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Fédération Européenne des Épargnants et Usagers des Services Financiers

FOR IMMEDIATE RELEASE

EUROPEAN PENSION SAVINGS: FEES AND TAXES ERADICATE RETURNS

Brussels, 30 September 2015 – *According to the 2014 European Commission's consumer scoreboard, the market for investment and pension products continues to be the worst performing market in Europe. As the new research report by Better Finance on the performance of private pensions in Europe shows, this lack of consumer trust is a direct consequence of the persistent inability of many financial intermediaries to deliver decent long term returns.*

The 2015 Edition of "Pension Savings: The Real Return" now covers 15 EU countries, representing 85% of the EU population and encompassing up to 15 years of returns on pension savings (2000 to 2014). It is once again the only publication to provide such comprehensive data on the real net returns on pension savings in the EU and, in doing so, has become the main source of information on the actual performance of long-term "retail" investment products for European financial supervisors and consumers alike.

Despite a persistent lack of available information on aggregate fees and performance, the report clearly demonstrates that blaming poor returns on the performance of capital markets holds no water. As it stands, pension funds simply all too often significantly underperform capital markets.

By combining the exceptional performance of bond markets and the lower but positive performance of equity markets over the last fifteen years, a direct investment of 50% in European equities and 50% in Euro bonds would have generated a 35% positive return in real terms (net of inflation).

Regrettably though, net real returns on long term savings products have generally been far lower, and all too often negative, thereby eradicating the real value of pension savings. Unit-linked insurance products in particular delivered dismal returns.

Those returns are influenced by a series of variables including asset allocation, capital markets' performance and the actual skills of asset managers. However, the reasons for the disappointingly low returns of pension saving products clearly lie elsewhere. In fact, over the years it has become increasingly clear that the actual main culprit is the excessive level of fees and commissions charged overall. That and the heavy, and increasing, tax burden on savers.

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.

Better Finance identified ten key policy measures that would go a long way towards improving this dire situation for European households, as well as improving growth and

foster job creation in Europe. These measures were presented to the European Commission within the framework of the consultation on the "Capital Markets Union" (CMU) initiative and warrant repeating. The CMU Action Plan that was made public today is a step in the right direction but more effort needs to be put into improving long-term net returns of intermediated (packaged) investment products as a matter of urgency.

In that regard - whereas Better Finance applauds the EU initiative for a much-needed, simple and cost effective Pan-European Personal Pension (PEPP) that would, at least, protect the long-term purchasing power of savings - it warns EU Member States not to discriminate and kill the project with unfavourable tax treatment.

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2015 Edition: **"Pension Savings: The Real Return"** is available at www.betterfinance.eu

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