



## ÉPARGNER QUAND ON A UN PETIT BUDGET *SAVING ON A TIGHT BUDGET*

### Introduction

**LUCILE:** When it comes to savings, the standard option is the Livret A passbook savings account: 8 out of 10 French people have one.

**MATHILDE:** It was my parents who opened mine. I doubt I've got much more than 10 euros in there at the moment, so not much.

**LUCILE:** The Livret A is the most popular savings account for the general public. It's also called a regulated savings account. It's specific to France and is designed to encourage households, including those on low incomes, to save via a safe and easy-to-use product. But there are other options available. The livret d'épargne populaire or LEP is less well-known, but worth mentioning, especially as it offers higher rates of interest than the Livret A

**MATHILDE:** To help people save even when they're on low incomes, I think it would be good to have a bit more information on the subject because personally I've never had any.

**LUCILE :** Today I'm going to tell you everything you need to know about popular savings accounts. My name is Lucile, I work at the Banque de France and my guests today are called Pierre and Mathilde.

**PIERRE:** I'm a student, so I do a bit of temping, my parents help me out a bit, but at the moment I haven't got any savings at all.

**MATHILDE:** I'm 23 and no, I don't save, for the same reason as Pierre, because I'm still a student and I don't have enough money to put anything aside.

**LUCILE:** Let's start with a bit of a history: popular savings accounts date back to the end of the 18th century. The idea at the time was to encourage everyone to save. Just small amounts, initially for a rainy day. The aim of these savings was "to protect against the harm caused by destitution and poverty", in the words of Jean de la Roque, a lawyer in parliament.

**MATHILDE:** Knowing that you've got some money set aside for if something unexpected happens, that gives you a bit of security for the future.

**LUCILE:** That was why, in 1818, the Livrets de caisse d'épargne were created, the predecessors to the Livret A. The aim was also to provide the State with new sources of funding. Even if each person only saved a little bit, the total amount collected through these accounts could be huge. At the end of the 19th century, popular savings were used to lend to social housing bodies.

After the Second World War, banks began to offer their own savings products. So to distinguish them, the Livrets de caisse d'épargne were given a different name. In 1950, they were renamed Livrets A to highlight the fact that they came before the new savings products.

The Livret d'épargne populaire or LEP was created in 1982 in response to high rates of inflation. Its aim has remained unchanged: to help people on low incomes save in a way that protects their purchasing power, in other words to protect their savings from inflation.

**PIERRE:** One thing I've heard about savings and inflation is that, if inflation is higher than what I'm earning on my Livret A, for example, or on my savings account, I'm actually losing money. I don't know if that's just what people say, and most of all I don't know whether interest rates adjust to inflation.

**LUCILE:** The interest rates on Livret A and LEP accounts are calculated by the Banque de France.

For the Livret A, inflation only makes up half of the calculation formula, but the LEP is completely indexed to inflation. More specifically, the rate on the LEP is equal to the average rate of inflation over the six months preceding the calculation. It can't be below a minimum level, which is equal to the rate on the Livret A plus 0.5%. So the rate on the LEP is always 0.5% higher than the rate on the Livret A.

The other difference between the Livret A and the LEP is the help for people on low incomes. Anyone can open a Livret A, regardless of age or income level, whereas the LEP is only for adults earning below or close to the minimum wage. An adult taxed as part of someone else's household, for example their parents', can't open an LEP. You have to file your own tax return.

**PIERRE:** Recently, I had to set myself up as a freelancer for a job. I got my first bills from Ursaaf and had to pay taxes. So I guess that since then, I'm no longer declared on my parents' tax return.

**MATHILDE:** I think I'm taxed separately.

**LUCILE:** Do you pay tax?

**MATHILDE:** No, because I don't have any income, but I don't think my parents declare me in their tax return.

**LUCILE:** OK. Do you receive a tax return, for example?

**MATHILDE:** Yes.

**LUCILE:** Thanks to the 2020 ASAP law, the eligibility rules for LEPs have been simplified. You no longer have to show your tax return to your bank. Banks can check directly with the tax office whether their clients are eligible. They can also easily check that people with an existing LEP are still eligible, from one year to the next. Because you can open an LEP at any time in your life, for example when you start working, and close it when your finances improve, which is a good thing.

The government also offers extra benefits sometimes, to encourage more low-income people to open one. Since the second half of 2023, for example, the rate on the LEP has been higher than the calculated rate.

**PIERRE:** I should have an idea of what the inflation rate and the rate on the Livret A and LEP are. Unfortunately, I'm worried the figure I've got in mind is completely wrong, I don't know where I got it. So it's probably wrong, but I think one of the figures is 3%.

**LUCILE:** In March 2025, the LEP rate was 3.5% instead of 2.9% calculated using the formula. For both the Livret A and LEP, interest is calculated once a fortnight. Banks look at your account balance at the end of the second week of the month and multiply it by the interest rate. They do the same thing at the end of the month. That's why it's better to deposit your money on the 14th or 15th of the month, or on the 30<sup>th</sup> or 31<sup>st</sup>, so the deposited amounts earn interest in the following days. It's also better to take money out at the start of each two-week period. The calculated interest is paid on 31 December, and isn't liable for tax.

In line with their historical objective, regulated savings are used to finance important projects, such as social housing and local investment.

**MATHILDE:** I didn't think the money doesn't just sat there waiting for me to use it, but I hadn't thought that maybe banks could use it to finance other things. I don't know really.

**LUCILE:** A portion of the money deposited in regulated savings accounts with banks is put in a central savings fund managed by the Caisse des Dépôts et Consignations (CDC). It's the CDC that grants loans to social housing bodies. The share of deposits still held at the banks has to be used to finance the creation and development of SMEs, the energy transition and the social economy. But this doesn't mean you can't access your money, as you can still use the funds in your Livret A or LEP at any time. They're called liquid savings. On top of that, the money in your Livret A or LEP is fully guaranteed by the State.

Some 18 million French people are estimated to qualify for an LEP. So don't hesitate to check whether you're eligible.

**PIERRE:** So, basically, it's a really good idea to have an LEP if you're on a fairly low income or a young adult without a fixed-term contract, and when inflation is high because it's indexed to inflation.

**LUCILE:** And watch out for scams: a liquid savings product offering higher interest rates than the accounts I've just told you about, that's fully guaranteed and risk-free just doesn't exist.

Thanks to all our listeners. And thanks also to the Banque de France's Statistics Directorate for helping me prepare this episode. Subscribe to the Banque de France podcast and feel free to leave comments and stars. You can also send us your economic questions via Instagram or at [podcasts@banque-france.fr](mailto:podcasts@banque-france.fr)