**PRESS RELEASE – UNDER EMBARGO UNTIL 27 SEPTEMBER 2016, 15h00 CET**

# FEES TAKE A BIG BITE OUT OF REAL RETURNS OF EU LONG-TERM SAVINGS

**27 September 2016** –Whereas the European Supervisory Authorities (ESAs) have a legal duty to collect, analyse and report data on "consumer trends" in their respective fields, the unfortunate reality is that long-term and pension savings remain one of the few retail services where neither the customers nor the public supervisors are properly informed about the real net performance of the services rendered.

With the exception of excellent but incomplete research by the OECD, no information on the real return (after charges, inflation and –when possible - tax) of long-term savings products existed prior to the research carried out by Better Finance since 2013.

The findings from the 2016 research report released today clearly confirm that the long-term performance of the actual savings products promoted to EU citizens (in particular for long-term and pension savings) unfortunately has very little in common with the performance of capital markets. This is mainly due to the fact that most EU citizens invest less, and less directly, in capital market products (such as equities, bonds and low-cost ETFs), but into more "packaged" and fee-laden products (such as life insurance contracts and pension products).

One could argue that insurance and pension products would have similar returns to a mixed portfolio of equities and bonds, since those are the main underlying investment components of the "packaged" products in question. But using this logic to compute returns for retail investor portfolios, like the European Securities and Markets Authority (ESMA) did, implies a "leap of faith" in that it completely ignores realities such as fees and commissions charged on retail products, portfolio turnover rates, manager's risks, etc. Charges alone totally invalidate this approach.

Overall, a direct balanced investment (50% in European equities / 50% in Euro bonds ) from a European saver in capital markets at the eve of the century would have returned a substantial +105% in nominal terms (gross of fees and taxes) and +47% in real terms, which means an annual average real return of +2.5%. Unfortunately most pension savings did not, on average, return anything close to those of capital markets, and in too many cases even wiped out the real value for European pension savers (i.e. provided a negative return after inflation).

Fees and commissions, often complex and opaque, substantially reduce performances of pension products, especially for personal "packaged" pension products.  Taxes further reduce returns on investments.

Sadly the future does not look any brighter as the decades long bull market in bonds is likely to come to an end with interest rates now at historically low levels and with pension funds having increased their allocation to bonds during the last 15 years.

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