

Five steps to ensure the EU Retail Investment Strategy works for consumers

STEP 5

Ensure easy access to advice and protection for all



What is the problem?

Financial advice is a crucial part of sound financial decision-making. Inexperienced and risk averse consumers need advice to give them the confidence to take their first steps in the investment world. Professional advice can also help EU citizens understand how to invest sustainably, navigating the new EU taxonomy for green products.

But the future Retail Investment Strategy (RIS) could cut consumers off from this resource by forbidding the payment for advice through commission across all the EU, even if this is implemented gradually and with a transitional period.

Did you know?

Across Europe, the most common way of paying for advice is via commission paid to the adviser. This enables consumers to access as much advice as they need and makes it possible to shop around without making a financial commitment.

If commission-based advice is banned across the EU, consumers will only be able to pay for advice themselves through fees. But evidence shows that this is prohibitively expensive for many consumers. Based on a 2021 KPMG study, the average initial fee for advice in Germany would be €360 even though more than half of all investments by German retail clients are for amounts below €5 000, or less than €100 a month.

Did you know?

In many markets, advice for buying an insurance-based investment product (IBIP) is mandatory. In others, although advice is theoretically not compulsory, IBIPs are often considered complex products and cannot be sold on a simple, “execution only” basis.

So, if consumers are not willing or able to pay for advice upfront they cannot access these important products. And this also blocks a major path to reducing the investment, pension and protection gaps.

What are the solutions?

- ✓ Do not limit the ways advice is paid for and ensure consumers continue to have access to as much advice as they wish.
- ✓ Instead of an EU-wide ban, increase transparency on the level of commission in a way that is understandable and useful to consumers.
- ✓ Embed “value for money” principles in the design of products to ensure every cost is proportionate.
- ✓ Bolster financial education to empower consumers to ask the right questions.

