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

PRESS RELEASE

STRONG WARNING ON THE PAN-EUROPEAN PERSONAL PENSION PRODUCT: BETTER FINANCE ONCE AGAIN ASKS EU LEGISLATORS NOT TO MISLEAD EU CITIZENS ON THE SO-CALLED CAPITAL "PROTECTION"

29 August 2018 - Summer has come and gone but the debate surrounding the PEPP's "capital protection" feature remains on the table.

With the ECON committee voting on the PEPP Regulation next Monday (3 September), BETTER FINANCE warns one last time that true capital protection implies that the notion of "capital" must be calculated on the basis of the amounts saved before the deduction of all accumulated fees, charges and expenses directly or indirectly borne by investors, and if possible in real terms (offsetting the negative impact of inflation over time).

If the legislators still decide to opt for a capital "protection" feature that only allows PEPP savers to recoup the nominal capital invested net of all accumulated fees and costs without offsetting inflation, they will decide for the guaranteed destruction of the purchasing power of their pension savings. Worse: they will be misleading savers to believe that, on the contrary, this constitutes "protection".

As a compromise, we are asking them to, at the very least, include:

- a fee cap set at 0.5% for the default option if the "protected" capital is still net of accumulated fees;
- a mandatory and prominent warning in the PEPP KID pointing to the very negative impact that inflation and fees have on the real net value of the "protected" capital over time.

Otherwise, BETTER FINANCE will have no choice but to strongly recommend EU citizens to steer clear of such a misleading and value-destroying pension default option.

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Contact: Chief Communications Officer | Arnaud Houdmont | +32 (0)2 514 37 77 | houdmont@betterfinance.eu