

# Core components of a successful retail investment system

## What's the challenge?

The need for individuals to participate in the capital markets has never been greater.

Globally there is a vast pool of cash savings – an estimated \$51.7 trillion across all OECD countries<sup>1</sup> – but too few people are putting these savings to work in the financial markets, potentially reducing their long-term returns.

## What's the opportunity?

The opportunity to improve investors' long-term financial health is significant.

We estimate that if households in the most populous OECD countries that hold more in deposits than in investments reallocated just 10% of their cash to investments, capital markets would increase by at least \$2.1 trillion<sup>2</sup>.

A pro-investor regulatory framework is vital to motivate savers to become investors.

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## \$2.1 trillion<sup>2</sup>

Estimated increase in size of capital markets

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### A pro-investor policy framework

Based on our research and decades of experience, we have identified **eight core components** that are found in successful retail investment systems.

#### Encourage individuals to invest

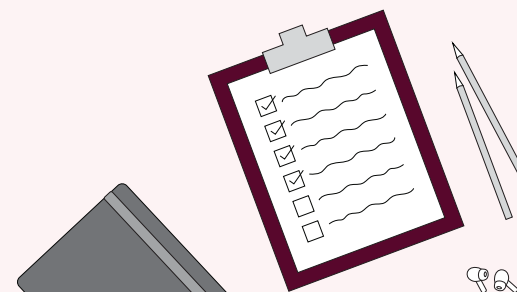
- 1 Auto-enrolment:** Implementing retirement systems that automatically enrol eligible workers in savings plans has proven highly effective in boosting investment participation and long-term wealth.
- 2 Tax incentivisation:** Enabling tax-advantaged investment vehicles, and offering other tax-effective initiatives, can significantly encourage individuals to move their cash savings into capital markets.
- 3 Default products:** Directing customers to default or pre-approved investments can benefit those who lack the time, motivation or skills to make informed investment decisions.

#### Give investors access to help

- 4 Spectrum of advice:** Giving investors access to a full range of support, guidance and advice can help meet their individual needs and circumstances.
- 5 Financial literacy:** Developing targeted, research-based, national financial literacy plans can build consumer confidence in investing.

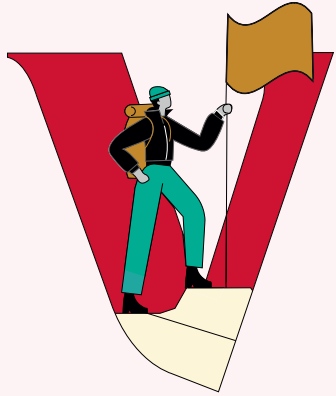
#### Ensure investors get a fair deal

- 6 Remove/mitigate conflicts in the distribution chain:** Ensure intermediaries are not inappropriately influenced by the payment of commission when giving advice or distributing funds to their customers.
- 7 Decision-useful, simple disclosures:** Require product providers to provide clear, concise engaging information to help consumers compare products and to encourage competition.
- 8 Value for money – the power of low costs:** Investors should be able to easily understand and compare all-in costs to make informed decisions.



<sup>1</sup> Source: Vanguard calculations based on OECD data. Estimated amount households held in currency and deposits across all OECD countries, 2023.

<sup>2</sup> Source: Vanguard calculations based on OECD data, 2023. The figure is the additional amount of capital that could be invested if households in the most populous OECD countries that hold more in deposits than investments reallocated 10% of their cash to investments. Investments are defined as equity, other securities and investment funds.



# The Vanguard difference

Vanguard was founded in 1975 on a simple but revolutionary idea: **that an investment company should manage its funds solely in the interests of its clients**<sup>1</sup>. We have offered low-cost, high-quality investment products and services ever since.

**50  
million+**

clients in  
170 countries

**\$10.5  
trillion** global  
assets under management  
(AUM)<sup>2</sup>

**25  
years+**  
serving investors in  
international markets

## How we can help

- Vanguard's priority to improve investor outcomes aligns with regulatory objectives.
- We can provide data-driven insights through our global research capabilities.
- We can share practical perspectives from our experience of serving investors in international markets for more than 25 years.
- We can identify examples of best and poor practice from different countries.
- We're committed to developing a long-term relationship with policymakers.

## Contacts

For more information on Vanguard's thought leadership on successful retail investment systems and related public policy matters, please contact:



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## Important information

This document is issued for policymakers and regulators in their professional capacity only and is not a recommendation or solicitation to buy or sell investments.

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<sup>2</sup> Source: Vanguard as at 31 May 2025.