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DUTCH HOUSEHOLDS' STRATEGIES FOR OLD AGE AND THE ROLE OF HOUSING WEALTH

Abstract. *Debates surrounding pension and care provision for the elderly echo with the term 'ageing'. Dutch households have reason to save and invest more in order to guarantee their future financial wellbeing. An increasing number of people are investing in owner-occupation, and the question is whether this is a deliberate financial strategy. This paper presents the outcomes of interviews held with a number of households as part of the EU 'Demographic Change and Housing Wealth' project. Selling the property or taking out a reverse mortgage in retirement was not necessarily a general plan, although the non-retired were able to imagine doing so. However, housing wealth might prove inadequate as people do not generally intend to repay their mortgage in full.*

Key words: *housing wealth, retirement, financial planning, the Netherlands.*

Compared with other European countries, 'ageing' currently has a relatively moderate impact in the Netherlands, even though debates surrounding pension and care provision for the elderly do reverberate with the term. Pension policies have changed to some extent: compared with current retirees, working generations face the prospect of less generous pension incomes, and they may also have to work for longer. Care provision for the elderly is under growing pressure: in order to support an affordable care system, the government has tightened the eligibility criteria for subsidies, introduced privatisation to the sector, and actively encourages elderly care volunteer programmes.

Responsibility for wellbeing in old age has, to some extent, been shifted to households. Maintaining a certain standard of living in retirement now means putting money aside. An important source of wealth can be found in the bricks and mortar of owner-occupied property. A growing proportion of Dutch households have become owner-occupiers and are consequently

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relatively wealthy in old age. In the past, the main advantage of owner-occupation in old age was reduced housing expenses as a result of outright ownership. Should financial need arise, owner-occupiers could sell and cash in housing equity. With the current introduction of mortgage equity withdrawal products, housing wealth is now an easily accessible source of wealth. Therefore, the suggestion is that housing wealth could become increasingly important for households' financial strategies for old age.

However, research has indicated that many people are uninterested in or unwilling to consume their housing assets. This is firstly because they regard them as a nest egg that should only be cashed in in an emergency. Another reason is that people would like to bequeath their housing wealth to their children. There would accordingly be differences between people with children and those without. Finally, the low housing expenses associated with outright ownership would provide sufficient income security for old age, and it would not be necessary to cash in assets (Turner & Yang, 2006) (Elsinga et al., 2007; Haffner, 2008).

The aim of this paper is to unravel the roots of people's behaviour in the Netherlands: how do they perceive future pension incomes and care in old age and do they have any financial plans for their future? A specific focus is on the role of housing wealth. To achieve this, we used a qualitative research approach. This study is part of the collaborative European 'Demographic Change and Housing Wealth' project. Interviews were conducted in eight countries with 30 owner-occupiers from three age groups, and with and without children. The expectation is that the pressure exerted by demographic developments on collective welfare provision for the elderly would mean that households attach great value to savings and housing wealth for their retirement plans. It is most likely that younger households attach more value to this than older households; and that those without children would be more inclined to use their savings and housing wealth than households with children. This paper presents the outcomes for the Netherlands.

Pensions, elderly care and owner-occupation in the Netherlands

Pensions in the Netherlands are generally based on two mandatory pension pillars: the state pension and occupational pension schemes. People living uninterruptedly in the Netherlands between the ages of 15 and 65 are eligible for the flat-rate state pension at age 65. Additionally, 91 percent of employees save, together with employers, in occupational pension funds (AFM, 2010). The aim is for these two pillars to save for a pension income amounting to 70 percent of the gross lifetime average income. The pension is usually 'defined benefit', which means that occupational pension funds run the investment risks, and the outcome is fixed (van de Grift, 2009). Although not everyone manages to build up a full pension (CBS, 2008) as a result of the mandatory pension saving, poverty levels among the elderly in the Netherlands are actually relatively low (OECD, 2007). It is only the self-employed in the Netherlands who really need to plan a financial strategy themselves and actively save and invest to secure their financial wellbeing in old age. There are indications that substantial numbers of the self-employed do not do this (AFM, 2010).

Demographic changes have led to changes in the pension system. Early retirement is still widespread in the Netherlands, though it is on the decline as the Dutch government has introduced a number of fiscal disincentives. Moreover, at the time of writing, Dutch politicians are discussing how and when to raise the formal retirement age from 65 to 67. Furthermore, pension income used to be based on final salary, but is now usually based on average lifetime income. This implies that pension incomes for many future retirees will be lower. The current economic crisis has also put the Dutch occupational pension funds under pressure. Premiums have increased and indexation stopped. It is far from clear how the economic developments and measures have affected the pension incomes for future retirees (OECD, 2009).

Apart from pensions, households' strategies are also likely to be influenced by developments in care provision for the elderly. Government policies in the Netherlands aim for the elderly to live independently for as long as possible. Elderly people in need of help will initially receive home care. There are subsidies for older people who need a housekeeper, for care services at home, for essential modifications to a dwelling, for transport costs, and, for instance, for the purchase of a wheelchair (Haffner & Elsinga, 2009). Should people require more care then they can move to special-purpose accommodation where a wide range of care services is available. Nursing homes provide the most intensive level of care (Kullberg & Ras, 2004). A household's own contribution to the costs depends on income, and not on savings or assets.

Government expenditure on elderly care has increased as a result of the ageing population. In response, the government has, to a certain extent, privatised the healthcare system with a view to improving efficiency and client choice. Eligibility criteria for public subsidies to pay for care have also been tightened. The Dutch government also encourages informal support from family members or close relatives by granting them 250 euros a year. Further, the government encourages municipalities and employers to support informal carers by giving them information, practical and financial support and more flexibility at work. However, there are worries for the future. The increasing need for voluntary care work comes at a time when more women are participating in the labour market, and when families tend to be widely dispersed (Sadiraj et al., 2009).

The reforms to the pension system and to elderly care lead to uncertainties and might have affected households' beliefs and strategies. Building up private assets would be one way for households to render themselves less vulnerable to future policy changes.

An increasing proportion of households have acquired housing assets. In 1947, only 28 percent of the housing stock was owner-occupied, and the figure 60 years later is 57 percent (VROM, 2009). However, a substantial proportion (43 percent) of the Dutch population, generally those on lower incomes, are not owner-occupiers (Mulder, 2004; Schutjens et al., 2002). The most important incentive for owner-occupation is the 100 percent deductibility of mortgage interest for income tax purposes (Haffner & Elsinga, 2009). The higher the income and the higher the mortgage, the higher the tax deduction and hence the greater the subsidy. Accordingly, mortgage credit has become relatively cheap and mortgage repayment has become less pressing. New kinds of mortgages have evolved that delay repaying the mortgage for 30 years, while additionally the interest-only mortgage has become very popular. In 1996 only 9 percent of mortgages were of the interest-only kind, while in 2008, 48 percent of the total mortgage debt was in the form of interest-only mortgages. In other words, many owner-occupiers do not intend to repay their mortgage in full. The Dutch build up less housing equity than in the past, and consequently fewer elderly people are outright owners. It will become clear that this has an impact on the role housing wealth plays in retirement in the Netherlands.

Selected area and methodology

We interviewed 30 owner-occupiers in Delft, a medium-sized city in the west of the Netherlands. We invited some 1000 owner-occupiers from different age groups to participate in the study. We outlined the research objectives, and explained that participants would be eligible to win a 100 euro voucher. If they wished to participate they could fill in a short questionnaire and return it in a stamped-addressed envelope. About 10 percent responded positively. While it was easy to select households that met the target criteria, it was much harder to find households without children in the two older age categories (see Table 1).

The interviews were conducted between June and September 2009. Most took place at people's homes and lasted about two hours. The length of the interview usually depended on whether a couple or a single person was interviewed. We aimed to involve both partners if possible because discussions between partners often serve to bring crucial factors to the fore. The interviews were transcribed, and first coded in line with the general coding framework developed with the research partners. The next step was to refine the coding by analysing the specific content of the narratives for the Netherlands.

Table 1: ACTUAL INTERVIEWEES AND TARGET QUOTAS IN BRACKETS

	With children	Without children
25 to 35 years old	6 (6)	4 (4)
45 to 55 years old	6 (6)	3 (4)
65 and over	8 (6)	3 (4)

We report our findings in the following sections. As stated above, we examined households' strategies in response to the changes in pensions and elderly care provision. We specifically focus on the role of housing wealth and look at differences between age groups and between people with and without children.

Retirement strategy

To explore households' financial strategies, we presented a vignette-based situation of a fictitious recently retired couple in their late 50s. The couple found it difficult to make ends meet every month and were thinking of ways to increase their retirement income. Both were in good health, had children who had started families of their own, and they had an owner-occupied dwelling in a rural area.

The Dutch interviewees generally suggested that the couple generate income. For instance, they could find a part-time job; turn a hobby into a source of (possibly undeclared) income; capitalise on living in a rural area by running a bed and breakfast or campsite, grow and sell vegetables; do freelance work; or, which was mentioned most often by the youngest interviewees, babysit the grandchildren. Most interviewees are fairly optimistic about the variety of opportunities available for the older couple, although some observe the difficulty older people tend to have in finding a proper job. They would appear to be right, since older people who lose their jobs generally remain without work for longer than younger people (Euwals et al., 2009).

Other advice included checking expenditure and receipts with a view to exploring possible ways to economise. Suggestions included buying more in the sales, buying fewer clothes, and making fewer trips. Some mention the state pension the couple will receive once they reach 65, which might alleviate their tight financial situation. The oldest interviewees in particular often think it remarkable that a couple in good health in early retirement cannot manage financially.

> *So they find it more difficult to manage every month than they had anticipated. They thought they would have more. Well, they should have thought about that beforehand. They thought wrong. That's not very clever. You should be able to sense that things will either stay the same or become slightly less manageable, so then you shouldn't complain, and then if it is difficult for them, because they actually want more, then they have no choice but to work a bit longer and earn some extra.* (man, 72, living with partner, children)

Another often-heard response is for the couple to release housing equity. Selling is the most obvious way. The couple could either move to the rental sector or to cheaper owner-occupied property. Some observe that it depends on how much extra money the couple need. If they need substantially more, then they could rent. Moving to the rental sector in old age is still fairly popular in the Netherlands, but it is on the decline (Kullberg & Ras, 2004).

Although never given as a first option, taking out a new mortgage was mentioned by one in five interviewees. If the couple cannot work or economise, and are too attached to their home to move, then mortgage equity withdrawal is seen as an opportunity to cash in some money.

Income in retirement

The majority of interviewees were not afraid of having too little income in old age. They participated in an occupational pension scheme, and many had made their own arrangements. Having managed well financially so far, they found it difficult to imagine that their situation could deteriorate in retirement. To some extent, the fact that pension incomes are related to income from work justifies this view. Therefore, the only real risk was unemployment, and ceasing to save automatically for retirement, which they regarded as unlikely events.

The youngest group relied to a lesser extent on state and occupational pensions. Some did not count on a state pension, or they thought it would not amount to much at all by the time they retire. Some had less than complete confidence in occupational pension funds. The crisis has affected the solvency position of the funds, and the young households wondered if it would not be better for them to take responsibility for their own pension savings. However, despite their doubts, the youngest group appeared more confident about the sufficiency of their future pension income than the 45–55 group. The youngest are positive about their future, about their jobs and incomes, and their opportunity to build up their asset portfolio.

Do you think your income in old age will be adequate?
Yes, I think so. I assume that if I can keep on working and still have a good career, then there will be sufficient money in the funds for my needs. And as an academic I also hope to earn well in future. (couple, 27 and 26)

Most plan to start saving at some time in the future, as retirement still seems far away. Interestingly, some who were unable to save mentioned that the prospect of an inheritance gave them a sense of financial security for old age. A few young people on relatively high incomes had already started putting money aside for their old age. Housing also played an important role in their financial plans. They hoped not to restrict their housing investment to the owner-occupied dwelling, but were interested in buying property to let.

Interviewees in the 45–55 group were worried about retirement age, and particularly those who found their jobs difficult. Interviewees in this age group seemed to experience a lack of control. The government or employer would most likely decide when they would retire. They did not start alternative savings plans to counteract changes in policy. The people who are less certain about their future retirement income tend to be in the 45–55 age group, have a fairly tight financial situation, or to be self-employed. The uncertainty for the interviewees with tight finances was their vulnerability to any small financial cutback. The self-employed acknowledged the risks surrounding their pensions. Some managed to discipline themselves to save, but others did not. As long as they were still working they were able to view the risks without alarm. As they approached retirement, however, a lack of pension savings made them more apprehensive. Retired former self-employed people saw the crisis and its effects on stock markets as a cause for concern for their pension capital.

Almost everyone in the oldest group had retired early and the pension income was viewed as sufficient. Around half said it was a bit more than their previous income and the other half said it was a bit less. The crisis has had a negative impact on pension incomes, as indexation came to an end. Nevertheless, this group said they had faith in the government and in occupational pension funds, and they expected neither a severe nor a lasting effect on their pension incomes. They had paid for so many years, and accordingly they expected to be treated reasonably.

One retired household found it difficult to manage financially every month. One reason was a reduced state pension because the couple had lived abroad temporarily. Additionally, the man had withdrawn from the occupational pension scheme sometime during his career because he preferred to have this money in the bank. This is not something that often happens in the

Netherlands. About 9 percent of employees are outside an occupational pension scheme, and in most cases this is only temporary (AFM, 2010).

Care

Interviewees were presented with a vignette-based scenario and asked what they thought should happen with an older lady living alone in her owner-occupied property with garden. She was no longer able to manage on her own because of her deteriorating health. She has two children who help her regularly. The question is who should take care of her.

In the first place, interviewees considered calling on professional help, with the type of help depending on her state of health. The first option was for homecare services. If that was not enough, then she could move to accommodation with access to a wide range of care services. A final option would be for her to move to an old people's home or a nursing home. Most interviewees emphasised that older people should live independently in their own homes for as long as possible. The role of children is to help arrange care services and to ensure that parents end up living where their care needs are provided for. Children should also visit a parent regularly. Adult children have their own busy lives, with careers and families, and are hardly in a position to look after their parents.

> *I would recommend her to find out whether she can get care services at home. She's probably very happy in her home. (...) Most likely she can get some financial support from the local council. (...)Perhaps she can try to find somewhere to live that is suitable for someone of her age, but she should stay away from a nursing home as long as possible.* (man, single, 52, no children)

Care expectations

When asked about their expectations if they themselves, rather than the fictitious old lady, became frail, the interviewees found the prospect rather daunting. They explained that they would try to deal with the situation together with their partner. Surprisingly, over half the interviewees stated that their first port of call would be their children.

> *I can't imagine one of my children ever asking me to go and live with them. But I do actually think that it is something that's coming back, asking your parents to come and live with you (...) Yes, well if you can actually stand the idea of your parents living in your home, because, yes you have to be able to put up with it, yes, in that case it's of course the ideal solution.* (single man, 48, children)

Approximately three out of four interviewees expressed doubts about the quality and availability of professional care in old age by the time they might need it. The youngest group were more optimistic than the 45–55 group. The first plausible reason is that the latter are closer to old age and therefore consider the prospect of illness as a distinct possibility, and the idea of depending on caregivers is more daunting. Secondly, interviewees mentioned the burden that an ageing population would impose on the care system. The 45–55 group predicted that by the time they themselves needed care, too many other people would also be requiring help. Some remarked that they would only really want to rely on the care that would be provided, as there was no alternative. Others considered moving to a suitable apartment before they had health problems. Should they then need help, the necessary services would be readily available. Others thought of living together with a group of friends or other elderly people in a private home. They could help each other out and could also buy health services together.

The recent introduction of privatisation in the healthcare system worried interviewees, particularly regarding the effects on care for the elderly. The push for efficiency would have a negative effect on the quality of care, as caregivers would be working under serious time pressure. Consequently, some interviewees saw a trend towards more volunteer care, involving either family members or people in the neighbourhood. The oldest interviewees did not mention this as an option. They rely more on care facilities and expressed a strong aversion to relying on their children.

Cost of elderly care

Most households have only a vague idea about who would pay for various sorts of care in old age. All but one interviewee thought they would have to pay at least for some of the care themselves from their retirement income or in some cases from their savings and assets. Some assumed that owner-occupiers would be forced to 'eat up' housing equity once they had to move to an old people's home. In fact, assets and savings are no longer taken into account in calculating the personal contribution to the costs. This was common practice in the past, and has been a topic of recent debate (VWS, 2009).

The majority also expected the government to pay for care in old age. One view is that if costs were exorbitant, then the government would pay. Some believed that everybody should be eligible for elderly care. Others thought that the government would provide minimum cover. The role of the government seemed less important in the responses of the 45–55 group.

More than half the interviewees stated that their healthcare insurance would cover some of the expenses for homecare services. However, this is a fallacy. Some imagined that their insurance would pay for basic care, whereas others thought it would cover only unexpected major healthcare expenses, such as hospital and medication, but not homecare services or the old people's home. The latter view is correct.

Six interviewees, mostly from the oldest group, thought they would have to take out additional insurance to cover care costs in old age, including for homecare services. Family did not play a role. Children would call regularly, visit and arrange things, but not pay for care.

Many people have little awareness of how care is actually financed. Interviewees are more concerned about the availability and quality of elderly care provision. The 45–55 group in particular envisage capacity problems in elderly care by the time they themselves might need it. Children may play a more important role in care giving, and those who can afford it imagine they would turn to private care facilities. Housing capital is not given as a potential source of wealth to be used for professional care.

Role of housing equity

As mentioned above, many Dutch people finance owner-occupation partly with interest-only mortgages. Increasing numbers of older people are tending to keep an interest-only mortgage into old age (Schors et al., 2007). Passing on housing wealth to the next generation has become less important, and the housing expenses are easy to manage.

Yet there are worries about the consequences of the interest-only mortgages for those whose pension incomes will be lower than expected (AFM, 2010). Tax benefits end after thirty years of mortgage, and housing expenses increase accordingly. And even if the 30-year mortgage term has not expired, the lower income tax bracket in retirement will mean an increase in housing expenses. Table 2 shows roughly estimated amounts of housing equity for the three age groups. Negative equity is common among young people. The amount varies for the 45–55 group. No-one in this group is an outright owner, and some still have a very high mortgage debt. Finally, many in the oldest group have a substantial amount of housing equity. Yet only three are outright owners.

Table 2: HOUSING EQUITY OVERVIEW

	25 to 35 years old	45 to 55 years old	65 and older
Negative equity	4	1	0
0 – 75,000	4	2	2
75,001 – 150,000	2	3	2
150,001 – 300,000	0	1	3
More than 300,000	0	2	4

Importance of housing equity in retirement

The question as to whether the owner-occupied dwelling is or will be of financial importance in retirement is a difficult one. One third of the interviewees do not know what to answer and stated that they had never thought about the dwelling in such a way. The older interviewees tended to disagree. However, when cued about the lower housing expenses, most agreed it was pleasant. Others said this did not apply to them, and that they still had substantial mortgages. About half in the 25–35 and the 45–55 groups were referring to their interest-only mortgage. They did not plan to repay their mortgage in full, so they did not expect to reduce their housing expenses. Research has indicated that actually 44 percent of people who recently took out an interest-only mortgage are unaware of the fact that at the end of the mortgage term there will still be a mortgage debt (DNB & AFM, September 2009).

Three households had concrete plans to move house in retirement to cash in housing equity. First household on a relatively low income wished to free up equity during retirement to ease the financial situation, and planned to move to the rental sector. Both self-employed interviewees in the 45–55 group planned to sell the dwelling in retirement to cash in equity.

> *Man: Yes, the house is our nest egg. It gives us the luxury to do the things we would like to do. It's the icing on the cake. We'll sell the house, because what would the two of us do with it? The house is a lot of work, there's six bedrooms... It's perfect with children around, and when family come to stay. But at some point it'll be too big for us.* (couple, man is self-employed, both 45, children living at home)

The majority had no actual plans to cash in housing equity in old age, but after prompting many could imagine downsizing, or moving to the rental sector. Interestingly, almost all the 45–55 group could imagine doing so.

A former self-employed interviewee in the oldest group had downsized to cash in some housing equity. Another interviewee needed to move for family reasons. He received part of the housing equity in cash, which he regarded as a stroke of luck. Some households had moved to an apartment because they found it easier not having to cope with stairs, and there was also much less maintenance. Some did not want to move because they were really attached to their home. They could only imagine moving if they got very old and perhaps ill and in need of care; if maintenance became too much of a hassle; or if a partner passed away. This is in line with other research findings. The Dutch owner-occupiers are the least likely group in the Netherlands to move house. And if they do move, it is often for health reasons, and they also tend to be single households (Kullberg & Ras, 2004).

The majority of interviewees regarded a reverse mortgage as an unattractive option. It would force older people to deal with the complexities and risks of mortgages. The mortgage debt could increase rapidly, and consequently people could possibly get into difficulties. Interviewees made an analogy with renting. People with a reverse mortgage would slowly go back to renting their house, but now from the bank instead of a landlord. They found this an unpleasant prospect. Moreover, interviewees tended to distrust banks, or these types of mortgage products. Interestingly, the youngest group mentioned distrust the most frequently, but could also contemplate using this kind of product. In this group some interviewees doubted whether they would have their mortgages repaid by that time. The oldest group thought mortgage equity release would imply 'excessive spending'. The current elderly have a reasonable income, so why would they want even more? Their norm is that one should not consume housing wealth. Yet the exceptional case of the one older household without a full state or occupational pension did consider mortgage equity withdrawal as an option. They were, however, dismayed that nothing would be left for the children.

Why not consume housing equity?

We asked why older people do not spend housing equity as much as they could. Interviewees were keen to explain and came up with a wide variety of explanations. First and foremost, housing equity would be regarded as precautionary savings. Older people would not wish to spend equity since they never know what might happen in later life, how old they would become, and what costs they would still face in the future. The fact that older people may have lived through the war is likely to have made them more careful with their money.

> *[Older people do not spend housing equity] Because they don't know how long they'll live. They don't know if they'll have a lengthy illness or if they will pass away in their sleep at 86. As long as there's uncertainty about how long you'll live and how the last years of your life will be... You just want to have something in reserve.* (single woman, 32)

Interviewees sometimes referred to 'Calvinism', which is a label commonly applied to Dutch financial behaviour. Calvinism includes such wisdom as: 'Save before spending', 'He who saves has something' i.e. a penny saved is a penny earned, and 'Do not spend money like water'. The older generation was thought to behave in line with this wisdom.

Furthermore, older people would regard the owner-occupied dwelling as a pleasant roof over their heads, rather than as an investment from which they could cash in equity. Older people would also be more attached to where they live than younger people and would therefore be reluctant to move.

Some say they enjoy ‘having’ money, and that it gives them a certain element of pride. One could think of a thousand ways to spend it, but still not do so and feel great. Furthermore, the idea alone that when one passes away, the children will benefit from this wealth, is sufficient to give the elderly a feeling of satisfaction. On the whole, the importance of a legacy did not seem to be a crucial explanatory factor.

There were indications that younger generations would spend their housing equity more readily than the current older generation. The young are more familiar with mortgages and financial products and they regard the owner-occupied dwelling more as an investment. The question is to what extent is this an age or a cohort effect. To some extent we might see a shift in the future, with current working generations being more willing to consume their housing wealth in retirement than the present retired generation. The relevance of having or not having children and the importance of a legacy did not come to the fore in the interviews.

Conclusions

The aim of this study was to unravel the roots of people’s behaviour in the Netherlands: how do they perceive future pension incomes and care in old age and do they have any financial plans for their future? A specific focus was on the role of housing equity. The expectation was that the pressure exerted by demographic developments on collective welfare provision for the elderly would mean that households attach considerable value to savings, housing wealth and family for their retirement plans. It is most likely that younger households attach more value to this than older households; and those households without children would be more inclined to use their savings and housing wealth than households with children.

Although ageing is an issue in the Netherlands and prevalent in policy debate, it is still perceived as less urgent than in other European countries. The pension system is under pressure. However, because of a strong second pension pillar, i.e. occupational pensions, the pension system is still relatively sustainable in the near future. Consequently, the importance of savings and investments might be somewhat limited. Nevertheless, some concern about pension incomes and future elderly care provision was expressed, and some differences between age groups could be observed.

We found that those aged 65 and over, who had taken early retirement, have a reasonable level of income and have faith in the government and occupational pension funds. They made contributions throughout their working lives, and hence they expect to be reasonably treated by the pension providers. The oldest group also relies on regular care facilities for the elderly and would not want to rely on their children. The working generations feel more insecure, both about pensions and about the quality and availability of care. The 25–35 group are sceptical about occupational pensions and about receiving a full state pension. The 45–55 group are worried about the retirement age being raised; and they expect to need care at a time when many others need it as well, and consequently they are worried about the availability and quality of care. Some foresee a need simply to accept the situation and resort to mainstream care facilities, while others thought the children might play a more important role. Finally, those on high incomes expected they would be able to pay for private care facilities. The youngest group expected that care would be available for them, and that the quality would be reasonable. Some expected children to be involved in caring for their parents. Affordability of care was not a cause for concern for any age group.

We expected younger households to attach greater value to savings and housing assets than older households. Indeed, the oldest generation appeared to need savings and housing assets less than the two younger generations. However, of the two younger generations, it seems that those closer to retirement, i.e. the 45–55 group, consider savings and housing assets more relevant and important than their younger counterparts. Yet the 45–55 group seemed to accept recent policy changes and did not respond by saving or investing more. Retirement is still too far off for most of the youngest group to seriously start building an asset portfolio. They expect to have plenty of opportunity in the future, as their incomes would increase and wealth would grow. A few on relatively high incomes had already started saving and planning.

For all age groups the owner-occupied dwelling was not a primary source of wealth that interviewees expected to take advantage of in old age to add to the pension income or to help pay for care. Many expected they would not have fully repaid their mortgage by the time they retire. Nevertheless, the oldest group regarded housing wealth as an emergency fund; the 45–55 group seemed willing to cash in housing equity; and finally, the few young people who saved and invested for retirement, regarded housing as an important asset in their portfolio. In addition to the owner-occupied real estate, they hoped to have invested in a second property by that time. In the context of care needs, it appeared that the owner-occupied dwelling is much more important as a 'home' to which older people are strongly attached.

Having or not having children seemed to have only a minor impact on people's willingness to consume savings and housing assets. Those without children could more easily imagine consuming their housing wealth.

Yet those with children argued that the children have prosperous lives and prospects, and so there is no great urgency to leave them a large sum of money. Still, people with children and those without generally did not plan consuming their housing equity.

Mortgage equity withdrawal was expected to have considerable potential for households to consume their housing assets. We find that the majority are averse to these types of financial products. However, a substantial number of interviewees say that mortgage equity withdrawal might be worth considering if financial problems arise in old age, there are no job prospects, further economies are infeasible, or they are unwilling to move from a home they are attached to.

Generally speaking, the differences between the age groups, and between people with and without children, appeared smaller than the differences between employees and the self-employed, and between people on high and low incomes. The self-employed and people on relatively low incomes tended to expect to consume their housing equity more than employees and people on high incomes. The numbers of self-employed have increased in the Netherlands, many of whom have been severely hit by the economic crisis. Many also appear not to have saved enough for retirement (AFM, 2010). The low income households in the Netherlands are usually housed in the rental sector. However, as an increasing share of households become owner-occupiers, more people on lower incomes will move to the owner-occupied sector. In future, housing wealth might become more relevant as a source of wealth in retirement. However, it might also be the case that the interest-only mortgage loans that survive into retirement have a negative impact on retirees with low pension incomes.

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