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Presentazione della ricerca: Retail Investments in Europe | Wealth Allocation and ISA, ISK, PEA, PIR Role and Usage

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Initial Thoughts

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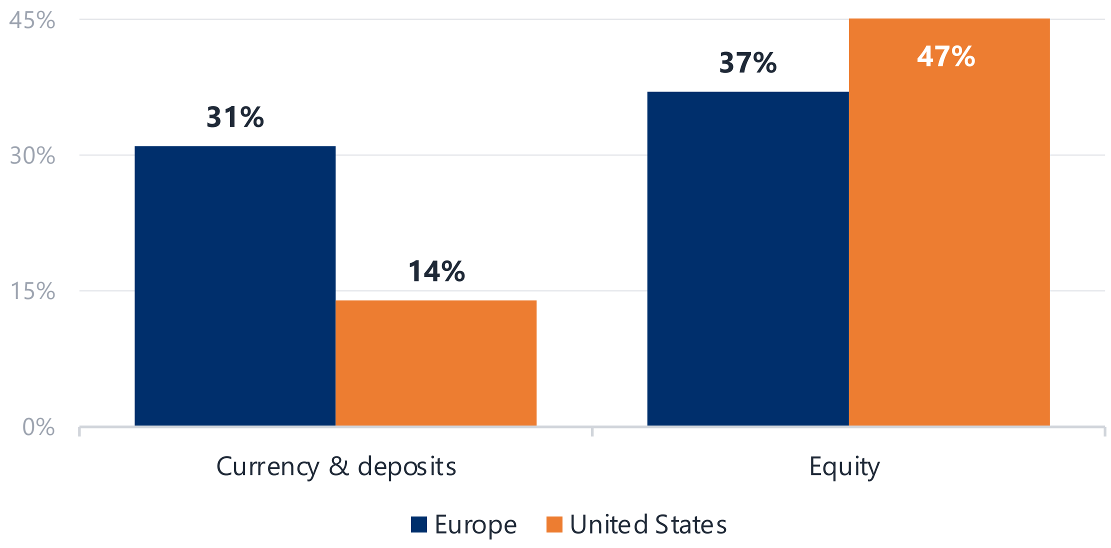
European households hold far more in deposits and far less in equity than US households



THE EQUITY GAP

Europe holds over twice the deposits of the US and less equity, relative to household financial assets.

Direct investments in listed shares account for 6% in Europe and 3.7% in Italy.

A gap with profound implications for growth, capital-market depth, and wealth accumulation.

Source: ECB data. FRED data (2024). Equity includes direct holdings and equity funds.

The Savings and Investments Union targets five structural barriers to retail investment

Launched in 2024, the initiative recognises the need to mobilise household savings toward productive investment, and identifies five structural barriers to retail participation:

01 **Regulatory fragmentation** — fragmented national frameworks impede cross-border investment.

02 **Financial literacy** — insufficient investor education and financial knowledge.

03 **Cost and tax friction** — high transaction costs and complex tax-reporting requirements.

04 **Product availability** — limited availability of suitable investment products.

05 **Cultural risk aversion** — preference for low-risk vehicles such as bank deposits and life insurance.

Source: European Commission, Savings and Investments Union (2025).

The analysis unfolds across three layers of comparison

01

Household Balance Sheets

Divergent allocation patterns of Italian, French, British and Swedish households over more than two decades, with the architecture of national pension systems, housing taxation, and historical capital-market trajectories as principal structural determinants.

02

Retail Investment Instruments

The Italian PIR, the French PEA, the Swedish ISK and the United Kingdom ISA, four schemes that, despite a shared headline objective, embody markedly different design philosophies and treatments of liquidity, eligibility and taxation.

03

Final Thoughts

Diffusion rates and accumulated assets span almost two orders of magnitude across the four jurisdictions, illustrating how the link between intent and result is mediated by the specific form the instrument takes in the hands of the saver.

PART 01

Part 1. Overall Wealth Composition

A. Financial vs Non Financial

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Overall Wealth Composition: Financial vs Non-Financial Assets

NON-FINANCIAL ASSETS

Predominantly residential real estate

Provide

Housing services, potential appreciation, psychological security

But

Illiquid, indivisible, geographically concentrated

FINANCIAL ASSETS

Deposits, equity, debt, insurance, pensions

Offer

Liquidity, divisibility, diversification, easier rebalancing

But

Expose households to market volatility, require greater financial sophistication

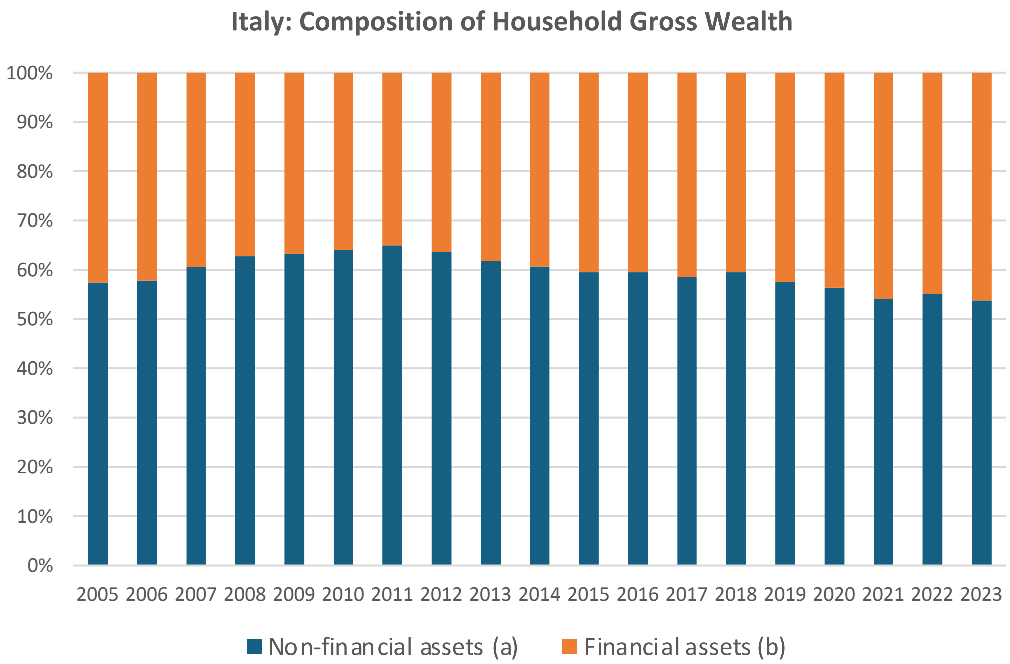
Italy: Gradual Rebalancing Toward Financial Assets

STRUCTURAL BIAS TOWARD NON-FINANCIAL ASSETS

Italian household wealth exhibits a pronounced structural bias toward non-financial assets, reflecting deep cultural preferences for property ownership, favorable tax treatment of primary residences, and historical skepticism toward financial markets following multiple banking crises.

35-46%

Financial share of household wealth, 2005–2023 range



Source: Authors' elaboration based on data from Istat and Banca d'Italia

The financial share rose gradually to 46.2% by 2023, an 11.2% rebalancing over twelve years

REBALANCING MAGNITUDE

11.2%

Financial share, 2011-2023

For a household with €500,000 in total wealth, this is €56,000 moving from real estate to financial assets.

FOUR REINFORCING DYNAMICS

Market appreciation

Global equity bull market and post-2016 / pandemic-era rallies outpaced real estate appreciation

Active reallocation

Positive net flows into equity funds, direct equity purchases, and a surge into debt securities in 2022-2023

Policy & institutional

ECB accommodation compressed safe-asset yields; pension reforms grew private participation

Demographic shifts

Younger, digitally-fluent cohorts show higher equity propensity than older generations

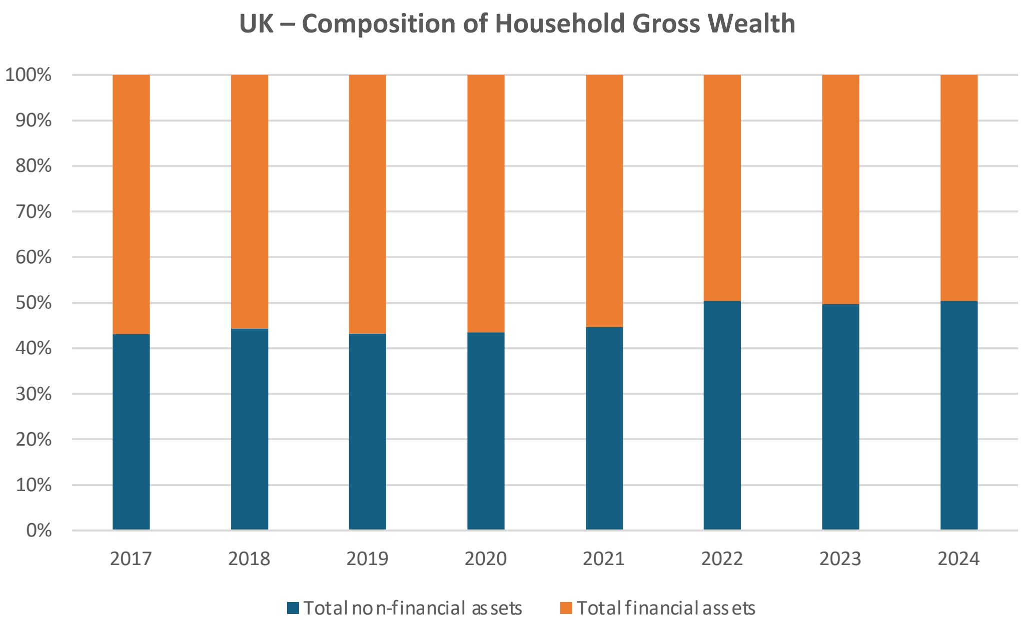
United Kingdom: Balanced Wealth Structure with Pension Dominance

BALANCED WEALTH COMPOSITION

The UK presents a more balanced wealth composition compared to Italy. Non-financial assets account for approximately 43-50% of total household wealth over 2017-2024, substantially lower than Italy's 54-65% range and closer to parity between real estate and financial wealth.

57-50%

Financial share of household wealth, 2017–2024 range



Source: Authors' elaboration based on data from ONS

Four structural factors explain the UK's higher financial asset share

Pension system architecture

Three-pillar structure (state + occupational + personal) channels substantial household savings into financial markets throughout working lives.

Automatic enrollment

Since 2012, over 10 million workers have been enrolled in workplace pensions, channeling billions of pounds annually into equity and bond funds.

ISA utilization

Annual subscription of £20,000 with no lifetime cap enables substantial tax-advantaged accumulation, a cornerstone of UK household savings.

Financial sector depth

London's global financial center provides sophisticated services, competitive pricing, and high financial literacy levels.

Giannetti & Laeven, 2009; Daminato et al., 2024; von Gaudecker, 2015

France: Remarkable Stability Through Multiple Cycles

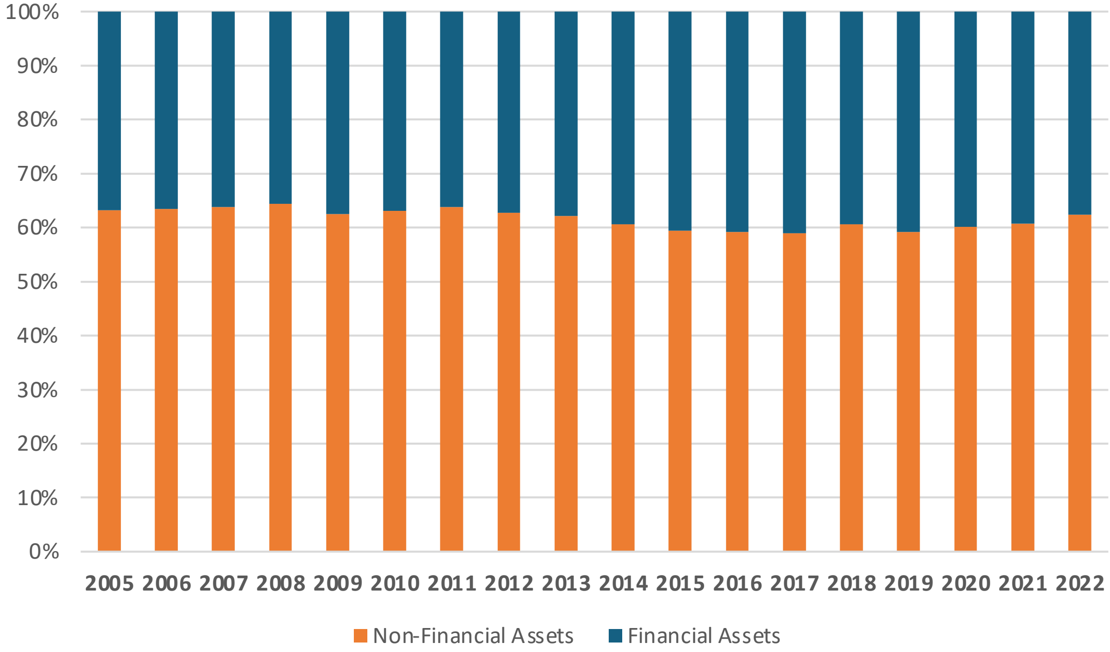
EXTRAORDINARY STABILITY

France exhibits the most stable wealth composition among the four countries. Non-financial assets consistently represented approximately 50-65% of total household wealth over 1998-2022, while financial assets accounted for 35-38%. This stability spans the dot-com bubble, the 2008 financial crisis, the European sovereign debt crisis, and the COVID-19 pandemic.

~25 years

of remarkable stability through multiple crises

France - Composition of Household Wealth



Source: Authors' elaboration based on data from INSEE

Cross-Country Comparison and Structural Drivers

Table 1. Household Wealth Composition by Country (Most Recent Year)

Country	Year	Non-financial	Financial	Primary Driver of Non-Financial	Key feature
Italy	2023	53.8%	46.2%	Residential real estate	Gradual rebalancing toward financial assets
UK	2024	50.3%	49.7%	Residential property, land	Near-parity; pension-dominated financial wealth
France	2022	62.0%	38.0%	Housing (primary + secondary)	Remarkable stability over 25 years

13% difference in non-financial asset shares between the UK (50%) and France (62%) reflects deep structural differences in pension architecture, housing taxation, financial sector depth, and cultural memory.

Table 1 - Authors' elaboration based on data from Istat, Banca d'Italia, ONS and IN!

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Part 1. Overall Wealth Composition

B. Inside Liquidity

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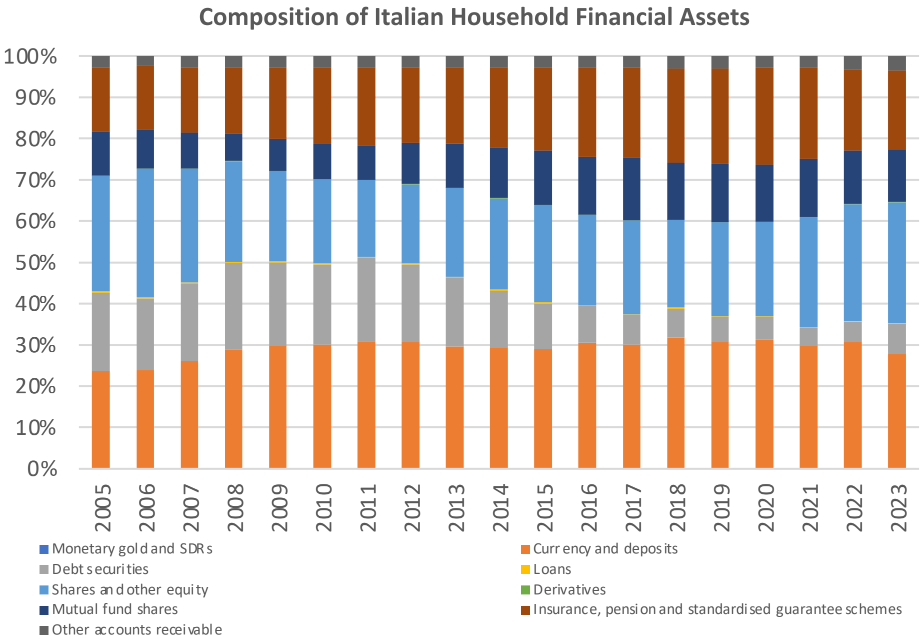
Italy: Conservative Deposit-Oriented Portfolios and Recent Transformation



CURRENCY & DEPOSITS: THE LIQUIDITY PREFERENCE

24-31%

share of financial assets in deposits, substantially above the UK or Sweden

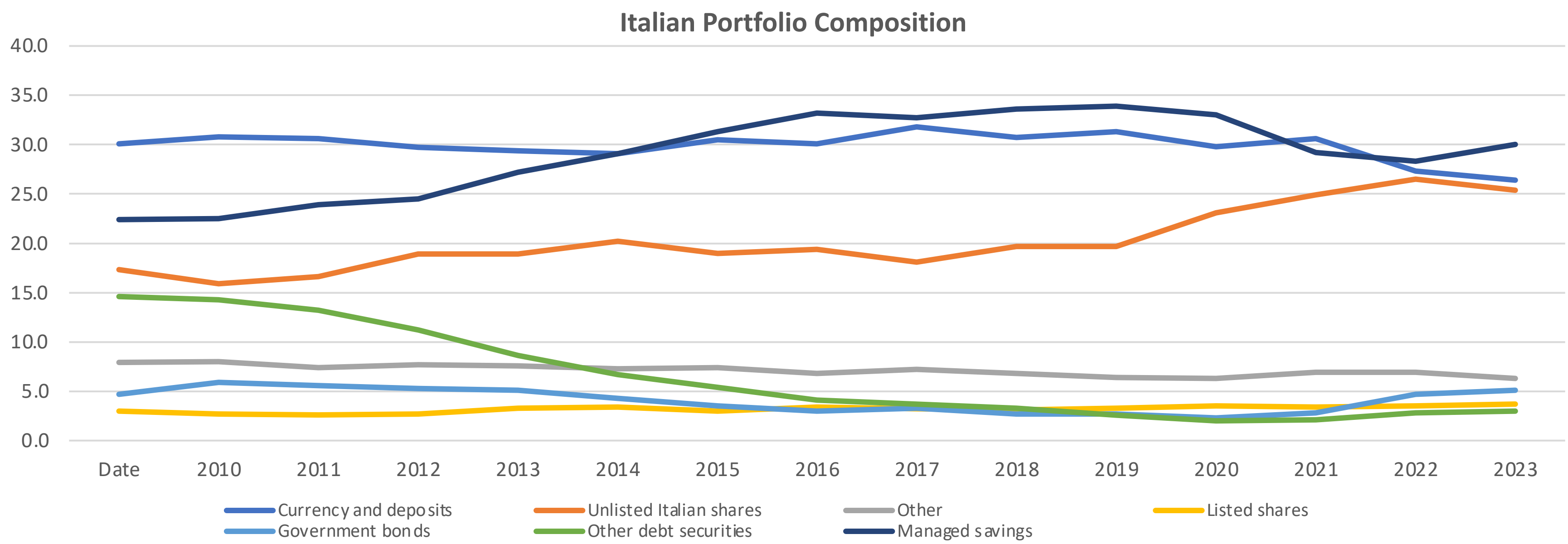
Risk aversion - preserving capital after the banking crises of the 1990s and 2000s

Limited financial literacy - lower than Northern European peers (Lusardi et al., 2017)

Demographic factors - aging population prioritizing capital preservation over growth

Source: Authors' elaboration based on data from Istat and Banca d'Italia

Direct listed equity below 4% throughout 2010 to 2023



Government bond holdings fell to 2.3% of financial assets in 2021 before recovering to 5.1% in 2024, reflecting the success of dedicated retail BTP issuances. Managed savings crossed deposits in 2017 and have remained the largest single category. Direct listed equity held steady at 3 to 4% across all fifteen years, underscoring the structural barriers to equity market participation in Italy.

Source: Authors' elaboration based on data from Istat and Banca d'Italia

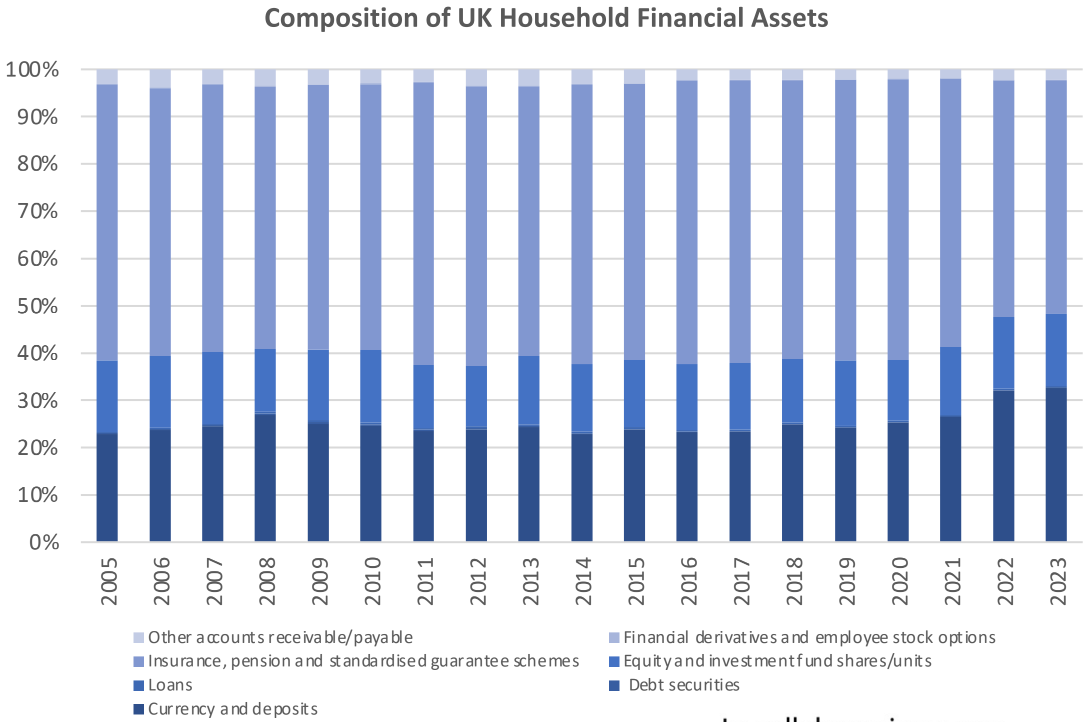
United Kingdom: Pension-Dominated Financial Wealth & ISA

PENSION-DOMINATED PORTFOLIO STRUCTURE

UK households allocate the largest share of their financial wealth to pension entitlements, reflecting the three-pillar pension architecture and the success of automatic enrollment introduced in 2012.

£726B

Total ISA assets, end of tax year 2022/23



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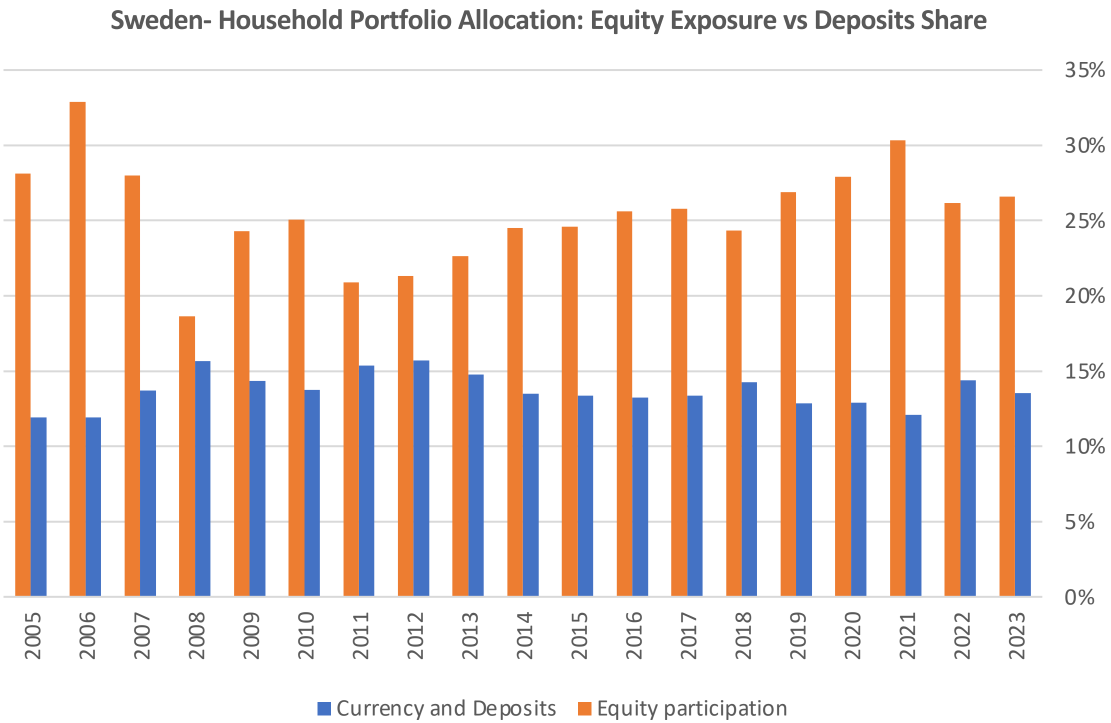
Sweden: High Equity Orientation and Cultural Factors

EQUITY MARKET PARTICIPATION

Swedish equity market participation ranged from 19% to 33% over 2005-2023, with most observations clustering around 25%, substantially higher than Italy or France, and remarkably stable through multiple crises.

>19%

equity participation throughout the entire 2005–2023 period, even during 2008 and 2011



Source: Authors' elaboration based on data from SCB

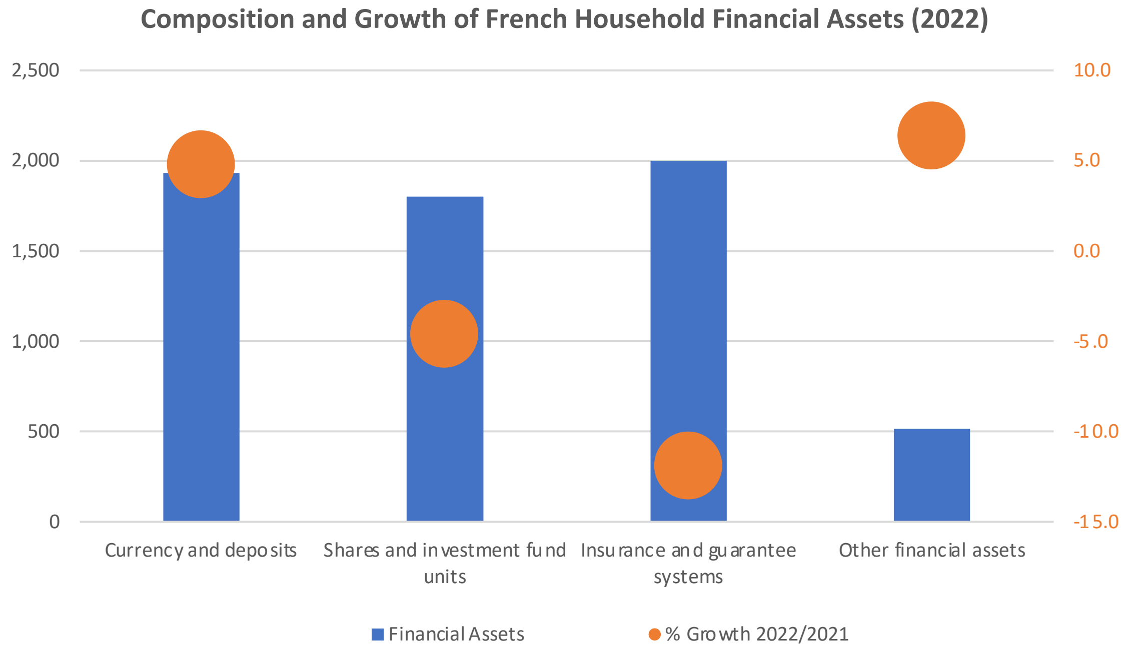
France: Balanced Multi-Asset Approach with Specialized Products

THE ASSURANCE-VIE DOMINANCE

French households allocate a substantial share of financial wealth to insurance products, particularly assurance-vie, which combines tax advantages, capital protection, and estate planning benefits in a single wrapper.

>€1.8T

Total assurance-vie assets, the preferred savings vehicle for most French households



Source: Authors' elaboration based on data from INSEE

Equity Market Participation Trends: three distinct national patterns

ITALY

V-Shaped Pattern and Crisis Vulnerability

40% (2006) → 27% (2011) → 42% (2023)

Crisis-driven collapse with subsequent recovery, illustrating households' cyclical retreat from equity during stress.

UNITED KINGDOM

Cyclical Volatility and Brexit Effects

Notable decline during 2016-2019

Brexit uncertainty drove temporary withdrawal from equities; recovery followed political resolution and pandemic-era stimulus.

SWEDEN

Remarkable Stability and Institutional Foundations

>19% throughout 2005-2023

Premium Pension System and equity culture sustain participation across crises with minimal cyclical sensitivity.

Implications for Capital Market Development

THE EQUITY GAP MATTERS BEYOND HOUSEHOLDS

Household equity participation is not only about private wealth accumulation. The depth and stability of household equity ownership shape the cost of capital for European firms, the resilience of capital markets through cycles, and the long-term financing of innovation and growth.

Cost of capital

Deeper household participation lowers cost of equity for European firms

Cyclical resilience

Stable participation through crises reduces pro-cyclical capital withdrawal

Innovation finance

Long-term retail capital supports IPOs, growth equity and risk-bearing investment

PART 02

Part 2. Retail Instrument Analysis

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Four instruments embody markedly different design philosophies

ITALY 2017

PIR

1.5%
penetration
€19B AUM

Industrial policy: 70% domestic allocation mandate

FRANCE 1992

PEA

13.4%
penetration
€115B AUM

European equity focus with five-year lock-in

SWEDEN 2012

ISK

52.3%
penetration
€176B AUM

Radical simplicity: flat-rate tax, no restrictions

UNITED KINGDOM 1999

ISA

39.2%
penetration
£726B AUM

Universal flexibility, no lock-in, broad eligibility

Italy: Piani Individuali di Risparmio a Lungo Termine (PIR)

HISTORICAL DEVELOPMENT

Introduced in 2017 to channel household savings toward Italian companies, particularly SMEs. The PIR responded to persistently low equity participation, heavy reliance on bank financing, and limited SME access to capital. Unlike earlier schemes elsewhere that emphasized broad-based equity ownership, the PIR was designed with explicit industrial policy objectives, directing retail capital specifically toward Italian companies.

2017

Traditional PIR introduced, industrial-policy wrapper directing capital to Italian firms

2021

"Alternative PIR" introduced, targeting unlisted companies and venture capital funds

European Commission, 2025; Gallo et al., 2025; Caselli and Zava. 2025

The PIR offers Europe's most generous tax treatment, conditional on the most restrictive requirements

THE BENEFITS

Full exemption from income tax on capital gains, interest, and dividends

Inheritance tax exemption: an intergenerational transfer benefit not available in most other schemes

THE CONDITIONS

5-year holding period: early withdrawal forfeits all accumulated tax benefits

70% domestic mandate: in Italian or Italy-established companies

SME sub-quotas: 25% outside the FTSE MIB, 5% outside FTSE MIB and Mid Cap

THE MOST RESTRICTIVE MANDATE *among the four instruments, significantly limiting diversification and deterring risk-averse investors.*

Despite generous tax incentives, PIR adoption has been modest, and is now reversing

€19B

total PIR market

66 traditional + 17 alternative funds

1.5%

adoption rate

of Italian adults

0.5%

of household financial wealth

vs 7.8% for Sweden's ISK

-2.8B **net outflow from traditional PIRs in 2023**

Initial enthusiasm has waned, reflecting disappointing performance of Italian small-cap stocks, concentration-risk concerns, and competition from BTPs and postal savings. Low equity culture and weak product awareness compound the structural constraints.

France: Plan d'Épargne en Actions (PEA) and PEA-PME

HISTORICAL DEVELOPMENT

Introduced in 1992 to promote equity ownership and deepen domestic capital markets. Explicitly modeled on the UK's Personal Equity Plan (PEP), but with a European rather than purely domestic focus. The 2014 PEA-PME variant channels capital toward small and medium enterprises.

TAX FRAMEWORK

After 5 years: income tax exemption on gains and dividends; 17.2% social contributions remain

Effective rate: falls from 30% to 17.2% after the five-year threshold

Early withdrawal: triggers account closure and full 30% taxation

75% EU/EEA requirement a critical distinction: investments must be in EU/EEA companies, excluding non-European equities. Less restrictive than the PIR, but still limits diversification versus the ISK and ISA.

The PEA achieved moderate success, but life insurance dominates French household savings

PEA ADOPTION (END-2023)

€115B

total PEA assets across 7.3 million accounts,
13.4% adoption among French adults

Three decades of stability, a pan-European universe, and active bank promotion underpin the istrument relative success

THE COMPETITION

> €1.8T

in assurance-vie contracts

Life insurance offers tax advantages, capital protection, and estate planning in one wrapper, making it the preferred savings vehicle for most French households and capping PEA adoption.

Sweden: Investeringssparkonto (ISK), a radical departure from capital gains taxation

THE FLAT-RATE MODEL

Introduced in 2012, the ISK replaced transaction-based capital gains taxation with a flat annual levy on account value, 30% of the government borrowing rate plus 1%.

0.888%

annual levy on account value for 2025, with a tax-free threshold of SEK 150,000 (doubling to SEK 300,000 in 2026)

BY DESIGN, THE ISK HAS

No holding period

Funds withdrawn at any time without penalty

No contribution cap

Unlimited capital allocation, unique among the four

No geographic restriction

Globally diversified portfolios permitted

No tax reporting

Automatic; no transaction tracking required

The ISK is the deepest retail investment democratisation in Europe

€176B

total assets

across 3.8 million accounts

52.3%

diffusion rate

highest of the four instruments

7.8%

of household financial wealth

far exceeding all peers

€70B (40% of ISK assets) is invested in Swedish securities

Capital market development emerges as a by-product of mass adoption, without any geographic mandate. The model is now being studied by Luxembourg, Poland and Ireland. Simplicity, flexibility, and an established equity culture drive the result.

United Kingdom: Individual Savings Account (ISA)

HISTORICAL DEVELOPMENT

Introduced in April 1999, consolidating earlier PEP and TESSA schemes into a unified tax-efficient wrapper for both cash and equity. A single annual allowance allocated flexibly across asset types.

FOUR VARIANTS

Cash ISA · tax-free interest

Stocks & Shares ISA · tax-free equity returns

Innovative Finance ISA (2016) · P2P lending

Lifetime ISA (2017) · 25% bonus

TAX FRAMEWORK

- **Complete exemption** from both income tax and capital gains tax
- **No holding period:** benefits apply immediately; withdraw any time
- **No geographic restriction:** full global market access
- **£20,000** annual allowance, no lifetime cap

The ISA achieved the highest scale, but the prevalence of Cash ISAs limits equity market deepening

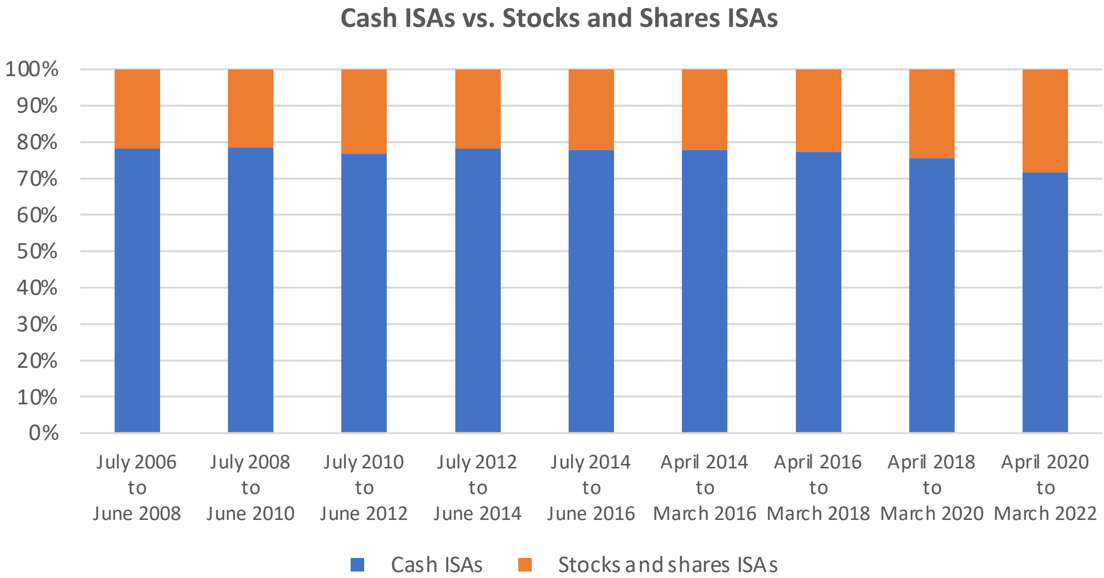
ISA SCALE (2022/23)

£726B

total ISA assets, 39.2% adoption rate, the highest of the four instruments

£431B in Cash ISAs

£295B in Stocks & Shares ISAs



The prevalence toward Cash ISAs, driven by rising rates and equity-market caution, reduces the ISA's contribution to capital market deepening.

Source: Authors' elaboration based on data from HM Revenue & Customs

Comparative Analysis: two design families emerge

INDUSTRIAL-POLICY WRAPPERS

PIR - PEA-PME

Designed around **capital market objectives** first

- Geographic / sectoral mandates
- Five-year lock-in
- Lower adoption (1.5–13.4%)
- Constrained diversification

BEHAVIOURAL-DESIGN WRAPPERS

ISK - ISA

Designed around the **saver** first

- No geographic restriction
- No lock-in
- Higher adoption (39.2–52.3%)
- Simplicity and flexibility

Comparative summary table

Dimension	PIR (Italy)	PEA (France)	ISK (Sweden)	ISA (UK)
Introduced	2017	1992	2012	1999
Holding period	5 years	5 years	**None**	**None**
Geographic limit	70% Italy	75% EU/EEA	**None**	**None**
Annual limit	€40K	N/A	None	£20K
Lifetime limit	€200K	€150K	None	None
Total AUM	€19B	€115B	€176B	£726B
Penetration	**1.5%**	**13.4%**	**52.3%**	**39.2%**

Authors' elaboration based on regulatory data and national statistics, end-2023

PART 03

Part 3. Final Thoughts

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• **Part 3. Final Thoughts**

Italian households allocate over a quarter of their financial wealth to currency and deposits, a structural and persistent feature of the portfolio

EXCESSIVE LIQUIDITY PREFERENCE

27.7%

of financial assets in currency and deposits, Italy, 2024

3.7%

of financial assets in direct listed shares, Italy, 2024

Above the euro area average and roughly twice Sweden's 13.5%. The United Kingdom has recently reached comparable liquid-share levels (34.1% in 2024), but the UK pattern reflects post-pandemic macro conditions, rising deposit rates and equity-market caution after the 2022 rate cycle, whereas **Italy's allocation is structural and persistent**, having remained above 27% throughout the past decade.

ROOT CAUSES

- Cultural risk aversion
- Limited financial literacy
- Historical banking-sector instability

The Italian ISK

Conto di Investimento a Tassazione Forfettaria

Drawing on Sweden's *Investeringssparkonto*, the Italian ISK replaces realization-based capital gains taxation with an annual presumptive tax on total portfolio value. It eliminates lock-in effects, simplifies compliance, and encourages active rebalancing, while providing predictable tax revenues for the state.

Geographically bounded to EEA assets, supporting the European Commission's Savings and Investments Union objectives while channeling Italian household savings toward European equity markets.

Core design features

Flat-rate presumptive tax

Annual tax on the account's average value during the year, regardless of actual returns. Rate = (ECB rate + 1%) × 30%, with a 0.5% floor.

Geographic scope

EEA-domiciled or EEA-listed assets: equities, bonds, UCITS funds, ETFs, structured products. Excludes real estate, commodities, non-EEA securities.

Liquidity and flexibility

Unrestricted withdrawals at any time. No minimum holding periods and no asset allocation requirements, maximizing investor autonomy.

Administrative mechanism

Intermediaries compute the tax on monthly average values and withhold it directly. Investors need not report ISK holdings in tax returns.

Tax calculation methodology

01	**Determine reference rate**	ECB main refinancing operations rate as of 30 November. For 2026, hypothesised at 3.0%.
02	**Calculate presumptive return**	Presumptive return = ECB rate + 1% = 4.0% of average portfolio value.
03	**Apply tax rate**	Annual tax = presumptive return × 30% = 4.0% × 30% = 1.2% of average portfolio value.
04	**Apply minimum floor**	If the calculated rate is below 0.5%, the floor applies. Here 1.2% > 0.5%, so the calculated rate holds.

EXAMPLE An investor with an average ISK balance of €50,000 in 2026 pays €600 in tax (1.2% × €50,000), whether the portfolio gained 15%, lost 5%, or stayed flat.

The ISK becomes advantageous once returns exceed ~4.6% annually

Portfolio	Return	Gain	Standard tax (26%)	ISK tax (1.2%)	Difference
€50,000	3%	€1,500	€390	€600	+€210 (ISK higher)
€50,000	6%	€3,000	€780	€600	**−€180 (ISK lower)**
€50,000	10%	€5,000	€1,300	€600	**−€700 (ISK lower)**
€50,000	−5%	−€2,500	€0	€600	+€600 (ISK higher)
€100,000	8%	€8,000	€2,080	€1,200	**−€880 (ISK lower)**

In equity-like return scenarios (8-10%), the ISK cuts the tax burden by roughly 40–50% versus realization-based taxation, while removing the lock-in effect entirely.

Fiscal generosity is not a reliable predictor of household uptake

MOST GENEROUSLY TAXED

Italian PIR

1.5% adult diffusion, the lowest of the four

CONCEPTUALLY LESS FAVOURABLE

Swedish ISK

52.3% diffusion, the highest in Europe

What consistently correlates with adoption is the absence of friction, no holding-period requirement, broad asset eligibility, simple tax computation, and stability of the regime over time, not the size of the fiscal advantage.

Three propositions emerge from the comparative evidence

01

Tax advantage is not enough

The PIR offers full exemption from capital gains and inheritance tax, more generous than the PEA, ISK or ISA, yet reaches only 1.5% penetration. Fiscal generosity cannot compensate for restrictive design.

02

Simplicity beats complexity

Sweden's ISK and the UK's ISA succeed because they minimise friction: lock-in, reporting complexity, decision uncertainty. Behavioural design dominates fiscal arithmetic for mass adoption.

03

Design for the saver first

Italy needs an investor-friendly tool, not only a capital-markets tool. The instrument must be built around household needs first, and capital-market objectives second.

The international trajectory points toward early, lifelong capital-market participation

UNITED STATES

Government-seeded child accounts

Each newborn receives an initial publicly funded contribution invested in diversified equity portfolios, with families able to add savings over time. The aim: normalise market participation from birth and broaden ownership of productive assets.

GERMANY

Frühstart-Rente

A state-supported account through which children receive recurring public contributions invested in low-cost equity funds or ETFs, with assets locked until retirement. Explicitly pension-oriented.

A common recognition: long-term household resilience increasingly depends on early exposure to capital markets, rather than reliance on deposits or pay-as-you-go public systems.

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