The Swedish Investment Savings Account (ISK) and financial ecosystem

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Savings and Investment Accounts

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#InvestInYou

As part of its efforts to build a **Savings and Investments Union**, the European Commission is supporting measures to create better financial opportunities for citizens who wish to invest.

Savings and Investment Accounts have already shown significant potential in some Member States. Now the European Commission is committed to ensuring that everybody across the EU can enjoy the same opportunities.

Why invest?

Investing can be a powerful way to build wealth over time. Here is why:

Investing for Big Goals

Although investing requires patience, in the long-term it has the potential to outpace inflation and offer higher returns than other types of saving, helping citizens achieve their major life goals.

Investing with Confidence

Citizens should be able to make informed investment decisions. The European Commission has adopted a financial literacy strategy to help citizens better understand investment principles, opportunities and risks.

Investing with Balance

Before starting to invest, it is important to keep some savings readily available for unexpected expenses. While investing carries risks, diversifying your investments (not putting all your eggs in one basket) can help manage and contain them.

Investing for Growth

Investing also benefits citizens indirectly by supporting businesses which seek funding to expand. This drives economic growth and job creation across the EU.

Setting the scene …

“raising awareness about the advantages (along with the risks) of capital markets is crucial” – Letta 2024

“savings products and their tax treatment, too often discourage long-term investment” – Noyer 2024

”Members States should consider how domestic tax policy can better incentivise retail investors to participate in and benefit from capital markets.” – ESMA 2024

The European Commission recommends increasing the availability of savings and investment accounts with simplified and advantageous tax treatment - 2025

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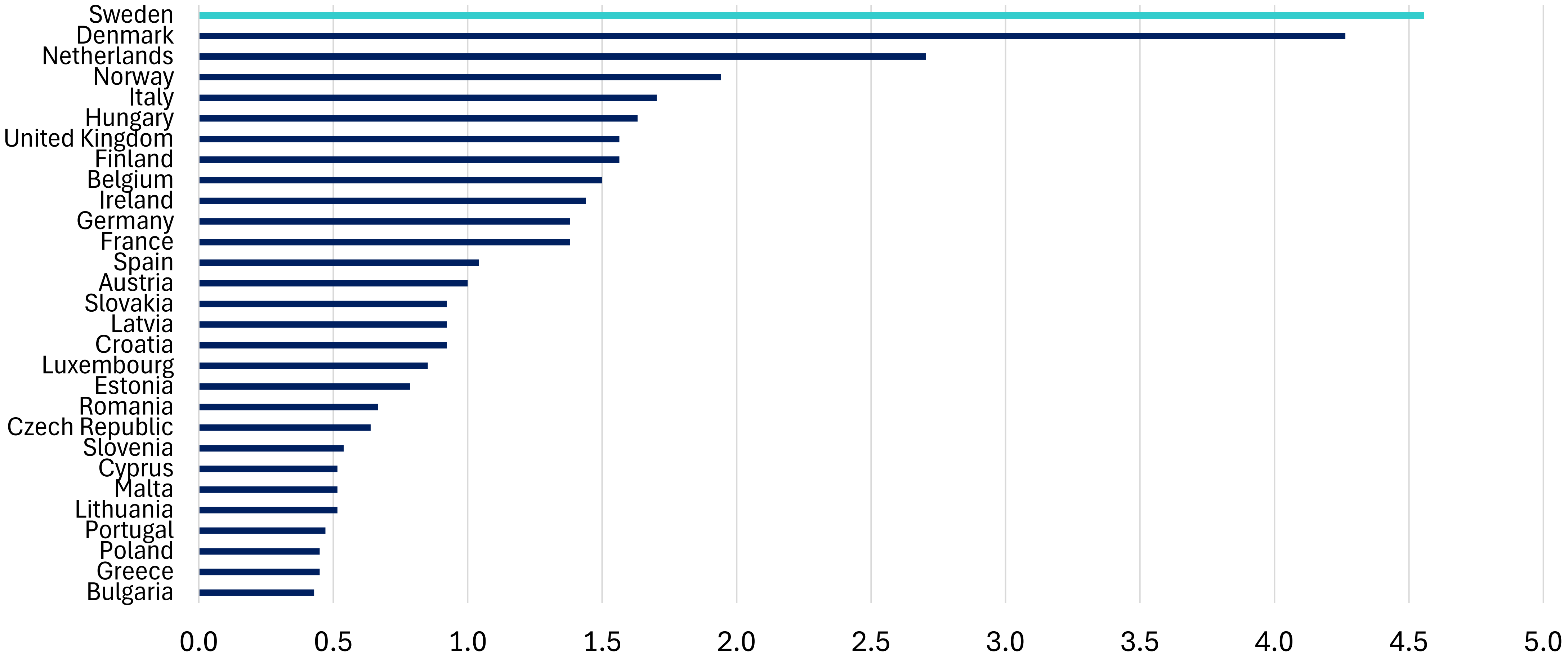
Swedes put money into capital markets rather than bank deposits



Source: EFAMA

Note: CMI represents the ratio between the capital market instruments and the cash and bank deposits held by households

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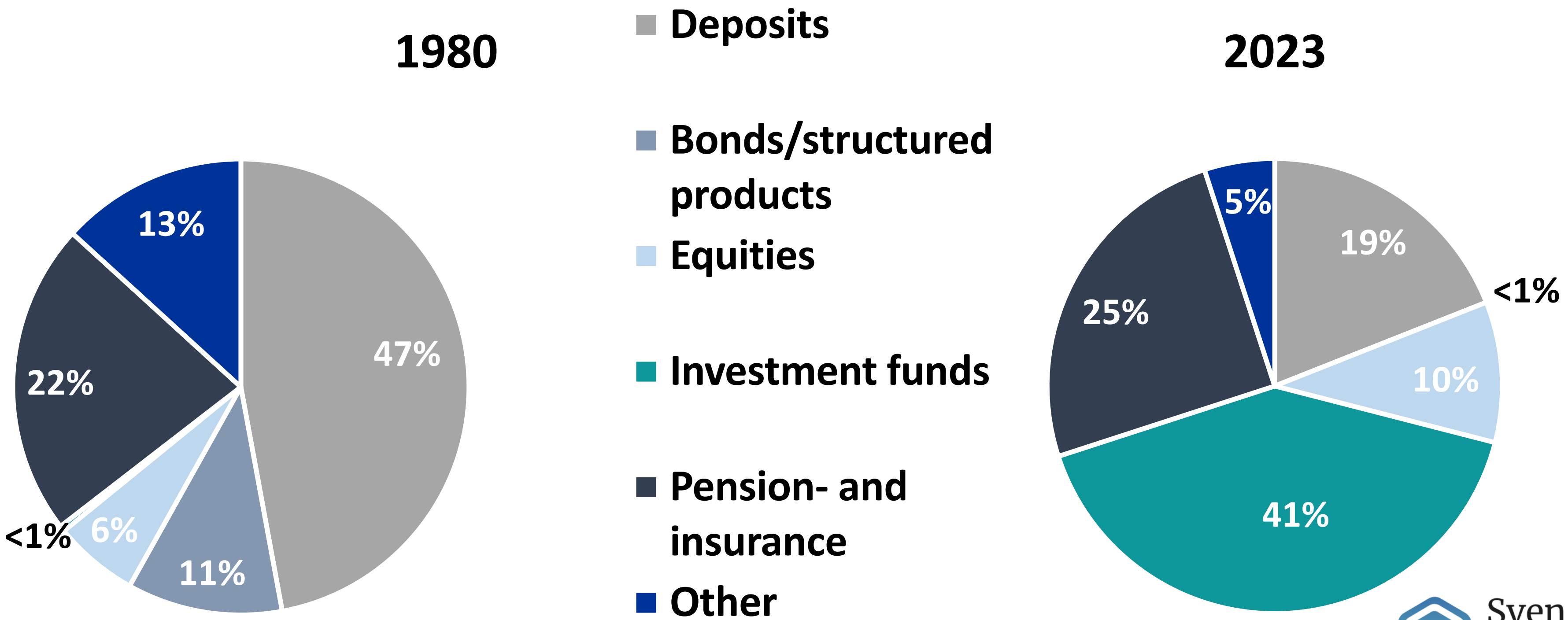
Swedes haven’t allways saved as much in the capital market

- Late 70’s and forward: Tax-saving funds, Public savings program, Individual pension savings



Source: Statistics Sweden

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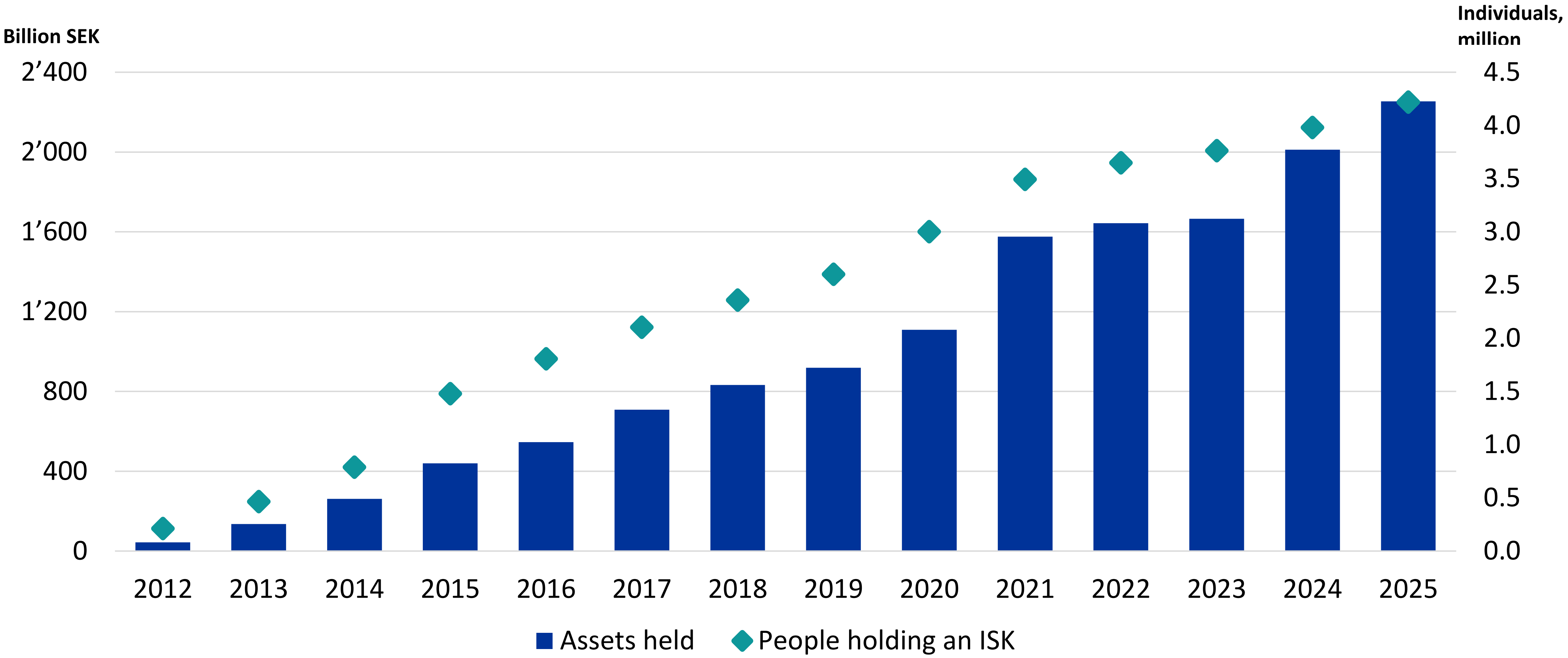
The Swedish Investment Savings Account (ISK), launched in 2012



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Simplicity is key to the ISK:s success

- Initial purpose: Make it easier for private individuals to save in financial instruments, through:
  - Simplified taxation
  - Beneficial taxlevel

- Taxation:
  - On total holdings + deposits => No tax on returns, no declaration of transactions
  - Automated
  - Variable (lower) tax rate

- Changes to the tax level have been imposed three times since launch

- There are and have been legal challenges

How does it work?

- Holdings allowed:
  - Cash
  - Financial instruments (shares, bonds, ETF:s, derivatives, structured products) and investment funds
  - Unlisted equity is <u>not allowed</u>
  - Not necessarily beneficial for all assets

- <u>No</u> limits on:
  - Deposits/amount of assets
  - Holding period
  - Number of accounts
  - Geographical exposure

- Only for private individuals in Sweden - Offered by credit institutions and securities companies

The ISK in numbers…

Assets held amount to **1/3** of GDP

Almost **40%** of population hold an ISK-account

7 000 EUR median holding (average is 42 000 EUR)

0,9 % tax rate applied on ISK for 2025

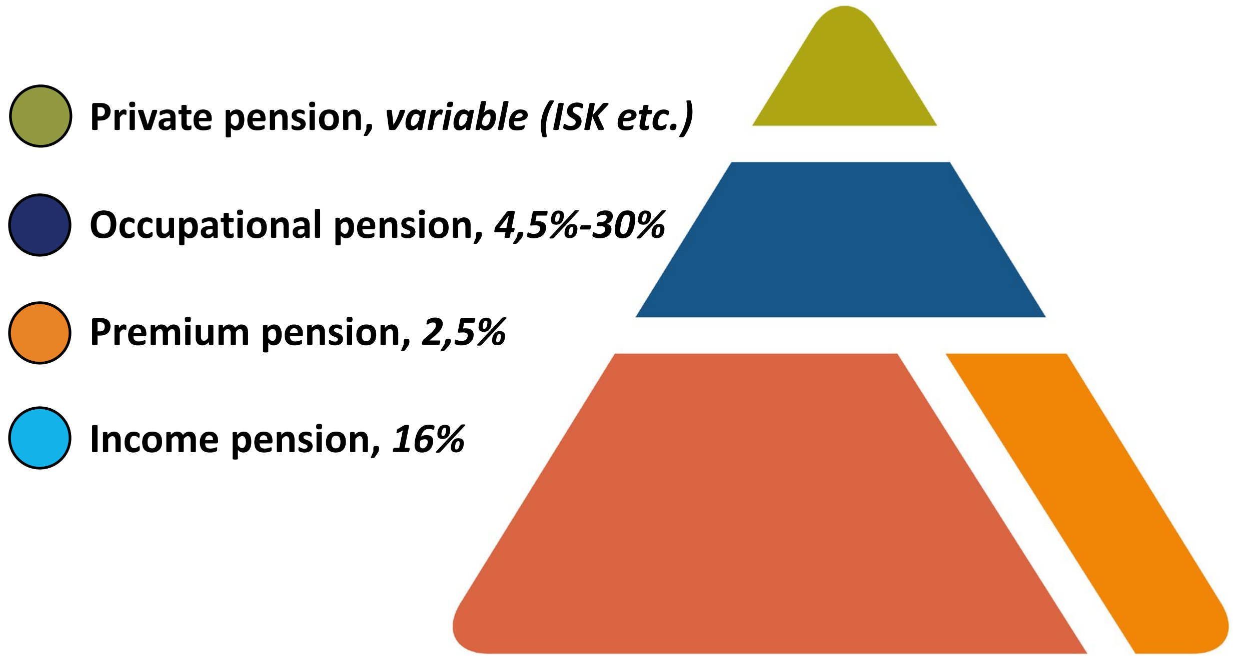
1,086 % - 0,27 % 2024-2012

As of 2026 **300 000 SEK (26 000 EUR)** is *tax-free*

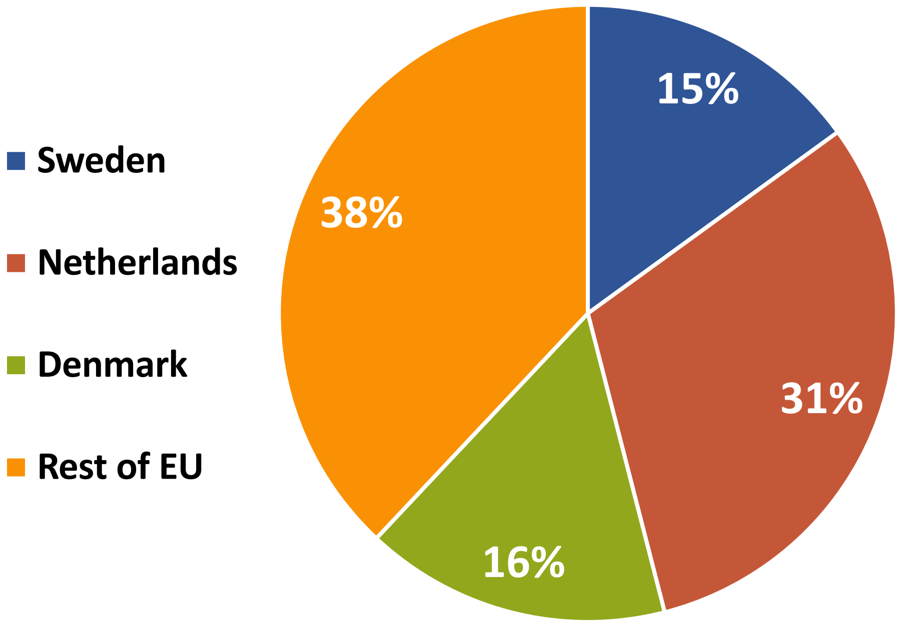
Sources: The Swedish Tax Agency, The Swedish Government and SSMA

The Swedish pension system is capital market oriented

The Swedish pension model



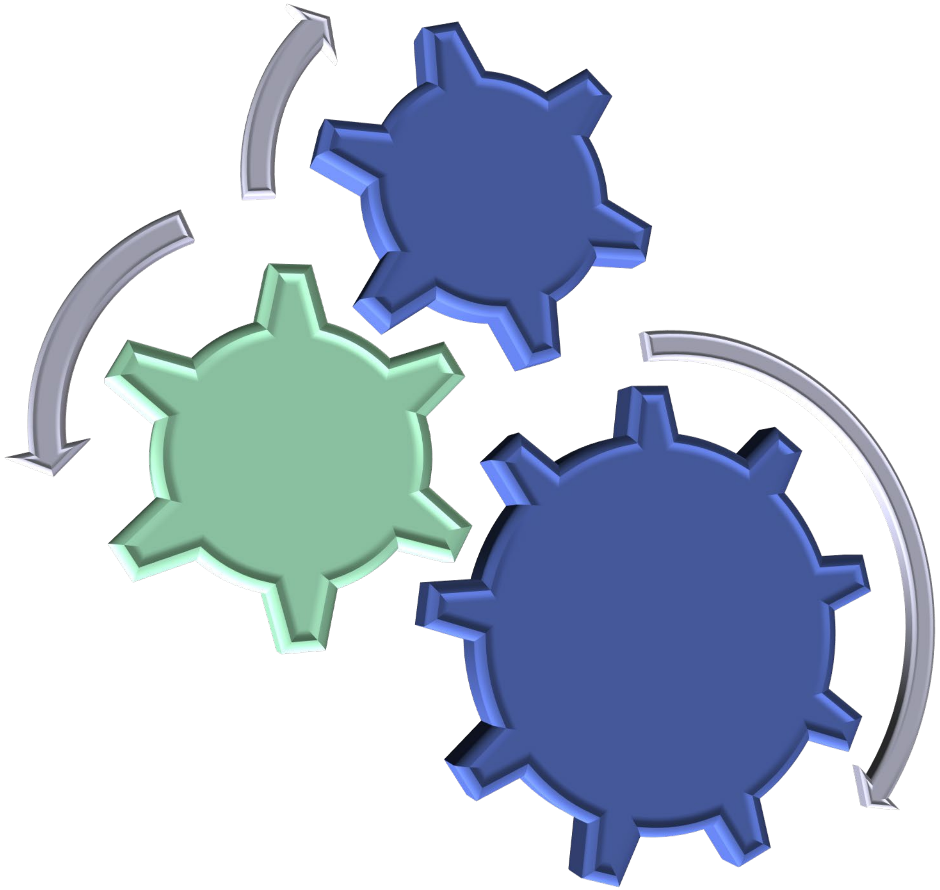
Pension assets in the EU



Källor: Pensionsmyndigheten och Europeiska Kommissionen

The Swedish financial ecosystem

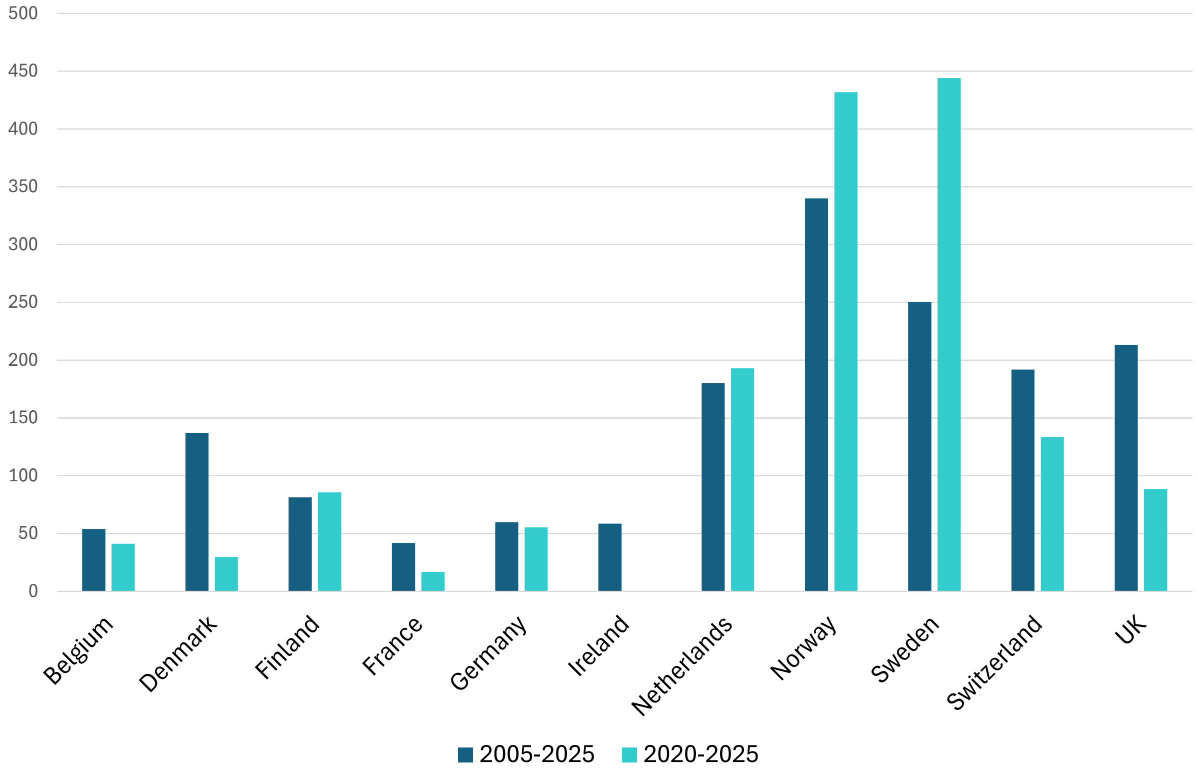
- Wide range of products, services and actors
- High competition => Lower fees
- High level of financial literacy
- Digitalisation and innovation are prominent
- High public trust in capital market
- Buy-in from social partners
- Prominent private equity sector



The Swedish equity market is significant in size and activity

IPO activity in European countries

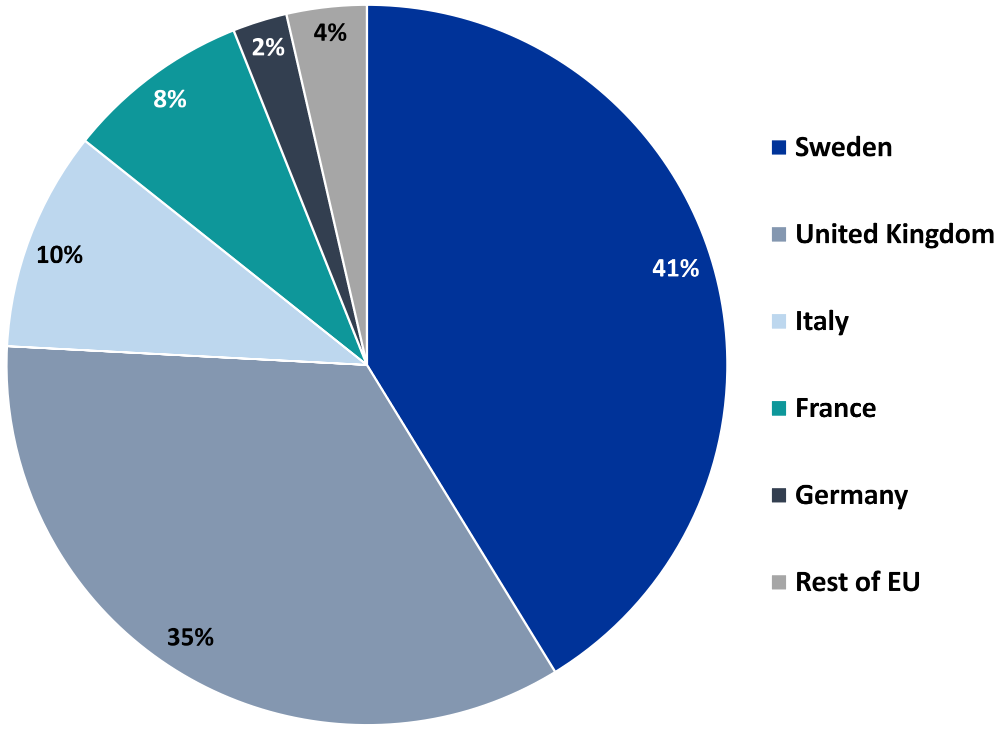
Capital raised per capita



Sources: ESMA, Dealogic and SSMA

Growth markets in the EU

Market share of traded volumes, per cent



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What have we learnt along the way?

- Tax incentives can certainly help encourage retail investments – but they are no silver bullet

- Essential to also develop the financial ecosystem and to not rush

- Simplicity is more important than tax incentives, but if both are do-able it helps

- Keep it simple => <u>No</u> restrictions on:
  - Geographical exposure
  - Holding period
  - Deposits/amount of assets
  - Type of assets (at least almost)