



# Will You Afford to Retire?

The Real Return on Long-Term and Pension Savings

2024 Edition

**BF BETTER FINANCE**

The European Federation of Investors and Financial Services Users  
Fédération Européenne des Épargnants et Usagers des Services Financiers



# Overview

- Scope of study
- The year 2023
- The long-term perspective
- Asset allocation
- Costs: Pillar II vs. Pillar III
- Policy recommendations



# Scope

16 EU Member States

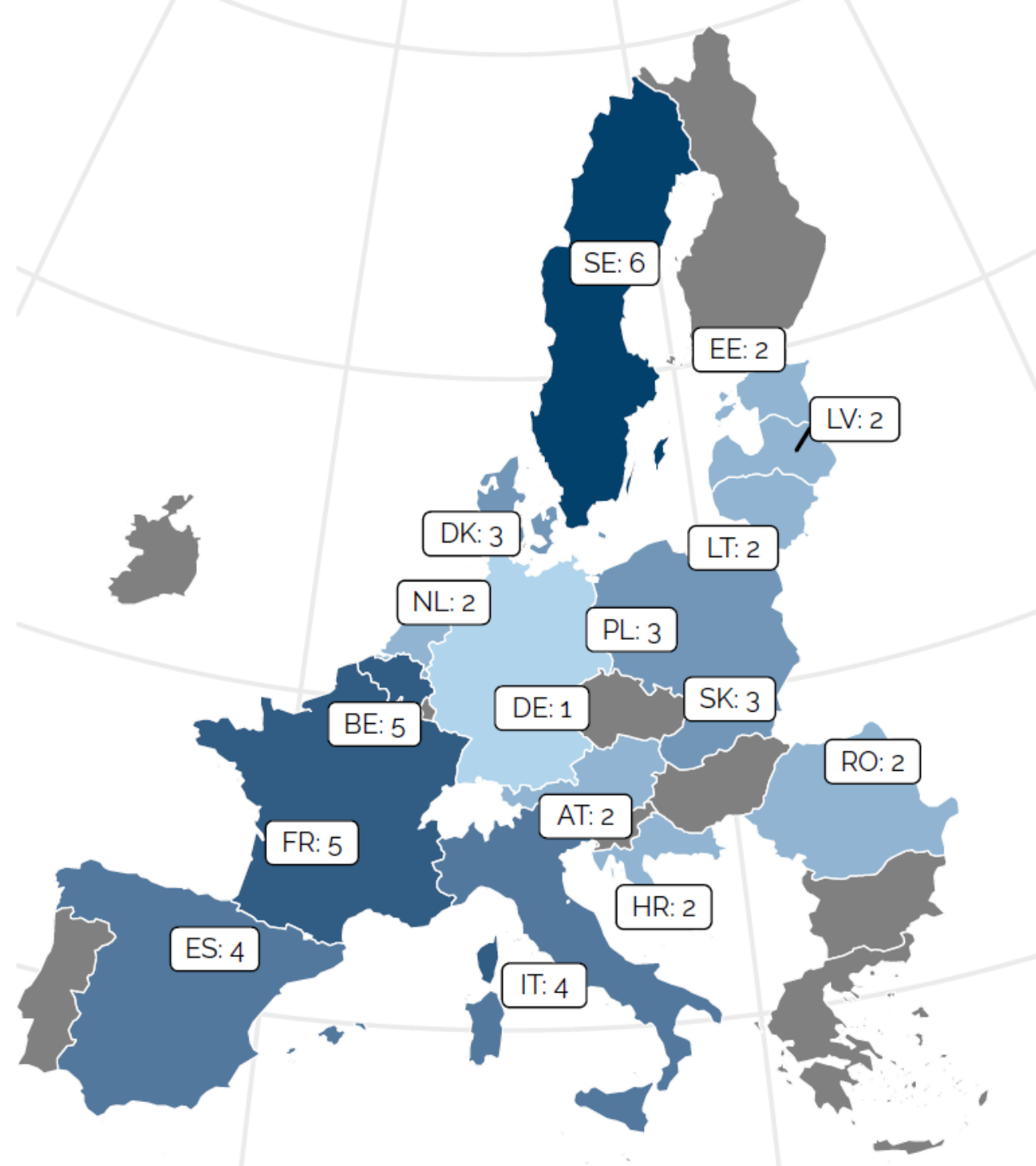
48 categories of long-term and pension savings products

2 public funded pensions

21 occupational private pensions

24 personal long-term and pension savings products

Up to 24 years of data



**+10.1%**

Median nominal return  
after charges

**+7.4%**

Median real return after  
charges

**+18.5%**

Best real net  
performance

**-2.8%**

Worst real net  
performance

**0.49%**

Median of product  
categories' average costs

**+3.4%**

Avg. inflation across EU

## 2023: Key figures

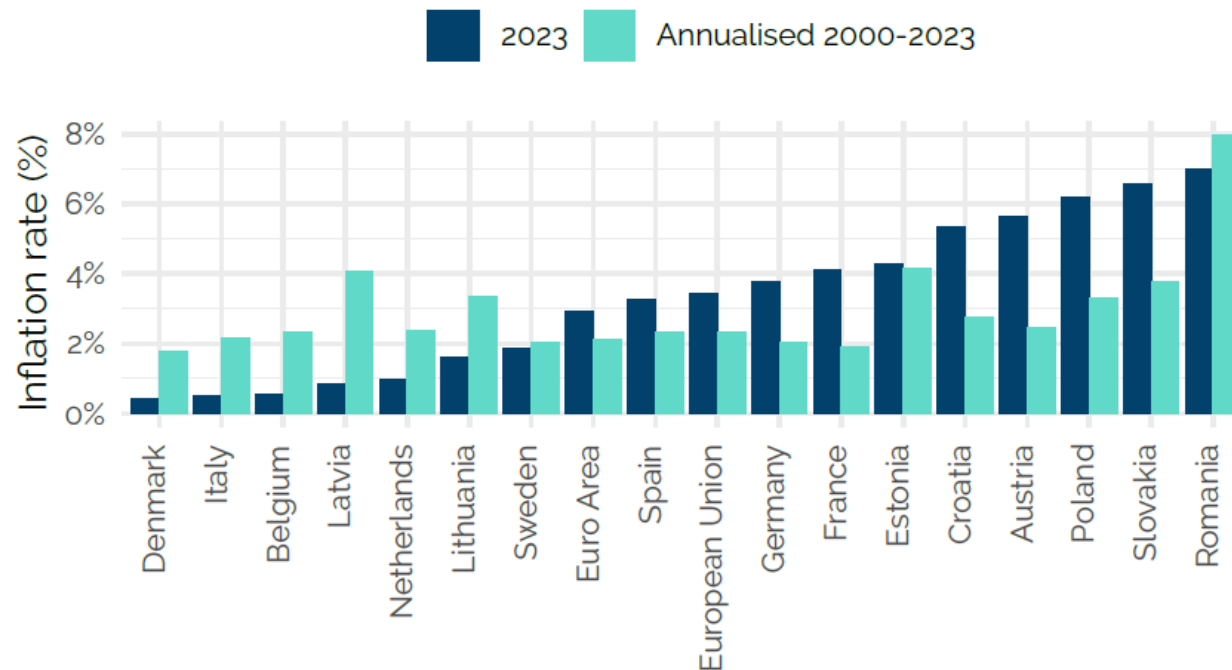
A good year for (most) long-term and pension savings.



# 2023: Inflation

Back to normal?

**Figure XS.5 – Inflation 2023 vs. 2000–2023 annual average**



Data: Eurostat (HICP monthly index); Calculations: BETTER FINANCE.

**+3.4%**

Avg. inflation across EU

**39** out of 43

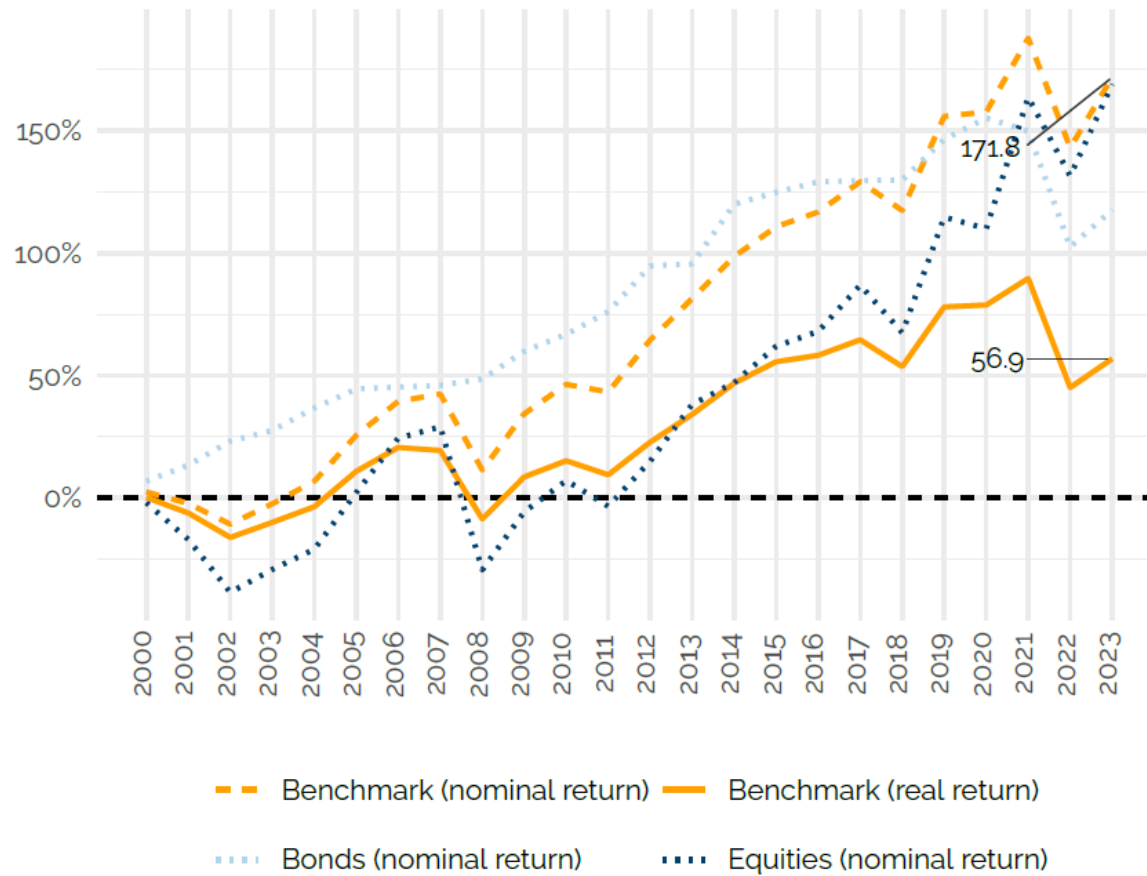
Product categories beat inflation in 2023

**4** out of 43

Categories with negative real net return in 2023



**Figure XS.4 – Cumulated performance of European capital markets (2000–2023)**



## 2023: A bull market year?

Not quite, but equity markets recovered strongly

**+16.2%**

1-year performance of European equity

**+7.5%**

1-year performance of European bonds

**+11.8%**

1y nominal perf. of 50%-50% benchmark portfolio

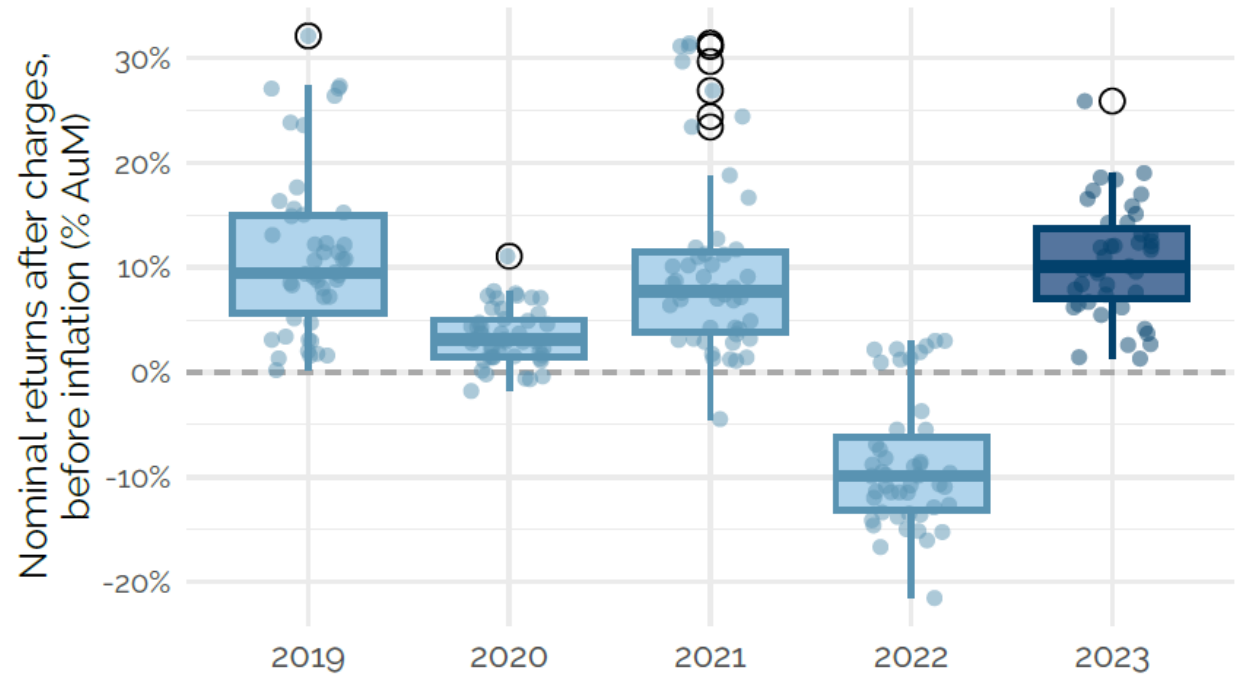
**+8.1%**

1y real perf. of 50%-50% benchmark portfolio

# 2023: Doing good, overall

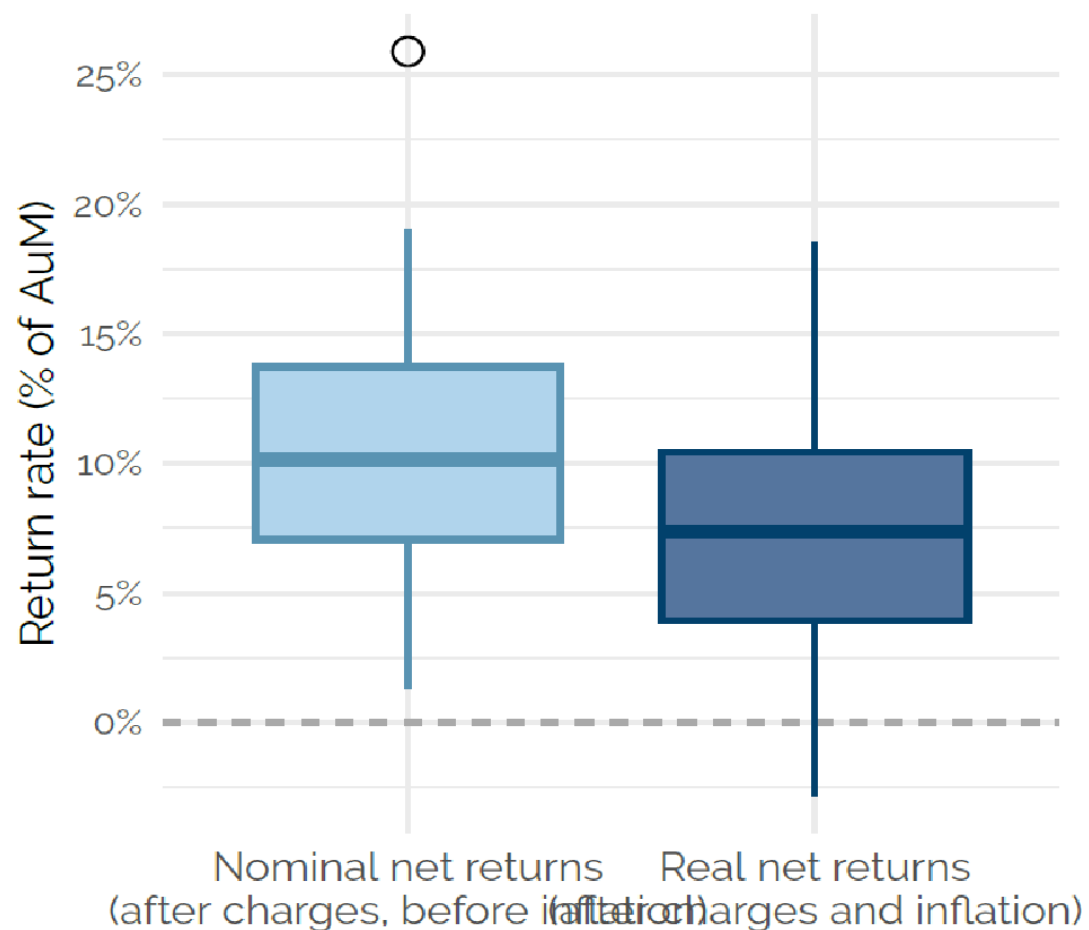
Recovering capital markets plus receding inflation equals a good year for pension savers.

**Figure GR.4 – Average nominal returns after charges of analysed products (2019–2023)**



Data: NCAs and sectoral associations (see Country Cases); Calculations: BETTER FINANC

**Figure GR.5 – Average 1-year nominal vs. real return in 2023 (after charges, % of AuM)**



Calculations: BETTER FINANCE

## 2023: Doing good, overall

Recovering capital markets plus receding inflation equals a good year for pension savers.



# The long-term view: When things get ugly

**+2.93%**

10-year nominal return  
after charges

**+0.6%**

10-year median real  
return after charges

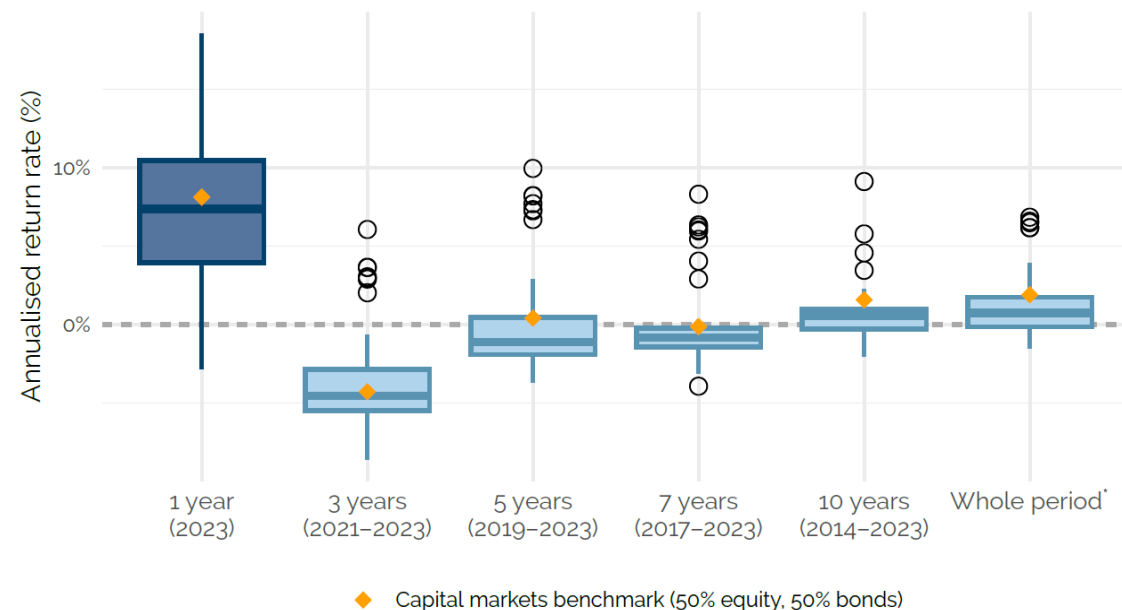
**+9.1%**

Best real net  
performance

**-2.0%**

Worst real net  
performance

**Figure GR.8 – Average annualised real net returns over varying holding periods**



Calculations: BETTER FINANCE; \* Up to 24 years, the reporting period varies across products

Annualised return rate (%)

10%

0%

1 year  
(2023)

3 years  
(2021-2023)

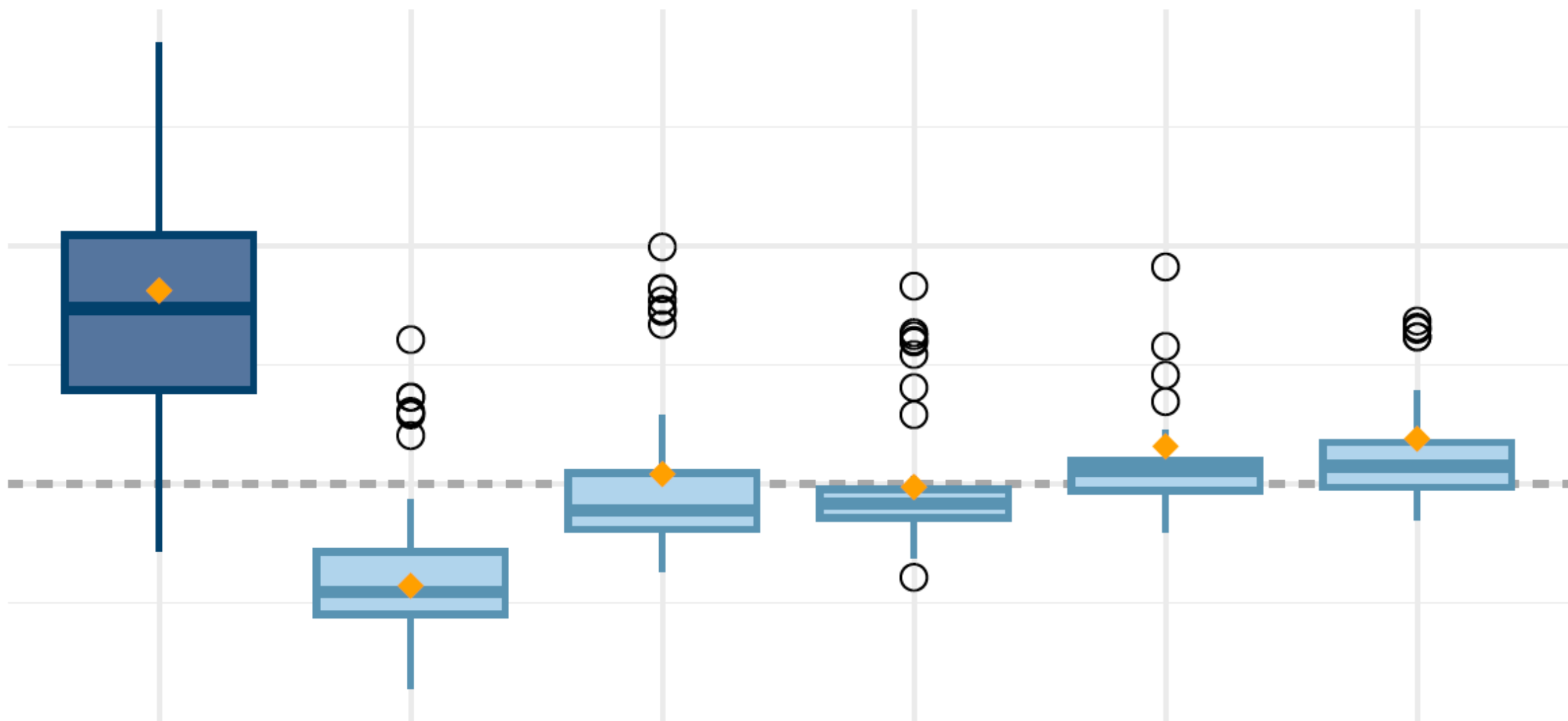
5 years  
(2019-2023)

7 years  
(2017-2023)

10 years  
(2014-2023)

Whole period\*

◆ Capital markets benchmark (50% equity, 50% bonds)



# High-long term performance: The Exception

Data: Multiple sources (see country cases). Calculations: BETTER FINANCE.

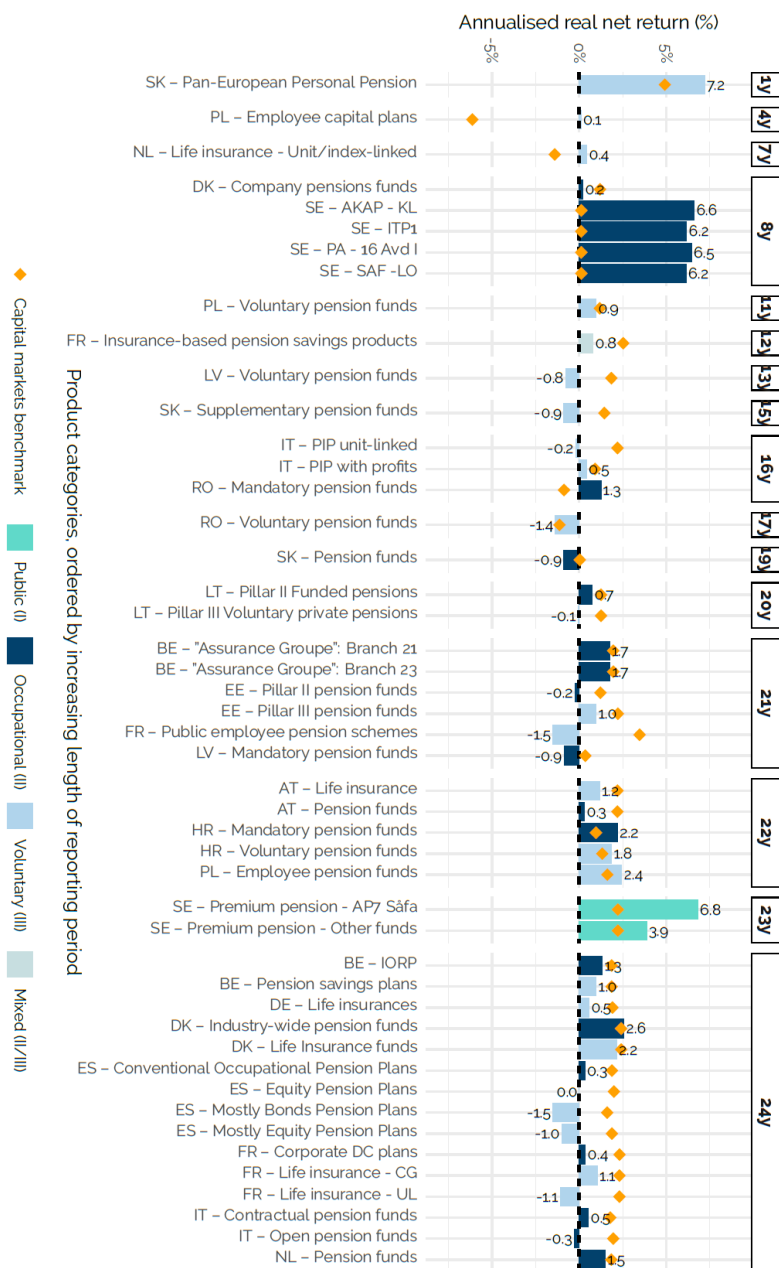


Figure GR.9 – Annual average real net return of long-term and pension saving products over the whole reporting period (before tax, % of assets under management (AuM))

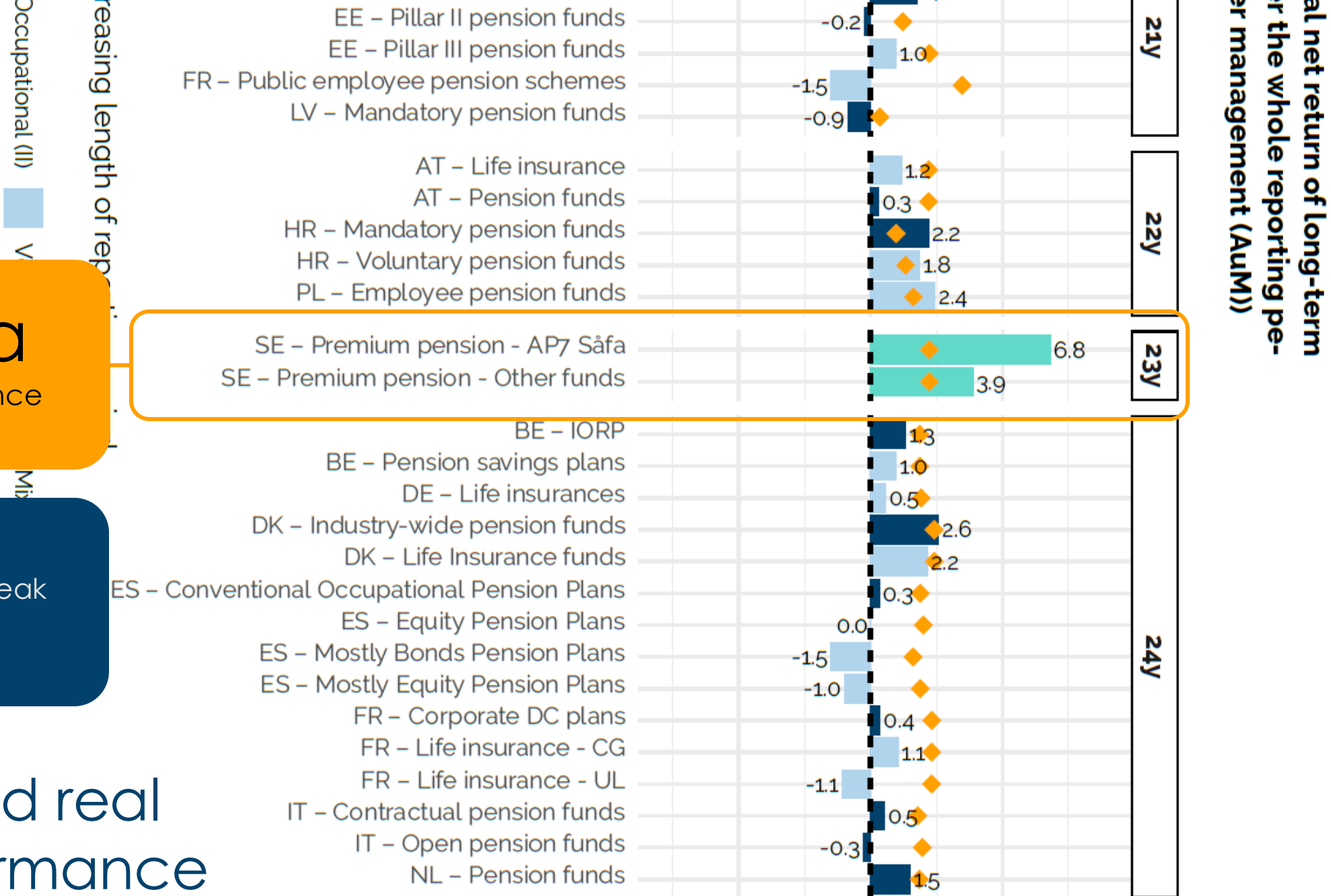


# AP7 Såfa

Sustained performance  
as exception...

... in an otherwise bleak  
landscape.

## Annualised real net performance

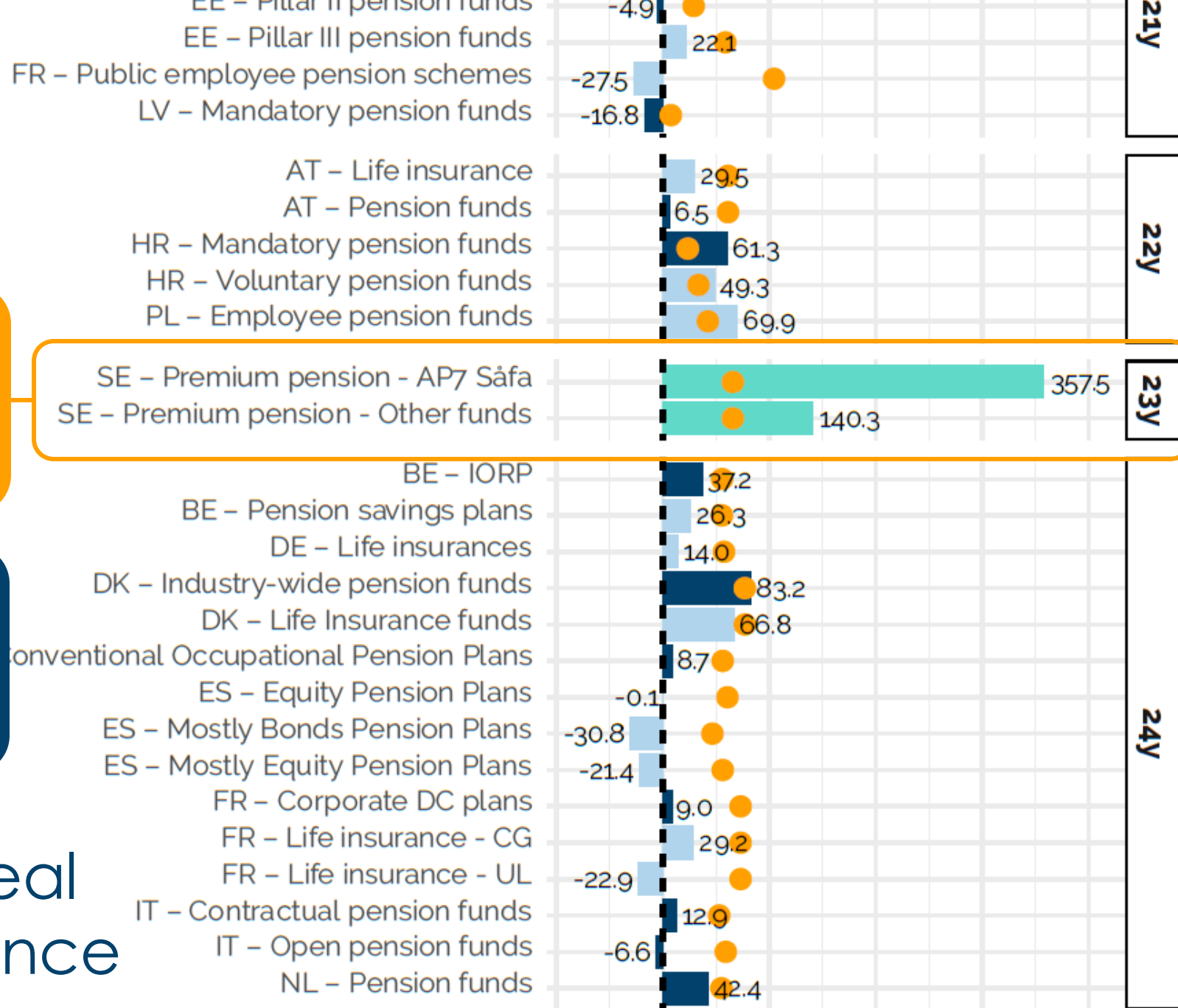


# AP7 Såfa

Sustained performance  
as exception...

... in an otherwise bleak  
landscape.

Cumulated real  
net performance



Return of long-term and  
whole reporting period

Most  
products  
lag behind  
capital  
markets

**Table GR.2 – Comparison of cumulated performance to capital markets benchmarks**

	Nb. of product cate- gories	Average distance to bench- mark (p.p.)	Average perfor- mance (% of AuM)	Max. perfor- mance (% of AuM)	Min. perfor- mance (% of AuM)
Above benchmark	14	55.4	74.9%	357.5%	0.5%
Below benchmark	34	-37.1	8.0%	66.8%	-30.8%

*Calculations:* BETTER FINANCE

\* Whole period varies across products (up to 24 years).



# Fixed-income bias and lost opportunities

Step 1: Get returns on investment.

**+14.3%**

Median 1y nominal gross perf. of 5 categories with >50% equity exposure

**+4.7%**

Median 10y nominal gross perf. of 5 categories with >50% equity exposure

**+3.2%**

Median 1y nominal gross perf. of 5 categories with smallest equity exposure

**+3.6%**

Median 10y nominal perf. of 5 categories with smallest equity exposure

Data: Multiple sources (see country cases)



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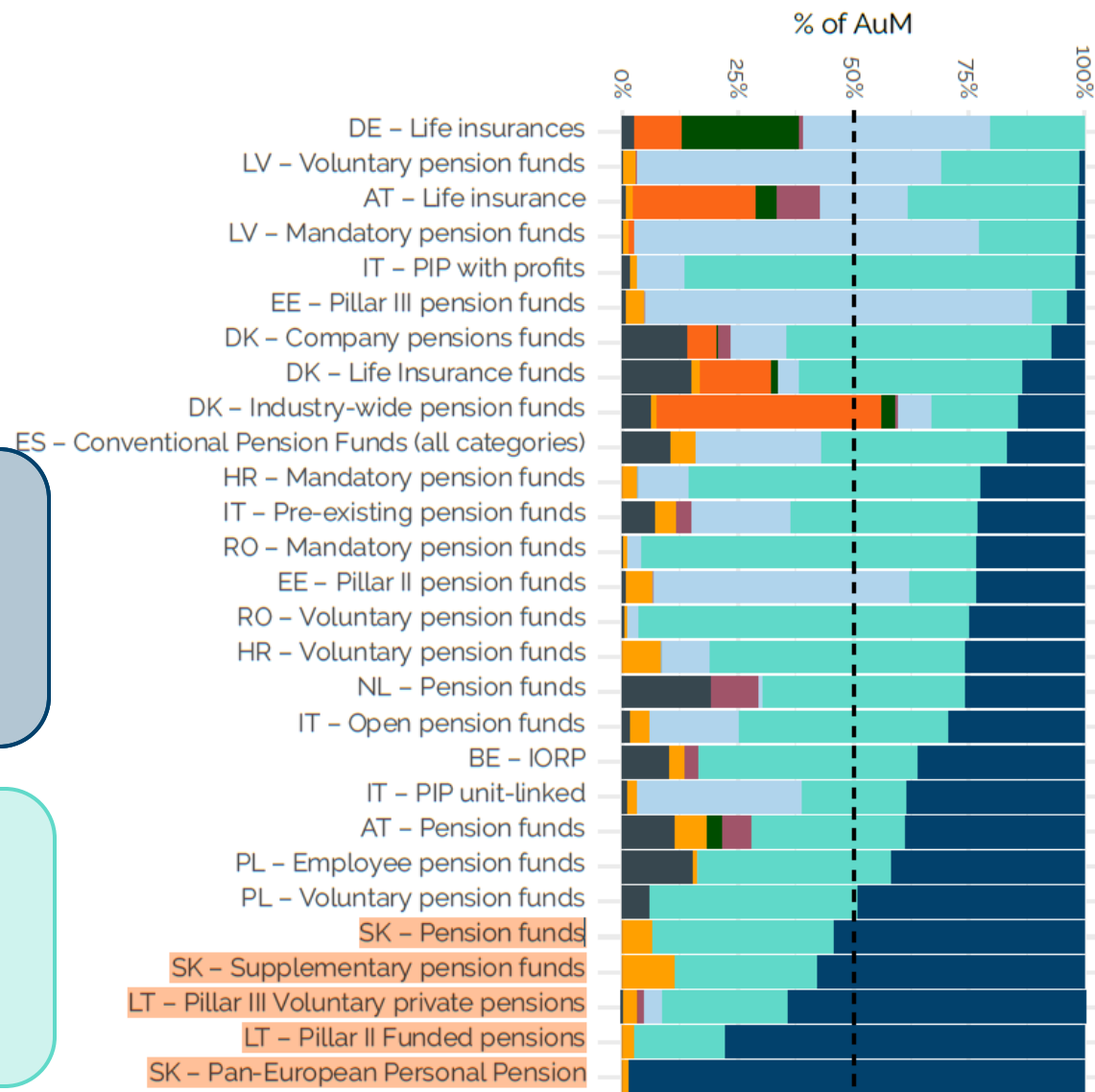
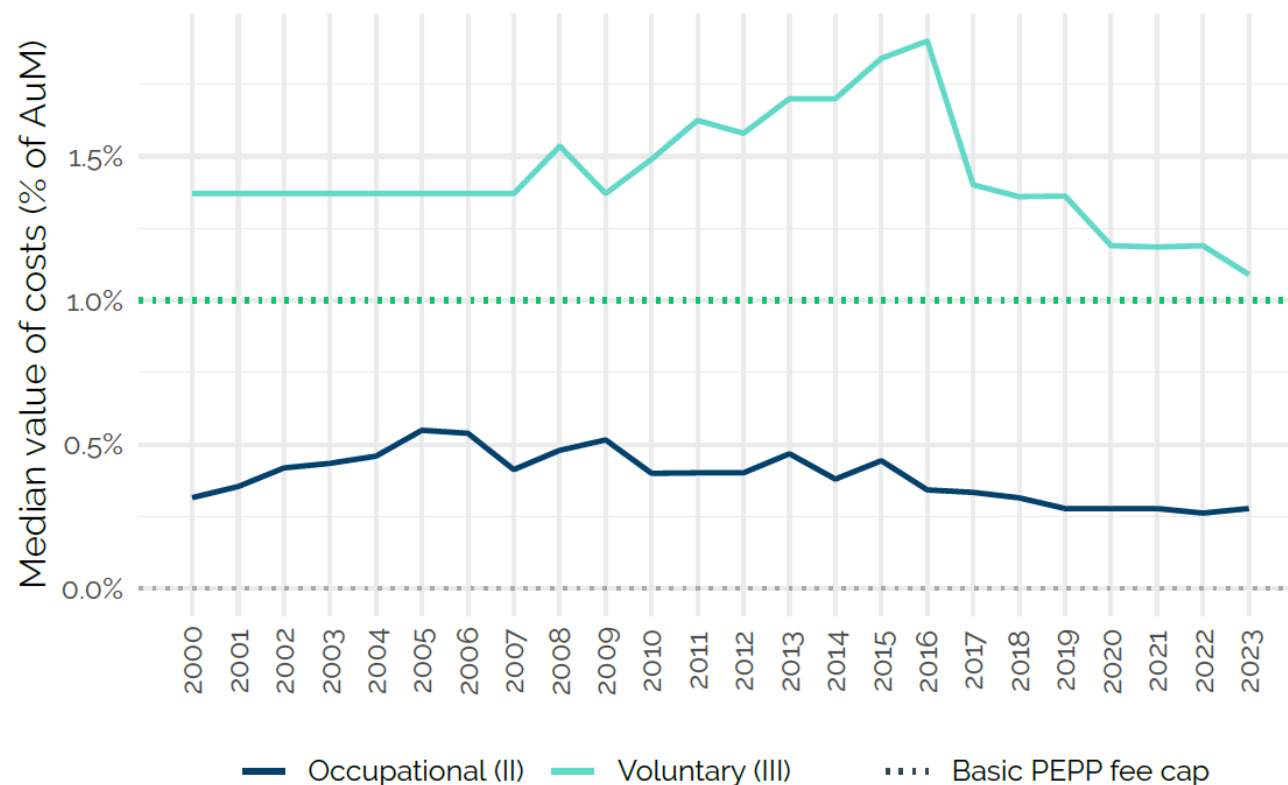


Figure GR.1.3 - Average asset allocation of pension funds of analysed product categories (% of total assets)

**Figure GR.17 – Median average cost of Pillar II vs. Pillar III products (2000–2023)**



## A structural cost differential

Occupational pensions are cheaper.

**0.28%**

Median of average total costs of occupational pensions

**12.2%**

Cumulated cost over 24 years at median cost of occupational pensions

**1.08%**

Median 1y nominal gross perf. of 5 categories with smallest equity exposure

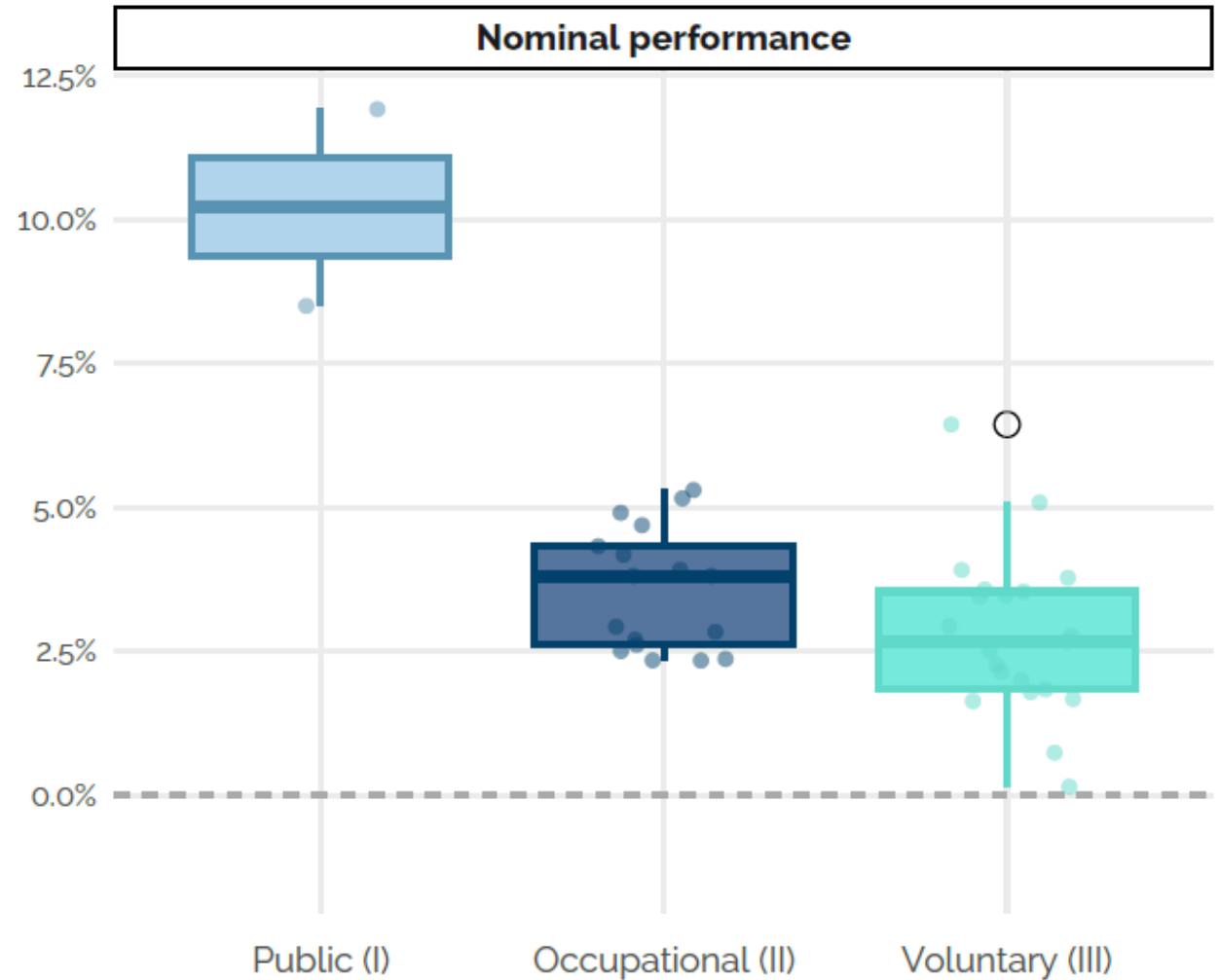
**40.8%**

Cumulated cost over 24 years at median cost of voluntary pensions

# A performance gap

Occupational pensions perform better...

**Figure XS.8 – Average 10-year annualised performance per Pillar**



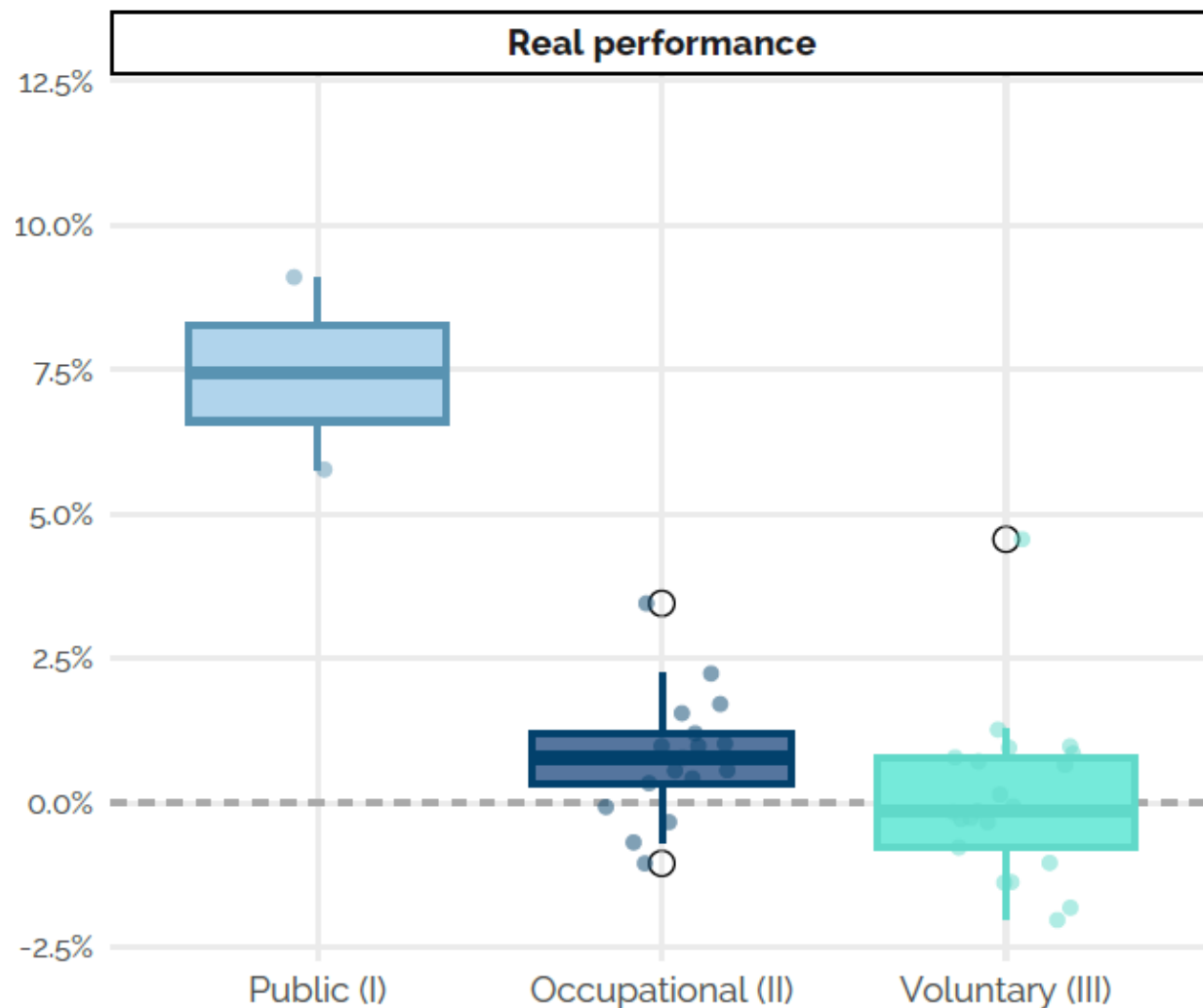
*Calculations: BETTER FINANCE, returns are shown after charges and inflation.*



# A performance gap

Occupational pensions perform better...

**Figure XS.8 – Average 10-year annualised performance per Pillar**



Calculations: BETTER FINANCE, returns are shown after charges and inflation.

# Policy recommendations

**1** More and better reporting

**2** Curb conflicts of interest

**3** Better information to investors

**4** Better sustainability information

**5** End the fixed-income bias

**6** Stop the penalising taxation of pensions

**7** A friendly environment for the PEPP

**8** Auto-enrolment in Pillar II

**9** Allow suspensions of contributions

**10** Create an insurance guarantee scheme



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