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Mutual Fund and Share Ownership in Finland

This paper uses a unique combination of data sets to document patterns in Finnish individuals' ownership of stocks and mutual funds between 2004 and 2008. Our data comes from two official registers (Finnish Tax Administration and Statistics Finland) and most of our tests cover all individual investors in Finland. Our main findings are as follows.

- At the end of 2008, 13% of Finnish individuals owned stocks and 16% mutual funds. Stock and fund owners are two largely separate groups. Only 5% of population own both stocks and mutual funds.
- Typical portfolio sizes are quite small. Conditional on ownership of stock or funds, the median stock portfolio was in 2008 worth EUR 3,658 while the median fund portfolio was worth EUR 2,567.
- Mutual fund ownership has increased in popularity compared with direct ownership in stocks. The number of individuals investing in mutual funds exceeded the number of stockowners in 2005. Given that funds tend to be much better diversified than individuals' portfolios, the increase in mutual fund ownership has made individuals' portfolios more diversified.
- The average stock portfolio has three stocks. The average number of stocks has increased over time.
- The average mutual fund owner owns two funds. About 9% of fund owners diversify their fund holdings in more than two fund families. Wealth is positively related to investment across fund families.
- Ownership of stocks and mutual funds are concentrated but ownership of mutual funds is less concentrated than ownership of stocks. In 2008, the richest 1% of stockowners owned 49.3% of individuals' combined stock wealth while the richest 1% of fund owners owned 33.1% of individuals' combined fund wealth. Ownership of funds (conditional on ownership) became more concentrated between

2004 and 2008. There is no clear historical trend in ownership concentration of stocks.

- Older investors tend to invest in stocks directly while younger investors tend to invest in them via mutual funds. Young investors tend to compensate their smaller direct shareholdings with a greater allocation to balanced funds and, in particular, equity funds.
- Wealthy individuals tend to allocate relatively more of their combined fund and stock wealth in stocks than less wealthy individuals. Wealthy investors compensate for their higher direct equity ownership by investing relatively less in balanced funds and, in particular, equity funds. On the other hand, they allocate relatively more of their assets in money market, bond, and other funds, including hedge funds.
- Men prefer riskier investments than women: men invest relatively more in stocks and equity funds and less in balanced funds, bond funds, and money market funds.
- Institutional investors, large-city inhabitants, university and business educated, wealthy individuals, and men are less likely to invest in actively managed funds, funds of funds, and funds distributed through a wide branch network. These funds have typically high expense ratios. They also are more likely to invest in funds whose fees depend on fund performance. ■