection.

The persistent preference of Europeans for bank deposits over higher-return investments reflects low financial literacy, risk aversion, and ageing demographics, underscoring the need for trusted intermediaries able to offer secure and comprehensible long-term products that also provide access to capital-market returns. Life insurers are well placed to meet this need. Their products combine professional long-term portfolio management with risk-mitigation mechanisms, such as capital guarantees and diversification, making them particularly suitable for risk-averse households seeking a gradual entry into capital markets. By pooling savings and investing in diversified portfolios, including listed and unlisted equity, private equity, real estate, and bonds, life insurers channel funds toward productive assets that contribute to Europe's economic development and sustainability objectives.

From a saver's perspective, life insurance provides a stable and regulated environment for investment, combining long-term commitment with a degree of liquidity that allows savers to access their funds if needed, an important reassurance in times of uncertainty. In France, for example, capital-guaranteed

funds such as the “fonds en euros”, investing in diversified portfolios of assets, are also accessible through life-insurance products. These mechanisms are crucial for building confidence among risk-averse retail savers and encouraging sustained participation in financial markets. The speaker added that mutual insurers, which are owned collectively by their policyholders, are naturally aligned with savers’ interests, placing strong emphasis on long-term value and client protection.

In response to a question from the chair about whether the liquidity of life insurance products is compatible with their long-term nature, the industry speaker confirmed that it is, noting that fiscal incentives encourage long-term saving and that most policyholders remain invested for many years. Unlike pension funds, however, life insurance offers greater flexibility, allowing savers to access their funds before retirement, an important advantage in today’s uncertain environment.

Another industry speaker agreed that IBIPs such as life insurance can play a central role in achieving the long-term investment objectives of the SIU. These products are particularly effective in channelling new resources into capital markets and ensuring that funds remain invested over time. The long-term design of IBIPs, combined with professional investment management by well-regulated insurers and the personalised advice they provide, creates an inherent “stickiness” that encourages savers to remain invested even in volatile markets, thereby supporting the stability of long-term financing generated by these products.

5. Key conditions for increasing long term retail investment

An industry speaker emphasised several key factors essential to the development of long-term retail investment: access to user-friendly products, the availability of digital tools, and above all advisory support, as wealth in Europe is increasingly concentrated among an ageing population that tends to be more risk-averse. Incentives, notably tax-based measures, are also crucial to encourage households to allocate part of their short-term savings to long-term investment.

An investor representative highlighted financial education as another priority, noting that it remains insufficient across the EU, which contributes to excessive risk aversion. Citizens must understand that not investing constitutes the greatest long-term risk.

A regulator stressed that for the cross-border distribution of financial products within the EU, the effective enforcement of product requirements and investor-protection rules is essential to build trust. When a provider based in one member state sells to investors in another, regulatory gaps can undermine confidence. If national authorities fail to act, there should be a clear European response. Strengthening the European Supervisory Authorities’ (ESAs) powers and intervention tools in this area would enhance investor protection, accelerate redress, and reinforce confidence in EU-wide long-term products.

Wrap up

The chair noted that pensions were identified by the panellists as the key driver of long-term saving. The success of supplementary pension schemes and other long-term investment products, however, depends on their ability to meet investor needs, since investor demand remains the decisive factor. Life insurance was also highlighted as an important component of long-term savings, offering an additional channel for mobilising household wealth.

Key enabling factors to develop long term investment include financial literacy, savings and investment accounts and product labelling. Tax incentives adequately targeting long term investment also play an important role. While a common EU tax regime is unlikely in the near term, progress can be achieved through national improvements based on best practices, coordinated at EU level. The importance of effective cross-border enforcement was also underlined as essential to build investor confidence and facilitate the cross-border distribution of retail investment products.