

PRESS RELEASE

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2022's Annus Horribilis and 23-Year Performance Crisis Leave EU Citizens Struggling for Retirement Income

BETTER FINANCE, the European Federation of Investors and Financial Services Users, has released its Pensions Report 2023, uncovering the dire challenges confronting long-term and pension savers across 17 EU Member States in the aftermath of a tumultuous 2022.

In what is termed an "annus horribilis," the report exposes the setbacks faced by savers, with disastrous returns observed across multiple product categories. The key finding is the worrying ongoing trend of inadequate nominal returns failing to compensate for inflation, resulting in a significant loss of purchasing power for countless European savers and investors.

The report underscores the underlying issues contributing to this crisis since many years. Years of bullish markets prior to 2022 did somewhat improve long-term returns, but many products now struggle to cover inflation. Asset allocation, with the main part invested in bonds with negative yields and high levels of fees, is the main culprit eroding net returns. Additionally, lack of transparency on charges compounds the difficulty for savers to compare pension providers and products.

In 2022, surging inflation, a Eurozone bond market unlikely to replicate past returns, and a growing reliance on private pensions together paint a dire outlook for European pension savers.

BETTER FINANCE emphasises the urgent need for action from EU and national authorities, particularly in implementing proposed rules on product oversight, governance, and information to investors. The report also stresses the challenges in obtaining fundamental data, calling for transparent and coherent reporting frameworks, and standardised reporting requirements for national competent authorities.

Policy recommendations from BETTER FINANCE address critical issues faced by EU pension savers:

1. **Supervisory Reporting and Statistics:** Urgently improve reporting to supervisory authorities, emphasising harmonised reporting standards.
2. **Conflicts of Interest in Scheme Management and Product Distribution:** Harmonise and reinforce rules to curb conflicts, advocating for improved governance and supporting a partial ban on inducements.
3. **Information to (Prospective) Investors:** Provide simple, intelligible, and comparable information, advocating for standardised disclosure in legislative revisions.
4. **Sustainability:** Provide clear information on the sustainability of EU long-term and pension savings, emphasising the need for a standardised taxonomy of economic activities.
5. **Asset Allocation:** End the fixed-income bias, advocating against excessive restrictions on long-term equity investments.
6. **Taxation:** Stop penalising taxation of long-term and pension products, proposing taxation based on real values adjusted for inflation.
7. **Auto-enrolment:** Introduce auto-enrolment in occupational pensions, emphasising benefits to encourage consistent retirement savings.

For detailed insights and policy recommendations, refer to the full BETTER FINANCE Pensions Report 2023 available on the BETTER FINANCE website.

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