

Marc Peter Radke

Do Higher Wealth Levels Really Guarantee Higher Returns? A Euro Area Test

Euro area household wealth accumulation is commonly perceived to be impaired by negative return shocks, wealth-reducing policy measures and suboptimal investment behaviour. It is further assumed that poorer households are disproportionately affected, earn lower returns and that wealth inequality is thereby amplified. This article challenges these assumptions by providing the first comprehensive estimates of real asset and equity returns by wealth group for France, Germany, Italy, Spain and the euro area as a whole, using a new Eurosystem data set from 2011 onwards. The results show that, except in Spain, real asset returns rise with net wealth. Real equity returns display a U-shaped pattern in Germany, France and the euro area – where both poorer and very wealthy households achieve higher returns than the middle class – while returns are positively correlated with net wealth in Italy and negatively in Spain. These patterns reflect heterogeneous asset returns and leverage dynamics both within and between countries.

Wealth accumulation by euro area households is often perceived as a risky and suboptimal process, leading to inefficiencies at both the household and macroeconomic levels. Four key problem areas are frequently cited.

First, since its inception, the euro area has faced major financial and real-sector shocks – including the New Economy bubble burst, the Global Financial Crisis, the euro area crisis, the COVID-19 pandemic and the post-pandemic inflation period – causing significant volatility and losses in financial and real estate markets. The Eurosystem's responses, notably ultra-low interest rates, quantitative easing and the subsequent tightening cycle, further increased return uncertainty. This sequence of crises and policy shifts has fuelled persistent debates about risks to household wealth and unstable return prospects (Fischer et al., 2013; Heise, 2016; Schickentanz, 2022). In some countries, this was framed as “expropriation of the saver”. In Germany and Austria, it referred to prolonged low or

negative interest rates, which at times produced negative real returns on bank deposits (Cowen, 2019; Die Presse, 2013). In Cyprus, Greece, Italy and Spain, by contrast, “expropriation” referred to bail-ins during the euro crisis that imposed losses on households to stabilise banking systems and reduce public debt (European Commission, 2013, 2016; International Monetary Fund, 2012, 2016).

Second, euro area households are often considered inefficient financial managers, as they overweight liquid, low-risk and low-yielding assets such as deposits, currency and insurance or pension products, resulting in suboptimal risk–return profiles (Deutsche Bundesbank, 2020; European Central Bank, 2020; European Fund and Asset Management Association, 2024; Rupprecht, 2020). This allocation behaviour, however, varies systematically across the wealth distribution: poorer households hold mainly safe financial assets, while wealthier ones allocate more to riskier, higher-yielding instruments like equities and mutual funds (European Central Bank, 2020). These differences are frequently linked to financial literacy, which tends to increase with income and wealth, though the causal nature of this relationship remains debated (Behrman et al., 2012; Lusardi & Mitchell, 2007; van Rooij et al., 2011, 2012).

Third, given the differences in financial wealth portfolios, poorer households are generally assumed to earn lower real returns on total assets (sum of financial and non-financial assets) than richer ones – a pattern not unique to the euro area (Piketty, 2014, 2015). Data limitations

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Marc Peter Radke, Furtwangen University, Villingen-Schwenningen, Germany.

long hindered research, but recent studies for Norway (Fagereng et al., 2020), Sweden (Bach et al., 2020) and Germany (Radke, 2025) reveal strong return heterogeneity across wealth groups. All three studies find a positive correlation between real asset returns and household net wealth or equity (gross wealth minus liabilities). Moreover, in Norway and Germany, real equity returns follow a U-shaped pattern: poorer and very wealthy households achieve higher returns than the middle class. This reflects positive leverage effects among lower-wealth households and the richer households' higher shares of high-yielding assets.

Finally, heterogeneity in households' real returns may create two major socio-economic challenges in the euro area. First, with the old-age dependency ratio rising sharply (European Commission, 2024), private pension provision becomes increasingly important as benefits from pay-as-you-go public systems are expected to decline. This need is particularly acute for poorer households, which tend to earn lower gross returns and face higher risks from indebtedness – leaving them especially vulnerable to income shortfalls in retirement. Second, persistent return heterogeneity may accelerate long-term wealth and income inequality (Piketty, 2014, 2015), as higher returns for richer households increase their capital income and, if largely saved, their wealth share, amplified by compounding over time.¹

Research issue, data and computation method

But are the claimed impairments in euro area household wealth accumulation and return performance – caused by negative return shocks, wealth-reducing policy responses, and suboptimal investment and borrowing behaviour – truly justified, especially for households with lower wealth?

To address this question, using a new Eurosystem dataset on Distributional Wealth Accounts (DWA; European Central Bank, 2024a, n.d.), this study calculates, for the first time by wealth group, households' real returns on assets (gross wealth) and real returns on equity (net wealth = gross wealth less liabilities) in the “big four” euro area countries (Germany,² France, Spain, Italy) and for the euro area as a whole, now on a quarterly ba-

sis.³ The DWA data cover the following assets: housing wealth (residential buildings and underlying land), non-financial business wealth (buildings, land and machinery of sole proprietors, independent professionals and self-employed farmers), financial business wealth (non-listed shares of public limited companies and equity holdings in private limited companies, cooperative societies and partnerships), bank deposits, securities (bonds, listed shares, investment funds) and life insurance entitlements. The liability side includes mortgage loans and other loans (including consumer credit) as well as net worth (equity).

Regarding the breakdown by wealth groups, the DWA do not always distinguish all wealth deciles. Therefore, for the calculations presented here, and following other analyses on wealth inequality (World Inequality Lab, n.d.; European Central Bank, 2024c; Deutsche Bundesbank, 2024), the following wealth groups were distinguished based on their net wealth: the bottom 50% (deciles 1 to 5, 0%–50% group), the next 40% or middle class (deciles 6 to 9, 50%–90% group) and the top 10% (decile 10, 90%–100% group). In addition, figures were also reported for the aggregate of all households (deciles 1 to 10, 0%–100% group).

To calculate the real returns on assets (gross wealth), country-specific rolling annual nominal returns were first computed on a quarterly basis for all of the aforementioned asset classes, using multiple sources and taking account of differences in maturities, risk categories and issuer sectors. Nominal returns were computed as the sum of cumulative cash flows (e.g. interest, rent and dividend payments) and market price changes (valuation changes) over the preceding four quarters, relative to the asset's market price four quarters earlier. This procedure yields a continuous series of overlapping annual returns at quarterly frequency and captures the average one-year asset returns a household would have earned at any point in time. The nominal return series were then converted into real returns by deflating them with country-specific year-on-year inflation rates on a quarterly basis. In a final step, the coun-

1 Piketty (2014, 2015) argues that, besides the “ $r - g$ gap” – the excess of real after-tax returns on capital (r) over real income growth (g) – heterogeneity in returns further amplifies wealth inequality. Historically, $r > g$ has prevailed since antiquity, except between World War I and the early 1980s, implying rising inequality unless mitigated by shocks or redistributive taxation.

2 Data for Germany has already been published in Radke (2025) and is presented here again to compare it, inter alia, in a broader context.

3 The calculation of euro area households' portfolio returns has evolved over the past ten years. Deutsche Bundesbank (2015) first computed real returns on German households' financial assets. Radke and Rupprecht (2018, 2019, 2020, 2021, 2022) later extended this approach to non-financial assets, the entire liability side and additional countries (Spain, Italy, France and the euro area). However, due to limited distributional data, these studies could not differentiate between wealth groups. The only exception is Andreasch et al. (2020), who analysed financial asset returns by wealth deciles for Germany and Austria using household finance and consumption survey data (European Central Bank, 2024b), which were, however, only available for the years 2010, 2014 and 2017.

try- and asset-specific real returns were weighted by the portfolio shares of the respective assets for each wealth group according to DWA data and aggregated to obtain the real asset returns for each wealth group in each jurisdiction.

The country-specific real returns on equity (net wealth) were subsequently derived using the weighted average cost of capital (WACC) framework, incorporating wealth group-specific asset returns, interest rates on debt instruments and leverage ratios. Formally,

$$r_E = r_A + (r_A - r_D) \cdot \frac{D}{E} \quad (1)$$

where r_E denotes the real return on equity, r_A the real return on assets, r_D the real cost of debt, D the market value of debt, E the market value of equity, and D/E the leverage ratio. The term $(r_A - r_D) \cdot (D/E)$ captures the magnitude and direction of the leverage effect: if $r_A > r_D$, the leverage effect is positive and boosts equity returns, resulting in $r_E > r_A$; if $r_A < r_D$, the effect is negative and leads to $r_E < r_A$. A higher leverage ratio amplifies either outcome (Radke & Rupprecht, 2022).

For consistency and temporal comparability, the entire observation period spans from 2011 Q1 to 2024 Q2⁴, and is divided into three phases⁵: the “euro area crisis phase” from 2011 Q1 (beginning of the time series) to 2014 Q2; the “low interest rate phase” from 2014 Q3 (marked by the initial reduction of the deposit facility rate into negative territory and the introduction of the Eurosystem’s Asset Purchase Programme, APP) to 2021 Q2; the “inflation phase” from 2021 Q3 (characterised by the first pronounced increase in inflation rates in the major euro area countries above the 2% target) to 2024 Q2 (end of the available time series at the time of writing). Real asset and equity returns are reported for each country and wealth group across all subperiods

and the entire observation period, expressed as arithmetic means.⁶

Return dynamics across asset and liability classes

The evolution of households’ real asset and equity returns is shaped by two factors: changes in the real returns of individual assets and liabilities, and shifts in their portfolio shares. Since households adjust their portfolios only slowly and marginally, return dynamics are primarily driven by fluctuations in real returns on individual assets and liabilities.

During the euro area crisis, business wealth, listed shares and investment fund shares were generally the best-performing assets across countries, though returns in Spain and Italy were lower (Figure 1). Life insurance products and debt securities delivered slightly weaker returns but were particularly strong in Spain. Real deposit rates were negative everywhere except France, where they reached zero. Housing yields were highly heterogeneous, partly reflecting the origins of the euro area crisis: positive in Germany and France, but negative in Italy and Spain. Housing loan rates were exceptionally low in Spain and Italy, while the opposite was true for other loans.

During the low interest rate phase, most of the return patterns largely mirrored those of the euro area crisis period. Business wealth, listed shares and investment fund shares again yielded the highest returns, followed by life insurance products and debt securities. Real deposit rates became less negative in Germany, the euro area and Spain, and hovered around zero in Italy and France. Loan rates declined slightly in Germany and France, but rose somewhat in Italy and Spain. Housing yields, however, diverged sharply from the previous phase: returns were positive and rose, for the most part, markedly in all countries. Spain and Italy saw the strongest gains, shifting from negative to clearly positive yields. Overall, housing yields recorded the largest increase across all asset classes.

At the onset of the inflation phase, returns on all asset classes fell sharply across all jurisdictions, except for listed shares in Italy and Spain. Losses were largest in business wealth, debt securities and investment fund shares, followed by smaller declines in housing wealth, life insurance products and deposits. Apart from listed

4 The time series start in 2011 Q1, based on the availability of German data. Although data for France and the euro area begin in 2009 Q1, and for Italy in 2010 Q4, earlier periods were excluded to avoid omitting Germany, the largest euro area economy. To avoid further shortening of the observation period, Spanish data – available only from 2011 Q4 – were estimated for the first three quarters of 2011 by assuming portfolio shares matched those in 2011 Q4. This is justified by the short estimation horizon and Spain’s relatively small asset volumes among the “big four” countries.

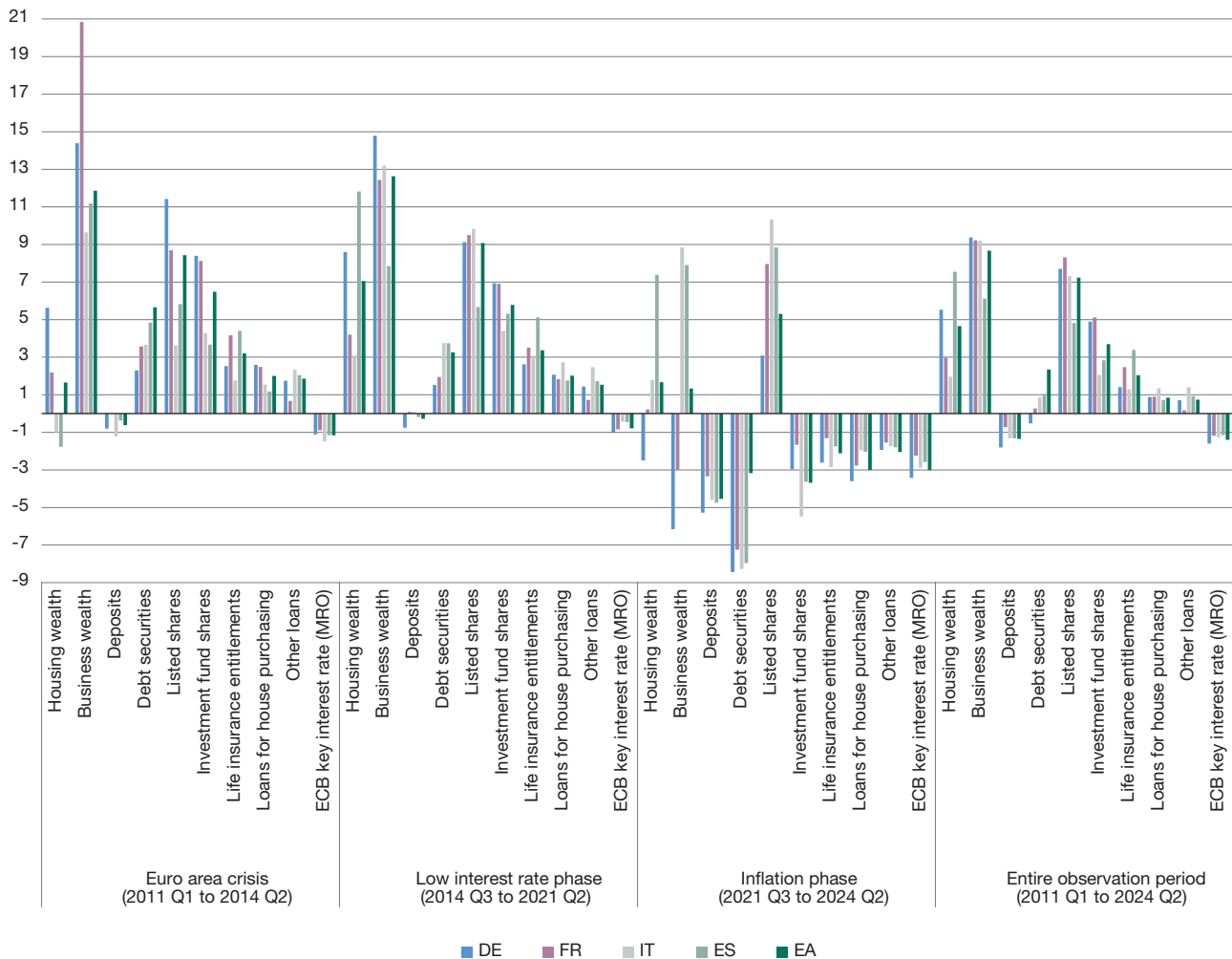
5 The division into these sub-periods is based on the premise that, from a macroeconomic perspective, real returns across asset classes are mainly driven by growth, inflation, risk premia, and central bank-determined risk-free rates. Monetary policy both shapes and responds to these variables, so the monetary stance (tight, neutral, loose, crisis) and the corresponding macroeconomic environment are reflected in distinct “return regimes” with characteristic asset-class return patterns.

6 Arithmetic averages are used instead of the commonly applied geometric averages due to missing information on investment horizons and reinvestment behaviour, which affects compounding. Hence, the data reflect the average one-year real asset and equity returns a household would have earned at any point during the respective period.

Figure 1

Real returns on individual asset classes and debt instruments

Unweighted yields, arithmetic means in percent per year; broken down by time periods and countries



Note: Country codes: DE: Germany; ES: Spain; FR: France; IT: Italy; EA: euro area.

Source: Author's calculations based on European Central Bank (n.d.), Organisation for Economic Co-operation and Development (n.d.), LSEG (n.d.).

shares, business wealth in Italy, Spain and the euro area, and housing wealth in all countries except Germany, real asset returns were negative. Real loan rates also turned negative, and the ECB's key interest rate became even more negative than during the euro area crisis and the low interest rate period.

Over the entire reporting period, business wealth, listed shares, housing wealth and investment fund shares generated the highest positive yields, followed by life insurance products and debt securities, with some country-specific exceptions. Real deposit rates were negative in all countries, real loan rates slightly positive, while the

ECB's key interest rate remained negative throughout all sub-periods.⁷

Asset allocation and liability structure

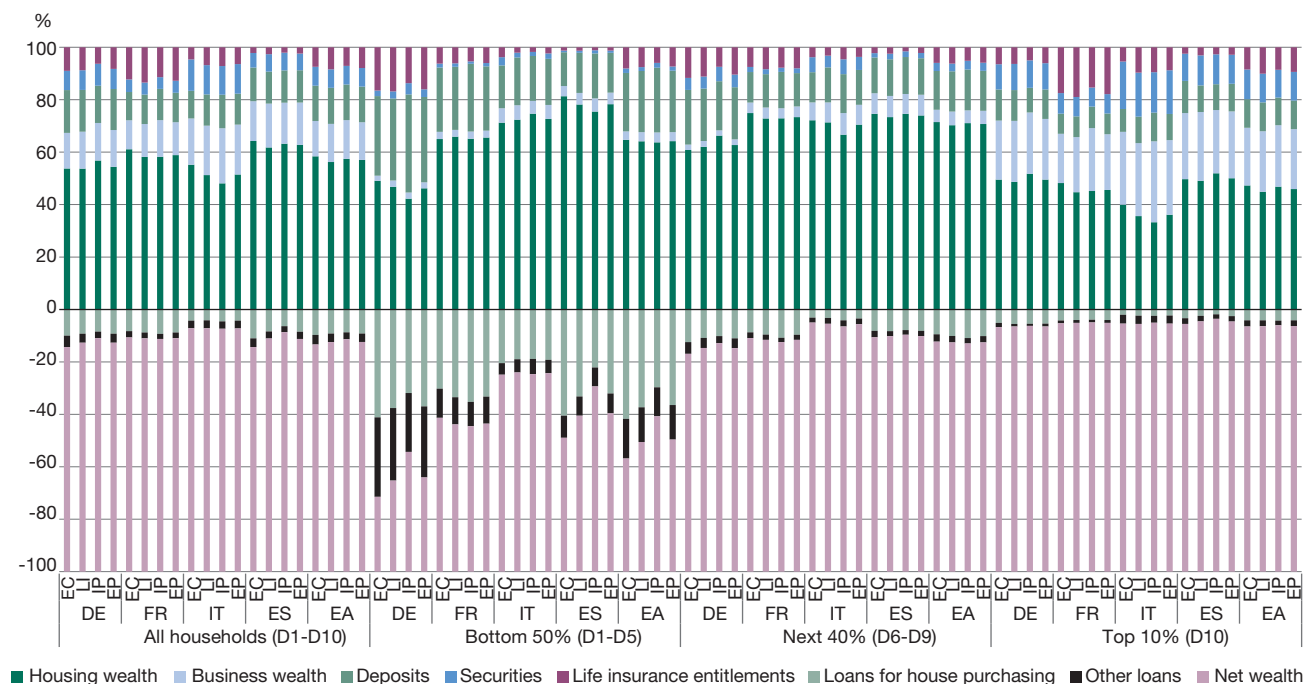
Across all households, asset-side portfolio compositions remained relatively stable over the reporting period, with

⁷ Based on Sharpe ratios (excess return over the risk-free rate per unit of return volatility), housing wealth and life insurance entitlements delivered by far the highest risk-adjusted real returns over the entire observation period, followed at a considerable distance by listed shares, investment funds, business wealth, bonds and deposits (not shown in the graph).

Figure 2

Households' asset allocation and liability structure

Shares in percent; arithmetic means; broken down by wealth groups, countries and time periods



Notes: ¹ Country codes: DE: Germany; ES: Spain; FR: France; IT: Italy; EA: euro area. ² Time period breakdown and codes: EC: euro area crisis (2011Q1-2014Q2); LI: Low interest rate phase (2014Q3-2021Q2); IP: Inflation phase (2021Q3-2024Q2); EP: Entire observation period (2011Q1-2024Q2). ³ The portfolio shares on the liability side were multiplied by (-1) and are therefore shown in the negative range. ⁴ The asset class "securities" comprises listed shares, debt securities and investment fund shares.

Source: Author's calculations based on European Central Bank (n.d.).

most variations driven by price changes in real estate, business wealth and securities (Figure 2). Persistent differences, however, existed across wealth groups. The bottom 50% held on average about 95% of their wealth in real estate, deposits and insurance entitlements, with housing dominating but varying across countries: highest in Spain (78%) and Italy (73%), followed by France (66%) and Germany (46%). Investments in securities and business wealth were marginal, ranging from 4% to 7% on average.

The middle class's asset portfolio closely resembled that of the bottom 50%, with slightly higher shares in real estate, business wealth and securities, and slightly lower shares in deposits and insurance. In contrast, the top 10% held markedly lower shares in real estate (36% in Italy, around 50% in other countries), deposits and insurance products, while their holdings of securities (7%–16%) and business wealth (21%–25%) were substantially higher.

On the liability side, persistent differences across wealth groups were evident, with only modest changes over

time. Indebtedness was highest among the bottom 50%, particularly in Germany. Measured by the debt–equity ratio, Germany ranked highest (1.9), followed by France (0.8), Spain (0.7) and Italy (0.3). The middle class was far less indebted, with ratios from 0.17 in Germany to 0.06 in Italy, while the top 10% had very low ratios, ranging from 0.05 in Spain to 0.07 in Germany. Most minor variations occurred within the bottom 50%, with German and Spanish households deleveraging significantly over time.

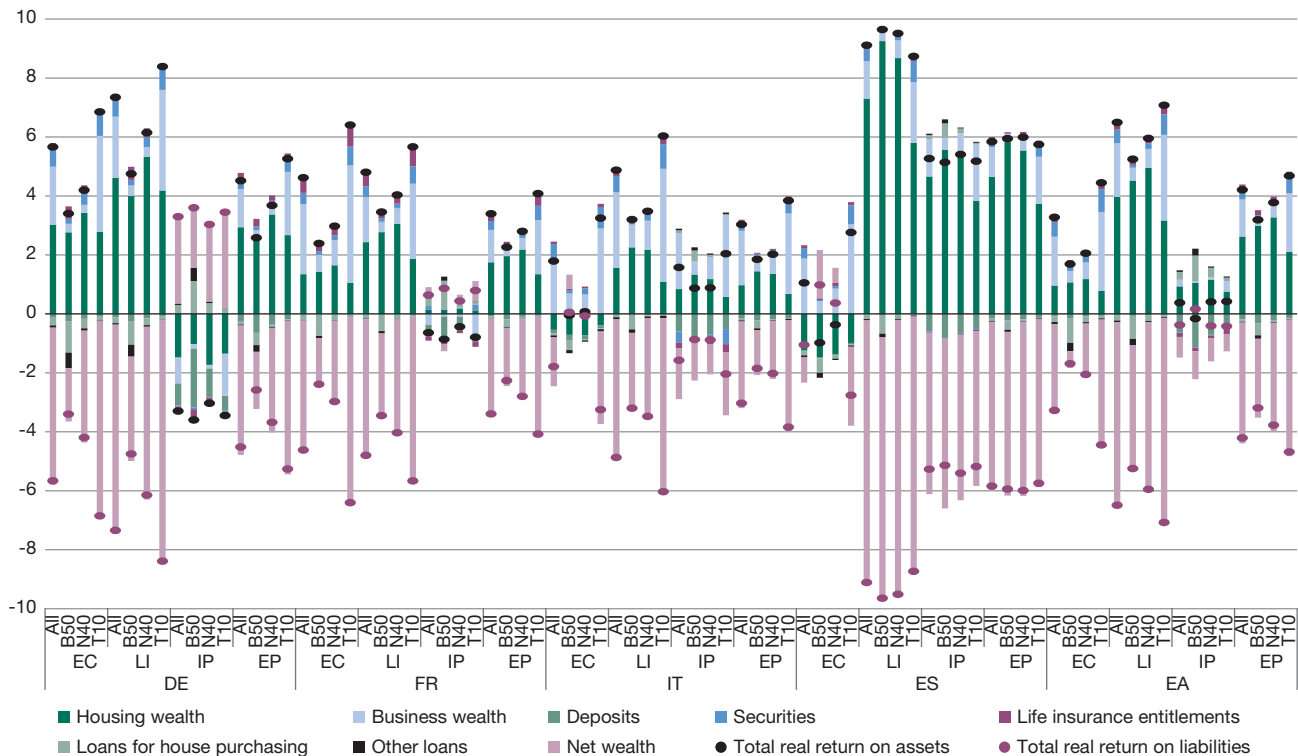
Real return on assets – drivers and developments

Households' real asset returns showed considerable heterogeneity across wealth groups and countries (Figure 3). Considering the entire observation period, four main differences emerge. First, while average real asset returns were positive in all countries and wealth groups, their correlation with household net wealth differed fundamentally across countries. In Germany, Italy, France and the euro area, returns were positively correlated with household net wealth, whereas in Spain the correlation was negative,

Figure 3

Real return contributions to the total real return on assets and the total real return on liabilities

Arithmetic means in percent per year and in percentage points; broken down by countries, time periods and wealth groups



Notes: ¹ Total real return on assets and total real return on liabilities in percent per year (arithmetic means); contributions of individual assets and liabilities in percentage points. ² The return contribution of each asset represents the return weighted by its portfolio share in the total sum of all assets. The sum of these contributions equals the total real return on assets. The return contribution of each liability item represents the return weighted by its portfolio share in the total sum of all liabilities. The sum of these contributions equals the total real return on liabilities, which by definition equals the total real return on assets. ³ Due to the multiplication of the return contributions of all liabilities as well as the total real return on liabilities by (-1), negative values in the figure represent positive returns/contributions, while positive values represent negative returns/contributions (as, for instance, during the inflation phase). ⁴ The asset class "securities" comprises listed shares, debt securities and investment fund shares. ⁵ Wealth group codes: All: All domestic households (D1-D10); B50: Bottom 50% (D1-D5); N40: Next 40% (D6-D9); T10: Top 10% (D10). ⁶ Time period breakdown and codes: EC: euro area crisis (2011Q1-2014Q2); LI: Low interest rate phase (2014Q3-2021Q2); IP: Inflation phase (2021Q3-2024Q2); EP: Entire observation period (2011Q1-2024Q2). ⁷ Country codes: DE: Germany; ES: Spain; FR: France; IT: Italy; EA: euro area.

Source: Author's calculations based on European Central Bank (n.d.); Organisation for Economic Co-operation and Development (n.d.); LSEG (n.d.).

with the top 10% earning slightly lower returns than the bottom 50% and the middle class.

Second, both between-country and within-country return differences were substantial. In Italy, returns were the lowest within each wealth group category, ranging from 1.8% for the bottom 50% to 3.8% for the top 10%, followed by France (2.3%-4.1%), Germany (2.6%-4.7%) and the euro area (3.2%-5.3%). In Spain, returns were highest across all groups but reversed in order, at around 6% for the bottom 50% and middle class, and 5.7% for the top 10%. Consequently, the return gap between the top 10% and bottom 50% was smallest in Spain (-0.2 percentage points), followed by the euro area (1.5 percentage points),

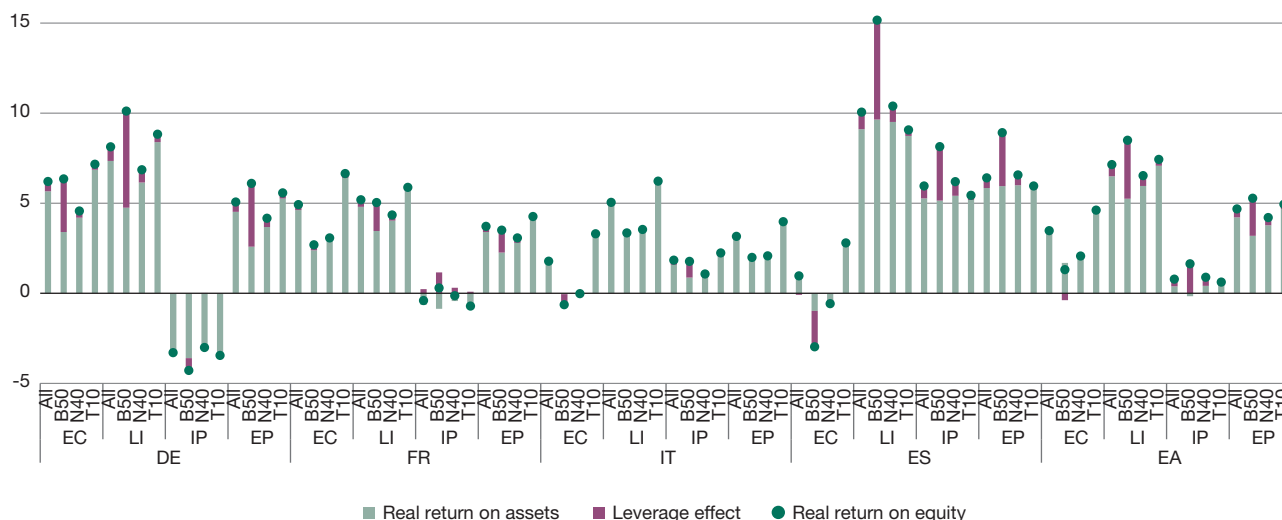
France (1.8 percentage points), Italy (2.0 percentage points) and Germany (2.7 percentage points).

Third, housing wealth was the main return driver for the bottom 50% and the middle class across all countries, with contributions varying by portfolio share and housing yields. In Spain, its impact was strongest – both absolutely and relatively – due to the highest portfolio shares and yields. For the top 10%, returns were largely driven by business wealth and securities, reflecting higher portfolio shares and yields, while real estate played a minor role. Safe, low-yield assets, in particular, deposits contributed marginally negatively, ranging from -0.6 to -0.2 percentage points for the bottom 50%, -0.3 to -0.2 percentage

Figure 4

Real returns on assets and real returns on equity

Arithmetic means in percent per year and in percentage points; broken down by countries, time periods and wealth groups



Notes: ¹ Real return on assets in percent per year and in percentage points; real return on equity in percent per year; leverage effect contributions in percentage points; all returns and contributions are reported as arithmetic means. ² The relationship between the real return on assets, the real return on equity, and the leverage effect is given by equation (1) in the text. ³ Wealth group codes: All: All domestic households (D1-D10); B50: Bottom 50% (D1-D5); N40: Next 40% (D6-D9); T10: Top 10% (D10). ⁴ Time period breakdown: EC: euro area crisis (2011Q1-2014Q2); LI: Low interest rate phase (2014Q3-2021Q2); IP: Inflation phase (2021Q3-2024Q2); EP: Entire observation period (2011Q1-2024Q2). ⁵ Country codes: DE: Germany; ES: Spain; FR: France; IT: Italy; EA: euro area.

Source: Author's calculations based on European Central Bank (n.d.); Organisation for Economic Co-operation and Development (n.d.); LSEG (n.d.).

points for the middle class, and -0.2 to -0.1 percentage points for the top 10%.

Fourth, on the liability side, the contribution of net wealth to the overall return on liabilities – identical by definition to the overall return on assets – was considerably lower for the bottom 50% and the middle class than for the top 10%, reflecting their much higher leverage.

Turning to variations across different time periods, asset returns, for the most part, rose markedly across wealth groups and countries from the euro area crisis to the low interest rate phase. In Germany and the euro area, they remained strongly positive and kept increasing. In France, the bottom 50% and middle class followed a similar pattern, while returns for the top 10% declined slightly. In Italy and Spain, returns for the bottom 50% and middle class shifted from negative during the euro area crisis to strongly positive in the low interest rate phase. With the onset of the inflation phase, returns turned negative in Germany and France across all wealth groups – more sharply in Germany due to a housing price correction – while in Italy and Spain they fell but stayed positive, supported by housing and business wealth.

Real return on equity – trends and the role of leverage

Similar to real asset returns, real equity returns showed substantial differences across wealth groups and countries (Figure 4). Considering the entire observation period, four key findings emerge. First, although average real equity returns were positive across all groups and countries, a U-shaped relationship between equity returns and household net wealth – previously documented only for Germany (Radke, 2025) within the euro area – was also found in France and for the euro area as a whole. In all three jurisdictions, the middle class earned lower equity returns than both the bottom 50% and the top 10%. In Germany and the euro area, the bottom 50% even outperformed the top 10%, while in France the reverse applied. In Italy and Spain, equity return patterns closely mirrored asset returns, showing a positive correlation with net wealth in Italy and a negative correlation in Spain.

Second, there were substantial differences in the absolute level of real equity returns. The highest average returns among the top five wealth groups were earned by the Spanish bottom 50% (8.9%), the Spanish middle

class (6.6%), the German bottom 50% (6.1%), the Spanish top 10% (6.0%) and the German top 10% (5.6%). The lowest returns among the bottom five wealth groups were recorded for the Italian top 10% (4.0%), the French bottom 50% (3.5%), the French middle class (3.1%), the Italian middle class (2.1%) and the Italian bottom 50% (2.0%). Ignoring wealth-group breakdowns, Spain showed the highest national average (6.4%), followed by Germany (5.1%), the euro area (4.7%), France (3.7%) and Italy (3.2%).

Third, the average impact of leverage – measured as the gap between real equity and asset returns ($r_E - r_A = (r_A - r_D) (D/E)$, see Equation (1)) – was strongest among the bottom 50% in all jurisdictions except Italy: 3.5 percentage points in Germany, 3.0 percentage points in Spain, 2.1 percentage points in the euro area and 1.2 percentage point in France. For the middle class and top 10%, it was much smaller, ranging from 0.1 to 0.6 percentage points and from 0.1 to 0.3 percentage points, respectively. The effect was most pronounced in groups with the highest leverage ratios, while the interest rate differential played a minor role. This differential was highest in Spain for all wealth groups (approximately 5.0 percentage points), followed by the German top 10% (4.4 percentage points), the euro area top 10% (3.9 percentage points), and the French top 10% (3.3 percentage points), and lowest for the Italian middle class (0.7 percentage points) and bottom 50% (0.5 percentage points).

Turning to variations across different time periods, the pattern of real equity returns closely mirrored that of real asset returns. During the transition from the euro area crisis to the low-interest rate phase, equity returns rose across most wealth groups and countries. In Germany and the euro area, they were strongly positive and increased for all groups. In France, returns for the bottom 50% and middle class were as well positive and rose, while those of the top 10% fell. In Italy and Spain, returns were initially negative for the bottom 50% and middle class but turned positive during the low interest rate phase. During the inflation phase, returns declined across all groups and countries, turning negative for the French top 10% and all German groups, which were hit hardest – mainly due to a negative interest rate differential observed only in Germany. In Spain, Italy and the euro area, returns fell but remained positive overall.

Conclusions and qualifications

Is euro area household wealth accumulation truly as impaired as often claimed? The present analysis of real asset and equity returns suggests otherwise. First, over the entire observation period, there is no evidence of adverse changes in household wealth, despite pronounced macroeconomic shocks. On average, all wealth groups in all

countries achieved positive real asset returns and even higher equity returns, however, with notable cross-country and cross-group variation. Nor was there an “expropriation of savers”: despite persistently negative real deposit rates, their impact on total returns was marginal and outweighed by positive returns from other asset classes.

Second, turning to variations across different time periods, all wealth groups – except the bottom 50% and middle class in Spain and Italy – recorded positive real returns during the euro area crisis. Returns then increased substantially across most groups and countries during the low interest rate phase, remaining positive throughout, suggesting that the Eurosystem’s stabilisation measures, among other factors, may have supported household wealth accumulation. By contrast, during the inflation phase, real returns fell sharply and turned negative in Germany and France, where monetary tightening likely also played a key role.

Third, substantial return heterogeneity exists across wealth groups. Real asset returns are positively correlated with net wealth in Germany, Italy, France and the euro area, but slightly negative in Spain, suggesting that financial literacy may play a role, though unevenly across countries. A U-shaped relationship between real equity returns and net wealth appears in Germany, France and the euro area, while the correlation is positive in Italy and negative in Spain. These divergences reflect both heterogeneous asset return developments and differing leverage effects.

Fourth, the presumed socio-economic challenges from return heterogeneity, particularly for the bottom 50%, appear less clear-cut. Based on the correlation between real equity returns and household net wealth, *ceteris paribus*, the middle class’s relative position seems most at risk in all jurisdictions, while return developments currently favour the bottom 50% in Germany, Spain and the euro area, and the top 10% in Italy and France. However, whether these return advantages and disadvantages translate into lasting shifts in wealth distribution depends largely on the strength of compounding, which in turn reflects how much income is saved and reinvested versus consumed. Since richer households tend to save more, current advantages of the bottom 50% may have limited impact on their wealth share. Moreover, their equity returns are more vulnerable to interest rate reversals due to higher leverage. Besides, return heterogeneity is only one of many factors shaping wealth distribution and can be outweighed easily by other forces such as technological change, globalisation, fiscal and social policy, wars and economic crises (Acemoglu, 2002; Bourguignon, 2015; Chancel, 2019; Piketty, 2014, 2015).

Figure 5

Wealth groups' shares in total national household net wealth

Notes: ¹ Country codes: DE: Germany; ES: Spain; FR: France; IT: Italy; EA: euro area. ² Wealth group codes: B50: Bottom 50% (D1-D5); N40: Next 40% (D6-D9); T10: Top 10% (D10). ³ Interpretation: The time series T10 for Italy, for example, denotes the share of the richest 10% of households in Italy in total Italian household net wealth, where net wealth is defined as the sum of non-financial and financial assets minus debt.

Source: European Central Bank (n.d.).

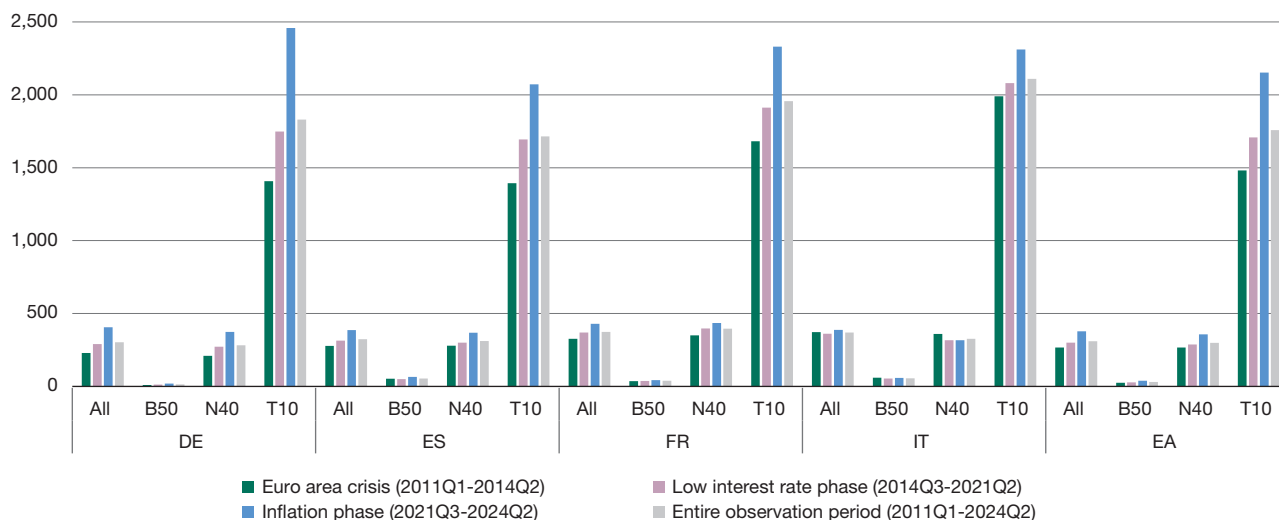
Although household wealth accumulation may appear less bleak than expected, particularly for the bottom 50%, a simple comparison of absolute real returns overlooks their differing economic implications depending on initial wealth levels. For instance, a 3% return on a small portfolio adds little, while the same rate on a large portfolio generates substantial additional wealth. Given the high inequality of household wealth within and across euro area countries, a closer look at current distribution trends is warranted to place return developments in a broader context.

When examining the individual wealth groups' share in national net wealth, over the entire observation period, the top 10% held on average 53% of net national wealth in France and Spain, 56% in Italy and the euro area, and 60% in Germany (Figure 5). The middle class accounted for 35% in Italy, 38% in Germany, Spain and the euro area, and 42% in France. The bottom 50% held 8% in Italy and Spain, 5% in France and the euro area, and only 2% in Germany. Over time, in all jurisdictions, the top 10% share rose slightly, the middle class's share declined, and the share of the bottom 50% remained largely stable. In absolute terms, average household net wealth over the entire period ranged from €1.7 million (Spain, euro area) to €2.1 million (Italy) for the top 10%, from €280,000 (Germany) to €400,000 (France) for the middle class, and from €13,000 (Germany) to €55,000 (Italy, Spain) for the bottom 50% (Figure 6). The top 10% steadily increased their absolute net wealth. The middle class also gained in all countries except Italy, where wealth has remained lower

Figure 6

Mean net wealth per household across different wealth groups

Arithmetic means in thousand euros; broken down by countries, wealth groups and time periods

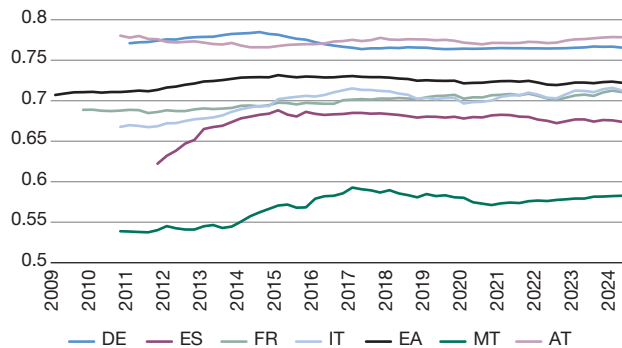


Notes: ¹ Country codes: DE: Germany; ES: Spain; FR: France; IT: Italy; EA: euro area. ² Wealth group codes: All: All domestic households (D1-D10); B50: Bottom 50% (D1-D5); N40: Next 40% (D6-D9); T10: Top 10% (D10).

Source: Author's calculations based on European Central Bank (n.d.).

Figure 7
Cross-country wealth inequality in the euro area

Gini coefficients



Notes: ¹ Country codes: DE: Germany; ES: Spain; FR: France; IT: Italy; EA: Euro area; MT: Malta; AT: Austria. ² The Gini coefficient ranges from 0 (equal distribution) to 1 (maximum inequality); the Gini coefficients' underlying wealth series are measured as net wealth per household (sum of non-financial and financial assets minus debt per household). ³ Maltese and Austrian data represent the lower and upper bounds of wealth inequality in the euro area (based on the average Gini coefficient calculated over the entire observation period).

Source: European Central Bank (n.d.).

since the onset of the low interest rate phase. The bottom 50% saw rising absolute wealth in Germany, France and the euro area; in Spain and Italy it initially declined but later recovered.

Gini coefficient analysis shows that wealth inequality has generally been below the euro area average in Spain, Italy and France, but above it in Germany (Figure 7). Germany had the second-highest inequality in the euro area, just behind Austria, while all other countries ranked above Malta, which recorded the lowest levels. Across the euro area, inequality has gradually increased, except in Germany and Austria, where it slightly declined. Since 1995, wealth inequality in Europe has risen, despite a global decline driven mainly by reductions in wealth concentration in East Asia, the Middle East, and North and Sub-Saharan Africa. Nevertheless, European wealth inequality remains the lowest compared to other world regions (World Inequality Lab, n.d.).

In sum, from a policy perspective, measures aimed at boosting real investment returns for poorer households – such as improving financial literacy or promoting housing and securities accumulation through subsidies and tax incentives – may modestly raise asset and equity returns but are unlikely to substantially alter wealth distribution trends in the near term, given large differences in absolute household net wealth and uncertainties surrounding the compounding effect. To achieve a less unequal wealth

distribution – by strengthening the bottom 50%, stabilising the middle class and limiting further concentration at the top – it is advisable to reassess, and if necessary reverse, policies introduced since the early 1980s that likely fuelled rising inequality, including privatisations, deregulations and cuts in progressive taxation (Chancel et al., 2022; Piketty, 2014; Piketty & Saez, 2014; Saez & Zucman, 2016).

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