Finance Norway's input on a Blueprint on Savings and Investment Accounts

Finance Norway strongly supports the efforts to develop recommendations for the member states' development of a savings and investment vehicle that facilitates retail investors' access to investment opportunities. This enables retail ownership and engagement in increasing European competitiveness in line with the ambitions outlined for the Savings and Investment Union.

To stimulate retail investors to enter the capital market and to take on more risk, accessibility, simplicity and accountability are essential factors. The investment opportunities need to be easy to find, and the investment process needs to be facilitated through channels that are familiar and reliable. Once the investment has been made, the retail investors obligations, like taxation and the potential execution of governance, needs to be digitalised and accessible, as well as stable over time. It is also important that the retail investor can access an overview of their investments and how they develop over time.

It is important to make it easier for retail investors to access different types of equity investments. When households invest in equities, they become more involved in the economy's value creation. This helps them understand and see how value is shared in the economy.

To allow each member state to successfully adapt an SIA to its national tax and pension system, the European Commission's blueprint should be grounded in the following three general principles, as presented in the Nordic financial sector input to a blueprint for savings and investment accounts:

1. **Encouragement:** Member states should be encouraged to introduce SIAs.
2. **National design and implementation:** The specific characteristics of the SIA, including taxation, should be designed and implemented at the member state level.
3. **Best practices:** Any specific features should be based on best practices, ensuring that no existing SIA becomes less favourable than it is today, as this would undermine the blueprint's purpose.

How to stimulate retail investments – The Norwegian experience

Like other Nordic countries, Norway has reformed its pension system. Since 2001, the system has evolved to better address the increased longevity in the population and provide the individuals with increased possibilities to choose how their mandatory second pillar pensions savings are invested. This has improved people's understanding of financial risks and their ability to manage them.

In 2021 Norway introduced the "own pensions account" in the second pillar of the pensions system, consolidating an individual's different pension funds into one account and giving the individual the possibility to choose their pension provider and make investment decisions. This has given the individuals a clearer overview of their total pension savings, which again helps them understand the importance of managing their investments and the impact of their choices on their future financial security. The ability to choose their pension provider encourages individuals to compare different providers and their offerings. This process involves evaluating the performance, fees, and investment options, which enhances their understanding of financial products and market dynamic.

The relatively high level of financial literacy in the Norwegian population stems from the "learning-by-doing" processes ignited by these reforms. In 2017, this was further elaborated by the introduction of two types of investment accounts, similar to accounts seen in other Nordic markets: one for equity investment with no time limit and one for pensions purposes. These are described in some detail below.

The taxation of these savings vehicles is an important factor contributing to their popularity. Tax incentives work, the propensity to use the pensions savings account is directly linked to the amount deductible from normal income. Also, simple handling of the taxation of these savings and investments has been key to their success.

The savings vehicle – the equity savings account (ASK)
The Norwegian ASK was introduced in 2017. The most prominent feature of an ASK is that the consumer can buy and sell shares and equity funds tax-free, if the profit remains in the account. Profit is not taxed until money is withdrawn from the account, and the deposit can be withdrawn without taxation. Any losses are deductible when the equity savings account is closed.

An ASK can be opened with a bank or an investment firm. Possible investments are restricted to providers of listed shares and equity funds domiciled in the EU/EEA. The latter implies includes that investments can be made in EU/EEA equity funds with for instance a global investment mandate. There is no upper limit to the amount deposited in the account.

The establishment of an ASK is normally free of cost. Costs associated with buying and selling shares and funds tend to be the same as incurred outside the ASK.

Since the start of ASK in 2017, about 30 per cent of households have invested in ASK with an average investment of about 0,4 mill Euro. It seems reasonable to believe that tax incentives have stimulated the growth of ASK investments.

However, the ASK must be seen in the context of the how people are saving for their pensions.

The pension vehicle – individual pensions savings (IPS)
IPS is a third pillar savings scheme for retirement savings and provides some tax benefits. It is possible to save up to NOK 15,000 a year with deferred tax the saved amount. Deposits into the IPS is deducted from ordinary income and taxed at withdrawal. The money is tied up until retirement age and can be withdraw it at the earliest at 62 years of age. Saving with tax deferral is possible from the age of 18 to the age of 75.

Withdrawal from IPS takes place over a minimum of 10 years and can be terminated at the earliest when you are 80 years old. The money withdrawn from IPS is taxed as ordinary income, which in 2025 is 22%. The same rate applies to the annual tax benefit based on the amount saved. The amount in an IPS-account is not considered when calculating the annual wealth tax that applies to all Norwegian citizens.

IPS is a crucial part of the third pillar in the Norwegian pension system and is tailored to retirement savings. It is especially beneficial for those who want to save a fixed amount regularly and who do not need to withdraw the money before retirement age. The taxation of the IPS is in line with a classical EET-taxation of pensions.

Various financial institutions, such as banks and insurance companies, provide the IPS product. The investment profile varies among different providers, but many use the IPS as a wrapper where the retail investor can choose what funds to invest in. There are no geographic restrictions to the scope of investments.

From the start of IPS in 2017, approximately 26 percent of the Norwegian work force has invested in IPS. The annual savings are steadily increasing (up 9 percent from 2023 to 2024). In 2022 the annual saving deposits dropped, this was caused by a reduction in the tax-deductible limit for annual IPS deposits.

Two accounts – different purposes

One account for everyday investment – with funds available for needs that occur such as the need to replace consumer durables, buy a home etc., fills one specific need – creating the possibility for greater returns on everyday savings and keeping households in contact with the real economy. The other account for longevity saving, the only difference being longevity, that should be compensated through a stronger tax incentive. The need to keep everything as simple as possible for the consumer, both are provided through a digital interface where reallocation is also easy to achieve.

Both types of accounts can be moved from one provider to another without triggering tax effects. Whether a change of provider will trigger realisation of assets varies from provider to provider.

Call for evidence – Finance Norway comments

Possibility to access a wide range of products through the account.
One of the key elements of success is to allow people to follow their own interests and pursue their investments of choice within the wrapper. Households are a diverse group of potential retail investors. To appeal to a wide range of households with varying risk profiles and investment objectives, SIAs should entail a broad selection of eligible assets, including, but not necessarily restricted to, listed shares and bonds, and all UCITS, ELTIFs, and retail AIFs.

Investments through ASK is also limited to quoted shares or equity funds. The maturity of venture capital markets differs throughout the EU, and it would be unfortunate to restrict the account to listed shares already at the EU-level. However, the blueprint could involve advice on how to view the interface between retail investors and unlisted equity in the member state's part of the market. This should then include factors as maturity, financial literacy, quality of advice etc.

There is a significant home bias among European retail investors, meaning they largely invest in assets within their own country. Increasing retail investor participation in the EU will thus automatically lead to more investments within the EU. Introducing a formal limitation to investments in the EEA-area is therefore not necessary. On the contrary, such a limitation will insolate European projects looking for finance from having to compete with other, better, projects from outside the internal market. In the long run, that will hardly foster competitiveness.

Eligibility of products that could be accessed via a savings and investments account.
Alongside the development of financial literacy, sound investment advice is key in the development of a well-functioning capital market. Use of such advice should be encouraged in the context of a blueprint for SIA.

Easy access to the accounts and to investments including through digital means.
This is of paramount importance. Simple accessibility and handling of investments are crucial to gain retail trust and interest. Generally, ASKs and IPSs are distributed through digital platforms that allow for reallocation of funds directly in the interface. An overview of investments and their development is given in the interface. This is of course the standard way of accessing financial services in the Norwegian market, and what retail customers have come to expect in the financial marketplace.

Easy and affordable portability of the account to other providers
The portability across providers is an important element to foster competition and enable investors' reassessment of providers without tax consequences.

Pre-conditions and limitations on the ability to provide savings and investments accounts to residents in other Member States in order to foster competition and pan-European investments.
As these products are often defined by their taxation, the relative streamlining of products across jurisdictions could facilitate cross border investment. While taxation is connected to the investors domicile. These developments should be left to the market participants.

Tax simplification and tax advantages to be granted to the accounts.
Simple tax handling of these accounts is one of the absolute keys to success. Household taxation in Norway is fully automated, while the taxation of ownership of capital instruments less so. However, the taxation of the ASK and the IPS is fully automated. There is no mapping, counting or calculation needed for correct taxation of these savings vehicles.

Further to this, the tax handling of these investments should be stable over time to ensure foreseeability and consumer trust. The national tax systems play a crucial role in influencing the allocation of retail investments across the different types of assets.