



EXECUTIVE SUMMARIES



## Portfolio Composition of Individual Investors in Finland

**W**ealth and income, in all forms, have a central role in determining people's consumption habits, standards of living and social status. During the last decade there has also occurred a switch from saving on a risk free savings account towards a more complex portfolio. Owning stocks, bonds, mutual funds, options, and other risky assets, is no longer just the domain of the rich and adventurous. Despite of this, very little is known about the patterns of property ownership in Finland.

The purpose of this paper is to research the relationship between investor characteristics and property ownership among individual investors in Finland. By using the data obtained from the Finnish tax authorities, the study also adds to the literature by introducing a unique and comprehensive data source, which has not been used by many researchers in Finland. In addition, to widen the applicability of the Markowitz Portfolio Selection model from the mere investment wealth, this paper utilises the entire range of asset classes and investigates the optimality of Finnish investors' portfolios in relation to the minimum variance frontier.

The data in this paper consist of property ownership records of 51,673 inhabitants of Finland, which represent the situation as at December 31, 2000. They are calculated according to the taxation values, and the aggregate value of total wealth is divided into nine sub-categories, i.e. (1) forest, (2) real estate, (3) apartments, (4) family enterprises, (5) foreign property, (6) shares of mutual funds, (7) private firm net assets, (8) agricultural net assets, and (9) other property. In the paper a descriptive analysis is employed to create an understanding of the wealth distribution in Finland, a regression analysis is conducted in order to identify the key drivers for wealth in Finland, and lastly, I will use Markowitz's Portfolio Selection model to examine the optimality of portfolio composition among Finnish individual investors.

The findings of this study are that half of the people in Finland own some property, the mean value of the portfolio being FIM 238,000. The results also indicate that wealth is concentrated among more senior people, that females have less property than males, and that Swedish as a mother tongue has a positive correlation with wealth. In addition Finnish individual investors don't have very optimal portfolios, but people with higher income or wealth have more optimal portfolios than others. ■