

How familiar are Finns with pension issues and the 2017 pension reform in Finland?



Pension knowledge – why do we need it?

- Financial preparation for time after working career
 - Decisions on, for example, savings, investing, risk sharing
 - Challenges with acquiring, processing and using information
 - Individual differences
- Financial literacy has received a lot of attention
 - Knowledge on financial issues in relation to pension savings/wealth
 - Pension literacy is less studied
 - mainly concentrating on the perceived level of knowledge



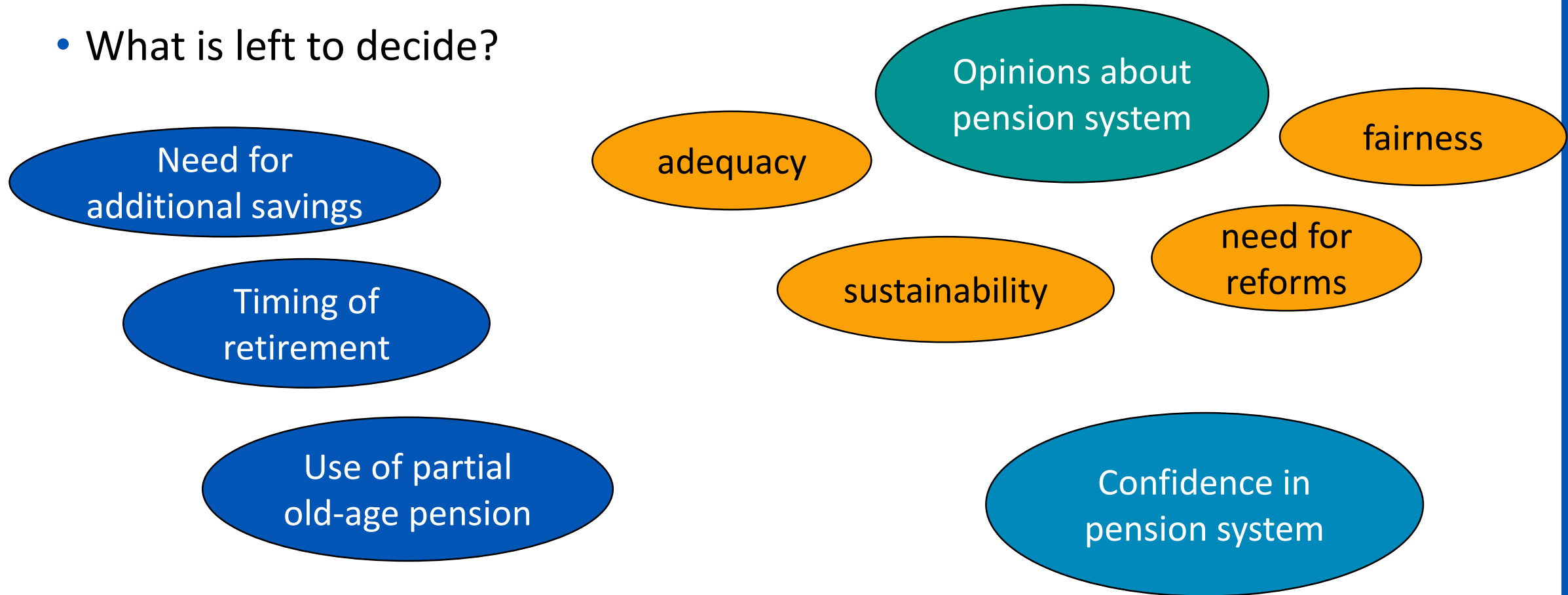
Pension knowledge in a country with a comprehensive pension system

- Finnish pension security
 - builds on a statutory and comprehensive earnings-related pension system
 - Is topped up with a national pension for those with no or low earnings-related pension accrual
- Employers take care of
 - earnings-related pension insurance
 - pension contributions
- The self-employed take out pension and pay contributions themselves



Pension knowledge – why do we need it in a country with a comprehensive pension system?

- What is left to decide?



A survey of pension knowledge in Finland

- A survey conducted in September-December 2019
 - random sample of 5 000 Finns, aged 25-67
 - 1 757 responses (response rate 35 %)
- Questions on
 - knowledge of pensions and 2017 pension reform
 - confidence and worries about pensions
 - financial preparation for retirement age
- Pension knowledge measured by
 - subjective perception of familiarity with pension issues
 - objective measure of knowing correctly some details of the pension system



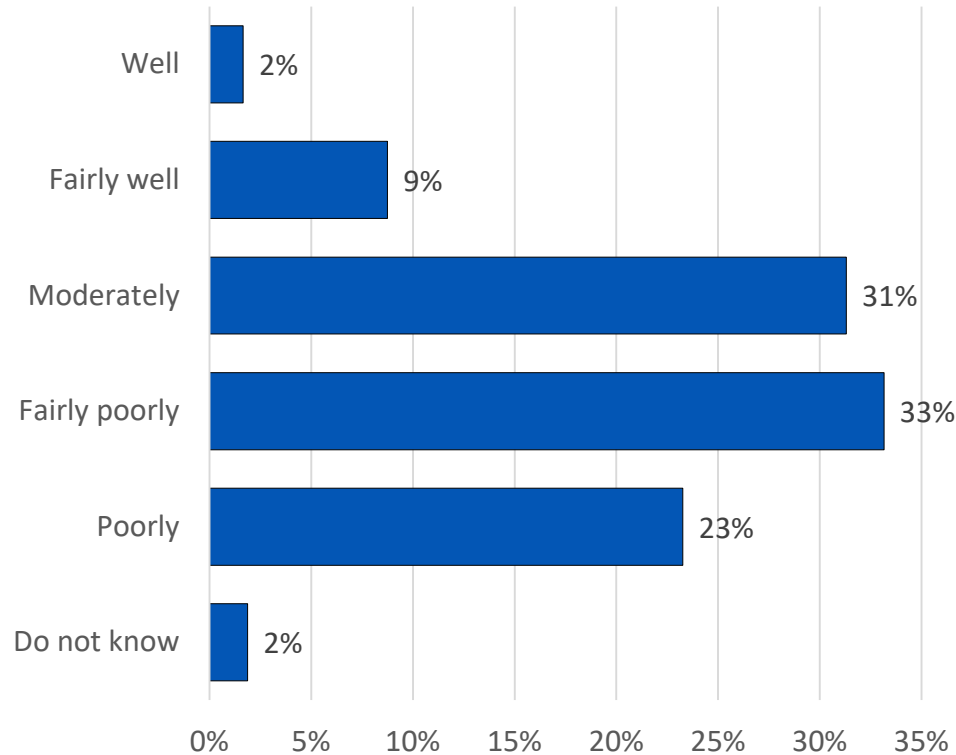
Results from the survey: Subjective and objective pension knowledge



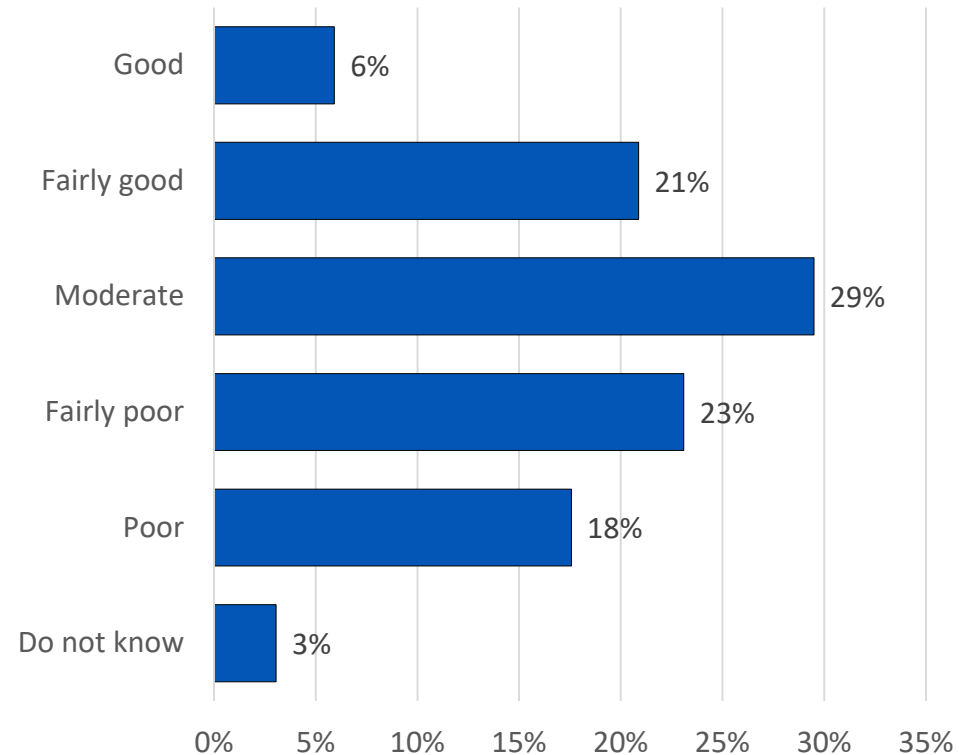
Subjective perception of pension knowledge and future pension level

1/2

How well would you say you know pension security?



How good conception you have of the pension you will receive when you retire?



Subjective perception of pension knowledge and future pension level

2/2

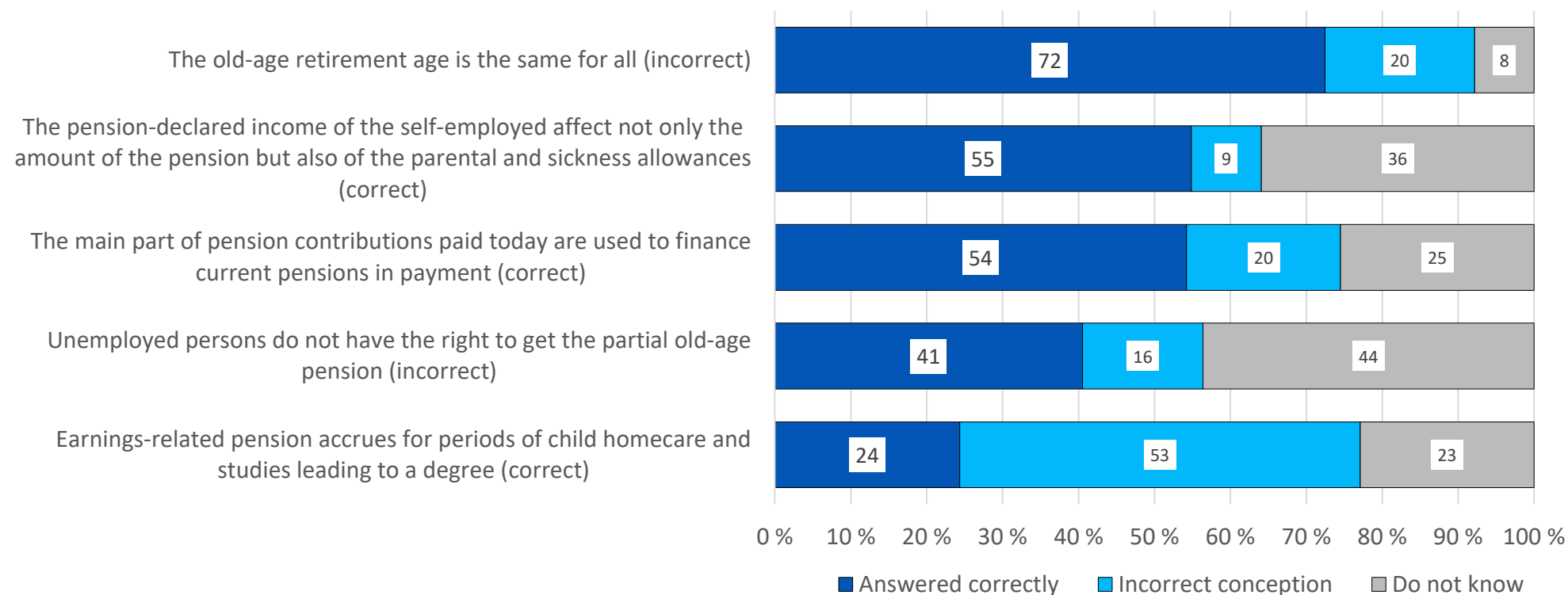
- Higher level of subjective knowledge:
 - Men
 - 55 years and older
 - Self-employed and retirees
- Lower level of subjective knowledge:
 - Primary educational level
 - Lowest household income group



Objective measure of knowing the details of pension system

1/2

A part of the following statements about the pension system are correct, a part are incorrect.
Do you think these statements are true or false?



Objective measure of knowing the details of the pension system

2/2

- On average, more statements were known correctly by
 - younger age groups (25-34 yrs and 35-44 yrs)
 - those with a tertiary education
 - the self-employed
- On average, less statements were known correctly by
 - singles
 - retirees

Respondents
knew, on average,
2.4 statements



Subjective vs. objective perception of pension knowledge

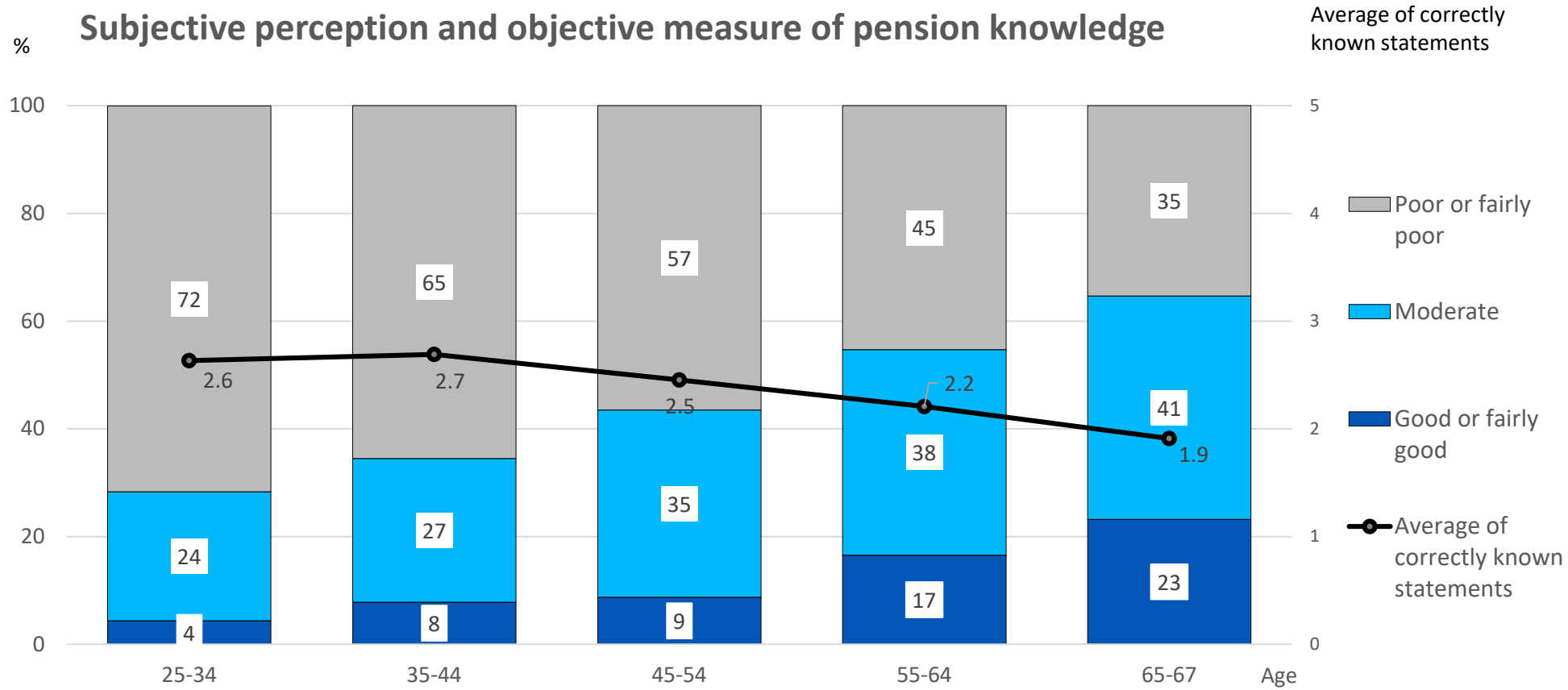
1/2

- Positive, but imperfect correlation
- Both underestimation and overestimation of pension knowledge
- Especially young respondents seem to underestimate their pension knowledge



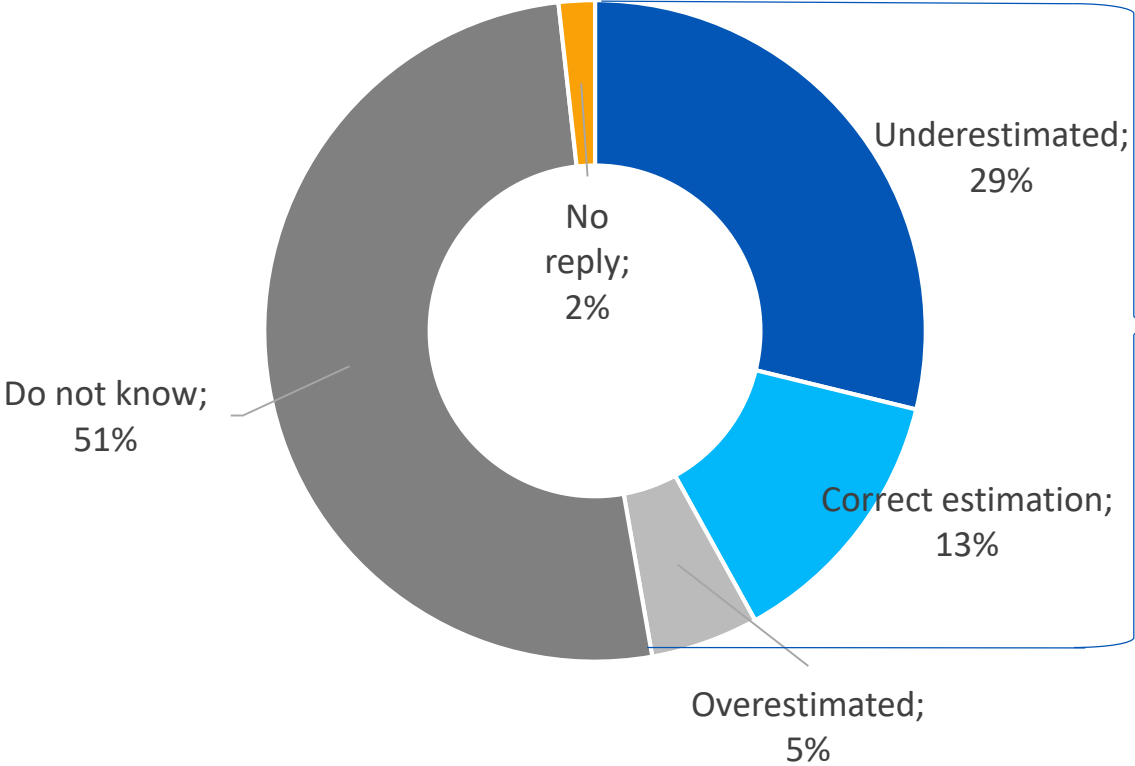
Subjective vs. objective perception of pension knowledge

2/2



Knowledge on pension contribution levels

How large is the average pension contribution paid based on the earnings of the employed and the pension-declared income of the self-employed (employer's and employee's parts combined)?



Provided an estimate
47%

Knew within 5 percentage points:
Self-employed
Tertiary education
Highest income group

Under/overestimated
Men
Secondary or tertiary education
2nd highest income group

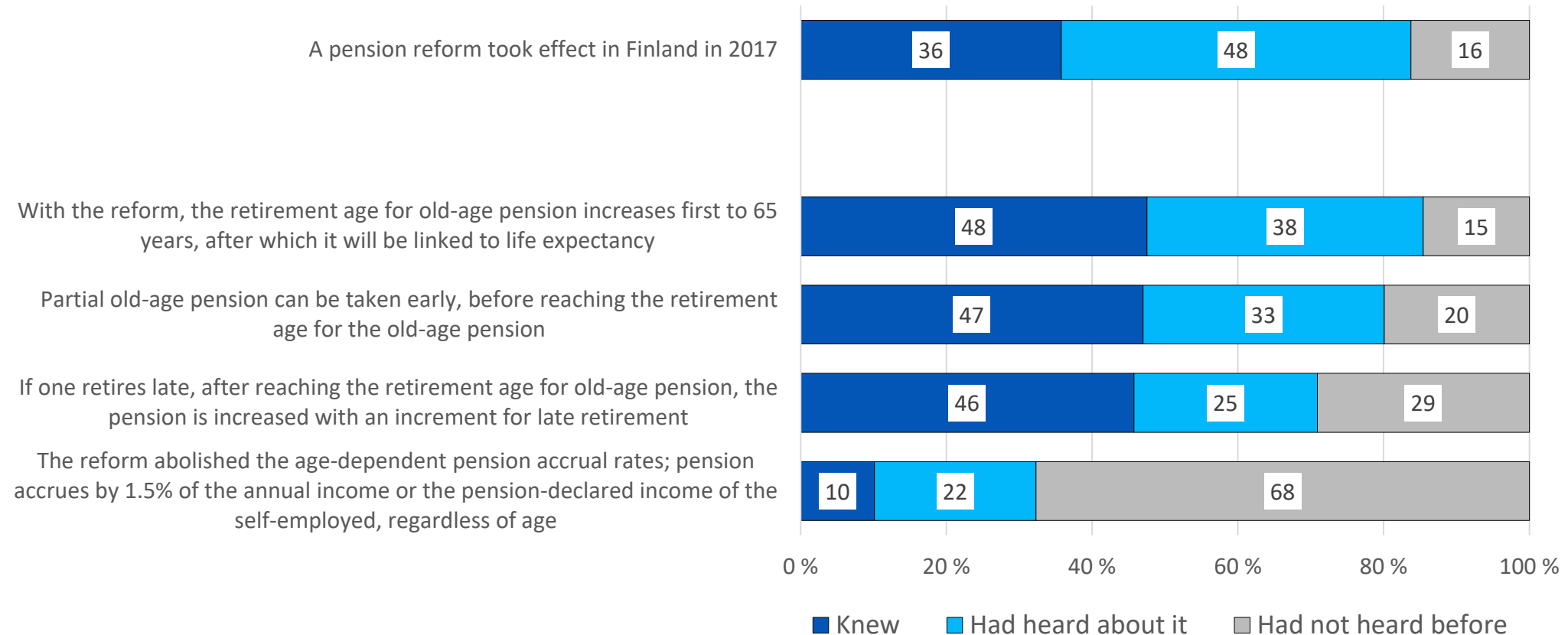
Do not know/no reply
Women
Primary education
Retirees
Lowest income group



Knowledge on the 2017 pension reform

1/2

Did you know that...?



Knowledge of the 2017 pension reform

2/2

- On average, more statements were known correctly by
 - women
 - older respondents (55-64 and 65-67)
- On average, less statements were known correctly by
 - younger respondents (under 35)
 - primary education
 - lowest household income group

On average,
respondents knew
1.8 statements



Conclusions

Majority evaluates their pension knowledge to be poor, while the knowledge of the details of pensions varies. Especially the younger seem to underestimate their pension knowledge.

The level of pension contributions is poorly known. Only 13% were able to estimate the pension contribution level within a +/- 5 percentage point interval.

Much is still unknown about the 2017 pension reform. In particular, the harmonization of the accrual rates was new information to a great part of the respondents.



Publication (with a summary in English):

<http://urn.fi/URN:ISBN:978-951-691-321-9>

For more information: sanna.tenhunen@etk.fi

