

LONELINESS, FINANCIAL ILLITERACY AND DISTRUST IN THE OLD AGE – A SURVEY ON THE OLDER PEOPLE ASSISTED BY UFFICIO PIO

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1. Introduction

Official statistics and surveys offer the possibility to capture many dimensions of vulnerability in the older people population in Europe. Report 3 of Output 2 is explicitly dedicated to this scope. However the phenomenon is undoubtedly characterized by great complexity – difficult to be captured in generalist surveys – and great heterogeneity – at macro and micro levels – so that local specificities can finally (and heavily) determine the success or failure of a specific economic and financial education program in the territory. For this reason, we implemented a targeted survey on the end-users of the Ufficio Pio of Turin. The Ufficio Pio, that is our partner in the project, is a well-established non-profit foundation in the metropolitan area of Turin that has in his mission the scope of helping vulnerable people to alleviate their poverty and social-exclusion conditions. The respondents have been selected out of all the older people assisted by Ufficio Pio who own some assets that they could dispose of and can be addressed with interventions aimed at improving their capability of management of their resources.

The survey sheds further light on the population that we will use in the course of our ERASMUS+ project to test the validity of the economic and financial tools set up to answer the FINKIT project objectives. The older people that are beneficiaries of the interventions of the Ufficio Pio have been interviewed on: socio-demographic

characteristics, personal history, financial literacy, economic preparedness in facing unexpected events, social network and trust in non-profit charitable organizations, social services and financial operators. In building the questionnaire we have followed the guidelines established in the international literature on financial literacy (Lusardi Mitchell, 2011, 2014).

On average the interviewed people are fragile, i.e. old, low educated, poor in relative and absolute terms and in bad health status. Divorce, together with the unemployment status of one child, figure out as major negative events in their life with heavy and long lasting psychological and economic consequences that the welfare state is not able to compensate.

People are often unprepared to face unexpected expenses with their own resources and the social support that they can derive from social networks and the family is often limited. Economic distress is often associated with distrust in the public institutions and in the financial operators (banks and post offices), while more trust is placed on private non-profit volunteers.

Notwithstanding the low income levels, the homeownership rate is quite widespread in the sample. However, the house is often perceived as an unavailable asset due to sentimental feelings, legal disputes among relatives or fear to realize a loss while selling the property in the market.

The remaining of the report is organized as follows. Section 2 describes the socio-demographic background of the surveyed people. Sections 3 and 4 focus on the economic background and lifetime shocks. Section 5 explores the trust in the institutions and the financial decision-making mechanisms. Section 6 concludes.

2. Socio-Demographic Background

We interviewed 39 people; the summary statistics of the sample is summarized in table 1 and is referred to throughout the paragraph. All the individuals are aged 64 to 94 years old, with an average age of 74 years old, as of December 2016. Most of our interviewees are women (79.49%), and most of them were born either in Piedmont (17.95%) or in

southern Italy and the islands (74.37%). Only three individuals were born in Veneto, Emilia-Romagna and Lazio and many regions are not represented. The higher representation of women with respect to men in our sample of economically vulnerable older people should not be attributed to self-selection: in fact, it is consistent with the Italian horizon as women are more likely to live longer, hence be widowed, and historically their labor force participation was (and still is) very low, making them more dependent on lower, reversible pensions.

Most of the people live in Turin (71.79%) and the rest live in the suburbs, more specifically in the towns of Collegno, Nichelino, Moncalieri, Settimo Torinese and Grugliasco.

82.05% live alone while the rest live with their spouse (10.26%), with their children (5.13%), or with both (2.56%). From this and other information provided in the survey, we deduced that 13.16% of the older people are not married (and never were), 13.16% are married, 50% are widowed and 23.68 are divorced or separated. However, it was impossible to retrieve this information for one observation, so the total number of respondents for the civil status is 38. Regarding the civil status, our sample is more likely that the overall population to be divorced or separated. In fact, according to ISTAT, in 2015 only 2.3% of women and 2% of men over-65 were divorced, compared to the much higher incidence both for women and for men in our sample. Because we believe that the self-selection is not an issue in our sample, it appears to be the case that not only widows, but also divorced people are more likely to be in an economically vulnerable situation.

Most of the respondents have children (84.62%) and the percentage is quite similar for men and women. However, the number of children changes slightly for the two genders, both when considering the number of children in the family and the total number of children (deceased, abandoned, no longer in contact with their parents). In fact, the women in our sample have almost one child more than the men on average.

The age range of the sons and daughters of our group goes from 30 years old to 70 years old, the parents of whom are respectively 74 and 94 years old. On average, the children of

the respondents are 48 years old. Hence, we can say that all the respondents have adult children who should either be in the job market or retired from the job market.

20 respondents declared to be independent in their daily routine (i.e. washing, clothing, eating, shopping etc.), while the remaining 19 said to need help. People were further asked who they got help from and who they would go to in the future in case they were no longer independent, where the possible answers were family members and friends, public and free services such as social services or volunteering organizations, or for those who are still independent, “does not know”. It emerges that the respondents are more likely to seek help from friends and family members (12 observations for those who need help already and 11 for those who might need it in the future) rather than from outside care organizations (publicly funded or volunteer).

On average, the people who were interviewed had 6 years of education, with 38.46% having a middle school diploma, 35.90% having an elementary school diploma, 22.58% having no qualification at all and only two individuals (both male, accounting for 2.56% of frequency each) having a high school diploma or a university degree. In general, men are more educated than women: in fact, no woman in our sample has an educational qualification higher than a middle school diploma. The qualifications with the highest frequency are elementary school and middle school diploma. There also appears to be a geographic effect in the distribution of qualifications, where people from Northern Italy tend to be more educated than people from the South and the Islands (people from Central Italy have not been considered due to the small number of observations: one).

Regarding education, our sample is quite in line with the older population at a national level. In fact, the education levels for men and women according to ISTAT (Direzione centrale per la diffusione e la comunicazione dell'informazione statistica, 2015) are very similar to what has been found in our sample¹.

¹ According to ISTAT in 2015, women over 65 years old were educated as follows: 66.9% no education/elementary school, 16.4% middle school, 12.4% high school, 4.2% university. Men over 65 years old: 49.7% no education/elementary school, 23.5% middle school, 18.5% high school, 8.2% university.

Summary Statistics for Socio-Demographics - Table 1				
Variable	Average	Min	Max	Observations/ Frequencies
Gender (female)	79.49%	0	1	39
Age ⁱ	74.31	64	94	39
Region of Birth ⁱⁱ				39
- North	23.07%			9
- Center	2.56%			1
- South	74.37%			29
Live in Turin	71.79%	0	1	39
Live alone	82.05%	0	1	39
Living Status		0	3	39
- Alone	82.05%			32
- With spouse	10.26%			4
- With children	5.13%			2
- With spouse+children	2.56%			1
Civil Status ⁱⁱⁱ		0	3	38
- Not married	13.16%			5
- Married	13.16%			5
- Widowed	50.00%			19
- Divorced	23.68%			9
Years of education ^{iv}	6.05	2	17	39
Educational Qualification		2	17	39
- none (2 years)	20.51%			8
- elementary school (5 years)	35.90%			14
- middle school (8 years)	38.46%			15
- high school (13 years)	2.56%			1
- university (17 years)	2.56%			1
Educational Qualification - WOMEN		2	8	31
- none (2 years)	22.58%			7
- elementary school (5 years)	38.71%			12
- middle school (8 years)	38.71%			12
- high school (13 years)	-			0
- university (17 years)	-			0
Educational Qualification - MEN		2	17	8
- none (2 years)	12.50%			1
- elementary school (5 years)	25%			2
- middle school (8 years)	37.50%			3
- high school (13 years)	12.50%			1
- university (17 years)	12.50%			1
Educational Qualification – NORTH				9
- none (2 years)	11.11%			1
- elementary school (5 years)	11.11%			1

- middle school (8 years)	55.56%			5
- high school (13 years)	11.11%			1
- university (17 years)	11.11%			1
Educational Qualification – CENTER				
- elementary school (5 years)	100%			1
Educational Qualification – SOUTH				29
- none (2 years)	24.14%			7
- elementary school (5 years)	41.38%			12
- middle school (8 years)	34.48%			10
- high school (13 years)	-			-
- university (17 years)	-			-
People with children ^v	84.62%	0	1	39
- Men	87.50%			7
- Women	83.87%			26
Number of children	2.05	0	6	39
- Men	1.38	0	3	8
- Women	2.23	0	6	31
Number of children – in the HH	1.92	0	5	39
- Men	1.25	0	3	8
- Women	2.09	0	5	31
Age of children	47.67	30	70	80
Independent in daily routine ^{vi}		0	1	39
- Yes	51.28%			20
<i>Who he/she would go to for help</i>				
1. Family/friends	55%	0	2	11
2. Public services	30%	0	2	6
3. Does not know	15%	0	2	3
- No	48.72%	0	1	19
<i>Who he/she goes to for help</i>				
1. Family/friends	63.16%	0	1	12
2. Public services	36.84%	0	1	7

2.1 Financial Literacy

The survey included two of the three “big three” questions on financial literacy to test the understanding of two basic financial concepts: interest rates and inflation (Lusardi & Mitchell, 2015). The questions are:

Imagine that you have 100€ in your bank account and that the interest rate is 2% per year. If you never withdraw, how much money will you have after 5 years?

More than 102€

Exactly 102€

Less than 102€

I don't know

Imagine that the interest rate on your bank deposit is 1% per year and that the inflation rate is 2% per year. After a year, the money on your bank account will allow you to buy

More than today

As much as today

Less than today

I don't know

The answers to these questions are presented in table 2 and the amount of missing and wrong responses is strikingly high (27 out of 39 answered wrongly or did not answer to the question on interest rates and 26 out of 39 answered wrongly or did not answer on inflation). Surprisingly, the number of wrong answers drops significantly between interest rates (7 out of 39) and inflation (1 out of 39). The answer on inflation, on the other hand, has a much higher number of non-respondents (25 out of 39 compared to 20 out of 39 for interest rates). There are many reasons why this pattern may have emerged: it could be that the respondents put more effort into the first question and left the second unanswered, the presence of two rates (the interest rate and the inflation rate) in the second question might have confused them or simply, there is a slighter grasp of the concept of inflation. Whichever is the case, the people who were able to answer both questions correctly are very few: only 7 out of 39 (17.95%), against the 11 out of 39 who got one answer right (28.21%) and the high number of people who did not answer either question (21 out of 39 or 53.85%).

When comparing these results with the overall Italian population, our results do not deviate significantly if we take into account that our sample has a low level of education w.r.t. the overall population (there is a positive monotonic correlation between the level of schooling and financial literacy), is composed of older people and the occupational

status is almost entirely of retired people. According to Fornero and Monticone (2011), the performance in financial literacy according to socio-demographic characteristics reported the following: in 2006, people aged 65 and over understood the concept of interest rates in 30.32% of cases and inflation in 45.73% of cases, with this age group being the least financially literate. Not surprisingly, the least educated were also the ones to perform the worst, with the rate of right answers ever increasing with the years of education (those with no education understood interest rates in 13.67% of cases, inflation in 23.22%). The occupational status was also important even though the understanding of financial concepts was slightly higher for retired people than for the unemployed, even though it was significantly lower than those in the labor force (of the retired, 34.52% understood interest rates, 50.59% understood inflation). Furthermore, the paper highlighted the existence of geographical factors influencing the understanding of financial concepts, with people from the northern Italy having a better grasp than people from the South and islands. Eventually, also gender is important as on average women are significantly less likely to answer the questions on interest rates and inflation correctly (30.78% and 39.9% respectively of women, against 45.47% and 65.77% respectively of men) (Fornero & Monticone, 2011).

Financial Literacy – Table 2				
Variable	Average	Min	Max	Observations/ Frequencies
Understanding of interest rates		1	3	39
- Good understanding	30.77%			12
- Wrong understanding	17.95%			7
- Does not answer	51.28%			20
Understanding if inflation		1	3	39
- Good understanding	33.33%			13
- Wrong understanding	2.56%			1
- Does not answer	64.10%			25
Combined understanding of concepts		0	1	39
- Both	17.95%			7
- One	28.21%			11
- None	53.85%			21

3. Economic Background

As it can be seen in table 3, almost everyone in our sample is retired, except for one woman (65) who works with community services and a man (86) who continues his job as a freelancer. Both of them receive both a pension (the former a pension for disability, the latter a direct pension) and income from their job, suggesting that the pension alone is not sufficient to meet their consumption needs. In fact, at least other two respondents combine different types of income and it seems from sparse information in the survey that others combine pensions as well, most commonly disability pensions with social pensions².

We have indirectly estimated the size of the household, considering if the respondent lives alone, with his/her partner or with his offspring, paying attention to include those who have unemployed children who rely on their income (20% of the households have at least one unemployed son). 82.05% (32 of 39) of households comprehend one individual, while the remaining 17.95% (7 of 39) households are larger, including spouses and children. Of these households, the respondent is the main contributor to the household income in 87.5% (28 out of 32 single HHs) of cases when there is only one person in the HH, in the remaining cases they are supported by children or spouses with whom they do not live. The respondent is the main contributor in 71.4% (5 out of 7 multiple person HHs) of cases where there are more people in the family.

In a second moment we were able to obtain the ISEE³ documents of the respondents and used the information on the number of people in the HH to compare the estimated HH size with the actual number, as reported by INPS⁴. We can say that our prediction was very accurate, in fact only one HH was different from what was initially estimated (the HH of 6 is in fact a HH of 2).

² *Pensione sociale* or *assegno sociale*, i.e. the social pension, is the Italian equivalent of the minimum pension and has been dispensed ever since 1996 (INPS, 2017)

³ *Indicatore della situazione economica equivalente* – equivalent financial situation index, as certified by the Italian Social Security Institute (INPS). The document is required to access many public services and it is used to assess the contribution to services (e.g. medical) according to one's income.

⁴ *Istituto Nazionale Previdenza Sociale (INPS) – Italian Social Security Institute*

The target income refers to the amount that the respondent would need to keep his/her household going. The amount is raw but some normalization for the number of people in the household is necessary. In general people have very diverse needs, ranging from 600€ to 2000€ per month. This difference could be justified by the different amounts that the respondents must pay to maintain their properties and the different amount of people they must look after, either directly or indirectly. The median target income is 1000€, a reasonable amount for any household in Italy. Two respondents were unable to quantify their needs.

Once obtained the coefficient of the equivalence scale needed to divide the income by the number of people in the HH, we divided the target income by the coefficient (sve – scala del valore di equivalenza) in order to renormalize the needs of the respondents and make them comparable. This exercise was successful, in fact the standard deviation decreases significantly and also the standardized values for both target income and normalized target income are consistent with this view (i.e. there is less range in the standardized values once we divide by the HH coefficient vse).

In most cases the respondent is also the main contributor to his/her income. However, by cross tabbing the main contributor of the HH with the number of unemployed children, it seems that in 8 out of 9 cases of unemployment in the family it is the respondent that supports the HH. Of course, only the respondents who had children are considered in this cross-tabbing, hence the lower number of observations.

We further asked those who declare not to be the main contributors of the HH (6 individuals) the source of income of the main contributor, which is income from employment in three cases (in these cases, it is always the children that support the respondent), and income from retirement pensions in the latter three cases (here, it is the spouse that supports the respondent in two cases and a retired “child” in the third).

Roughly half the respondents are homeowners, either partially or in total (18 out of 39 observations). Of these homeowners, 11 have received the house as a donation or as an inheritance and 9 have bought the house with their own and their partner’s savings or through a mortgage. Of these respondents, there are two other individuals who, even

though they do not live in their own home, have one nonetheless. In both these cases their house was bought as opposed to being received as an inheritance.

Summary Statistics for Economic Background – Table 3				
Variable	Average	Min	Max	Observations/ Frequencies
Retired	97.44%	0	1	39
Household size ^{vii}	1.30 people	1	6	39
- 1	82.05%			32
- 2	12.82%			5
- 3	2.56%			1
- 6	2.56%			1
HH size (as declared by ISEE)				39
- 1	82.05%			32
- 2	15.38%			6
- 3	2.56%			1
HH with unemployed offspring	20.51%	0	1	39
Respondent main contributor to HH income:		0	1	39
- HH=1	87.50%			
- HH>1	71.43%			
Main type of income ^{viii}		0	4	39
- Direct (retirement) pension	46.15%			18
- Spouse's pension	30.77%			12
- Disability pension	10.26%			4
- Minimum pension	10.26%			4
- Work income	2.56%			1
Target Income ^{ix}	1093.24€ (295.84)	600	2000	37
Target Income (divided by vse)	985.22€ (193.41)	600	1500	37
Main contributor of the HH		0	2	39
- Respondent	84.62%			33
- Spouse	5.13%			2
- Children	10.26%			4
Home ownership	46.15%	0	1	39
- Bought	61.11%			11
- Inheritance/donation	38.89%			7

3.1 Ownership and Revenue

We merged information on the economic situation of the respondents as declared in the ISEE in order to verify their economic means, their assets and the number of people in the household. Table 4 includes information on the amount and type of assets that the HH of the respondent owns and the reported available income, both for the HH and for the respondent. As it turns out, only three respondents have no real estate property, a really different scenario from what is shown by simply looking at the survey. In general, even though the average income is low, the asset level of these people is relatively high, in nine cases out of 39 above 100,000€. Summing up, the portfolio composition of the interviewed HHs tends substantially towards real estate, with strongly lower amounts of chattel assets. This finding is in line with the Italian landscape where, for cultural reasons, the ownership of real estate is preferred to other types of assets.

Assets and sources of income – Table 4					
Variable	Average (€)	St. Dev	Min (€)	Max (€)	Obs.
ISR ⁵	4,906.99	7,043.30	0	40,196	39
ISP ⁶	24,399.01	27,734.53	0	125,177	39
ISE ⁷	8,633.90	6,673.20	0	26,082.60	39
ISEE ^{8x}	8,028.34	6,345.14	0	26,082.60	39
Chattel Property/Assets	3,233.72	8,119.62	1	35,094	39
Real Estate Property/Assets	52,613.46	49,156.41	0	180,600	39
Amount of Real Estate assets	Percentage	Frequency			
- 0	7.69%	3			
- 0-10,000	10.26%	4			
- 10,000-20,000	17.95%	7			
- 20,000-50,000	25.64%	10			
- 50,000-100,000	15.38%	6			
- 100,000+	23.08%	9			

⁵ Indicatore della situazione reddituale, measures all the incomes in the HH that the HH can dispose of.

⁶ Indicatore della situazione patrimoniale, measures all the assets (chattel and real estate) that the HH can dispose of.

⁷ Indicatore della situazione economica, measures the overall situation of the HH, given the ISR and the ISP.

⁸ See footnote 3. It is given by the ISE divided by the vse. This value refers to the respondent and not to his/her whole HH.

In the survey we asked the respondents if the house in which they live is owned by them, and the answers to this question are summarized in table 3, under home ownership. This alternative approach shows a somewhat different landscape, suggesting that even though many respondents live in a house that is not their own, they still own some sort of property. The qualitative information that was provided describes some of these lower-range real estate properties as portions of houses owned together with other family members (mostly siblings), garages and storage spaces or second houses near their town of origin. The section on financial decision making will analyze how the respondents try to manage these properties.

4. Economic Shocks

In this section we investigate the main sources of economic stress that affected the respondent during his/her lifecycle. The possible sources were many, as described in table 5, and multiple options were allowed. Two respondents were unable to supply reasons of economic stress or confused emotional stress with economic distress, hence these observations were not processed.

The most significant sources of economic stress during the lifecycle are personal illness, death of a family member, divorce and illness of a family member. Surprisingly, job-market related sources of stress (such as bankruptcy and unemployment) were less frequent among the respondents. The survey suggests that the respondents might have confused the economic downfalls due to the illness of a family member and those due to taking care of the ill. In fact, the Italian health system covers all the medical expenses while it only marginally contributes to the care of people with long-term conditions. However, the cost of ill members in terms of opportunity costs of lost income should be the same.

The survey then asked how the respondents would deal with a 2000€ unexpected expense. Alarmingly, almost two thirds of the respondents are not prepared to face such a shock, either because they sincerely do not know how to deal with it, or because they faced similar problems in the past and were refused bank loans and do not have savings. Only a small percentage of the respondents have savings available that they can use as

buffers in case of emergencies and very few people would go to financial institutions for a loan. In fact, most respondents have very low amounts of chattel assets, with 33 out of 39 respondents having less than €2000.

Qualitative information in the survey suggests that the low rate of people who would resort to conventional financial services is determined by the low credit rating of our sample. In fact, some people stated that they do not know how they would face such a shock because they already tried to get a loan but were denied one. This indicates clearly that there are few financial tools that are designed to help the most vulnerable portions of the population, especially those with considerable amounts of illiquid assets, calling for a redesign of some tools to help them, such as life insurances, reverse mortgages, loans. However, it may also be the case that the respondents do not fully know their options when it comes to the use of financial tools to smoothen consumption in the later portion of the lifecycle. Our sample justifies this assertion in the fact that many state that they do not want to sell their house because they do not want to leave it, even though the range of financial tools is such that this is often not the case for the older people who want to liquidate their real estate assets (e.g. reverse mortgages, bare ownerships); the information on the administration of the respondents' assets is summarized in table 7.

Sources of Economic Distress – Table 5				
Variable	Average	Min	Max	Observations/ Frequencies
Death of family member	24.32%	0	1	37
Abandonment of family member	8.11%	0	1	37
Divorce/separation	24.32%	0	1	37
Illness	45.95%	0	1	37
Illness of family member	24.32%	0	1	37
Bankruptcy/bad investment decisions	13.51%	0	1	37
Layoff/unemployment	5.41%	0	1	37
Unemployment of family member	13.51%	0	1	37
Economic support of family member	13.51%	0	1	37
Care of family member	5.41%	0	1	37
Unexpected Economic shock (2000€) ^{xi}		0	3	38
- Ask friends/family	13.16%			5
- Ask for a bank loan	5.26%			2
- Use savings	15.79%			6
- Does not know	65.79%			25

5. Trust in the Institutions and financial decision-making

It is clear, at this point, that most of the people in our sample face serious financial distress and are not well-equipped to handle it, both in terms of education and in terms of buffers made available by social circles and public institutions. Here we discuss two issues that were highlighted in the survey, that is, the trust in different institutions and the decision making process for financial decisions and administration of their wealth.

Trust in the Institutions

In general, non-profit institutions are deemed more trustworthy⁹ than banks, post offices and profit financial institutions, as it can be seen from table 6. Not surprisingly, the institution that is deemed the most trustworthy is the Ufficio Pio that assists the older people directly through cash bonuses. This is for two main reasons: first of all, most of the workers at Ufficio Pio have a background in banking and finance, scoring really high in the financial literacy test¹⁰, hence they are deemed financially trustworthy by those that they assist. Secondly, these workers deal daily with the older people that were interviewed, giving them the chance to build a trusting relationship.

However, the trust level of non-profit organizations¹¹ still remains low; in fact the trust score is below 3.

Table 6

Trust Level	Ufficio Pio ^{xii}	Social/Public Services	Banks/Post Office
Not at all (1)	1 (2.94%)	9 (23.08%)	16 (41.03%)
Poor (2)	2 (5.88%)	13 (33.33%)	13 (33.33%)
Sufficiently (3)	18 (52.94%)	16 (41.03%)	6 (15.38%)
Very much (4)	13 (38.24%)	1 (2.56%)	4 (10.26%)
Average	3.26 out of 4	2.23 out of 4	1.95 out of 4

⁹ When talking about trust, we refer to the suggestions that the institution gives the respondent on how to improve his/her financial situation.

¹⁰ The *Ufficio Pio* workers were asked the same questions as the survey respondents on interest rates and inflation, with a positive response rate of over 80% in the former and over 90% in the latter (Coda Moscarola, Gallorini, Revello, & Romito, 2016)

¹¹ Caritas, volunteering organizations, public institutions such as social services and public assistance groups.

5.1 Financial decision-making

This lack of trust in financially expert institutions is also reflected in the way that the respondent undertakes financial decisions. In fact, it can be seen from table 7 that only one respondent out of the whole focus group would refer to financial experts to undertake financial decisions, while the other respondents would rely on the counsel of family and friends (35.9%) or on their own best judgement (61.54%). These results appear even more alarming when combined with the education level of the respondents. In fact, those who rely solely on their judgement all have low levels of education (4 have no education, 10 have an elementary school diploma, 10 have a middle school license), while those who ask for counsel from family and friends are slightly more educated (4 have no schooling, 4 have an elementary school diploma, 4 have a middle school license and the remaining 2 have a high school diploma and a university degree).

Many people seem willing to receive financial counselling on how to improve their economic situation; however, few of them addressed their concerns to their bank (84.21% of those who have a bank account have never asked their bank for counselling). Thus it seems that even though the respondents are wary when it comes to letting other people help them with economic decisions, they would be willing to accept counselling, bringing up the issue of how to communicate with this segment of the population. In fact, improving the communications of the institutions with the older population in financial matters could have a direct impact on their life. The fact that the sample has a relatively high level of trust with the Ufficio Pio, the employers of which have a direct contact with the respondents, suggests that financial communication should indeed occur through this channel, as it had in fact been suggested in previous reports.

Finally, the questions on how the respondents administer their wealth are of particular relevance, where the answers have been collected only for those who said to live in their own house. Indeed, most of the homeowners never considered the possibility of selling their property in order to secure better living conditions for their families and themselves and there are a number of reasons for this to occur: 33.54% of the respondents were either unable of selling (tried but did not succeed) or their property was a joint ownership such that family disagreements impeded its liquidation. In this case the respondents faced

actual barriers to the liquidation of their assets due to the null market value of their assets or the problems arising from co-ownership.

People are also afraid to sell their property for a low market value and to come out of the transaction with a bad deal (11.11%) or are afraid that selling would force them to leave their home (33.33%). In these cases it is important for the policy maker to pass the message that underselling is neither necessarily bad nor true, and that modern financial tools allow for the elders to live in their own homes while gaining liquidity from them, hence education is the key.

Eventually, it is hard to address the concerns of those who wish to leave an inheritance to their children and nephews. This is because our sample deals by definition with a subset of the population that lives in economic scarcity and can hardly pay for its modest expenditures. Therefore the claim should be regarded as a lack of education, as the reverse mortgage summarizes all of these requirements: with a reverse mortgage the individual is not forced to leave his/her house, he receives a sum in cash equal to less than 50% of the value of the house and once he/she has deceased, the heirs can either repay the sum that had been previously and keep the asset, or leave it to the bank who will sell it and recover the debt and leave the heirs any leftover cash. Coda Moscarola et al. (2015) have highlighted the possible gain in terms of increases in HH income and decrease in the amount of economically vulnerable 65+ people if reverse mortgages were adopted. Namely, using SHARE wave 5 and different combinations of interest rates with different amounts of mobilized wealth, the number of older people in Italy who would be in a situation of vulnerability would decrease by 6.9% (if they were to mobilize 70% of the housing wealth at 10% interest rate) up to 16.4% (if they were to mobilize all their wealth at 4% interest rate). Furthermore, the production of cash flows by using reverse mortgages would not only reconcile the cash-wealth imbalance, but also allow for the reallocation of resources towards other vulnerable segments of the population (Coda Moscarola, d'Addio, Fornero, & Rossi, 2015).

Financial Decision Making – Table 7				
Variable	Average	Min	Max	Observations/ Frequencies
Undertaking of financial decisions		0	2	39
- The respondent alone	61.54%			24
- With the aid of family/friends	35.90%			14
- With the aid of experts	2.56%			1
Willing to receive financial counselling		0	2	39
- Yes	76.82%			25
- No	12.82%			5
- Does not know	23.08%			9
Asks his/her bank for counselling		0	1	38 ¹²
- Yes	15.79%			6
- No	84.21%			32
<i>Administration of real estate property</i>				
Considered selling property		0	1	19
- Yes	36.84%			7
- No	63.16%			12
Reasons to keep property		1	5	18 ¹³
- Afraid of underselling	11.11%			2
- Family disagreements/joint ownership	16.67%			3
- Wish to leave a bequest	22.22%			4
- Does not want to leave his/her home	33.33%			6
- Tried to sell but unable	16.67%			3

6. Concluding Remarks

Even though the respondents are quite different in terms of education, economic capability, social circle and home ownership, there are some trends that can be observed throughout the group.

All in all, the education level of the group is quite low (approximately six years of education on average), even though it is very similar to the average education level of Italian over-65, also reflecting the higher level of education of men with respect to women (ISTAT 2015¹⁴).

¹² There are 38 observations because one respondent does not have a bank account. However, he stated that if had one, he would ask his bank for financial counselling.

¹³ One respondent who is a homeowner refused to answer this question. Hence, the 18 observations out of 19 homeowners.

¹⁴ Italia In Cifre-2015, ISTAT

Our group is consistently different from the Italian population of pensioners regarding the civil status of people: in fact the rate of divorces is much higher among our respondents than among the Italian population (23.68% in our sample against 2% at the Italian population level of people in the same age group – ISTAT 2015). It was also stated by the interviewees that one common source of economic stress was divorce/separation and the abandonment of a family member (24.32% and 8.11% respectively), hence it could be the case that divorcing may make it more likely to end up in a situation of apparent economic stress later on in life.

In general, the level of financial literacy in our sample is quite low, with only 30.77% of people understanding the concept of interest rate, 33.33% grasping inflation and 17.95% with an understanding of both concepts. Nonetheless, most of our respondents are extremely wary of financial experts and receiving counsel in financial matters. In fact, even though most of the respondents stated that he/she would accept financial counsel to improve their financial situation, this acceptance is hardly ever seen in practice: the trust level in financial institutions is the lowest of all (1.95 out of 4, between no trust and poor trust) and only one person in the whole sample stated that he would go to an expert if he were to make financial decisions, while the rest would turn to family members (35.90%) or undertake the decisions alone (61.54%). The link between financial illiteracy and retirement preparedness is well known in the literature; in fact, the attention necessary to manage one's wealth increases as people enter retirement. However, few people have a basic understanding of the necessary financial tools to do so, both in Italy and abroad (Lusardi & Mitchell, 2007). It is commonly accepted that a more thorough knowledge of financial instruments could help older people as well as anyone making saving decisions for the future to smooth consumption over the lifecycle, hence the importance of devising understandable financial tools as well as increasing the scope of programs aimed at financial education.

By combining the information on their education level, financial literacy and decision making process, it appears that the people we interviewed need financial counselling and on some level are eager to accept it, but the approach that has been undertaken so far is

not working. In fact it seems that these people deem non-profit institutions more trustworthy, putting the responsibility of advising the older people in the hands of who takes care of them: their children, social services and volunteering organizations. This finding confirms that the final target of the financial kit has been centered: social operators who work with older people and are in a relationship of trust with them should be the ones advising them on how to manage their assets. Unfortunately, there is no ready-available solution when it comes to instructing the children of the respondents, as this group of people is extremely diverse and often they have economic troubles of their own. However, the Ufficio Pio model is theoretically sound: many of the volunteers of the foundation had a career in banking and finance and they are, in fact, well seen by the older people that they take care of. The Ufficio Pio social operators well fits the combination of competence in financial matters and human closeness that is necessary to give the older people the relevant information.

Regarding the real estate and chattel assets that are owned, the survey and the financial documents that we have acquired show a slightly contrasting picture: according to the respondents, they hardly have the money to cover bills and are afraid of falling ill because they would not know how to face the medical bills (qualitative information in the survey). A separate analysis of their financial situation shows that most of the respondents have real estate assets (9 out of 39 own real estate for over €100,000 of the non-commercial value) and those who have very low levels of real estate compensate with higher levels of chattel property. This latter picture suggests that these people are unable to manage their assets, forcing them to live in poverty. A deeper look at their financial management however shows a less extreme picture: 46.15% of the respondents live in a house that they own, even though 36 out of 39 respondents have some sort of real estate assets. Hence it seems that 17 out of 39 live in a house that is not their own yet they own real estate; qualitative information in the survey suggests that most of these people own non-housing real estate (garage, storing space, land) or own portions of houses together with other family members. These people are quite vulnerable because their assets are quite illiquid and have relatively lower yields, making their owners afraid to undersell and utterly incapable of liquidating them in general.

Many respondents in our sample do not know how they would deal with economic shocks (65.79%) and a few of them already asked for a loan but were refused. This suggests that there is a lack of financial instruments in the private sector and probably the greatest improvement that can be made in this respect would be to increase the chances of liquidation of the asset where there are more owners. In other words, it is advisable at a national level to devise instruments that help those who own portions of real estate to liquidate them.

The respondents have appeared wary of liquidating their real estate assets and one of the reasons not to do so that has been cited is the fear of underselling. To deal with this problem it is important to work on an educational level. In fact, most people live by the assumption that the value of real estate is ever-increasing and do not consider the possibility that use and time might lead to a depreciation of the asset. Financially speaking, the assumption of increasing returns to real estate property might be violated in favor of a more accountable depreciation-affected value: we should educate people that in the same way that a car is depreciated in time and that financial assets are exposed to volatile prices, also houses might present depreciation or volatile prices (Wheaton, 1999). In fact, the unrealistic assumption that real estate prices are supposed to increase at all times leads to a feeling of failure when the selling prices do not meet the extremely high expectations of the seller.

Eventually, most of the concerns deal with personal illness, in fact 48.72% of people are not independent in their daily routine and 15% of those who are well do not know who they would go to in case of a future lack of independence. Furthermore, most people consider personal illness (45.95%) and the illness of a family member (24.32%) as major sources of economic distress, while only 5.41% attribute such distress to the caring obligations toward others. This information shows some sort of confusion between the costs of an illness, taken care of by the national health insurance¹⁵, and the cost of caring

¹⁵ The *Servizio Sanitario Nazionale* – SSN covers all medical expenses on a progressive basis, that is, the contribution (in the form of a ticket) that one must pay for a service depends on one's ISEE and not on the cost of the service, with the people with low incomes being exonerated from payment. Furthermore, all the emergency care is provided completely for free for everyone who needs it, independently from one's income.

for the ill, which is a responsibility of the household. Of course, the cost of being ill can also be seen in terms of the opportunity cost of lost income, but it is more likely that what the respondents refer to is all the energy, not only economic, that is required to care for those who are in need.

In conclusion, the people we have interviewed are for sure in need of financial help in the sense that they have a very low amount of liquid assets; however for the segment of the sample with higher real estate assets a better administration of such would probably fix most of their liquidity problems. Regarding those who have low amounts of real estate a more directed assistance is needed; the needs of these people mostly deal with caring costs of non-independent individuals, daily expenses such as house bills and the inability to deal with economic distress. These results call for a reorganization of the available resources of both volunteering organizations and public services to deal with these issues, enabling the older people to live with their low means but also with the guarantee that there will be a safety net in case of future problems.

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APPENDIX - PHONE SURVEY

1. Name and surname of the respondent
2. Gender
3. Year of Birth
4. Citizenship
5. In which municipality or foreign country were you born?
6. In which municipality do you reside?
7. Do you have children?

Yes

No

8. If you have children, how many children do you have? How old are they? [e.g. I have one daughter who is 56 years old and a son who is 60]

.....
.....

9. Do you live alone?

Yes

No

10. If you do not live alone, who lives with you?

.....
.....
.....
.....

[leave the question open and then say “so, summing up, you live with...”

spouse

- no. ... siblings of mine or of my spouse
- no. ... underage children
- no. ... children of age
- no. ... sons-in-law/daughters-in-law
- no. ... nephews
- other (specify)

11. What is your main occupation?

.....
.....

[leave the question open and then say “hence, you are a...

- entrepreneur
- freelancer
- executive manager, public official (empl.)
- teacher (school teacher, professor) (empl.)
- office worker (empl.)
- small business owner, artisan (self-empl.)
- non-agricultural manual worker (empl.)
- agricultural manual worker (empl.)
- farmer (self-empl)
- retired
- homemaker
- unemployed or waiting for first employment
- Other (specify)

12. If you are retired, what was your main occupation when you were still active?

.....
.....
.....
.....

13. What is your main source of income?

[leave the question open and then say “hence, your main source of income is...

- direct retirement pension
- spouse’s/survivor’s pension
- labor income
- unemployment benefit
- other (specify)

14. In your opinion, how much per month would a family like yours need to live in this town, without luxury but without missing anything necessary?

We would need..... euros per month.

15. Who supports your family the most?

.....
.....

[leave the question open then say “so, summing up...

- Myself
- my spouse
- My siblings or brothers/sisters-in-law
- My children
- my sons/daughters-in-law

my nephews

other (specify).....)

16. If you are not the main contributor to your family income, which of these definitions best describes the occupation of the person who contributes the most to your family's income?

[leave the question open, then say "so this person is a...

..... entrepreneur

..... freelancer

..... executive manager, high-level public official (empl.)

..... teacher (school teacher, professor) (empl.)

..... office worker (empl.)

..... small business owner, artisan (self-empl.)

..... non-agricultural manual worker (empl.)

..... agricultural manual worker (empl.)

..... farmer (self-empl)

..... retired/pensioner

..... homemaker

..... unemployed or waiting for first employment

Other (specify)

17. If your children are of age, how many of them are economically independent?

all of them

Only ... out of.... children

I do not know

18. If you think back on your life, which events that you lived had the most negative economic impact on your life?

.....

[leave the question open and then say “hence, we can say that the negative events have been...”

- Death of a family member
- Abandonment of a family member
- Divorce/separation
- Personal illness
- illness of a family member
- bankruptcy of one’s business
- bankruptcy of the business in which I was employed
- layoff
- Addiction to drugs and gambling
- Child’s unemployment
- Need to provide economically for other family members
- Need to take care of other family members
- Other (specify).....]

19. If next month you were to face an unexpected expense of €2000, how would you obtain the sum?

.....

.....

[leave the question open and then say “so, you would...”

- use my savings
- take out a bank loan

- ask my friends and family for help
- take on overtime at work or look for a second job
- sell a family asset or give it to a pawnhouse
- I try my luck at the lottery or slot-machines
- other (specify)
- I do not know

20. Do you have problems dealing with the activities of your daily life (bathing yourself, getting dressed, eating, shopping for groceries...)?

Yes (go to 21)

No (go to 22)

21. If you answered yes to the previous question, can you tell me who helps you?

- Spouse and family members
- Social services and free, public welfare services
- external, paid help (caregiver, in-home nurse,...)
- volunteering organization
- other (specify)

22. If, in the future, you became unable to deal with the activities of your daily life (bathing, getting dressed, eating...), who would you go to for help?

- Spouse and family members
- Social services and free, public welfare services
- external, paid help (caregiver, in-home nurse,...)
- volunteering organization
- other (specify)

I do not know

23. When you undertake economic decision, you prefer to:

act on your own initiative

ask a friend or family member for counselling

Ask an expert for counselling

24. Would you like to receive suggestions on how to improve your economic situation?

Yes

No

I do not know

25. Do you ever talk to the local government employees, the workers of Caritas, Ufficio Pio or other organizations about how to improve your economic condition?

Yes

No

26. On a scale from 1 to 4 (where 1= not at all and 4= absolutely) how much do you trust the suggestions on how to improve your economic condition given by the local government employees, the workers of Caritas, Ufficio Pio or other organizations?

27. Do you have a bank or postal account?

Yes

No

28. If you have an account, do you ever ask for suggestions to your bank or post office on how to manage your savings?

Yes

No

I do not know

29. If you have an account, how much do you trust the suggestions given by your bank on how to manage your savings, on a scale from 1 to 4 (where 1=not at all and 4=absolutely)?

30. Are you or your spouse the owners of the house where you live?

Yes

No

31. If you answered yes to the previous question, how did you become the owner of the estate?

I bought it or built it with my own/my spouse's savings or with a mortgage

It was given to me as a bequest or as a donation

I do not know

I do not want to answer

32. Did you ever consider selling your house in order to have more liquidity available and be able to afford a better lifestyle?

Yes

No

33. What prevents you from selling the house?

I do not need to (economically)

sentimental value

I do not want to be forced to leave my home

Afraid of underselling (to obtain less in the transaction than the actual value of the house)

I wish to leave a bequest to my children and nephews

Other (specify)

I do not know

34. Imagine that you have 100 euros on your bank account and that the interest rate is 2% per year. If you never withdraw money from the account, how much will you have on such account after 5 years?

More than 102 euros

Exactly 102 euros

Less than 102 euros

I do not know

[I do not want to answer]

35. Imagine that the interest rate on your bank deposits is 1% per year and that the inflation rate is 2% per year. After one year, with the money on your account you will be able to buy:

More than today

As much as today

Less than today

I do not know

[I do not want to answer]

METHODOLOGICAL ANNOTATIONS

ⁱ Age as of the end of 2016, i.e. Age=2016-y.o.b.

ⁱⁱ According to the ISTAT division of Italy into north, center, south, islands, where we consider Southern Italy as South+ Islands (i.e. Abruzzo, Molise, Puglia, Basilicata, Campania, Calabria, Sicilia, Sardegna).

ⁱⁱⁱ It is inferred from living status, reasons of economic stress and qualitative information in the survey.

^{iv} The education qualification has been transformed into years of schooling (assumed continuous). An important assumption has been made, however: regarding those who declare not to have any qualification, we assumed nonetheless that they had at least two years of schooling, which would have enabled the respondents to learn basic writing and reading skills. We also consider four years of university; in fact, the 3+2 reform that increased the years of tertiary education from 4 to 5 was introduced in 1999, well after the respondents supposedly finished their education.

^v The calculation of the number of children accounts for different factors, in fact, some of the offspring of the respondents has deceased in the past years and some of them are no longer in contact with their children (children born from previous marriages etc.). To assess the difference between the number of children who were parented by the respondent and those who actually interact with the household, we computed the actual number of offspring in the household taking into consideration the unemployed (+), disabled (+), deceased (-), abandoned (-), and those who were declared to interact with the respondent (+).

^{vi} Many of those who are not independent at the moment on their daily basis also answered the question “Who would you go to in the future?”. These answers were disregarded due to the redundancy of the information. Furthermore, in most cases they answered the same as who is currently attending to their needs, making the information useless and hence droppable without creating any problems.

^{vii} Inferred from the number of children as in (v) and the people living with the respondent (spouse etc.).

^{viii} For many people their income is a combination of different types of pensions. We included the major source of income according to the official amounts as of 2016-17.

^{ix} As declared by the responses: “How many euros p/month do you need?”

^x $ISEE=ISE/vse$

^{xi} One respondent interrupted the interview more or less at this point, hence the total observations are 38.

^{xii} For the question on trust towards the *Ufficio Pio* only 34 people responded because only people who were interviewed at a later time were asked this question.