

## **OLD AGE AND THE ROLE OF HOUSING EQUITY**

### **A case study on the Finnish homeowners' perceptions**

*Abstract. The paper focuses on the planning and preparing for the retirement and old age by the Finnish home owning households. The authors ask what are the households' norms, beliefs and behaviour regarding pension security and care in the old age. The article is based on the qualitative interviews conducted as a part of the collaborative project Demographic Change and Housing Wealth (DEMHOW) funded by the European Commission. A sample of 30 households representing young (25–35 years), middle-aged (45–55 years) and elderly (65–75 years) home-owners in the city of Turku was interviewed during a period from June to September in 2009.*

*Key words: Finland, homeownership, retirement, old age care, housing equity*

## **Introduction**

A heated debate on retirement age was ignited in Finland in spring 2009 as a result of the government's unilateral proposal to raise the minimum age of retirement from 63 to 65 and was further accelerated after two working groups failed to bridge the gap between the disagreeing parties this year<sup>1</sup>. Notwithstanding that the effects of the previous 2005 pension reform are just beginning to become visible and the actual retirement age is raising, the battle over retirement age shows no signs of abating.

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<sup>1</sup> The 2005 pension reform introduced a new retirement age of earnings-related old-age pension that is flexible between the ages of 63 and 68. The government still believes that it is necessary to raise the minimum age up to 65 because of Finland's rising debt as a result of the ongoing recession. Notwithstanding such justification, the trade unions are disappointed by the government's unilateral decision; they insist that the retirement issues should be discussed – as traditionally has been the case – in tripartite negotiations involving the government, employers' organisations and the labour unions. Due to a widespread criticism, the government had to withdraw its earlier plan and start negotiations with labour unions and employers.

In this paper we will focus on how home owning households in a Finnish city plan and prepare for their retirement and old age care. We will ask what are the households' norms, beliefs and behaviour regarding pension security and care in the old age. In particular, we try to answer the following questions: What is the role of housing equity in planning for the old age care and retirement? Are there dissimilarities between different cohorts and various types of households in planning for the old age? Why is that people do not act according to the so called life cycle model? The chapter draws on the authors' research done as a part of the collaborative project Demographic Change and Housing Wealth (DEMHOW) funded by the European Commission (Naumanen and Ruonavaara, 2009a; 2009b).

Like other European societies, also Finland is facing the challenge of an aging population – and much sooner than many other European countries. This is because the large post-war baby boom generations are reaching their retirement age at the beginning of the 2010s. According to the projections made the old-age dependency ratio will sooner than in most other EU countries develop into being unfavourable (Uusitalo, 2006; Statistics Finland, 2008). The problem is amplified by a development that many other countries have experienced: the increase of early retirement in the 1990s and early 2000. Though a pension reform in 2005 partly halted this trend (Tuominen, 2007), the average retirement age (being 59 in 2008) is still considered low in Finland in comparison to the other Nordic countries. The pension provision consists almost entirely of statutory pensions, that is, of national pension guaranteeing minimum pension for all and employment-based (earnings-related) pensions (Kangas, 2007; The Finnish Pension System, 2007). Though not very significant in pension provision at large, saving for personal pension insurance, subsidised by the tax system, has become more common (Ahonen and Moilanen, 2007).

The care of older people is a part of the general health and social care system. Municipalities carry the responsibility of organising social and health care services. For that they use to a small extent user fees, but more importantly municipal tax revenue and financial contributions from the state. The local authority's financial situation is therefore a key factor framing the local care service policy. The provision of services in a locality is a function of meeting legal obligations, local authority economic situation and policy choices. Major challenges for service provision are inequalities between local authorities in different parts of the country as well as inequalities in access to services between different socioeconomic groups. (Martelin et al., 2006; Vaarama and Noro, 2006; Vuorenkoski et al., 2008)

Our research puts a special focus on the role of housing equity. Finland has had a moderately high proportion of homeownership for a long time but it has also experienced a rather exceptional decline in the homeownership

rate in the 1990s. At present over 60 per cent of households are homeowners. (Ruonavaara, 2006) As most elderly people living independently own their homes, it becomes interesting to ask whether people consider the wealth stored in their housing as a resource to be used as old age security. Homeownership is well embedded in the Finnish housing system and culture. Also housing policies have supported home ownership, albeit more through tax support than through direct support paid from the state budget. The right to deduct housing loan interests, the lenient taxation of capital gains from sale of homes, low property taxes and absence of taxation of imputed rent, altogether ensure that owning a home is not expensive for taxation reasons. With increasing dwelling prices the volume of wealth stored in housing has substantially increased. The net housing wealth of households tends to increase by age, so that the elderly people have a considerable resource potential to use when needed (see e.g. Kotitalouksien varallisuus, 2006) – provided that financial instruments are available for that kind of use.

For the DEMHOW project we did an analysis of relevant public policies in Finland (Naumanen and Ruonavaara 2009b), and conducted a qualitative interview study in the city of Turku, which with its 176 000 inhabitants is the fifth largest city in the country. Turku was chosen as a research site because it is “average” in the sense of not being especially prosperous, nor depressed locality. Homeownership rate in Turku is somewhat lower than in the whole country but on the same level as in other medium-sized cities. House price development has been roughly similar as elsewhere, but the price level is clearly lower than in the high-price regions like the Metropolitan area. A sample of 30 households representing young (25–35 years), middle-aged (45–55 years) and elderly (65–75 years) homeowners was interviewed during a period from June to September in 2009. The sample was constructed so that it consisted of different household types (couples with and without children and singles)<sup>2</sup>.

### **Retirement strategy**

In order to explore homeowners’ plans for their retirement we asked the interviewees to answer a set of questions concerning the timing and reasons of their retirement, their expected sources of income and possible financial arrangements made for the retirement. The respondents’ wider views on the pension system and the income security were investigated by asking them who should take the responsibility for ensuring that people have an adequate income in old age. Furthermore, the respondents were invited to

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<sup>2</sup> Our report for the EU (Naumanen and Ruonavaara, 2009a) contains a more detailed description of the sample and research design, as well as a more thorough description of our findings.

reflect on a vignette depicting a recently retired couple in their late fifties and in good health considering the various ways of increasing their income.

*Plans for retirement: when to retire and why?*

Quite many of the elderly homeowners interviewed had retired earlier than the statutory retirement age in their occupation suggests and usually for health reasons. Some had been offered an early retirement scheme by the employer because of organisational rearrangements or lack of work. Most of the elderly are content with the timing of their retirement. They think they have given their contribution and deserve their pensions. Some are glad for having retired early, because they think they could not have managed to adjust themselves into the new working climate and changes in the workplace. A retired lady (with low income) proclaims to be a happy retiree – no changes have touched or moved her happy life consisting of a good health, an owner-occupied house and, in her opinion, a reasonable occupational pension:

*I am now on pension for the fifth year, I've always said I am a happy pensioner. I've experienced it in that way happy that if your health is OK and you then have a pension, which is an occupational pension, — and then you have the dwelling, so there are those basic elements of happiness. And you don't have to think of tomorrow, what will I do the day after tomorrow and after a year... (Single woman, 65–75 years)*

In the attitude towards timing of retirement the middle-aged homeowners differ considerably from the elderly. They aim working full careers, i.e. until the legal retirement age is reached (63–68 years) or even longer. The middle-aged interviewees do not wish to lower their standard of living too much, but hope to travel and enjoy their “mature” days. For this reason some think that early retirement is not possible financially for them even though they might like to do it. The middle-aged respondents also wish to be financially independent; all the debts must be paid off before the retirement. Furthermore, the group is most clearly affected by the pension reforms and the public discussion on raising the minimum age of retirement. A single woman indicates feelings of insecurity, because the pension system will not work as she has learned it to do so far. She had planned to retire at the age of 57 and for this had taken the voluntary pension insurance for herself. Now she suspects that she has to retire later than planned.

*[I]n my view the trust on that, when I am retired myself, that things would function the same way as one has seen them function so far, I think that it is a kind of a black hole, that you don't know at all where*

*we will be then. Will they pay, will there be health care? In what condition will care for the elderly be? – For me it was so in the past that I could have started getting my private pension at the age of 57–. That would have just filled the gap before the retirement age begins. So it would have made it possible to retire earlier. – [T]hey raised the age limit also in that. So it is not anymore so, [it] does not fulfil the function it was intended to.*  
(Single woman 45–55 years)

For the youngest homeowners retirement is a matter of remote future, of which they usually have not much to say. However, they resemble the middle-aged in that they tend to opt for retiring as late as possible and not until the financial situation is secure enough (and their home is debt-free). To some extent the young homeowners share the anxiety for the timing of retirement and the worry about their ability to carry on working long enough. Nevertheless, “it makes no sense to plan long-term or worry too much”, because the system will most probably change many times before they will reach their pension age, as put by a young couple interviewed. A young wife feels frustrated that the current debate on the raising the minimum pension age has made her only less willing to think about the whole issue, as retirement seems even more distant for her than ever.

*F: It is so far away that I don't even believe that I am able to retire some day. Thirty, forty years is such a long time that one has to have a really good health in order to come through to that. Anyhow, one cannot know about one's health. And now they are saying that even those in their seventies don't necessarily reach their pension yet. Maybe eventually. And since they are saying that it is rising, one doesn't know if someone like me is able to retire even when seventy or eighty years old.* (Couple with children 25–35 years)

### *Sufficient income in old age*

Though the income level of the elderly interviewees has usually come down from the days of active working life, they regard their income as sufficient for covering everyday expenses. The income is sufficient because their overall expenses have fallen: the family is smaller, the debts are paid, the big and costly purchases have been done and savings have accumulated. The pensioners highlight that they simply consume less and save more. Despite the general tendency towards reduced spending amongst the elderly there is, however, certain variation in speaking about this. Whereas respondents with higher income acknowledge that they have a sufficient income due to reduced costs and spending, those with lower income actually say that they have to stretch their budget in order to cope with their income.

Also the respondents of younger cohorts mostly believe that their income will be sufficient enough in the old age. For the youngest homeowners the adequacy of income is a matter of becoming (and staying) employed, which enables them to collect a full earnings-related pension and possible savings. Besides relying on the statutory pensions, young homeowners have ideas about using other sources as well. A young couple believes that their housing property will provide security in supplementing the income in the old age, especially in the case of emergency (job loss, illness):

*F: I think we'll cope.*

*M: I believe that if it becomes necessary, we'll get from the dwelling and the cottage so much that we'll do fine for a while. (Couple with children 25–35 years)*

When asked about their principal sources of income (actual or anticipated) at old age, the most common answer concerns statutory pensions. However, half of the middle-aged and one third of the younger households had made some kind of private financial preparations for their retirement, mostly by taking a voluntary private pension insurance. These and other financial preparations are usually made in order to provide additional income to the pension that makes it possible to maintain the level of living that one is accustomed to. Though some respondents are rather critical of actual and the debated changes of the pension system, these had not really affected the households' behaviour or decisions concerning retirement.

### *Strategies to secure income in old age*

The majority of homeowners consider that the society bears and should bear the ultimate responsibility for ensuring an adequate income for people in the old age. This view is shared by nearly all the respondents regardless their age. "Society" in Finnish everyday language is often the equivalent for the state and municipality, that is, public authorities<sup>3</sup>. The state and municipalities (which levy taxes) should guarantee a certain level of income (national pension) for the people, who have no capacity or opportunity to work and earn a full earnings-related pension or save money. Those able to work should receive employment-based pension for which they have accumulated funds by paying taxes and the statutory pension payments from their income. Those who wish to have a higher income than what is provided by the pension system should save, invest or work extra for that purpose.

<sup>3</sup> *In all of the Nordic countries 'society' often overlaps with 'state', and, furthermore "is often the synonym for 'welfare state'" (Julkunen, 2008: 34–35). Society is thus different from civil society which in the Nordic context is understood as voluntary organisations. Civil society is perhaps a part of the society at large, but so is also the state to the extent that it takes care of its citizens.*

*M: Well, this is the thing, the state has to promise a certain level and keep this promise, and if someone wants to have more, then he/she has to save that money him/herself somehow. (Couple with children 25–35 years)*

*I would primarily say that this is a responsibility of the society. It is anyhow quite a small group of people that have not done their best in this life. Like today's elderly have really done a lot of work and built up this society and a lot more. So, it is the society that owes much to them. (Single woman 65–75 years)*

The interviewees were invited to react to a vignette depicting a retired couple in their late fifties living in an “average” dwelling in a rural area and considering various ways of increasing their income. There was not any consistent strategy that our interviewees would have suggested as an advice for the fictitious couple. Most of them had several different ideas to offer. Nearly half of our interviewees suggested as their first option that the couple should earn extra money by getting a job or by doing small business. More than a third suggested as their first option releasing equity by selling the house and moving to a smaller and cheaper housing. Some respondents thought it to be difficult to choose between different possible options as that would require more information on the couple's preferences – like whether their house is a part of the standard of living, which they do not want to give up. Especially the elderly interviewees questioned the goal of maintaining the previous level of living, whereas the young tended to see the decision as depending on the couple's priorities in life. Only a couple of interviewees suggested any form of equity release other than trading down.

### Care in old age

We asked our respondents a number of questions concerning their plans, expectations and attitudes towards their own care at old age, as well as that of people in Finland today and in the future. Apart from interview questions, a vignette portraying an elderly woman who needed help in coping with everyday life was presented to the interviewees to reflect on. What we were interested in was how the responsibility for old age care was seen to divide between the various possible bearers of responsibility: the elderly her/himself, her/his family, the state, the organizations, the market. Two different meanings of responsibility for care could be distinguished here: (1) the responsibility for production of care services and (2) the responsibility for making sure that an elderly person will get the care s/he needs. One of our main findings is the following: our interviewees did not consider it a viable solution that elderly persons requiring special care would move from

their homes to live with their children's families. Some do suggest this but have reservations: it should not burden the child too much.

*F: You cannot hand it [responsibility] down to children because they live in their own families. They have their own families, their own worries. (Couple 65–75 years)*

Many interviewees mention the quite common circumstance in Finland that both spouses in a household are in paid employment as one of the reasons why family care is not the solution. Two-generation households are not considered a part of the modern way of life, and the extra burden of care work is considered as too high for people in paid employment. The answers we got from direct questions as well as from reflections on the vignette were consistent in this question.

#### ***Who should be responsible for producing care for the elderly?***

Naturally enough, none of the interviewees mentioned the market as a major bearer of responsibility. None of the interviewees placed any responsibility on church or other third sector bodies. If the interviewees singled out some quarter responsible for production of care services, it was either the municipality or the “society”. Municipality is a natural choice in the sense that many services like elderly homes and home help are mainly provided by the municipality – and municipalities have a legal responsibility of providing such service either by producing them themselves or by commissioning them from private producers. We would argue that when our interviewees speak about ‘society’, the word does not refer only to welfare agencies, but it also carries a connotation of shared, collective responsibility. Saying that “society” bears the responsibility means for our interviewees both that welfare state agencies should see to that adequate care services are provided and that there is an obligation for all citizens to make sure that the elderly are cared for.

If the responsibility for the production of care services was not usually placed on children, the interviewees were quite in agreement in that *children have the responsibility for making sure that their elderly parents will get the services they need*. Interviewees of all three age groups said this but especially pronounced this view was among the middle-aged interviewees. This was so whatever the view on who should produce the services in question:

*[The problem should be solved] so that the children would get from the municipality the help that through that channel is available. One should [also] contact private service providers, [as well as] the third sector, and to try in that way to disentangle the situation. (Single woman 45–55 years)*

The question of autonomy of the elderly person was a theme that many interviewees dealt with in some way or another. In some interviews the decisions concerning choices of care were seen as negotiations between the elderly person and her children. In one interview the role of children was characterized as “suggesting/consulting”. Another interviewee (quite sensibly) refused to rank different care alternatives as the choice was a result of a negotiation between the person and her family. When children were seen as bearing the responsibility for care, this was often based on the assumption the elderly person was not anymore able to care for her/himself. The implication is that in case that was not so, the person her/himself would, of course, bear the responsibility. For nearly all our interviewees the most institutionalised forms of care were to be chosen only if the person’s condition becomes so bad that supported individual living is not any more possible. Some suggested municipal home help that would help in daily care as the preferred alternative, possibly combined with a move to a more easily serviced apartment. The alternative favoured by most interviewees was, however, service housing that was seen to combine a degree of individual, autonomous living with collectively provided services.

### *Expectations of one’s own care*

When asked who would take care of them if they became so frail that they could not take care of themselves anymore, the answers were broadly similar to the ones to the imaginary situation in the vignette. Many did not see care provided by their children as a viable alternative on a long-term basis: children have their own lives and worries, and the interviewees would hate to be a burden to them. However, this did not mean that the interviewees thought that children should not show interest to their parents’ care needs. Some interviewees explicitly said that children should carry the responsibility for finding the suitable care solution to their parents.

Interviewees made a distinction between a condition in which an elderly person could cope with little extra help and condition in which the person needed help round the clock. First children should come and help with the daily chores, but when the situation will require more permanent care, service housing or “some institution” was seen as the solution. Interestingly, a couple of young households mentioned children (which some did not yet have) as the primary and only care-givers in their old age. In most other interviews children were seen as contributing to the care with some other party.

Talking concretely about how the interviewees saw their own care needs satisfied, “society” as well as municipality, were mentioned only a couple of times (and once as a possibly deteriorating care provider). Is there a contradiction with the answers to the general question on care provision?

Not necessarily, as the respondents were here talking about care in more concrete terms than provision of services. When institutional care solutions (like service housing or old people's homes) were mentioned, respondents did not generally single out whether these should be public or private sector services – possibly because these were assumed to be public ones. In only two interviews privately provided care was mentioned, and in only one there was a clear preference to private sector service – the service house where the interviewee herself worked in.

### *Responsibility for paying for one's care*

The respondents were also asked who should pay for their care. Practically all interviewees think that their children or relatives should not be made responsible for paying the costs of the care they would receive. In only one interview the possibility of children contributing to the costs is mentioned – but only as a supplement to what the person herself can pay out of her pension. Two thirds of interviewees see that costs of their old-age care should and will be shared by themselves and the public authorities in one way or another. Some consider that public authorities should come to help the elderly only in case they have no money to pay for their care:

*I: And who do you think would pay for the costs of your care?*

*F: The state and then of course what we ourselves have accumulated as capital. It will be spent primarily on our care and what is left of it in the end is what the children will get. But – if one is a person with no capital, then I think the state should pay for the care. (Couple with children 25–35 years)*

The state should pay, as it collects taxes and justifies this by claiming to be a welfare state that cares for the less well-off. Another version of the argument for sharing costs sees the public contribution as a subvention that also others than those with no “capital” can enjoy. About one third of the interviewees said that they will cover the costs of their care by their own means, from the pensions and savings. If they are not enough, their property, usually the owner-occupied dwelling, should be realised:

*Well, of course, my own pension income will be spent on those costs. For the greatest part. The society cannot take such an obligation, nor can children be demanded that. One should really get that much [accumulated], [and if not] sell then that owner-occupied house of mine, and take [the money] from it. (Single parent 45–55 years)*

This view emphasises the obligation for people to provide care for themselves by saving money “for a rainy day” or accumulating capital in some other way.

### *The system of care in the future*

The interviewees representing the two younger age groups were asked whether they trust that the present system of care services would provide them with the services needed in the future. Most respondents believed that the system of health and elderly care would prevail as largely similar as today and would cater them with their service needs. However, many interviewees’ trust in the present system was a bit hesitant one: “well, it looks like we can trust it”, “you just have to dare to trust it”. The interviewees were clearly conscious of the threats to the welfare system, and trusting the system was a choice between pessimism and optimism. Some voiced doubts: there will be changes coming, the present level of services will not prevail, user costs will be rising, the “pension bomb” following the retirement of the Finnish baby boom generation will cause problems. Due to the doubts and hesitation concerning the future of care services, the distance between those choosing to trust and the minority expressing distrust on the system was not so big. The latter group were just a bit more pessimistic about the future: they would like the system to prevail but they doubt whether this will happen.

## **The role of housing equity**

### *The importance of housing equity for old age*

One of the central issues of our research is the extent to which households are attuned to seeing wealth stored in housing as a resource to be used when needed, especially as security for old age. The interviewees were asked whether they thought they were getting some economic benefit from the dwelling they were living in after retiring. The answers focused on rather traditional benefits associated with owner-occupied housing, like lower housing costs than in the rental sector. Of the different alternatives of deriving economic gain from housing, trading down was something that half of all interviewees could consider. Some interviewees could think of letting out the dwelling – unless they weren’t living in it anymore. Hardly any could think of selling the dwelling and moving into rental sector. The situation had to be bad if that was to be done. What most interviewees definitely did not want to do was to remortgage the dwelling. An elderly interviewee put this in the following way:

*Well, in this age getting into debt is among the last things to do and its strictly last resort. It can happen that when one dies, children will have to pay the debts still. (Couple 65–75 years)*

Those who could consider remortgaging were emphasising taking a small debt against the dwelling. A theme that occurs repeatedly in the interviews is that using equity by remortgaging, selling and moving to the rental sector is something that the respondents would consider only in situations where there is a pressing need to get money. These are not a part of their plan for the future.

### *Use of reverse mortgage*

We also asked our respondents specifically a question about willingness for using reverse mortgage or some other similar product for releasing equity. As reverse mortgage is a quite new financial product in Finland, and not all interviewees had heard of it previously, the scheme was first described briefly. However, the number of those knowing about the system was considerably higher than three years earlier when this was asked in the interview study (Naumanen and Ruonavaara, 2008: 84–85).

About two thirds of the respondents could consider reverse mortgage as an option, but mostly with reservations. Usually the interviewees wanted to limit the use of reverse mortgage to specific situations. Taking reverse mortgages was seen possible, for instance, in cases of emergency. A serious illness requiring immediate treatment was mentioned as an example. Thus the interviewees tended to see reverse mortgages as a last resort solution, to be avoided if one can get along without. And the attitude was somewhat ambiguous. This was evident, for example, in an interview with an elderly couple where the male partner first states his “stern no, not in any conditions” to reverse mortgages whereas the female partner is more positive. After discussing the issue a bit, also the male sees reverse mortgage possible, if one is hit by “some terrible illness with a glimmer of hope left”.

Those few sharing unconditionally positive attitude towards using reverse mortgage were people without offspring that would inherit them. Those who rejected reverse mortgage had different kinds of doubts about the system. An obvious reason to reject would be a wish to leave the house or a flat as an inheritance to one’s children. Rather surprisingly this was not a theme that occurred frequently in the data. Only two interviewees explicitly mentioned it. Some who rejected reverse mortgage were concerned about the possible problems it would cause the heirs. Some just considered the whole idea awkward:

*I don't see any sense in that [reverse mortgage]. I don't need to get extra money in this kind of artificial way. I'll do it – the honest way, that is, by working and getting it that way. I won't go along with that. (Single parent 45–55 years)*

A couple of interviewees emphasised relying on pensions and cutting expenses rather than trying to get extra money this way. Some wanted to keep their home as their own, and “remortgaging” it would make them feel that it is less their own. A variant of this view was a preference to sell the home instead of new kind of remortgaging. These views echo the distrust on banks, which has made some interviewees suspicious of reverse mortgages.

The reason why homeowners in Turku rarely expressed any unconditional acceptance of reverse mortgages as a way of increasing income at old age or other non-exceptional situations may partly have to do with lack of knowledge and experience of this kind of financial products. Only one interviewee had experience of reverse mortgages, and many who had heard of the system said they had no detailed knowledge about it. It may be the case that when people learn more about the system, they may start seeing it as a standard way of increasing income. After all, already now a close majority of interviewees consider using reverse mortgages a possibility at least in some specific situations.

### *Why not consume the housing equity?*

One obvious reason why people would not be interested in equity release is that they want to keep and not consume the equity they have managed to accumulate. Why they would do so, is an anomaly from the economic theory’s perspective. According to the theory, rational agents would accumulate assets during their active working age and then use them up after that active period is over; this is called the life cycle hypothesis. The last question in our interview concerned this. It explicitly linked both saving and keeping the housing equity untouched into this pattern of behaviour. Our homeowners were quite critical of the (alleged) elderly people’s obsession to save and not consume. This was seen as a rather irrational habit that was typical of the older generations, deeply engrained in the Finnish culture and mentality, and something that was now changing.

The respondents’ explanations for the economically irrational saving behaviour boil down into a number of related themes. First of all, most interviewees saw elderly people’s focus on saving as having become a habitual behaviour pattern that cannot easily be changed:

*Obviously saving becomes some kind of obsession at some stage. That’s what has happened to my grandparents, – they’ve always saved, and saved, and in the end fallen in love with that money of theirs, so that it cannot be used for anything anymore. (Couple 45–55 years)*

In the above quotation saving appears as an irrational obsession. However, the interviewees had various other explanations for why the behaviour

pattern has emerged. Several references were made to Finns' "Lutheranism" or "Protestantism". Here the references can be interpreted as pointing to the attitudes on spending and saving that allegedly are an age-old part of the Finnish culture and way of life and to which people are socialised. In the Finnish sociology there is a well-known model of the Finnish generations by J-P. Roos (see Hoikkala et al., 2002) in which the two oldest generations are called the generation of wars and depression (born in two first decades of the 20th century) and generation of reconstruction and growth (born mid-20s to late 30s). What characterised the life stories of these generations are insecurity, poverty and hard work. The references to the impact of life history on saving behaviour concern these generations. A quite strong theme in the interviews is that the habit of saving is a generational behaviour pattern associated with older generations, and that it is not shared in the same way by younger generations:

*It can then be that when they were born – there has been in Finland so much of war and shortage and misery. They have seen that. – They have this record playing in their mind that one should not throw anything away, that you have to put everything under your pillow. (Couple 65–75 years)*

*M: It is a habit. The old generation has just lived in a kind of tradition of protestant ethic –. That has a tremendous influence. I don't know, like ... if we think of people of our age, so certainly things will change. But if we think of this baby boom generation [large cohorts born in 1945–49].*

*I: So there is some change coming?*

*M: Yes, yes. Quite clearly. (Couple 45–55 years)*

Some interviewees see thriftiness as a life cycle phenomenon: old people become more cautious with spending; they do not have so many needs. The irrationality of deriving pleasure from being utterly thrifty and living very modestly while having substantial savings is discussed by several young and middle-aged interviewees. A saying concerning this occurred twice in the data: "there are no pockets in the shrouds". So people should make use of the wealth they have accumulated as long as they live. Old people should use their savings on themselves; enjoy a little luxury, not save a bigger and bigger fund for inheritors or some future rainy day. Elderly persons are considered as lacking trust on the welfare system: a really rainy day may be coming, and then what do you do if you have nothing?

*Yes, yes all the time one is saving for that rainy day, and then it may be that it doesn't come before one passes away, so... Well perhaps there is just this that – this just crossed my mind – that if there just was some trust in that when the rainy day comes, somebody takes care of you. That one is not, it does not all [depend on] one's own ... (Single woman 45–55 years)*

The bequest motive, that is, a wish to leave an inheritance is an obvious reason for not spending the wealth one has accumulated during one's lifetime. This was mentioned by quite many interviewees as one explanation for excessive saving – but it was not always evaluated as quite a rational reason. It was seen as a part of the (old-fashioned) “Protestant” mentality, the attitudes of the generations of war and reconstruction – or it was seen as questionable on moral grounds: it is “witless” to forgo one's own needs to be able to guarantee as big an inheritance as possible.

Of special interest in this research is how people see utilising the wealth stored in one's home. Here our question about elderly people's “over-saving” behaviour tacitly implied unwillingness to utilise one's housing equity as one expression of that behaviour. However, the interviewees mostly talked about people being very thrifty and saving every penny, and less about them not using their housing wealth. Some interviewees referred to the home dimension of housing, that one gets attached to one's home and it provides a feeling of security:

*F: And that is something I do not really understand but perhaps I'll understand when I get older.*

*M: And in the same way the utilising of one's housing, perhaps one gets attached to the –dwelling so that you just cannot hand it over.*

*F: I understand it much better that one does not want to sell one's dwelling. It is like a lot of memories get into those walls over the years so that it can be much more valuable than what the bank acc... well, it is dear to you, that dwelling. But I can't understand how an account can be dear to anyone, a bank account. That one does not want to give up one's dwelling, that I understand much better. (Couple 25–35 years)*

Though the special meaning of housing is a theoretically interesting theme, we cannot say much about this, as we interviewers did not continuously prompt interviewees into reflecting whether unwillingness to use the wealth stored in housing is indeed a part of excessive saving that interviewees saw typical of the older generation. What we can, however, safely

conclude that interviewees in our sample do recognize the attitude that we have called excessive saving, consider it a thing of the past and are generally critical of it. They seem to have no principal objections to elderly people using much of the wealth that they have accumulated to their own wellbeing instead of trying to secure as large an inheritance as possible for their offspring.

## Conclusions

The homeowners in Turku do not seem to have very focused financial strategies in their overall life planning. Most respondents trust that the statutory pension system will provide them with adequate income. However, the younger homeowners, who wish to maintain as much as possible of the present level of living in forthcoming pensioner days, are eager to improve their income for old age by making additional financial preparations, mostly by taking a voluntary private insurance. Considering the timing of retirement our case study would suggest that *the younger generations plan to retire later than the older have done*. One reason for this may be the new pension law that encourages one to retire as late as possible: the pension accrual rate increases with age. Due to the actual and potential reforms in the retirement age the younger cohorts also worry about their health and ability to carry on working long enough. Of course, we do not know what the young will think when they reach their middle age; perhaps, they will not see their future work career as long as they do now.

Regarding care in old age, supported individual living in service housing or other similar solution is the alternative that most interviewees prefer. They value the autonomy of the elderly person, and do not favour the more institutionalised forms of care, like old people's homes. These are the solutions for the day that unsupported, individual living becomes impossible. The interviewees do not think that children or the extended family would or even should be the main source of care; on the contrary, children should not be burdened too much. However, they are an important support in finding the right kind of care services for the elderly.

Housing is vital for the people's retirement plans – but only in “traditional” ways. The economic benefit the respondents see in home-ownership is mostly that it provides them a rent-free form of housing. This helps them to get by with their pension. Moreover, the interviewees feel that the ownership of housing provides them a safety net: if they end up in deep economic problems, there is always the dwelling that one can sell as a last resort option. The respondents were not inclined to transform the housing equity into cash in any other situation than that of considerable economic problems or costly but necessary needs (like some very expensive cure).

Equity release schemes like reverse mortgage were seen as something that could well be used in exceptional situations, not as a routine way of providing extra income in pensioner days. Equity release in the form of trading down was seen as a more favourable option than reverse mortgage and the like. What we have observed in our interviews seems to indicate that homeowners in Turku, especially the elderly, still have quite a strong aversion towards debt, and therefore equity release that involves remortgaging did not feel right.

Why not consume all housing equity? Our homeowners had a number of explanations of why people are not inclined to consume at older days all the assets that they have accumulated during their life time. Discussion of this theme tended to focus on older people who live extremely modestly in order to be able to save as much as possible in their bank account. It seems that many people know such elderly persons. Such a behaviour pattern was seen as a cultural and generational trait, something that has to do with the “traditional” way of life and its mentality. One reason for saving much and consuming little is the bequest motive; it was mentioned by many but it was by far not the only explanation for the behaviour. The explanations emphasised the habitual and a bit “pathological” side of excessive saving. The interviewees were generally critical of this kind of attitude, but some distinguished housing equity from other kinds of assets. Housing is not so easily transformed into money to consume as other forms of property like stocks and shares: homes have emotional value.

Of special interest in the DEMHOW research is the question whether the younger generations and households without children attach great value to savings and housing wealth as a source of pension security and old age care due to the pressure of demographic changes on collective welfare provision. Indeed, the younger homeowners in Turku tend to rely on more diverse sources of income in their forthcoming pensioner days than the present day retirees, whose income predominantly consists of statutory pensions. One reason for the younger generations’ tendency towards extending their possible sources of livelihood in old age is the unwillingness to give up the level of living they are accustomed to.

Unlike the older generations the younger homeowners do not consider that cutting down one’s expenditure is ultimately necessary when retiring. The youngest homeowners neither cherish the idea of accumulating inheritance or saving excessively, though they wish to leave something to their children if have any. These aspects might imply that the young homeowners, especially those without children, think differently also about using housing equity for old age purposes. Whilst the young homeowners in our study show more interest in various ways of financing their old age consumption, *housing wealth has no special role in their planning*. Like the older homeowners

the younger as well regard housing, in particular the home, as a special kind of investment that principally should be transformed into money only as a last resort. Our interpretation is that this kind of critical attitude towards using housing equity, especially reverse mortgage, is partly due to the lack of knowledge and experience of this kind of financial products.

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