Savings Products in the EU

Savings products, savings patterns and the importance of saving in a selection of individual EU Member States

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Prologue

On the 1st of December 2024, the new European Commission von der Leyen II has taken up the work for the next five years. The former DG FISMA, short for Directorate-General for Financial Stability, Financial Services and Capital Markets Union has been renamed into Directorate-General for Financial Services and the Savings and Investments Union. The new Commissioner in charge of this portfolio Maria Luís Albuquerque from Portugal has been charged in her mission letter by the President of the European Commission to develop a European Savings and Investments Union, including banking and capital markets, to leverage the wealth of private savings in support of our wider objectives. President von der Leyen asked Albuquerque to focus on supporting people to save better, fostering capital for innovation, unlocking digital finance, ensuring competitiveness of the financial sector and harnessing sustainable finance.

The Noyer report from April 2024 also points out that Europe is highly reliant on savings. Gross savings account for 25 percent of the European Union's GDP compared with 18 percent in the United States. The authors of this report, among them representatives of French banks and investments firms, complained that the clearest sign of missed opportunity is the massive share of financial savings invested in bank deposits (35 percent of financial assets). The Noyer report also criticises that together with life insurance contracts, a majority of Europe's financial savings are invested via liquid and guaranteed products. The authors promote that European consumers should diversify their savings into investments and demand from the European Commission to create a European savings product as a top priority. The objective assigned to this new savings product should be to move savings away from liquid and guaranteed products towards long-term investments.

The Draghi report focuses on a comparison of the investments and savings between US and EU citizens, "which has been persistently lower in the EU compared to the US as a share of GDP. EU households provide ample savings to finance higher investment, but at present these savings are not being channelled efficiently into productive investments. In 2022, EU household savings were EUR 1,390 billion compared with EUR 840 billion in the US. But, despite their higher savings, EU households have considerably lower wealth than their US counterparts, largely because of the lower returns they receive from financial markets on their asset holdings."

With our brochure "Savings Products in the EU" we, the European Federation of Building Societies, would like to bring light to this debate on the right use of savings, a debate which will certainly accelerate within the new mandate of the European Commission.

Savings are not inherently unproductive just because they are deposited at a specific purposed bank account. This brochure proves that savings for a purpose are established within the European Union and that European citizens are saving for a purpose, mostly for getting an affordable housing loan – one of the most pressing social issues of our time. Different but widespread LTV limits within Member States are forcing citizens to have own equity before they apply for a loan. Specific savings products help to bridge this gap enabling larger portions of the EU population to become homeowners.

Savings and deposits are also not ineffective, they are used by credit institutions to finance credit and investments, which is very often forgotten. While they may not offer potentially higher returns, most citizens prefer stability over the inherent risks of higher-yield investments.

What would happen if the savings of the average consumer are withdrawn from a bank? How should banks finance the needs for consumers in need for a credit, or how should an SME finance its investment if banks liquidity is gone, since consumers are lured into promising investments products which at the end are not performing as promised?

We encourage the European Commission to improve conditions for pan-European investments products without misleading consumers, that these products are better than classical purpose-built savings products.

Christian König

Managing Director of the European Federation of Building Societies

Introduction

The first edition of this paper was written in the aftermath of the European Commission's release of a Green Paper on the long-term financing of the European economy in 2013. While the Green Paper was meant to highlight the importance of saving and the mobilisation of private capital for long-term investments, the focus of the debate soon shifted to other policy areas, such as regulatory frameworks for securitisations and covered bonds or improving SME access to loans.

Much has happened in the past decade: Brexit, a global pandemic, supply chain disruptions, tensions emerging among a raging war in Europe as well as a hike in interest rates to tackle the return of consumer price inflation. These recent developments have fuelled a debate over growth perspectives and options for reforming the European Union's economic framework. In April 2024 former Italian Prime Minister Enrico Letta published his report, sharing his views on the future of the European Single Market. Mario Draghi, former Italian Prime Minister and President of the European Central Bank released his report focusing on the Union's competitiveness. Both reports lay out a roadmap to make progress in the respective fields – and both reports shed some light on long term savings and long-term investments. Savings and long-term investment are at the centre of a third report, edited by former Banque de France President Christian Noyer, published in April 2024.

This paper, again, takes a deep dive into European savings culture and savings patterns, putting them into perspective with the results of the reports mentioned above. We then show saving's role in long term investment and present the forms of long-term special-purpose savings products in Europe. We conclude with a perspective for national and European perspectives that could bring long term investment requirements to terms with European savers' demands.

1. Importance of savings for the economy and for the financial markets

Household savings via bank deposits play an important role in the economic framework, serving as the backbone of financial stability and investment. These savings are channelled into the financial system primarily through bank deposits.

The stability of the financial system is heavily reliant on a steady flow of household savings into bank deposits. Banks use these deposits not only for lending but also as a cushion against liquidity risks. A strong base of deposits ensures that banks have the necessary liquidity to meet their obligations, reducing the likelihood of financial crises.

Moreover, bank deposits provide a stable source of funding, which is crucial for maintaining the solvency of financial institutions. During periods of economic uncertainty, households tend to increase their savings, leading to a rise in bank deposits. This countercyclical behaviour of savings acts as a stabilizer for the economy, providing financial institutions with the resilience needed to weather economic downturns.

Many financial crises of the recent past have emerged from capital market volatility, highlighting both the limits of this source of funding, as well as their significant risks for the stability of entire national economies. Despite the enormously increased capital mobility in recent decades, the correlation between saving and investment in an economy remains very positive.[1]

In fact, deposits are the most important source of funding for banks in the Eurozone. Several authors also stress the importance of "simple" deposits as a channel for monetary policy transmission (Drechsler et al., 2017). The characteristics of deposit-based funding are diametrically opposed to those of structured financial products: they constitute a stable, reliable source of funding, they are extremely transparent, they are subject to strict legal provisions, and they are secure. Deposits contribute significantly to the stability of the banking and financial sector due to their low volatility. Despite the high theoretical liquidity or realisability of short-term deposits, runs on banks have been rare in the recent past and even where they have occurred, they were not able to generate dynamics which would pose a threat to the system.

However, long-term financing depends on long-term saving to avoid the risk of an asset-liability maturity mismatch. A key challenge for banks consists in the so-called maturity transformation, whereby the maturities of savings deposits and loans are reconciled. Savers prefer safe and available types of deposits over medium- or long-term types. This can give rise to problems if savings deposits are invested short term, but the loan maturities are longer, which is generally the case for commercial investments. The need to mobilise long-term savings deposits will become even more acute against the background of the demographic trend. In old age the formation of wealth has largely been com-

1) Empirical support for the theoretical links was provided by the work of Feldstein and Horioka (1980). More modern studies still see a strong link; see overview in Seshaiah (2012). Also see the report by the Centre for European Economic Research (2012) on the research assignment "Sparen und Investieren vor dem Hintergrund des demografischen Wandels" (Saving and investment against the background of demographic change).

pleted, and the savings withdrawal phase starts. The proportion of older people in the population is increasing throughout Europe, which means that withdrawal of savings is becoming a social phenomenon. In a working paper, D'Arista (2008) finds empirical support for this so-called life cycle hypothesis. What is more, in a period of demographic change and low interest rates, institutional investors in particular become a systemic risk as they are subject to the same credit risks as banks, but at the same time are also exposed to considerable market risks (i.e. price declines in the stock market) – a conclusion which is shared by the International Monetary Fund (IMF, 2005).

The world economic outlook has deteriorated as a result of the crises in Ukraine and the Middle East. However, it should not be forgotten that in the European internal market, the lion's share of trade takes place between European states. In order to grow out of the crisis, it is therefore local problems which must be addressed primarily. A prerequisite for more investment, apart from a reasonable return on tangible capital investments, is reliable financial conditions for corporates. Financial intermediaries can meet this condition if loans are matched, preferably by long-term savings deposits. It is precisely this link that was highlighted by the European Commission's Green Paper on long-term financing.

2. From the Green Paper to Letta, Draghi and Noyer – making long-term financing work

2.1 Green Paper on the long-term financing of the European economy

In 2013, the European Commission published its Green Paper on the long-term financing of the European economy. The central focus was the question of how to foster the supply of long-term financing and how to improve and diversify the system of financial intermediation for long-term investment in Europe.

In this Green Paper, the European Commission for the first time expressed positive views on long-term savings products and investments. Specific recognition was given to the French savings account "Livret A", the German Bauspar contract (contractual savings for housing finance) and the Italian "libretto postale" as examples of measures established at the national level to promote long-term savings. On this basis, the usefulness and feasibility of an EU model for a long-term savings product was to be examined.

The Commission then addressed the question of how long-term financing of the European economy can be enhanced and, among other issues, considered the capacity of the financial system, and especially the commercial banks, to channel savings effectively and efficiently from private households. Households are the main source of funds to finance investment. However, short-term savings are their most preferred instrument. Liquidity and easy redemption are particularly important to households. Stability is a high priority. Given this background, the Commission saw a need to mobilise more long-term savings.

In its Green Paper, the European Commission also laid out in greater depth its views on reducing the "dependence" of the real economy on the banking sector and instead promoting alternative forms of debt financing. However, here the Commission disregards the nuances of the banking landscape in Europe, which contribute to the stability of the system. The importance of savings banks and banks organised as cooperatives or in similar form (which can also include the Bausparkassen and credit unions) for the stability of the financial sector had been emphasised by the ECB (Angeloni, 2014) and the International Monetary Fund (Hesse and Čihák, 2007), among others.

2.2 Single Market of the future – Insights from the reports of Enrico Letta and Mario Draghi

The EU seeks to address funding challenges for its ambitious goals such as the green and digital transition, EU enlargement and enhanced security. Letta, Draghi and Noyer all consider the fact that there is an abundance of private savings on the one hand, but a lack of long-term investments.

A central initiative in this effort is the creation of a Savings and Investments Union, evolving from the incomplete Capital Markets Union, which stands at the core of Enrico Letta's report. Letta addresses several obstacles to overcome and make a Single Capital Market work. It envisions a revitalized Single Market as the cornerstone of European integration, adapting to global challenges like climate change, digitalization, and shifting geopolitical dynamics. It emphasizes that the Single Market is not only an economic framework but a political project crucial to maintaining EU competitiveness, resilience, and cohesion.

The report calls for a bold transformation to address systemic inefficiencies and untapped potential within the Single Market. A major proposal is the creation of a Savings and Investments Union, building on the incomplete Capital Markets Union. This initiative aims to mobilize Europe's vast private savings, totalling over 33 trillion Euros, which remain underutilized or flow abroad. By fully integrating financial services, the EU could channel private and public resources toward strategic priorities, including the green and digital transition.

In conclusion, the Letta Report envisions the Single Market as a dynamic, inclusive, and globally competitive platform. It calls for immediate reforms and long-term commitments to safeguard Europe's economic and social future while solidifying its role as a global leader in sustainable development and innovation.

At the same time, Letta promotes the idea of an auto-enrolment EU Long-Term Savings Product, such as workplace savings products or a simplified and upgraded Pan-European Pension Product that already exists but has not been adopted by the financial industry.

The Draghi Report outlines a strategic vision for reinforcing European competitiveness by addressing structural weaknesses in governance, finance and economic policy. Authored under the leadership of Mario Draghi, it emphasizes the need for bold reforms and a unified approach to tackle challenges such as low growth, technological stagnation, and geopolitical instability.

The report calls for improved governance at both the EU and national levels, advocating for streamlined decision-making processes to enhance policy implementation. A shift toward majority voting in critical areas like taxation and foreign policy is recommended to overcome political gridlocks. It emphasizes the necessity of mobilizing both private and public investments to finance long-term initiatives in areas such as green technologies, digital infrastructure and energy security. Europe must leverage its vast pool of private savings (Letta, 2024), while public investment should complement private capital through mechanisms like guarantees, co-financing, and subsidies aimed at de-risking strategic projects.

The report highlights the need to accelerate the green transition by targeting renewable energy deployment, grid modernization, and the decarbonization of industries. Simultaneously, investments in digital infrastructure and innovation are essential to ensure Europe remains competitive in the global tech landscape. Addressing fragmentation within European financial markets is crucial for reducing reliance on external funding sources and fostering intra-European investment flows, making the establishment of a fully integrated Capital Markets Union a priority.

Europe's aging population presents significant challenges that require tailored strategies to ensure fiscal sustainability and workforce productivity. Policies aimed at boosting labour force participation, including immigration reform and upskilling initiatives, are necessary for maintaining economic dynamism. Long-term savings products, however, are only mentioned in the context of pensions.

The Noyer report also stresses the abundance of private funds and the need to redirect them into strategic investments – just like Letta and Draghi did. Key recommendations include the development of nationally tailored, long-term savings products to better channel funds into European markets. These products should restrict liquidity, lack permanent guarantees, offer managed long-term gains, and prioritize European asset investment. In Noyer's eyes, attractive tax incentives are essential to encourage adoption.

The report also advocates for revitalizing the European securitization market by adjusting regulatory and prudential frameworks to encourage risk distribution and liquidity. A unified securitization platform is proposed to increase efficiency, standardization, and depth in European capital markets, bolstering lending capacity without inter-Member State financial transfers.

Lastly, integrated supervision of capital markets is advised to reduce fragmentation, enhance financial stability, and promote competitiveness. This entails reforming the European Securities and Markets Authority (ESMA) and harmonizing oversight for a genuine single market, alongside measures to address settlement fragmentation, potentially via blockchain technology.

3. Survey of long-term savings products in the EU

The Green Paper had launched an important discussion on long-term financing using long-term-oriented savings products, which was no longer carried forward with the necessary intensity in the Commission recommendations. The three aforementioned reports do not take into consideration existing products either.

Although such savings products close an important gap in the present savings and financing landscape that reflects Europe's diversity. Serving this purpose, we would like to shed some light on several EU and non-EU countries' long-term savings-products and derive lessons to be learned for the EU-legislative process.

3.1 Special-purpose savings products

3.1.1 Bausparen (contractual savings for housing finance)

Bausparen is available in the form of special-purpose contracts in a number of EU Member States (Austria, Germany, the Czech Republic, Croatia, Slovakia, Luxembourg, Romania and Hungary). By means of a Bauspar contract, customers pay in regular savings instalments at a specialised credit institution, i.e. a Bausparkasse. After a certain savings period and when the savings have reached a certain volume, the customer, i.e. the Bausparer, has the possibility of taking out a loan for housing purposes. The specific feature of this form of savings is that in general fixed rates of interest on the savings, but also for the later loan phase, are already agreed upon at the conclusion of the Bauspar contract and do not change over the entire duration. The business activities of the Bausparkassen are regulated by special law and specifically supervised by national supervisors and/or the European Central Bank (ECB).

The European Bausparkassen manage a portfolio of approximately 26 million contracts. In total, they administer deposits of more than EUR 200 billion as well as a loan portfolio of approximately the same size. The average Bauspar density, i.e. contract per capita, amounts for instance to 33 percent in Austria and 26 percent in Germany.

Basic principles of Bausparen

One of the principal tasks of a Bausparkasse is to keep the fluctuations in the inflows and outflows of funds of the so-called savings pool as low as possible over a long period of time. The number of Bauspar contracts concluded fluctuates depending on the state of the economy and income trends, which means that the inflows of funds to the savings pool are not constant. This also applies to the outflows of funds from the savings pool. The accumulated savings are known as the "allocation fund". This fund is fuelled by both the combined savings of the potential home buyers during the savings phase and the redemption payments. The allocation fund is used to pay out the contractually agreed sum to customers when their contracts are allocated. They receive both the credit balance in their account and a low-interest loan up to the amount of the agreed sum.

How a Bauspar contract works

A Bauspar contract is divided into four phases: the contract conclusion phase, the savings phase, the allocation phase and the loan phase.

In the contract conclusion phase, the Bausparkasse and Bauspar customer first agree on the Bauspar sum and the other conditions of the contract, the so-called tariff, the saving and loan interest rates and the arrangements for saving and redemption. Bausparkassen offer Bauspar tariffs for different target groups (standard, fast-track or long-term). So-called option or variable tariffs are also offered, in which the customer can choose between several tariff types. This gives him the opportunity to react flexibly even after the contract has been concluded if his savings objective changes during the savings process.

Before customers can draw on their contractually agreed sum, it must be allocated. The allocation is affected when between 40 percent or 50 percent of the Bauspar sum (depending on the tariff) has been saved, a certain minimum savings period has elapsed and/or the target valuation index has been reached. The valuation index reflects the contribution made by the Bauspar customer's savings to the savings pool. It is calculated on the basis of the amount of savings of the Bauspar saver and the length of time they have been credited to his Bauspar account.

The target valuation index also determines the fair order in which allocations are made to Bauspar customers. The Bauspar customer with the highest valuation index in each case has first claim to allocation of the contractually agreed sum.

The loan phase begins with the allocation. The total Bauspar sum, comprising his savings deposits and a low-interest loan, which has a fixed rate of interest until it is finally redeemed, is disbursed to the customer. In contrast to most mortgage loans, the Bauspar customer may also make unscheduled repayments at any time without being liable to early repayment compensation.

Advantages of the Bauspar system from the customer's point of view

The advantages of a Bauspar loan for the customer lie in the following five points in particular:

- usually fixed interest rates in the savings and loan phases,
- generally no risk of interest-rate changes,
- possibility to repay the loan at any time without early repayment compensation,
- rapid freedom from debt,
- second tier security possible,
- generally more competitive mortgage interest rates than standard mortgages,

- generally more competitive interest rates than other consumer credits for loans granted as unsecured credits for energy efficiency renovations in the existing building stock

These advantages are typically not available to those wishing to finance home ownership without Bauspar funds. If a mortgage is taken out, the amount of interest to be paid usually depends on the capital market rates and therefore on the interest rate at which credit institutions refinance.

The Bausparkassen are able to guarantee the low interest rate on the loan (usually below market interest-rates) as they do not depend on the capital market for their refinancing but can have recourse to the special-purpose savings deposits of their Bauspar customers. Moreover, they guarantee this interest rate on conclusion of the contract for the entire lifetime of the Bauspar loan. In the case of most mortgage loans, the interest rate is fixed only for the agreed initial term of the loan, which is usually five, ten or fifteen years. If the interest rate on the capital market has risen at the end of the fixed-interest period, the mortgage can become considerably more expensive in the following years.

Another advantage of the Bauspar loan is that borrowers may make early repayment at any time without having to pay an early repayment penalty to the Bausparkasse. This increases the borrower's flexibility, since he or she can use unscheduled inflows of funds flexibly for his housing finance, thereby reducing his loan burden as a whole.

As Bauspar customers can in practice "accumulate" their creditworthiness during the necessary savings phase, Bausparkassen have no problem in granting subordinated loans. This enables many "home builders" to finance their homes with a well-balanced funding mix and to close the gap between a first-ranking loan and the sum required on particularly favourable terms.

3.1.2 Épargne logement in France

In France, special-purpose contracts concluded to obtain a housing loan are also very widespread. The structure of the original French épargne logement contracts was inspired by the German Bauspar system.

Basic principles of épargne logement

The French savings system, which was originally a closed system, was deliberately changed into an "open" system in 1970. The consequence of this was that in the open system the saver can take out his loan irrespective of the prevailing liquidity conditions if he or she has met the contract requirements. Moreover, all deposit-taking institutions can offer épargne logement contracts, not only specialised institutions, as in the German Bauspar system for example.

In France, there are in principle two different "épargne logement" products (EL products): the "compte épargne logement" (CEL) and the "plan d'épargne logement" (PEL). The legal basis for the épargne logement products is a decree issued by the competent Ministry.

Both products can be offered by any credit institution in France for customers who are taxable in France. The characteristics of the EL products are independent of the supplier. Investment income from both products is subject to social security contributions, but not to income tax (provided that a certain savings period has not been exceeded). The interest on savings for both products is fixed by the government but is based on the interest on savings for the "Livret A" savings account (see below). The interest on loans corresponds to the interest on savings plus a supplement known in advance.

The state grants a bonus rate on savings for both products, although this is disbursed only if a housing loan is in fact taken out and a minimum savings period has been completed..

Product characteristics of the compte épargne logement

The initial deposit for the CEL must amount to at least EUR 300 and the further monthly instalments paid in must be at least EUR 75. A minimum of EUR 300 must remain in the savings account. Amounts in excess of this may be withdrawn without detriment to the government support. A maximum of EUR 15,300 can be saved. The minimum savings period to obtain entitlement to a loan is 18 months. After this period, a loan can be obtained amounting to a maximum of EUR 23,000.

The interest rate on the savings deposits to be granted by the bank is of 2 percent (as of early 2025). This interest rate may change every three months but is usually changed far less frequently. The state pays an additional 50 percent of this interest when a loan is taken out (maximum EUR 1.144) as a bonus to the saver. The gross interest therefore currently amounts to 2.25 percent.

The interest on the loan is not fixed when the contract is concluded. It depends on the interest rate at a specific time and the amount invested plus a supplement of 1.5 percent. For example, loan rights acquired may charge an interest rate of 3.5 percent (2 percent + 1.5 percent). The maximum possible loan amount depends on the amount of the interest accrued (de facto, the amount of the interest costs may not exceed 1.5 times the interest on deposits accrued) and the desired redemption period. The redemption period can be chosen at between two and fifteen years, with a short repayment period enabling higher loans to be taken out than with a longer period.

Product characteristics of the plan d'épargne logement (PEL)

As of 2025, the "plan d'épargne logement" (PEL) initial deposit must amount to at least EUR 225 and the monthly minimum amount is EUR 45. A maximum of EUR 61,200 can be saved. The minimum savings period to obtain entitlement to a loan amounts to 4 years. Anyone withdrawing money within this period loses the entitlement to the loan (anyone who takes out money after the third year retains some loan entitlement). After these four years, a loan can be applied amounting to a maximum of EUR 92,000.

The interest rates are already fixed on both the savings and the loan on conclusion of the savings contract. The interest on the savings stands at 1.75 percent in 2025. The interest on the loan corresponds to the interest on the savings plus a supplement of 1.2 percent. A PEL concluded today therefore offers an interest rate on the loan of 2.95 percent on allocation.

Historically, the government paid a bonus amounting to two fifths of the bank interest rate. This bonus was capped at EUR 1,525. However, the government decided

to abolish the PEL state bonus, meaning that it no longer applies to any plans opened from 1 January 2018. PELs opened since 1 January 2018, are subject to tax at a flat rate of 30 percent, including social security contributions. Savers can alternatively opt for the new income-based tax rate if their PEL was opened in 2024 or 2025.

The interest charges on the loan may not exceed 2.5 times the interest accrued on the savings. The redemption period can be chosen at between two and fifteen years, with a short redemption period allowing a higher loan than a longer period. CEL and PEL can be combined. However, the maximum loan sum in the case of combination also may not exceed EUR 92,000.

3.1.3 Boligsparing for Ungdom in Norway

In Norway, there is a special savings concept designed to encourage young people to save for the purchase of their own apartment or house. This housing savings concept is called "Boligsparing for Ungdom" (BSU), which translates as "housing savings for young people".

A major incentive of the BSU program is the tax benefit. Young people can save up to NOK 27,500 per year and receive a tax deduction (10 percent). The tax deduction requires that the saver has taxable income and does not own (fully or partially) a home. In addition to the annual deposit limit, there is also an overall limit to the amount that can be paid into the BSU account (NOK 300,000). The BSU savings must be used for the purchase of a home or land, the renovation and maintenance of a home or the repayment of a mortgage. If the saver withdraws the money without using it for housing, he or she must repay the tax advantage.

Young people can only have one BSU account until the year they turn 33. The lower age limit for setting up a BSU is 13. Since the savings account holder benefits from a tax deduction, it is recommended to wait until he or she has income.

All banks can offer this special savings account. Usually BSU accounts offer attractive interest rates (currently 5.45 percent-6.40 percent) to make saving even more rewarding.

3.1.4 Konto Mieszkaniowe in Poland

In July 2023, as part of the First Apartment Program ("Program Pierwsze Mieszkanie"), Poland introduced the so-called Housing Savings Account ("Konto Mieszkaniowe") as a savings product specifically aimed at housing-related measures. Financial institutions offering the newly introduced, government-supported First Apartment Loan with a 10-year, state-supported 2 percent interest rate guarantee ("Bezpieczny Kredyt BK2 percent") are required to include the Housing Savings Account in their portfolio.

Such an account can generally be opened by a single person or a married couple, provided that the single person or both spouses are under 45 years old. Additionally, a minor saver can open an account but must be at least 13 years old.

Furthermore, account holders must generally not own or have ever owned an apartment or single-family house and must not hold or have ever held a cooperative housing right. In the case of married couples, both spouses must meet these conditions.

Exceptionally, parents can also open a Housing Savings Account if they live with at least two biological or adopted children in their own property, which is deemed insufficient in size. In such cases, the maximum allowable living space is:

→ 50 m² for 2 children,
→ 75 m² for 3 children,
→ 90 m² for 4 children,
→ unlimited living space for 5 or more children.

Each account holder who makes specific annual contributions to their Housing Savings Account is entitled to receive an annual state Housing Bonus ("Premia Mieszkaniowa").

To qualify for the Housing Bonus, at least 11 monthly deposits of at least 500 PLN each must be made to the account in a calendar year. The maximum monthly deposit is 2,000 PLN (24,000 PLN per year). The savings period must be at least three years and at most 10 years.

The Housing Bonus is credited to the account annually based on specific indicators and is paid out together with the saved amount after the savings period ends. The annual bonus amount depends on the annual inflation rate or the change in housing property prices.

The funds saved in the Housing Savings Account are also continuously subject to interest, calculated according to the deposit interest rates agreed upon with the financial institution. The variable interest rate applied must be at least 75 percent of the interest rate offered by the same bank for a standard savings account available to existing customers for new funds.

Interest earned on the Housing Savings Account is exceptionally exempt from the Polish capital gains tax ("podatek Belki"), which has been fixed at 19 percent since 2004.

Eligibility for state support in the form of the Housing Bonus and tax exemption requires the account holder to use the saved funds, including interest and bonuses, for housing purposes, particularly for the purchase of their first residential property. The account holder has five years after completing the savings period to fulfil this purpose.

3.2 Savings accounts and other savings products

3.2.1 Livret A, Livret bleu

The ‘Livret A’ and the ‘Livret bleu’ are tax-free savings products intended to increase savings and finance social housing in France.

The minimum deposit amounts to EUR 1.50 for the Livret A and EUR 15 for the Livret bleu. Each private individual may hold only one Livret A and one Livret bleu. The Livret bleu is operated by the cooperative banks. The maximum savings which may be deposited in one of these savings accounts amounts to EUR 22,950. The interest rate has been standing at 3 percent since 1 February 2023 but may be lowered in 2025.

The interest is calculated and credited twice a month. The interest income is exempt from income tax and social security contributions. The period of notice is 15 days. Since 2012, the interest on these savings accounts has been linked in principle by a formula to the trend in the Euribor and the inflation rate.

These savings accounts are a very popular investment model in France. Approximately EUR 428.7 billion have been paid into the total of roughly 55 million savings accounts (as of 2024). The Caisse des Dépôts makes available the funds collected from the tax-free Livret A and Livret bleu savings accounts in the form of low-interest loans for social housing. In 2023, according to the Caisse des Dépôts et Consignations’ own statement, these savings deposits were used to issue loans for 120,000 housing units. In 2023, disbursements for social housing totalled EUR 18 billion.

Until the European Commission initiated infringement proceedings against France in June 2006, these savings accounts were operated by only three groups of credit institutions (La Poste, Caisses d’Épargne and Crédit Mutuel). The sums collected in these savings accounts are transferred to the Caisse des Dépôts et Consignations (CDC) in exchange for an intermediary’s fee. The attractiveness of these special savings accounts was also the reason for which the French private banks filed a complaint with the European Commission since they were unable to distribute this form of savings investment themselves. After France had backed down, the European Commission withdrew the referral to the European Court of Justice (ECJ). Since 1 January 2009, these savings accounts can now also be operated by other credit institutions in France.

3.2.2 Livret de Dévéloppement Durable

In addition to the traditional savings accounts and the special savings accounts (Livret A and Livret bleu), there is the Livret de Développement Durable in France. This savings account (formerly the Compte pour le Développement Industriel or Codévi) is a regulated savings account which is also tax-free. At the end of 2023, the total deposits in these savings accounts amounted to EUR 120 billion. The funds saved in these accounts are used to finance energy-saving measures in older buildings, although they also serve to finance small and medium-sized enterprises (SMEs). This type of savings account has existed since 1 January 2007 and replaces the Compte pour le Développement Industriel. It has the advantage that interest income is exempt from social security contributions and tax. Any private individual residing for tax purposes in France can deposit savings in this account up to EUR 12,000 (without capitalised interest).

Since 2003, the interest rate has been the same as for Livret A. The interest rate has been 3 percent since 1 February 2024. There are no regulations concerning the required savings instalments. Likewise, no provision is made for a minimum credit balance. The savings deposits are available to depositors at any time. The interest is calculated every two weeks. The funds collected are used to finance small and medium-sized enterprises (SMEs) in accordance with certain criteria (business turnover up to EUR 80,000,000).

3.2.3 Libretto Postale

In Italy, a savings account can be opened via the national postal service. The savings accounts are issued and guaranteed by the state-owned Cassa Depositi e Prestiti SPA and exclusively distributed by Poste Italiane. Money can be deposited into the savings account on which a variable interest rate is paid. The savings account can be closed at any time.

The Libretto Postale does not incur any opening, closing or management fees. The only costs are taxes at 26 percent on accrued interest and a stamp duty of EUR 34.20 for savings accounts with a balance of more than EUR 5,000.

Poste Italiane has launched a new version of the historic conventional postal savings account, called “Libretto Smart”. The smart offer is presented as a successor to the conventional offer, though both products are currently being distributed. The fundamental difference between the ordinary account and the smart account is that the latter also allows savings to be managed via online and mobile services. In addition, the smart account gives access to “Supersmart” offers with higher interest rates.

As of late 2024, both the ordinary and smart savings accounts offer comparatively low base interest rates at 0.001 percent gross. For minors, this interest rate is of 0,01 percent. However, Cassa Depositi e Prestiti SPA has made available three “Supersmart” products, in accordance with the amendments to the Decree of the Minister of Economy and Finance of 6 October 2004.

First, the Supersmart Open product is available to all smart account holders. Holders of a Supersmart Open account benefit from a locked interest rate of 2 percent per annum gross at a maturity of 360 days. It can be subscribed to from EUR 500 and can be closed at any time.

Second, Supersmart Young, available to Libretto Smart holders aged between 18 and 35, offers a higher interest rate of 2.5 percent gross per annum and a shorter maturity of 180 days.

Third, savers benefitting from the Italian state pension (INPS) are eligible for Supersmart Pensione, a savings account with similar conditions (2.5 percent interest rate and EUR 500 minimum deposit) and a longer maturity of 364 days.

The deposits collected through these savings accounts are used by the Cassa Depositi e Prestiti (CDP) as loans to finance projects of public interest. Since 2003, the Cassa Depositi e Prestiti has taken the form of a joint stock company in which the Ministry of the Economy and Finance holds an 80 percent stake. In 2023, Cassa Depositi e Prestiti managed 260 billion euro of deposits from the Libretto Postale. In the same year, loans to public enterprises amounted to EUR 6.5 billion and loans for infrastructure measures to EUR 2.5 billion.

3.2.4 Individual Savings Account

The Individual Savings Account (ISA) was introduced by the United Kingdom (UK) government for the first time in April 1999 as a tax-efficient method of saving. An ISA enables UK residents to invest money. Interested persons must be either resident in the UK or a member of the armed forces or a Crown servant or their spouse or civil partner if they do not live in the UK. Interest on this savings product is exempt from tax.

There are four types of ISA in the United Kingdom:
- → cash ISA
- → stocks and shares ISA
- → innovative finance ISA
- → Lifetime ISA
- → Junior ISA for children under 18

The maximum amount which may be paid into these savings accounts is limited. In the 2024 to 2025 tax year, the upper limit for all new ISAs was set at GBP 20,000. The allowance can be split across multiple accounts. The tax year runs from 6 April to 5 April. The ISAs will not close when the tax year finishes. The savings on a tax-free basis can be kept for as long as the money stays in the ISA accounts.

Cash ISAs can include:
- → savings in bank and building society accounts
- → some National Savings and Investments products

Stocks and shares ISAs can include:
- → shares in companies
- → unit trusts and investment funds
- → corporate bonds
- → government bonds

Lifetime ISAs may include either:
- → cash
- → stocks and shares

Innovative finance ISAs include:
- → peer-to-peer loans – loans that are given to other people or businesses without using a bank
- → 'crowdfunding debentures' – investing in a business by buying its debt
- → funds where the notice or redemption period means they cannot be held in a stocks and shares ISA

Providers of ISAs are banks, building societies, credit unions, friendly societies, stockbrokers, peer-to-peer lending services, crowdfunding companies or other financial institutions.

4. Inducements to save and savings patterns in Europe

The need for long-term saving has been clearly identified and sufficiently explained against the background of the need for long-term financing or refinancing. However, the question of how to encourage people to save for the long term remains open. It therefore seems worthwhile to clarify some basic aspects.

Saving capacity

The most important prerequisite is disposable income that allows people to save. Only if consumer spending does not permanently exceed disposable income can households accumulate financial assets. Saving capacity is also determined by one's life stage, which in turn is linked to income (childhood, education, working life, retirement) and consumption needs.

Inducements to save

Cross-country studies show a high degree of homogeneity in the inducements to save in all the countries considered, i.e. contingency reserves for unforeseen expenses in life, retirement-age provision and property acquisition. Long-term planning is common to the main inducements to save in the euro area. As a result, savings are less influenced by short-term trends, which in turn explains the relatively stable saving rates over time in the Member States of the European Union.

With the exception of countries in crisis and putting aside the effects of the pandemic, savings patterns and ratios are stable in Europe. In fact, average household savings rates have risen compared to 2024, when the first edition of this paper was published.

Gross household saving rate across Europe, 2013-2023

(percentage ratio of gross saving to gross disposable income)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
European Union	**11,66**	**11,57**	**11,45**	**11,72**	**11,52**	**11,49**	**12,22**	**18,26**	**16,24**	**12,73**	**13,23**
Euro area	**12,12**	**12,33**	**12,46**	**12,52**	**12,40**	**12,44**	**13,01**	**19,37**	**17,27**	**13,59**	**14,15**
Belgium	13,10	12,63	11,59	11,47	11,11	10,87	12,12	19,07	16,63	12,73	14,13
Bulgaria	1,44	-0,54	-1,55	-1,55	-0,77	2,86	-0,77	-1,09	-5,56	-6,63	:
Czechia	11,14	12,16	11,08	10,44	10,77	11,53	11,88	18,73	19,57	18,20	19,44
Denmark	5,06	1,21	8,37	8,87	9,59	9,50	7,91	9,16	5,76	9,68	9,67
Germany	16,37	16,94	17,11	17,10	17,47	18,10	17,82	23,17	21,94	18,94	19,29
Estonia	7,23	6,50	8,40	7,44	8,00	10,94	10,12	12,96	8,59	2,83	3,10
Ireland	12,31	11,03	12,14	11,88	14,21	12,69	14,02	26,22	22,50	15,11	13,61
Greece	-5,33	-0,94	-1,63	-2,24	-3,17	-7,01	-2,42	0,65	4,39	-3,47	-1,93
Spain	8,46	6,98	7,93	7,71	6,30	6,10	8,61	17,62	14,26	9,06	12,05
France	13,87	14,15	13,61	13,41	13,67	13,54	14,24	20,03	18,67	16,46	16,52
Croatia	7,25	9,96	8,47	10,80	9,08	9,54	9,47	13,65	12,33	7,56	11,22
Italy	11,48	11,80	11,10	11,21	10,87	10,63	10,42	17,78	15,78	11,60	10,69
Cyprus	2,32	-0,05	2,00	2,91	2,52	4,01	6,39	13,54	14,99	12,28	9,85
Latvia	-3,30	0,53	3,52	4,60	5,62	6,76	8,60	14,06	10,43	3,12	5,39
Lithuania	-0,52	-1,69	-0,99	1,89	-3,97	-2,65	1,75	11,72	10,14	4,75	6,82
Luxembourg	15,52	15,43	13,37	12,11	13,30	12,68	14,74	25,72	18,19	18,17	18,06
Hungary	12,77	13,06	12,81	12,54	12,93	15,30	16,17	17,07	18,67	16,47	18,96
Malta	3,85	4,25	8,03	11,14	12,02	11,06	12,99	22,99	20,20	13,18	11,42
Netherlands	14,08	14,85	14,08	15,39	13,18	13,91	16,20	22,00	19,10	14,38	14,55
Austria	12,96	13,27	13,02	13,74	12,82	13,41	13,04	19,15	17,26	14,97	14,91
Poland	5,85	7,77	6,49	8,05	5,49	4,98	6,18	12,79	5,10	1,02	2,41
Portugal	9,04	6,58	7,47	7,30	6,54	6,94	7,00	12,05	10,95	7,33	7,99
Romania	-6,55	-9,12	-8,90	-6,13	-5,79	-12,79	-1,16	1,58	-1,91	-7,24	-6,76
Slovenia	11,19	11,40	11,76	12,10	12,98	13,58	13,43	22,56	17,59	13,40	14,26
Slovakia	7,33	8,38	9,36	9,56	7,39	10,24	9,76	11,70	11,45	5,80	7,21
Finland	9,01	8,41	8,23	7,75	8,52	9,26	11,05	14,46	12,48	10,01	10,21
Sweden	15,70	16,24	14,24	15,44	14,52	15,51	17,40	17,84	17,52	14,68	16,26
Iceland	-0,94	0,74	:	:	:	:	:	:	:	:	:
Norway	12,86	13,55	15,24	12,79	12,58	12,16	13,29	18,93	18,89	11,41	:
Switzerland	22,41	23,39	22,45	21,90	20,95	20,42	21,69	26,06	25,52	22,33	21,97
Serbia	1,12	0,66	1,37	-0,88	-3,93	2,53	2,43	9,31	9,25	5,89	4,43
Türkiye	11,80	13,28	13,68	14,04	15,43	14,40	12,60	11,36	11,55	10,50	9,13

Source: Eurostat

5. Conditions for the mobilisation of long-term deposits

When the first edition of this paper was published, consumers and banks were faced with low interest rates on both short-term and long-term deposits. As real interest rates on long-term deposits turned negative, the value of savings eroded and could not compensate for the loss of liquidity and the postponement of consumption. This was an unprecedented phenomenon in monetary history. Households continued to save, however, because precautionary funds for retirement and unforeseen events were simply too powerful a driver to be deterred by low interest rates.

This period was followed by a return to high inflation rates and, subsequently, rising interest rates. The reversal of this trend was a major challenge for the financial sector.

Against this background, banks will continue to play a crucial role as financial intermediaries in long-term investment financing. They help to reduce information asymmetries, diversify risks and meet customer needs through financial innovation. The diversity of Europe's financial institutions is conducive to an optimal matching of supply and demand. Notably, the Bausparkassen — low-risk, specialized financial institutions regulated by specific laws — have proven their resilience during financial crises, offering stability through their sustainable business model and secure financial structures.

In Germany alone, more than 22 million Bauspar contracts illustrate the critical role of these institutions in coordinating savings deposits and financing needs across time and risk patterns. Bausparen, a unique form of homeownership financing in Europe, enhances the diversity of the banking sector, enriching the product offerings available to customers. Therefore, we advocate for a European regulatory approach that nurtures, rather than diminishes, the role of financial intermediaries, fostering diversity and enhancing competition in the banking sector.

5.1 The role of diversity in financial institutions

Financial institutions in Europe, including public law banks, savings banks, cooperative banks, Bausparkassen, building societies, and Pfandbrief banks, operate under various national legal frameworks. Many of these institutions serve specific regions or sectors, thus contributing to a rich diversity within the European financial landscape.

Future European legislation must acknowledge these differences to ensure that financial systems across Member States remain adaptable and resilient. We support all proposals that recognize the diverse structures of the European credit sector, ensuring that institutions such as Bausparkassen — which already practice strict segregation of commercial and investment banking — continue to thrive in their specialized roles. These institutions operate under national regulations that prohibit risky transactions, ensuring stability by restricting their activities to accepting customer deposits and offering Bauspar loan contracts, primarily for owner-occupied residential properties.

Moreover, these institutions are prevented from engaging in other high-risk banking activities, such as capital investments or consumer credit. This model of segregation is crucial for maintaining stability within the financial system, as it isolates Bausparkassen from market volatility and fosters trust in their services. Therefore, it is important for European policy to support and maintain such models, allowing for the continued segmentation of banking services and minimizing systemic risk.

5.2 Creating an internal market for savings products

As illustrated, the market for savings products largely remains national, primarily due to differing tax and legal systems across Member States. Despite the existence of the European single market for over three decades, cross-border access to savings products has been hindered. This is especially evident in the single currency area, where consumers should have the opportunity to engage in cross-border savings products without encountering significant barriers.

Current obstacles are partly due to the restrictions imposed by European private international law, particularly under Article 6(2) of the Rome I Regulation, which prevents the “export” of credit contracts to other Member States. This regulation forces contracts to comply with the national laws of the consumer's country of residence, particularly in terms of consumer protection, which complicates cross-border transactions.

To address this, we urge the European Commission to eliminate these barriers by creating a more unified approach. One potential solution could be the establishment of an optional legal framework for cross-border savings products. This framework would coexist with national legal systems and allow contracting parties to select the applicable law for their agreements. Such a system would foster competition between legal frameworks, giving consumers greater flexibility and protection when engaging in cross-border transactions. It would also ensure that the interests of consumers are safeguarded while promoting the development of a more integrated European financial market.

5.3 Creating incentives for long-term savings

Europe can also create stronger incentives for long-term savings by leveraging fiscal policy and financial incentives. Promoting the accumulation of equity, capital can be accomplished through relatively straightforward policy interventions. For example, governments could offer tax incentives or direct financial support for savings, contingent upon certain conditions such as a minimum holding period for the savings, specific purposes for the funds, or income thresholds to target particular demographics.

The government could introduce a framework of financial support tied to long-term saving products, rewarding savers with preferential tax treatment or government-backed savings plans. This approach could take the form of matching contributions, tax exemptions for returns on savings, or direct subsidies for qualifying savings accounts, particularly for retirement or housing purposes.

Additionally, governments could encourage long-term saving by offering higher returns on savings vehicles that are intended for specific, long-term goals, such as retirement, education, or homeownership. This could include bonds or savings accounts that provide higher yields over extended periods, along with guaranteed government-backed protection.

5.4 Promoting financial literacy and awareness

For long-term savings incentives to be effective, financial literacy must be improved across all demographics. A well-informed population is better equipped to take advantage of savings products, understand the implications of interest rates, and make informed decisions about where and how to invest for their future. The promotion of financial literacy should be part of national and European-wide campaigns that educate citizens on the benefits of saving early, understanding compounding interest, and planning for retirement.

Moreover, financial institutions can partner with governments and educational organizations to provide workshops, seminars, and online tools that help consumers assess their financial needs and choose the most appropriate savings products for their long-term goals. This would also contribute to bridging the knowledge gap that often exists between high-income and low-income households regarding financial planning and wealth accumulation.

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