

# THE AMF HOUSEHOLD SAVINGS OBSERVATORY NEWSLETTER



CONTENTS: Changes in holding of securities p. 2-3 Latest news p. 4

No. 39

JUNE 2020

## ÉDITO

### Rebound in the number of share owners

In March 2020, the rate of direct share ownership in a securities account or a "PEA" personal equity savings plan (excluding employee share ownership) was measured at 6.9%.<sup>1</sup>

This was a significant rebound after the further decline observed in March 2019, when the rate of ownership was estimated at 6.2%, its lowest level in 11 years, and already reached in 2016. In the past four years, the rate of direct share ownership has therefore fluctuated between 6.2% and 7.6%.

It is not easy to explain the ups and downs in direct share ownership in recent years.

We do note, however, that the recent increase is consistent with the observations of the AMF, which noted a significant increase in the number of individuals investing in equities in Q4 2019 (initial public offering of La Française des Jeux) and in March 2020, during the period of the market decline.<sup>2</sup>

The survey also confirms the trend towards a certain reduction in the age of share owners, again in line with the observations of the AMF.

It also highlights the regular increase in the number of contracts in units of account, for which the rate of ownership (12.4%) is now far higher than that for securities (shares, investment funds and bonds), which is 10.3%.

It is hard to anticipate the effects of the Covid-19 health crisis on share ownership and the image of equity investments. The fourth edition of the AMF Savings and Investment Barometer, in December 2020, will provide precious indications, together with regular monitoring of the number of individuals investing in equities. ■

<sup>1</sup> SoFia survey carried out by Kantar in March 2020 on a sample of 12,000 people representative of the French population aged 15 and over

<sup>2</sup> Read the Focus section of AMF Household Savings

## FOCUS

### Growth in retirement savings

The creation of the retirement savings plan (PER), in October 2019, which is intended to gradually replace the Perco and PERP savings schemes, coincided with a further increase in holdings of retirement savings.

According to the French Asset Management Association (AFG), 100,000 companies and 320,000 employees already benefited from the new collective corporate PER (PER Col) at the end of 2019.<sup>1</sup>

Collective retirement savings products as a whole (Perco and PER Col) concern 3.1 million people. More than 264,000 companies had a retirement savings scheme (+22% year-on-year).

Net holdings of collective corporate retirement savings schemes amounted to €20 billion, of which €3 billion in new PER Col schemes. These net holdings increased by 20% in 2019.

Payments into collective retirement savings schemes stood at €2.7 billion (+9 % year-on-year) and net inflows were positive, at €1.6 billion (+5%).

<sup>1</sup> "Employee savings schemes and collective corporate retirement savings schemes. Survey data at end-2019", AFG, May 2020

### Increase in share ownership of retirement savings products

The rate of ownership of savings dedicated to retirement, as measured by Kantar,<sup>2</sup> including the collective retirement savings plan (Perco), the new PER and other individual forms (PERP, Prefon, etc.), was 14.7% in March 2020, following 13.7% in 2019 and 12.9% in 2018.

### Who are the holders of retirement savings schemes?

71% of those persons declaring that they hold at least one retirement savings product are aged between 35 and 64. In this age group, the rate of ownership exceeds 20%.

There are also more holders among those persons who are most financially affluent: about one-third of those who have a monthly income exceeding €6,000 (at the household level) declare that they hold a retirement savings product. Among those who declare that they have more than €150,000 in financial assets, the rate of ownership is about 24%.

<sup>2</sup> In its annual SoFia survey, Kantar has questioned French people concerning their holdings of retirement savings products since 2017

# Rebound in the number of share owners



The declared rate of share ownership rose to 6.9% of the population between March 2019 and March 2020.

The latest SoFia<sup>1</sup> survey, carried out in March 2020, showed an increase in the number of investors declaring that they held shares directly. However, this increase did not offset the decline noted between 2018 and 2019.

## More holders of equity investments in 2020

The declared rate of direct share ownership in securities accounts or "PEA" personal equity savings plans stood at 6.9% in March 2020, higher than the level in 2019 (6.2%), but still lower than the level reached in 2017 and 2018 (about 7.5%).

At the same time, the rate of ownership of collective investments in equities (excluding units of account in life insurance policies) remained low. It was estimated at 2.2% in March 2020 (versus 2.3% in 2019 and 2.7% in 2018).

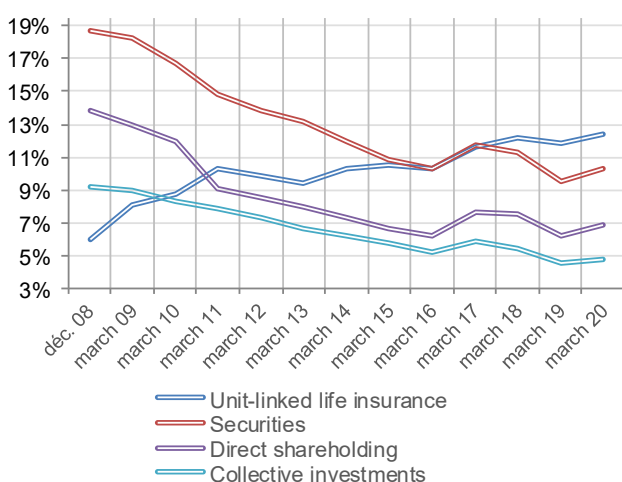
Overall, the rate of ownership of equity investments (directly or via an equity fund) rebounded to 7.9% in March 2020, from 7.2% a year earlier.

## Holdings of tax wrappers

While holdings of collective investment products remain low on the whole (4.8%), holdings of units of account in life insurance policies are increasing regularly. The rate of ownership stood at 12.4% in March 2020. In 2016, it was about 10%.

Declared holdings of "PEA" personal equity savings plans rebounded to 7.1% in March 2020 from 6.5% in March 2019.

Figure 1: Changes in rates of ownership of certain investments from 2009 to 2020



Source: Kantar, June 2020

<sup>1</sup> The SoFia study was first conducted in 2008 and monitors a sample panel representative of the French population, consisting of 10,000 people aged 15 and over, who are questioned once a year by post. This sample is supplemented by two additional samples surveyed online: 1,000 people owning assets worth more than €50,000 and 1,000 people aged 16 to 24

## Margin of error

Given the size of the sample for this survey, the margin of error is about 0.5 percentage points. This means, for example, that in March 2020 the rate of direct share ownership had a 95% probability of being between 6.4% and 7.4%, a higher level than the rate measured in March 2019 (6.2%).

## More young people among those owning shares directly

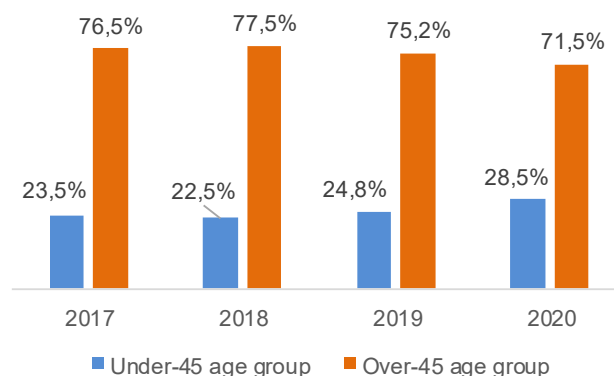
This is a confirmation: equity investors have been getting younger since 2018. In the past year, this drop in age has been significant.

The rate of direct share ownership among those aged under 35 rose from 2.3% to 3.7% over the same period.

Among those holding shares directly, the proportion of those aged under 35 increased from 10.2% to 14.8%, and for those under 45, from 22.5% to 28.5% (see Table 1, page 3).

At the same time, the proportion of older persons has fallen in the past two years. Those aged over 65 now represent 32.9% of holders, versus 34.2% in 2018, and the over-45 age group now represents only 71.4% of holders (vs 77.4% in 2018).

Figure 2: Change in the breakdown of direct share owners by age



Source: Kantar, June 2020

This reduction in age goes hand-in-hand with an increase in the proportion of holders whose financial wealth is less than €50,000 (+5.5 percentage points in the past two years).

On the other hand, it is accompanied by no decline in ownership among older persons. The rate of direct share ownership has rebounded from 8.6% to 9.1% among those aged 65 and over.

## Increase in ownership of units of account

While the direct ownership of funds remains low, it has increased via life insurance. In this framework, the holders are younger, more often women, and their financial wealth is smaller than that of the holders of funds and shares directly.

## Employee savings schemes widespread among younger persons

The trend towards a reduction in age can also be seen among the holders of employee savings schemes. Employee savings are the "product" most often held by younger persons: 7.1% of those aged under 35 declare that they hold an employee savings scheme, versus only 5% for unit-linked life insurance and 5.6% for securities (shares, investment funds, bonds). The financial wealth of employee savers is similar to that of the population as a whole: it is less than €50,000 for 68.5% of them.

## There are again more holders among older persons who are more financially affluent

Those with high incomes and financial wealth more often hold financial products (Table 2). This observation holds for all financial investments.

Between March 2019 and March 2020, those who have high monthly incomes increased their direct shareholdings very significantly.

The rate of direct ownership among those enjoying a monthly income of more than €6,000 per month (at the household level) increased from 19.4% to 26%. These affluent savers represented 10.2% of such holders in March 2019; in March 2020, they represented 13.1%.

Moreover, it is in the 65-74 age group that rates of ownership are highest, for all types of products. They are much lower after age 75.

Table 1: Investor profiles according to the investment held, in March 2020

	Base: French over age 15	Unit-linked life insurance policy holders	Employee savings schemes holders	Holders of funds	Holders of directly owned shares
<b>Breakdown by gender</b>					
Men	47.9%	52.3%	60.2%	62.2%	63.5%
Women	52.1%	47.7%	39.8%	37.8%	36.5%
<b>Breakdown by age</b>					
Under age 45	43.2%	26.5% +	47.4% +++	27.6% +	28.5% +++
Aged 45–64	31.8%	42.1% --	45.4% --	40.4% ---	38.4% ---
Aged 65+	25.0%	31.4% +	7.2% -	32.0% ++	32.9%
<b>Breakdown by net monthly income reported for the household</b>					
Fewer than €3,000	62.5%	42.8% ---	38.2% -	39.8% +	36.3% ---
More than €3,000	34.3%	55.7% +++	60.6% +	58.8% -	62.0% +++
of whom more than	3.5%	8.2% +	8.0% --	12.6% -	13.1% +++
No reply	3.2%	1.6%	1.2%	1.4%	1.7%
<b>Breakdown by reported personal financial wealth</b>					
No assets	17.8%	-	8.1%	-	-
Fewer than €50,000	67.5%	52.5% ---	68.5% +++	39.9%	45.7% +++
€50,000–150,000	10.0%	28.9% +++	14.3% --	32.8% ++	28.2% --
More than €150,000	4.4%	18.6% -	9.2% -	27.0% --	26.0% -

Change compared with 2019: +, increase by at least 1 percentage point, +++, increase by 3 points or more.

Guide for interpretation: 28.5% of the holders of directly owned shares are aged less than 45; this proportion has increased sharply in the past year

Source : Kantar, June 2020

Table 2: Highest rates of ownership in March 2020 (rate in March 2019)

	Unit-linked life insurance	Funds	Directly owned shares
Average rate	12.4% (11.8%)	4.8% (4.6%)	6.9% (6.2%)
65-74 years	18.5% (16.9%)	7.8% (5.8%)	10.8% (10.3%)
Executives and professions	27.7% (24.7%)	11.6% (13.3%)	17.2% (16.4%)
Monthly income exceeding €6,000 (household)	29.1% (26.3%)	17.6% (18.6%)	26.0% (19.4%)
Household financial wealth: €150,000 and over	35.8% (34.0%)	18.6% (19.0%)	26.0% (25.1%)

Guide for interpretation: Of those persons aged 65 to 74, 18.5% declare that they hold a unit-linked life insurance policy (24.7% in 2019).

Source : Kantar, June 2020



## 80% of household savings held in risk-free investments

In 2019, the net savings flows of the French on the principal financial investments amounted to €124 billion (excluding unlisted equities), up from €100 billion in 2018. Nearly all of these flows went into current accounts, bank savings (passbook accounts) and life insurance policies with a capital guarantee. Flows into listed equities and collective investment products were nil overall.

At the end of 2019, outstanding household savings (excluding holdings of unlisted equities) consisted for 82% of guaranteed investments. Shares held directly or via investment funds account for 9% of this overall amount

Source : *Épargne et Patrimoine financiers des ménages, Banque de France, May 2020*

## Substantial forced savings in Q1 2020

In Q1 2020, household consumption fell sharply (-5.6%) and the savings rate increased significantly, to 19.6% following 15.1% in Q4 2019 and 14.9% on average in 2019. The financial savings rate (excluding mortgage repayments on new housing) climbed to 10.4%, versus 4.6% on average in 2019.

This extra savings were placed with banks in the form of liquid assets: in Q1 2020, these extra liquid assets represented €35 billion, of which €20 billion in the month of March alone (€13 billion in the last quarter of 2019). In April, household deposits were even higher (€25 billion).

According to forecasts by the Banque de France, due to the fall in household consumption the savings rate could amount to 22% for full-year 2020. Household savings could be €100 billion higher than the normal level.

Source: *INSEE, May 2020; Banque de France, June 2020*

## Growth in socially responsible investment

At the end of 2019, the AUM of socially responsible investment funds in France was estimated at €1,861 billion (up 28% from end-2018), 29% in SRI and 71% in other approaches related to sustainable development themes, applying "ESG" (Environmental, Social and Governance) criteria. The AUM of SRI funds and those of ESG approaches accounted for around 15% and 36% respectively of total assets under management in France.

Of the assets under SRI-style management, funds subscribed to by retail investors accounted for about €80 billion (€65 billion in 2018), mainly via life insurance, securities accounts and "PEA" savings plans.

Source: *AFG, May 2020*

## Solidarity investments mostly funded by employee savings schemes

Solidarity and sharing investments, consisting of investments whose assets or income are intended, fully or partly, to finance solidarity activities, i.e. projects of social and/or environmental utility, represented €15 billion at the end of 2019 (+24% year-on-year). Three-quarters of the AUM in solidarity investments consisted of collective investment products invested in listed equities and bonds. Employee savings are the leading channel for funding solidarity investments (62% of AUM).

Source: *Finansol, June 2020*

## The number of PEA plans increased in 2019

With 4.9 million plans at end-2019, the number of PEA (personal equity savings plan) increased by 125,000 in 2019. It thus regained its level of end-2014. A trough had been reached in mid-2017 (4 million plans).

Source: *Banque de France, June 2020*

## Charges of units of account in life insurance policies

The ongoing charges of funds accessible in life insurance policies range from 0.20% to 3.50% per year. To these ongoing charges are added the charges of the life insurance policies themselves (0.9% per year on average).

The average charges of equity funds are 2.0%, like for risk-profiled funds (1.6% for cautiously managed funds and 2.4% for dynamic funds). These averages are down slightly year-on-year (-0.05 percentage point for equity funds).

These levels of charges are higher than the average levels of charges noted for all French funds open to the public (see AMF Household Savings Observatory n°37, March 2020).

Source: *"Good Value for Money" benchmark, May 2020*