

PRESS RELEASE

BETTER FINANCE Unveils Troubling Trends in European Pensions with New Report

Brussels, 6 November 2024 — BETTER FINANCE has yesterday published the 12th edition of its annual pensions report, uncovering significant issues that threaten the future financial security of European pension savers. With sustained inflation, opaque fees, and inefficient asset allocation affecting retirement funds, the report underscores the urgent need for regulatory action and greater transparency to safeguard savers' purchasing power.

After the 2022 market downturn, 2023 showed a partial recovery, with all 43 product categories examined delivering positive nominal returns. Yet, even these gains were in some cases insufficient once inflation was factored in, especially for products that have struggled to sustain long-term growth. The report assesses "real net returns"—returns after adjusting for inflation and fees—over investment periods up to 24 years, providing pension savers with a realistic perspective on their retirement outlook.

Key Findings

BETTER FINANCE's report highlights persistent inefficiencies across EU pension products:

- **Overly Conservative Asset Allocation:** Many pension products demonstrate inefficient asset allocation strategies, with most underperforming compared to a balanced equity-bond benchmark over a ten-year period. These suboptimal allocations are hindering financial growth for savers.
- **Opaque Fees:** Lack of transparency in cost structures continues to erode pension value. BETTER FINANCE found no public cost data for a third of the products analysed, suggesting that undisclosed fees are diminishing savers' returns.
- **Inflation Erosion:** Despite positive returns in 2023, many pension products fail to keep up with inflation, particularly as inflation spikes across Europe, threatening savers' purchasing power.

Variability in Transparency and Performance

Covering 16 EU countries, the report reveals stark national differences in pension transparency. While countries like the Netherlands and Italy set high transparency standards, others, including Germany and Bulgaria, suffer from poor data availability, impeding cross-border performance comparisons and highlighting the need for EU-wide data standards.

Recommendations for Reform

BETTER FINANCE calls on the European Commission and national authorities to boost transparency and consumer protection within the framework of the Retail Investment Strategy (RIS). Key recommendations include:

- **Standardised Data Disclosure:** Authorities should ensure transparent disclosure of fees, returns, and product performance across all EU pension products. Clear annual cost statements, as required under the PRIIPs regulation, are essential for informed decision-making.

- **Reform of Conflicted Advice Models:** BETTER FINANCE advocates reforming the inducement-based distribution model, which currently favours high-fee, low-return products, to reduce conflicts of interest and promote unbiased advice.
- **Improved Sustainable Investment Options:** The report recommends an EU-wide “Ecolabel” and stronger ESG standards for savers prioritising sustainable investments, as well as additional advisor training on these options.

A BETTER FINANCE spokesperson commented, “European savers need transparency in fees and performance data to secure adequate retirement returns. The Retail Investment Strategy’s reforms are a crucial step toward a fairer future for pension savers.”

With inflation, hidden fees, and asset allocation issues affecting savers, BETTER FINANCE urges immediate EU regulatory action to ensure long-term financial security for pension investors. The full report is available on the BETTER FINANCE website.

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