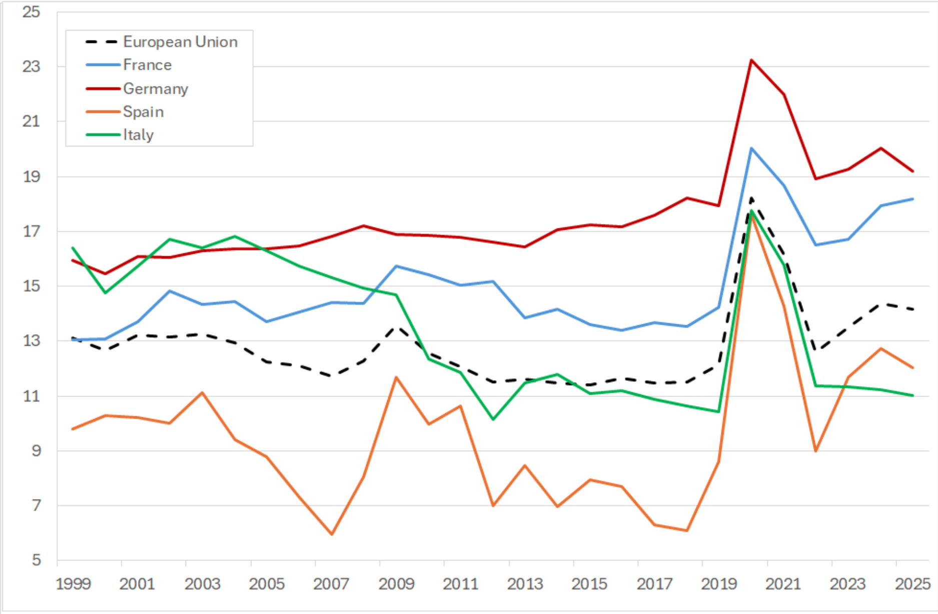
Dear savings: the Savings and Investments Union (Part 1)

Agnès Bénassy-Quéré, September 2026

On aggregate, European households save abundantly. According to the European Commission (Ameco database), household savings in the European Union reached EUR 1,642 billion in 2025, or 14.2% of their aggregate disposable income. This savings rate is 2 percentage points higher than it was before the Covid-19 pandemic (Chart 1). Its household savings rate is also well above that of the United States, although the rate published by the US Bureau of Statistics needs to be adjusted before it can be compared with the European rate. After harmonisation, Barut-Etherington and Chauvin (2026) estimate the savings rate for 2025 at 18% in France, 19.2% in Germany, but only 10.8% in the United States.

Chart 1. Gross household savings rate: the European Union and four major European countries

(as a percentage of disposable income)



Source : European Commission (Ameco database).

Household savings are largely used to finance household housing investment – EUR 995 billion in 2025. The remainder (EUR 647 billion) is made up of financial savings. The latter are held in liquid form (bank deposits, savings accounts), invested in life insurance, pension and investment funds, or directly in shares and bonds.

It is sometimes said that European savings finance the rest of the world, and the United States in particular. This causes some confusion, as savers are rarely aware that they are investing in tech companies or in US Treasury bonds. In reality, it is the financial intermediaries to whom they have entrusted their savings who invest abroad – a way of diversifying investments and increasing their expected return, despite the exchange-rate risk, which is not always hedged (Lappe and Pinkus, 2026; Corsetti, Pekanov and Sestieri, 2026). Similarly, part of the debt securities and shares in European companies are held by non-residents, who are also seeking to diversify their portfolios.

As European savings are particularly abundant, outward savings flows – which are invested abroad – exceed inward foreign savings flows, which are invested in Europe. From an accounting perspective, the difference between the two flows corresponds to the European Union's current account surplus, amounting to EUR 365 billion in 2025 (EUR 275 billion for the euro area alone), according to the balance of payments approach. From an accounting perspective, it is correct to state that EUR 365 billion was invested outside the European Union in 2025. It is, in fact, tautological: it stems from the surplus of savings relative to investment opportunities in Europe. The Savings and Investments Union project spearheaded by the European Commission is specifically designed to provide better opportunities in Europe for European savers.

Dear liquidity

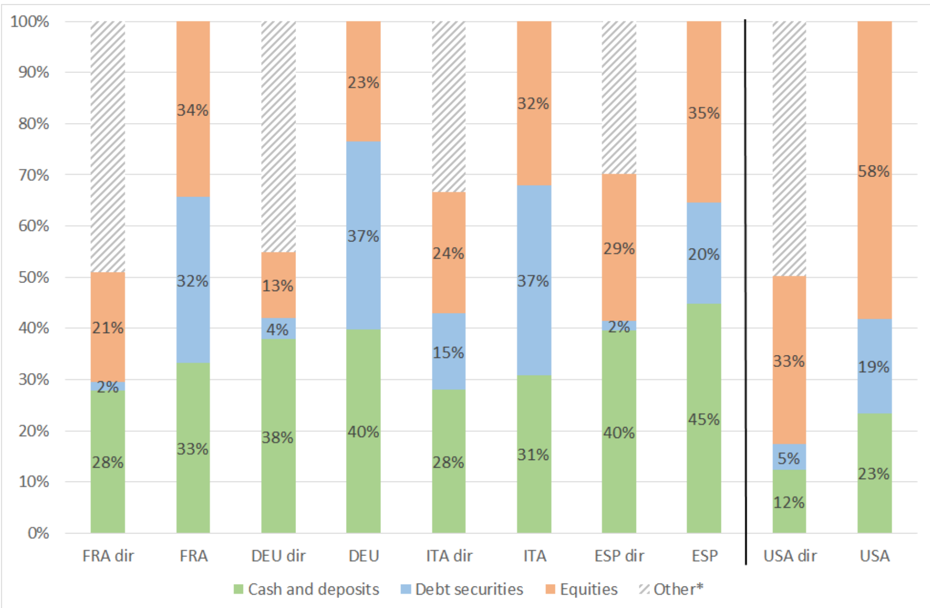
According to the European Savings Observatory and the French Asset Management Association (2025), total financial wealth amounted to 2.3 times GDP in the EU in 2019, compared with 4.3 times GDP in the United States. This discrepancy can be partly explained by Europeans' preference for property: in the fourth quarter of 2025, households in the euro area held 54% of their gross wealth in the form of property, compared with just 23% in the United States (source: [Financial Accounts of the United States](), [Euro area Quarterly Sector Accounts]()).

Another reason for the transatlantic divergence in terms of financial wealth is the much lower return on savings in Europe, due to a very different allocation of this financial wealth, as illustrated in Chart 2 for the four major euro area countries.

The comparison between France and the United States is particularly telling because, in both countries, around half of households' financial wealth is held in life insurance policies and pension funds, which makes the comparison easier. Excluding life insurance and pension funds, liquid savings – in the form of cash and deposits – account for 28% of financial wealth in France, compared with just 12% in the United States, a difference of 16 percentage points. After "look-through" adjustments – i.e. after allocating the portfolios held by life insurers and pension funds to households (which entails making strong but reasonable assumptions; see the note below the chart) – the gap narrows to 10 percentage points. French households allocate, both directly and indirectly, a larger proportion of their financial wealth (excluding property funds) to debt securities (32%, compared with 19% for US households). However, they allocate a much smaller proportion of their financial wealth to equities (34% compared with 58%, figures which include business assets). The proportion of equities is no higher in the other three major euro area countries.

Chart 2. Allocation of household financial wealth, average 2000–20

Détention directe et après mise en transparence*



* Others: mainly investment funds, life insurance and pension funds.

Note: US financial accounts directly provide the "looked-through" data. For European countries, it is assumed that the average allocation of investment funds invested directly by households remains the same for the periods 2000–20 and 2008–20, for which data are available. For funds invested through life insurance and pension schemes, it is assumed that: (i) equity funds (listed and unlisted) and infrastructure funds are invested entirely in equities; (ii) bond funds are invested entirely in bonds; (iii) money market funds are invested entirely in deposits; (iv) alternative and mixed funds are invested in equal parts in equities and bonds. Property funds are excluded from the calculation, and financial wealth is renormalised. The allocation for life insurers is calculated for the period 2017–20, whilst that for pension funds is calculated for the period 2020–24. These allocations are assumed to apply to the period 2000–20.

Sources: Financial accounts for the United States; quarterly sectoral accounts for European countries; the ECB; EIOPA Occupational Pensions Statistics; EIOPA Insurance Statistics; Banque de France calculations.

Using the database of historical returns compiled by Jordà, Schularick and Taylor, the average return on financial wealth in different countries can be calculated as the weighted sum of the returns on the three main asset classes – equities, bonds and deposits. Table 1 shows the average return over the period 2000–20, taking into account both direct and indirect holdings and assuming that financial intermediaries pass on the returns on their portfolios to households (alternatively, it could be assumed that the intermediaries' commissions contribute to profits which are passed on to household-shareholders, on the premise that the shareholder base is domestic).

If we consider only interest and dividends received, the average return is higher for the four European countries than in the United States, despite the lower proportion of equity investments in European portfolios. This is due to higher returns on deposits and bonds, as well as companies' more generous dividend policies. In the United States, the lower yields on government bonds over the period 2000–20 are linked to the "exorbitant privilege" of the Treasury, which can borrow at a lower cost owing to the status of the dollar, the liquidity offered by these securities and their safe-haven status. As regards equities, returns are generally realised in the form of capital gains. When they are included in the calculation of the average return, the return on financial wealth in the United States far exceeds its average level in Europe. The gap is 1 percentage point for France and up to 2.2 percentage points for Germany. Over a twenty-year period, this represents a difference in nominal wealth of 22% and 54% respectively.

Taking average inflation over the period into account does not invalidate this finding: as average inflation is lower in Europe than in the United States, the gap widens in favour of Europeans in terms of real interest and dividend returns; if capital gains are included, the gap narrows but remains in favour of US households. It stands at 0.3 percentage point for France and 1.6 percentage points for Germany, representing a gap in real wealth of 6% and 37% respectively after twenty years.

Table 1. Average return on household financial wealth, 2000–20

Direct and indirect holdings

	Nominal return		Inflation (harmonised consumer price index)	**Real return**	
	Interest and dividends	Interest, dividends and capital gains			Interest and dividends
USA	2.1	6.2	2.1	USA	2.1
FRA	2.8	5.2	1.4	FRA	2.8
GER	2.3	4.0	1.5	GER	2.3
ITA	3.1	4.7	1.7	ITA	3.1
SPA	3.2	5.4	2.0	SPA	3.2

Source: Jordà-Schularick-Taylor Macrohistory Database (R6), Banque de France calculations.

Contrary to popular belief, liquid savings do not remain idle. Banks lend these savings to businesses and households or, in the case of the "Livret A" passbook in France, to social housing organisations (see Koch and Faria, 2026). However, these loans are often long-term (20 years on average, in the case of housing loans), and they cannot be sold on before they mature (although they can be used as collateral to obtain liquidity from the ECB). As bank deposits are completely liquid (depositors face no restrictions on their withdrawals and payments other than the value of their deposits), banks must ensure that they hold a portion of their balance sheet in a similarly liquid form – indeed, this is a regulatory requirement. These liquid investments offer lower returns, which affect the interest paid on deposits. In a nutshell, liquidity is a paid service.

Equities for returns

To achieve a return, you have to be prepared to sacrifice liquidity and/or security. We often hear about investments in unlisted shares (private equity) and private debt, which combine high risk with low liquidity. However, as noted by Olivier Garnier (2026), the key difference between the United States and Europe is really the much higher level of holdings of US-listed shares: 214% of GDP, compared with 47% in France and 38% in Germany (2024 data).

The aim is not to encourage Europeans to speculate in the stock market, nor to expose them to excessive risk. Experience in various countries shows that other approaches are possible. Across the six European countries studied by the French Asset Management Association (AFG) and European Savings Institute (OEE) (2025), direct or indirect holdings of listed shares (via funds, insurers or pension funds), range from 15% of financial wealth in Poland to 51% in Sweden, with the euro area average standing at 21%. Two models emerge, which can be combined:

- Dutch-style pension funds: they pool long-term savings, which are well suited to investment in equities, using a strategy that follows each subscribers' life cycle (with the proportion of equities decreasing as retirement approaches). While they used generally to be defined-benefit schemes, these funds are gradually shifting towards a defined-contribution system, which places the residual risk on future pensioners. The French retirement savings plan (*Plan Épargne Retraite* - PER) follows a similar approach.
- Swedish-style savings accounts: the ISK account (which stands for *InvesteringsSparKonto*) allows Swedish households to invest and withdraw their savings very easily and with complete freedom, whilst being taxed at a flat rate based on the total amount invested rather than on the return on the investment, which encourages them to take a little more risk. In fact, direct holdings of listed shares account for 12% of financial wealth in Sweden, compared with 6% in the euro area. Unit-linked life insurance is not far from this model: the product is liquid (although withdrawals in the early years do not carry any tax benefits), with no capital guarantee for the saver; taxation, meanwhile, is a flat-rate deduction at source, which simplifies matters for the policyholder.

These schemes differ mainly in terms of the liquidity they offer – which is low for pension funds and the French PER, and high for Swedish savings accounts and life insurance. That is why it can be useful to combine them, as is the case in Sweden, where pension funds coexist alongside savings accounts.

However, equity investments by life insurers and pension funds are now heavily focused on non-European markets, particularly the United States: according to Darvas and Schoenmaker (2017), European institutional investors favour their country of residence, but not European equities. If they invest in the United States, it is to tap into a developed and deep equity market, rather than out of any particular attraction to US stocks, especially as dollar-denominated investments carry a currency risk that could wipe out any returns received. Therefore, to reap the full benefits of returns on equity investments, developing the European market will be key. This poses a chicken-and-egg problem: there is not enough demand for equities to warrant companies issuing them, and not enough supply for financial intermediaries to be willing to invest.

What European strategy?

The European Union does not have competence in the area of savings products, but it can issue recommendations to Member States, which the Commission did in September 2025. The idea is to draw on the simplicity and flexibility of the Swedish savings account, with favourable tax treatment (“at least as favourable as for other savings products”) and portability across European countries. The Council and the European Parliament reached an agreement on this matter in December 2025.

In November 2025, the Commission also issued recommendations on pensions, aimed at developing a supplementary funded pension scheme in countries like France where the pension system is based primarily on a pay-as-you-go system. In June 2026, the German government announced the gradual introduction of a supplementary funded pension scheme.

Lastly, the Commission has launched a large-scale campaign to improve the financial literacy of Europeans, which is known to be strongly correlated with how well people manage their savings. People with greater financial literacy do indeed tend to diversify their investments more, have a better understanding of risks, plan for their retirement more effectively, and avoid excessive debt or holding too much cash. In this regard, Nicolini and Haupt (2019) show that improving financial literacy is a key driver for enhancing the way households manage their savings and, more broadly, their financial resilience.

The European strategy also focuses on reducing the costs of managing savings. This requires simple schemes (such as the Swedish ISK), transparent management fees to encourage competition, and a simplification of the regulatory framework governing asset management and transactions. A key reform will involve establishing a single supervisory authority at the European level for major clearing houses and central securities depositories. Although savers may not be aware of them, these infrastructures are fragmented across Europe, which creates inefficiencies – and costs that are then passed on to them. This reform is part of the market integration and supervision package currently under discussion at the European Council.

Savers stand to benefit significantly from this. An in-depth study by Rexecode (2026) shows that, over the period 2005–25, a “patient” French saver could have increased the average after-tax return on their financial wealth by 0.3 percentage points per year had they adopted an “optimal” asset allocation strategy, with less liquidity and fewer debt securities, and more equities By focusing on equity-based savings, Gossé and Jehle (2024) also show that greater intra-European diversification of equity savings would increase their risk-adjusted return by between 0.25 and 0.75 percentage point per year, which is a very substantial figure.

An additional benefit of diversification is gaining access to a mechanism for stabilising investment income: if company performance is not perfectly correlated across European countries, then diversifying equity portfolios makes it possible to supplement household incomes in countries in crisis with capital income from countries experiencing strong growth. This cross-border risk-sharing, achieved through the diversification of savings, helps to cushion asymmetric shocks within the monetary union. Cimadomo et al. (2023) argue that this mechanism is significantly more developed in the United States, where it is one of the main instruments for absorbing regional shocks, whilst its potential remains largely untapped in the euro area, where only around 30% of output shocks are cushioned by risk-sharing channels.

Democratising wealth

The Savings and Investments Union is often portrayed as a technical agenda. Worse still, we talk about “mobilising” Europeans’ savings (but how exactly?). In reality, the aim is to give all Europeans access to higher-yielding savings, at a time when wealth has become increasingly concentrated at the top of the income distribution pyramid, amongst people in the know.

Some recent reforms, such as the removal of the minimum investment threshold for European long-term investment funds (unlisted shares, infrastructure, property), are helping to make higher-yield savings more accessible to the public. By reducing entry costs and allowing for the financial assets to be divided into very small units, the ongoing tokenisation of financial instruments could also improve the ability of small savers to diversify their savings, thereby achieving a better balance between risk and return.

The introduction of a compulsory funded supplementary pension scheme (in addition to the pay-as-you-go scheme) is also a means of reducing wealth inequality, as Kuhn (2020) shows in the case of Switzerland. Life-cycle-based asset allocation is particularly effective in improving the return on retirement savings whilst limiting risks (Berardi and Tebaldi, 2023).