

# **PEDRO PERISTA: STRATEGIES AND EXPECTATIONS REGARDING RETIREMENT AND CARE AND THE ROLE OF HOUSING EQUITY – THE PORTUGUESE CASE**

## **Introduction**

Although the Portuguese population has grown over the last few decades, it is likely that the country is on the threshold of a new step. Even though migration inflows have recently become more important than the characteristic Portuguese emigration, the decreasing birth rates are far below the level needed for the replacement of generations. This puts the country on the edge of a population decline.

The increase in life expectancy at birth and decrease in death rates are reducing this decline but they in turn pose a significant challenge: the ageing of the population. This phenomenon is putting considerable stress on welfare and creating important challenges for a late and weak welfare state such as Portugal (Carrilho and Patrício, 2005; Chuliá and Asensio, 2007; Lopes, 2006).

It is perhaps because of this stress and these challenges that the traditional emphasis on welfare families continues to occupy a central role. However, this emphasis is not being reflected at the policy level, thereby influencing households' strategies.

Conversely, an increase in coverage rates of social provision (e.g. elderly homes, day-care centres etc.) has been on the political and policy agendas and expenditure on social protection has been consistently rising. Along with tax benefits for households regarding expenditure on elderly homes for their elderly family members, this is likely to influence, at least at some extent, the strategies families adopt.

The social infrastructure system for the elderly is still strongly oriented towards institutional care and less comprehensive forms of community care. While some shift in philosophy may be detectable, it is also true that instead of moving from institutional care to community care it seems that residential care is increasingly being complemented with home care. An example of this shift in philosophy is the implementation of a network of continuous health care service and social support, constituting an exception in a health system with no special units for the elderly nor specialised geriatric services. In the context of reforming the health system and the state's partial withdrawal from it, this may be a factor contributing to higher rates of the elderly living independently (George et al., 2007; Lopes, 2006; OPSS, 2008).

Ageing also puts considerable pressure on the pension system and is responsible for growing proportions of public expenditure and very dependent on the first pillar. This is particularly true since the non-contributory regime still allows a significant number of pensions deriving from short or even non-existent contributing careers. As a response, a reform is under-way with the aim to guarantee the system's sustainability. This is perhaps one of the strongest implications for the future. Replacement rates have so far been good but people can now expect to work longer or to obtain lower replacement rates, which may trigger decisions regarding one's financial situation in old age.

One of these decisions could well be the idea of releasing housing equity, even if this does not seem to be a major concern for the state, which has not introduced policies aimed specifically at the release of housing equity or even commenced public discussions about

the matter.

Nonetheless, housing wealth must be considered an important factor for potential wellbeing in a country where home ownership reaches 75 % and about half of all dwellings are owned outright. Encouraged by state promotion, home ownership has flourished mostly due to distortions in the private rental market and the residual character of the social rental market, which made owner-occupation the “rational” option. However, research has shown that the home ownership option is also very much emotional, with people attaching security and the idea of bequeathing to children to both their homes and to the idea of outright ownership (Baptista and Perista, 2007).

Thus, even if people can resort to downsizing or to a second mortgage it seems clear that, for a significant share, housing will continue to be a hermetic sphere detached from the turmoil of other parts of social and economic arenas.

### *The empirical research*

For the empirical DEMHOW research, the chosen research area in Portugal was the “freguesia” of Graça in the city of Lisbon. According to a 2001 Census, this territory had around 7,000 inhabitants in 3,134 households. A total of 30 interviews was conducted from June till early November 2009. Most of them took place at people’s own homes and took one to two hours. In the case of couples it was very difficult to involve both partners. In most cases, even when both partners were present in the dwelling at the time of the interview, the pattern was that one of the members was absent from the beginning or excused themselves after some time in order to accomplish housing tasks, taking care of the children or other reasons.

Transcriptions were made of the interviews. The main aim is to understand how Portuguese households are planning for their old age, what are their norms and beliefs. We specifically focus on the role of housing wealth and look at differences between age groups and between people with and without children. These findings are reported in the next sections.

## **Retirement strategy**

### *Sufficiency of income*

All but one respondent from the oldest cohort answered that their income, although in most cases thought to be lower than when they were working, was enough to cover their expenses. This certainty is shared by less than one-third of the respondents from the youngest cohorts, approximately the same proportion of those who were skeptical about the amount of income in their retirement. The latter seem to base their opinion on the future of the pension system, something also mentioned by the former who, however, stress their own efforts to overcome this state of affairs. Nearly half of the respondents aged 25–35 and 45–55 reveal doubt regarding the matter expressing, in most cases, the hope for a sufficient income in their retirement.

### *Planning for retirement*

Planning for retirement does not seem to play a major role for a significant share of the Portuguese respondents as approximately half of them state they do not have any specific arrangements for their retirement, a proportion that is similar for both the 25–35 and 45–

55 years of age cohorts. However, a closer look shows that planning for retirement seems to be highly dependent on the specific situations of respondents. In fact, as mentioned above, for quite a few of the interviewees of the youngest cohort retirement is still regarded as being far away in time and has not been thought about thoroughly.

Within this state of affairs there seems to be some room for the above-mentioned pessimism regarding state pensions, albeit accompanied by some hope, which ends up translating into an indefinable position. In addition, for these younger respondents liquidity is a very important matter.

*Honestly, I never thought about it. My life has been so distressed and so filled with problems that I have never thought about it. I hear something on TV and I have thought about saving some money. Perhaps putting 25 euros in the bank every month. It crossed my mind. I have not really thought about it but it has crossed my mind. Something not filling my everyday life, you know (25–35 years, man, with children).*

For those aged 45 to 55, having children or not seems to be an important variable. In fact, two-thirds of those with children have invested in private pension schemes. This may probably reflect the influence of policies granting tax incentives along with the idea that such a product should be highly recommended for those aged 40 and more (cf Perista, 2009). Notwithstanding this, it does not seem to account for the fact that none of those without children have decided on the same kind of arrangement.

Further, those with children are most likely to face retirement with some apprehension, with savings and PPRs (retirement savings schemes) acting somehow as buffers, while those without children – and without PPRs – seem to be less worried about the matter. A crucial aspect concerns the fact that for these interviewees, unlike for most of those with children, housing is seen as a primary resource to activate.

*We plan to, in retirement, live on the management of the patrimony we have. We have controlled things so far and it is likely that our pensions are enough to live comfortably off. Besides, we are counting on inheriting some houses that will increase our income. Thus, we are not that worried (45–55 years, woman, without children).*

For some interviewees, even for those from the youngest cohort, plans for retirement were challenged when the “traditional” views on income in retirement – i.e. retirement at the age of 65 with a state pension of the approximately same amount of the last remuneration – have been put at stake in the last few years.

The introduction of a sustainability factor in pensions, adjusting benefits to life expectancy, with a progressive increase in the retirement age and the usage of lifetime average earnings for the calculation of pensions are factors to which individuals must react. In order not to lose a significant proportion of income, people may defer their retirement age, accruing a bonus for each additional month of work or else increasing contributions to their personal pension plans.

*It has clearly influenced, clearly. Till a few years ago I thought that the state pension was an acquired thing. I would work and when I got to retirement age I would receive a pension of a similar amount to my last salaries. That was a certainty. It was what I saw happening with the people I knew. But there was a time when a new way of calculation was established,*

*based on the average of the contributory career and not on the last years. My monthly income varies considerably. This made me think that my retirement pension would be fairly low and that it would not be worthwhile to work hard in the last years in order to get a good pension. So I thought that it would be best to save money for myself as soon as possible. As I had no way to overcome the change in policy and no way of knowing what will happen in the future, I decided to have it (a pension scheme) in the private sector (25–35 years, woman, without children).*

Slightly more than half of the respondents stated they would do nothing different regarding their planning for retirement. It is remarkable that two-thirds of those assuming they would do something different are aged 25 to 35. These interviewees are those who are more carefully considering their (recent) options for the future. They mention a range of options, from saving money (save more when income is higher; different options in terms of retirement savings schemes/savings account) to housing decisions. However, housing decisions do not have a clear direction. While one of the respondents considers that investing in a house would have been an excellent idea, for another one even the purchase of his current dwelling – instead of renting – is seen as a bad decision.

#### *Securing income in retirement*

Own endeavours are evident in the respondents' answers to a vignette regarding the ways a fictional retired couple could to increase their income. The couple in the vignette, in their late 50s, have retired recently, are in good health and find it difficult to maintain their standard of living in retirement. They are owner-occupiers of an average dwelling in a rural area and parents of two children who have both created their own families; they were asking for a respondent's advice.

Given such a scenario, almost every respondent opted for answers promoting activation in order to increase income, giving support to conclusions of previous research which showed that, for the Portuguese "solutions based on individual effort emerge as the main driving forces for overcoming difficulties...and hard work seems to be the best method of ensuring success" (Baptista and Perista, 2007).

*They would have to search for something giving them an extra income so that they can maintain their lifestyle. Or they would have to adjust better. Because all of us must adapt, constantly adapt. I think we have to adapt to the income we have and not stretch our income to the life we want (25–35 years, man, with children).*

Finding a job, becoming self-employed, renting part of the house or establishing a rural tourism project, developing farming and animal breeding were all suggestions for activation.

*If they live in a rural environment and they have good health, they can do some agriculture, at least in terms of vegetables: potatoes, carrots and that sort of thing. They can produce for their own consumption and save a lot of money. And breed poultry and rabbits. It is a distraction and they can get their sustenance from the land. Due to their age I see no other ways of getting income...unless taking care of children. If the woman is in good health, then why not? (45–55 years, woman, without children).*

Renting a room was perhaps the most passive suggestion. One-third of the interviewees mentioned other possibilities such as adjusting the spending pattern and downsizing, but

only one person did not add to it the option for increasing income. There was also a suggestion for selling the house and renting another one, thus releasing and using the equity. Interestingly, these latter suggestions more directly related to housing and use of the equity were only made by those aged 25 to 35. Conversely, only one of those aged 55 to 65 presented a suggestion other than generating income.

## Care

### *Institutional care vs. homecare support*

The respondents were confronted with a vignette and the hypothetical situation of a 75-year-old lady. Living alone in her owner-occupied small house with a garden, she has been receiving the support of her two children who do not live in the same area. With her health becoming more frail, she is steadily becoming unable to care for herself.

The first thing regarding this situation is that only one-third of the interviewees expressed a single answer for the care needs, while the remainder opted to give more than one answer that would depend, among other factors, on the relationship with the family, on the availability and decisions of the children as well as on the individual choice of the old lady regarding institutional or family support.

In absolute terms, the option most referred to was an elderly home, mentioned by two out of three respondents but it was seldom the only answer. Moving in with the children and paying someone to be with the old lady in her home were the other main options, mentioned by one-third and one-half of the respondents, respectively. Half of the respondents mixed at least two of these options.

The pattern regarding the option for an elderly home is particularly interesting. All but one of the interviewees from the oldest cohort provided this answer. It seems that those closer to the outlined hypothetical situation seem to defend an option for institutional care and more specifically for institutionalisation of the elderly. However, this option is rarely presented as the sole answer.

A central issue regarding the elderly home is the fact that interviewees – from all cohorts – feel that sometimes that is indeed the best solution in cases where constant care is required. In any event, in most cases an elderly home was not really a popular choice, being offered as a last resort.

*Nowadays, unfortunately, what children do is to look for an elderly home for their parents. But that is something they should only consider if they had no conditions. They should have their mother with them, some time with one of them and some time with the other. But that is me being romantic and thinking that children have that thinking... Moving someone of that age out of her house is traumatic. The state should grant the necessary conditions for her to have homecare support. Being alone during the night is the worst (65–75 years, woman).*

The pattern most similar to that of the 65–75 year olds is the pattern of the youngest respondents with children. In fact, most of these interviewees selected the option for an elderly home repeatedly as the sole answer. This pattern is in strong contrast with the responses of those aged 25 to 35 without children, none of whom mentioned the option for an elderly home, instead opting for homecare support. The answer of one respondent with

children may be particularly helpful by giving some insight into the matter.

*The option is an elderly home or a similar institution. In my opinion, we cannot superpose three generations. We are already superposing two. If we put in another one, we will be superposing three (25–35 years, man, with children).*

This consideration gains additional relevance if seen together with the response of another interviewee, a foreign citizen, although someone living in Portugal for a long time, for whom the representation of the Portuguese regarding the issue is different.

*It depends on the family. A possibility is to live with her children. This is completely normal in Portugal, isn't it? (45–55 years, man, without children).* However, moving in with one's children is only particularly mentioned by respondents aged 45 to 55 without children, which seems to indicate that the idea expressed in the abovementioned quote is chiefly assumed by those whose life project has surely not involved offspring and thus may have kept greater availability by not superposing three generations as also mentioned above.

#### *Expectations of care for one's own situation*

However, understandably these respondents did not take their families into account in expectations concerning care in their old age. Two out of three expected their situation to be framed within institutional care.

Those without children from the youngest cohort are also those with less defined ideas on the matter. Most of these individuals stated they do not know who would take care of them in such a situation, giving resonance to the already mentioned thoughts that these issues are still far away and out of people's scope of thinking. This trait is also present among the interviewees with children from the same cohort, but to a much smaller extent. For most of these individuals, as for those with children regardless of the cohort, children are expected to take the lead regarding their care although several questions arise and, in most cases, the thought is largely associated with hope.

*The way things are and considering that my son is the closest I have I think it might be him. But I understand that they do not always have a life compatible with our needs. I may be a bit sick, but my state of health is probably not in his thoughts. He may not call, he may not show up. He does not have that compulsion of calling, of seeing his mother. He may do that, but it is not certain. It will depend on his life (45–55 years, woman, with children).*

#### *Responsibility for care*

In general terms, the respondents assumed that potential costs with care are to be faced by themselves, usually through pension money and lifetime savings. Only those aged 45 to 55 without children, perhaps because of a bequeath and for whom the future of children is not a concern, do not hesitate to consider the use of assets and specifically of one's housing to address the costs of care. The remaining interviewees do not easily refer to their home as a way of financing care. A few others referred to their children's money, faced as a last resort and even then with great resistance.

Yet when it comes to the responsibility for care, there is a wide agreement that the family and especially the children should be responsible for assuring the best care possible. In slightly more than half the interviews, they are even pointed out as being solely responsible. Children's responsibility is, for the interviewees, largely self-evident.

*First of all, children. Obviously! Has to be children, who else would it be? (45–55 years, man, with children).*

For about one-third of the respondents, the responsibility of the family goes together with the responsibility of the state, namely in situations where someone cannot count on their kin.

*I think that the state also has some obligation because people may not have living relatives. There is so much that can happen. And there should be a minimum assured level of care. Regarding payment, if the person has the possibility to pay then s/he must pay, at least part. But, if not, then the state must provide. Someone has to take care of it and it has to be the state (25–35 years, woman, with children).*

However, the changes in government policy are already being felt and were mentioned by a few of the respondents, even if occasionally with some exaggeration.

*I think it must be the family. But it might be that the state has great responsibility here. But social security is so bankrupt that already today the government wants families to take care of their elderly. If an elder has a son or daughter with a certain amount of income, s/he is obliged to help his/her parents. That is what the current policy obliges to, today. Only if children have nothing or if the person has no children will the state act. If any son or daughter has income the state will give nothing. It always has to be the family...supporting each other. The state is not able to respond to those problems (65–75 years, man, with children).*

#### *Expectations concerning care in the future*

In most cases, more than a clear distinction between trust and distrust, the way the interviewees view healthcare and elderly care institutions seems to derive from different ways of verbalising a mix of trust and mistrust.

In fact, in only a few cases did the respondents state they would not trust institutions. For these interviewees, mistrust is quite evident and neither public nor private institutions represent what is necessary for creating trust.

*I have difficulty trusting healthcare institutions or any other institution now that I am not an elderly. When I am an elder and I have fewer capabilities for arguing it will be even harder to trust. By that time, I may have no other choice but to trust but now I cannot imagine myself having much trust in public institutions. ... And not only public, also private. There are a lot of facilities for the elderly where it is known that people are mistreated, even if they pay a considerably high monthly fee (25–35 years, woman, without children).*

As for the rest, approximately one-third make trust conditional. For some, it may be more a matter of which alternatives are available, depending on the specific health condition, care needs and, of course, the economic situation of the person.

*The issue is whether I have alternatives. If I do not have alternatives, it does not matter if I trust or not. It depends on the problems I may have and how dependent I am on others. I may be lying on a bed without being able to move, I may be in need of constant medication (25–35 years, man, with children).*

For the others, there are considerable differences between institutions, making it impossible to present a clear, uniform answer. For these respondents, money is an even more central key point.

*It depends. If you pay a lot it is a lot easier to find places where you get extremely interesting care. I know places connected with Misericórdias<sup>1</sup> that have established models where the main beneficiaries are the Misericórdias themselves. The elderly pass their patrimony to the control of Misericórdias and, for as long as they live, all the expenses inherent to care are supported by the institution. It is nearly like if it is an aparthotel, with medical and nursing care services included (45–55 years, man, with children).*

Two out of five interviewees state that they trust institutions, although in most cases justifications have evident similarities to those of the respondents not exhibiting clear trust.

*Yes, I would trust. Of course, if I had a choice, I would rather go to one of those fantastic private institutions where they have Tai-Chi, an apartment for each person and amazing meals. Obviously I know I will never be in such an institution but I think that some other institutions are also reliable. They probably do not have that level of comfort but they should have some quality. The issue here is the gap between comfort and quality. In human and medical care they are good, but then there is some- thing missing... (25–35 years, woman, without children).*

### **The role of housing equity**

An analysis of equity based on purchase prices could, in many cases, be absolutely deceiving as house prices registered a sharp increase from the 1970s to the 1990s. Most respondents aged 65 to 75 and some of those aged 45 to 55 have witnessed a tremendous increase in the market value of their houses. Dwellings bought for EUR 5,000 or EUR 6,000 have been estimated as being worth around EUR 120,000, thus around 20 times more than the original purchase price.

Therefore, the analysis of equity is based on the price respondents would expect to obtain if they wanted to sell their house in the market. Even though many interviewees mentioned the downturn in the housing market, only three believed that their house is worth less than the price they paid for it while five others thought they could sell it for the original purchase price. The location of the dwellings is considered to be a form of security. Many interviewees had undertaken renovation works on their homes. In their opinion, this added value to the homes. About one-quarter of the respondents believed that their house has increased in value by EUR 100,000 or more. As expected, the older the interviewee the greater the expected equity.

This is supported by the fact that most interviewees used savings, to some extent, to buy their homes, a situation particularly evident in the 65–75 age cohort. For most of these interviewees, starting home ownership late in their lives (cf. Perista, 2009a; Perista, 2009b), savings represented the main way of financing their homes. At the time of the interview, none of them had a mortgage on their home, a situation difficult to match by younger respondents for whom mortgages will last till they are 70 or even 80 years old.

### *Importance of housing equity in retirement*

Nearly every interviewee recognises the importance of housing equity in retirement. The



two major advantages identified involve, on one hand, the possibility of living with considerably less housing expenses than what would happen if paying rent and, on the other, the possibility to sell the house and downsize or move into the rental market.

A considerable differentiation arises according to both cohorts and the existence or not of children. In fact, if in the younger cohort the main advantage referred to is the possibility to sell, in the older cohort it is lower housing expenses, while in the 45 to 55 age cohort the two answers are in balance. In addition, selling is more of an option of those without children since lower expenses are chiefly mentioned by those with children.

*Man: If someone rents a house, s/he also has to pay electricity, water etc. We own the house and we pay the expenses of the condominium but that is nothing compared to rent.*

*Woman: And the municipal contribution is also not that high.*

*Man: It allows us to be more at ease (65–75 years, couple, with children).*

The results seem to clearly illustrate how age, on one side, and offspring, on the other, strengthen the relationship with the home and home ownership. Although generally seen as important in retirement, it seems that a house gradually turns into a home, thus transforming from an asset manageable in the market to a pillar and source of security. Leaving a bequest is also undoubtedly an issue here.

Related to this, for those without children selling seems to be more than an idea and they clearly regard the house as an asset to be activated in retirement.

*It will be important. If something happens, in terms of health, it is possible to sell and use the money to get the support of someone, somewhere. Because I think that the prices of institutions for the elderly are absurd.*

*They are absurd, not minimally compatible with the amounts of pensions (25–35 years, woman, without children).*

*Most probably, yes. As I do not have children, the house will probably be sold in order to increase my income (45–55 years, woman, without children).*

Some interviewees thought that the importance of housing may go further than their own home. For these respondents, building patrimony in the shape of houses may allow them to become landlords and face their retirement more confidently.

*It will be very important. My rationale for retirement is based on investment in dwellings. In some years I want to be able to live on the income provided by real estate. That is a goal I have in life. I want my main source of income in retirement to be rent from property (25–35 years, man, with children).*

#### *Considerations about reverse mortgage products*

Despite all the importance attributed to housing in retirement and the fact that a significant proportion of interviewees mentioned the possibility to sell, most interviewees rejected the possibility of taking out a reverse mortgage or would just consider it as a last resort. Not one of the interviewees had ever heard before about such a product (non-existent in Portugal) which probably contributed to some distrust in it. Many of the respondents stated they would rather sell their house and downsize, for instance. But even these considerations were often impregnated with the idea of the home as a haven, as already

stressed by previous research (cf. Baptista and Perista, 2007).

*That is something not conceivable. It reminds me of the story of a guy who lived in a palace and had no money not even to keep it warm. So, he burned the wood of the floor till he had only one plank under him. This is probably the same. Would have no home and would have spent the money from it. If I really have to do it, I will but it is something very remote (65–75 years, man, with children).*

For some of these respondents, such an option is only advisable for those without children.

*I would not do that. We bought this house after our child was born. I could die tomorrow but my son will have a place to live. I think that someone without children thinks about it. Those who do have children do not (45–55 years, couple, with children).*

*I think that is a good solution for people without children. All the work we had done will be lost. It is important to have money to support us, but the idea of having a house to bestow to the children would amount to nothing! (25–35 years, woman, with children).*

These considerations indeed find some resonance among those without children. Half of these respondents would in fact consider the idea of a reverse mortgage.

*Eventually... It sounds interesting. I had never heard of that. Sometimes a person needs support, needs to go to an institution and pay for that. And sometimes recovers and that is a way of not having to be deprived from the house straight away. It must be brutal for a person to have invested in buying a house for all his/her life and then, all of a sudden, having to go to a home and having to say goodbye to everything; to the place, to his/ her things. It is perhaps a more emotional possibility. It is an economic option but also emotional (25–35 years, woman, without children).*

Complete unfamiliarity with the reverse mortgage concept led many interviewees to state that they would need to know everything about the product. Some of these respondents even considered that only after knowing the general picture some doubts could arise. The inherent costs were also mentioned and more specifically the hidden costs that some of the interviewees thought were certain to exist since it involves dealing with banks. Knowing the real value of one's dwelling before anything else was also considered to be important by some respondents who stated they do not trust the evaluations made by banks.

In spite of the more latent or more evident distrust regarding banks, these were also the most mentioned entities for where to look for information and/or advice. This was because, on one hand, they are nonetheless identified as actually having information to provide. On the other hand, given the non-existence of the product in the country it would be most unlikely to find information elsewhere. Even so, friends were also mentioned by some people, as well as attorneys. The youngest cohort added, in a few cases, the Internet as a source of information/advice.

*Why not consume savings/housing equity?*

Contrary to what could be expected, very few interviewees mentioned a bequest as the reason for the elderly not consuming their savings and/or housing equity. For nearly half of the interviewees this trait relates to pre-caution. The uncertainty of not knowing what tomorrow will bring and the hope to live another day make individuals afraid of depleting their resources and not having enough for the final days of life.

*People hope to live longer; always longer and they know that money flies. By the age of 70 a person may think about selling their house and that the money will last for 20 years. But then the person may also think that s/he may live till the age of 91. Thus, they postpone. For instance, I had cancer and I thought I was going to die. Even so, I did not spend all the money I had in the bank. I had 30,000 euros and I thought about spending it but I did not. I made some extravagances and instead of 30,000 I kept 27,000 because you never know. Hope always prevails. And I think there is always something we fear: hunger (45–55 years, woman, with- out children).*

However, it seems plausible that a bequest is somehow subsumed in this precautionary motive, being seen by individuals as largely self-evident. The relative position of the interviewees without children, who are more keen on using their housing wealth e.g. to pay for care and more interested in an option such as a reverse mortgage, seem to back up this possibility.

For approximately one-third it has to do with affective reasons and the difficulty of watching a lifetime of savings, that often involved considerable effort, vanishing. For some respondents this connects to the idea held by the elderly that the assets they build throughout their life equals their value.

*I understand them because it was so hard to save, we worked so much that it is indeed scary to just spend it. But, of course, we have to save our life. Otherwise, what have we saved for? The person dies and the asset stays (45–55 years, woman, with children).*

For some interviewees this is linked to a background of deprivation when in the recent past Portugal was a poor(er) country, namely regarding the situation under the dictatorial regime between 1926 and 1974.

*Before the 25th April (of 1974 – end of the dictatorial regime) there was almost no pension system. Civil servants had one, but not the others. Thus people got used to saving, to build assets in order to face any emergency. Because social security was terrible. Terrible or even non-existent. I was very young then so I do not really know it in depth. But I think it derives from that... poor people (45–55 years, woman, with children).*

## **Conclusions**

The aim of the paper was to unravel the roots of Portuguese households' behaviour, shedding light on their norms and beliefs, along with how they perceive their future pension incomes and care in old age and how they are financially planning for it. A specific focus was put on the role of housing equity. The expectation was that due to the pressure of demographic developments – namely demographic ageing/shrinking on collective old age welfare provision – households would attach great value to savings, housing wealth and the family for their retirement plans. Most likely, the younger households would do this more so than the older households; and households without children would tend to use their savings and housing wealth more than households with children.

In a changing and challenging society, some of the things taken for granted till recently seem to be somewhat put in relative terms. This also affects people's considerations regarding the future, which is expressed with a mix of pessimism and hope. Overall, most respondents do not reveal solid specific arrangements for retirement on their own personal

initiative.

It also seems clear that in Portugal buying a house is hardly ever part of a strategy for old age. Though many respondents consider that the possibility of selling or downsizing may be important in a later stage of life, for most people that is regarded more as a possibility than as an actually considered hypothesis.

The prospects for the future in terms of care seem to reflect some balance between a wished and hoped for prospect of family support and the more realistic but undesired prospect of institutional support.

Conscious of the difficulties inherent to family support, the respondents understand that the family, and mainly one's children, are ultimately responsible for managing care, assuring the best alternatives and helping with costs if necessary. The empirical work shows that institutional care comes up, in most cases, as "the other option". This is particularly true for those with children since those without offspring tend to expect their situation to be framed within institutional care. Trust in this type of care is in most cases conditional, depending mainly on the kind of facilities/services the economic situation of the individual allows.

The prospect of a mortgage equity withdrawal through a reverse mortgage or any other product is seldom considered or, at the most, mentioned as the last resort in the face of a serious problem. Those without children are the exception as some consider the hypothesis of generating income from their home. However, the urge to repay a mortgage expressed by so many respondents from all cohorts seems to strengthen the idea that the relationship between the house and income is faced mostly as centripetal and not centrifugal, i.e. imputing the house with income instead of using the house to generate income.

Thus, one of the major advantages of home ownership is being able to lower housing expenses in one's old age but that seems to come more as a consequence of owning outright at some stage of life – one of the main reasons for entering home ownership – than as a clear intention of cutting expenses. This becomes more relevant as recent mortgages sometimes last until the age of 70, 75 or even 80.

Contrary to what could be expected, very few interviewees mentioned bequest as an explicit reason for the elderly not to consume their savings and/or housing equity. For many interviewees this relates more to precaution. The uncertainty of not knowing what the day of tomorrow is bringing and the hope to live another day make individuals afraid of depleting resources and not having enough for the final days of life. In addition, there is also the feeling of affective attachment people have for their homes.

In fact, the results clearly illustrate how age on one side and offspring on the other strengthen the relationship with the home and home ownership. While generally seen as important in retirement, it seems that in Portugal one's house turns gradually into a home, in turn transforming from an asset manageable in the market into an emotional pillar and a source of security.

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