

What can the industry do to encourage long-term savings

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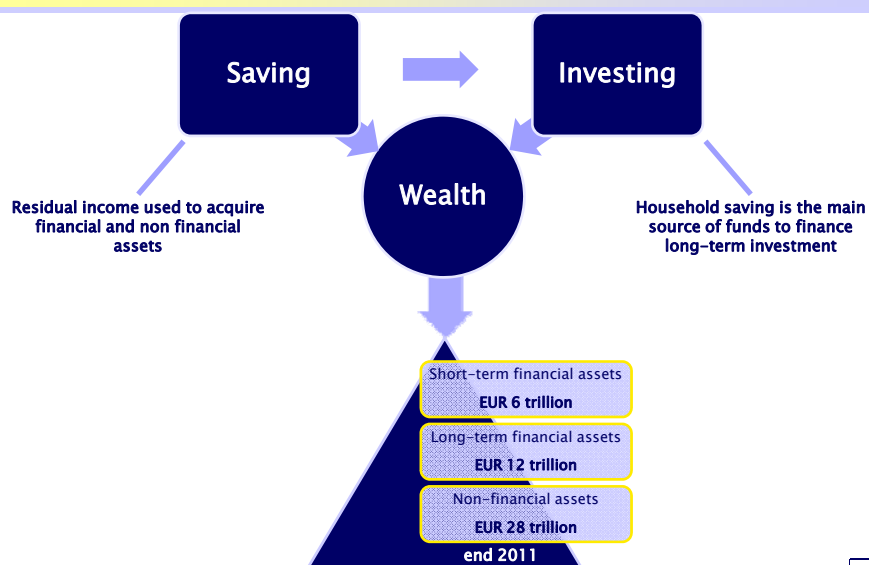
Outline

- Part 1: Recent trends in household savings in the euro area
- Part 2: EFAMA's survey on long-term savings

Part 1

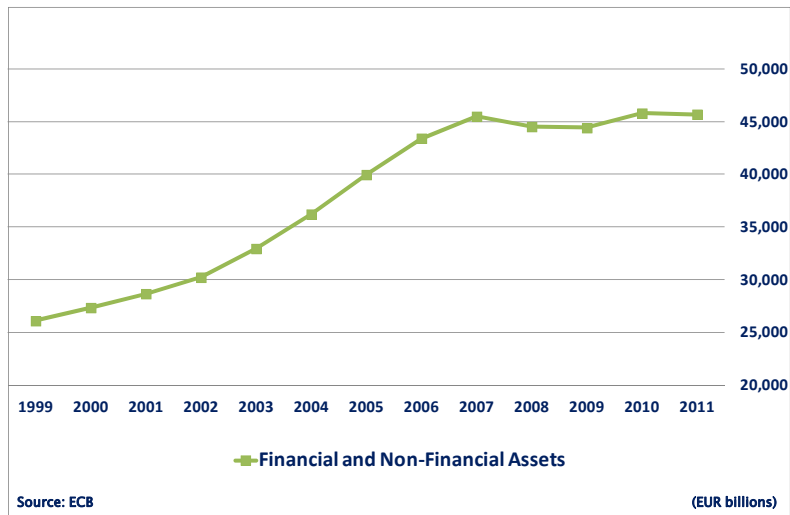
Recent trends in household savings in the euro area

Saving, investing and wealth accumulation



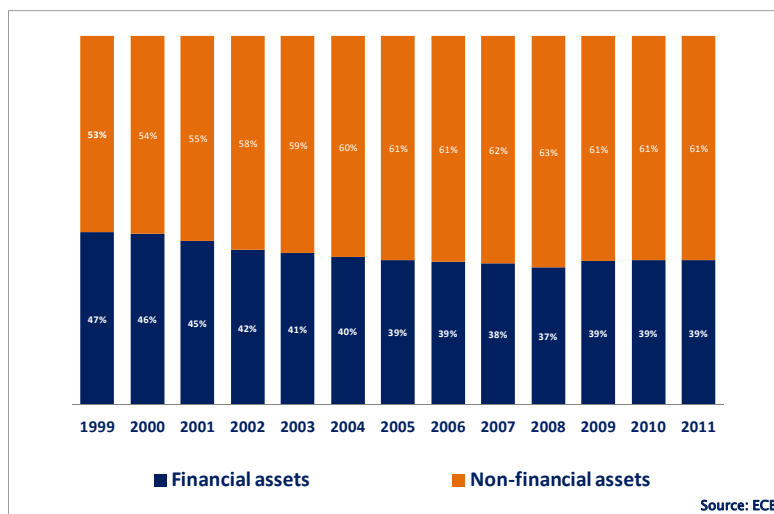
Households' total wealth

Significant increase until the start of the global financial crisis in 2007



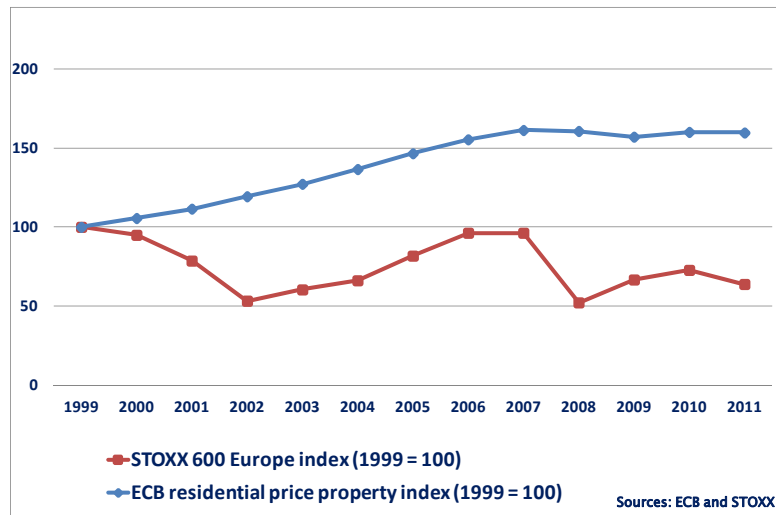
Households' total wealth allocation

Change in composition driven by ...



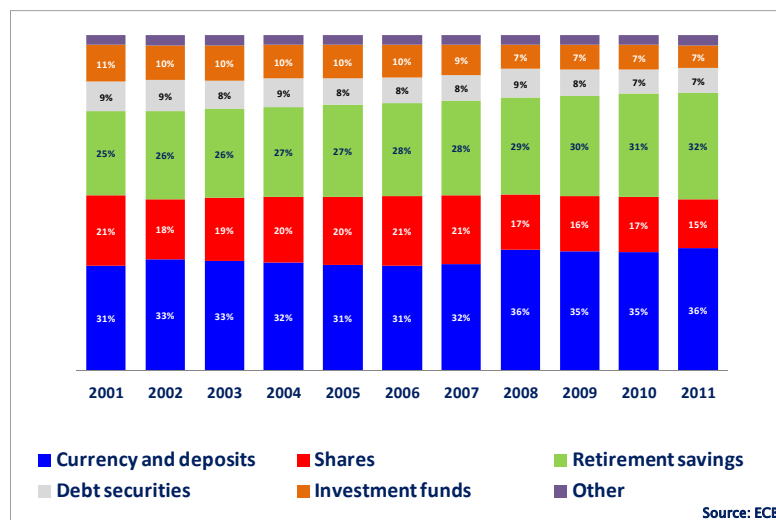
Households' total wealth allocation

... diverging trends between stock and housing market prices until 2008



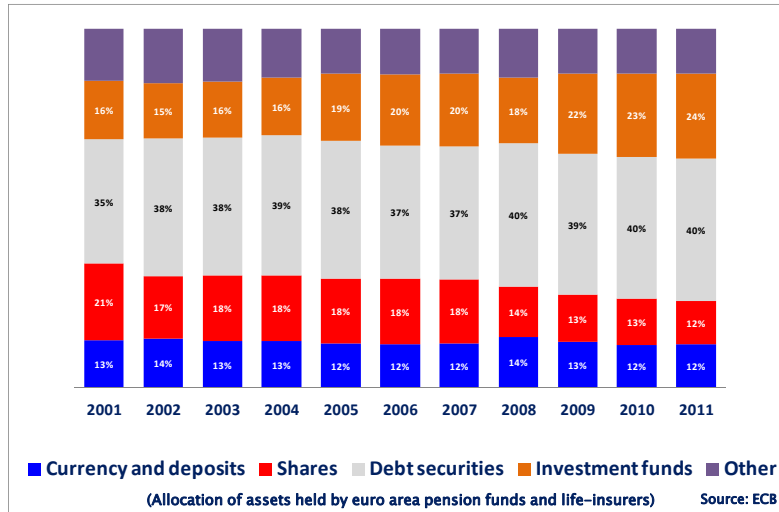
Households' financial asset allocation

Increasing share of retirement savings (since 1999) and deposits (after 2007)



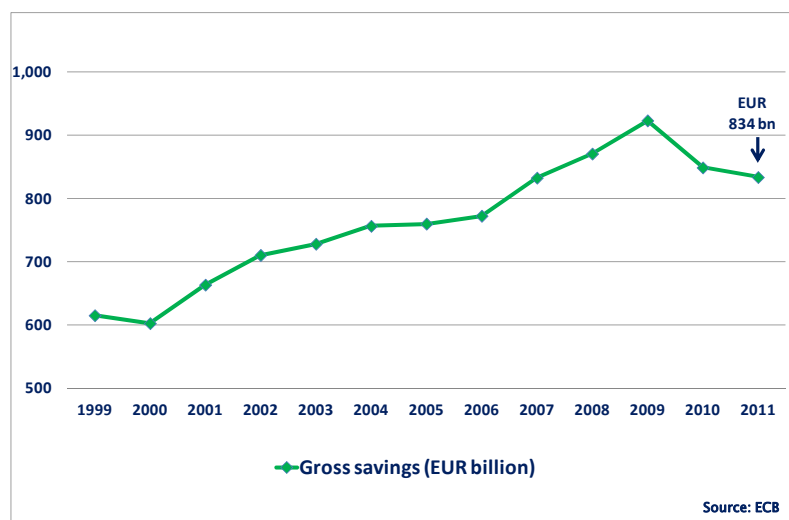
Retirement savings asset allocation

Increasing share of households' indirect holdings of investment funds

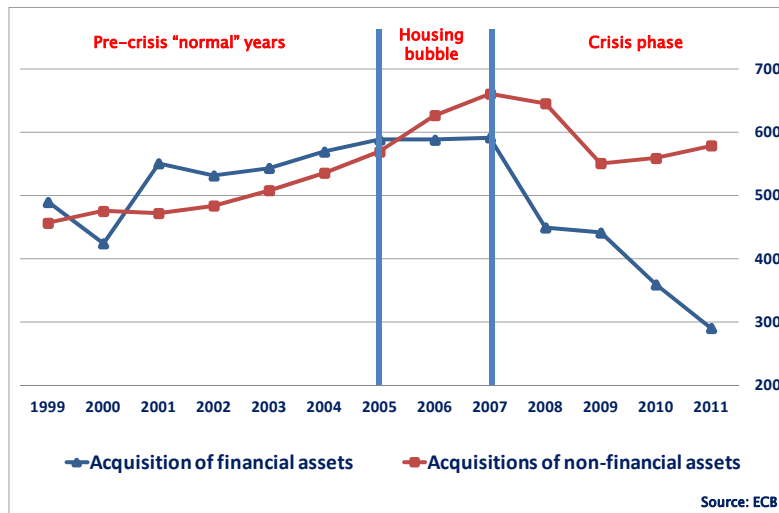


Households' gross savings

Sustained rise in gross savings until 2009

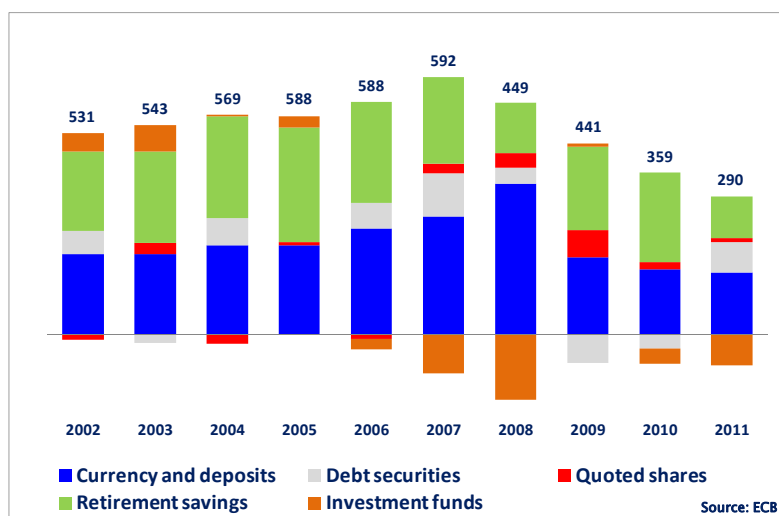


Households' acquisitions of assets (EUR billions)



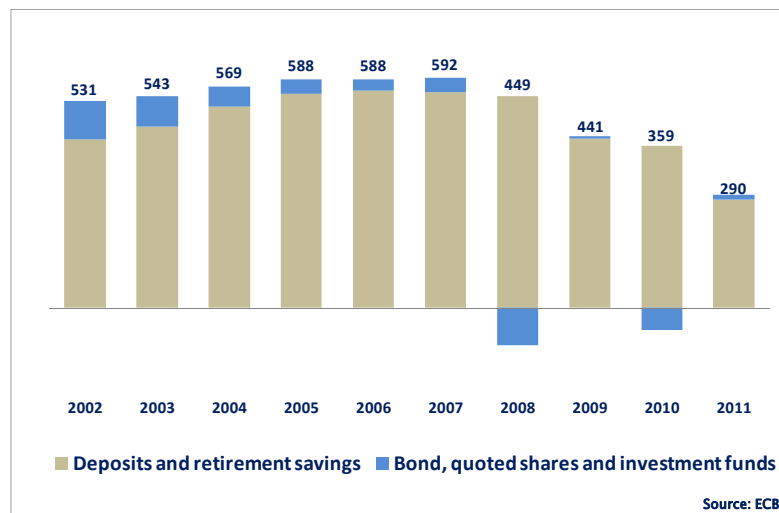
Households' acquisitions of financial assets

Lower demand for almost all asset classes since 2008



Households' acquisitions of financial assets

Disinvestment from investment assets since 2008



Developments since 2008 in a nutshell

- Gross saving remaining relatively high
- Demand for non-financial (housing) assets remaining strong
- Retirement savings remaining strong, albeit low in 2011
- Demand for investment assets taking a big dip
- Holdings of investment funds via retirement savings continued rising
- Word of caution: outside the euro area, some countries have seen different trends in household saving pattern

Part 2

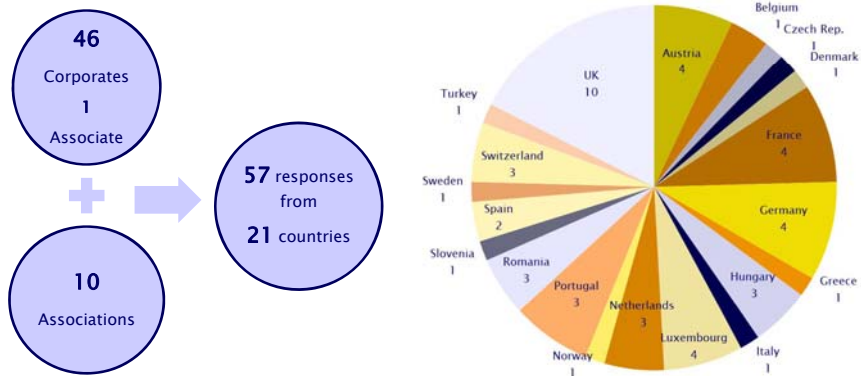
EFAMA's survey on long-term savings

Motivation

- **The decline in savings in financial assets and the retreat from investment assets raise many questions**
- **EFAMA has surveyed its members to get their perspectives on two broad issues**
 - ◆ the factors explaining the fall in household savings in financial assets
 - ◆ potential solutions to address household concerns and to encourage long-term savings

Who participated in the survey?

EFAMA's members



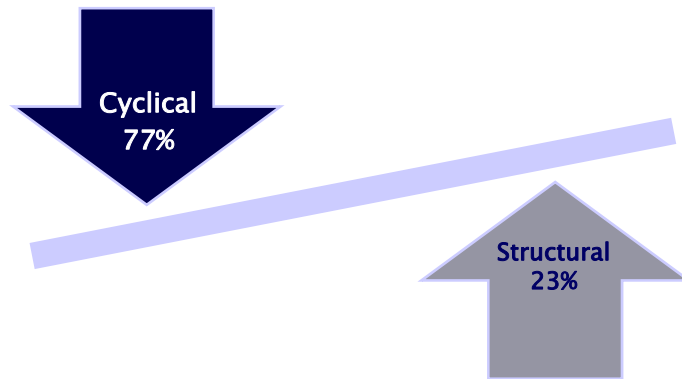
Methodology used to rank results

Basics

- Multiple choice questions
- Rank each option on a 1–5 scale (1 least relevant, 5 most relevant)
- Each chart presents the options marked 4 or 5

Fall in household savings in financial assets

Cyclical (*) or structural?



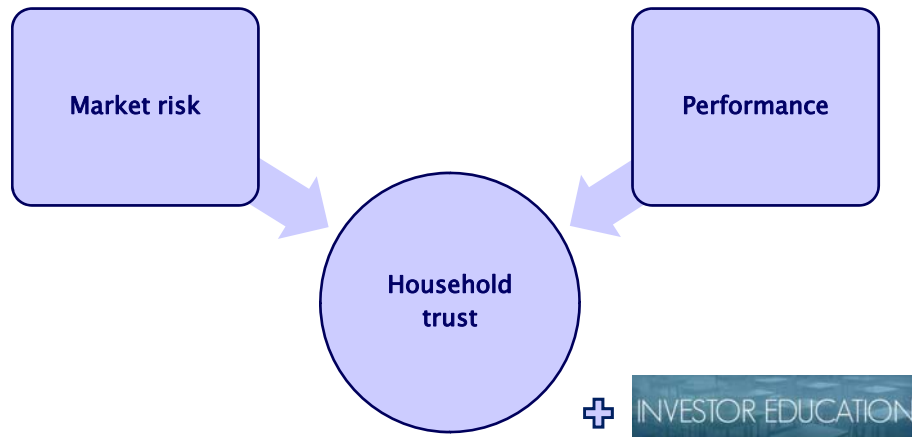
Factors behind fall in savings in financial assets

Lack of trust, market risk, poor performance



How to address lack of trust?

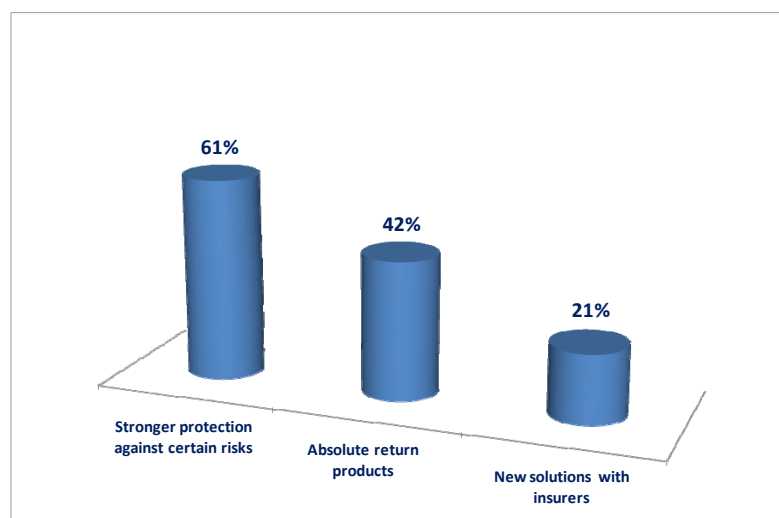
By addressing household concerns about market risk and performance



91% of the respondents believe asset managers can contribute to improve household trust in financial assets

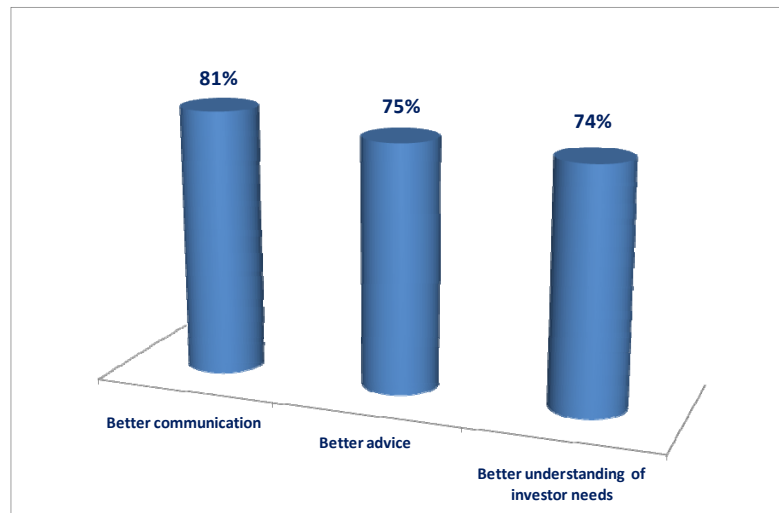
How to address concerns about market risk?

By enhancing value proposition at the manufacturing level



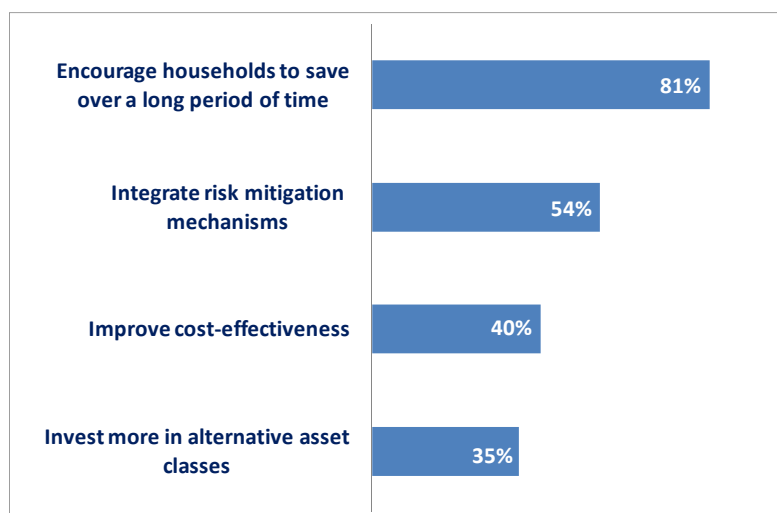
How to address concerns about market risk?

By enhancing value proposition at the distribution level



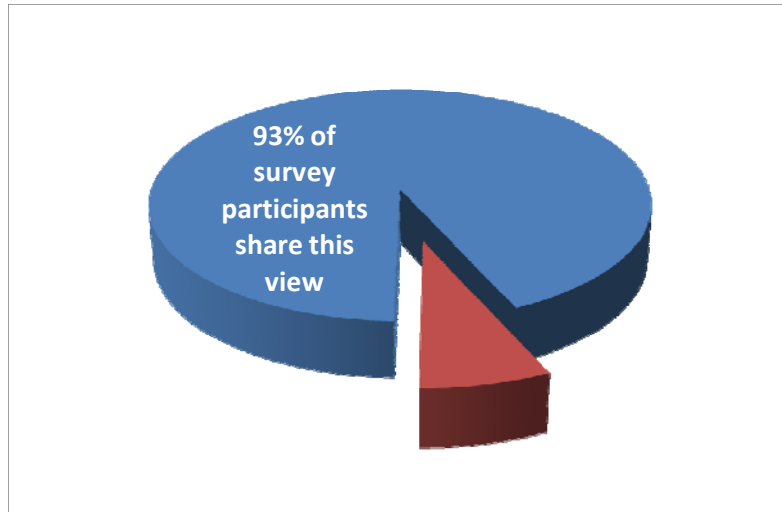
How to address concerns about performance?

By encouraging households to invest over a long period of time

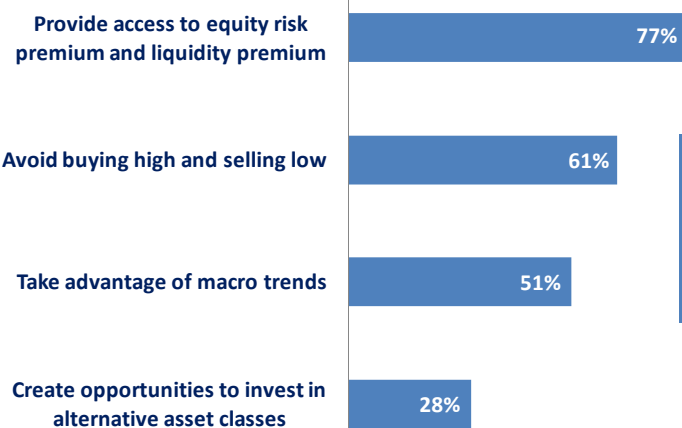


Why is saving for the long term important?

Because long-term savings tend to generate higher returns than short-term savings



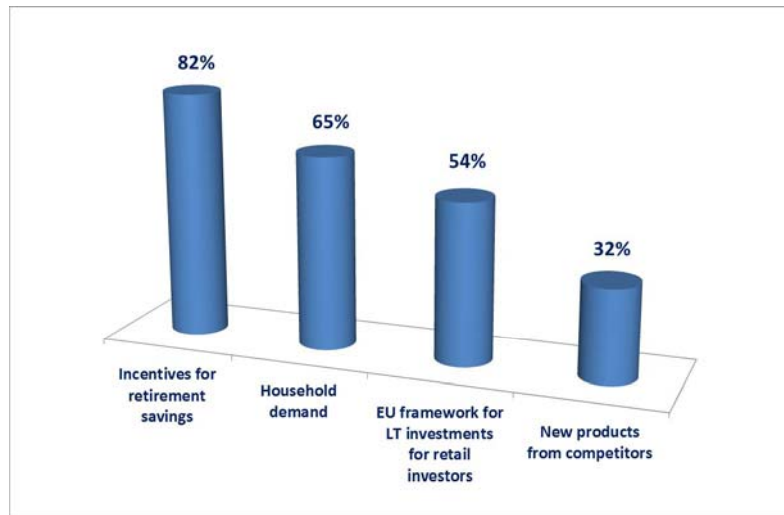
Why LT savings tend to generate higher returns?



- Lower transactions costs
- Compound interest rates
- Reinvestment of returns
- LT savings associated to regular subscriptions

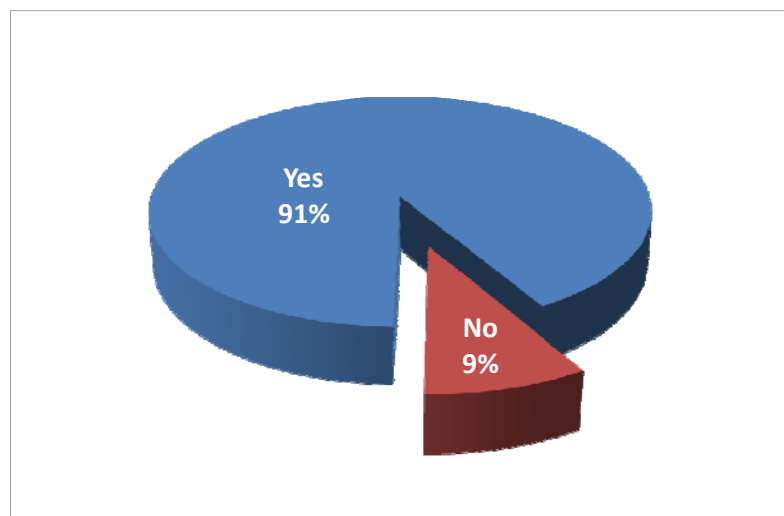
How to spur supply of LT savings products?

Key factors for asset managers



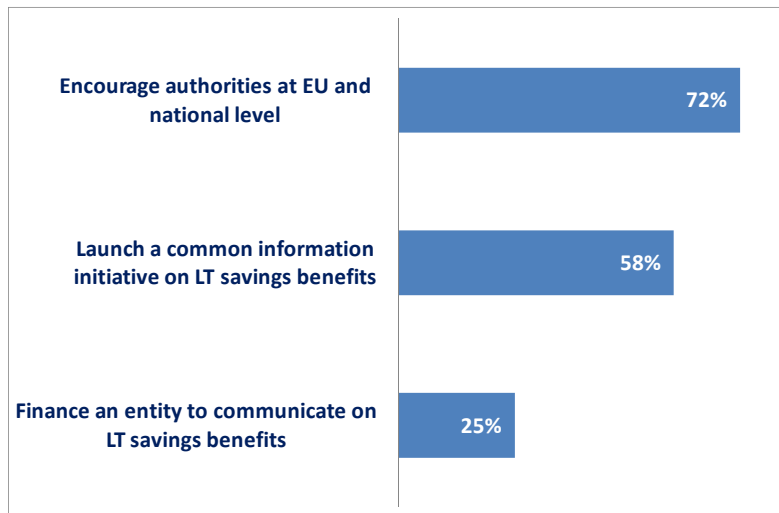
Strong call to explain benefits of LT savings

Do you believe households still need to become aware of the benefits of LT savings?



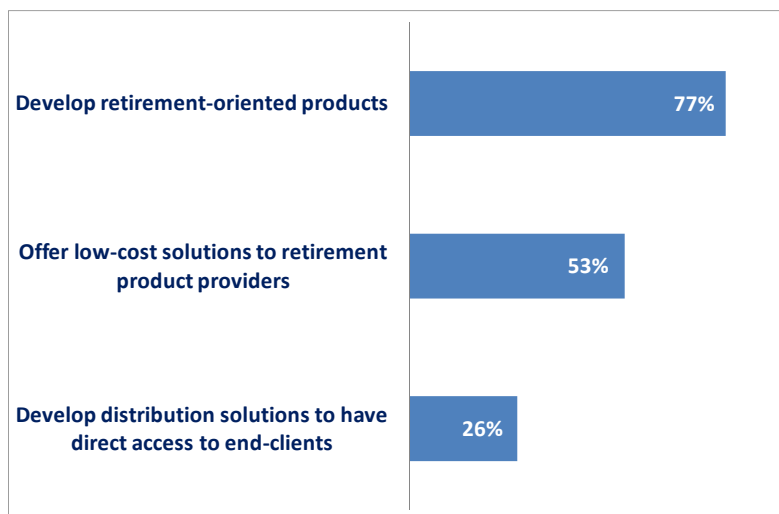
Benefits of long-term savings

What can asset managers do to raise awareness?

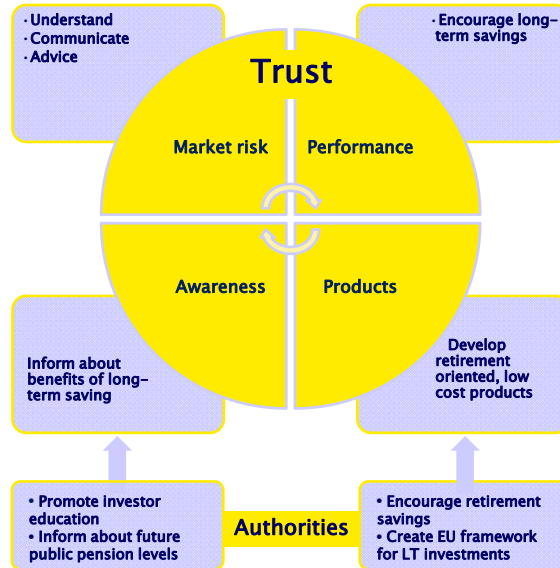


How to encourage retirement savings?

What can asset managers do?



What can the industry do in a nutshell?



Thank you for your attention!

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