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How Europe can turn its investment gap into an opportunity

European households are saving more than they did before the pandemic, but how they save matters. Their preference for deposits over investments has meant missing out on market-driven wealth gains. But rising flows into investment funds recently, together with a large pool of potential investors, suggest this legacy could change

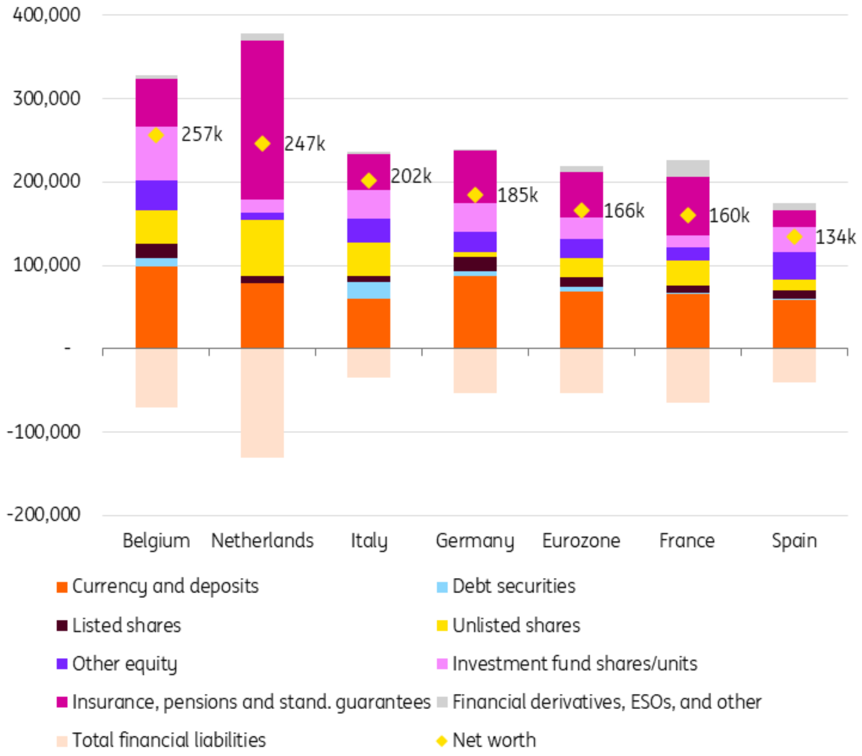
European households have long favoured deposits over investments, but the trend is changing

Past choices are visible in today's balance sheets

Household balance sheets reflect decades of saving and investment decisions, asset-price movements and institutional arrangements. In 2025, eurozone households held almost €220,000 in financial assets per household, including €69,000 in deposits, €56,000 in insurance and pension entitlements, €46,000 in unlisted equity and €43,000 in market-based assets. Average financial liabilities stood at €53,000. The level and composition of wealth differ markedly across countries. These differences reflect not only household investment choices, but also income, demographics, home ownership, taxation and pension systems.

Household financial wealth varies widely across Europe

Financial assets and liabilities, households (& NPISHs), average per household, 2025, €



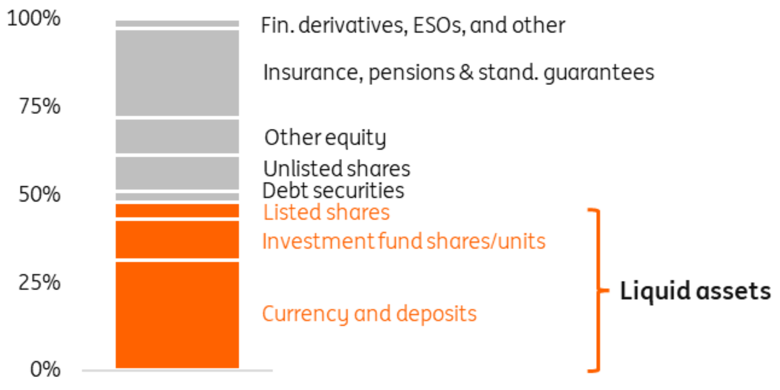
Source: Eurostat, EU-LFS, ING calculations

Note: Average holding is calculated as the total stock in balance sheets divided by the total number of households.

To focus on assets over which households generally have more direct control, we narrow the comparison to currency and deposits, investment funds, listed shares and debt securities. Together, these relatively liquid assets account for around half of eurozone household financial wealth. Deposits alone represent 31% of total financial assets, while the three market-based categories account for another 19%. Of course, pension entitlements, insurance products and unlisted equity are also important components of wealth, but households cannot usually reallocate them as readily as money held in deposits or investment products. The liquid part of the balance sheet therefore offers a clearer view of households' immediate portfolio choices.

Only about half of financial wealth is readily reallocated

Composition of total financial assets, eurozone, 2025



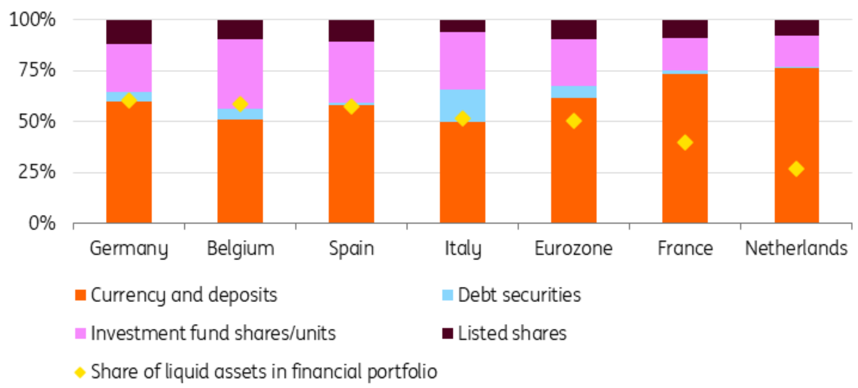
Source: Eurostat, ING calculations

Europe remains deposit-heavy, although the balance is shifting

Within these liquid portfolios, deposits remain dominant. They account for 62% of the eurozone total, compared with 23% for investment funds, 10% for listed shares and 6% for debt securities. The preference for deposits is even more pronounced in France and the Netherlands, where they represent 73% and 76% of liquid assets, respectively. Belgium and Italy hold larger shares of their liquid portfolios in market-based assets.

Deposits dominate liquid assets, especially in France and the Netherlands, where liquid assets are also a smaller part of the financial portfolio

Composition of liquid assets and share in total financial portfolio, 2025

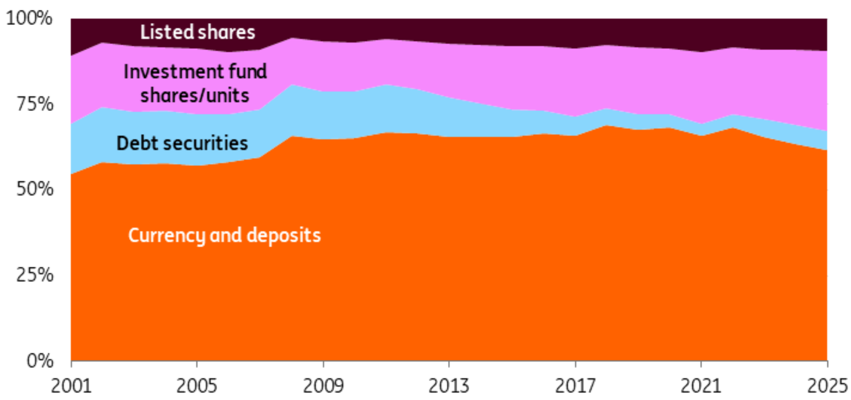


Source: Eurostat, ING calculations

The composition is beginning to change. Investment funds accounted for 23% of eurozone liquid assets in 2025, up from 20% in 2019, while the listed-share component rose from 8% to 10%. Over the same period, the share held in deposits declined from 67% to 62%, its lowest level since 2012. These changes reflect a combination of new investment flows and differences in asset-price performance. All in all, the direction is encouraging, but the legacy of past choices remains substantial.

Investment funds are gradually gaining ground on deposits

Composition of total liquid assets in household balance sheets, eurozone



Source: Eurostat, ING calculations

US households have benefited from much greater market exposure

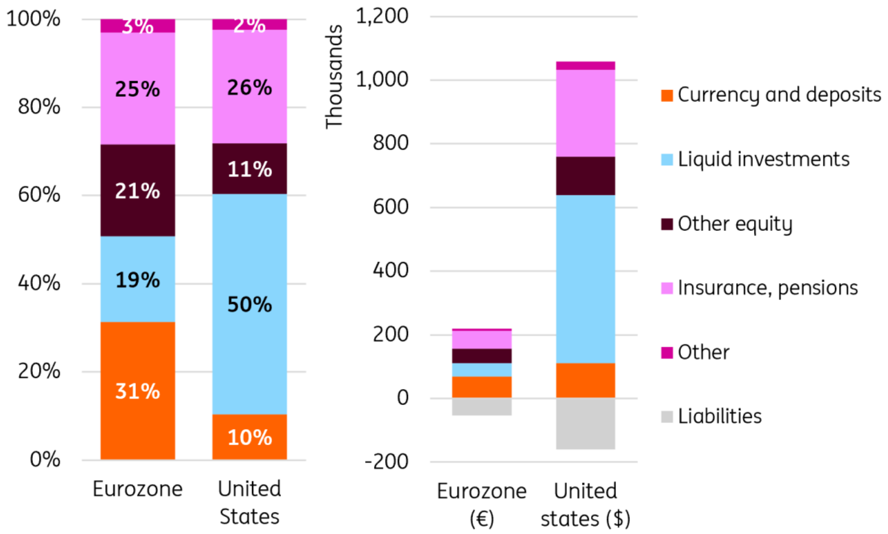
The significance of Europe's deposit preference becomes clearer when its household balance sheets are compared with those of the United States. Currency and deposits account for more than 30% of eurozone household financial assets, compared with around 10% in the US. In contrast, listed equities, investment funds and debt securities represent approximately half of US household financial wealth, compared with about one-fifth in the eurozone.
Eurozone households hold a larger share of their wealth in unlisted equity. This partially reflects Europe's greater reliance on small and medium-sized enterprises, as household ownership stakes in privately held businesses are recorded as unlisted shares.

This is not a perfect product-for-product comparison. US households often obtain market exposure indirectly through funds, managed assets and retirement vehicles, while eurozone financial accounts classify shares, investment funds, insurance and pension entitlements separately. The figures should therefore be read as an indication of the broad role played by market-based assets in household balance sheets, rather than as a comparison of identical financial products.

Even with that qualification, the difference in scale is striking. The average US household held almost $530,000 in liquid market-based investments in 2025. By comparison, the average eurozone household held approximately €220,000 in total financial assets, including deposits, pensions, insurance products and unlisted equity. After conversion using the average 2025 exchange rate applied in the analysis, average US financial wealth was more than four times higher.

US household wealth is far more exposed to financial markets

Panel A: Composition of balance sheets, 2025 Panel B: Average household holdings, 2025



Source: Eurostat, EU-LFS, Fed, FRED, ING calculations

Note: Liquid investments are an aggregation of listed equities, investment fund shares, money market fund shares and debt securities. This aggregation is necessary as the underlying classifications are not directly comparable. For example, as equities in the US comprise both directly and indirectly held securities and cannot be compared directly to listed or unlisted shares in the eurozone.

Asset allocation is not the only explanation for this gap. Differences in incomes, economic growth, pension arrangements, asset prices and household structures also matter. But greater exposure to financial markets has allowed US households to benefit much more from rising valuations. Investment has not merely changed the composition of American household wealth. It has also contributed to its growth.

The gap is not only about the wealthiest households

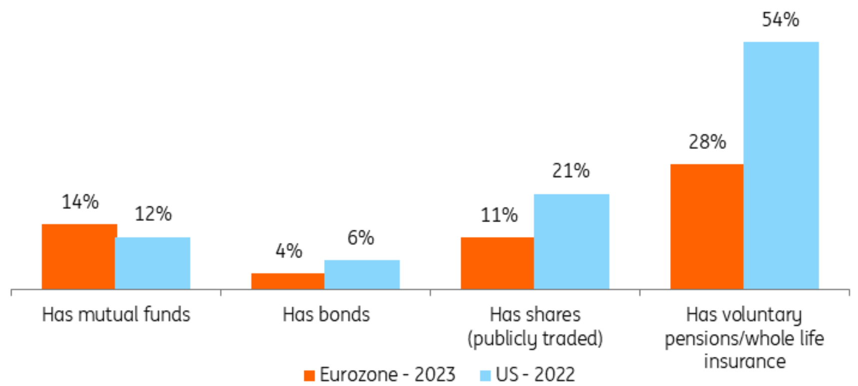
Average holdings must be interpreted carefully because financial wealth, and market-based wealth in particular, is highly concentrated. Among US households with direct or indirect stock holdings, the average amount invested in 2022 was approximately $489,000, almost 10 times the median holding of $52,000. This large gap shows how strongly the average is influenced by households with the largest portfolios.

Concentration is, however, not the whole story. According to Fed SCF data, some 58% of US households held stocks directly or indirectly in 2022, including through mutual funds, retirement accounts and other managed assets. The US model therefore combines broad participation with a highly unequal distribution of the amounts invested.

No direct equivalent aggregate measure is available in the published eurozone household finance tables. European statistics (HFCS survey) report listed shares, investment funds and voluntary pensions separately, without identifying the overlaps between their holders or the exposure to equities within funds and pension products. Product-level figures nevertheless indicate that direct ownership of shares and several other market-based products is less widespread in the euro area.

US investment is unequal, but also relatively widespread

Participation rates in financial assets, %



Source: ECB HFCS, Fed SCF

Note: Assets classifications differ across both surveys, and the closest match is considered. For US deposits, the highest participation rate between holding transaction accounts and certificates of deposit is shown. Bonds consider savings bonds and directly held bonds. Shares correspond to directly held stocks, mutual funds to pooled investment funds, voluntary pensions to cash value life insurance and retirement accounts; and other corresponds to other managed and financial assets.

Europe’s investment gap is also an action gap

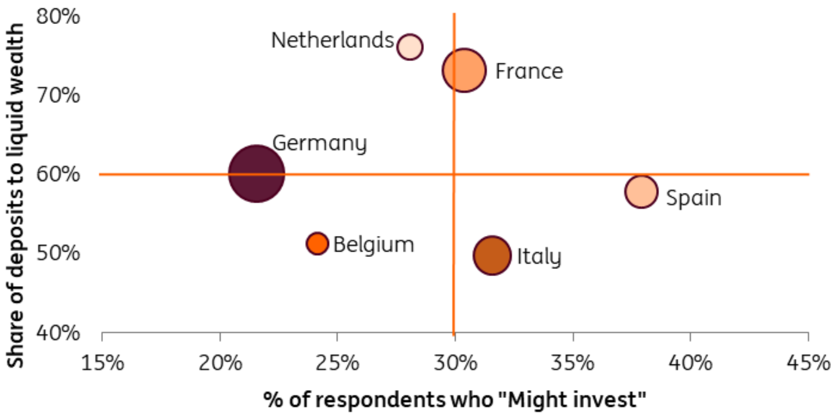
Official household surveys, however, are published with a lag and cannot fully capture the recent increase in European flows into investment funds. The ING Consumer Survey provides a more current view on participation and intentions. We find that 41% of Europeans say they already invest in shares, bonds, funds or ETFs, and 33% do not currently invest but say that they might do so in the future. The remaining 27% say that they do not intend to invest, including a small group who invested in the past but do not plan to do so again.

The most striking finding is the size of the group that is open to investing but has not taken the first step. One in three Europeans are potential investors. In several eurozone countries, potential investors are almost as numerous as those already investing. Europe's retail investment gap therefore does not appear to reflect a widespread rejection of financial markets. For many households, the willingness is there, but it has yet to translate into action.

Germany, France and Italy hold the largest deposit volumes (graph below), reflecting the size of these economies, but they also report higher levels of capital market participation. The Netherlands and France, with their high deposits to liquid wealth ratios, show greater potential of redirecting some liquid wealth into investments, but they don't have the strongest willingness. The best opportunities may therefore be in Italy and Spain, where households show a greater willingness to invest while still holding higher deposits overall, and also a sizeable share of their liquid assets in deposits.

The opportunity to mobilise household savings into capital markets

Amount of allocatable deposits and willingness to invest



Source: Eurostat, ING Consumer Research

Note: The bubble size represents the total amount of deposits in the country. The orange shading indicates the share of respondents who indicate "invest now in shares, bonds, investment funds or ETFs", with darker shades representing a higher proportion who currently invest.

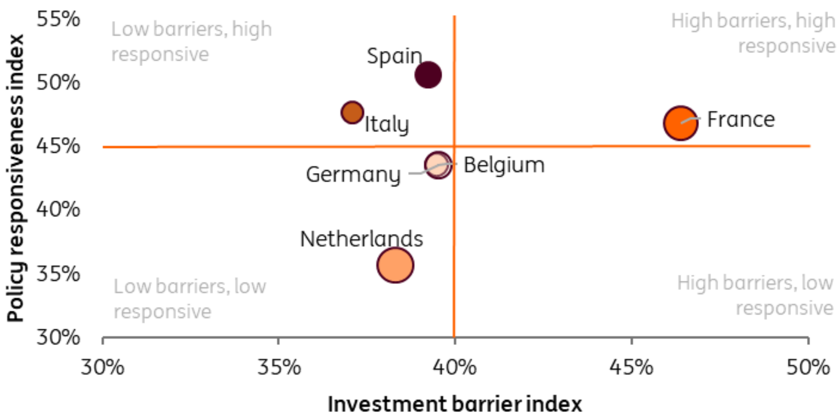
Turning willingness into investment

The rise in investment-fund flows suggests that Europe's investment landscape is already changing. Around one-third of respondents who do not currently invest say that they might do so in the future. Europe therefore has no shortage of potential investors. The challenge is to turn that potential into participation.

Our survey tested five possible ways of making that route easier: tax-free or tax-advantaged investment accounts, simpler investment products, lower-cost products, employer-based investment or pension schemes, and better access to independent financial advice. In some countries, like Spain and Italy, many say they would invest more if these changes were made. In others, like The Netherlands, few people say they would be more inclined to invest if policies were changed.

Turning potential investors into investors will require different solutions

Investment potential between countries, 2025



Source: Eurostat, ING Consumer Research

Note: The bubble size represents deposits as a share of total liquid assets. The orange shading indicates the share of respondents who indicate "might invest in shares, bonds, investment funds or ETFs", with darker shades representing higher intention to invest. The policy responsiveness index is the simple average of share of respondents who say that each of five measures - tax-advantaged accounts, simpler products, lower-cost products, employer-based schemes and better access to independent financial advice - would make them more likely to invest or invest more. The investment barrier index is the simple average share reporting nine barriers related to insufficient savings, risk aversion, limited knowledge, costs, taxes, complexity, limited perceived need to invest, liquidity preferences and saving for a specific goal. Quadrants are divided based on means of the barriers.

Europe’s investment gap is an opportunity for growth

The investment opportunity takes different forms across Europe. Spain combines a large pool of potential investors with relatively low barriers and strong responsiveness to the measures tested. Italy also looks well-placed to advance: many respondents might invest, obstacles are comparatively limited and the proposed measures receive a positive response. In both countries, the foundations for broader participation appear to be in place.

France and Germany offer scale but are harder to unlock. French households hold substantial amounts in deposits and respond comparatively well to the measures tested, despite high barriers and limited initial openness to investing. Germany also has a large pool of deposits, both in absolute terms and as a share of household wealth, but relatively few respondents say they might invest; reported barriers and policy responsiveness are closer to the European average. France may respond to stronger intervention, while Germany may require a broader shift in engagement as well as policy support.

Europe will not close its wealth gap with the United States overnight. But rising investment-fund flows and a large pool of potential investors show that the shift has already begun. The priority will differ across countries: some need to accelerate an existing move into investment, while others need stronger incentives and support to unlock savings still concentrated in deposits.

Helping more households invest an appropriate share of their savings could strengthen household wealth and, over time, support consumption, business financing and economic growth. Europe has savings and many households have the intention. The task now is to remove the specific barriers that prevent those intentions from being translated into action.

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