

Press Release | 21 November 2025

BETTER FINANCE Welcomes ESMA Report Showing ‘Free’ Advice Drains Nearly Half of Investor Fees, Eroding EU Retirement Savings

BETTER FINANCE welcomes **ESMA's recent publication** of its groundbreaking [report](#) on “**Total Costs of Investing in UCITS and AIFs**”. The report sheds critical light on the true extent of the costs borne by EU citizens as individual investors. It reveals that **distribution costs account for nearly half (48%) of the total expenses investors face when placing their savings into UCITS funds**. This finding underscores the need for greater transparency across the industry.

In today's investment landscape, focusing solely on fund management charges tells only part of the story. As ESMA's study demonstrates, comprehensive cost disclosure is essential to give investors an accurate picture of the real costs eroding their returns. This is especially urgent because distribution costs are often poorly disclosed or entirely hidden, which prevents investors from comparing products and making informed decisions.

A key finding shows that **independent investment advice is significantly cheaper than non-independent advice: 45% cheaper than non-independent advice from banks and 38% cheaper than non-independent advice from investment firms**. Despite this, independent advice makes up only 7% of distribution services, while non-independent advice accounts for 23%. This disparity highlights a missed opportunity for individual investors to access more cost-effective and impartial guidance.

The report also dispels the myth of “free” advice. It shows that inducements, meaning payments made by asset managers to sales channels for promoting their products, represent 45% of the ongoing costs of UCITS funds that pay them. As a result, **nearly half of investors' annual charges go towards sales pitches that are presented as “free” advice**. This practice undermines market fairness and biases product offerings. Inducements not only inflate costs but also influence how

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products are marketed and recommended¹, often working against investors' best interests.

"BETTER FINANCE fully shares ESMA's concern that fragmented regulatory frameworks and inconsistent terminology hinder investors' ability to compare costs effectively," states Aleksandra Mączyńska, Managing Director of BETTER FINANCE, adding that "these obstacles threaten trust in capital markets and reduce participation by individual investors. Without transparent, reliable and comparable information, the foundations of a healthy and inclusive financial system become weakened."

Although ESMA's study provides crucial insights on fund distribution, **it offers only limited insights on the cost of investing through life insurance, which represents more than 13% of European households' financial assets**. BETTER FINANCE therefore urges EIOPA and ESMA to work together to produce a comprehensive 'total cost' analysis for life insurance products, ensuring that investors are fully informed across all investment channels.

BETTER FINANCE will soon publish the **14th edition of its annual "Will You Afford to Retire?" report**, which will further analyse the real net returns of long-term and pension savings, building on ESMA's findings by showing how opaque and excessive costs continue to erode Europeans' retirement outcomes.

As we continue to advocate for transparency, fairness, and stronger investor protection, BETTER FINANCE remains committed to ensuring that EU citizens, as individual investors, can participate with confidence in Europe's capital markets. An informed investor is a protected investor.

¹ European Securities and Markets Authority (ESMA), *Report on total costs of investing in UCITS and AIFs*, Market Report ESMA50-1949966494-3918 (6 Nov. 2025), p. 11