ECONOMIC DEVELOPMENT

Cash, Capital, and Culture: Mobilizing Household Savings to Close the European Investment Gap

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Europe finds itself in an investment crunch. The 2024 Draghi Report called for an extra €800 billion annually to boost innovation and growth across critical sectors. Almost two years later, that ambition remains distant. To close the gap, Europe needs to think creatively about the levers it can pull. One such lever, which we explored at length in a recent report, is changing the financial architecture of pension systems. In this article we focus on another, complementary effort: mobilizing a portion of the roughly €12 trillion in liquid assets held by European households in cash and deposits toward capital markets. How can policymakers and business leaders persuade Europeans to move more of their wealth into productive, long-term market investments?

To understand how this might be possible, we convened a digital forum with more than 5,000 residents of Germany, France, Italy, and Spain, providing us with around 13,000 quantitative and qualitative data points (see the sidebar "Digital Forum Methodology"). We found that cultural norms that steer people away from capital markets run deep. One survey respondent shared that when their father gave them €100 for their birthday, he said, "You can do anything with it, buy video games or drink it away—but don't buy stocks." It's a perspective that reflects the conventional wisdom about European attitudes toward investing.

— Digital Forum Methodology

We convened a seven-week digital forum including both closed, survey-like questions as well as prompts for participants to share their own free-form written commentary. The forum collected inputs from participants residing in Germany, France, Italy, and Spain through online social media campaigns. The forum was introduced as a research initiative that was not intended to gather any information for commercial purposes, led by the BCG Henderson Institute in partnership with Make.org, a European civic engagement platform that specializes in large-scale citizen consultations, using proprietary digital tools and behavioral science methods to gather, structure, and analyze public opinion at scale.

The forum was structured in two parts: one about baseline attitudes toward savings and investment, another specifically to test participants' reactions to proposed reforms that would involve exposure to market risk for pension assets.

The forum collected responses from more than 5,000 participants who gave a total of 6,000 responses to closed, survey-like questions in addition to more than 7,500 free-form comments.

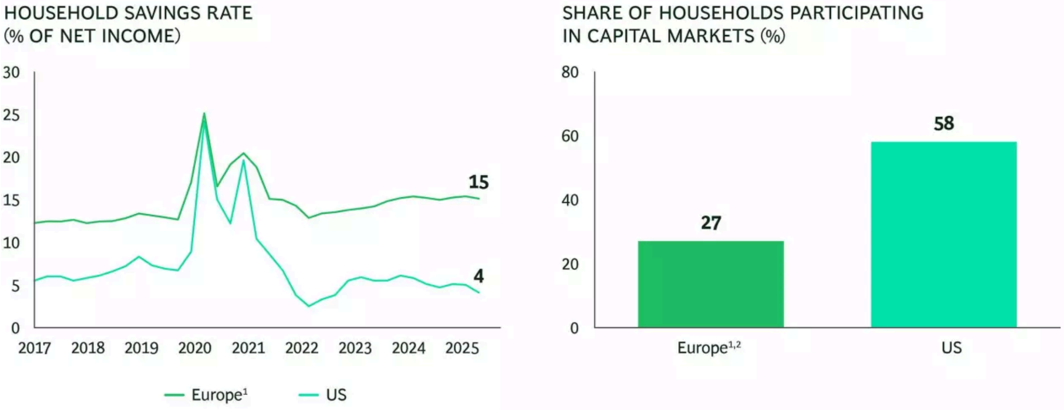
Yet our digital forum also reveals that Europeans are open to investing in capital markets when they are given simple, trustworthy information. We put the power of financial knowledge to the test with pensions, where the stakes can feel highest and the politics are most sensitive. The result? A surprisingly high number of participants proved open to reforms that would move significant capital into market-exposed investments. The success of this test in making Europeans more welcoming toward market-exposed pension investment strongly suggests that similar interventions could help mobilize more household wealth to close Europe's investment gap.

The Risk-Averse Continent

European households are financially disciplined: they save an average of 15% of their net income, compared with less than 5% among US households. But whereas close to 60% of US households participate in capital markets, less than 30% of European households do so (see Exhibit 1). Our digital forum confirmed this picture, with more than 50% of respondents indicating that they keep their savings in low-return vehicles like cash holdings, deposits, insurance products, or other capital-protected instruments.

EXHIBIT 1

Europeans Save More, but Invest Less in Capital Markets Than US Households



Sources: EFAMA; U.S. Bureau of Economic Analysis; Eurostat; BCG Institute analysis.
[1]Refers to the 21 Eurozone countries only.
[2]2022 data.

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The result is lower lifetime returns for European households—and shallower capital markets to support business expansion and overall economic growth.

This gap in attitudes toward market-exposed investment has often been tied to the idea that Europeans are more risk averse. The digital forum we held with thousands of European residents confirms that financial caution is indeed deeply rooted: roughly two-thirds of respondents said they would never take any risk with their savings.

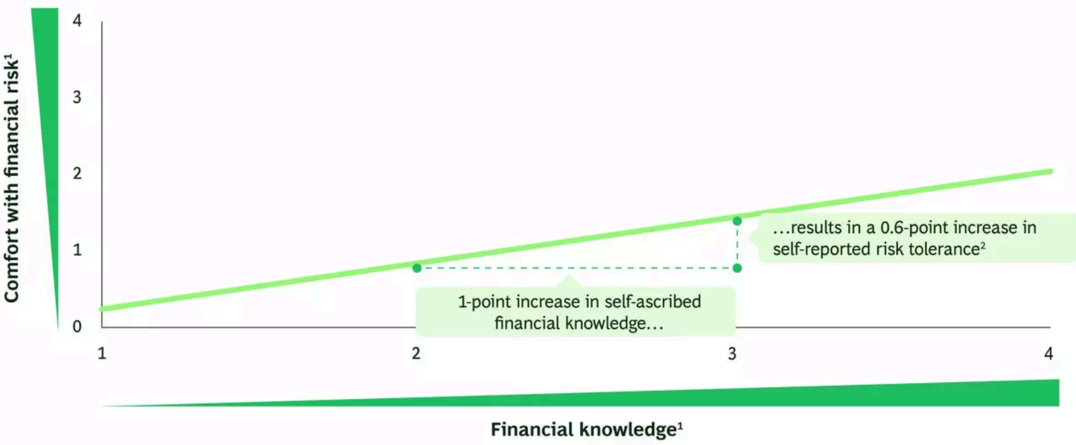
When we asked about investing in capital markets in particular, people's attitudes were even stronger. Some compared capital markets to "a casino." As one respondent put it, "In my family, we were always told that the stock market is like gambling." Others pointed to volatility, unpredictability, corruption, or the sense that ordinary savers are entering a game they do not control. For many households, risk is not experienced as a rational tradeoff that can be managed over time, but rather as something opaque, stress-inducing, and potentially unfair: "Values fluctuate a lot and this is too stressful a risk." Cash, by contrast, is seen as money that cannot suddenly disappear.

These attitudes were not driven by age, as 55% of respondents under the age of 35 said they were not comfortable taking financial risks. In the words of a young French participant, "My parents are very risk averse but financially responsible. Seeing that, I think that simply saving money... should be enough." Nor does the risk-aversion merely reflect individuals' experience of their *own* situation as financially constrained. We asked participants to offer advice to a young person who received €10,000 unexpectedly, but who can only access the windfall when they reach retirement. Two-thirds still steered them toward low-risk or only moderate-risk options, despite the long time horizon that would argue for riskier, growth-oriented investing.

Unsurprisingly, risk aversion goes hand in hand with limited financial literacy. Roughly 30% of participants in our digital forum said that better financial education or advice would make the biggest difference in motivating them to invest. A regression analysis on our results shows that higher self-assessed financial knowledge was strongly correlated with greater willingness to take financial risks across countries and age groups (see Exhibit 2).

EXHIBIT 2

Individuals Who Are More Financially Informed Are More Likely to Take on Investment Risk



Source: BCG Institute analysis.
[1]As self-reported by digital dialogue participants.
[2]Controlling for age and country of residence.

Knowledge Can Temper Aversion to Capital Markets

Our digital forum confirms that Europeans tend to have a reserved attitude toward capital markets, often preferring safety over risk. The prize for shifting these preferences is great: if more household wealth currently sitting in cash and savings accounts were invested through capital markets, Europe could benefit substantially (see Exhibit 3).

To test whether increasing financial knowledge could indeed bring about such a shift, we assessed participants' reactions to a series of pension reforms that increase exposure to capital markets. Retirement and pensions are fiercely protected; therefore, if clear, trustworthy information can make Europeans more open to market-based risk in pensions, it is likely that they would be willing to go as far, or further, with their other savings.

EXHIBIT 3

Most Europeans Are Skeptical the Current Pension System Will Meet Their Retirement Needs

Question: Accounting for the rising cost of living, how confident are you that your country's public pension system will provide enough for you when you retire?

(% OF PARTICIPANTS)

Source: BCG Institute analysis.
Note: Ages are delineated as follows: young (18–34), middle (35–54), old (55+).

We provided financial knowledge that could motivate people to support investing European pension assets in market-exposed instruments: (1) national pension funds, (2) individually funded, first-pillar accounts, and (3) funded occupational pensions. We explored these three reforms in detail in our previous report.

To begin with, we introduced each reform by explicitly explaining the tradeoffs and risks involved in each and asking participants whether they would support implementing them (see the sidebar "Proposed Pension Reforms"). For example, for the reform aimed at creating individually funded accounts within the public (so-called "first pillar") pension system, we told participants that part of today's public pension benefits would still be guaranteed, while a share of their contributions would be automatically invested in the market—resulting in the risk of some capital loss, but also significant potential upside in the long run.

— Proposed Pension Reforms

The following is the information that was presented to the digital forum participants on each of the three proposed pension reforms that we used to test the impact of knowledge on willingness to embrace market-exposed investment.

National Pension Funds. The government could borrow money now and invest it in a national pension fund. The goal is to help pay future pensions so taxes may not need to rise as much in the future.

Key points:

- Benefit: Investment gains could cover part of future pensions, making the pension system more secure in the long run and helping grow the economy.
- Cost: Government will take on more debt, leading to potential reduction in other services or tax increases in the near-term.
- Uncertainty: Investments could gain more than expected–but also result in losses.

Real-world example: Since 2001, New Zealand has invested in a national pension fund that has grown significantly. It now holds the equivalent of €8,000 per resident. The fund is set to start helping pay for pensions in 2028 and will continue for many years after.

Individually Funded, First-Pillar accounts. Imagine if, for the next generation of workers, part of their public pension contributions went into a personal account invested in stocks and bonds. Their guaranteed pension would be smaller, and more of their retirement income would come from the account's returns.

Key points:

- Benefit: Make the overall system more secure in the long run, help grow the economy, and reduce likelihood of higher taxes.
- Cost: The guaranteed pension from the government would be reduced.
- Uncertainty: More risk for each person, because some retirement income would now depend on investment returns, leading to a potentially higher or lower pension.

Real-world example: In the late 1990s, Sweden introduced a system where part of public pension contributions is automatically invested in personal retirement accounts. This approach has made the whole pension system stabler for future generations.

Funded Occupational Pensions. Now assume that your employer doesn't put aside any money today for your pension. Imagine that now, on top of existing salary, they will put an extra 8% of your salary every year into a pension investment account.

Key points:

- Benefit: You'd have a larger pension in retirement, given the extra invested money.
- Cost: Your salaries will not increase much for the next ten years to make up for the added 8% cost to your employer.
- Uncertainty: Investments could gain more than expected, but also could result in losses.

Real-world example: In the Netherlands, Denmark, and Sweden, work-related pensions cover around 90% of workers and are heavily invested in stocks and bonds. Although public pension income is typically lower than in other countries like Spain, France, and Italy, these work-related pensions make up for it and have created a much more sustainable system in the long term.

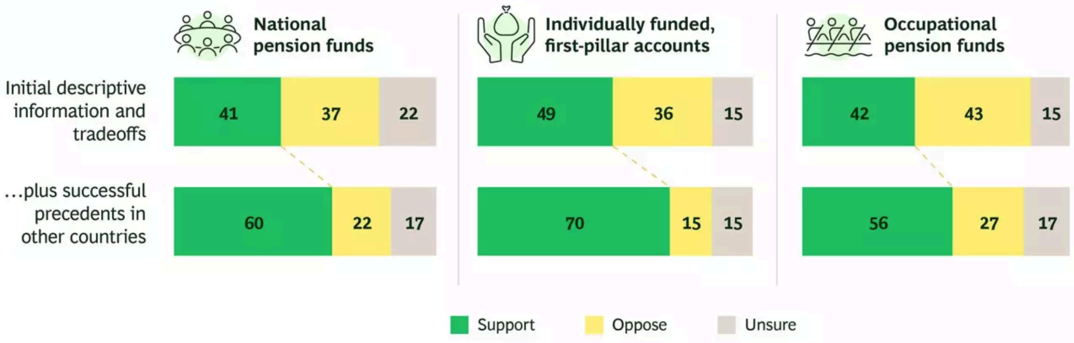
Next, we provided concrete examples of how similar reforms worked in practice in other countries. Again, in the case of individually funded first-pillar accounts, we explained how these were adopted by Sweden in the late 1990s, resulting in most workers automatically investing ~13% of their public pension contributions into capital markets. (For national pension funds, we offered the example of New Zealand's Superannuation Fund, and for funded occupational pensions we turned to the Netherlands.)

Support for these reforms was substantial—44% on average—even with a simple yet clear explanation of the tradeoffs they involved. The additional concreteness and credibility that goes with real-life precedents of successful reforms further boosted support by an average 18 percentage points across the three proposed reforms (see Exhibit 4). These results suggest that resistance to market-based pension reform—and, by extension, market-exposed investment more broadly—is often not a settled rejection of risk itself, but a reaction to options that feel abstract, unfamiliar, or insufficiently explained.

EXHIBIT 4

Financially Informed Europeans Are More Open to Market-Exposed Pensions

Participants who support or oppose pension reforms with market-exposed investment when provided with...
(% OF PARTICIPANTS)



Source: BCG Institute analysis.
Note: "Support" reflects the share of participants who selected "strongly support" and "support"; "Oppose" reflects those who selected "strongly oppose" and "oppose."

Crucially, information alone isn't the solution. As participants in our open digital forum repeatedly emphasized, what's needed is both financial knowledge and credibility, which our verifiable examples of pension reforms in various countries helped convey. As one respondent put it, "Neutral information sources are necessary. Bank employees only sell what the institution dictates and what brings in commissions." Several others complained that the industry "speaks an obscure language" or else offers explanations "for dummies." One person clearly summarized what it would take to trust financial products that involved market exposure and its attendant risks: "I would need someone to explain [it] to me simply, with examples, and then provide summary sheets with the differences between these products."

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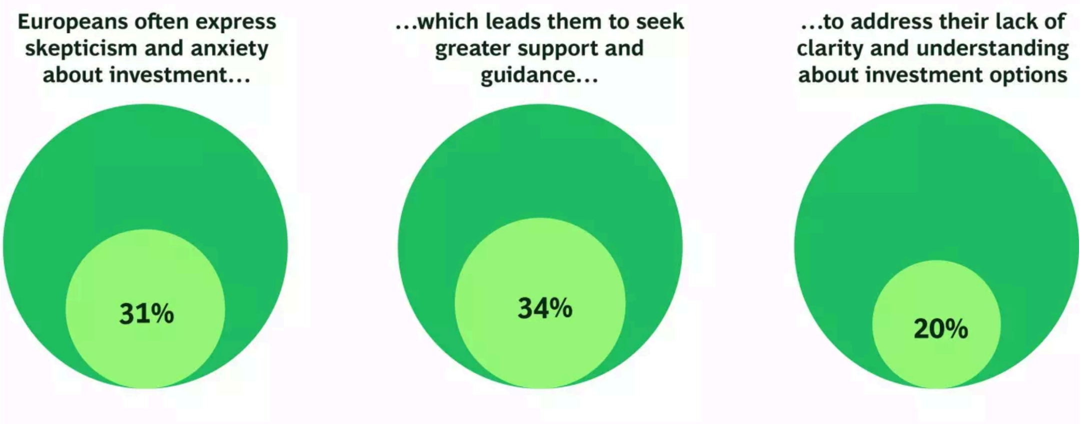
Mobilizing Household Investment

If citizens can become more open to capital-market risk in pensions, there's good reason to expect that the same may be true of household savings. This suggests that both policymakers and business leaders have an opportunity to mobilize a greater share of European household wealth to deepen capital markets and close the region's investment gap.

Rather than offering more products or more choice, clear, trustworthy information sources will be necessary to make this cultural shift. Of the more than 7,500 free-form comments we received, a third expressed skepticism or anxiety when it comes to investments into capital markets, while approximately the same amount conveyed an appetite for greater support and guidance (see Exhibit 5). This is reinforced by responses elsewhere in our forum, where approximately 30% of respondents said that better education or advice would make the biggest difference to investing more. Strikingly, around 40% said that government-vetted options would make them feel more confident about investing in the market.

EXHIBIT 5

Themes Across 7K Open Comments Highlight the Need for Better Financial Education



Source: BCG Institute analysis.
Note: LLM-based categorization of all open comments received through open digital dialogue with European residents. Percentages indicate the frequency with which an idea was expressed across all comments. Individual comments may include more than one idea for purposes of comment categorization.

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Put differently, this open commentary from thousands of Europeans points to two realities at once: skepticism and anxiety remain strong, but so does the demand for clearer guidance and a simpler path into long-term investing.

For policymakers, the priority is to reduce confusion before people invest:

- Embed practical financial education earlier—including in secondary school and vocational pathways—focused on pensions, taxes, credit, inflation, compounding, diversification, risk over time, and fees.
- Create trusted public channels, such as government-backed digital modules and neutral explainer tools, so households are not forced to learn from product sellers alone.
- Simplify the on-ramp with curated starter options and standardized comparisons that make fees, risks, and likely outcomes easier to compare.
- Make the default investment options easier to defend and easier to use—for example, through low-cost diversified options or simple public wrappers that are transparent to navigate.

For business leaders, the priority is to earn trust once people are ready to invest:

- Use clear language and simple product sheets that explain risk, time horizon, diversification, and fees in plain terms.
- Separate advice more visibly from sales, and disclose fees and conflicts in a way that is impossible to miss.
- Use the workplace as a distribution channel for retirement literacy and long-term investing, pairing education with participation in occupational pensions where relevant.
- Help households stay invested through volatility by steering them toward diversified long-term products and communicating through downturns, not just upswings.

Participants even offered their own perspectives about some of the interventions that could make the difference for them. "To make this shift, financial education must be brought to the center of the school system from a young age." Another suggestion involved making it easier for households to compare the tradeoffs involved in various financial instruments: "A direct comparison of every financial product with a standard ETF with low management fee should be mandatory."

Europe will not move more savings into productive investment by offering more products alone—or attempting to transform a widespread aversion to financial risk. Instead, policymakers and business can jointly create an environment of simpler, trustworthy financial education to motivate European households to put their money to work in the market—for themselves and for the sake of the region's long-term growth.

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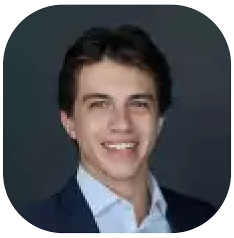

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