

Study on Securities: Bosek: “Many Austrians are putting up with foregoing interest returns”

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Record amounts held in demand deposits obliterate 338 m. in interest income

Wealth management assets: volume has doubled since 2008

“YouInvest” makes investing more transparent

According to a recent IMAS study on behalf of Erste Bank und Sparkassen, every other Austrian judges his own knowledge about securities to be deficient (52%). 4 out of 10 don't even know what the term means. Nevertheless, attitudes toward securities are largely neutral (44%). Low interest rates over the long term have accompanied all savers for years on an ongoing basis. 8 out of 10 are well aware that they are currently losing money with their savings accounts due to inflation. One trend intended to counter this effect is wealth management, the volume of which has more than doubled at Erste Bank since 2008. The new investment concept “YouInvest” in addition offers new communication possibilities between investors and fund managers.

Austrians' Knowledge About Securities

What types of securities are there actually? 4 out of 10 Austrians cannot answer this question at all. Every other respondent at least thinks about stocks, bonds come to mind to one fifth of respondents, and 17% associate investment funds with the term. Respondents are also painting what appears to be a quite honest picture of their personal knowledge about the topic: 52% judge their own knowledge about securities to be at least deficient. If it were evaluated in terms of school grades, Austrians judge themselves to have grades ranging from C to D. Deficient knowledge however does not equate to a negative attitude about securities. 45% have a neutral view about investing in securities, in spite of the fact that they know very little about them. “Long-term wealth preservation and accumulation is simply not possible without investing in securities, especially in the current environment”, says Peter Bosek, member of the management board. In light of the state of knowledge, it is reassuring to know that 8 out of 10 only want to buy securities after receiving advice from an expert.



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Large Amount Held in Demand Deposits Obliterates Interest Returns

Currently about EUR 61 bn. are held as demand deposits largely in current accounts, waiting to be invested better. In 2013 alone a shift from demand deposits returning 0.125% into 12-month fixed savings accounts – which on average pay interest of 0.68% in Austria – would have increased the interest income of investors by approximately EUR 338 m. In the event of an investment in securities, this amount would be still larger many times over. After all, an investment in wealth management products at Erste Bank in recent years returned on average – depending on the risk category – between 4% to 9% per year.

More than 80% of Austrians are well aware of the loss in real terms savings accounts produce. However, only one third believes that investing in securities is the appropriate means of combating it. "The savings book is necessary and important for providing short term liquidity. For longer term investments which are supposed to offer a return above the inflation rate, one must however rethink one's approach to saving", Bosek says. "Many Austrians are still putting up with foregoing interest returns to the fullest extent."

Higher Return Means Higher Risk

Even though the savings account has retained its top spot among investment classes in Austria for decades, in times of low interest rates more and more savers are at long last beginning to think about alternatives, especially with respect to long term investments. 95% of Austrians regard investments in securities as a medium to long term endeavor. "Our home construction bonds and investment funds are especially popular in this context", explains Thomas Schaufler, head of Erste Asset Management. In 2013 alone, s-Wohnbaubank's issuance volume of home construction bonds doubled compared to the previous year. A trend toward wealth management products has been in evidence for years as well: at Erste Bank, the volume has more than doubled since 2008. A new opportunity to configure one's investments on one's own, speak with pros and concurrently learn about investing in securities as well, is offered by "YouInvest".

Investing Still More Transparent – www.youinvest.at

YouInvest represents the new generation of wealth management. "It is not only about generating optimal returns, but also the communication of knowledge", Schaufler explains. The idea is to provide information about their investments to investors at any time, in the most simple and transparent manner. Whether through video, blogs or chat, one can ask fund managers questions and retrieve information in great detail. "YouInvest" is offered in the form of actively managed funds employing three different risk strategies. In addition there are three types of contracts – lump sum investment, periodic deposits for the purpose of savings accumulation and the possibility to receive the invested capital in the form of regular payments from a specific point in time forward. The investment strategy aims to achieve stable returns with as little volatility as possible. Active management continually adjusts investment allocation in a flexible manner between the investment classes judged to be most attractive, such as government bonds, corporate bonds, stocks or alternative investment strategies. Four months after it was started, YouInvest's assets under management amount to approximately EUR 150 m.

