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## SUMMARY

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### Private saving for retirement – opportunity or necessity?

Old age is one of the most common reasons for saving. However, financial limitations prevent some people from saving for retirement. The desire and need to save may thus be higher than what the number of savers for retirement in Finland would indicate. In addition, saving and the potential to do so differ considerably by population group (e.g., by age).

Previous domestic studies on private pension saving have examined realised pension saving. In order to get a comprehensive view of the phenomenon, however, it is also important to study the needs for saving which are unrealised due to financial circumstances. In this study, we examine how saving is linked to financial abilities and how the trust or distrust in statutory pensions is reflected in potential needs to save. We estimate the potential need to save based on the respondents' assessments of how adequate their retirement livelihood will be.

Our research is based on the questionnaire data of the *Trust in pension provision* survey conducted by the Finnish Centre for Pensions in the spring of 2014. The survey was directed at persons living in mainland Finland and aged between 18 and 67 years. We have also used the data of the equivalent survey conducted in 2011. We limited our review mainly to respondents aged 35 years and above since they, based on their age, are potentially more equally able to save for retirement. Those who are younger may not yet have a stable income since many of them are, for example, studying.

### Financial circumstances prevent saving

In 2014, roughly 37 per cent of all 18–67-year-olds and 43 per cent of all 35–67-year-olds saved or had previously saved for retirement. These rates are roughly the same as in 2011, although the trust in the pension system has weakened since then. The clearly main reason for not saving for retirement is a lack of financial abilities. This reason has become more common since 2011. In 2014, a total of 65 per cent of 18–67-year-olds and 40 per cent of 35–67-year-olds listed the lack of financial abilities as the reason for not saving for retirement. Compared to 2011, these rates have risen with more than 10 percentage points.

### Many who predict low retirement income are unable to save for retirement

Nearly half of the respondents aged 35–67 years estimate that their retirement income will be low or fairly low. Yet many of those who predict that their retirement income will be inadequate are not saving for retirement. Often those who can afford to save do so, although they estimate that they will do reasonably well in retirement even without savings. Correspondingly, many of those who predict their retirement income to be poor are unable to save for retirement. According to our study, an ample fifth of the 35–67-year-olds seem to have a clear need (they estimate their retirement income to be low or too low) to save for retirement but are unable to do so. Financial factors relating to a low income, unemployment and disability often prevent saving.

### Trust in pension system affected by problems with livelihood

Those who have not saved for retirement for financial reasons are the most critical towards retirement income and the pension system. Uncertainty regarding the income guaranteed by the pension and the pension system therefore seem to be linked, in particular, to income and health problems. These problems seem to accumulate largely to this group. Those with income and health problems also tend to trust public services less often than others do. This may reflect their general lack of trust in political decision makers and the social security system.

### Pension saving unrelated to doubt toward the pension system

Saving for retirement does not seem to be linked to doubt toward the pension system: savers do not exhibit more distrust in decision making within or the actors of the pension system or the income guaranteed by the pension system than others do. Those who have saved for retirement, however, as well as those who have not saved for financial reasons were more critical towards the pension promise, that is, toward whether the promised pensions can be paid in the future, than were those who have not saved for other reasons.

### Pension savers divided by reason and need for saving

Pension savers seem to be divided roughly into two groups by reason and need for saving. Approximately 40 per cent of the savers estimate that they will do fairly poorly on their

pension alone. They clearly tend to save mainly for everyday living such as housing, food and transportation. Others tend to save also for other than basic needs, that is, for leisure time consumption, travelling and hobbies. In both groups, saving for care and health services and unexpected expenses is common.

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