

# THE AMF HOUSEHOLD SAVINGS OBSERVATORY NEWSLETTER



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## EDITORIAL

### Rejuvenation of equity investors

At the beginning of the year, the trend observed in 2020 that equity investors were getting younger was confirmed.

Back in 2019, the AMF identified an emerging interest in equity investments among a younger segment of the population.<sup>1</sup> This trend picked up steam with the market downturn in March-April 2020. In 2020, the median age of new investors was 46, compared with 58 in 2018 and 2019.<sup>2</sup>

The results of the annual survey by Kantar, which we are publishing, confirm this trend. Between March 2019 and March 2021, the share of under-35s holding shares directly rose from 11% to 18%, representing a significant reduction in age.

For the French population as a whole, however, the estimated direct shareholding rate in March 2021 was relatively stable at 6.7%.

The arrival of new investors recorded by the AMF through transaction data over the past 18 months is consistent with this estimated stability.

The strong market upswing may have led some investors to sell their shares to cash their capital gains.

The AMF welcomes the arrival of a new generation of investors on equity markets. It hopes that these younger investors will have a long-term perspective, without taking undue risks.

In this newsletter you will also find the main findings of the latest mystery visits conducted by the AMF. They provided an opportunity to test the process of opening a securities account and placing an order online.

Although these digital pathways show that real efforts are being made to educate investors, practices do vary and there is still a lot of progress to be made in terms of clearer information, in particular about fees and more time for reading this information. ■

<sup>1</sup> *Savings and Investment Barometer, LOE No.36 (Dec. 2019).*

<sup>2</sup> *Transaction reports, LOE No.42 (March 2021); Active retail investor dashboard, No.2 (April 2021)*

## FOCUS

### Retirement Savings Plans rise in 2020

The retirement savings plan (PER) supports the development of individual and company pension savings.

According to the AFG, assets under management in collective retirement savings plans (PER Col) reached €8 billion at the end of 2020 (compared with €3 billion at the end of 2019).<sup>1</sup> The total number of holders of collective retirement savings plans stood at 1.15 million. Total collective company pension savings, including the collective retirement savings plan (Perco), amounted to €22.5 billion. The collective retirement savings products (Perco and PER Col) concern a total of 3.2 million holders.

As regards retirement savings plans in the form of life insurance contracts, the total assets under management at the end of 2020 were around €13 billion, distributed among 1 million holders.<sup>2</sup> Inflows represented €10.8 billion in 2020, of which €7 billion from transfers from previously opened retirement savings plans (Perp, Madelin pension plan).

<sup>1</sup> *Association Française de la Gestion Financière (French Asset Management Association), March 2021*

<sup>2</sup> *Source: Press conference of the French Insurers Federation (FFA) of 24 March 2021. These figures concern insurance companies governed by the French Insurance Code*

At the end of 2020, a total of 2.8 million people held retirement savings plans with an estimated total of €31.6 billion assets under management.<sup>3</sup>

### Acceleration in 2021

At the end of May 2021, 1.7 million people held retirement savings plans in the form of life insurance. This figure is rising sharply and assets under management amounted to almost €20 billion (up €7 billion in five months).<sup>4</sup>

<sup>3</sup> *Figures include mandatory retirement savings plans (PERO) or retirement savings plans offered by provident institutions and mutual insurance companies. Source: Ministry for the Economy and Finance, 7 June 2021* <sup>4</sup> *FFA, 1<sup>st</sup> July 2021*

### Increase in declared holding of retirement savings

The rate of ownership of retirement savings, measured by Kantar,<sup>5</sup> including the collective retirement savings plan (Perco), the new retirement savings plan and other forms of individual retirement savings (PERP, Préfon, Madelin, etc.), was 15.6% in March 2021, compared with 14.7% in March 2020, 13.7% in 2019 and 12.9% in 2018.

Over the same period, the Perco holding rate increased from 3.8% to 4.9% in 2021. ■

<sup>5</sup> *As part of its annual SoFia survey, Kantar has been questioning French investors about their retirement savings holdings since 2017.*

# Equity holders are getting younger

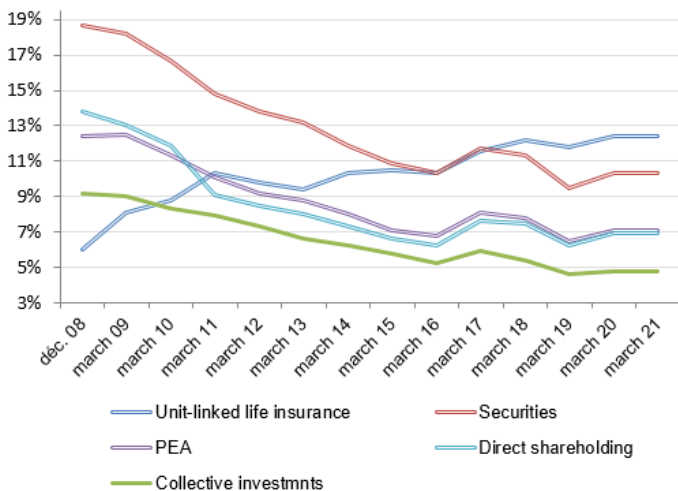


In March 2021, people under 35 accounted for 18% of direct equity holders, compared with 15% in 2020 and 11% in 2019.

## Stable share ownership

The latest SoFia<sup>1</sup> survey, conducted by the Kantar institute in March 2021, shows that the total number of investors declaring that they were direct equity holders was stable at 6.7%, compared with 6.9% in March 2020.

Chart 1: Changes in rates of ownership of some investments between 2009 and 2021



Source: Kantar, June 2021

At the same time, the rate of ownership of collective equity investments (excluding unit-linked life insurance policies) remains low. It was estimated at 2.1% in March 2021 (2.2% in 2020 and 2.7% in 2018).

Overall, the share of equity investments (directly or via an equity fund) was 7.6% in March 2021, compared with 7.9% in 2020 (stable).

## Increase in unit-linked insurance policies

While holdings of collective investments held through securities accounts and equity savings plans remain low overall (4.8% for all asset classes combined and stable over the past two years), holdings of unit-linked products in life insurance contracts are growing steadily. The holding rate was 13.3% in March 2021. It was roughly 10% in 2016.

Holders of unit-linked life insurance are more likely to be women and their financial wealth is lower than that of holders of direct funds.

## Margin of error

Given the sample size of this survey, the margin of error is about 0.5 percentage points. This means, for example, that the direct shareholding rate in March 2021 has a 95% probability of being between 6.2% and 7.2%. ■

<sup>1</sup> The SoFia study, launched in 2008, follows a nationally representative panel sample of approximately 12 000 individuals aged 15 years and over.

## Increasing percentage of young equity holders

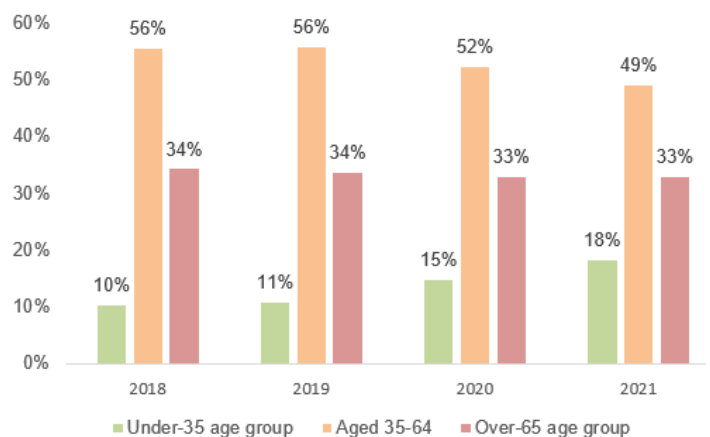
This rejuvenation has become more pronounced in the past two years. The direct shareholding rate among the under-35s practically doubled from 2.3% to 4.4% between 2019 and 2021 (Table 2).

The proportion of direct equity holders under 35 years of age has increased from 10.7% to 18.1% in two years (Table 1).

Note that the shareholding rate is higher for the under-25s (4.7% in 2021) than for 25-34 year olds (4%).

Chart 2: Trend in the age distribution of direct shareholding

Source: Kantar, June 2020



## More direct shareholding among the more affluent

Direct shareholding remains strongly correlated with income level, financial wealth and age.

Between March 2019 and March 2021, the more affluent investors also increased their direct shareholding. Thus, the rate of direct shareholding among people with a monthly income of more than €6,000 (per household) rose from 19.4% to 25.7%. These persons accounted for 15.9% of the holders of direct shares in March 2021 (Table 1), compared with 10.2% in 2019.

## Declining trend in share ownership among the over-35s

Direct shareholding is estimated to have declined among the over-35s between March 2020 and March 2021. In 2021, 7% of 35-64 year olds reported owning shares directly, compared with 7.7% in 2020.

Ownership of transferable securities remained the highest among the 65 to 74 year olds. The direct shareholding rate for this age group was 9.5% in March 2021 (Table 2).

Table 1: Investor profiles by investment held, March 2021

	Base: French over age 15	Unit-linked life insurance policy holders	Employee savings schemes holders	Holders of funds	Holders of directly owned shares
Men	47,8%	54,6% +	61,8% +	57,5% - -	65,4% +
Women	52,2%	45,4% -	38,2% -	42,5% ++	34,6% -
<b>Breakdown by gender</b>					
Under age 45	27,8%	15,1% ++	25,8%	17,1% +	18,1% ++
Aged 45–64	46,8%	53,5% - -	67,6%	47,7% - -	49,0% - -
Aged 65+	25,4%	31,5%	6,6%	35,1% ++	32,9%
of whom aged 75 +	11,5%	11,4%	1,8%	13,9% ++	13,3% +
<b>Breakdown by net monthly income reported for the household</b>					
Fewer than €3,000	59,2%	39,1% - -	33,0% - -	34,3% - -	32,3% - -
More than €3,000	37,2%	59,4% ++	65,8% ++	64,2% ++	66,4% ++
of whom more than €6,000	4,2%	10,9% +	9,2% +	15,2% +	15,9% ++
No Reply	3,5%	1,5%	1,1%	1,5%	1,3%
<b>Breakdown by reported personal financial wealth</b>					
No assets	18,2%	-	6,3% -	-	-
Fewer than €50,000	66,9%	53,2%	64,9% - -	41,0%	42,5% -
€50,000–150,000	10,0 %	26,6% -	16,4% +	29,3% - -	29,1%
More than €150,000	4,5%	20,2% +	12,3% ++	29,5% +	27,7% +

Change compared with 2020: + / - : increase/decrease of at least 1 point, ++ / - - : increase/decrease of 3 points and more.  
Interpretation: 18.1% of direct equity holders are under 35 years of age, a proportion that has increased significantly over the past year.

Source : Kantar, June 2020

Table 2: Holding rates by age bracket in March 2021 (rate in March 2020)

	Base: French over age 15	Under age 35	Aged 35-64	Aged 65 +
Unit-linked life insurance	13,3% (12,4%)	7,2% (5,0%)	15,2% (15,1%)	16,5% (15,6%)
Employee savings schemes	7,7% (7,8%)	7,1% (7,1%)	11,0% (11,2%)	2,0% (2,3%)
Securities	10,0% (10,3%)	6,2% (5,6%)	10,5% (11,5%)	13,3% (13,5%)
Funds	4,8% (4,8%)	3,0% (2,6%)	4,8% (5,4%)	6,6% (6,2%)
Directly owned shares	6,7% (6,9%)	4,4% (3,7%)	7,0% (7,7%)	8,7% (9,1%)

Interpretation: 13.3% of the over-65s report holding securities (13.5% in 2020).

Source : Kantar, June 2020

### One in five people in France is an "investor"

19.1% of French people over the age of 15 said they held a unit-linked life insurance policy and/or marketable securities (excluding employee savings).<sup>2</sup> This proportion of "investors" rose from 17.8% in March 2019 to 19.1% of in March 2021.

22% of men and 16% of women invest in unit-linked accounts or transferable securities. This is also the case for 26% of 65-74 year olds, compared with 12% of under-35s.

The proportion of investors exceeds 20% when the financial wealth is €30,000 and above. This proportion increases with financial wealth and exceeds 50% for the 5% of French people who have at least €300,000 in savings and investments.

### What has been the trend in the last 12 years?

This proportion of investors has been relatively stable over the past 12 years, with the increase in unit-linked holdings (8.1% in 2009, 13.3% in 2021) offsetting the decline in transferable securities held in a securities account or equity savings plan (from 18.2% to 10.0%).

It is the holding rate of equity investments (directly or via an equity fund) that has dropped significantly in 12 years, from 15.9% to 7.6%. This is also the case for direct bond holdings, which fell from 4.4% to 1.3%.

It should be noted that the proportion of investors has doubled among the under-25s in 12 years. ■

<sup>2</sup> Roughly 11% of 25-64 year-olds report holding employee savings plans, which contain collective investments.

## Key findings of latest online mystery visits

At the end of 2020, the AMF conducted new mystery visits to observe marketing practices in the area of online investment purchases via securities accounts. The purpose was to observe, from the investor's point of view, whether the information provided by the institutions was sufficient to inform the investment decision. These visits focused on:

- the accessibility and clarity of pre-contractual information on investment products and services
- the content of the information on the extent and purpose of the assessment of the suitability of orders placed
- the content and clarity of warnings about the suitability of the product

Eleven institutions were "tested". Testers had to open a securities account and subscribe to financial instruments, including a fund invested in European equities and a share in a real estate investment company.

## Information about the financial instruments and services offered

In most cases, the pre-contractual information on the products and services offered was found to be long, dense and uninspiring.

Regarding information on equity funds, institutions make their subscription conditional on reading the key information documents (KID or KIID). In any event, when confirming the order, the tester had to certify that he or she had read these documents.

The specific risks of real estate investment companies are presented in various ways: either throughout the subscription process, at the beginning of the process, or in the contractual documentation, which makes this information less visible.

With regard to information about risks, at the order confirmation stage some institutions included a warning which was not very comprehensible about the risk of capital loss.

## Know your client

To provide the service of reception and transmission of orders, institutions should assess the investment knowledge and experience of their clients in order to determine whether the service or product offered to or requested by clients is suitable for them.

Information on the extent and purpose of the assessment was very disparate. Some institutions informed the client of the relevance of this regulatory requirement. However, the explanatory messages were brief and not very clear. In one instance, an institution did not explain the relevance of the questionnaire and did not prompt the client to complete it.

It was observed that some players asked few questions to objectively assess the tester's knowledge of financial investments.

## The AMF's mystery visits

The AMF has been asking specialised research institutes to carry out consumer tests (or mystery visits) in bank branches since 2010 and online since 2014. The aim is to obtain a concrete vision of the marketing practices of banking establishments and to observe, based on a real-life situation, the application of regulatory texts concerning the know-your-client process, the quality of the information provided on products and the quality of the advice given. ■

## Warning about the unsuitability of the product

The content of the warnings regarding the subscription to an equity fund was rather uneven. These warnings either concerned the unsuitability of the product in relation to the knowledge and experience of the mystery investor, the fact that it was a first order, or the fact that the product carried a risk of capital loss that could affect the entire capital invested.

## Presentation of fees before subscription

The presentation of fees is very inconsistent. The vocabulary used is not uniform. "Running costs" are sometimes called "management fees". Brokerage fees are equated with transaction fees and it is not always specified what they cover.

Most of the institutions present aggregated and equally detailed costs, which may add to the confusion as the terminologies and calculation scopes differ from one institution to another. ■

## Conclusion

Digital technology offers a wide range of possibilities in terms of presentation of information and allows investors to subscribe anywhere and at any time. The use of multi-channel services can also help investors to understand the offerings better. However, institutions should provide information in a "timely" manner, and ensure that there is adequate time for the client to familiarise themselves with the information, so that they can invest with full knowledge of the facts.

Pre-contractual documentation is often not easily accessible and not sufficiently easy to understand. Further progress is expected in the clarity and comparability of information on fees. This information cannot be dispersed across the subscription process.

There is still room for improvement in the warning messages on the suitability of the product or service to make them easier for investors to understand.

*The survey is available on the AMF website in [Publications / Reports, research and analysis](#).*