



SAVING, BORROWING AND PAYMENTS

Survey report 2021

Saving, borrowing and payments is a survey commissioned by FFI and conducted every two years by IROResearch. The data was collected in February and March 2021 through phone interviews of approximately 2,500 persons. The target group were people aged 17–79 living in mainland Finland.

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English summary

Even today, more than half of Finns plan their finances for only six months or less in advance. Proportionally, the group of people with long-term plans has grown compared to people with only short-term plans, but so has the group with no plans at all. The proportion of respondents who monitor their finances regularly has remained about the same.

Income exceeded expenses for 61% of the respondents, meaning that most of them potentially have money to put aside in savings. This figure has slightly grown from the previous survey. However, the proportion of respondents whose expenses exceed their income has remained level compared to 2019. Most of them manage the situation with their savings, but some have had to take out loans just to cover their expenses.

Saving and investing are now at the height of their popularity in the history of this survey. As many as 64% of respondents reported holding some kind of savings or investments. Diversifying into different investments is on the increase as well. Moreover, 58% of respondents are planning to save or invest in the following 12 months, which is a substantial increase from before.

In choosing where to save or invest, Finns like to save for a rainy day, to increase their wealth, or just in general for a sense of security. Savings and investment accounts are the most popular method of saving or investing, but funds have also gained popularity and cemented their position as the second most popular option. Listed shares, land and forest property, and holiday homes are also used more often than before.

Finns' average assets total €30,600 when counting all deposits and securities. Deposits are the most popular asset type in terms of total amounts. Of those who held savings or investments, 70% held deposits, averaging €18,800. The second-highest total amount is held in investment funds, with the average amount of €20,600. These are followed by listed shares with an average amount of €28,700 – a high average amount but a smaller number of investors. According to this survey, Finns held a smaller average amount of savings and investments overall compared to 2019. Listed shares have increased, and investment funds remained the same, but deposits have shrunk.

The median value of deposits, investment funds and listed shares was €7,500. The average value being considerably higher than the median value suggests an uneven distribution of wealth.

Safety, convenience and low risk are still the most important criteria for choosing a way to save or invest. Low risk is continuously becoming less important while safety and convenience are becoming more important. Returns are also moving up in priority.

Every other Finn now has some kind of loan or credit. This proportion has been on the decrease since 2015, but has now halted at the same level as in 2019. The proportion of Finns with housing loans has also remained the same from 2019, at 29%, although more housing loans are now taken out by people in high level professions and those living in the Helsinki Capital Region. Most housing loans are taken out for purchasing an owner-occupied home, but some are also taken out for property investments such as an

investment apartment or a secondary residence. These types of loans have stayed at the same level as in 2019. Loans for renovations, big and small, have increased.

Two thirds of Finns who have taken out loans also hold savings and investments, which can act as a financial buffer. This proportion has grown by 9 percentage points. Finns with housing loans tend to invest in funds, listed shares, saving or investment accounts, voluntary pension insurance policies or residential properties. The bigger the housing loan, the more likely the holder is to have additional savings and investments: as many as 75% of Finns with a loan of €150,000 or more also hold savings or investments, and the figure is 82% for loans of €250,000 or more.

According to this survey, approximately one fourth of Finns hold some kind of consumer credit, which is a small increase from the previous survey in 2019. Most reported holding one credit at a time, but the proportion of respondents who had two or more consumer credits concurrently is larger than before. The most popular type of consumer credit is one taken out from a bank. This type of credit was held by 21% of respondents.

Overall, Finns had more consumer credit than they have had since the early 2000s, both in terms of the number of credits and average amounts. Among the respondents with consumer credit, the proportion of people with consumer credit worth more than €10,000 has increased from 36% to 40%. An investment loan was held by three percent of the respondents.

Even though the proportion of students with student loans has fallen, and the plans of students to take out loans in the future even more drastically so, the overall proportion of student loans has continued to increase slightly. The proportion of all respondents who have taken out a fast cash or payday loan has shrunk to 0.6%.

Every tenth respondent reported that they planned to take out a new loan in the next 12 months, an increase of three percentage points from the previous survey. A number this high was last observed in 2013. Plans for a housing loan rose from three to five percent. This figure has see-sawed between four and six percent since 2004. Of those planning to take out a housing loan, two thirds plan to shop for offers from at least two banks, one third from at least three banks.

Sending an application through the bank's online service has become the most popular way of making first contact regarding a housing loan. A contact request through the online bank or the bank's public website was the second most popular option, but its popularity is falling. Calling the bank by phone continues to become less popular, and only one tenth would prefer visiting the bank office anymore.

Average repayment time of housing loans has increased slightly and is now 20.4 years. The most typical amortisation period of a housing loan is still 25 years, although its proportion has fallen to 34%. Loans of 30 or more years, on the other hand, have increased from two to nine percent. While loan repayment times still grow faster in the Helsinki Capital Region than elsewhere in Finland, this difference has levelled out slightly.

In this survey the average housing loan amount was approximately €115,000 while in 2019 it was €99,000. Of all respondents who had housing loans, 22% had loans of €40,000 or less while 27% had loans of €150,000 or more. Due to higher housing prices, housing loans tend to be larger in the Helsinki Capital Region, averaging as much as €155,000.

Housing loans taken out over the last two years have risen from around €150,000 in 2019 to nearly €169,000. The largest loans have been taken out by those with most income and therefore good repayment ability. Those who have taken out large loans also more often have savings or investments, and 83% of them are prepared for rising interest rates and resulting increase in loan servicing costs.

On average, the housing loan covered 72% of the financing in the home purchase, falling from 77% in the previous survey. This average is decreasing for both first-home buyers and subsequent home purchases.

Average loan servicing costs take 21% of take-home income, same as in the previous survey.

Of all respondents who had taken out a housing loan, 69% had followed the original repayment plan. This is a decrease from 75% in the previous survey. One reason for this may be households' financial challenges resulting from the coronavirus pandemic. The proportion of respondents who paid back their loans slower than the original plan was 15% – highest since 2006, when the question was introduced in the survey. In addition, 25% of the respondents with a housing loan had arranged a repayment holiday, up six percentage points from the previous survey.

On average 15% of respondents who lived in owner-occupied homes had a share of housing company loan. In the Capital Region, housing company loan was more common than average. Respondents living in the Capital Region had nearly €30,000 share remaining in housing company loan, respondents living in other cities had about €22,000, and respondents living in rural municipalities had slightly over €14,000. In the Helsinki Capital Region, the amount of the housing company loan had increased slightly compared to 2019.

Of all respondents, 2.4% had purchased a newly built residential unit for their personal use, and 2% had purchased such a unit as an investment. These figures are slightly bigger than two years ago, but only approximate due to the small number of respondents in the survey. Most of the survey respondents who had purchased a newly built flat or house for their personal use paid off their share of the housing company loan with their savings or own bank loan.

Respondents who had purchased the residential unit for investment purposes more typically kept the debt as housing company loan. The residential plot was included in the price of the transaction for 62% of the respondents who had purchased the home for their personal use and for 46% of the respondents who had purchased the home as an investment. If the residential plot was not included in the price of the transaction, one in six respondents who had bought the newly built home for their personal use also redeemed the plot and one in five respondents paid leasehold charge or rent for it. In the case of property

investors, one third paid leasehold charge or rent for the plot and one in ten redeemed the plot.

A total of 3.2% of all respondents had bought a residential unit as an investment within the last 24 months, with 52% of them taking out a loan to finance the purchase. This proportion is slightly increased compared to 2019, but the small number of respondents makes the results only approximate. The proportion of loan financing was at least 60% in the case of half of the loans taken out to buy a residential investment property. The average size of debt belonging to a residential investment is nearly €78,000. A third of the loans are less than €60,000.

Finns reported experiencing more risks concerning their personal financial situation than before. The level of risk factors in personal finances was last as high in 2009, when the question was included into the survey. The proportion of respondents who saw their personal finances threatened by risks has climbed five percentage points compared to the previous survey and is now 56%. The results are strongly influenced by the coronavirus pandemic, although only a few respondents singled it out as a risk factor in the survey.

The experience of several separate but concurrent risks was also pronounced in the survey responses. In the breakdown of individual risks, loss of personal or household income was again the biggest risk factor, even stronger than before. The proportion of respondents who saw temporary layoff as a threat to their financial situation had increased the most compared to the last two surveys. The threat of unemployment has also increased. Respondents most frequently prepared for risk factors in their personal finances through saving.

Risks affecting housing loans have decreased slightly compared to 2019. While respondents were not as concerned with rising interest rates, they are still the risk factor most frequently mentioned in relation to housing loans. Nearly twice as many respondents mentioned unemployment, temporary layoffs and work-related matters in general as risk factors affecting their housing loan. This, too, appears to reflect the coronavirus pandemic. Saving is the most common way to prepare for risks. Preparing with payment protection insurance and other insurances was slightly more common than in the previous survey.

The proportion of respondents who paid out their housing loans in fixed instalments had decreased to 53%. This means the monthly repayment amount is not affected by changes in the interest rate. The proportion of respondents with variable instalments had increased to 37%. These changes follow the same trend as in the previous survey.

Although respondents were less worried about rising interest rates, preparedness for risk hikes is still considered important and is more common among the respondents than before. The most typical way to prepare for rising interest rates is saving, although the proportion of this method has slightly decreased. The proportion of respondents who had taken out an interest rate cap on their loan was 35%. This is the highest it has been in the history of this survey. Respondents who were planning on taking out a loan were also more interested in the option of an interest rate cap than in the previous surveys. About 25% of respondents with some kind of loan had taken out payment protection insurance. The proportion of respondents with death and permanent injury cover in the payment protection

insurance had continued to decrease, but the proportions of the other additional covers had also slightly fallen.

As many as 90% of Finns currently choose mobile/online banking or e-invoicing as their primary or secondary method of paying invoices. The latest survey round made a distinction between mobile/online banking and e-invoicing, separating them as their own answer options, and this showed that mobile/online banking was favoured as the main method of payment by 74% and e-invoicing by 14% of the respondents. Online banking and e-invoicing have become established as the chief method of invoice payment also for respondents aged over 65 years. Direct payment is used as the primary or secondary invoice payment method by 14% of Finns. The use of other invoice payment methods is very low. This survey round introduced two new payment methods: digital mailboxes and payment transfers through R-kioski convenience stores, either of which less than ten individual respondents reported using.

The skyrocketing provision and use of mobile services is continuously changing the ways consumers use online banking. Already 45% of Finns most typically access their online bank through a mobile device, and this proportion has risen by 12 percentage points since the previous survey in 2019. Online banking on a smartphone has continued to increase, while the use of tablet computers is decreasing. The proportion of respondents who most typically accessed their online bank on a smartphone has grown 13 percentage points and is now nearly five times bigger compared to respondents who used a tablet computer for this purpose. Nearly two out of three Finns currently use online banking on a mobile device either primarily or as their second most favoured option.

The respondents who stated they paid their invoices through mobile or online banking but did not mention e-invoicing were asked whether they received e-invoices directly in their online bank. The proportion of respondents in this group who did receive e-invoices in their online bank was 68%.

A new question in this survey round was whether the respondent used an application that enabled them to see their separate accounts in different banks. Of all respondents, 52% had such an app in use. Most commonly this application was provided by OP, Nordea or S-Bank.

Nearly all Finns above the age of 18 years have a bank-issued payment card, and even in the age group 15–18 years their percentage is 84%. At the moment, 88% of Finns typically pay their purchases with some kind of payment card. The proportion of debit card users has increased noticeably, and credit card use has also increased slightly. The proportion of respondents who pay with cash has continued to decrease noticeably. This survey round distinguished between new mobile payment apps (MobilePay, Siirto, Apple Pay and Google Pay) under the earlier option of “mobile application”. While the popularity of mobile payment has slightly increased from 2019, it is still only one percent of Finns who most typically pay their daily consumer goods with a mobile payment method. Apple Pay was slightly more commonly used than the other apps.

At the moment, 37% of Finns would like to get an electronic receipt of their purchase. This proportion has increased by ten percentage points.

Already 96% of Finns with a bank-issued payment card have contactless payment functionality on the card. This proportion has grown by ten percentage points compared to two years ago. The use of the contactless functionality has also continued to increase, as now 97% of the respondents with a contactless card had made contactless payments. The use of contactless payment had increased the most in the age group of 55 or older, especially in the age group of 75–79 years. Among the respondents with contactless payment cards, 45% used the functionality daily and 43% on a weekly basis. This year's survey also asked about the use of contactless payment on various smart devices and wearables, such as smart phone, smart watch or a smart ring. Smart phones are the most common device, used by 15% of all users of contactless payments. The use of other smart devices is still very low. Asked for the reasons for this, the respondents stated they did not see a need for it, the other payment methods were more familiar and convenient, they had not looked into the use of the devices, or they had not installed the application.

This survey round, all respondents were asked what sized limit on the contactless payment would work best for them, if the limit could be changed. The existing 50-euro limit on contactless payment was seen as the best by the respondents. Two thirds of the respondents saw the current limit as the best option, but roughly 20% thought a higher limit (€150 at most) would be more appropriate. There is still a small number of respondents who do not make use of the contactless payment functionality although their payment card is equipped with it. Majority of these respondents said they simply had not gotten around to using it, but many also expressed concerns over the safety and reliability of the payment method.

Online shopping has continued to grow in popularity and has undoubtedly been influenced by the coronavirus pandemic. The proportion of Finns who had shopped online has grown five percentage points from 2019 and is now 81%. Online purchases are still most often paid as credit transfers through online banking, although this has become clearly less popular over time. Using a credit card to pay for online shopping has become slightly more common, but paying with a debit card had doubled its popularity as the primary payment method for online shopping. This question also distinguished between new mobile payment apps (MobilePay, Siirto, Apple Pay and Google Pay) under the earlier option of "mobile application". The use of mobile apps to pay for online shopping has more than doubled in popularity compared to two years ago. MobilePay comprised 14% of all online shopping payments. Mobile applications in total are used by 15% of all online shoppers, which means the use of the other apps besides MobilePay is very low.

At the moment, 86% of Finns make at least the occasional cash withdrawal at an ATM. The number of respondents who made a cash withdrawal at store checkout has fallen slightly, and their proportion is now 13%. Cash withdrawals made at bank offices have continued to decline. R-kioski and the use of cash-by-post service are still used by very few respondents. The proportion of respondents who almost never withdraw cash had doubled and is now 11%.

This survey round inquired about Finns' opinions and views regarding the future of cash in Finland. Majority, 60% of Finns, estimated that the use of cash would end altogether at some point in the future. However, 29% of the respondents held the view that cash would

never fully disappear in Finland. The estimated timeline for the end of cash was less than five years according to 6% of the respondents, ten years at most by 20%, 20 years at most by 15%, and more than 20 years also by 15% of the respondents.

Most Finns would prefer to get personal service at a bank office also in the future. Slightly more than half of all Finns would use personal bank and insurance services only on weekdays, 30% would use them also on Saturdays, and 21% would use them also on Sundays. This means that interest in the use of personal bank services on weekdays and Saturdays is slightly higher than in the previous survey but slightly lower on Sundays. According to this survey, 10% of Finns would prefer to use only digital banking services.

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