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POLICY RESEARCH

Investor Journeys Around the World

We look at the strategies and tactics governments are employing as they strive to transition savers into investors.

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Executive Summary

Governments across developed markets are increasingly focused on encouraging citizens to move beyond saving and become long-term investors. This shift is being driven by a combination of economic, demographic, and fiscal pressures. Aging populations, growing demands on public finances, concerns about retirement adequacy, and the need to mobilize capital for economic growth have all prompted policymakers to examine how household savings can be directed more effectively into productive investments. Despite often high levels of personal wealth, many households continue to hold substantial amounts of cash rather than investing in capital markets, creating a significant opportunity to improve both individual financial outcomes and broader market expansion aims.

This report is intended to contribute to the policy debate and draws on Morningstar's data, research, and products. In it, we examine how 10 major markets, spanning Europe, North America, and Asia-Pacific, seek to encourage retail investment and how those efforts interact with the environment of the main investment products available to investors. Our analysis considers both the structural factors that shape participation, including taxation, retirement systems, distribution models, and product regulation, and the quality of the experience investors encounter once they enter the market. Together, these factors help explain why some countries have successfully cultivated strong investment cultures while others continue to struggle despite substantial policy intervention.

The research demonstrates that there is no single policy lever capable of transforming savers into investors. Instead, successful markets tend to combine several reinforcing elements. Well-designed retirement systems, accessible investment products, supportive tax policies, effective advice channels, transparent disclosures, competitive fees, and strong investor confidence all contribute to higher levels of participation. Markets that perform well generally benefit from a coherent ecosystem rather than

reliance on any one initiative. Conversely, countries that excel in one area often find that progress is constrained by weaknesses elsewhere.

Retirement savings systems emerge as one of the most important drivers of investment participation. Countries that have embedded investment within workplace retirement arrangements have generally achieved greater levels of engagement with capital markets. These systems create regular investment habits, encourage long-term thinking, and provide scale through pooled assets, exerting a greater influence on participation than stand-alone generalized tax incentives or financial education campaigns. However, they do come with the restriction that the savings will largely be locked up until later life.

At the same time, policymakers and regulators are increasingly attempting to balance investor protection with growth objectives. Following more than a decade during which regulation largely focused on reducing risk and protecting consumers, attention is increasingly turning toward enabling broader participation in capital markets. This has led to initiatives aimed at simplifying disclosure requirements, improving access to advice and guidance, broadening investment choices, and encouraging more informed risk-taking. Across many jurisdictions, regulators are seeking to remove unnecessary friction while preserving appropriate safeguards for consumers.

The report also highlights the importance of the investor environment. Participation is more likely to be maintained when investors encounter clear information, transparent pricing, high-quality products, and strong governance standards. Developments such as value-for-money assessments, enhanced fee transparency, more consumer-friendly disclosures, and stronger product oversight are becoming increasingly prominent across jurisdictions. While approaches differ, the common objective is to build trust and confidence, both of which are essential ingredients in encouraging long-term investing.

A further theme is the growing effort to expand access to investment opportunities, including private market assets that were historically limited to institutional investors. While policymakers see these private investments as a means of both channeling capital toward economic growth and providing more choice and opportunity for investors, they come with challenges related to liquidity, transparency, complexity, and cost. Ensuring that broader access does not come at the expense of positive investor outcomes will remain a key policy challenge.

Ultimately, the most successful markets are those that combine strong incentives with a positive investor experience. The transition from saver to investor depends not only on encouraging participation, but also on creating an environment in which investors can make informed decisions, trust the system, and remain invested over the long term. The evidence suggests that durable success is achieved not through isolated reforms, but through a balanced and consistent framework that supports investors throughout their financial journey.

Key Takeaways

- Auto-enrollment and workplace saving mechanisms have been among the most effective ways to increase engagement with long-term investing.
  Australia's superannuation system stands out as a key example, while EU members such as Germany, Italy, and the Netherlands are in various stages of adopting changes to future-proof their systems.

- Tax incentives are not a cure-all.
  The UK is one country that gives significant tax-advantaged saving opportunities, but the number of investors remains relatively low.

- Investor experience matters as much as market structure.
  Regularly communicated good disclosures, clear information, transparent fees, understandable risk communication, and strong governance all influence investor confidence and engagement. The US combines these with targeted tax incentives.

- All disclosures are not created equal.
  Positive investor experience relies on understandable robust, transparent, and comparable information. Canada's Fund Facts do this well, while the EU Packaged Retail and Insurance-based Investment Products Key Information Document is ambitious in reach but will benefit from prospective updates.

- Trust and confidence are vital.
  It's founded on clear policy and transparent product information. The evolution of Japan's Nippon Individual Savings Account demonstrates policy adjustments that align with investor needs and habits.

- Professional support helps bridge the gap between saving and investing, yet many markets face an "advice gap."
  Steps to fill the chasm between the small number of people who can access and afford professional guidance and the large number of people who could benefit from it, such as targeted support in the UK, are welcomed.

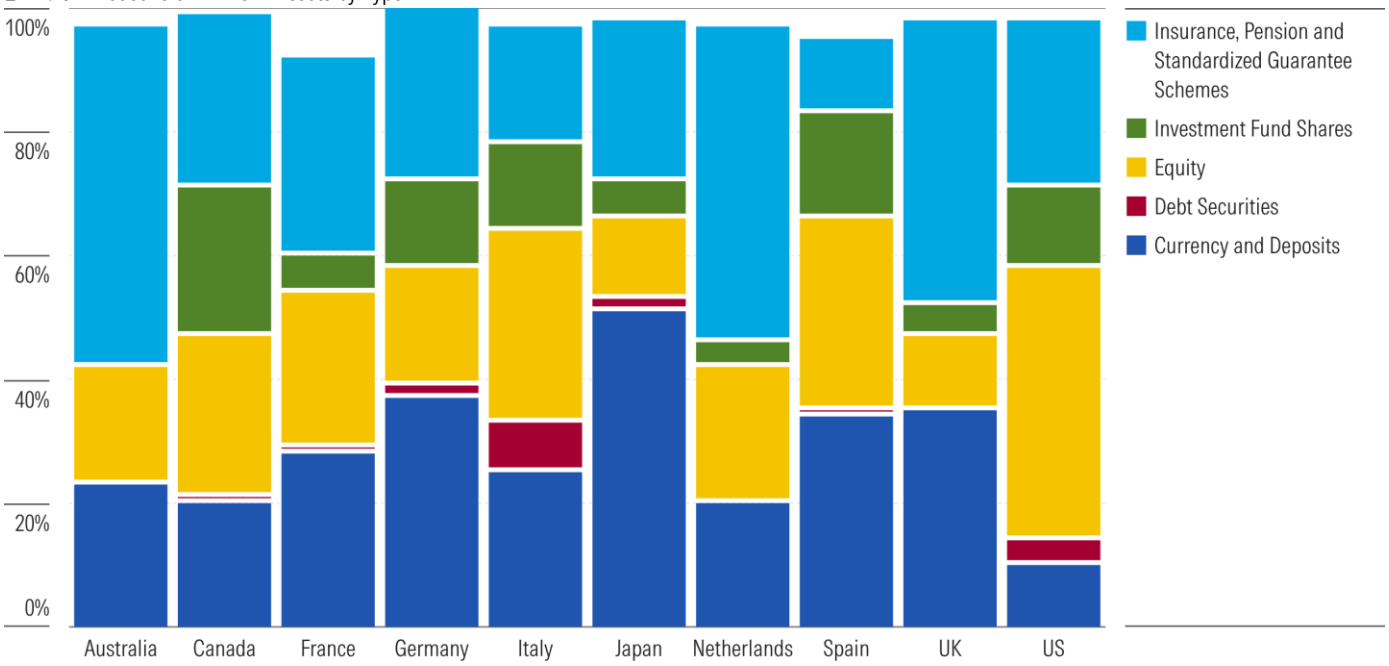
Introduction and Methodology

Governments increasingly view more investment by retail investors as key to economic growth and the stabilization of government finances by reducing financial demands on social programs.

The European Central Bank highlights that EU households save a relatively high proportion of their income compared with other jurisdictions but allocate a large share of their financial assets to bank deposits, leading to significant untapped potential for savings to be channeled into productive investments.[1] The ECB goes on to say that, in aggregate, EU households hold around a third of their financial assets in cash and deposits, with investments in securities amounting to roughly half that share, and if EU households were to align their deposit-to-financial assets ratio with that of US households, a stock of up to EUR 8 trillion could be redirected into long-term, market-based investments.

One caveat to this data is that it does not include real assets such as residential property. Some markets have given favorable tax treatment to investment properties, making this a more attractive investment than traditional markets. For example, Australia has recently adjusted its taxation of property, but the historical approach has led to a significant subset of the population holding property as an investment asset.

Exhibit 1 Household Financial Assets by Type



Source: OECD Annual Financial Balance Sheets. Note: All data is for 2025, except for Japan, which is 2024. Australia data is based on consolidated reporting, all other countries based on non-consolidated. US data is for households and non-profit institutions serving households, as the further breakdown is not available.

1 Longaric, P.A., Banu, E., Bellinghausen, L., et al. 2026. "Closing the gap? Gauging the development and integration of Europe's capital markets." *ECB*. https://www.ecb.europa.eu/press/fie/box/html/ecb.fiebox202605_06.en.html.

The Dutch regulator AFM reported that of the 8.2 million Dutch households, 15% have sufficient financial resources to invest and do so, but almost a third (2.6 million households) currently do not.[2] Of this group that is not investing, 800,000 are households aged 35 to 67 years and not retired, who, according to AFM calculations, may be short of money later in life and for whom it may be appropriate to start investing. They go on to emphasize that any increase in participation must occur within a robust investor-protection framework.

In the UK, the FCA's financial lives survey puts the proportion of adults holding any investments (excluding pension assets) at 35% in 2024, a number that has fallen since its prior survey two years earlier.[3]

On the same basis, the US Federal Reserve's survey of consumer finances shows that 35% of American households owned stocks either directly or through mutual funds in 2022, albeit with significantly higher account balances, as illustrated in Exhibit 1.[4]

The proportion of Americans investing is significantly higher when including retirement assets, in part owing to 72% of the US private sector workforce having access to retirement plans as of March 2025.[5] Retirement assets in the US have shifted from defined-benefit to defined-contribution plans earlier than in most markets, aside from Australia, making investing visible in a way other countries are still seeking.

The extent of state pension provision varies across markets, and a relatively larger safety net can reduce some of the financial pressures and motivations that act as a driver of personal investment in countries with less state provision.

State pensions, however, are under increasing pressure from changing population demographics, with increasing life expectancy, coupled with lower birth rates (as shown in Exhibit 2), adding to the burden of pay-as-you-go state retirement systems.

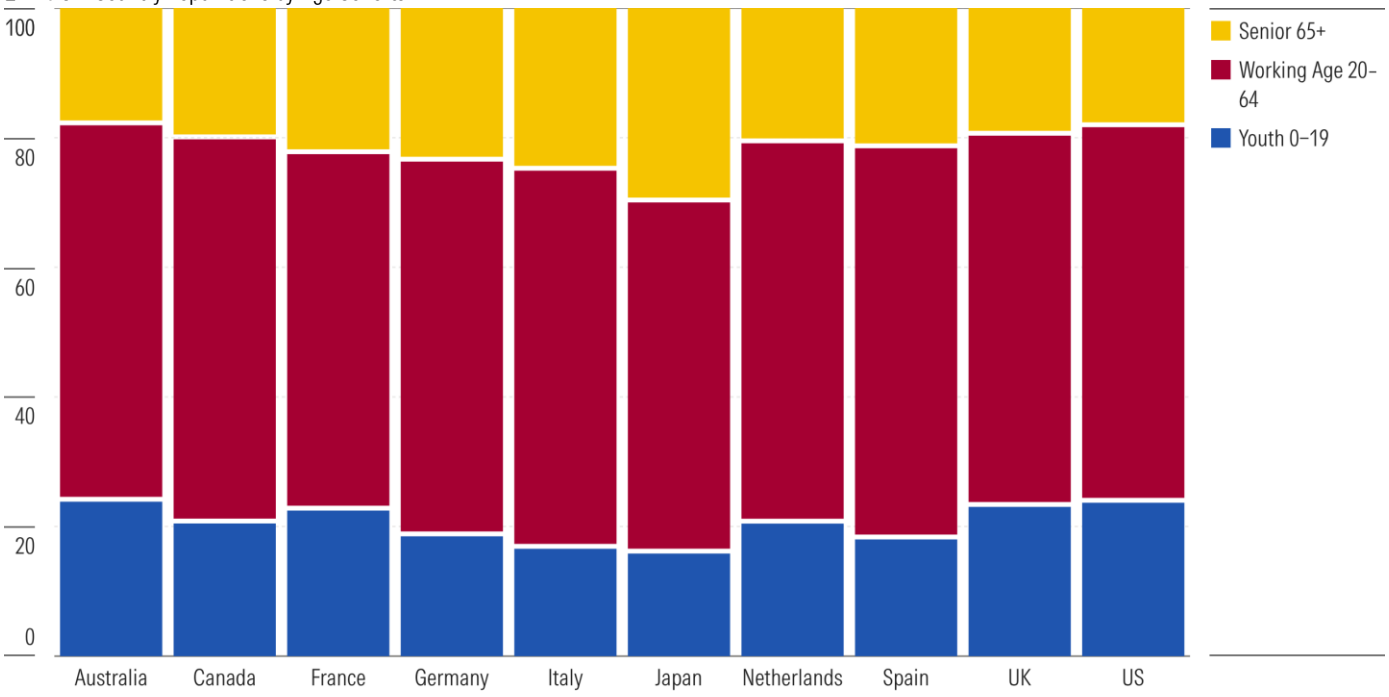
2 Zwirs, B. 2026. "Households miss out on opportunities for higher returns: savings could be put to better use." *AFM*. https://www.afm.nl/en/sector/actueel/2026/mei/pb-onbenut%20vermogen.

3 United Kingdom Financial Conduct Authority. 2025. "Financial Lives 2024: Key findings from the FCA's Financial Lives May 2024 survey." https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf.

4 Federal Reserve. 2023. "Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finances." https://www.federalreserve.gov/publications/files/scf23.pdf.

5 Bureau of Labor Statistics. 2025. "Employee Benefits in the United States Summary." https://www.bls.gov/news.release/ebs2.nr0.htm.

Exhibit 2 Country Populations by Age Cohorts



Source: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects 2024.

About This Paper

This report is intended to contribute to the policy debate and draws on Morningstar's data, research, and products. Our work seeks to identify strategies and tactics that are being used in a range of countries to encourage individual investment and how they dovetail with the main investment products available. Across 10 different markets, we look at which ones have seen success or show promise to do so, such as policy that encourages individual investment, like tax breaks, and at the safeguards for investors, such as effective regulation of funds that promotes transparency and limits misleading information and conflicts of interest. These strategies naturally operate within a country's broader ecosystem of policy and regulation and may not necessarily be easily lifted into those of another country.

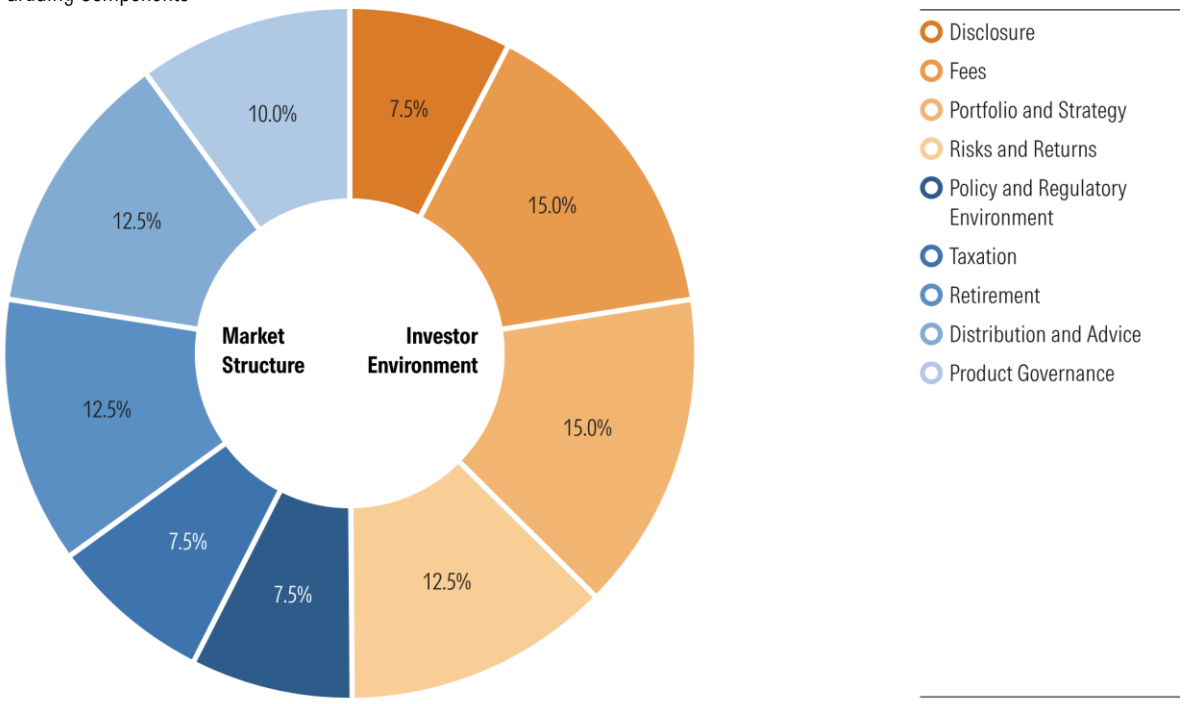
This first analysis focuses on a cross-section of developed markets spanning Asia, Europe, and North America and where Morningstar has extensive data and on-the-ground research analysts, including Australia and Japan, France, Germany, Italy, the Netherlands, Spain, the UK, Canada, and the US. At the investment product level, we primarily consider publicly available open-end funds that typically issue or redeem shares or units daily. We use the term "funds" or "mutual funds" to refer to the various types of open-end vehicles available globally, including investment companies, unit trusts, managed funds, UCITS, OEICs, and SICAVs. It also includes exchange-traded funds, which are an increasingly important way that ordinary people invest in pooled vehicles, and which have been particularly successful in Germany and the US.

Within the commentary on individual markets, we discuss factors that, while not explicitly incorporated into the grading, are still important for understanding a given market. Our commentary focuses more on the market structure aspects, where we find a lot more variability than in the investor environments areas thanks to well-established extensive rulebooks governing the main packaged products in each country.

Approach to Grading

We evaluated markets from two perspectives: policies and regulations that shape the broad market structure and incentivize individuals to invest for their futures; and the requirements on, and practices of, the main investment products used by investors.

Exhibit 3 Weighting of Grading Components



Source: Morningstar analysis.

We evaluated each of these subjects and weighted the subcategories. We considered a wide variety of potential outcomes for each area and scored against the full range. Recognizing that the markets included in our study all start from a strong base, the grades are not always highly differentiated, but we focus our commentary on where the markets diverge to highlight best practices.

We gave equal importance to the aspects of market structure and investor environment, seeing a span of practices that have important, real-world implications for ordinary investors. Markets could be relatively strong in some areas and weaker in others. Our commentary is weighted more toward the market structure elements, where we see a lot more variability across markets, than in the investor experience elements, thanks to well-established, extensive rulebooks governing the main retail investment products.

We considered market structure from five perspectives: the overarching policy and regulatory perimeter, taxation, retirement savings policy, distribution, and investment product regulations. Across the subcategories, we placed less weight in areas with fewer elements that could be directly compared, such as policy and regulatory environment and taxation. In considering the remaining market structure subcategories, we placed slightly less emphasis on product governance relative to retirement and distribution and advice owing to the more direct impact of the latter two on investors.

We gathered information on the regulatory structures, redress schemes, and policy- or market-led initiatives to encourage investing, including plans related to increasing access to private markets. These include efforts that are ongoing and planned, as well as spanning both retail and pension investing.

Recognizing the complexity and interdependencies of tax systems, we looked at taxation from the perspective of any widely available tax-advantaged investment opportunities available to investors.

In the retirement sphere, we considered the range of tactics from mandating to encouraging saving, the availability of help and advice, and the extent of information available relative to open-end funds.

We examined the main features of the distribution and advice markets. In assessing regulatory requirements for advice and distribution, we looked at the degree to which market regulators permit conflicts of interest such as commissions and, if they exist, the degree to which these conflicts are managed and disclosed. We also assessed the availability and role of foreign funds.

For product governance, we looked at board structures, value for money, and liquidity requirements of funds.

For the investor environment, we considered the main open-end investment fund types available to investors from the perspective of disclosures, fees, portfolio transparency, and risk and returns. In weighting the subcategories, we took into account the range of factors considered in each category, with disclosure having the fewest and fees and portfolio and strategy having the most.

We looked at required disclosures predominantly from the perspective of point of sale and ongoing communication requirements for funds to investors.

On fees, we assessed the quality and comparability of fee information that is included in investor-facing documents. We also looked at the prevalence of performance fees and front-end loads.

In addition to regulations and market practices requiring holdings disclosure, we considered the usefulness of investment strategy statements and benchmarks in helping investors understand a product offering.

Similarly to fees, we reviewed the quality and comparability of presale return and risk information. This includes consideration of any risk scores that funds must calculate and present to investors.

Primary sources included regulatory and legislative documents, fund documents, Morningstar analysts, and our independent research.

Grades by Market

In each of the countries we analyzed, we looked first at key aspects of market structures that shape what is available to investors, and second, at the investor experience driven by the products available to them. Factors considered can be found in the Approach to Grading section above, with fuller detail in each following chapter.

Exhibit 4 Summary of Grades

Component	E	D	C	B	A
Market Structure			France, Germany, Italy, Japan, Spain	Australia, Canada, Netherlands, US	UK
Investor Environment			Australia	France, Germany, Italy, Japan, Netherlands, Spain, UK	Canada, US
Overall			France, Germany, Italy, Spain	Australia, Canada, Japan, Netherlands, UK, US	

Source: Morningstar analysis.

Our analysis finds that all 10 markets are reasonably well-positioned to transform savers to investors, but, equally, each market has opportunities to improve the investor journey. Since there is a range underlying each grade, some countries have the same Market Structure and Investor Environment grade but different Overall grades, which reflects rounding in the underlying calculations.

The US gets top marks on investor environment driven by its transparent disclosures that provide investors with robust and comparable information on their options. While generous tax incentives, deep markets, and broad nonmandated retirement savings support the perception of a strong investment culture, the reality is an uneven distribution across the population.

Strong incentives on their own do not always have an impact on investor behavior. The UK scores well with both generous well-established tax-incentivized investment and retirement saving options; a robust regulatory, distribution, and product framework; and high numbers of people contributing to pensions, yet it continues to have persistently high cash savings rates and low equity and fund investment.

In Australia, we find weaker portfolio and performance disclosures than peers but a strong superannuation system, a healthy advice framework, and reasonable fee disclosures, which together provide a strong infrastructure for investment that sees its Overall grade among the leading pack.

Canada is trending toward fewer fee-bundled share classes and picks up marks for the quality of its Fund Facts presale documents, as well as strong retirement and tax-incentivized savings options.

Japan stands out both for its famously high proportion of retirees relative to its population and its excessively high rates of deposit account savings. It is the market that should perhaps be watched most closely given that interest rates are positive and increasing for the first time in many years and it has seen its stock market double in the past two years according to the Morningstar Japan Index. A

gradually improving regulatory environment coupled with its successful tax-advantaged Nippon Individual Savings Account, or NISA, shows signs of some cash being moved to investment. Together, the market graded toward the middle of the bunch on both market structure and investor experience.

The EU countries benefit from a solid base of disclosure and product choice that supports the investor experience, but various EU- and national-level initiatives to grow the investor base are at too early a stage to have had any material impact. For example, Italy has started the introduction of auto-enrollment and Germany is seeking to reform its pension system, with the legislative changes expected to be finalized in 2026. Italy and France have existing tax-advantaged investment accounts, similar to those recommended by the EU, while Spain is also considering their introduction. The Netherlands leads among the EU member states thanks in part to its high workplace pension coverage through sectorwide schemes.

The markets that received lower grades are still sound markets for investors, although they could see better results if regulators and lawmakers emulate best practices from other markets.

Observations: Market Structure

Market infrastructure shapes the environment for investors. We assess it from five perspectives: the overarching policy and regulatory environment, taxation, retirement savings policy, distribution, and investment product regulations.

Exhibit 5 Summary of Market Structure Grades

Component	E	D	C	B	A
Market Structure			France, Germany, Italy, Japan, Spain	Australia, Canada, Netherlands, US	UK

Source: Morningstar analysis.

There is naturally a lot of consistency across the EU member countries, with its retirement system and product distribution framework key factors in differentiating the Netherlands.

The US balances strong tax incentives and solid policies across distribution and product governance with a relatively weaker retirement system from the perspective of universality. Conversely, Australia's strong retirement system and distribution environment are held back from a top score by having fewer tax incentives, relatively poorer disclosures, and lighter requirements on product governance such as board independence and formal fee assessments.

Canada demonstrates reasonable strength in tax incentives and its approach to distribution and product governance but does not score as highly on retirement where investors don't have access to as much standardized product information. Japan shows consistency across the board in the middle or slightly above middle of the pack in all areas, while the UK stands out for robust policies targeting investors through tax incentives and decision support, as well as mandatory workplace pension coverage.

Policy and Regulatory Environment

As policymakers pursue stronger growth, in part by targeting some of the high levels of consumers' cash savings, they are re-evaluating the post-financial-crisis focus on investor protection against more tolerance of risk. The goal is an equilibrium that enables and encourages greater capital market participation by retail investors and a less burdensome operating environment for businesses while ensuring investor protection remains appropriate. This is resulting in a range of rule changes, from simpler reporting by firms to more permissions for retail investors to access a broader range of investment types, including some that were traditionally considered institutional investment options.

The chair of the SEC, where much regulation has been proposed, but not yet implemented, or has been canceled,[6] sums it up saying, "to remain effective, we must modernize the regulatory framework to support innovation while maintaining the core principles of investor protection and market integrity."[7]

European Commission President Ursula von der Leyen, when launching the Savings and Investment Union in 2025, said, "With today's proposal we are achieving a double win. Households will have more and safer opportunities to invest in capital markets and increase their wealth. At the same time, businesses will have easier access to capital to innovate, grow, and create good jobs in Europe."[8] In a debate earlier this year, citing the US as an example, she said, "Here in Europe, we do not only have 27 different financial systems, each with its own supervisor. But also, more than 300 trading venues across our Union. That is fragmentation on steroids. We need one large, deep, and liquid capital market. And this is the goal of our Savings and Investment Union."[9]

In evaluating this area, we focused predominantly on what policy or market-led initiatives exist, or are planned, to encourage retail and pension investing. We also considered but didn't score redress schemes, which all markets have, and regulatory structures, which we think generally affect ordinary investors the least if markets can effectively carry out their regulatory mandates. We also reviewed the evolving measures being pursued to encourage private market investment but have not scored these nascent efforts, pending broader implementation and analysis of the impacts and effects on investors.

Policymaking Developments

We find a range of policymaking initiatives, at varying stages of development, across the countries we analyzed. While many of these exhibit potential to successfully increase personal investing, there is a balance to be struck. Too much policy change, or even rumors thereof, reduces trust and confidence, leading to unintended and, for individuals, potentially costly consequences. This has been particularly

6 United States Securities and Exchange Commission. 2025. *Withdrawal of Proposed Regulatory Actions.* https://www.sec.gov/files/rules/final/2025/33-11377.pdf.

7 United States Securities and Exchange Commission. 2026. *Draft Strategic Plan: fiscal years 2026-2030.* https://www.sec.gov/files/draft-strategic-plan-fy26-fy30.pdf.

8 European Commission. 2025. "Commission unveils Savings and Investments Union strategy to enhance financial opportunities for EU citizens and businesses." https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_25_802/IP_25_802_EN.pdf.

9 European Commission. 2026. *Speech by President von der Leyen at the European Parliament plenary debate on urgent actions to revive EU competitiveness, deepen the EU Single Market and reduce the cost of living – from the Draghi report to reality.* https://ec.europa.eu/commission/presscorner/detail/bg/speech_26_376.

evident in the UK over recent years, where changing pension policy has triggered hasty decision-making driven by tax considerations more than rounded investment planning.[10]

The EU has an entire Savings and Investment Union, or SIU, umbrella of policymaking ambitions seeking to boost retail participation and competitiveness. Twin flagships of this drive are the Market Integration and Supervision Package, or MISP, which we touch on more in the Product Regulation chapter, and the Retail Investment Strategy, or RIS,[11] which aims to encourage more retail participation in capital markets by enhancing investor protection, empowering retail investors to make informed decisions, ensuring investment products offer fair value, and improving financial advice. It also includes provisions to spur action on financial literacy by encouraging member states to help citizens feel more empowered to understand the risks and benefits involved in investing, as well as to critically assess the financial advice they receive.

In the retirement sphere, auto-enrollment policies have successfully boosted the number of people making regular pension contributions. Italy is the newest country to introduce it, albeit on a staged basis. Integrating employers into the operational functioning of auto-enrollment is a model that could be leveraged further by facilitating a channel of advice to cohorts of employees.

Tax systems have also been successfully used to boost savings participation in some countries, such as those in Japan and the UK. The 2025 Savings and Investment Accounts, or SIA, recommendation of the European Commission references these successes and encourages member countries to emulate them, in part as a means of enabling people to invest in products that would finance European companies.

This latter aspect is one that many policymakers are actively pursuing by introducing policy to facilitate and encourage investment into private markets, viewing them as an important channel for capital to support economic growth. The ensuing democratization of private markets has seen new fund types oriented to making private market investments more accessible to a retail investing audience.

Regulatory Developments

For regulators, a downstream challenge is balancing the drive to transition these retail savings into investments with a framework that both supports innovation by firms and provides safeguards that protect those investors. In some cases, this includes balancing calls for the markets to be made more competitive, often through lower regulatory burdens on firms, with maintaining investor protection standards.

10 Summersgill, M. 2026. "AJ Bell CEO: Chancellor John Healey should commit to landmark Pension Tax Lock." *AJ Bell*. https://www.ajbell.co.uk/news/aj-bell-ceo-chancellor-john-healey-should-commit-landmark-pension-tax-lock.

11 Council of the EU. 2025. "Retail investment strategy: Council and Parliament agree on package to empower consumers while boosting markets." https://www.consilium.europa.eu/en/press/press-releases/2025/12/18/retail-investment-strategy-council-and-parliament-agree-on-package-to-empower-consumers-while-boosting-markets/.

Takeaways from a 2025 ESMA Call for Evidence[12] on the retail investor journey included several actions and operational improvements it will pursue to make it easier for retail investors to access suitable investment opportunities: streamlining disclosure requirements and tackling information overload for investors; reducing complexity in suitability and appropriateness assessments; and simplifying MiFID II requirements on sustainability preferences. Some of these themes are evident in other markets, as we touch on in other areas of the paper.

We also find moves to facilitate, and even encourage, more risk-taking, with the proviso being that those risks are suitably matched to investors' circumstances. Consumer Duty in the UK has transitioned much regulation to be outcomes-focused, imposing obligations on providers to ensure good outcomes for retail customers and avoid foreseeable harm while ensuring products are fit for the target market and provided at fair value with clear information so customers can make informed decisions.

Explicit requirements to evidence value are another concept gaining traction in a growing number of markets, and we explore these in the Product Governance chapter.

A facet of the EU RIS is encouragement of member states to implement national measures that support citizens' financial literacy. Countries already provide online tools, such as the SEC's investor education tools, Investor.gov,[13] which aim to help Americans build wealth and make informed decisions, and the Dutch Money Wise Platform[14] (Wijzer in geldzaken) initiative of the Ministry of Finance to prepare people in the Netherlands for making financially sound decisions. In the UK, the long-running FCA "Invest Smart"[15] campaign[16] is being supplemented by a new nationwide "Invest for the Future" campaign to transform how Britain thinks about investing, intended to mark a step change in making investing feel more relevant and more accessible to potential investors. By breaking financial goals down into achievable steps, the campaign positions investing as a progression rather than a leap—helping people build confidence over time.

The policy trend toward democratization of private markets remains a key theme. Regulators are working to broaden access to private markets to promote growth and supplement public investment. Specific measures to expand the range of permissible investments in retail investment products include a proposed safe harbor around the inclusion of alternative assets in US 401(k)s, and in the UK, defined-contribution default funds are being pushed to invest at least 10% in private assets, with half that in the UK, by 2030.

12 European Securities and Markets Authority. 2026. "ESMA sets out actions to simplify the retail investor journey and make investing more accessible." https://www.esma.europa.eu/press-news/esma-news/esma-sets-out-actions-simplify-retail-investor-journey-and-make-investing-more.

13 United States Securities and Exchange Commission, Office of Investor Education and Assistance. https://www.investor.gov/.

14 Netherlands Ministry of Finance. https://www.wijzeringeldzaken.nl/.

15 United Kingdom Financial Conduct Authority. https://www.fca.org.uk/investsmart.

16 Invest for the Future. https://takethenextstepinvest.co.uk/.

Such moves increasingly blur the boundaries of investment activities that would historically have been considered institutional or wholesale and those considered retail. This has implications for both groups: the need to guard against governance requirements largely intended for retail investors being imposed on institutional business, and, more seismically, the implications of broader investment choice for retail investors.

Morningstar managing director Don Phillips highlights the extent of the differences that this policy brings to investors: "Managed investment products have transitioned from unit investment trusts to closed-end funds to open-end funds to index funds to ETFs. Every move has given investors either greater diversification, lower cost, or more liquidity. And now, private assets move against all three of those trends. There are going to be higher costs, they're going to have less liquidity, and they're going to be more concentrated. They're not going to have the diversification of a broad market index. So, everything retail investors have been trained on for the last four or five decades, as this has really become the starting place for building portfolios, now the industry is reversing course on all of those things, and they're wondering why investors aren't prepared for this."[17]

17 Arnott, A.C., & Benz, C. 2026. "Private Equity May Not Diversity Your Portfolio Like You Think." *Morningstar*. https://global.morningstar.com/en-gb/markets/private-equity-may-not-diversify-your-portfolio-like-you-think.

Taxation

Taxation systems are perhaps the most sovereign of all a country's policies, and even EU member countries remain outside of the Union's reach. The Organisation for Economic Co-operation and Development highlights that the primary taxation objective is raising revenue and that tax policy shapes incentives to work, invest, and innovate, influencing social outcomes and economies' growth potential.

The OECD goes on to report that total tax revenues as a share of gross domestic product in OECD countries range from 18% to 45%. On average, around 50% of these revenues are from a combination of personal income taxes and social security contributions, 20% from VAT, around 10% from corporate income taxes and other consumption taxes each, and 5% from property taxes.[18]

Morningstar has no view on a market's optimal tax policies overall and recognizes that policies seen in one market cannot necessarily be lifted by another. When grading markets' approaches to taxation, we focused on the extent and relative strength of tax-advantaged investment schemes. To provide context for how these schemes and their incentives sit within a country's broader tax environment, we preface the section with a brief summary and discussion of how each market structures income taxes.

Tax Frameworks

While all markets in the study do levy taxes on fund investors, some exercise a range of tactics to ease the burden. One common way is to exempt fund investors from capital gains within funds, with the US and Australia notable exceptions. Another tactic is the provision of tax breaks such as tax-free allowances up to which interest, income, or gains may be untaxed.

Capital gains are often taxed at the marginal rate as additional income; however, Canada taxes these earnings at half the marginal rate, while the US and Australia currently reduce capital gains taxes for assets held for more than a year. However, Australia is changing its approach to an indexation basis starting in July 2027.

Other tax features that assist fundholders include dividend imputation, where investors pay taxes only on the difference between their personal tax rate and the tax rate the corporation has already paid through its corporate taxes, or applying an inflation index to capital gains taxes.

The Netherlands takes a unique approach among these countries, with a wealth tax on savings and investments in place of separate taxes on interest, dividends, or capital gains. After an allowance of roughly EUR 59,000 per individual, assets held in savings and investments are taxed at 36% on the basis of prescribed returns set by the Tax and Customs Administration. For example, in 2026 these were set at 1.28% for cash and 6.00% for investment assets. There is also a deduction available for notional interest on debt. The government is in the process of adopting a bill that would change this tax treatment to be

18 Organisation for Economic Co-operation and Development. 2026. *Tax Policy*. https://www.oecd.org/en/topics/policy-issues/tax-policy.html.

based on actual returns rather than standard rates, but the timeline for this to be finalized and implemented is still in flux.[19]

Tax policy has also been successfully used to encourage retirement saving, which spans provision of tax relief on contributions, withdrawals, and growth of invested funds. Additionally, favorable tax treatment of property has in some cases led to a preference for investment properties over investment in traditional markets.

People in markets where investment choice extends to foreign funds may be subject to further challenges in managing withholding taxes and tax reclamation.

A suboptimal issue to be aware of is different tax treatments between similar products, principally open-end funds and ETFs. This is a particular issue in the US and, in a different way, Spain. While in the US, ETFs are generally more tax-favorable than open-end funds, in Spain investors benefit from tax-free switching between open-end funds, but any switch from an ETF would count toward capital gains tax liability.

19 Nolten, A., & Hageman, E. 2026. "Bill on the Box 3 Actual Return Act adopted by the House of Representatives." *Deloitte*. https://www.deloitte.com/nl/en/services/tax/perspectives/wetsvoorstel-wet-werkelijk-rendement-box-3-aangenomen-tweede-kamer.html.

Exhibit 6 Summary of Income Tax Policies

Country	Earnings: Effective Rate on EUR 50,000	Interest	Dividends	Capital Gains
Australia	18.80%	Marginal rate	Marginal rate	Marginal rate; through July 2027, assets held for more than a year are taxed at half the marginal rate
Canada	15.78% (federal tax only, provincial tax ranges from 3.6% to 11.89%)	Marginal rate	Marginal rate; some dividends from Canadian corporations are eligible for offsetting tax credit	Half of marginal rate
France	28.99%	31.40%	31.40%	31.40%
Germany	18.90%	First EUR 1,000 (combined across interest, dividends, and capital gains) at 0%; above EUR 1,000 at 26.375%	First EUR 1,000 (combined across interest, dividends, and capital gains) at 0%; above EUR 1,000 at 26.375%	First EUR 1,000 (combined across interest, dividends, and capital gains) at 0%; above EUR 1,000 at 26.375%
Italy	31.66%	26%	26%	26%
Japan	26%	20.315%	20.315%	20.315%
Netherlands	33.06%	First EUR 59,357 (combined across interest, dividends, and capital gains) at 0%; above EUR 59,357 at 36% as a wealth tax	First EUR 59,357 (combined across interest, dividends, and capital gains) at 0%; above EUR 59,357 at 36% as a wealth tax	First EUR 59,357 (combined across interest, dividends, and capital gains) at 0%; above EUR 59,357 at 36% as a wealth tax
Spain	29.17%	First EUR 6,000 (combined across interest, dividends, and capital gains) at 19%; EUR 6,000 to EUR 50,000 at 21%; EUR 50,000 to EUR 200,000 at 23%; EUR 200,000 to EUR 300,000 at 27%; above EUR 300,000 at 30%	First EUR 6,000 (combined across interest, dividends, and capital gains) at 19%; EUR 6,000 to EUR 50,000 at 21%; EUR 50,000 to EUR 200,000 at 23%; EUR 200,000 to EUR 300,000 at 27%; above EUR 300,000 at 30%	First EUR 6,000 (combined across interest, dividends, and capital gains) at 19%; EUR 6,000 to EUR 50,000 at 21%; EUR 50,000 to EUR 200,000 at 23%; EUR 200,000 to EUR 300,000 at 27%; above EUR 300,000 at 30%
UK	19.79%	For income up to GBP 50,270: up to GBP 1,000 at 0%; above GBP 1,000 at marginal rate. For income between GBP 50,271 and GBP 125,140: up to GBP 500 at 0%; above GBP 500 at marginal rate. For income above GBP 125,141: marginal rate	First GBP 500 at 0%; above GBP 500: 10.75% if income up to GBP 50,270, 35.75% if income between GBP 50,271 and GBP 125,140, 39.35% if income above GBP 125,141	Up to GBP 3,000 at 0%; above GBP 3,000 at 18% if income and gains less than GBP 50,270 or at 24% if income and gains are above GBP 50,270
US	15.8% (federal tax only, state tax ranges from 0% to 8.4%, and additional city-level taxes may also apply)	Marginal rate	For ordinary, or nonqualified: marginal rate. For qualified: if income is less than USD 48,350 at 0%, income between USD 48,351 and USD 533,400 at 15%, income above USD 533,401 at 20%	Marginal rate if held for less than one year. For assets held for more than a year: if income less than USD 48,350 at 0%, income between USD 48,351 and USD 533,400 at 15%, income above USD 533,401 at 20%

Source: Morningstar analysis. Note: These are based on a single individual. Rates are often different for household with multiple earners, children, or other dependents.

Tax-Advantaged Investment Schemes

We find these accounts exist either as broad-based general-purpose investment accounts or specific accounts targeted at investing toward funding specific things, such as home purchases, education, or healthcare. The chosen approach may be more driven by the extent of other state or market support available to citizens in each country, such as the extent of public healthcare.

Use of tax-advantaged investment accounts to encourage saving and investing outside of planning for retirement has seen success in Japan and the UK. In contrast to these generalized accounts, the US provides more targeted schemes in the form of 529 plans and Health Savings Accounts. Created in 1996, 529 plans provide tax incentives to save for education expenses, with recent legislative changes broadening their benefits. Assets in 529s more than doubled from 2015 to 2025, topping USD 550 billion.[20] HSAs have been around since 2004, but awareness of them has really grown in the past decade.[21] Eligibility to contribute to an HSA is contingent on participating in a high-deductible health plan; however, it is the most tax-advantaged account available in the US. Canada offers both a generalized account and targeted accounts for education and first home purchases, and Australia offers its First Home Supersaver in addition to Education Bonds.

In 2025, the European Commission published recommendations for SIAs, which, as outlined, would offer preferential tax treatment, easy online access, and low charges to encourage personal investing.[22]

Respondents to ESMA's call for input on the retail investing journey supported the SIA concept, calling for such schemes to have some or all of the following characteristics: a reasonable offer of simple products, no minimum investment amount, tax incentives, easy tax reporting, transferability without liquidation, low fees, and a focus on EU capital markets.[23]

Among the member countries included in this research, France and Italy already have established tax-advantaged accounts, and the Spanish Treasury is considering the introduction of such an account.[24]

The French and Italian schemes are both used to direct investment into specific assets, and each has two variants: a broad version encouraging investment into domestic, or EU, assets and a more targeted version encouraging investment into smaller firms or private market assets. The latter is particularly incentivized in Italy, with high annual investment limits into the PIR Alternative scheme. However, the

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20 Min, H., Beogradlija, V., Houston-Read, Z., et al. 2026. Morningstar 2026 529 Education Savings Plan Landscape. https://www.morningstar.com/business/insights/research/529-landscape.

21 Carlson, G., & Beogradlija, V. 2025. Morningstar 2025 Health Savings Account Landscape. https://www.morningstar.com/business/insights/research/hsa-landscape.

22 European Commission. 2025. "Factsheet: Savings and Investment Accounts (SIAs)." https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union/factsheet-savings-and-investment-accounts-sias_en.

23 European Securities and Markets Authority. 2026. *Report on Call for Evidence*. https://www.esma.europa.eu/sites/default/files/2026-03/ESMA35-243228190-7410_-_Report_CfE_on_retail_investor_journey.pdf.

24 Ministry of Economy, Trade and Business. 2025. *Sobre la Creación de una Cuenta de Ahorro e Inversión en España y la implementación de la Etiqueta "Finance Europe"*. https://portal.mineco.gob.es/es-es/ministerio/participacionpublica/consultapublica/Paginas/Creacion-Cuenta-Ahorro-Inversion-Espana-implementacion-Etiqueta-Finance-Europe.aspx.

Italian schemes also have a significantly stronger home bias requirement, limiting the available investment universe.

In Japan, 2025 marked the second year since the major overhaul of the NISA. A Morningstar report finds that the program continues to gain traction among Japanese investors, with NISA-eligible funds remaining the primary driver of market inflows.[25] A reform package introduces two key developments. First, to promote early engagement with long-term investing, the government plans to eliminate the minimum age requirement of 18, allowing for children's NISAs to be launched in 2027. Second, authorities aim to broaden the range of eligible funds to make NISAs more accessible and appealing to a wider range of investors.

The UK is in the midst of changes to the ISA framework; the principal one is designed to incentivize investment over saving by limiting the amount that could be subscribed to cash ISAs to GBP 12,000 a year versus the full GBP 20,000 a year being available for investments. Holding cash in investment ISAs will also be disincentivized from 2027 by taxing uninvested cash at 22%. It is notable that the SIA recommendation is silent on the place of cash in such accounts.

The latest available figures from the UK government illustrate that these accounts are neither a cure-all nor cheap to operate.[26] The estimated cost to the exchequer in terms of forgone tax on interest, dividends, and capital gains in ISA-sheltered investments is GBP 9.75 billion in the 2024-25 tax year, equivalent to 0.33% of GDP.[27] While subscriptions into cash ISAs leapt to an all-time high of GBP 69.5 billion for the tax year ended 2024 versus GBP 41.5 billion the prior year, corresponding amounts for investment ISAs increased to GBP 31 billion from GBP 28 billion the prior year. Despite consistently much higher subscriptions into cash ISAs every year and not allowing for withdrawals that will have been made, the latest market value of investment ISAs sits at GBP 511 billion versus GBP 360 billion in cash ISAs.

Exhibit 7 summarizes the key features of the tax-advantaged schemes available in each country, excluding retirement-focused accounts. Some countries also offer other tax-efficient investment options, such as investment bonds in Australia, government bonds in Italy, and municipal bonds in the US.

25 Motori, D. 2026. NISA Landscape Report: Midyear 2026. https://www.morningstar.com/en-hk/business/insights/research/japan-nisa-investment-market.

26 HM Revenue & Customs. 2025. "Commentary for Annual savings statistics: September 2025." https://www.gov.uk/government/statistics/annual-savings-statistics-2025/commentary-for-annual-savings-statistics-september-2025.

27 HM Revenue & Customs. 2026. "Tax relief statistics (January 2026)." https://www.gov.uk/government/statistics/tax-reliefs/tax-relief-statistics-january-2026.

Exhibit 7 Summary of Tax-Advantaged Investment Schemes

Country	Account or Program Name	Contribution Restrictions	Investment Restrictions	Withdrawal Restrictions	Tax Treatment
Australia	Education Bonds	No statutory maximum; each year after the first is limited to 125% of the amount contributed in the prior year	Cash, mutual funds, stocks, bonds	Must use for eligible education expenses to receive tax benefits	Contributions are aftertax; investment earnings are taxed at 30% but eligible for a full offset when withdrawn for eligible education expenses after 10 years
Australia	First Home Super Saver	AUD 15,000 (EUR 9,200) annually; lifetime max of AUD 50,000 (EUR 30,700)	Superannuation funds	Must use for first-time home purchase	Pretax contributions are taxed at 15% but eligible for a 30% tax offset when withdrawn; aftertax contributions are not taxed and eligible for a 30% tax offset when withdrawn; investment earnings, from pretax and aftertax contributions, are taxed at 15% but eligible for a 30% tax offset when withdrawn
Canada	Tax Free Savings Account	CAD 7,000 (EUR 4,400) for 2025; contribution limits accumulate starting from age 18 and are carried forward indefinitely; withdrawals increase the contribution limit in the subsequent year by the same amount	Cash, mutual funds, stocks, GICs, bonds	None	Contributions are aftertax; interest, dividends, and capital gains are not taxed; withdrawals are not taxed
Canada	Registered Education Savings Plan	No annual limit on individual contributions; government matching contributions are max CAD 600 (EUR 400) annually; lifetime limit of CAD 50,000 (EUR 31,100)	Cash, mutual funds, stocks, GICs, bonds	Must use for qualified education expenses to receive tax benefits	Contributions are aftertax; some provinces offer tax deductions for contributions; interest, dividends, and capital gains are not taxed; qualified withdrawals are not taxed
Canada	First Home Savings Account	CAD 8,000 (EUR 5,000) annually; contribution limits accumulate starting from the first year an account is opened and are carried forward indefinitely, with a lifetime max of CAD 40,000 and a single-year contribution max of CAD 16,000; taxable withdrawals increase the contribution limit in the subsequent year by the same amount	Cash, mutual funds, stocks, GICs, bonds	Must use for first-time home purchase to be eligible for tax benefits; account closes after this first of: 15 years from opening, reaching age 71, or the year following a first qualifying withdrawal	Contributions are aftertax but eligible for tax deduction; interest, dividends, and capital gains are not taxed; qualified withdrawals are not taxed
France	Plan d'Épargne en Actions	EUR 150,000 lifetime limit	EU stocks and funds (ETFs, UCITS) investing at least 75% in EU stocks	None; account closes if withdrawal made within five years of first contribution	Contributions are aftertax; interest, dividends, and capital gains are not subject to income tax if withdrawals are not made in the first five years after the first contribution; withdrawals are not taxed
France	Plan d'Épargne en Actions PME-ETI	EUR 225,000 lifetime limit (if also have a Plan d'Épargne en Actions, then limit applies to combined total)	EU Listed or unlisted small and medium-sized enterprises (PME) and intermediate-sized enterprises (ETI); multiple types of investment (shares, bonds, etc.) are eligible	None; account closes if withdrawal made within five years of first contribution	Contributions are aftertax; interest, dividends, and capital gains are not subject to income tax if withdrawals are not made in the first five years after the first contribution; withdrawals are not taxed
Germany	—	—	—	—	—

Source: Morningstar analysis. Note: Euro equivalence of currencies based on exchange rates on July 30, 2026.

Exhibit 7 Summary of Tax-Advantaged Investment Schemes (continued)

Country	Account or Program Name	Contribution Restrictions	Investment Restrictions	Withdrawal Restrictions	Tax Treatment
Italy	Piani Individuali di Risparmio	EUR 40,000 annually; lifetime limit of EUR 200,000	Investments with at least 70% of the portfolio in shares and bonds issued by Italian companies; of this portion, at least 25% must be companies that are not included in the main market index, and at least 5% in companies not in the main market index or the mid-cap index	None	Contributions are aftertax; interest, dividends, and capital gains are not taxed if withdrawals are not made in the first five years after the first contribution; withdrawals are not taxed; exempt from inheritance tax after five years
Italy	Alternative Piani Individuali di Risparmio	EUR 300,000 annually; lifetime limit of EUR 1.5 million	Investments with at least 70% of the portfolio in shares and bonds issued by Italian companies that are not included in the main market index or the mid-cap index	None	Contributions are aftertax; interest, dividends, and capital gains are not taxed if withdrawals are not made in the first five years after the first contribution; withdrawals are not taxed; exempt from inheritance tax after five years
Japan	Nippon Individual Savings Account	Tsumitate section: JPY 1.2 million annually; contributions must be made on a monthly, recurring basis. Growth section: JPY 2.4 million annually; lifetime limit of JPY 12 million, combined lifetime limit of JPY 18 million. However, withdrawals also reduce what contributions are considered to have been made, allowing the limit to recycle	Tsumitate section: mutual funds suitable for long-term investment (FSA-approved list) Growth section: stocks and funds (ETFs, mutual funds, REITs)	None	Contributions are aftertax; dividends and capital gains are not taxed; interest is taxed; withdrawals are not taxed
Netherlands	—	—	—	—	—
Spain	—	—	—	—	—
UK	Individual Savings Account	GBP 20,000 (EUR 23,200) annually	Cash, stocks, mutual funds, bonds, LTAFs	None	Contributions are aftertax; interest, dividends, and capital gains are not taxed; withdrawals are not taxed
UK	Innovative Finance ISA	GBP 20,000 (EUR 23,200) annually (if also have an Individual Savings Account, limit applies to contributions across both account types)	Peer-to-peer loans, crowdfunding debentures, cryptoasset ETNs, less-liquid mutual funds	None	Contributions are aftertax; interest, dividends, and capital gains are not taxed; withdrawals are not taxed
UK	Junior Individual Savings Account	GBP 9,000 (EUR 10,400) annually	Cash, stocks, mutual funds, bonds, LTAFs	Money cannot be withdrawn until the child is 18	Contributions are aftertax; interest, dividends, and capital gains are not taxed; withdrawals are not taxed
US	529 Plan	USD 19,000 (EUR 16,700) per contributor before gift tax applies in 2026 (limit adjusts annually with inflation), no limit on the number of contributors per account; lifetime account limit varies by state sponsor, ranging from USD 269,000 (EUR 236,100) to USD 675,000 (EUR 592,400)	Mutual funds and ETFs	Must use for qualified education expenses, such as tuition, fees, books, and equipment, for the designated beneficiary to receive tax benefits	Contributions are aftertax; some states offer tax deductions for contributions; interest, dividends, and capital gains are not taxed; qualified withdrawals are not taxed; nonqualified withdrawals are subject to income tax and a 10% penalty tax
US	Health Savings Account	USD 4,400 (EUR 3,900) for an individual, USD 8,750 (EUR 7700) for a family in 2026 (limits adjusted annually with inflation); only eligible to contribute if covered by a high-deductible health plan (HDHP)	Cash, mutual funds, stocks, bonds, annuities	Must use for qualified medical expenses, such as diagnostic appointments, treatment costs, over-the-counter and prescription drugs, to receive tax benefits	Contributions are pretax (or tax-deductible if made aftertax); interest, dividends, and capital gains are not taxed; qualified withdrawals are not taxed; nonqualified withdrawals are subject to income tax and a 20% penalty tax (the penalty tax is waived if 65 and older)

Source: Morningstar analysis. Note: Euro equivalence of currencies based on exchange rates on July 30, 2026.

Retirement

The largest investment asset for most people is their pension savings. Each country has distinct variations in how it harmonizes social security, workplace, and personal retirement provisions.

In most countries, Pillar 1 state pensions are meant to backstop the system to ensure retirees have a minimum level of income. Whether that should fully replace preretirement income for low earners or just provide a base upon which the other pillars operate depends on the country. There are three main approaches to setting the Pillar 1 amount: earnings-based dependent on working salary, flat across the qualified population, or means-tested against eligible assets, with those having greater resources receiving a smaller or no benefit and those most in need getting the full amount.

Exhibit 8 Pillar 1 Approaches

Country	State Pension Payout Model
Australia	Means-tested
Canada	Earnings-based
France	Earnings-based
Germany	Earnings-based
Italy	Earnings-based
Japan	Flat-rate + earnings-based
Netherlands	Flat-rate
Spain	Earnings-based
UK	Flat-rate
US	Earnings-based

Source: Morningstar analysis.

Crucially, the level of state-backed provision and salary-replacement rates across countries dictates the size and usage of personal and workplace pension schemes. Regardless, longer life expectancy and lower population growth are creating problems in reliably funding state pensions, and these dynamics are heightening the focus on Pillars 2 and 3 for ensuring pension adequacy.

For individuals, there are clear trade-offs between prioritizing pension investing versus general investment. One factor is the inaccessibility of pension savings until later life in many markets; this limitation is diluted in some places where, for example, money may be accessed earlier for nonretirement purposes such as home purchase or in the event of ill health.

Auto-enrollment is an important factor in overcoming some of these challenges and increasing the number of people accumulating workplace pension savings. Overall, the hallmarks of the best-placed workplace schemes are government-mandated contributions; savings incentives, such as tax breaks or

government contributions and employer-contribution-matching programs; and transparent oversight or benchmarking of scheme funds' performance and costs.

We focused our grading on the extent of mandated saving requirements, the level of support for investment decisions, and the information available to participants. Regarding the latter point, dashboards can be a key tool for informing investors, engendering more engagement with their assets, and potentially triggering more outreach for professional advice. Australia, France, Germany, the Netherlands, and Spain have forms of them, and the UK is, after many years of trying, on the cusp of launching a consolidated dashboard.

Workplace Plans

Markets vary in the stage of their transition from defined-benefit to defined-contribution pensions as the primary model for workplace pensions. While some markets have pursued mandating coverage through employer plans, these do not address the growing number of self-employed workers.

Australia is often held out as a model for defined-contribution, with its long-standing auto-enrollment and "pot stays with member" features having contributed to a high proportion of employees accumulating pension savings. Auto-enrollment has contributed significantly to UK pension coverage as well, although with maximum mandated contributions of 8% of salaries, there are concerns that people may have a false sense of security. Italy is the newest country to introduce it, albeit on a staged basis.

Outside of Australia, the US is the furthest along of these countries in the transition from defined-benefit to defined-contribution pensions, with over 90% of active participants and 75% of assets in defined-contribution plans. While the US system is largely voluntary, a growing number of states require companies over a certain size to either offer a plan or use the state-run IRA,[28] and recent legislation ensures plans created since 2023 are auto-enrolling eligible participants.[29]

The Netherlands is in the midst of major changes to its pension landscape, transitioning into its Future Pensions Act and moving to contribution-based arrangements where individuals gain greater visibility into their pension assets and investment returns are more directly reflected in pension outcomes.[30]

A major Pensions Schemes Bill is driving reforms in the UK. Regulators have set out proposals requiring schemes to report investment performance, costs, and service quality in a more consistent way, alongside clearer value-for-money assessments and set expectations for action where value is poor, including consolidation. Related reforms, including small-pot consolidation, are also required to be implemented over the next few years.

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28 Olson, K., & Scott, J. 2026. "Status of State 'Auto-IRA' Savings Programs." *Pew*. https://www.pew.org/en/research-and-analysis/articles/2026/02/04/status-of-state-auto-ira-savings-programs.

29 US Senate Committee on Finance. 2022. "SECURE 2.0 Section-by-Section Summary." https://www.finance.senate.gov/imo/media/doc/Secure%202.0_Section%20by%20Section%20Summary%2012-19-22%20FINAL.pdf.

30 The Dutch Federation of Pension Funds. 2026. "The Dutch pension system." https://pensioenfederatie.nl/the-dutch-pension-system/.

Personal Pension Developments

The European Commission adopted a Supplementary Pension Schemes Package of measures in November 2025 intended to boost supplementary pensions in the EU. It promotes auto-enrollment and includes changes to EU legislation on Occupational Pensions, including allowing pension funds to invest more widely, and the Pan-European Personal Pension Product, which has gained minimal traction since its 2022 launch. Designed as a voluntary, EU-wide personal retirement savings scheme to complement state-based and occupational pensions, allowing mobile workers to carry their pension savings across borders when moving between EU member states, prospective amendments currently going through the co-legislators seek to broaden its appeal. They include renaming and removing both the charge cap and the requirement for independent advice for the Basic PEPP. The package will be accompanied by recommendations for member states to create dashboards and tracking systems and introduce auto-enrollment.

Germany is revamping its tax-incentivized private pension system with the Altersvorsorgedepot—a guarantee-free, tax-favored retirement securities account allowing investment in globally diversified equity funds and ETFs—alongside optional 80%/100% guarantee products and a simplified Standard product with a cost cap. These changes will go into effect in 2027. The subsidy was redesigned as a proportional match: 50% of contributions up to EUR 360 and 25% from EUR 360.01 to EUR 1,800 per year, plus a child bonus. In addition, the eligible population was extended to the self-employed.

The German cabinet also adopted framework principles whereby the state will pay EUR 10 per month into an individual, funded, privately operated retirement pot for every child from age six to 18, starting with the 2020 birth cohort, with returns tax-free until retirement.[31]

Decumulation

Defined-contribution systems were built principally to help people accumulate funds for retirement. Strategies to turn those savings into reliable income for life remain at an early stage. Examples include new requirements for default retirement pathways to be offered in the UK, as well as guided retirement. Australia is moving in a similar direction. Policymakers are consulting on a retirement measurement and reporting framework for superannuation, aimed at improving how funds design, assess, and compare retirement income products. Using stronger data and clearer principles, the goal is to lift the quality of retirement solutions and member outcomes.

In Canada, guidelines for employer-sponsored pension plans address default options as part of the core governance framework that sponsors are expected to establish. The framework anticipates that most members will not actively engage and requires sponsors to have preset defaults and structured pathways in place for both the accumulation and decumulation phases.

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31 German Federal Ministry of Finance. 2026. "Fragen und Antworten zur Frühstartrente." https://www.bundesfinanzministerium.de/Content/DE/FAQ/fruehstart-rente.html.

Product Information

Information about pension investment products versus open-ended investment funds is an area where we saw marked differences between countries—from Australia, where it is significantly better, to the UK, where it is significantly worse.

This difference becomes more important to address as more people accrue workplace pensions and as measures to stimulate other retail investing gain ground. Investors will need to be able to compare their assets and options within plans to those outside to make informed decisions about where to put their money at different points in time.

While most countries require employers to provide information about their pension schemes, there is an opportunity to integrate employers into a framework that simplifies access to advice for their employees in a trusted and contained environment.

Distribution and Advice

The role of distributors in helping more savers become investors should not be underestimated. Amending the extensive rulebooks that govern distributors and advisors is one of the strategies being used to increase the number of citizens who benefit from professional advice or guidance.

In most markets, advice is broadly split into independent and non-independent or tied. Independent advisors must assess a broad range of products, while non-independent advisors may be tied to specific providers and base recommendations on a limited range of investments.

Nonadvised execution-only platforms also play a core role in broadening the number of investors. According to Boring Money's 10th annual Online Investing Report, the number of UK adults investing has risen from one in four adults in 2020 to one in three today, with 13.4 million DIY investment accounts open in the UK at the end of 2025—a 19.2% increase year-on-year.[32]

ETF usage is generally highest in mature markets with large populations of engaged retail investors; in these markets, such as the US, independent fee-based advice models are widespread, and ETFs are common building blocks in digital advice solutions. Germany has also seen success with neo-brokers making ETF investment popular. Generally, in markets where fund distribution is dominated by local banks, such as some of the EU members, there is less incentive to sell ETFs to individual investors and consequently lower levels of ETF usage.

Morningstar views soft-dollar commissions—that is, brokerage commissions that the fund does not pay with cash but rather with other goods or services it purchases from the broker that executes the trades—as problematic, especially if poorly disclosed. We looked at but did not score the availability of foreign funds because, while they increase choice and add competition, we found it difficult to argue that investors in the markets where they are not widely available, such as Canada and the US, are unduly disadvantaged. We focused our grading on the ways in which investors access advice, considering whether they are likely to pay an advisor directly or indirectly via an embedded fee in the investment, as well as how potential conflicts of interest for those providing advice are communicated to investors.

Regulatory Landscapes

In the EU, distribution and advice are primarily regulated under MiFID II, which aims to protect EU investors and ensure transparency. Change is on the horizon, via the Retail Investment Strategy, which includes amendments to rules on inducements and conflicts of interest, best interest tests, and client categorizations, as well as introducing new value-for-money requirements. Member countries are free to impose further constraints, as the Netherlands has done with its ban on payments for financial services via commissions.

32 DIY Investor. 2026. "One in Three Brits Now Invests as Lower-Cost Platforms Gain Ground." https://www.diyinvestor.net/one-in-three-brits-now-invests-as-lower-cost-platforms-gain-ground/.

MiFID II also underlies UK rules, but since 2023, distributors have been operating under Consumer Duty, an overarching principles-based duty on firms to deliver good outcomes for retail customers. Under its umbrella, the regulator seeks to encourage more retail investment through better-informed risk-taking.

Client Focused Reforms in Canada took a more prescriptive approach, introduced to raise the standard of advisor conduct, mandating that registered firms and advisors must put the client's interests first when making investment recommendations.[33] Specific requirements were imposed regarding "Know Your Client" and "Know Your Product" rules, aligned with Suitability Determinations and strict conflict-of-interest rules whereby all material conflicts of interest must be addressed in the best interest of the client, or, if a conflict cannot be avoided, it must be clearly and transparently disclosed so the client can make an informed decision. Firms must also provide enhanced, clear, and upfront information regarding the products and services offered, advisor compensation, and the exact nature of the client-advisor relationship.

In the US, registered investment advisers providing advice are regulated by the Investment Advisers Act of 1940 and subject to a fiduciary standard, requiring them to put their clients' best interests first. Investors may also receive recommendations or guidance from other providers, most notably broker/dealers. Since 2020, the SEC's Regulation Best Interest has clarified the duties of broker/dealers, who are subject to the best-interest standard, and established the Form CRS Relationship Summary as a means of clarifying for investors whether their service provider is a Registered Investment Adviser, a broker/dealer, or both, and what that means in terms of the service they're receiving.[34]

Distributors Fees

Payment for advice, and particularly inducements—including fees, commissions, and monetary or nonmonetary benefits received by an investment firm from anyone other than the end investor in relation to investment services—continues to be the subject of much debate.

Like in the Netherlands and UK, Australia's Future of Financial Advice reforms fundamentally changed how financial advice has been paid for in Australia since 2012, removing many conflicted remuneration arrangements and strictly prohibiting the receipt of bonuses for increasing the general level of sales over a particular time period, bonuses for selling a particular fund, and encouragement from management to sell funds that come from the company that employs the advisor.

The EU RIS stopped short of imposing an outright ban in legislation, but regulatory rules will be tightened to protect investors and combat advisors' conflicts of interest, with any inducement needing to be proportionate to the value of the product and the level of service and be published clearly and

33 Canadian Securities Administrators. 2019. *Regulation to amend Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations; Amendments to Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations; Reforms to Enhance the Client-Registrant Relationship (Client Focused Reforms*). https://lautorite.qc.ca/fileadmin/lautorite/reglementation/valeurs-mobilieres/31-103/2019-10-03/2019oct03-31-103-avis-publ-en.pdf.

34 United States Securities and Exchange Commission. 2024. *Regulation Best Interest, Form CRS and Related Interpretations*. https://www.sec.gov/about/divisions-offices/division-trading-markets/regulation-best-interest-form-crs-related-interpretations.

separately from other fees and commissions borne by the investor. ESMA previously decided against recommending an EU-wide inducement ban because of differing distribution models across member states and the risk that those with bankcentric distribution models could, because of the loss of incentives to sell third-party products, see banks react by increasing closed-architecture models. A consequence of banning commissions has been to leave a cohort of the population without access to, or choosing not to use, financial advisors, creating or exacerbating an "advice gap."

Like most of the EU, commission-based or bundled structures remain prevalent in Japan and Canada, but fee-based share classes of mutual funds have become more standard in the latter, where new Total Cost Reporting rules have also been introduced. These require exact breakouts of costs, in CAD, of the past 12 months of expenses, including an explicit breakout of any commissions paid to the dealer from the asset manager.

While the US does not ban commissions, investor trends have resulted in the decline of bundled structures, which have been in outflows for the past 16 years.[35] Fee-based advice has become more of the norm, with unbundled and semibundled share classes making room for the price of advice that is paid directly.

The UK regulator is also consulting on rule changes to help give consumers clear and balanced communication about all the costs involved in investing, including products, distribution, and advice.

From an investor's perspective, greater transparency allows them to better delineate between the fees they pay for distribution, advice, and investment products.

Advice and Support Availability

Improving the advice gap has been a long-standing aim in the UK, recently culminating in new FCA Targeted Support rules aimed at giving more individuals the benefit of professional support in making decisions on their pensions and investments. Positioned between full financial advice at one end of the spectrum and guidance at the other, targeted support will allow firms to provide recommendations in the form of ready-made suggestions to groups of investors with shared characteristics or financial needs. While going further than guidance, it will not be based on a full individual assessment and therefore will not be deemed individual financial advice.

In this regard, artificial intelligence holds huge potential to help and inform investors, but regulators are grappling with how it fits into the regulatory framework. Firms that provide investment advice have registration requirements, fiduciary responsibilities, and disclosure duties. Regulation allows customers recourse for poor advice from regulated financial advisors, but AI agents are absent the benefit of such protections.

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35 Evens, Z., & McCann, B. 2026. Morningstar 2026 US Fund Fee Study. https://www.morningstar.com/business/insights/research/annual-us-fund-fee-study.

The EU AI Act is the first of its kind. Not specifically targeted at financial services, the legislation nevertheless sets standards for firms utilizing AI tools in providing their services.[36] In the UK, the FCA made clear it will not create a bespoke AI regulatory regime but instead adapt existing outcomes-based frameworks to manage the shift from AI as an assistive tool to an autonomous agent. The regulator published a landmark assessment of how advances in AI, specifically generative and agentic AI, will reshape retail financial services.[37]

Investor Types

A key component of advice rules is the assessment of suitability and appropriateness, ensuring recommendations align with a client's financial situation, risk tolerance, and objectives. Related to this, firms providing advice must classify clients (retail, professional, eligible counterparties) and tailor services accordingly. Regulators have been reviewing definitions to set clearer boundaries between retail and professional investors to allow firms more latitude in providing more experienced investors with a broader range of products with less onerous disclosures, subject to them meeting the necessary criteria and not needing the same level of protections available to less experienced retail investors.[38]

The EU Retail Investment Strategy includes actions that will allow more retail investors to be treated as professional clients subject to fulfilling two out of three criteria relating to the volume of significant transactions made, portfolio size, and financial experience. The UK FCA has made proposals that would streamline how firms assess professional investors and largely replace quantitative tests, such as a minimum number of trades, with a holistic qualitative approach to client categorization predicated on more fact-finding about a client and their circumstances.

36 European Securities and Markets Authority. 2024. "Public Statement: On the use of Artificial Intelligence (AI) in the provision of retail investment services." https://www.esma.europa.eu/sites/default/files/2024-05/ESMA35-335435667-5924_Public_Statement_on_AI_and_investment_services.pdf.

37 Mills, S. 2026. "The Mills Review: AI and the future of retail financial services." *FCA*. https://www.fca.org.uk/publication/corporate/the-mills-review.pdf.

38 United Kingdom Financial Conduct Authority. 2025. "FCA sets out landmark package to boost UK investment culture." https://www.fca.org.uk/news/press-releases/fca-sets-out-landmark-package-boost-uk-investment-culture.

Product Governance

Each market in the study has well-established, proven retail investment vehicles. Recent regulatory developments have tended to be oriented toward removing frictions and broadening the range of investments available to investors, most notably with the aim of making private market investment accessible to retail investors.

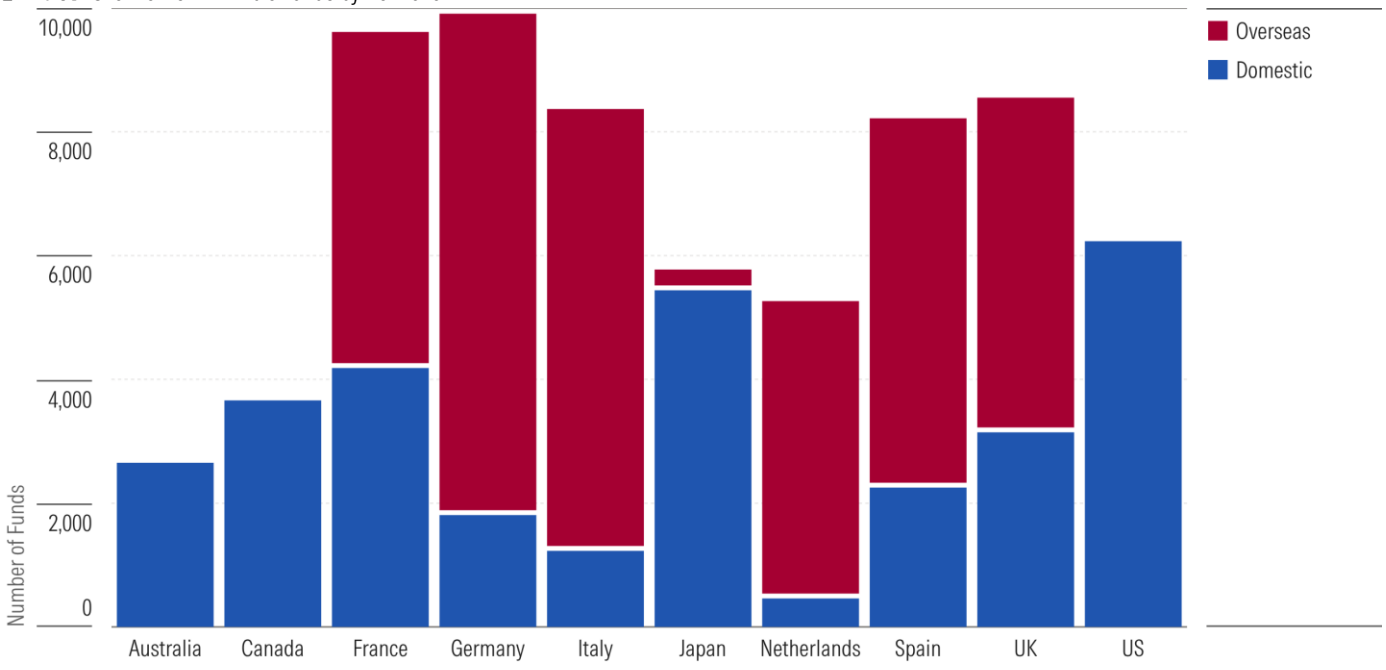
That said, a big package of work, the MISP, is underway in the EU. Launched in December 2025, the MISP proposes targeted amendments to a range of EU directives and regulations with the aim of enabling further market integration and scaling, integrated supervision, facilitating innovation, and achieving simplification. Proposed changes include strengthening the cross-border management and distribution of funds and a significant expansion of ESMA's supervisory powers.

Regarding governance, we gave higher marks for regulation requiring funds or fund companies to have a governing board with independent directors. We also rewarded markets where funds are either required to, or by convention do, regularly assess the reasonableness of fees. Finally, we considered how different markets ensure that funds with illiquid or unlisted assets manage their broader liquidity.

Product Choice

To investors, the most visible benefit provided by consistent EU regulation has been the breadth of investments to choose from, including not only those domiciled in their home market but many thousands of products domiciled in other EU markets. The EU remains the only market where funds can receive virtually automatic registration in multiple markets. Foreign-domiciled funds are generally not widely available to investors in Australia, Canada, and the US, though all three markets are large and established enough that investor choice is not unduly constrained.

Exhibit 9 Overview of Available Funds by Domicile



Source: Morningstar analysis. Data as of Sept. 9, 2026. Note: Considers distinct open-end funds available in each market. ETFs are excluded as they may be available to investors regardless of listing location. Semiliquid structures such as LTAFs and ELTIFs are excluded.

Increased investor choice has also been fueled by the continued growth of ETFs, with some exceptions. Investors in most markets have access to ETFs on an equivalent basis to traditional open-end funds, although in some markets, distributors still have more incentive to recommend open-end funds. In the US, the choice is distorted by differing tax treatments that give an advantage to ETFs. The EU requirement on funds to publish an investor-facing document has had an impact on the availability of some non-EU ETFs, which have elected not to produce the document and are no longer available on trading platforms.

One of the biggest successes in terms of new investors has been market-led in Germany, where neo-brokers made available no-cost or low-cost ETF savings plans. However, it was largely facilitated by Germany being alone in allowing brokers to pay for order flow, a facility that was stopped at the end of June 2026.

Private Market Investments

Traditional mutual funds are typically constrained by regulation in terms of how much they may invest in illiquid assets, such as Canadian retail fund regulations that impose a cap of 10% or Japanese funds where a 15% cap was introduced in 2024. There are signs that these limits may be raised, such as the ESMA proposal to the European Commission.[39]

39 European Securities and Markets Authority. 2025. "ESMA provides advice on eligible assets of UCITS." https://www.esma.europa.eu/sites/default/files/2025-06/ESMA71-545613100-2770_ESMA_provides_advice_on_eligible_assets_for_UCITS_-_Press_Release.pdf.

Unlike some other markets, Australia, Canada, and Japan have not pursued creating specific vehicles to facilitate more private asset investment. In Canada, an alternative approach has been taken where asset managers can apply for exemptions to these regulations, but so far only one has done so, and most private market funds are instead offered by offering memoranda and are restricted to certain eligible or accredited investors.

In the US, various existing fund structures allow for exposure to these asset classes, such as interval funds and business development companies. These semiliquid funds are experiencing a revival, with assets more than doubling between December 2022 and March 2026.[40]

The principal new fund developments have been the EU's European Long-Term Investment Fund and the UK's Long-Term Asset Fund, which mark a significant juncture for investors. They signify a change of direction from a long-standing trend of investors getting more access, more information, lower costs, and more frequent dealing opportunities. The nature of these funds and their investments means less frequent dealing opportunities, higher costs, and less frequent and detailed disclosures, which we explore further in the Disclosures chapter.

After a slow start, and in a quest to encourage greater takeup of ELTIFs by retail investors, the EU refined the rules under which they operate,[41] and the UK has made LTAFs a qualifying investment in Stocks & Shares ISA wrappers this year,[42] potentially making them more attractive to investment by private wealth clients and more knowledgeable and experienced retail investors.

Demonstrating Value

A concept gaining traction in several markets is the need to evidence that products are providing value for money. In essence, they put responsibility on funds' governing bodies to ensure that their funds are providing value for the fees levied.

In terms of governing bodies and board members, Canada mandates that every publicly offered investment fund in Canada establish and maintain a fully independent review committee, and both Germany and the UK require independent director representation on fund company boards. Under a process referred to as 15(c) in industry jargon, US fund boards, specifically a majority of its independent directors, must approve a fund's investment advisory and underwriting contracts annually, with a requirement to evaluate the terms of the contracts. This is part of the directors' fiduciary duty to the fund, and precedence for the process includes evaluating the nature and quality of services, investment advisor profitability, and economies of scale.

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40 Shannon, J., Kephart, J., & Moriarty, B. 2026. The State of Semiliquid Funds 2026. https://www.morningstar.com/business/insights/research/semiliquid-funds-report.

41 Dobrescu, M., Kirwin, S., & Paganelli, F. 2026. The State of ELTIFs 2026. https://www.morningstar.com/en-gb/business/insights/research/european-long-term-investment-funds.

42 Gkeka, E. 2026. Public/Private Convergence: LTAF Landscape. https://www.morningstar.com/en-gb/business/insights/research/LTAF-Landscape.

Formal value assessments have been required by UK authorized funds since 2018 and have seen measurable benefit to investors. This is apparent from the cull of share classes, fee reductions, and large swaths of assets moving into lower-cost share classes from the legacy bundled classes where they'd remained after the Retail Distribution Review banned distribution of these classes on a go-forward basis. Subsequently, considering and evidencing value is a key requirement imposed on the broader set of firms to which consumer duty applies and is being extended to the pensions arena.

In Australia, established superannuation Performance Tests go even further, ultimately forcing failing products to notify members and cease accepting new members. The Performance Test is a strict, legislated pass/fail metric, supplemented with the Australian Prudential Regulation Authority's Heatmaps, which give a multidimensional, data-rich diagnostic tool. While distinct, the test results are integrated into the heatmaps, enabling stakeholders to view a product's pass/fail result alongside a richer dataset—such as detailed fee structures and historical investment returns—to see why a fund may be succeeding or failing.

In Europe, to ensure that retail investors can compare investment products and get real value for money from their investments, the SIU will oblige investment firms to identify and quantify all costs and charges borne by investors related to the investment products they advise. These will then be assessed against yet-to-be-defined peer groups to establish that they are justified and proportionate, although the approach will differ between European investment funds and insurance-based products. The prescriptive approach differs markedly from that which has been successful in the UK. In the meantime, as per MiFID, EU member countries must act in investors' best interests and prevent "undue costs" being charged to funds.

Observations: Investor Environment

The investor experience is framed by the market infrastructure. We look at the effects on, and of, disclosure, fees, portfolio and strategy, and risks and returns. Morningstar's views about what makes a good environment for fund investors include favoring low tax burdens on investors; comprehensive, easy-to-understand disclosures; transparent distribution frameworks that give investors choices in how to invest while ensuring distributors mitigate conflicts of interest; availability of educational materials for investors; and clearly disclosed, good-value fund fees.

Exhibit 10 Summary of Investor Environment Grades

Component	E	D	C	B	A
Investor Environment			Australia	France, Germany, Italy, Japan, Netherlands, Spain, UK	Canada, US

Source: Morningstar analysis.

Canada and the US earn the highest grade, thanks in part to a combination of some of the best approaches to portfolio disclosures and more robust requirements on funds to communicate with existing investors on an ongoing basis, in contrast to other markets, which place the burden more on distributors and intermediaries.

The marketwide EU regulations, particularly those of UCITS and, specifically on disclosures, PRIIPs, provide a strong foundation across the member countries analyzed. Italy and Spain are differentiated by requiring portfolios to be available via the regulator's website, and the Netherlands by its inducements ban. Performance fees are most prevalent in Italy's domestic funds, although clustered in certain fund categories, and investors also have the choice of many overseas funds that do not levy performance fees.

While Japan and the UK receive the same grade for investor environment as the EU countries, there are differences in the underlying strengths and weaknesses. For example, the changes the UK introduced to the disclosure of risks and returns in the CCI product summary move it ahead of the EU's PRIIPs KID. Japan's approach to aggregating the ongoing costs of funds gives it high marks for excluding elements such as transaction fees, which can be quite variable.

Australia is the only market in our study that does not require managed funds to regularly disclose their portfolio holdings, limiting investors' ability to monitor their investments. Similarly, Australia is the only market that does not include return information in the investor-facing presale document. While past performance is not an indicator of future success, it is a helpful benchmark for investors when comparing options.

Disclosure

Morningstar views transparency as vital to helping investors make informed decisions and to creating trust in the investment products and the firms that provide them. Practices that encourage clear, objective product-specific disclosures are optimal. For this section, we evaluated presale and ongoing disclosure requirements, including the specificity of the presale document and the frequency of ongoing communications.

Regulators are increasingly focused on clear, flexible, and understandable disclosures as key to better informing investors. Hence, disclosure is the investment experience area undergoing the most change. The challenge for the industry is to make the right information accessible, engaging, and understandable while avoiding information overload.

Presale Requirements

Our analysis centered primarily on the short-form documents that are available in each of the markets in the research. Exhibit 11 summarizes the name and key features of these. Funds should ideally not be allowed to be sold without retail investors being provided at least a short-form prospectus. At the point of sale, in all markets, funds are required to furnish a short-form precontractual document providing core information to investors in a standardized form. We view these as particularly beneficial for prospective retail investors because—if best practices are followed—it allows them to see a fund's costs, risks, investment strategy, and other information written in plain language in an easily digested and comparable format. While practices vary from market to market, ideally the short-form document will cover a single fund rather than a collection of funds and be no longer than four or five pages, avoiding investment jargon and legalese as much as possible. Product Disclosure Statements in Australia tend to be longer documents and include multiple share classes. Some markets, such as Japan and the US, do not strictly limit the length of the document.

Exhibit 11 Overview of Presale Investor-Facing Documents

Market(s)	Document Name	Common Shortened Name	Scope	Length
Australia	Product Disclosure Statement	PDS	Multiple funds	Max of 8 pages for most funds
Canada	Fund Facts	Fund Facts	Share class	Ideally 2 pages, but allowed max of 4 pages
European Union (including France, Germany, Italy, Netherlands, Spain)	Packaged Retail and Insurance-based Investment Products Key Information Document	PRIIPs KID	Share class	Max of 3 pages
Japan	Simplified Prospectus	Simplified Prospectus	Fund*	No max
UK	Consumer Composite Investment Product Summary	CCI Product Summary	Fund	No max
US	Summary Prospectus	Summary Prospectus	Fund	No max

Source: Morningstar analysis. *Japanese-domiciled funds do not generally have a share class structure. The Simplified Prospectus may occasionally cover multiple funds where they share the same investment strategy, functionally similar to how a fund-level disclosure in other markets would cover multiple share classes that differ on features such as distribution frequency or currency hedging.

We find the UK is furthest along, with the first disclosures conforming to new Consumer Composite Investment rules due to appear by June 2027. The CCI replaces both the UCITS Key Investor Information Document, or KIID, which is still used in the UK for fund disclosure despite being retired in the EU, and the PRIIPs regulation, which was onshored for other investment product types.

Within its RIS, the EU is also preparing changes to the PRIIPs KID to make product comparisons easier. Information on investment products regarding costs, risk, and expected returns will be made more visible and accessible for consumers. The updated templates that firms must use in this regard will be developed and made available by the relevant European supervisory authorities. The text also provides that 30 months after the entry into force of the new PRIIPs rules, information in KIDs will have to be provided in a machine-readable format to allow for ease of comparison and to be in line with digital development.

CCI product summary rules aim to transform retail disclosure, moving from strictly prescribed templates and detailed rules on disclosure items to allowing more investor-friendly content and delivery (for example, digitally), underpinned by the Consumer Duty. Like the Value Assessment reports before them, firms will have considerable freedom to present the disclosures in a way that they consider best promotes consumer understanding. That said, individual data points and calculation methodologies related to performance, risk indicators, and charges remain highly prescribed to allow for comparability. In the case of value assessments, we saw some firms make significant effort and produce engaging documents, while others took a much more tick-box, bare minimum approach. We think that the subsequent introduction of consumer duty rules should help reduce the incidence of this with CCIs.

The Canadian Fund Facts documents provide key information in an easy-to-read format and more everyday language than found in other markets.

Japanese regulations require mutual funds to provide investors with a simplified prospectus, while US regulations similarly require that investors receive a mutual fund's summary prospectus.

Ongoing Requirements

Policymaking has often focused on ensuring presale documents are investor-friendly, but ongoing communications should also provide meaningful insights to investors to aid them in monitoring their holdings.

In the US, the SEC revamped the ongoing communication requirements a couple of years ago with the introduction of Tailored Shareholder Reports.[43] While funds must still produce the detailed information regularly shared through extensive semiannual and annual reports, the investor-facing version is meant to highlight key information that is particularly important for existing investors.

In most other jurisdictions, disclosure about ongoing investments is managed through regulations on distributors to provide annual account statements or is limited to the lengthy annual and semiannual regulatory reports. In Japan, in addition to the lengthy annual report, funds must also produce a simplified annual report that more concisely summarizes the information most relevant for ongoing investors, including recent performance and major portfolio holdings.

43 United States Securities and Exchange Commission. 2022. *Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements.* https://www.sec.gov/files/rules/final/2022/33-11125.pdf.

Fees

Fee-related regulatory developments across global markets have tended to focus on enhanced fee disclosures. In Morningstar's view, the best disclosures for investors are ones in which both percentage and monetary values are provided to highlight any upfront, ongoing, and conditional fees together with signposting to the constituent parts of these fees. We view attempts to aggregate these different types of fees into a total cost measure as disproportionate and confusing to investors. Combining one-time and ongoing fees requires assumptions about how long an investor will hold the product to distribute one-time fees over time, without any guarantee that the assumption is reasonable.

In this report, we focus on the structure and system that underpins fees rather than evaluating relative fee levels across markets. However, the work of our Morningstar Manager Research colleagues has repeatedly demonstrated that fees help in predicting the future success of a fund, and, importantly, costs are a key variable that investors can control.[44]

Ongoing Fee Components

One challenge when comparing information across markets is terminology, where terms used to describe fee ratios are often specific to a given market. For example, the ongoing total cost metric included in presale documents is called the fund expense ratio in Canada, the total expense ratio in Japan, the ongoing charges in the EU, and the total annual fund operating expenses in the US. There may also be shorter names that are commonly used, such as net expense ratio in the US.

In addition to variation in naming, markets often differ in what costs are aggregated into these figures. While we generally want the ongoing fee to be more inclusive than exclusive so investors have a complete picture of what is being deducted from their returns, certain costs can have high variance over time or between investment strategies, and we therefore do not think they should be included. These include interest and dividend expenses, gearing and maintenance of real assets, and explicit and implicit transaction costs. It can be useful to understand how much a fund is paying for these investment-related costs. However, aggregating them with the costs of running the fund—which the other parts of ongoing costs can be considered—can distort the picture for investors, as not all investment-related costs are included. As a result, funds can implement substantially similar strategies using different investment instruments, leading to different impacts on the ongoing fee figure.

One cost that we feel should always be included is what the US refers to as acquired fund fees and expenses. These apply in cases where a fund invests not only directly in the markets with stocks, bonds, and so on, but also, or exclusively, invests in other funds. This is a valid and common investment strategy, such as in the case of allocation funds with exposure to multiple asset classes that use single-asset class funds as the building blocks of the portfolio. However, for investors to have comparable data, it is important that funds include the ongoing charges of any underlying funds, on a pro rata basis, in

44 Gorbatikov, E., Garcia Zarate, J., & Mills, T. 2025. European Fund Fee Study 2025. https://www.morningstar.com/en-gb/business/insights/research/european-fund-fee-study; Evens, Z., & McCann, B. 2026. Morningstar 2026 US Fund Fee Study. https://www.morningstar.com/business/insights/research/annual-us-fund-fee-study; Sanzgiri, Z. 2026. The Enduring Predictive Power of Fees in Australia. https://go.morningstar.com.au/predictive-power-of-fees.

their total cost figure. While all markets we looked at include these costs in the ongoing fee on the presale document, under the UK's new CCI product summary rules, these pull-through costs will be excluded from the total figure if the underlying investments are closed-end funds.

Most markets require ongoing fees to be presented in both percentage terms and with a monetary representation using standardized assumptions. One exception is Japan, where there is not generally a monetary illustration in the presale document. In the EU, one criticized element of the PRIIPs KID is the requirement to also include a reduction-in-yield figure. This approach counterintuitively presents costs as lost return, over one year and the recommended holding period, creating the unrealistic comparison with investing at no cost. Additionally, owing to the compounding loss from fees paid in earlier years, the figure often looks worse when an investment is held for longer. When combined with the incorporation of maximum entry and exit costs and differing return assumptions across funds, the result is information that discourages long-term investing and doesn't provide a meaningful basis for comparison.

Initial and Deferred Charges

One impactful measure to reduce fund costs is the separation of embedded distribution costs, used by funds to remunerate the advisors and platforms that act between them and their investors. ESMA published advice for the European Commission citing a Morningstar Fees and Expenses study. The regulator highlighted how inducement bans encourage the distribution of more cost-effective investment products to consumers and reduce conflicts of interest for advisors while increasing competition between product manufacturers to the benefit of consumers. This strategy, mandated in Australia, the Netherlands, and the UK, coupled with a trend to fee-based advice in some other markets, has seen the creation of many new "clean" share classes and a reduction in fund costs, though not necessarily in the total costs incurred by investors.

In Canada, a trend toward fee-based accounts was accelerated by a set of regulatory changes known as the Client Focused Reforms. While commission-based or bundled fee structures are still prevalent, making up a slight majority of retail mutual fund assets, there is a shift to fee-based arrangements. Fee-based share classes of mutual funds are quickly becoming the norm. Front-loads are commonly available as an option but can be negotiated away.

In the US, there has been a long-running shift away from bundled fee structures. This was likely accelerated by the eventually vacated 2016 Fiduciary Rule from the Department of Labor that would have effectively prevented commissions in retirement accounts by introducing a legally binding contract requirement.[45] Despite the rule being overturned, flows have continued to move out of bundled share classes and towards unbundled or semibundled structures.[46]

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45 Topoleski, J.J. 2017. "DOL's 2016 Fiduciary Rule on Investment Advice." *Congressional Research Service*. https://www.congress.gov/crs-product/IF10686.

46 Evens, Z., & McCann, B. 2026. Morningstar 2026 US Fund Fee Study. https://www.morningstar.com/business/insights/research/annual-us-fund-fee-study.

In markets where banks dominate fund distribution, there is no sign that market forces alone will drive down fees for retail investors, with the prevalence of ongoing commissions remaining high across the EU (excluding the Netherlands) and Japan.

Exhibit 12 Overview of Distribution Channels and Related Fees

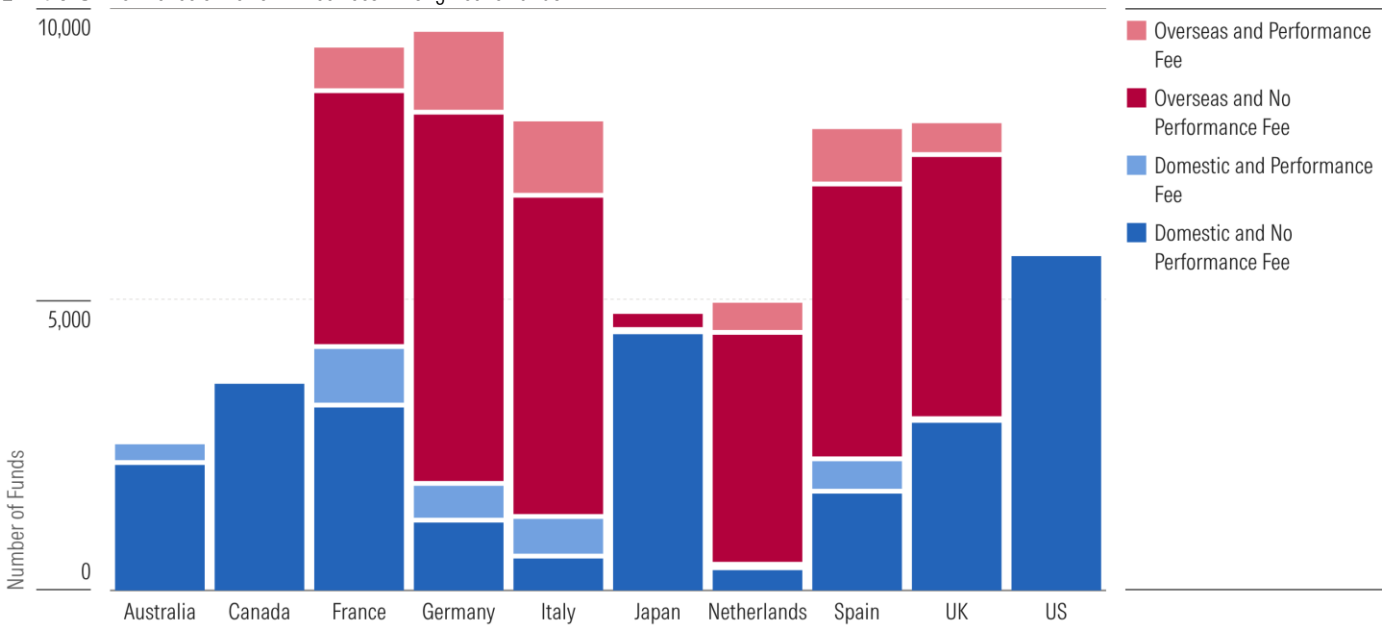
Country	Usage of Intial Charges	Usage of Ongoing Commissions	Primary Distribution Channel(s)
Australia	Banned	Banned	Large Distributors
Canada	Low	High	Banks, Brokerage
France	Low	High	Banks
Germany	High	High	Banks
Italy	Medium	High	Banks
Japan	Medium	High	Banks, Brokerage
Netherlands	Banned	Banned	Banks
Spain	Low	High	Banks
UK	Low	Banned*	Independent Advisors
US	Low	Medium	Independent Advisors, Brokerage

Source: Morningstar analysis. *Ongoing commissions are banned going forward, but certain existing share classes were grandfathered.

Performance Fees

While on the surface, performance fees are a way to align the interests of fund managers with those of investors, in practice, it's not always so simple. We see two main challenges: First, performance-fee structures are often complicated, frequently requiring pages of explanatory text in fund prospectuses; second, the potential asymmetric nature of some performance fees, where managers share in gains but not loses or use misaligned benchmarks, makes it hard for investors to evaluate the fees. Their use is more prevalent in some markets (for example, Italy) than others and by some fund strategies more than others (for example, the Liquid Alternatives category in Canada and semiliquid funds in general). The usage across markets is shown in Exhibit 13, which excludes data on semiliquid funds. Australia is the standout market for the extent and format of its disclosures around performance fees.

Exhibit 13 Prevalence of Performance Fees Among Active Funds



Source: Morningstar analysis. Data as of Sept. 9, 2026. Note: Considers distinct active open-end funds available in each market and whether a performance-based fee is applied to any share class of the fund. ETFs are excluded as they may be available to investors regardless of listing location. Semiliquid structures such as LTAFs and ELTIFs are excluded.

Fees are a particular area to watch as the convergence of private and public markets continues, with market participants focusing on how to clearly disclose and explain alternative fee structures in semiliquid funds.

A recent Morningstar report explored how private credit and semiliquid funds regularly incorporate performance-based fees that are highly variable, particularly when tied to unrealized gains, making long-term costs more complex to project than with traditional mutual funds.[47]

Prospectuses for semiliquid funds frequently exclude details about incentive fees, which makes it hard for investors to fully understand their cost structures. Regulatory gaps exacerbate nonuniform disclosure practices, enabling fund managers to obscure acquired incentive fees and bypass meaningful comparisons between funds. This lack of clarity is pronounced in private credit strategies, where incentive structures rely on minimal interest rates, allowing performance thresholds to be easily met.

47 Shannon, J. 2026. The Many Problems of Incentive Fees in Semiliquid Funds. https://www.morningstar.com/business/insights/research/semiliquid-funds-incentive-fees.

Portfolio and Strategy

"When investors can't see clearly into a portfolio, they won't wait to find out what's there."[48] This quote from Sarah Pritchard, executive director for markets and international at the UK's FCA, was made in the context of building and maintaining confidence in private markets. It reflects that in public fund markets, portfolio holdings disclosure is usually highly transparent.

Ideally, complete portfolio holdings are publicly available from a central website (such as an industry association or a regulator), which makes it easy for either a retail investor or an institution to quickly locate and gather the information. This information should be made available without a significant lag from its as-of date. Absent these disclosures, annual and semiannual statements of investments should include all long, short, and derivative positions, and best practice is to have them updated with a short lag.

Before analyzing portfolios in detail, investors need investment strategy explanations that are clear enough to provide investors with an understanding of the aim of the fund and benchmarks that can guide them in contextualizing the performance of the fund.

Investment Strategy and Benchmarks

All markets in our study have reasonable standards for investment strategy explanations. Some have also sought to aid investors by tightening up fund naming standards such that they better reflect the aims of a fund. For example, the US requires that where a fund name suggests a focus in a particular type of investment, industry, or geographic focus, there be an investment policy with at least 80% allocated to this area.[49] In the EU and UK, UCITS regulation requires that fund names be “fair, clear, and not misleading” as part of the requirements around marketing communications and document contents.[50] In Australia, ASIC requires funds to be “true to label,” such that the product name aligns with the underlying assets.[51]

A key tool for investors in understanding the investment strategy can be a benchmark. While these are often also included in the presentation of return information, setting out a benchmark for the investment strategy provides investors with useful context about the potential holdings of the fund. In all markets we examined, it is either required or common practice to include a benchmark in the presale investor-facing document. In most cases, these benchmarks must reasonably align with the investment strategy of the fund.

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48 United Kingdom Financial Conduct Authority. 2026. Laying the foundation for confidence. https://www.fca.org.uk/news/speeches/laying-foundation-confidence.

49 United States Securities and Exchange Commission. 2001. *Investment Company Names*. https://www.sec.gov/rules-regulations/2001/01/investment-company-names.

50 European Union. 2009. *Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)*. https://eur-lex.europa.eu/eli/dir/2009/65/oj/eng.

51 Australian Securities and Investments Commission. 2020. “ASIC tells fund managers to be ‘true to label’.” https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2020-releases/20-218mr-asic-tells-fund-managers-to-be-true-to-label.

One exception to highlight is in the US, where recent changes have resulted in multi-asset strategies needing to use broad-based market indexes that are only applicable to one asset class as their primary benchmark.[52] For example, a balanced fund targeting a 60/40 equity/fixed-income split must show a broad equity index as the primary benchmark. While funds are permitted to, and do, include additional blended benchmarks that more closely align with the investment strategy, the requirements around the primary benchmark can introduce confusion for investors, as it creates an unrealistic comparison in terms of investment approach, risk, and returns.

Many markets, including Canada and the UK, provide exceptions to the benchmark requirements in cases where the investment manager believes there is not a reasonable benchmark. This would most likely apply to funds investing in more esoteric asset classes such as digital assets. In these cases, there is generally a requirement to provide an alternative approach to assessing performance.

A clear investment strategy and reasonable benchmark support investor decision-making, but ultimately, transparency of fund holdings is vital to evidencing that the selected funds are fulfilling their objectives in practice.

Portfolio Holdings Disclosure

Canada, Spain, and the US require regular disclosure of portfolio holdings on a central website, while the UK fund association, the Investment Association, requires funds to divulge holdings to them monthly as a prerequisite of being classified into their fund sectors.

Also important is how long after the end of the period that the portfolio holdings are disclosed. While real-time portfolio disclosure is certainly not expected, the holdings disclosure becomes less relevant and less useful the longer the lag period. Periods range from 60 days to more than 120 days.

Fund investors in markets with best practice disclosures have a relatively clear picture of their exposures. Australia remains the exception, where there is still no requirement on funds to disclose their constituent holdings.

On the bright side, though, many funds report their portfolio holdings more frequently and/or earlier than required by the regulators, at least to Morningstar.

The issue of liquidity, especially in the private assets arena, adds to the importance of timely access to information about the individual securities being held by funds. Portfolio holdings data is also valuable from the perspective of funds claiming environmental, social, and governance credentials, which is an area that takes on increased importance as places such as Australia, the UK, and potentially the EU move more toward sustainability labeling schemes.

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52 United States Securities and Exchange Commission. 2022. *Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements.* https://www.sec.gov/files/rules/final/2022/33-11125.pdf.

Exhibit 14 Overview of Portfolio Disclosure Requirements for Open-End Funds

Country	Minimum Frequency	Lag Between Disclosure and As-Of Date	Publication Location	Detail Level
Australia	Not required	NA	NA	NA
Canada	Semiannually	60 days (interim) or 90 days (annual)	Publicly available from regulator website	Full portfolio
France	Semiannually	2 months (half-yearly) or 4 months (annual)	Available from Asset Manager upon request	Full portfolio
Germany	Semiannually	2 months (half-yearly) or 4 months (annual)	Available from Asset Manager upon request	Full portfolio
Italy	Semiannually	2 months (half-yearly) or 4 months (annual)	Publicly available from Asset Manager's website	Full portfolio
Japan	Annually*	90 days	Publicly available from Asset Manager's website	Full portfolio, with short positions aggregated
Netherlands	Semiannually	2 months (half-yearly) or 4 months (annual)	Available from Asset Manager upon request	Full portfolio
Spain	Semiannually	2 months (half-yearly) or 4 months (annual)	Publicly available from regulator website	Full portfolio
UK	Semiannually	2 months (half-yearly) or 4 months (annual)	Publicly available from regulator website	Full portfolio
US	Quarterly	60 days	Publicly available from regulator website	Full portfolio

Source: Morningstar analysis. *Frequency for Japanese-domiciled funds depends on the fund's accounting period, with some funds having to disclose information at least semiannually.

Risks and Returns

In an environment where regulators are more tolerant of risk, it is even more key to provide information designed to help the end investor understand those risks. That said, there is a need to counterbalance these with the risks that come from not investing.

For risk disclosures, we would prefer to see the short-form document contain a section that covers risks that are materially relevant and specific to the fund—rather than using generic, boilerplate language that could apply to any fund—to make it useful for investors. In markets that utilize risk scores, these should aid investors rather than add to the confusion. In our view, this is achieved if the scores sort investments into reasonable groups and are based on a simple, understandable methodology. Considering the vast range of returns data available online, Morningstar's view of the optimum information on short-form investor-facing documents would be annualized returns over a selection of standardized time periods, together with those of a relevant benchmark and of cash, displayed graphically, together with the numeric values.

Risk Disclosures

The array of risk disclosures that we found in the short-form investor-facing documents used in each market typically displays all possible risks rather than focusing on the most likely or most material of those risks and the scenarios in which they may occur. Compounding the challenge for investors is that they often contain necessary technical or legal terms, without accompanying plain-language explanations to support broader understanding.

The UK government commissioned a review of risk warnings, viewing them as a barrier to savers choosing to invest.[53] Considered too one-sided on the potential negative outcomes and not sufficiently highlighting the link to higher potential rewards, the standard, loss-focused risk warnings could be reinforcing fear and disengagement rather than supporting informed decision-making and consumer confidence. The final report found that reliance on standardized phrases such as "capital at risk" has become a compliance standard rather than an effective tool for consumer understanding. Guidance was published to support immediate improvements in how risk is communicated and to clarify where risk disclosure is needed, together with practical examples of how to explain risk and reward in plain language and in context.

Risk Scores

Some markets attempt to help investors further by requiring products to assign themselves a numeric risk score. Those in Canada (1-5 scale) and the UK (1-10 scale) are based upon historic volatility, while the EU (1-7 scale) conflates market risk and credit risk. Australia adopts a different approach, again basing risk level (1-7 scale) on the projected number of negative return years over a 20-year time frame based on forecast returns but crucially not accounting for the magnitude of those returns. The results tend to be used in conjunction with additional context from risk profiling, client goals, and risk capacity

53 The Investment Association. 2026. "Risk Warnings Review." https://www.theia.org/industry-policy-and-current-initiatives/risk-warnings-review.

for asset-matching within suitability tests of financial advisors rather than directly benefiting retail investors.

While these kinds of measures can aid investors by subdividing the investment choices available to them, education and context are vital to avoid discouraging people from investing in the products that may be most suitable for them.

Informed risk-taking also means helping consumers understand where regulatory frameworks will and will not protect them in the event of things going wrong. All countries that we analyzed offer forms of protection, compensation, or redress for wrongdoing.

Exhibit 15 Overview of Risk Scores

Country	Name	Scope	Range	Calculation Approach	Manager Input
Australia	Standard Risk Measure (SRM)	Mutual funds and retirement products (superannuation funds)	1–7	Expected frequency of negative annual returns over next 20 years	Based on various manager assumptions, including around volatility and correlation
Canada	Investment Risk Level	Mutual funds and ETFs	1–5	Standard deviation over past 10 years	Discretion to classify higher than calculated score if deemed appropriate
European Union (including France, Germany, Italy, Netherlands, Spain)	Summary Risk Indicator (SRI)	Mutual funds, insurance-based investments, derivatives, and structured products	1–7	Combination of value-at-risk equivalent volatility over recommended holding period and credit quality	Discretion to classify higher than calculated score if deemed appropriate
Japan	—	—	—	—	—
UK	Risk and Return Score	Mutual funds, insurance-based investments, derivatives, and structured products	1–10	Standard deviation over past 10 years, with requirements for certain product types to receive scores in a set range	Discretion to classify higher or lower than calculated score if deemed appropriate
US	—	—	—	—	—

Source: Morningstar analysis.

Returns

If communication of risks is challenging, conveying the returns side of the equation has in some ways been even more fraught. Australia is alone in not including past returns information in the short-form document, although most firms will publish it in separate fund fact documents. The EU caused a furor by requiring forward-looking performance scenarios at the expense of past performance in the KID; the European Commission eventually compromised and required signposting from the KID to a location where investors could access past performance.

Ironically, the closest incarnation of our preferred approach to returns disclosure was found in the original EU KIIDs, which were discarded in the switch to KIDs. Canada's Fund Facts document now comes closest and also requires inclusion of the best and worst three-month returns over the prior 10 years. Similarly, Japanese funds must highlight the highest and lowest annual returns over the prior five years alongside the average. Funds in all markets tend to provide degrees of comparison against reference benchmarks.

Australia

Market Structure	Investor Environment	Overall
B	C	B

Taxation Architecture
- Progressive income tax
- Savings interest and dividends as income
- Long-term investments at half marginal income rate through July 2027

Retirement Savings Architecture
- Mandatory workplace coverage
- High annual pretax contribution allowance

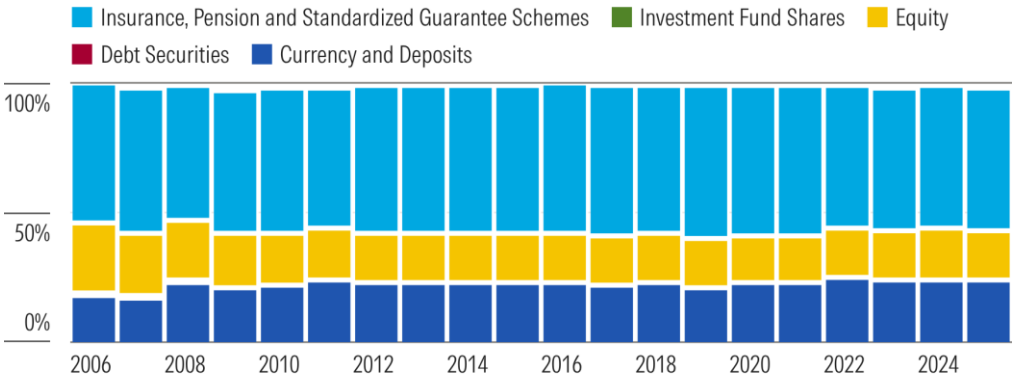
Distribution Model
- Predominantly via large distributors
- Firms subject to Future of Financial Advice reforms to the Corporations Act
- Distinction between retail and wholesale investors

Key Tax-Advantaged Accounts
- Education bonds
- First home super saver
- Superannuation

Investor-Facing Documents
- Product Disclosure Statement

The success of auto-enrollment has seen retirement assets dominate household assets, and the picture has remained largely unchanged for many years. Unlike most markets, open-end funds are not the predominant retail investment vehicle, though ETFs are increasingly popular.

Exhibit 1 Household Financial Assets by Type, 2006-25



Source: OECD Annual Financial Balance Sheets. Note: Data is based on consolidated reporting.

Market Structure

Australia has a strong regulatory framework, although its relatively lighter fund disclosure requirements contrast with a stringent compliance and low-threshold breach-reporting regime, which in practice can subject those that try to bring transparency, by collating hard-to-get data, to disproportionately high standards. The market relies less on broad-based investment tax incentives than some peers, but the compulsory superannuation system is one of the strongest retirement savings frameworks in the study, successfully embedding investment behavior across the employed workforce and creating substantial pools of invested assets. The Future of Financial Advice reforms reduced conflicts of interest by banning many commission structures and creating a comparatively robust advice framework. Product governance is generally strong, although requirements around board independence and formal value assessments are less extensive than in some leading international markets.

Investor Environment

Australia provides less targeted fund disclosure than many peer markets, with Product Disclosure Statements often covering multiple share classes and containing extensive detail. Australia stands out for the transparency of performance-fee reporting but is a notable outlier with funds generally not required to disclose full portfolio holdings. Australia is the only market in the study that does not require past performance information within its primary short-form disclosure document and uses a distinctive risk-labeling approach based on the projected frequency of negative returns over a 20-year horizon.

Overall

Australia combines one of the world's strongest retirement savings systems with a healthy advice framework and solid fee disclosures, delivering an effective investment ecosystem despite comparatively weaker disclosure and portfolio-transparency standards.

Canada

Market Structure	Investor Environment	Overall
B	A	B

Taxation Architecture
- Progressive income tax
- Savings interest and dividends as income
- Investments at half the marginal income rate

Retirement Savings Architecture
- Voluntary workplace coverage
- High annual pretax contribution allowance

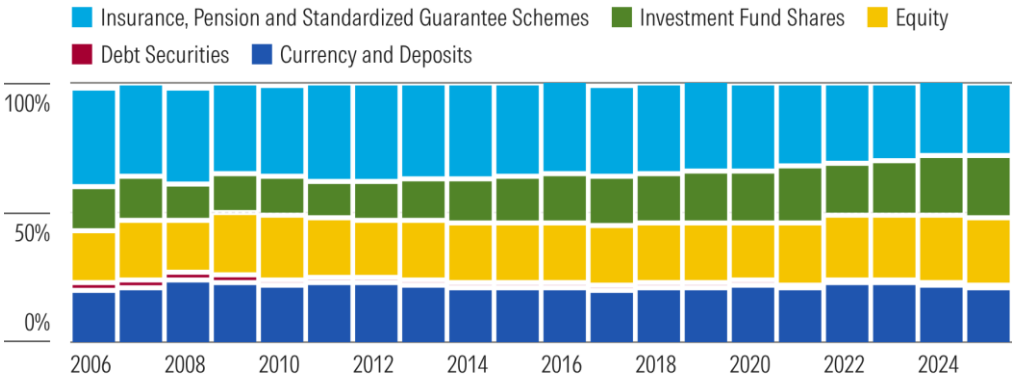
Distribution Model
- Predominantly via banks and brokerages
- Firms subject to Client Focused Reforms
- Distinction between retail, eligible, and accredited investors

Key Tax-Advantaged Accounts
- Tax-Free Savings Account
- Registered Education Savings Plan
- First Home Savings Account
- Registered Retirement Savings Plan

Investor-Facing Documents
- Fund Facts

Some of the lowest levels of cash assets are found in Canada, alongside sizable equity and fund participation. This reflects a good balance of investment and retirement savings incentives and a solid fund market, which is seeing a transition from embedded to more transparent costs.

Exhibit 1 Household Financial Assets by Type, 2006-25



Source: OECD Annual Financial Balance Sheets.

Market Structure

Canada's Client Focused Reforms strengthened standards of conduct and require advisors to place clients' interests first when making recommendations. Favorable tax treatment of capital gains combined with a range of tax-advantaged savings and investment accounts, including broad-based and goal-specific vehicles, support long-term wealth accumulation. Enhancements to the Canada Pension Plan intend to improve future retirement adequacy via higher contribution and replacement rates. Advice and distribution remain influenced by commission-based models, but the market is steadily transitioning toward fee-based arrangements supported by regulatory reforms and enhanced transparency requirements. Funds have strong governance frameworks requiring publicly offered investment funds to maintain an independent review committee.

Investor Environment

Fund Facts documents are among the strongest investor-facing disclosures in the study, presenting key information in a concise, plain-language format that promotes investor understanding. Fee transparency has improved through Total Cost Reporting, which provides investors with detailed dollar-based disclosures of the costs they incur, including commissions paid to distributors. Investors benefit from regular disclosure of portfolio holdings and clear information on investment objectives and benchmarks. Canada's disclosure framework provides investors with straightforward presentation of risk ratings and historical performance information, including both long-term returns and best- and worst-period outcomes.

Overall

Canada combines strong investor disclosures, improving fee transparency, robust fund governance, and well-developed retirement and savings programs, creating a balanced investment environment that is steadily evolving toward greater investor alignment and transparency.

France

Market Structure	Investor Environment	Overall
C	B	C

Taxation Architecture
- Progressive income tax
- Savings interest, dividends, and investments aggregated at around the income rate

Retirement Savings Architecture
- Voluntary workplace coverage
- Moderate annual pretax contribution allowance

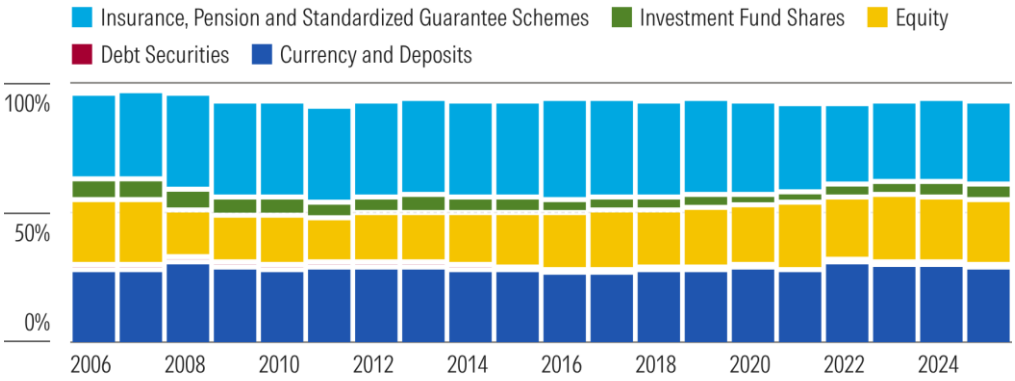
Distribution Model
- Predominantly via banks
- Firms subject to MiFID II
- Distinction between retail and professional investors

Key Tax-Advantaged Accounts
- PEA
- PEA PME-ETI
- Occupational pensions

Investor-Facing Documents
- PRIIPs KID
- MiFID Ex-Post Disclosures

While seeing a stepped decline in cash savings over the past four years, levels remain high compared with the other markets studied. Established tax-advantaged accounts help channel investment into French and EU securities, and employee-savings schemes can build a level of investment culture from the workplace, though equity and fund investment levels have remained relatively constant for a number of years.

Exhibit 1 Household Financial Assets by Type, 2006-25



Source: OECD Annual Financial Balance Sheets.

Market Structure

France offers tax-advantaged investment schemes along the lines of the EU SIA recommendations, designed to encourage long-term investing, including accounts that provide preferential treatment for investments in domestic and broader European assets. Its state pension system has historically provided a relatively high level of income replacement in retirement, reducing the degree to which individuals have needed to rely on personal investment accounts compared with some other markets—though the system is under increasing fiscal strain and attempts at reform remain contested and unresolved. Over time, this strain may increase the role that private long-term savings play. The French advice and distribution market operates under MiFID II and remains influenced by bank-led distribution and commission-based remuneration structures that are common across much of continental Europe. Investors benefit from the comprehensive product governance, investor-protection, and oversight standards embedded within the EU regulatory framework.

Investor Environment

France applies the EU's highly standardized disclosure regime, which provides investors with consistent presale information. Investors have access to clear information on fund strategies, benchmarks, and portfolio holdings, as well as risk and return disclosures, using standardized indicators and performance information to assist investors in comparing investment products.

Overall

France combines a strong regulatory environment, well-established tax-advantaged investment arrangements, and robust EU disclosure standards, but, like many continental European markets, it continues to seek ways to increase direct household participation in capital markets.

Germany

Market Structure	Investor Environment	Overall
C	B	C

Taxation Architecture
- Progressive income tax
- Savings interest, dividends, and investments aggregated at below the income rate

Retirement Savings Architecture
- Voluntary workplace coverage
- Moderate annual pretax contribution allowance

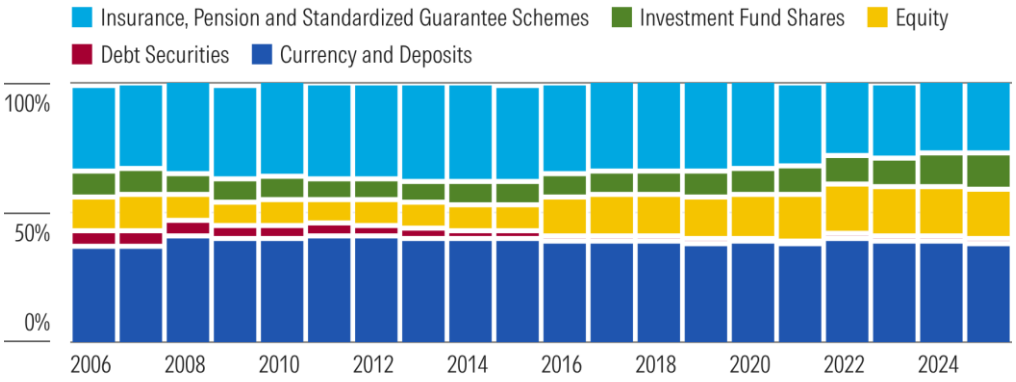
Distribution Model
- Predominantly via banks
- Firms subject to MiFID II
- Distinction between retail and professional investors

Key Tax-Advantaged Accounts
- Occupational pensions

Investor-Facing Documents
- PRIIPs KID
- MiFID Ex-Post Disclosures

Stubbornly high rates of cash savings sit alongside reasonably sized equity and fund participation. The success of ETF savings schemes has contributed to this, and major developments to the pensions landscape are well underway.

Exhibit 1 Household Financial Assets by Type, 2006-25



Source: OECD Annual Financial Balance Sheets.

Market Structure

Germany is reforming both its occupational and personal pension systems, including the proposed Altersvorsorgedepot and state-supported savings initiatives designed to increase funded retirement saving. Germany's distribution market has historically relied on intermediated advice and bank distribution, although low-cost ETF savings plans and digital platforms have significantly broadened retail access to investing. German investors benefit from the extensive governance, oversight, and investor-protection standards provided by both national regulation and the wider EU fund framework, including requirements for independent board representation.

Investor Environment

Germany applies the EU disclosure framework, providing investors with standardized presale documentation. Investors have access to clear information on fees, fund objectives, benchmarks, and portfolio holdings, while the growth of ETF investing has increased the availability of simple and transparent investment products. Germany applies the EU's standardized risk and return disclosure framework, helping investors compare products through consistent presentation of risk indicators and performance information.

Overall

Germany combines a strong investment-product environment with increasingly ambitious retirement and savings reforms, and although the recent success of ETF savings plans has helped attract new investors, the effectiveness of upcoming pension reforms will be an important determinant of future participation growth.

Italy

Market Structure	Investor Environment	Overall
C	B	C

Taxation Architecture
- Progressive income tax
- Savings interest, dividends, and investments aggregated at below the income rate

Retirement Savings Architecture
- Voluntary workplace coverage
- Low annual pretax contribution allowance

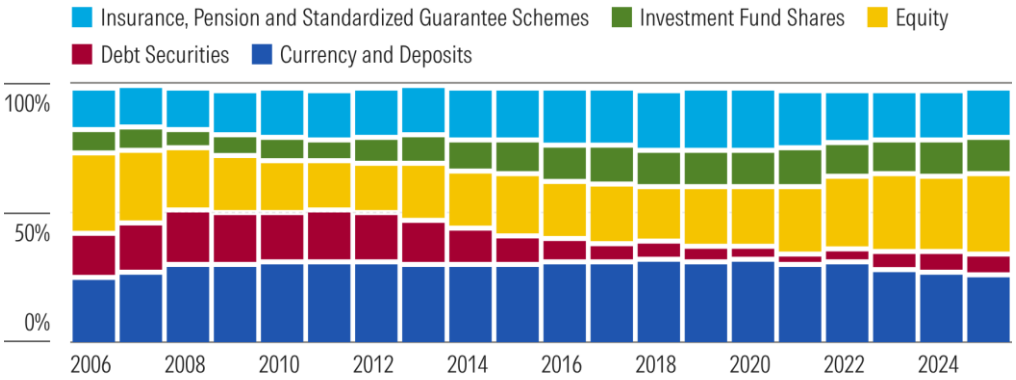
Distribution Model
- Predominantly via banks
- Firms subject to MiFID II
- Distinction between retail and professional investors

Key Tax-Advantaged Accounts
- PIR
- Alternative PIR
- Occupational pensions

Investor-Facing Documents
- PRIIPs KID
- MiFID Ex-Post Disclosures

Among markets covered, Italy has the most even spread of household savings across asset types. Slowly declining levels of cash savings match corresponding upticks in equity market participation, alongside significant but stable debt holdings. Its foray into pension auto-enrollment and existing tax-advantaged accounts should help further expand the investor base going forward.

Exhibit 1 Household Financial Assets by Type, 2006-25



Source: OECD Annual Financial Balance Sheets.

Market Structure

Italy offers EU SIA-style tax-advantaged investment schemes through the PIR framework, which provides incentives for long-term investing in domestic companies and includes variants intended to channel capital toward domestic smaller companies and private market assets. It has traditionally relied heavily on state pension provision but is seeking to strengthen private retirement saving through the introduction of auto-enrollment. The Italian distribution market remains largely commission-based and bank-led, where advisors continue to be remunerated through product charges. Italian investors benefit from the governance, oversight, and investor-protection standards embedded in both national regulation and the wider EU fund regulatory framework.

Investor Environment

As an EU market, Italy uses standardized investor disclosures that provide consistent information on investment objectives, costs, and risks, although these sit within a framework that policymakers are seeking to simplify further. Fees remain influenced by a distribution model in which retrocessions are prevalent, and Italy stands out as one of the markets where performance fees are more commonly used than in many peer jurisdictions. However, foreign funds are widely used, many of which do not include these fees. Investors benefit from the portfolio transparency, benchmark disclosures, and investment-strategy information required under EU fund regulations, with presale information intended to support comparability across investment products.

Overall

Italy provides investors with a sound regulatory and disclosure environment, but its most notable developments are focused on encouraging greater participation through retirement reforms and targeted tax-incentivized investment schemes designed to deepen household engagement with capital markets.

Japan

Market Structure	Investor Environment	Overall
C	B	B

Taxation Architecture
- Progressive income tax
- Savings interest, dividends, and investments aggregated at below the income rate

Retirement Savings Architecture
- Voluntary workplace coverage
- Low annual pretax contribution allowance

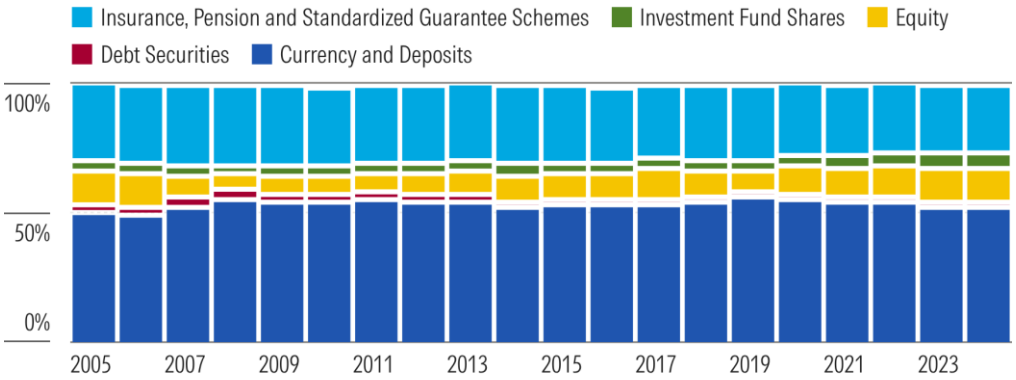
Distribution Model
- Predominantly via banks and brokerage
- Firms subject to fiduciary duty in FIEA
- Distinction between retail and professional investors

Key Tax-Advantaged Accounts
- NISA
- Occupational pensions

Investor-Facing Documents
- Simplified Prospectus
- Investment Trust Report

Cash savings dominate Japanese household assets, although they have started reducing slowly. Some of this can be attributed to the success of the NISA product, with corresponding upticks in equity and fund assets.

Exhibit 1 Household Financial Assets by Type, 2005-24



Source: OECD Annual Financial Balance Sheets.

Market Structure

The centerpiece of Japan's investment encouragement policy is the NISA program, which provides tax-advantaged investing opportunities and has become a key tool for encouraging participation in capital markets. Japan's aging population and reliance on state pension provision have increased the importance of policies aimed at strengthening private saving and investment to support future retirement adequacy. The market continues to rely heavily on commission-based distribution models but has an established framework of fund regulation and investor protection measures, providing a solid foundation while remaining less interventionist than some markets on formal governance and value-for-money requirements.

Investor Environment

Japanese regulations require mutual funds to provide investors with a simplified prospectus, helping deliver key information in a more accessible format than a full prospectus alone. Total expense ratios and their underlying components provide investors with a relatively clear picture of fund costs, including those associated with fund-of-funds structures. Investors benefit from clear investment-strategy disclosures and benchmark information, and portfolio transparency standards are generally aligned with international norms. Standardized disclosures of risk and performance information support investors in understanding both fund risk profiles and historic investment outcomes.

Overall

Japan stands out for its exceptionally high levels of household cash savings and aging population, but the success of NISA reforms and an improved investment environment suggest progress in encouraging savers to become long-term investors.

The Netherlands

Market Structure	Investor Environment	Overall
B	B	B

Taxation Architecture
- Progressive income tax
- Savings interest, dividends, and investments at below the income rate

Retirement Savings Architecture
- High voluntary workplace coverage
- High annual pretax contribution allowance

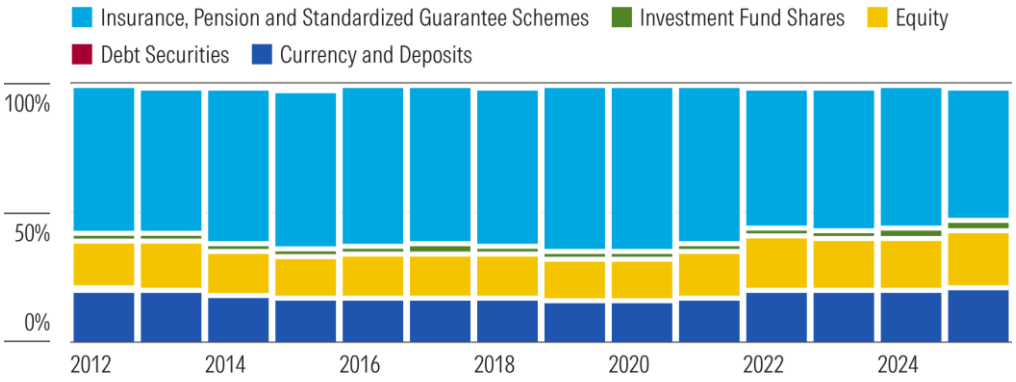
Distribution Model
- Predominantly via banks
- Firms subject to MiFID II
- Distinction between retail and professional investors

Key Tax-Advantaged Accounts
- Occupational pensions

Investor-Facing Documents
- PRIIPs KID
- MiFID Ex-Post Disclosures

The nature of the Dutch pension frameworks sees most assets sit in the insurance and pensions arena. Unlike other markets, cash savings have not yet seen a postpandemic decline, and fund assets are relatively small, despite the strong, inducement-free distribution environment.

Exhibit 1 Household Financial Assets by Type, 2012-25



Source: OECD Annual Financial Balance Sheets.

Market Structure

The Netherlands combines a strong investor-protection framework with active efforts to increase participation. The Dutch system is distinctive among the countries studied because it applies a wealth-tax approach to investment assets rather than relying primarily on taxes on realized capital gains, while offering relatively limited tax-advantaged investment account options. It has one of the strongest retirement systems in the study and is currently undertaking a major transition to the Future Pensions Act, moving toward contribution-based arrangements that provide greater transparency and visibility of investment outcomes. The Dutch market stands out for its prohibition of commissions on financial advice and distribution, reducing conflicts of interest and supporting a more transparent advice framework.

Investor Environment

As part of the EU, Dutch investors receive standardized presale disclosures that provide comparable information on investment objectives, costs, and risks across a broad range of products. The absence of commission-based distribution helps to improve fee transparency and reduce conflicts of interest. Investors benefit from strong transparency standards, including access to portfolio information, investment strategy disclosures, and benchmark information that help them understand fund exposures and objectives. The Netherlands applies the EU's standardized approach to risk and return disclosure, supporting comparability across products while operating within a framework that continues to evolve through reforms to PRIIPs disclosures.

Overall

The Netherlands combines a highly developed retirement system, a conflict-free distribution model, and strong investor-protection standards, making it one of the strongest market-structure performers in the study even though retail investing participation remains below its full potential.

Spain

Market Structure	Investor Environment	Overall
C	B	C

Taxation Architecture
- Progressive income tax
- Savings interest, dividends, and investment aggregated at below the income rate

Retirement Savings Architecture
- Voluntary workplace coverage
- Low annual pretax contribution allowance

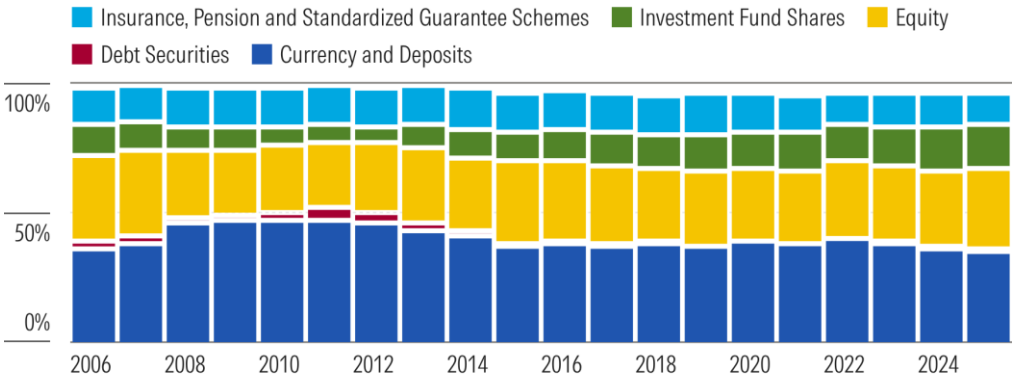
Distribution Model
- Predominantly via banks
- Firms subject to MiFID II
- Distinction between retail and professional investors

Key Tax-Advantaged Accounts
- Occupational pensions

Investor-Facing Documents
- PRIIPs KID
- MiFID Ex-Post Disclosures

Despite few specific measures, in recent years Spain has seen a limited steady transition of money away from cash savings, with equity markets the main recipients. The introduction of an EU SIA-type offering could extend this transition.

Exhibit 1 Household Financial Assets by Type, 2006-25



Source: OECD Annual Financial Balance Sheets.

Market Structure

Unlike many peer markets, Spain does not currently have a significant general-purpose tax-advantaged investment account, although policymakers are considering reforms that could provide additional incentives for long-term investing. There is relatively heavy reliance on public pension provision compared with non-EU markets, reducing some of the pressure for individuals to accumulate other investment assets, although this may change with rising questions about the reliability of the public pension going forward. Its advice and distribution framework is shaped by MiFID II rules, with commissions remaining an important part of the distribution model and banks continuing to play a significant role in fund distribution. Spanish investors benefit from the comprehensive governance, product oversight, and investor-protection standards established under the EU fund regulatory framework, including requirements designed to prevent undue costs and conflicts of interest.

Investor Environment

Spain benefits from the EU's well-established disclosure framework, with investors receiving standardized presale documents designed to provide comparable information on risks, costs, and investment objectives. A distinctive feature of the market is the favorable tax treatment for switching between open-end funds, but not ETFs, without triggering an immediate capital gains tax liability, although fee structures still reflect a distribution market where commissions remain common. Spanish investors benefit from strong portfolio transparency requirements, including regular disclosure of holdings and clear information about fund investment strategies, benchmarks, and standardized risk and return disclosures that support comparability across funds.

Overall

Spain offers investors a solid and well-regulated investment environment supported by strong EU disclosure and governance standards, but, compared with many peer markets, it has fewer direct policy incentives aimed at encouraging households to transition from saving to investing.

UK

Market Structure	Investor Environment	Overall
A	B	B

Taxation Architecture
- Progressive income tax
- Savings interest as income
- Dividends at nearly the income rate
- Investment at lower rate

Retirement Savings Architecture
- Mandatory workplace coverage
- High annual pretax contribution allowance

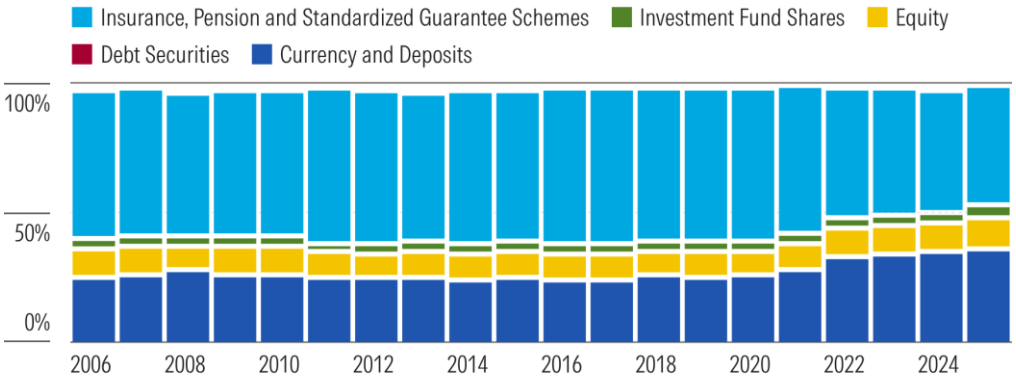
Distribution Model
- Commissions banned
- Firms subject to Consumer Duty
- Distinction between retail and professional investors

Key Tax-Advantaged Accounts
- ISA
- Innovative Finance ISA
- Junior ISA
- SIPP
- Workplace pensions

Investor-Facing Documents
- CCI Product Summary
- MiFID Ex-Post Disclosures

Over the past two decades, savings and deposits have consistently dominated among UK household nonpension assets, despite a robust system to support investors. As more workers become investors through defined-contribution schemes and pressures on government budgets for benefits like state pension grow, there is an ongoing focus on making this money work harder for UK households.

Exhibit 1 Household Financial Assets by Type, 2006-25



Source: OECD Annual Financial Balance Sheets.

Market Structure

UK regulators are focused on growing the retail investor segment, with a strong basis in investor protection from Consumer Duty. Investors benefit from one of the most developed and generous tax-incentive frameworks, with significant tax advantages meant to encourage retirement saving and investing for other goals. Mandatory access to workplace retirement plans and the introduction of auto-enrollment in 2012 have successfully embedded long-term investing into retirement saving for millions of UK workers. While a strong platform and advisor ecosystem support investor access, addressing the continued advice gap is a major policy priority. Recent policy and regulation have built on the mature fund regulatory regime to increase focus on investor outcomes, value-for-money, governance, and expanding access to new investment structures such as LTAFs.

Investor Environment

The UK recently reformed its disclosure regime with the CCI framework, aiming to make investment information more consumer-friendly. Strong fee transparency requirements and a ban on commissions help the UK have some of the lowest fees. UK investors further benefit from strong portfolio transparency. Finally, the industry is increasingly focused on communicating both the risks of investing and the risks of remaining in cash to highlight the balance of risk and return.

Overall

The UK has one of the strongest retail-investor infrastructures but continues to struggle with relatively high cash savings and lower-than-expected levels of investing. Bridging this gap is the focus of policy and regulatory developments such as ISA reforms, the Targeted Support regime, CCI disclosures, the introduction of LTAFs, and value-for-money reforms in pensions.

US

Market Structure	Investor Environment	Overall
B	A	B

Taxation Architecture
- Progressive income tax
- Savings interest as income
- Dividends as income or at below the income rate
- Investments as income if held for less than a year, otherwise at below the income rate

Retirement Savings Architecture
- Voluntary workplace coverage
- High annual pretax contribution allowance

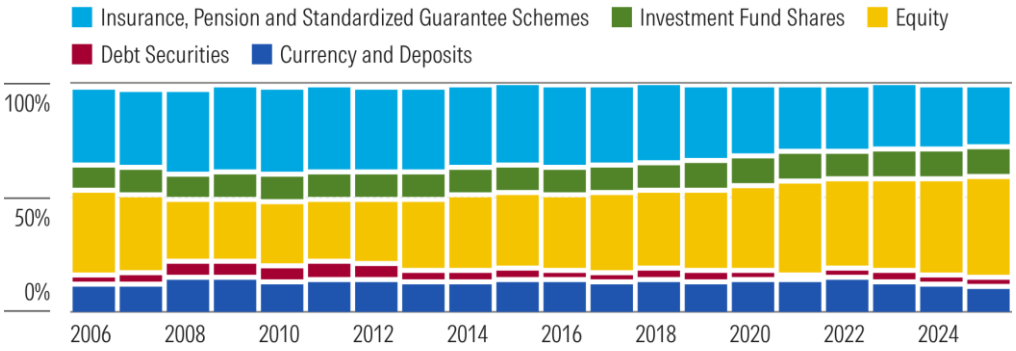
Distribution Model
- Independent advisors and brokerages
- Firms subject to Regulation Best Interest
- Distinction between retail, accredited, and qualified investors

Key Tax-Advantaged Accounts
- 529
- HSA
- (Roth) IRA
- 401(k) and workplace plans

Investor-Facing Documents
- Summary Prospectus
- Tailored Shareholder Report

The perception of a strong investment culture in the US is supported by the distribution of total financial assets over the past two decades. However, the aggregate data masks an uneven distribution across the population. For most households that invest, the shift toward defined-contribution workplace plans has been the catalyst, but this hasn't yet been converted to more investing outside these accounts.

Exhibit 1 Household Financial Assets by Type, 2006-25



Source: OECD Annual Financial Balance Sheets. Note: Data is for households and non-profit institutions serving households, as the further breakdown is not available.

Market Structure

With a broad base of investors, primarily through retirement plans, US regulators are increasingly focused on modernizing rules and supporting innovation while maintaining market integrity. The US combines preferential long-term capital gains treatment with a range of targeted tax-advantaged accounts. While the US has a large retirement system, the lack of universal coverage and auto-enrollment means not all workers can benefit. Outside the retirement sphere, investors have access to large advisor and brokerage markets governed by Regulation Best Interest. With a well-established framework governing funds, recent policy and regulatory proposals have looked at broadening investor access.

Investor Environment

The US is one of the strongest-performing markets for investor disclosures, particularly with the introduction of investor-friendly ongoing communications. Robust fee transparency requirements ensure investors have comparable information, contributing to increasing usage of lower-cost unbundled or semibundled share classes. Regular portfolio disclosure through a centralized system further supports investors. While the US does not rely on a standardized risk-score framework, investors are provided extensive risk and return information to support informed decision-making.

Overall

A strong investor environment supports those participating in the markets. Policy developments like those extending the use of auto-enrollment or backstopping workplace coverage with state-run programs could see more people benefit.

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