



Sveriges lantbruksuniversitet
Swedish University of Agricultural Sciences

Department of Economics

Retirement pension

- A comparison between Swedish farmer and non-farmer
business owners

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Therese Rödin and Josefin Samuelson

Summary

The Swedish retirement system is hard to understand. The decisions about retirement must be applied on an individual basis. Business owners are not protected in the same way as employees. Employees usually get national retirement and occupational pension automatically from their employer. Business owners have to make their own decision to plan for their retirement savings. This study concerns the retirement planning of Swedish small business owners, comparing farmer and non-farmer business owners. It explains possible differences in their decision-making as concerns retirement pension.

The decision-making process is the basis of this study. The process includes *individual preferences*, *psychological processes* and *environmental influences*. The aim of this study is to provide theoretical explanations to possible differences between Swedish farmer and non-farmer business owners' decision-making as concerns retirement pension. The investigation provides knowledge that makes it possible to see a pattern of behavior in decision-making about business owners' retirement pension.

This study needs quantifiable data. A web-based questionnaire was sent by e-mail to 27,101 members of Småföretagarnas Riksförbund (The Federation of Swedish Small Businesses). To fulfil the aim of this study the data was compared to a previous study on Swedish farmer business owners.

One of the most common and flexible techniques for statistical hypothesis testing is chi-square, which is used in this study to see if there is a correlation between two variables. In this study the maximum allowable level of significance 0.05 was used.

The results from the hypothesis testing show that non-farmer business owners think it is more important to save for their retirement than farmer business owners. Another observation is that farmer business owners will retire later than non-farmer business owners.

The conclusion of the study is that non-farmer business owners are more prone to actively plan for their retirement savings the more complex the retirement scheme is. Both non-farmers and farmers are more willing to search for information about retirement planning if they are interested in the topic and if they already have some knowledge about the topic.

Non-farmer business owners have a higher level of education than farmers. The higher level of education does not increase the knowledge about retirement savings. Another conclusion is that farmer business owners retire later than non-farmer business owners. Non-farmer business owners think it is more important to save for their retirement than farmer business owners. Family and friends do not influence how actively non-farmer nor farmer business owners plan for their retirement. Non-farmers find retirement planning more important than farmers.

Sammanfattning

Det svenska pensionssystemet är komplext. Beslutet om en framtida pension måste göras på en individuell nivå. Småföretagare är inte skyddade på samma sätt som anställda. Anställda i Sverige får vanligtvis allmänpension och tjänstepension automatiskt från arbetsgivaren. Därför måste småföretagare ta ansvar för att planera för sitt pensionssparande. Denna studie fokuserar på svenska lantbrukare och icke-lantbruksföretag för att förklara eventuella skillnader vid beslutsfattande gällande ålderspension.

Beslutsprocessen är grunden för denna studie. Den inkluderar individuella preferenser, psykologiska processer samt omgivningens påverkan. Syftet med denna studie är att ge teoretiska förklaringar till eventuella skillnader mellan lantbrukare och icke-lantbruksföretagare vid deras beslutsfattande gällande ålderspension. Undersökningen ger kunskap som gör det möjligt att se ett beteendemönster i besluten om småföretagares ålderspension.

I denna studie behövs data som är kvantifierbara. En webbaserad enkät skickades via e-post till 27,101 medlemmar i Småföretagarnas Riksförbund. För att nå syftet med denna studie jämfördes data med en tidigare studie om svenska lantbrukares pensionsplanering.

En vanlig och flexibel hypotesprövnings metod är chi-två testet som tillämpats i denna studie för att se om det finns en korrelation mellan två variabler. Den högsta tillåtna signifikansnivå för denna studie är 0,05.

Resultaten från hypotesprövningarna visar att icke-lantbruksföretagare tycker att det är viktigare att spara till sin pension än lantbruksföretagare. Vidare går lantbruksföretagare i pension senare än icke-lantbruksföretagare.

En slutsats är att icke-lantbruksföretagare är mer benägna att aktivt planera för sitt pensionssparande ju mer komplext pensionssystemet är. Både icke-lantbrukare och lantbrukare är mer villiga att söka information om pensionsplanering om de är intresserade och om de redan har kunskap om ämnet.

Icke-lantbruksföretagare har en högre utbildningsnivå än lantbrukare. Högre utbildningsnivå ökar inte kunskapen om pensionssparande. En annan slutsats är att lantbruksföretagare går i pension senare än icke-lantbruksföretagare. Icke-lantbruksföretagare tycker att det är viktigare att spara till sin pension än lantbruksföretagare. Familj och vänner påverka inte hur aktivt småföretagare planerar inför sin pension. Icke-lantbrukare tycker oftare att pension är viktigt än vad lantbrukare tycker.

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1 Introduction

1.1 Problem background

A decision is a choice between different alternatives and the goal is to choose the best alternative for the individual or the business. How to plan the retirement is a decision a business owner needs to make on an individual basis. When a business, or an individual, must make a decision they have to combine information from many sources. However, it is difficult for humans to handle many pieces of information simultaneously (Björklund & Nilsson, 2014).

Owners of small and medium-sized businesses often experience that the retirement system is hard to understand (www, Länsförsäkringar, 2016). There are many small and medium-sized enterprises (SME), accounting for two thirds of the employment in Europe (Svenskt näringsliv, 2010). SMEs in Sweden employ 1.64 million individuals, which is more than 60 % of the total number of employees in private companies (Svenskt näringsliv, 2010). Within companies with a maximum of twenty employees, one third does not make occupational depositions for the retirement (www, Länsförsäkringar, 2016). How people behave in the surroundings can influence how the individual acts around occupational pension.

Behavioral factors play a dominant role when the individual makes a decision. According to Lee et al. (1999), behavior is learned and inherited, the action result from both conscious and unconscious behavior. Hence, behavior can be linked and formed to personality. Factors that influence behavior can be culture, motivation, attitudes, social background, physics and gender (Lee *et al.*, 1999).

Whether the decision-maker is an employed manager or a business owner is another factor that affects the decision. The employed manager has to generate as good capital return as possible and avoid bad investments to make the board satisfied. The situation is different for the business owner because the firm's financial position is closely related to the personal finances (Björklund & Nilsson, 2014). Another difference between an employed manager and a business owner is risk-taking. The employed manager is more willing to take risks because they do not risk their own money (Björklund & Nilsson, 2014).

A sufficient and assured stream of income is an essential condition for successful retirement, and it is important to make financial provisions before reaching the age of retirement (Asseldonk *et al.*, 2010). The standard retirement age in Sweden is 65 years of age. More than 50% of the total workforce retires before this age (Holmberg & Thelin, 2010). However, in a social and economic perspective it would be better if people still worked after the age of retirement. If people retire later society might be healthier and stronger (Holmberg & Thelin, 2010).

The retirement plans are more deliberate the older the entrepreneurs are (Credit Suisse AG, 2009). The likelihood to omit the retirement planning is greater the smaller the company is. Almost 63% of all owners of microenterprises have not yet made any provision for the retirement, which can be compared to large companies where 24% have provisions for retirement (Credit Suisse AG, 2009). Almost one third of all entrepreneurs over the age of 65 have not yet provided for their retirement.

Many farmers are seeing themselves as “farmers” and not as business owners. It is more a lifestyle than a job (www, Lantbruk, 2016). For a lot of farmers the farm has a symbolic value such as freedom, family connections, identity, security and pride (Westholm, 1992) Emotional ties can be an incentive not to sell the farm. Personal memories linked to the farm or the area can also be a reason to keep the farm within the family (Grubbström, 2011). The average age for farmers in Sweden and Europe is increasing. It is the highest average age for Swedish farmers ever (www, LRF konsult, 2015).

Specific living conditions or cultural factors might be of importance for retirement planning (Holmberg & Thelin, 2010). The retirement age and the ability to stay in work are influenced by economic, socio demographic, work, cultural and health-related factors. The proportion of farmers who are still working after they have turned 65 years old is 64%, compared to non-farming entrepreneurs where the proportion is only 33%. Thus, farmers continue to work full or part time around the age of retirement to a larger extent than employees (Holmberg & Thelin, 2010). Only 40% of the farmers over the age of 65, plan to hand over to the next generation in the immediate future (www, LRF konsult, 2015).

Retirement planning is one of all decision a small business owner needs to take a stand on. They are, however, likely to act differently depending on various conditions i.e. the retirement age may vary between different industries. Whether small business owners behave differently in their retirement pension planning, and why they act so, constitute a problem to be investigated in this study.

1.2 Problem

The Swedish retirement system is complex and hard to understand and the decision about the future retirement must be applied on an individual basis (Asseldonk *et al.*, 2010). Above all, it may be difficult for business owners because they are not protected in the same way as employees.

Hence, business owners need to take responsibility for their own retirement pension to receive the same retirement pension as if they were employed. They need to extract repayment, pay charges, taxes and save for their future retirement pension. The retirement pension has three parts: *national retirement pension*, *occupational pension* and *private pension* (www, Pensionsmyndigheten, 2016, 1). It has been found that many farmers continue to work into old age. They have to work because they have not planned for the retirement pension (www, ATL, 2003).

To earn to their national retirement pension the business owner needs to take out a taxed salary (www, Pensionsmyndigheten, 2016, 2). One reason for the low salary withdrawal can be that the farmer lives on what the farm generates. Many farmers live and spend their time at the farm and therefore prioritize investments instead of high salary withdrawal (www, Lantbruk, 2016).

The occupational pension is a complement to the national retirement pension and the private pension. The employer pays the occupational pension for the employee, which can amount to half of the retirement. Many risk also being less protected by prolonged illness, accident and death in case of no occupational pension (www, Länsförsäkringar, 2016). Business owners get not occupational pension as most employees. Instead business owners have to save from their income in the long term savings to get an equivalent occupational pension (www,

Pensionsmyndigheten, 2016, 2). The conditions for the individual firms to be able to charge a profit, which can be taxed and contribute to the national retirement pension, the result needs to be positive. A company's action regarding occupational pension has consequences both for society and for themselves (www, Länsförsäkringar, 2016).

The retirement pension can also be disregarded because it seems far away and there is probably a lack of knowledge. This study concerns Swedish farmer and non-farmer business owners, explaining eventual differences in their retirement planning.

The next section examines various concept that are contained in this problem. These concern the concept of small business owner, factors that may explain eventual differences between the farmer and non-farmer business owners' retirement planning, choice of theoretical basis (for example stages in the decision-making process), and the approach of an empirical study to uncover and explain the differences between the two categories of business owners.

1.3 Problem analysis

1.3.1 Small business owner

The literature often defines small and medium sized businesses (*SMEs*) as having up to 250 employees. This study focuses on *micro- and small sized enterprises*, which are sub-groups of SMEs. Micro firms have fewer than ten employees. The annual turnover may not exceed EUR 2 million or a balance sheet total less and equal to EUR 2 million. Small sized enterprises have 10 to 49 employees. The annual turnover may not exceed EUR 10 million or a balance sheet total less or equal to EUR 10 million. In SMEs, medium-sized enterprises are included but this study does not consider these (Svenskt näringsliv, 2010).

It is common to name the owner of a business as a businessman or a businesswoman. In this study the term of *business owner* is chosen, to be gender neutral.

Entrepreneur is a concept normally signifying a person who has started a business. This study concerns, however, business owners' retirement pension planning without regard to the age of the firm and its degree of innovativeness (Landström & Löwegren, 2009). Hence, the concept of entrepreneur is not used. This study focuses on small business owners who are farmers and non-farmers.

The study focuses on various *legal forms of business*. The retirement system is structured in the same way regardless of whether the firm is a proprietary firm, a partnership, or a limited company. The existence of a collective agreement determines if there is an occupational pension or not, and the business owner decides whether the company should have a collective agreement or not. A company can have an occupational pension even if there is no collective agreement but it is still the business owner who decides whether to have it or not. The study takes into account that a limited company does not need to be 100% owned by one owner, but in this study the term *business owner* will be used.

1.3.2 Differences between farmer and non-farmer business owners

There may be differences between different categories of business owners as concerns their retirement pension planning. Such differences are of interest in this study. The study does, however, not only identify various attributes that may exist in different business owner

categories but it is also important to explore some reasons behind the different patterns. Possible differences, which can be detected during the study between the different sectors can have many different causes. Some business owners may have to work longer because of financial reasons. Another reason can be locked-in situation, the business owner is locked to a specific asset.

1.3.3 Theoretical explanations

The reasons behind the different decision-making patterns among farmer and non-farmer business owners must be identified with the help of some theoretical tools.

The problem can be studied by using relevant parts of *behavioral theory*. Especially relevant part is the decision process, as a business owner goes through in connection with their retirement planning. Thus, does not refer to all steps in the *decision-making process* because the actual decision is often not taken. Behavioral theory also includes factors that affect the decision-making process, as individual behavior, value, ethic, group behavior, education, norms, traditions and family influences. These factors are central to the study. Another theory, which explains how individuals make decision, is economic theory and especially the new *institutional theory*. The new institutional theory includes that individuals have limitations in their decision-making. These theories are used to get a better theoretical depth in the study. Individuals have in varying extent become locked-in. They have acquired assets that are specific for different purposes, also known as asset specificity.

1.3.4 Empirical study

The theories form the basis to investigate possible differences between farmer and non-farmer business owners as concerns retirement pension planning. A study about farmers' deliberations in connection with retirement planning has been conducted by Johansson (2016). She used behavioral theory, more precisely the first steps in the decision-making process. Data from her study may be re-used in the present study, which is to say that the empirical data to be collected originates from non-farmer business owners in a variety of other industries where small-scale business are prevalent.

The data about farmer business owners' decisions on retirement planning and corresponding data from non-farmer business owners may be compared. Linking the observed differences to a number of potentially explanatory variables may provide explanations to the observed differences.

1.4 Aim

The above sections put forward arguments, which contain some conclusions. Two key aspects are in focus. First, the study should provide an understanding of the behavioral of small business owners. Second, it should examine the importance of levels of locked-in situations, i.e. how the business owners are affected by previous investment decisions.

The aim of this study is to provide theoretical explanations to possible differences between Swedish farmer and non-farmer business owners' decision-making as concerns retirement pension.

An ambition with the study is to create an awareness of potential differences between farmer and non-farmer business owners' as concerns their decision-making regarding retirement savings. The findings hopefully will be useful for advisors to small business owners.

1.5 Approach

In chapter 2, the Swedish retirement system structure is presented to get a basic understanding about the subject. The chapter also introduces previous data collection from farmers together with a presentation of non-farm business owners. Furthermore, in chapter 3 the theories that underpin the study are present; Behavioral Theory and Transaction Cost Theory. A number of hypotheses based on these theories, which will be tested through the empirical study are present.

Chapter 4 presents methodology for the empirical study and how the choice of approach affects the result. In Chapter 5, the results are presented and analyses based on the hypotheses. Chapter 6 discusses the empirical data with the theoretical basis. Chapter 7 consists of conclusions from the study based on the empirical findings.

2 Empirical bases

2.1 The Swedish retirement system

The Swedish retirement system has three parts *national retirement pension*, *occupational pension* and *private pension* (www, Pensionsmyndigheten, 2016, 1). The different parts are illustrated the pyramid in *figure 1*. The pension usually comes from different directions. *National retirement pension* comes from the pension authority¹, *occupational pension* is coming from the employer and the last part is *private pension* (www, Pensionsmyndigheten, 2016, 1).

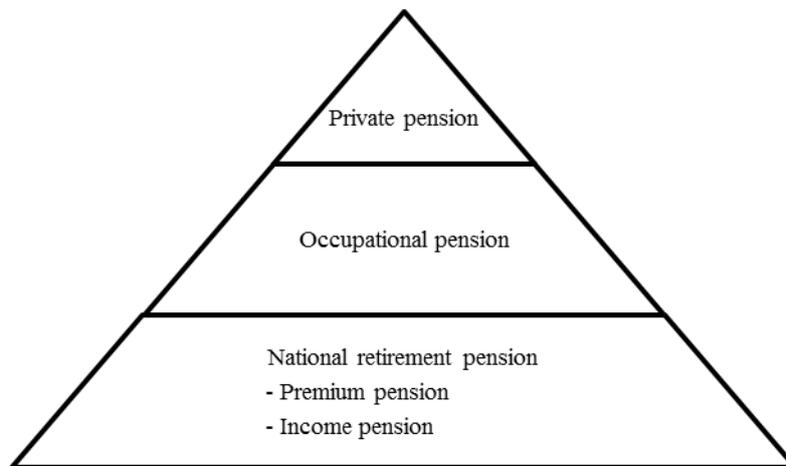


Figure 1. Model of Swedish retirement system (Source: Pensionsmyndigheten, own processing)

2.1.1 National retirement pension

Everyone who has lived or worked in Sweden receive national retirement pension, based on all accumulated income they have paid tax on. This compensation also implies income, such as parental allowance, unemployment or sickness (www, Pensionsmyndigheten, 2016, 3). The national retirement pension is the state pension, which the Pension Authority is responsible for. The national retirement pension is divided into two parts, which consists of premium pension and income pension. Each year an amount equals to 18.5% of the salary and other taxable benefits are deposited to the national retirement pension. Of these, 18.5%, the income pension consists of 16% and 2.5% of premium pension (www, Minpension, 2016, 1).

Guarantee pension is an additionally part, which includes in the national retirement pension. The guarantee pension is a basic protecting for people with low income or no income at all. To be qualified for the guarantee pension it requires that the person has lived in Sweden in 40 years and the person also needs to have an age of at least 65 years (www, Minpension, 2016, 1).

¹ Pensionsmyndigheten in Swedish

2.1.2 Occupational pension

Addition to national retirement pension most of the people who work also have occupational pension through their employer (www, Pensionsmyndigheten, 2016, 4). Unlike the national retirement pension the individual will receive pension on income exceeding 7.5 income base amount (acronym IBA) if you have occupational pension (www, Minpension, 2016, 2). In Sweden, there are four big different pension insurance. What kind of pension insurance the employee belongs depend on workplace and if the employer has collective agreement. In Sweden, approximately 90% of the employees have collective agreement related to the occupational pension. The employer can also have another occupational pension solution, which not includes collective agreements (www, Pensionsmyndigheten, 2016, 4). The occupational pension consists of different parts such as retirement pension, health insurance and survivor benefits. Business owners do not have occupational pension. Hence, it is their own responsibility to compensate for the occupational pension. It can be mentioned that students and unemployed do not get occupational pension.

2.1.3 Private pension

Except national retirement pension and eventual occupation pension, many individuals also save for private pension. *Figure 1* illustrates the private savings in the pyramid (www, Minpension, 2016, 3). Private pension is optional and each individual decides if they need to complement the other parts in the retirement system. Banks and insurance companies can provide information about private pension (www, Minpension, 2016, 3). Without private pension the retirement only amounts to approximately 65% of the salary (www, Pensionsguide, 2016). The deductibility for the private pension was abolished from the Swedish law in year 2016. Thus, private pension insurance and individual retirement savings are no longer deductible in the income-tax return (www, Pensionsmyndigheten, 2016, 5). Other rules apply to business owners and those who have no occupational pension. There are different options to long-term private retirement savings, investment savings account², capital redemption policy³ or amortize on housing mortgage loan (www, Pensionsmyndigheten, 2016, 5).

2.2 Opportunities and risk

An owner of proprietary business can conduct either active or passive, which affect the business tax. A business is active if the business owner has been worked in the business for at least one-third of full-time employment. Otherwise, the business is passive (www, e-economic, 2016). In an active business activity a payroll tax normally should be paid on the income, which results in social benefits. In a passive business activity payroll tax is not paid, instead a special payroll tax is being paid. Special payroll tax does not entail social benefits. A business owner only has the right to basic allowance and deductibility of pension insurance premiums if the business is active (www, e-economic, 2016).

According to deductibility rules in 2016, business owners and those who have no occupational pension may deduct 35% of the income. The maximum amount to be deducted is ten price-related base amount, which corresponds to 443,000 SEK each year. The business owner who earns less than 36,933 SEK per month is not deducting private pension (www, Pensionsmyndigheten, 2016).

² Investeringsparkonto in Swedish

³ Kaptitalförsäkring in Swedish

Business owners, which are owner of a proprietary business, are usually approved for F-tax. When they are approved for F-tax card the business owner is responsible to pay taxes and social contributions on the compensation for the performed work (www, Skatteverket, 2016, 1). Today, there are approximately 490,000 business owners, which are approved for F-tax in Sweden (www, Ekonomifakta, 2016). Legal persons such as limited companies and partnership normally have F-tax (www, Skatteverket, 2016, 1).

Employees have A-tax, which means the employer pays for taxes and social security (www, Skatteverket, 2016, 2). An individual, who is both the owner of a proprietary business and employed should be approved for both F-tax and A-tax, called FA-tax. The employer deducts taxes and *employer's contributions*⁴ on the income. The employer is also responsible to pay taxes and *payroll tax*⁵ for incomes in the business activity. The authorization for F-tax is only allowed to use in business activity (www, Skatteverket, 2016, 1).

2.3 Previous data collection

2.3.1 Farmers' retirement pension

Previous the study "Farmer's Retirement Pension- how social aspects and information collection affect farmers' retirement planning" has been done (Johansson, 2016). The study focused on Swedish farmers. The data originated from members of *The Federation of Swedish Farmers (LRF)*. The sample was taken from members with forestry, livestock- and crop production. There were randomly 3,000 farmers selected by a method, which called *unbound random selection*. This method implies that the probability to be selected is the same for each farmer. The results indicate there are strongly correlation between the property's loan-to-value (LTV) ratio and the farmer's retirement pension. Farmers with a low LTV on their property tend not to save for the pension compared to farmers with a high LTV on their property. Farmers with leased land indicate to save more money for the retirement. Farmers who own their land are seeing their property as their pension saving (Johansson, 2016).

The results of the study also indicate there is no impact of educational level in the decision-making about the retirement savings. Farmers' interest in business-related issues and their knowledge about retirement savings are linked (Johansson, 2016). The more knowledge the farmer has the more urgent he or she is to search for more information about the topic, retirement savings. It also appears from the study that farmers do not talk about pension-related issues with friends and family. There is no relation between pension saving and potential successor.

2.3.2 Swedish farmers and the Federation of Swedish Farmers (LRF)

In Sweden 400,000 people own an agricultural property (www, LRF konsult, 2016). Today it is 67,000 agricultural enterprises in Sweden. Of these only 16,000 requires a job performance equivalent to a full-time job compared to 30 years ago when there were 40,000 full-time agricultural enterprises (www, Jordbruksverket, 2016). Agriculture and related industries account for 1.25% of the employment in Sweden.

⁴ Arbetsgivaravgift in Swedish

⁵ Egenavgifter in Swedish

The Federation of Swedish Farmers (LRF) is a business and interest organization operating within the green industry (www, LRF, 2016). There are approximately 150,000 members in LRF and they represent 90,000 enterprises. In Sweden, LRF is the largest organization for small businesses. The members operate in 63 branches of businesses. Most of the cooperatives within forestry and agriculture are also members of LRF. The federation is an independent organization and is not associated to any political party. LRF is financed by membership fees, business operations and returns on its asset (www, LRF, 2016).

2.4 Non-farmer business owners

2.4.1 Small businesses

Small businesses have been an important incentive for the Swedish economy during the last 20 years. During this period, approximately 90% of all jobs are created in small businesses in Sweden. The small businesses are therefore important for the Swedish economy (www, Företagande, 2016). In Sweden, 99.4% of all private companies are small businesses, with less than 50 employees. The corporate structure in Sweden dominates of small businesses. Small businesses are large employers on the labor market. In the private sector 46% work in a company with fewer than 50 employees. The majority, about 75%, of all companies in Sweden do not have any employees. Companies with less than 50 employees are accounting for about 40% of the industry's contribution to the gross domestic product (GDP) (www, Ekonomifakta, 2016). It is almost the same as the large companies contribute to.

There are some disadvantages of running businesses in Sweden. When business owners are sick they have to pay for their own sick pay. Therefore, only 63% of all business owners take out their sick days, because they cannot afford to be sick. This means that the business owner needs to have a buffer in case of sickness, (www, Ekonomifakta, 2016). A business owner has no occupational pension or paid vacation, which is also seen as an uncertainty for the business owner.

2.4.2 The Federation of Swedish Small Businesses

Småföretagarnas Riksförbund (The Federation of Swedish Small Businesses) is a relatively new association, operated and created by small business owners. It is independent and nationwide, working to support business owners with focus on small businesses. The federation is etic, religious, culture and party political uncommitted. The Federation of Swedish Small Businesses pursues advocacy for liberal market economy, rule of law, individual ownership, promote the development of entrepreneurship and international integration. The members are available in all business categories but are greatest in trade, construction and manufacturing. The members and their requests of better conditions and prerequisites are the basis for the association (www, Småföretagarnas Riksförbund, 2016, 1). The mission is to represent Sweden's small business owners, to the decision-makers at all levels (www, Småföretagarnas Riksförbund, 2016, 2).

The management consists of a board appointed by the federation meeting according to the federation constitution. The board is caring for all the nutrition policy activity on mission of members with the chairman as coordinator. The federation is located in Höganäs and is managed by the chairman, Leif Svensson, with a full-time secretary and two full-time clerks. These persons handle all administration and contact with members. They are also working to update the register of members (www, Småföretagarnas Riksförbund, 2016, 1). The

Federation regularly sends out newsletter to their members with membership offer and opinion surveys (www, Småföretagarnas Riksförbund, 2016, 3).

2.5 Summary

Chapter 2 has described the existing retirement system in Sweden. There are many factors that affect the final retirement pension. Small business owners have an important impact on employment in Sweden. The largest part of all employment in Sweden takes place within the SMEs where occupational pension is often missing. Therefore, the small business owners and the employees need to take responsibility for their occupational pension.

3 Theoretical framework

3.1 Outline

The aim of this study is to provide theoretical explanations to possible differences between Swedish farmer and non-farmer business owners' decision-making as concerns retirement pension. Decision-making theory comprises factors that influence individuals' decisions. Such factors induce individuals to make different decisions in the same situation depending on what influences the individual. The theoretical basis explains in what ways individuals are different and why they make different decisions. It is important for individuals because the decision about the retirement pension affects their future.

The process of decision-making is the basis of this study. It includes individual preferences, psychological processes and environmental influences. The study takes into account that individuals have limitations for their decisions, much dependent upon previous decisions. They may be locked-in into a specific behavioral pattern due to certain types of asset specificity. The individual's previous decisions influence of the above-mentioned concepts and thus the future decisions. These are general explanations of individuals' behavior. The chapter final section presents the study's hypotheses based on the theory.

3.2 Human decision-making

When an individual experiences a need for something this problem should be solved and the decision-making process starts. Humans' minds during the decision process may be illustrated as in a *decision process model*. *Figure 2* shows the seven types of activities, which are included in the model; need recognition, search for information, pre-purchase evaluation of alternatives, choice, consumption, post-consumption evaluation and divestment. This study focuses on the two first steps, *need recognition* and *search for information*, because the final decision about retirement pension has not yet been made when the data is collected.



Figure 2. *Decision-making process model* (Blackwell at al., p. 70, 2006 modify by Johansson, 2016)

3.2.1 Need recognition

When an individual feels that there is a difference between a current state and an ideal state a need recognition occurs. Individuals buy things if they think that the product can solve a problem and they think the problem solving is worth more than they pay for it. A product or a service that does not solve a specific problem for an individual, will fail. Recognition of not

satisfied need is the first step in a problem solving process (Blackwell *et al.*, 2006). *Figure 3* illustrates how the need recognition influences individuals. Individuals have different memories, which influence the need of recognition. Individuals' differences as concerns attitudes, motivation and personality affect the need recognition. Environmental culture and social class influences can be family (Blackwell *et al.*, 2006).

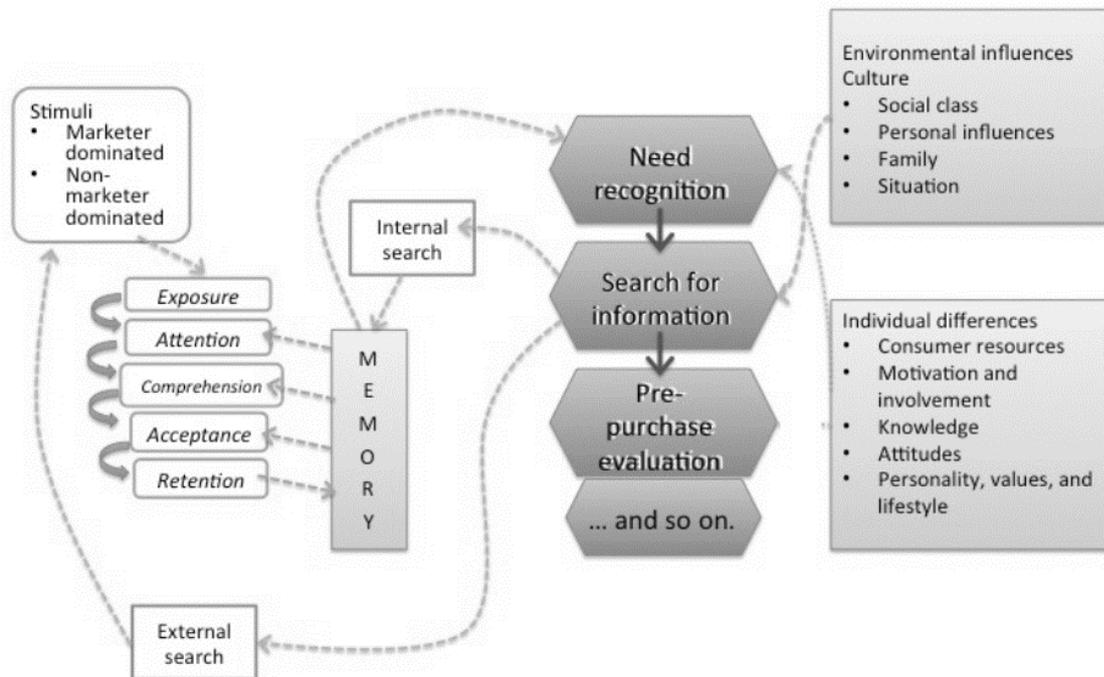


Figure 3. Model of the first three stages in the process of human decision-making (Blackwell at al., p. 80, 2006 modify by Johansson, 2016)

3.2.2 Search for information

When a need recognition occurs, next step is to search for information to find a solution to the problem (Blackwell *et al.*, 2006). Individuals search information about how to satisfy their unmet needs. The search process may be internal or external. *Figure 3* illustrates the search process. The internal information is collected through perhaps genetic tendencies or retrieving knowledge from the memory. An individual may also search information externally such as from the family, marketplace or colleagues. An individual searches information in different ways depending on the situation. Sometimes an individual searches more passively, by this becoming more receptive to information around them. In other situations the individual may be more committed, such as searching on the Internet or paying attentions to ads. The purpose of the searching process is to find a solution to the problem (Blackwell *et al.*, 2006). Thus, the purpose is not to find information about a particular product.

Individuals need to search among different sources when they make a decision. The different sources can be categorized in *marketer-dominated* and *non-marketer-dominated* (*figure 3*). Marketer-dominated implies that the information comes from a supplier such as websites or

advertising. The non-marketer-dominated implies that the sources are family, friends and media.

Processing of information exists when information is received, interpreted, stored in memory and then used (Blackwell *et al.*, 2006). For the information to stick in the memory the information needs to go through five steps. *Exposure* is where the information reaches the individual. The information attracts *attention* is where the individual allocates capacity for information- processing to the incoming information. The third step is *comprehension*, the individual analyses the message. *Acceptance*, when comprehension occurs the message can be dismissed as accepted or unaccepted. The goal of a message is to change attitudes and beliefs, which already exist but it assumes that the message is accepted. *Retention* means that the information is accepted and stored in the memory (Blackwell *et al.*, 2006).

According to consumer behavior literature there are differences between experts and novices when it comes to processing information. There are differences in the ability to effectively use and assimilate information and how individuals use and embrace personal and impersonal information sources (Flink *et al.*, 1999). The expert and the novice use approximately the same amount of information but the expert is better at exploiting the relevant information.

There are different types of decision-making. This study presents three of them; *individual preferences*, *psychological process* and *environmental influences*. Next section goes deeper into individual preferences.

3.3 Individual preferences

3.3.1 Resources

Resources can be divided into *capital*, *time* and *cognitive resources* (Blackwell *et al.*, 2006). An individual's available capital, is based on the individual's income, which usually change during the path of life. Generally, young people have less available capital. An individual's opportunity to borrow money is linked to the individual's available capital. To subscribe for a loan requires both that the individual has a stability in his or her income and a collateral in assets (Blackwell *et al.*, 2006).

Time is important in how an individual experiences a product (Blackwell *et al.*, 2006). Time-consuming or time-efficient are factors that influence how long it takes to understand the characteristics of a product.

Cognitive resources, constitute the mental capacity available for undertaking information search. Individuals have to personally decide what to direct their attention to because time is limited (Blackwell *et al.*, 2006). The allocation of cognitive capacity is called attention, which consists of *intensity* and *direction*. Direction can be explained as the focus of attention. Each individual have to be selective in their choice of allocation of limited resources, because individuals cannot process all external and internal stimuli available at the same time. Some stimuli people will give attention and others stimuli will be ignored. Intensity can be explained as the amount of capacity, used to focus in a certain direction (Blackwell *et al.*, 2006).

3.3.2 Motivation

Motivation makes one individual different to another in the decision-making (Lee *et al.*, 1999). A human's motivation is an incentive, which is deeper than a human's attitudes (Blackwell *et al.*, 2006). The motivation is stimulated by a need to start an incentive, which in turn leads to a strong willingness that triggers the behavior. Needs are originating from that the individual perceive differences in their current situation with an ideal situation. Needs can divide into two categories, enjoyable- and practical needs. These categories often appear together, but it is possible to discern the motives that belong to each category (Blackwell *et al.*, 2006). Motivation associates together with commitment. If there is a strong commitment, there is often a high level of motivation. Motivation represents the endeavor to satisfy both psychology and physiology needs (Blackwell *et al.*, 2006). Interest and commitment affect the degree of information, which leads to more knowledge and make it easier to detect changes (Flink *et al.*, 1999). The study shows that individuals with higher education and age have better knowledge of financial economics. The study also shows that men have more knowledge about personal finance than women (Flink *et al.*, 1999).

3.3.3 Knowledge

Knowledge can be defined as the information that is essential to the purchase and the service, should be stored in the memory. What an individual knows or not, affects how an individual makes a decision (Blackwell *et al.*, 2006). A person's knowledge consists of the information stored in their memory, and individuals often make a decision based on their knowledge. Individuals with different level of knowledge will act different in the same situation. People with a higher level of knowledge have often a better understanding to know what qualities to look at and how evaluate the product with respect to its qualities. Thus, a person with greater knowledge of the subject makes a better decision against a person who has no knowledge about the subject. Knowledge is important in many ways. The individual knowledge affects learning and also retrieving new information (Blackwell *et al.*, 2006).

There is a potential relation between individuals' financial knowledge and their financial risk-taking (Karlsson & Sandström, 2014). Previous studies also show that the ability to handle quantitative information has a positive correlation with education and risk-taking (Almenberg & Widmark, 2011).

3.3.4 Attitudes

Attitudes play a role in determining decision style. An essential thing is that people have limitless of attitudes. Attitudes are learned from socialization processes and through the entire life (Lee *et al.*, 1999). Attitudes can be *core* or *peripheral*. Core attitudes have a propensity to be resistant to change. Peripheral attitudes will change with new information and experience. Attitudes can be defined as a readiness to respond in a certain way and is unvaried with tendencies (Lee *et al.*, 1999). Attitudes exist of two components, feeling and perception. This two components control how we want to behave, which then result in how we actually behave (Blackwell *et al.*, 2006). Consumers' attitude can be various between different areas. The attitude can be positive, neutral and negative in different extent. There is more or less difficult to change an attitude. This may depending on how long an attitude has been positive or negative, it may be difficult to change the attitude to be in a more neutral position (Blackwell *et al.*, 2006).

3.3.5 Personality, values and lifestyle

Individual's *personality* and differences affect the decision-making (Blackwell *et al.*, 2006). It is difficult to anticipate how an individual's personality influences the decision-making. Thus, it is easier to focus on the relationship between individuals' personality and their willingness to absorb information or learn something new. Individual's personality and its cognitive ability will thus be equated to a certain extent. A person who wants to learn something new has usually much easier to understand and assimilate new information.

A person who does not want to take in new information usually needs more time to understand and assimilate new information. To make it easier to absorb new information should the information be short and easy to understand. Individuals who are more likely to assimilate new information would rather have detailed and comprehensive information (Blackwell *et al.*, 2006).

Values are divided into two categories, *personal* and *social* (Blackwell *et al.*, 2006). Each individual has different values, which represent the person's perception of life and how to behave in the society. Humans are very prone to be influenced by people in their social circle. Thus, a person's values are affected of the social circle (Blackwell *et al.*, 2006).

Each individual has different *lifestyles*. A person's lifestyle is based on how the person is spending its time and money. There are economic, cultural and social influences, which contribute the quality level of a person's life (Blackwell *et al.*, 2006).

3.4 Psychological process

Motivation and behavior are changeable of an individual and therefore it is a process. *Processing of information* and the *learning process* are different processes. Learning from experiences will be presented in this section (Blackwell *et al.*, 2006).

Learning is connected to the internal processes of perception, motivation, attitude and ability. Learning is also connected to external factors such relationship, environment, punishment and rewards (Lee *et al.*, 1999). Therefore, learning is a social and an individual process, persons with the same experiences perceives a situation in different ways. The experiences of having made a good decision in a certain way affect future decisions, provided that the context was similar. The more experience that person has about a subject, the better decisions a person can make. Thus, it is a connection between learning, motivation and attitude. Psychological forces cannot be ignored when an individual takes a decision. Persons can only be aware that these forces can be occur and thus adopt strategies to reduce such forces that can influence the decision-making process (Lee *et al.*, 1999).

3.5 Environmental influences

3.5.1 Culture

Culture is a set of ideas, artefacts, values and other symbols that are meaningful and can help individuals evaluate, interpret and communicate as members of a society (Blackwell *et al.*, 2006). It is often the culture and the association that affects what values a person has. The culture differs from different countries and can affect the laws of a country (Blackwell *et al.*, 2006). The society has changed a lot, for 200 years ago people lived a "hand-to-mouth

existence". It was unusual to travel and families were self-sufficient. At that time there was no need to reflect over concepts such as ethic and culture because it was a part of the everyday life and was taken for granted (Lee *et al.*, 1999). Today it is different because of the industrialization, and the economic activity is on a global scale. The global scale has made ethical issues relevant because people have different culture background and different societies with different religion (Lee *et al.*, 1999). Culture of education has changed over time. It used to focus on learn things by heart, but today education include more questioning (Blackwell *et al.*, 2006).

3.5.2 Family

Family or household variables affect a person's decision-making. Structural variables include the age of family or household, presence of children, employment status and marital status. For example children increase families demand for food, clothing, furniture, homes and education. Three sociological variables that clarify families' purpose include *adaptability*, *cohesion*, and *communication* (Blackwell *et al.*, 2006).

Adaptability implies the ability in a family to change the role relationship, power structure and relationship rules in response to developmental and situational stress (Blackwell *et al.*, 2006). The degree of the ability determines how a family can meet challenges.

Cohesion involves the family's emotional bonds to each other (Blackwell *et al.*, 2006). The cohesion shows how close individuals are their family, the sense of separateness from or connectedness to the family members (Blackwell *et al.*, 2006).

The third sociological variable is communication. Communication, which is positive (as reflective listening, empathy and supportive comments), makes that family members share their changing needs, which are related to adaptability and cohesion. Negative communication such as criticism and double binds are communication that makes it harder to share feelings. This results in limited adaptability and cohesion.

3.5.3 Reference Groups

Individuals influence of people around them, people in their social circles and reference groups. A reference group is a group of people or a person who influences an individual's behavior (Blackwell *et al.*, 2006). The values, behaviors, attitudes and norms of the reference group have relevance for the behaviors, aspirations and evaluations of another individual. The most people follow the group's behavior and are alien to go against it. Young people are more eager to seek the approval of the group than adults. Reference groups influence individuals in different ways and highly various depending on individual properties and situations (Blackwell *et al.*, 2006). There are many different forms of social groups and the individual can belong to an amount of groups. Reference groups can be categorized in *primary* and *secondary groups* (Blackwell *et al.*, 2006). The primary group is the group that has the greatest influence of the individual. This group is sufficiently intimate to have a direct interaction, the members show similarities in behavior and beliefs. Family and friends are an example of a primary group with a strong influential. Secondary groups have more sporadic direct interaction, they are less comprehensive and have less influence in behavior. Trade unions, professional associations and community organizations are examples of secondary groups (Blackwell *et al.*, 2006).

Flink's study indicates that high-income earners do not listen to their primary or secondary group when it comes to information retrieval about investment decision. They prefer to take advice from financial magazines. High-income earners have easier to process information from personal sources (Flink *et al.*, 1999).

3.6 Assets specificity

The decision that an individual makes is partly a consequence of the assets, or resources, the individual has. To the extent an individual has assets that cannot be used for different purposes, the assets are said to have much specificity (Williamson, 1985:55). Because human, organizational and physical assets may be of different kind, it is interesting to explore various asset specificities, all of, which may hamper decisions about, for example, retirement pension (Verbeke & Kanon, 2012).

Human asset specificity

Human asset specificity implies the human has experience and experiential learning or specialized skills, which are unique to a specific transaction and costly to reproduce (Sridharan & Akroyd, 2011; Williamson, 1983). The skills a human have are probably unique to a specific business process of a commercial transaction parties. A human's specific asset is unique compared to other specific assets because slavery is illegal, therefore a firm cannot acquire a specific human and its assets. Human asset specificity can be on a low or a high level. On a low level of human asset specificity, skills are probably less unique and therefore relevant to more than one specific transaction. In a low level of human asset specificity the most knowledge are planned before the receiving of a customer's order, *ex ante*. On a high level of human asset specificity a person's skills are more unique and specialized therefore more relevant to a specific transaction. The term of high level implies that there is no existing solution and the firm must build a solution afterwards, *ex post* (Sridharan & Akroyd, 2011).

Site specificity

Site specificity can be a natural resource, which is available on a specific location and is very costly to move (Williamson, 1983). Humans are linked to the place where they live. Today it can be difficult to find a new place to live in. Site specificity is especially essential when it comes to farmers. The production is linked to the property and therefore its geographical location. Farmers probably have a high level of site specificity, because the production and the property are dependent on each other. Therefore, it can be hard for farmers to move to a new place because a locked-in situation occurs. However, businesses with mobile resources, which have free entry and exit on the market have a lower level of site specificity.

Physical asset specificity

Physical assets have an exchange value and a material existence. Usually physical assets are equipment, cash, property or specialized machine tools, which are owned by businesses (Williamson, 1983). Different businesses have different level of physical asset specificity (www, Investopedia, 2016). A business with a large material investment has a high level of physical asset specificity.

Monetary asset specificity

Some monetary assets are more flexible than others. Cash is the most flexible type of monetary assets, they are not locked-in. Funds and stocks are not that flexible and are in a locked-in situation.

3.7 Hypotheses

3.7.1 Human decision-making

1. The more complex the retirement scheme is, the more prone the business owner is to actively plan their retirement savings.

The more complex something is, the more difficult it is for human to search and assimilate information. Hence, to the complexity the human tends not to make a detailed decision.

3.7.2 Individual preferences

Knowledge

2. The higher level of education business owners have, the more likely they are to increase their knowledge about retirement savings.

A higher level of education may make it easier to absorb information related to retirement pension. Since the education contribute to effective learning.

3. The higher level of education and knowledge business owners have, the more likely it is that they can maintain their standard of living, when they retire.

A higher level of education may make it easier to absorb information related to retirement pension. Since the education contribute to effective learning. That means that educated business owners save for the retirement so they can maintain their standard of living.

4. Non-farmer business owners think it is more important to save for their retirement than farmer business owners.

Farmer business owners probably see the property as their retirement saving and therefore are not inclined to have an alternative pension saving.

5. The more interested an individual is in business matters, the more knowledge about retirement savings the individual has.

Individuals who are more likely to assimilate new information would rather have detailed and comprehensive information. Therefore, people with an interest in business matters have more knowledge about retirement savings.

Motivation

6. Business owners are more motivated to save for their retirement the higher LTV a business has.

Business owners with a high LTV on their business are more motivated to save for their retirement because that if the business owner sell the business, the surplus will be lower than if the LTV has been low. Therefore, the business owner with a high LTV cannot see the business as their retirement saving.

7. The higher interest of retirement planning an individual has, the more willing to search for information about the topic.

Human with a high interest of retirement planning are more likely to assimilate new information and would rather have detailed and comprehensive information. Because of the interest the human has easier to assimilate new information.

3.7.3 Environmental influences

Lifestyle

8. Farmer business owners will retire later than non-farmer business owners.

Normally farmer business owners both live and work on their property. Thus, their profession is seen as a lifestyle.

Family and reference groups

9. The interest to actively plan for the retirement savings, does not affect the information exchange about retirement within the family.

Business owners will be not be influenced by people around them. Even if business owners are interest to plan for their retirement they do not talk about the topic within the family.

4 Methodology

4.1 Methodological approach

The aim of this study is to provide theoretical explanations to possible differences between Swedish farmer and non-farmer business owners' decision-making as concerns retirement pension. The investigation should provide knowledge that makes it possible to see a pattern of behavior in decision-making about business owners' retirement pension. In order to develop these differences, a comparison with a previous study is made. The previous study was titled "Farmers' Retirement Pension - How social aspects and information collection affect farmers' retirement planning" (Johansson, 2016). The study had a quantitative approach and was based on a web-based survey among Swedish farmers. Therefore, the same method is used in this study. Basically the same questionnaire as Johansson (2016) used, is sent to the members of The Federation of Swedish Small Businesses.

Quantitative data collection is useful when a large amount of data is to be collected (Robson, 2011). A large number of respondents make it possible to generalize and draw conclusions with trustworthiness. The quantitative method follows a deductive approach where theories are tested. This study is based on test hypotheses, therefore a collection of empirical data is essential. The choice of approach for this study is also based on the number of respondents, therefore a quantitative approach is suitable. Because there are a lot of units to be covered, a survey research method has been chosen in this study (Denscombe, 2009).

For the collection of data in this study a qualitative approach was possible to use, e.g. by interviews of the members. A qualitative approach may be appropriate to use where the aim is to gain a deeper understanding of a specific case (Robson, 2011). In a quantitative data collection the answers of the respondents can be transformed to numbers. In contrast, the qualitative approach is more adoptable when the research aims for a small sample and deeper understanding (Patel & Davidson, 2011). Validity and significance are achievable in a quantitative approach with a large amount of data, the data is treating with statistical methods.

All the details of the study are fully pre-specified before the stage of data collection begins. This type of strategy is called *non-experimental fixed design*. Another strategy is *experimental fixed design*. The researcher's strategy is to deliberately and actively change the situation in any form. In other word the researcher manipulates one variable with another variable (Robson, 2011). Non-experimental fixed design is commonly used to measure relationships between different variables, it could be two or more variables. This study uses a non-experimental fixed design and the purpose is to clarify possible patterns regarding collection information and social aspects concerning retirement decisions (Robson, 2011). These variables are labeled as dependent variables (those where the researcher looks for change) and independent variables (those which the researcher manipulates). These variables are in this study called for *outcome variables* and *explanatory variables*. In this study, the explanatory variables (independent variables) are described as information collection and social aspects. The outcome variable (dependent variable) describes retirement planning.

There are several ways to collect the quantitative data when a survey is the research strategy: interviews, web-based questionnaires and phone interviews to mention a few (Denscombe, 2009). Questionnaires are the most productive way to collect data when there are a large number of respondents in different locations, and there is a need for standardized data and no

requirement for personal interaction (Denscombe, 2009). Another option is web-based questionnaire where the respondent has decided to visit a specific page (Denscombe, 2009). In this study a web-based questionnaire is used because there are a large number of respondents and they are spread across the country. A questionnaire makes it possible to reach a large number of respondents at the same time and the questionnaire is identical for each respondent in the survey. The identical questionnaire gives standardized answers, which is very difficult in interviews. Questionnaires are time efficient and an inexpensive option to interviews and postal questionnaires (Denscombe, 2009). In this study a complete mailing list from The Federation of Swedish Small Businesses is used to reach the respondents. It is important that the questionnaires are easy to understand for respondents and have clear instructions because there are no opportunities for follow-up questions (Robson, 2011).

4.2 Survey

4.2.1 Design

Questionnaires should be short and concise and contain questions that are relevant for the research. There are certain things that should be avoided when the questions are designed, for example: leading questions, which are questions that can affect the respondent; ask the same question twice; unclear questions; and too few answer options. A questionnaire can have open and fixed questions. This study has fixed questions, which structure answers by only allowing answers that fit into predetermined categories (Denscombe, 2009). The respondent has different categories to choose from and these can vary from two to a number of alternatives. Fixed questions provide the researcher with information, which is simple to quantify and compare. The answers are pre-coded data and are easy to analyze. Disadvantages of fixed questions are that the respondent is less able to express their attitude to the subject, and because the respondent can be frustrated at not being able to express their opinions (Denscombe, 2009). Therefore, there are comment fields in every section where the respondent can write a message if none of the alternatives is suitable. The questionnaire is complemented with an open question in the end. Open questions make it possible for the respondents to formulate the answers. By having this open question there is space for the respondents to supplement if they think the questions have missed something.

In this study Netigate is used to collect data and compiling data. Netigate is a web-based tool where questionnaires can be designed. The questionnaire begins with basic questions such as sex, age and education. The next questions are relevant to answer the aim of the study. The questionnaire concludes with an open question where the respondents have the opportunity to highlight if something important regarding retirement savings is missing. The purpose of the questions in the questionnaire is to test the hypotheses of the study. *Table 1* below shows which questions are suitable for the various hypotheses. There are questions that are not used directly to test the hypotheses. These questions are asked in order to get a better understanding of the respondent, a deeper analysis and better understanding of the results.

Table 1. Questions used to testing the hypotheses.

Hypothesis
<p>1. The more complex the retirement scheme is, the more prone the business owner is to actively plan their retirement savings.</p> <ul style="list-style-type: none"> ➤ It is easy to understand the retirement scheme. ➤ To actively plan my retirement savings is not important.
<p>2. The higher level of education business owners have, the more likely they are to increase their knowledge about retirement savings.</p> <ul style="list-style-type: none"> ➤ Which is your highest level of education? ➤ I want to improve my knowledge about retirement savings.
<p>3. The higher level of education and knowledge business owners have, the more likely it is that they can maintain their standard of living, when they retire.</p> <ul style="list-style-type: none"> ➤ Which is your highest level of education? ➤ I will have resources to maintain the standard of living as a pensioner.
<p>4. Non-farmer business owners think it is more important to save for their retirement than farmer business owners.</p> <ul style="list-style-type: none"> ➤ To actively plan my retirement savings is not important.
<p>5. The more interested an individual is in business matters, the more knowledge about retirement savings the individual has.</p> <ul style="list-style-type: none"> ➤ I find business matters interesting. ➤ I have good level of knowledge about retirement savings.
<p>6. Business owners are more motivated to save for their retirement the higher LTV a business has.</p> <ul style="list-style-type: none"> ➤ How much of your business is mortgaged? ➤ To actively plan my retirement savings is not important.
<p>7. The higher interest of retirement planning an individual has, the more willing to search for information about the topic.</p> <ul style="list-style-type: none"> ➤ Pension-related issues are interesting. ➤ I will improve my knowledge of retirement.
<p>8. Farmer business owners will retire later than non-farmer business owners.</p> <ul style="list-style-type: none"> ➤ When do you think you will stop working and become retired?
<p>9. The interest to actively plan for the retirement savings, does not affect the information exchange about retirement within the family.</p> <ul style="list-style-type: none"> ➤ I talk a lot about retirement with my family. ➤ To actively plan my retirement savings is not important.

4.2.2 Sample

This study focuses on Swedish farmer and non-farmer business owners. As noted, a previous study conducted by Johansson (2016) about Swedish farmers' retirement pension has been done. The population for Johansson (2016) was the membership of The Federation of Swedish Farmers (LRF). Thus, Swedish non-farmers are the population to examine in this study. The membership in The Federation of Swedish Small Businesses is representative for the population of Swedish small business owners. It can be a major difficulty to get responses from everybody contained in a population (Denscombe, 2009). Therefore, the researcher normally makes a selection to reduce the population. But in this study there is no selection, all the 27,101 members belong to the sample group.

The sample should be as representative as possible of the population. The larger the sample is, the greater the chance is to get a representativeness (Denscombe, 2009). The risk for errors in the generalization is reduced the bigger the sample is. Therefore, the size of the sample is a very important issue for the researcher (Denscombe, 2009). In this study the questionnaire is sent out to the entire population. Thus, there are no sampling errors.

4.2.3 Control of design and quality

To see if the questionnaire is realistic and understandable to the respondents, it is good to send out a preliminary questionnaire with an associated cover letter to a test group of a number of people (Denscombe, 2009). When the questionnaire is sent out to a test group, before the sample group, provides the possibility to change and correct details within the questionnaire. The test group consists of people with different knowledge about the topic and different background. Since the test group has different views they provide different influences to improvement. The questionnaire is also sent to the permanent secretary at The Federation of Small Businesses to get their approval before it is sent out to the respondent.

4.2.4 Cover letter and response rate

The questionnaire was sent out by e-mail, on the 30th of March 2016, by the permanent secretary at The Federation of Small Businesses. The e-mail had a hyperlink to the questionnaire (Appendix 2⁶). The respondents had seven days to answer. The questionnaire started with a cover letter (Appendix 1⁷) where the aim of the study was present. Furthermore, the cover letter stated that the questionnaire is anonymous and expects to take five minutes to answer. In the cover letter it also stated that the respondents have the opportunity to take part of the results of the study. Finally, the deadline for the members to answer the questionnaire was presented. Contact information to the authors and the supervisor enabled the respondents to ask questions.

Self-completed questionnaires often have a low response rate (Robson, 2011). Therefore, it is important to have a well-structured questionnaire so it is easy for the respondent to follow the survey. A way to increase the response rate is by sending out a reminder. Hopefully, the reminder motivates the respondents to answer (Trost, 2007). However, it will not be possible

⁶ Appendix 2 presents the questionnaire and results in Swedish.

⁷ Appendix 1 presents the original cover letter, it is written in Swedish to minimize the risk of misunderstanding.

to send a reminder to the respondents in this study because the researchers have no access to the respondents' e-mail.

4.2.5 Non-response analysis

Questionnaires have both external and internal non-response. Internal non-response means that information from respondents is missing on some questions (Holme & Solvang, 1997). To avoid internal non-response, all the questions in the questionnaire are compulsory, except the opened questions. Through the structure of compulsory questions in the questionnaire, the internal non-response is small in this study. The non-compulsory questions have no significant weight and are designed to complement the compulsory questions. The non-compulsory questions enable respondents to express the issues of the questionnaire. The external non-response includes the respondents who have not responded to the questionnaire. It is difficult to know what the external non-response depends on. One reason may be that the respondents had not the opportunity to respond to the questionnaire during the response period. *Figure 4* illustrates the number of daily incoming responses. The figure indicates that a reminder might affect the response rate.

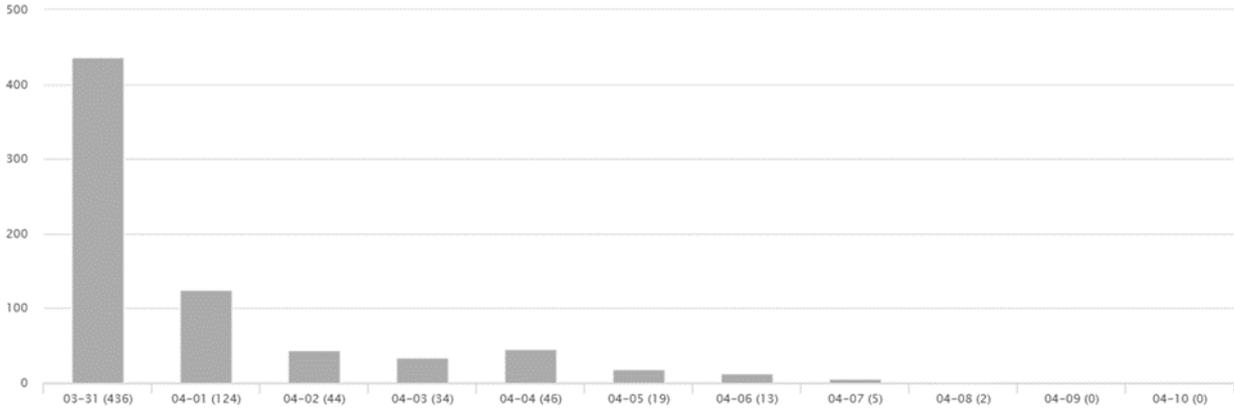


Figure 4. This diagram illustrates the number of respondents each day the questionnaire was open.

Of the 27,101 members, it was 723 respondents and 660 of the respondents completed the questionnaire. The internal non-response rate is 8.7%, which means there are 63 respondents who did not complete the questionnaire. The internal non-response is illustrated in *table 2*. The external non-response is represented of the 26,378 respondents who did not answer the questionnaire, which constitute 97.3%. This makes the response rate to 2.7%.

Table 2. Illustrates the internal non-response.

Question section	Number	Status
Background variables	0	0%
Questions for you as a small business	4	0.55%
Your employment	3	0.41%
Your pension	30	4.15%
Knowledge of pension	17	2.35%
Information about pension	8	1.11%
Open question	1	0.14%

The largest internal non-response is within the sections *your pension* and *knowledge about pension*. This is probably because these questions were demanding for the respondents. Another reason may be a lack of interest and knowledge of the subject. Thus, the respondent chooses to cancel the questionnaire.

4.3 Background variables

It was 723 respondents, of these were 75.66% male and 24.34 female. The majority of the respondents were in an age of 46-60. The most common level of education was post-secondary education. All counties in Sweden were represented among the respondents. Most common was Stockholm with 20.64% of the respondents. After that came western Mid-Sweden with 15.37% of the respondents and South province with 10.11% of the respondents. The most common business form is limited company, 66.16% of the respondents run that kind of business and 35.1% runs a sole proprietorship. The majority of respondents, 45.06%, have a business with a turnover of 1-5 million Swedish crowns.

4.4 Test of hypotheses

Statistical hypothesis testing involves using information from randomly selected judge and test hypotheses about a population (Körner & Wahlgren, 2005). A statistical hypothesis is testing if there is a correlation between two variables (Robson, 2011; Denscombe, 2009). When testing hypotheses are formulated, there are always a null hypothesis (H0) and an alternative hypothesis (H1). Two hypotheses are formulated to investigate if there is a correlation or a dependence between the variables (Körner & Wahlgren, 2005). The statistical hypothesis testing is to either reject or accept the null hypothesis.

- The null hypothesis (H0) means there is no correlation or dependence between the variables.
- The alternative hypothesis (H1) means there is a correlation or dependence between the variables.

The level of significance (p-value) can be determined by testing hypotheses. In this study the maximum allowable level of significance 0.05 has been chosen to be accepted (Körner & Wahlgren, 2005). If the p-value exceeds 0.05 means that the test is not significant therefore the alternative hypothesis (H1) is rejected and the null hypothesis (H0) is accepted. Which means that there is no correlation between the two variables in the hypothesis. The opposite, if the p-value is between 0.0 and 0.05 the alternative hypothesis (H1) is accepted and the null hypothesis (H0) is rejected. Thus, the test is significant and there is a correlation between the two variables in the hypothesis.

One of the most common and flexible statistical hypothesis testing is chi-square, which is used in this study to see if there is a correlation between two variables (Robson, 2011). The chi-square assumes that the units are equally distributed in the correlation table when there is no correlation between the variables (Denscombe, 2009). The null hypothesis assumes there is no correlation or dependence between the two variables (Bryman, 2011). The assumption is the expected value, this is the value that would be the case if the chance decided.

The main limitation by making use of chi-square test is that it requires a sufficiently large set of data and/or an adequate balance between the different categories. If one or more of the cells in a contingency table contain less than five observations, the precision of the test is likely to be poor.

5 Result and analysis

5.1 Hypothesis 1– complexity and planning

The more complex the retirement scheme is, the more prone the business owner is to actively plan their retirement savings.

Hypothesis 1 is tested on the basis of two questions, the perception of complexity of the Swedish retirement scheme and the importance to actively plan for the retirement savings.

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value for non-farmer business owners is 0.04, which means that hypothesis 1 is statistically significant. It means there is a relationship between the complexity of the Swedish retirement scheme and the importance to actively plan for the retirement savings. Thus, the null hypothesis is rejected. For farmer business owners the p-value is 0.086, which means that the null hypothesis is accepted. Therefore, there is no statistically significance in the relationship between the retirement scheme complexity and how farmers plan for the retirement.

Comparison between farmer and non-farmer business owners

Figure 5 illustrates how the two samples answered to the question about the retirement scheme’s complexity. Of non-farmer business owners, 50.67% responded that they think the Swedish retirement system is difficult to understand. Only 11.51% find it easy to understand. The farmer business owners also find it hard to understand the retirement scheme, the proportion who find it hard to understand is 51.79%. The proportion of disagreement is 10.71%. The majority of the non-farmer business owners, 62.63%, think it is important to plan for their retirement. Only 11.36% think it is not important to plan for their retirement. Of the farmer business owners, 50.71% responded that it is important to actively plan for the retirement. Only 18.57% responded there is not important to actively plan for their retirement.

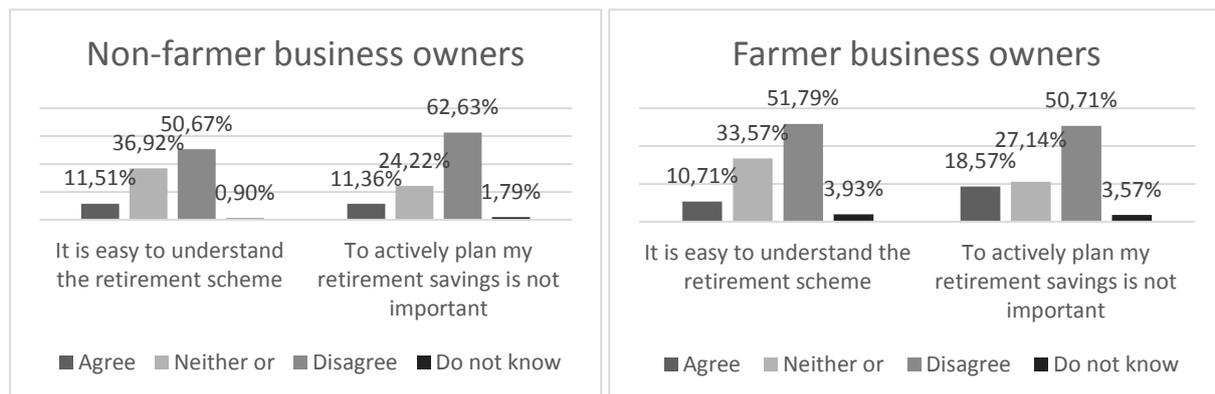


Figure 5. The samples’ answer to questions concerning retirement

Analysis

Farmers and non-farmers perceive that the retirement system is complex. The two samples have responded relatively similarly on the question, “It is easy to understand the retirement scheme”. The respondents could choose between three options, agree, neither or and disagree. Farmers find the retirement system more complex, though only marginally. Below are some

quotes from the open question where the respondents lifted the complexity of retirement scheme:

“Constantly changing rules and forms of savings makes it very difficult to structure their retirement savings in any sensible way” (Non-farmer business owners, 2016)

“It is boring and I do not understand anything” (Non-farmer business owners, 2016)

“It would be good if it was not the insanely complicated and so many loopholes” (Farmer business owners, 2015)

“Today's retirement scheme is individual, which means that much of the information is general and difficult to interpret for the individual. For information on how occupational pension can be levied you have to ask someone” (Farmer business owners, 2015)

The majority of the both samples think it is important to actively plan for their retirement savings. However, non-farmer business owners find it more important to actively plan for their retirement than farmer business owners. The share of farmers who find it not important to actively plan for the retirement is 18.57%, compared to non-farmers where the portion is only 11.36%.

In figure 5 above there is a relationship between complexity and planning in the both samples. However, the hypothesis 1 is only statistically significant in the sample non-farmer business owners.

5.2 Hypothesis 2 – education and knowledge

The higher level of education business owners have, the more likely they are to increase their knowledge about retirement savings.

Hypothesis 2 is tested on the basis of two questions, the level of education and the willingness to increase the knowledge of retirement saving.

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value for non-farmer business owners is 0.071, which means that hypothesis 2 is not statistically significant. There is not a relationship between education and the willingness to increase the knowledge about retirement saving. Thus, the null hypothesis is accepted. For farmer business owners the p-value is 0.546, which means that the null hypothesis is accepted. Therefore, there is no statistically significance in level of education and increased knowledge.

Comparison between farmer and non-farmer business owners

The majority in the both samples have post-secondary education. About half of the non-farmer business owners, 47.44%, have post-secondary education. A proportion of 40.66% answered upper secondary school and only 11.48% education from elementary school. Of the farmer business owners' have 48.1% post-secondary education, 31.5% upper secondary school and 20.4% education from elementary school. The interest of increasing knowledge was tested as a statement, “I want to improve my knowledge about retirement savings”. The respondents could choose between three options, agree, neither or and disagree. The non-farmers answered as follows: 29.90% agreed, 51.42% neither or, and 16.44% disagreed. The farmers answered as follows: 19.64% agreed, 50.71% neither or, and 25.36% disagreed.

Hence, the majority in the both samples consider themselves to have sufficient knowledge about retirement saving.

Analysis

The majority of non-farmer business owners (47.44%) and farmer business owners (48.1%) have post-secondary education. However, the number of farmers who only have education from elementary school is higher than in the group of non-farmers. Hence, the non-farmer business owners have higher education than farmer business owners. About half of the respondents in the both samples are satisfied with their knowledge about retirement saving. However, farmers are less inclined to acquire new knowledge about retirement than non-farmers.

5.3 Hypothesis 3 – education and standard of living as a pensioner

The higher level of education and knowledge business owners have, the more likely it is that they can maintain their standard of living, when they retire.

Hypothesis 3 is tested on the basis of two questions, the level of education and resources to maintain the standard of living as a pensioner.

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value for non-farmer business owners is 0.018, which means that hypothesis 1 is statistically significant. It means there is a relationship between the level of education and standard of living as a pensioner. Thus, the null hypothesis is rejected. For farmer business owners the p-value is 0.221, which means that the null hypothesis is accepted. Therefore, there is no statistically significance in the relationship between the level of education and standard of living as a pensioner.

Comparison between farmer and non-farmer business owners

About half of the respondents in the two samples have post-secondary education. Among the non-farmer business owners have 47.44% post-secondary education, 40.66% upper secondary school and only 11.48% education from elementary school. Of the farmer business owners have 48.1% post-secondary education, 31.5% upper secondary school and 20.4% education from elementary school. The resources to maintain the standard of living, as pensioner, was tested as a statement, “I will have resources to maintain the standard of living as a pensioner”. The respondents could choose between three options, agree, neither or and disagree. The non-farmers answered as follows: 49.26% agreed, 20.59% neither or, and 17.50% disagreed. The farmers answered as follows: 58.95% agreed, 23.16% neither or, and 10.18% disagreed.

Analysis

The majority in the samples answered they will maintain the standard of living as a pensioner. It is almost 10% more farmers than non-farmers who think they will be able to maintain their standard of living when they retire. Post-secondary education is the most common level of education in the two samples. However, the non-farmer business owners have higher education than farmer business owners.

5.4 Hypothesis 4 – planning

Non-farmer business owners think it is more important to save for their retirement than farmer business owners.

Hypothesis 4 is tested on the basis of one question, the importance to actively plan for the retirement saving.

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value is 0.001, which means that hypothesis 4 is statistically significant. It means there is a relationship between how non-farmers and farmers actively plan for their retirement. Thus, the null hypothesis is rejected.

Comparison between farmer and non-farmer business owners

To figure out how active business owners are to plan for their retirement they had to answer to this statement, “To actively plan my retirement savings is not important”. The respondents could choose between three options, agree, neither or and disagree. The non-farmers answered as follows: 11.36% agreed, 24.22% neither or, and 62.63% disagreed. The farmers answered as follows: 18.57% agreed, 27.14% neither or, and 50.71% disagreed.

Analysis

The majority in the samples answered they find it important to actively plan for their retirement savings. There was 62.63% of the non-farmer business owners who answered it is important to plan the retirement. However, it was 50.71% of the farmer business owners who answered there is important to plan for the retirement. There is a difference of approximately 10%. The proportion who does not think it is important to actively plan for their retirement savings is greater among farmers.

5.5 Hypothesis 5 – interest and knowledge

The more interested an individual is in business matters, the more knowledge about retirement savings the individual has.

Hypothesis 5 is tested on the basis of two questions, the interest of business matters and knowledge about retirement savings.

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value for non-farmer business owners is 0.000, which means that hypothesis 5 is statistically significant. It means there is a relationship between the interest of business matters and the knowledge about retirement. Thus, the null hypothesis is rejected. For farmer business owners the p-value is 0.006, which means that the null hypothesis is rejected. Therefore, there is a statistically significance in the relationship between interest and knowledge.

Comparison between farmer and non-farmer business owners

The majority in the both samples have answered that they find business matters interesting. On the question about business matters the non-farmer business owners have answered as follows: 75.77% interesting, 19.68% neither or, and 3.96% not interesting. On same question have farmer business owners answered as follows: 78.52% interesting, 18.66% neither or, and 1.41% not interesting. The question about business owners’ knowledge about retirement

savings, was tested as a statement, “I have good knowledge about retirement savings”. The respondents could choose between three options, agree, neither or and disagree. The non-farmers answered as follows: 26.01% agreed, 45.29% neither or, and 27.5% disagreed. The farmers answered as follows: 30.71% agreed, 48.93% neither or, and 16.43% disagreed.

Analysis

Both of the samples have a great interest in business matters, though farmers have a marginally more than non-farmers. Approximately half of the two samples think they have a satisfactory level of knowledge about retirement savings. In both samples there is a relatively small portion, about 30% who consider themselves to have good knowledge of retirement.

5.6 Hypothesis 6 – motivation and LTV

Business owners are more motivated to save for their retirement the higher LTV a business has.

Hypothesis 6 is tested on the basis of two questions, the business LTV and the business owners interest to actively plan for their retirement saving.

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value for non-farmer business owners is 0.908, which means that hypothesis 6 is not statistically significant. It means there is no relationship between the interest of retirement and the LTV level in the business. Thus, the null hypothesis is accepted. For farmer business owners the p-value is 0.357, which means that the null hypothesis is accepted. Therefore, there is no statistically significance in the relationship between interest and LTV.

Comparison between farmer and non-farmer business owners

Of the non-farmer business owners have 68.85% answered their business is debt free. This can be compared to the farmer business owners where the debt-free share is smaller, 37.2%. The question about how important to actively plan for the pension, was tested as a statement, “To actively plan my retirement savings is not important”. The respondents could choose between three options, agree, neither or and disagree. The non-farmers answered as follows: 11.36% agreed, 24.22% neither or, and 62.63% disagreed. The farmers answered as follows: 18.57% agreed, 27.14% neither or, and 50.71% disagreed.

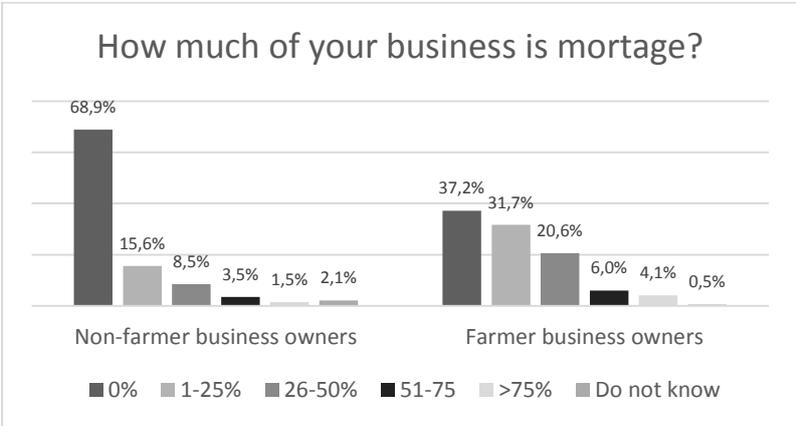


Figure 6. The LTV level for the samples.

Analysis

Non-farmer business owners have a lower level of LTV in their business than farmer. *Figure 6* illustrates the LTV level. The majority in the both samples answered they find it important to actively plan for their retirement savings. A proportion of 62.63% of the non-farmer business owners answered it is important to plan the retirement. Hence, it was 50.71% of the farmer business owners' who answered it is important to plan for the retirement. There is a difference of approximately 10%. The proportion who does not think it is important to actively plan for their retirement savings is greater among farmers.

5.7 Hypothesis 7 – interest and search for information

The higher interest of retirement planning an individual has, the more willing to search for information about the topic.

Hypothesis 7 is tested on the basis of two questions, the interest of retirement planning and the willingness to search for information.

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value for non-farmer business owners is 0.000, which means that hypothesis 7 is statistically significant. It means there is a relationship between the interest in retirement planning and the willingness to search for information about the topic. Thus, the null hypothesis is rejected. For farmer business owners the p-value is 0.036, which means that the null hypothesis is rejected. Therefore, there is a statistically significance in the relationship between interest and the willingness to search for information.

Comparison between farmer and non-farmer business owners

Almost half of the respondent in the both samples found retirement planning interesting. The respondents answered the question, "It is interesting with pension-related issues". The respondents could choose between three options, agree, neither or and disagree. The non-farmer business owners respond as follows: 49.56% agree, 39.41% neither or, and 9.85% disagree. On the same question the farmer business owners respond as follows: 45.07% agree, 38.03% neither or, and 15.14% disagree. The question about business owners' knowledge willingness to search for information, was tested as a statement, "I want to improve my knowledge about retirement". The non-farmers answered as follows: 29.9% agreed, 51.42% neither or, and 16.44% disagreed. The farmers answered as follows: 19.64% agreed, 50.71% neither or, and 25.36% disagreed.

Analysis

Non-farmer business owners have a higher interest of retirement planning than farmer business owners and they are more inclined to search for more information about the topic. There are more farmers than non-farmers who do not want to improve their knowledge about retirement.

5.8 Hypothesis 8 – stop working and retire

Farmer business owners will retire later than non-farmer business owners.

Hypothesis 8 is tested on the basis of one question, when do you think you will stop working and be retired?

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value is 0.000, which means that hypothesis 8 is statistically significant. It means there is a relationship between what type of business owners and when they retire. Thus, the null hypothesis is rejected.

Comparison between farmer and non-farmer business owners

To figure out when business owners plan to retire they were asked to answer the question, “When do you think you will stop working and be retired?”. The majority of the non-farmer business owners responded they will retire at an age of 60-65. Most farmer business owners will retire in an age of 66-70. *Figure 7* illustrates when the business owners will retire.

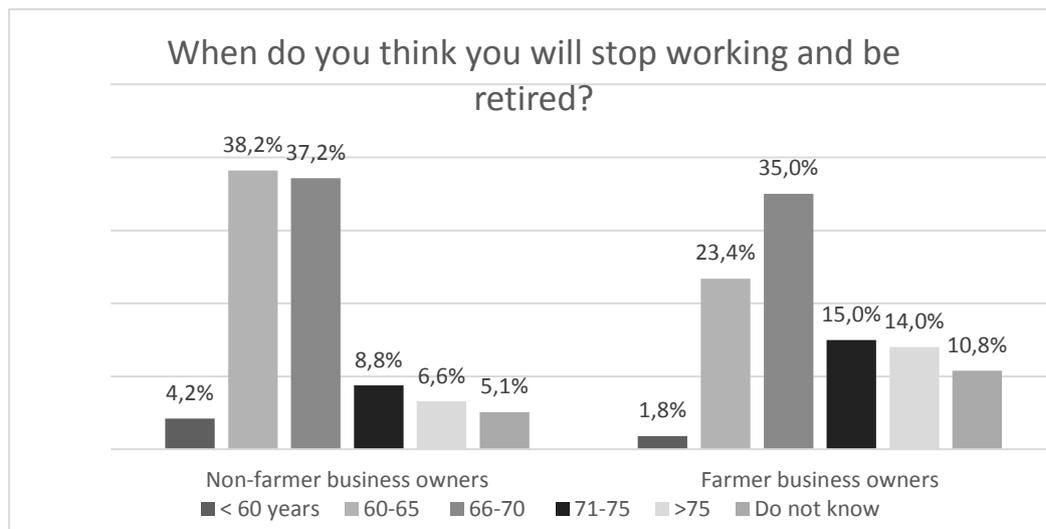


Figure 7. The business owners' intent to retire.

Analysis

Approximately 15% of the non-farmers responded that they will retire after the age of 70. However, there were almost twice as many farmers, 29%, who responded that they will retire after the age of 70. From the figure, it can be deduced that 79.6% of the non-farmer business owners will retire before the age of 70, and 60.2% of the farmer business owners. Thus, the farmer business owners retire later than non-farmer business owners.

Another aspect that is interesting is that the most common business form among non-farmers are limited companies, this is different from farmers where the most common business form is sole proprietorship. This could be a factor that affects when it is possible for the business owner to retire.

5.9 Hypothesis 9 – family and planning

The interest to actively plan for the retirement savings, does not affect the information exchange about retirement within the family.

Hypothesis 9 is tested on the basis of two questions, information exchange within the family and the importance to actively plan for the retirement saving.

Statistical hypothesis testing with chi-square test

According to the chi-square test the p-value for non-farmer business owners is 0.001, which means that hypothesis 9 is statistically significant. It means there is a relationship between the information exchange within the family and importance to actively plan for the retirement. Thus, the null hypothesis is rejected. For farmer business owners the p-value is 0.379, which means that the null hypothesis is accepted. Therefore, there is no statistically significance in the relationship between the information exchange within the family and importance to plan for the retirement.

Comparison between farmer and non-farmer business owners

Most respondents in both samples say they do not talk about retirement within the family. On the question, “I talk a lot about retirement with my family” the non-farmers answered as follows: 17.1% agree, 37.97% neither or, and 44.02% disagree. On same question have farmer business owners answered as follows: 15.77% agree, 37.99% neither or, and 43.73% disagree. Only 11.36% of the non-farmers agreed to the statement that it is not important to actively plan for their retirement saving, and 62.63% disagreed. Only 18.57% of the farmer business owners answered it is not important to actively plan for their retirement, and 50.71% disagreed.

Analysis

There is a relatively small proportion in the both samples who discuss retirement a lot with their family. Another question to the respondents was, whether they are talking about retirement with their friends. It shows that the business owners talk even smaller with their friends than they do with their family. Of the non-farmer business owners 17.1% talk with their family about retirement, but only 11.8% talk with their friends. Of the farmer business owners answered 15.77% that they talk about retirement with their family, but only 6.45% talk with their friends. It is more common to talk about retirement with the family than friends. The following quotes raise the importance of exchanging information about retirement:

“I should have started saving when I was young. Now it is too late.” (Non-farmer business owners, 2016)

“Information to young people” (Non-farmer business owners, 2016)

“It is important that these problems are presented early so the time for savings will be long, then the pension will be higher. Requires commitment to getting young people to understand this” (Farmer business owners, 2015)

“It is important to know the rules and conditions for the pension in an early age” (Farmer business owners, 2015)

It is important for even young people to obtain information about retirement saving. Many young people probably experience that they are far from retirement, but it is important to have a strategy for their retirement.

It is important for the both samples to have a strategy for the retirement savings. Non-farmer business owners find it more important to actively plan for their retirement than farmer business owners. The portion of farmers who find it important to actively plan for the pension is 62.63%, compared to non-farmers where the portion is 50.71%.

5.10 Summary of result

A summary of the results are present in *table 3*. It shows if each hypothesis is statistically significant or not, according to the chi-square test. In the left column are the hypotheses and in the two column to the right are the results for the two samples presented.

Table 3. Summary of the hypothesis testing.

Hypothesis	Non-farmer business owners	Farmer business owners
1. The more complex the retirement scheme is, the more prone the business owner is to actively plan their retirement saving.	Statistically significant	Not statistically significant
2. The higher level of education business owners have, the more likely they are to increase their knowledge about retirement saving.	Not statistically significant	Not statistically significant
3. The higher level of education and knowledge business owners have, the more likely it is that they can maintain their standard of living, when they retire.	Statistically significant	Not statistically significant
4. Non-farmer business owners think it is more important to save for their retirement than farmer business owners.	Statistically significant	
5. The more interested an individual is in business matters, the more knowledge about retirement savings the individual has.	Statistically significant	Statistically significant
6. Business owners are more motivated to save for their retirement the higher LTV a business has.	Not statistically significant	Not statistically significant
7. The higher interest of retirement planning an individual has, the more willing to search for information about the topic.	Statistically significant	Statistically significant
8. Farmer business owners will retire later than non-farmer business owners.	Statistically significant	
9. The interest to actively plan for the retirement savings, does not affect the information exchange about retirement within the family.	Statistically significant	Not statistically significant

6 Discussion

6.1 Human decision-making

The Swedish retirement system is complex. Each individual must make their own decision about their future retirement. This study shows that non-farmers and farmers tend to act differently depending on how complex they experience the retirement scheme. Non-farmer business owners are more prone to actively plan for their retirement savings the more complex the retirement is. However, among farmers there is no statistical significance between the complexity and whether they actively plan for the retirement savings. The difference between the two samples is probably due to the fact that people act differently based on the same situation depending on what factors influence the individual.

Searching for information is a central part in the decision-making process. According to the theoretical framework the experts and the novices use approximately the same information but the experts are better at solving relevant information. Our finding is in line with the theory. Both non-farmers and farmers are more willing to search for information about retirement planning if they are interested and have knowledge about the topic. The study shows there are no differences between non-farmers and farmers.

6.2 Individual preferences

A human's motivation is an incentive, which is deeper than a human's attitudes (Blackwell *et al.*, 2006). In this study there was no correlation between motivation and a business' LTV. This is in conflict with the theory. Motivation is stimulated by a need, which leads to a strong willingness that triggers the behavior. Business owners with a high level of LTV should be more inclined to save for their retirement and thus have a secure retirement. Thus, the study shows no sign it would differ between non-farmers and farmers when it comes to the relationship between motivation and the business' LTV level.

Individuals with a higher level of education have a better knowledge about financial issues (Flink *et al.*, 1999). Although the majority of the respondents in the two samples have a high level of education and they consider themselves to have sufficient knowledge about retirement, they still want to increase their knowledge. The hypothesis testing shows there was no correlation between education and knowledge, in neither of the two samples. The finding in the study is not in accordance with the theory. Even though there was no difference between non-farmers and farmers in the hypothesis testing, the result from the data shows that non-farmers have a higher education than farmers.

What an individual knows or does not know, affects how this individual makes a decision. Individuals often decide based on their knowledge. Among non-farmers there is a correlation between the level of education and the ability to maintain the standard of living. The finding is supported by the theory, which indicates that people with higher level of knowledge about the subject make better decisions than people without knowledge. The more knowledge individuals have the more willing they are to search for new information, which probably means that they make decisions that will allow them to maintain their standard of living. This can be discussed on the basis of need recognition, which is the first step in the model of the decision-making process. Individuals need to have knowledge about a topic to feel a need to

search for more information within the topic. This can be a problem when it comes to retirement savings, as people with insufficient knowledge do not see the issue and do not feel a need. However, among the farmers there was no correlation between the level of education and maintaining the standard of living. That means the finding from the study shows there is a difference between non-farmers and farmers concerning how their educations will affect their standard of living as a pensioner.

Approximately 50% of the respondents in the two samples find the retirement scheme hard to understand. In the open question the respondents highlighted the problems with the system and had a negative attitude toward it. The attitude affects the decision-making and thus affects the retirement savings. It is hard to change an attitude. One reason why individuals find the retirement scheme complex may be that there is a generally negative attitude in society and thus it is difficult to change the attitude to the retirement system.

Individuals' personalities affect the decision-making (Blackwell *et al.*, 2006). In this study there is a correlation between interest in retirement planning and willingness to search for more information about the topic. This findings shows there was no differences between non-farmers and farmers. An individual who is interested in learning more about a topic usually finds it much easier to understand and assimilate new information (Blackwell *et al.*, 2006). This theory therefore is supported by this study's finding. Individuals who are more likely to assimilate new information want detailed and extensive information. Therefore, the business owners probably want to have detailed information about retirement. Another correlation, which also is supported by the theory is the relation between interest and knowledge. The findings show that the more interest in business matters an individual has, the better their knowledge about retirement will be. This correlation was statistically significant in both samples and there are no differences between the two samples.

Individuals have different lifestyles. Lifestyles express how individuals spend money and time. Farming is more like a lifestyle than a job. A finding from the study shows there is a correlation between the industry and the retirement age. Farmer business owners retire later than non-farmer business owners. This is consistent with the literature, which claims that farmers are still working at a higher age than non-farmers (Holmberg & Thelin, 2010). Another finding from the study is that non-farmers find it more important to save for their retirement than farmers. This may be because people lifestyles and values are influenced by their social circle and the social circle probably looks different between non-farmers and farmers.

6.3 Environmental influences

An individual's family and reference groups affect their decision-making. Individuals are influenced by people in their social circles, mostly by the primary group, family and friends. To examine the correlation between retirement planning and communication the hypothesis was formulated as: *The interest to actively plan for the retirement savings, does not affect the information exchange about retirement within the family.* When the hypothesis was tested on the non-farmers there was a correlation, but there was no correlation among the farmers. The interest in planning for the retirement savings does not affect the information exchange within the family among non-farmers. But on the other hand both samples show that it was uncommon to talk about retirement with the family. The portion who talks with their friends about the topic, was even less. The study shows that family and friends do not influence how actively non-farmer and farmer business owners plan for their retirement. Additionally in this

discussion concerning family and reference groups, an increased information exchange within the social circle could perhaps result in individuals experiencing the retirement system as less complex. One possible reason why individuals choose not to communicate about retirement with their social circle can be that they prefer to take advice from financial magazines. Especially high-income earners have a tendency not to listen to their primary or secondary group, considering investment decision (Flink *et al.*, 1999). This may be because high-income earners find it easier to process information from personal sources.

The social circle can also tie the individuals to a specific location. Humans are linked to the place where they live. Site specificity is especially essential when it comes to farmers. The production is linked to the property and therefore its geographical location. Farmers probably have a high level of site specificity, because the production and the property are dependent on each other. The study shows that farmers do not find retirement as important as non-farmers. This may be due to the fact that they see their property as a security and a sort of retirement saving. However, they will probably not sell the farm even when they reach the age of retirement, because the property is a part of their lifestyle and their home. Further the study shows that farmer business owners have a higher level of LTV than non-farmer business owners. The high level of LTV can also result in a locked-in situation. A high level of LTV may imply that the business owner cannot afford to sell his or her business and thus becomes locked in to it.

The most common business form among non-farmers is limited companies, while farmers' most common business form is sole proprietorship. This may affect the risk aversion in the farming business because the economy within the enterprise affects the farmer's personal finance. Because the economy in the business affects the personal finances, the farmers may be locked to their property.

Many of the non-farmers operations are within construction, services and consultancy. These are operations with a high level of human asset specificity. The individual has specialized skills, which are unique to a specific business process. This could lead to non-farmers with a high level of specific human asset ending up in a locked-in situation. Farmer business owners also have a high level of human asset specificity but their physical asset specificity is probably even higher. To conduct farming today requires a variety of specialized machinery. These physical assets are often tied to a specific purpose such as automatic milking systems. This type of physical assets puts the farmer in a locked-in situation.

7 Conclusions

The aim of this study is to provide theoretical explanations to possible differences between Swedish farmer and non-farmer business owners' decision-making as concerns retirement pension.

A number of differences have been identified as concern *human decision-making*.

Both groups find the retirement scheme hard to understand. The study observes that non-farmer business owners are more prone to actively plan for their retirement savings the more complex the retirement system is. Both non-farmers and farmers are more willing to search for information about retirement planning if they are interested and have prior knowledge about the topic.

The following differences between non-farmers and farmers regarding *individual preferences* have been identified.

Non-farmer business owners have a higher level of education than farmers. The higher level of education does not, however, increase the knowledge about retirement savings. Farmers are less inclined to get new knowledge about retirement than non-farmers. The higher the level of education and knowledge non-farmer business owners have, the more likely it is that they can maintain their standard of living, when they retire. This does not apply to the farmers. Hence, there is no correlation between education and standard of living as a pensioner for the farmers.

There is a correlation in both samples between the interest in retirement planning and the willingness to search for information about the topic. Thus, there is no difference between non-farmers and farmers. For both non-farmers and farmers the knowledge about retirement increases with an increased interest in business matters. Another conclusion is that farmer business owners retire later than non-farmer business owners. Non-farmer business owners think it is more important to save for their retirement than farmer business owners.

The conclusions concerning *environmental influences* are as follows.

The study shows it is uncommon to talk about retirement with family and friends. Family and friends do not influence how actively non-farmer and farmer business owners plan for their retirement. Another conclusion is that non-farmers find retirement more important than farmers. The non-farmers also have a lower level of LTV than farmers. A higher level of LTV can result in a lock-in situation. Finally, the study observes that there is no correlation between motivation and the business' LTV in either of the groups, thus there is no difference between non-farmers and farmers.

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Appendix 1: Cover letter

Hej!

Du som medlem i Småföretagarnas Riksförbund har slumpmässigt valts ut att delta i en undersökning om företagares pensionssparande. Undersökningen är en del av ett examensarbete vid Institutionen för ekonomi vid Sveriges lantbruksuniversitet i Uppsala. Studien utförs i samarbete med Småföretagarnas Riksförbund. Vi, Therese Rödin och Josefin Samuelson, är ekonomagronomstudenter och genomför studien med handledning av professor Jerker Nilsson.

Alla svar kommer att hanteras anonymt. Som tack för att du svarar på enkäten har du möjlighet att få en sammanfattning av studien. Det tar ca 5 minuter att svara på frågeformuläret. Sista svarsdag är fredagen den 8 april.

Stort tack på förhand! Uppstår det frågor är du välkommen att kontakta oss.

Med vänliga hälsningar,

Therese Rödin och Josefin Samuelson

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Appendix 2: Questionnaire and data

1. Bakgrundsfrågor

Vilket kön har du?	
Man	547 (75,66%)
Kvinna	176 (24,34%)
Svar	723

Hur gammal är du?	
Upp till 30 år	9 (1,24%)
Mellan 30 och 45 år	106 (14,66%)
Mellan 46 och 60 år	389 (53,8%)
Mellan 61 och 75 år	212 (29,32%)
Över 75 år	7 (0,97%)
Svar	723

Vilken är din högsta utbildningsnivå?	
Grundskola	83 (11,48%)
Gymnasium	294 (40,66%)
Eftergymnasial utbildning	343 (47,44%)
Har ännu inte avslutat grundskolan	3 (0,41%)
Svar	723

Vilket län bo du i?	
Blekinge län	9 (1,25%)
Dalarnas län	34 (4,71%)
Gotlands län	6 (0,83%)
Gävleborgs län	32 (4,43%)
Hallands län	18 (2,49%)
Jämtlands län	17 (2,35%)
Jönköpings län	32 (4,43%)
Kalmar län	20 (2,77%)
Kronobergs län	13 (1,8%)
Norrbottnens län	24 (3,32%)
Skåne län	73 (10,11%)
Stockholms län	149 (20,64%)
Södermanlands län	25 (3,46%)
Upplands län	25 (3,46%)
Värmlands län	18 (2,49%)
Västerbottens län	17 (2,35%)
Västernorrlands län	23 (3,19%)
Västmanlands län	12 (1,66%)
Västra Götalands län	111 (15,37%)
Örebro län	34 (4,71%)
Östergötlands län	30 (4,16%)

Svar	722
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Är du idag hel- eller deltidspensioner?

Ja	100 (13,83%)
Nej	623 (86,17%)
Svar	723

Äger du skogs- eller jordbruksmark?

Ja	122 (16,87%)
Nej	601 (83,13%)
Svar	723

2. Frågor till dig som småföretagare

Till hur stor del är ditt företag belånat?

0%	495 (68,85%)
Mellan 1 och 25%	112 (15,58%)
Mellan 26 och 50%	61 (8,48%)
Mellan 51 och 75%	25 (3,48%)
Över 75%	11 (1,53%)
Vet ej	15 (2,09%)
Svar	719

I vilken företagsform bedriver du näringsverksamhet? (Om du har fler än ett, ange dessa)

Enskild firma	252 (35,1%)
Aktiebolag	475 (66,16%)
Handelsbolag	30 (4,18%)
Annan företagsform:	14 (1,95%)
Svar	718

Antalet anställda i ditt företag

0	211 (29,35%)
1-5	377 (52,43%)
6-10	72 (10,01%)
11-20	33 (4,59%)
Fler än 20	26 (3,62%)
Svar	719

Hur mycket omsätter ditt företag per år?

0-1 miljon kronor	209 (29,07%)
1-5 miljoner kronor	324 (45,06%)
5-10 miljoner kronor	93 (12,93%)
10-20 miljoner kronor	41 (5,7%)
20-50 miljoner kronor	34 (4,73%)
Mer än 50 miljoner kronor	18 (2,5%)
Svar	719

3. Din sysselsättning

Vilket alternativ beskriver din nuvarande situation?

Anställd	71 (9,92%)
Arbetssökande	4 (0,56%)
Egen företagare	608 (84,92%)
Pensioner	20 (2,79%)
Annat:	13 (1,82%)
Svar	716

Vilken är din huvudsakliga verksamhetsgren?

Handel	83 (11,59%)
Bygg	130 (18,16%)
Tillverkning	67 (9,36%)
Service	190 (26,54%)
Annat:	246 (34,36%)
Svar	716

4. Din pension

När tror du att du slutar arbeta och blir pensionär på heltid?

Innan 60 år	29 (4,23%)
Mellan 60 och 65 års ålder	262 (38,19%)
Mellan 66 och 70 års ålder	255 (37,17%)
Mellan 71 och 75 års ålder	60 (8,75%)
Över 75 års ålder	45 (6,56%)
Vet ej	35 (5,1%)
Svar	686

Vid vilken ålder tror du att du vill starta din pensionsutbetalning?

Innan 60 år	38 (5,54%)
Mellan 60 och 65 års ålder	377 (54,96%)
Mellan 66 och 70 års ålder	220 (32,07%)
Mellan 71 och 75 års ålder	22 (3,21%)
Över 75 års ålder	4 (0,58%)
Vet ej	25 (3,64%)
Svar	686

Ange hur viktigt följande sparande är för din pension

	Viktigt	Neutral	Inte viktigt	Vet ej	Svar
Allmän pension	403 (59,18%)	217 (31,86%)	38 (5,58%)	23 (3,38%)	681
Tjänstepension	445 (65,35%)	154 (22,61%)	42 (6,17%)	40 (5,87%)	681
Sparkonto	300 (44,12%)	225 (33,09%)	123 (18,09%)	32 (4,71%)	680

Kapitalförsäkring eller liknande	273 (40,09%)	230 (33,77%)	108 (15,86%)	70 (10,28%)	681
Privat pensions sparande	440 (64,52%)	123 (18,04%)	94 (13,78%)	25 (3,67%)	682
Amortering för att ha lägre levnadskostnader som pensionär	416 (61,09%)	145 (21,29%)	90 (13,22%)	30 (4,41%)	681
Försäljning av företag	197 (28,93%)	213 (31,28%)	189 (27,75%)	82 (12,04%)	681

Hur pensions sparar du?

Allmän pension	492 (72,04%)
Tjänstepension	429 (62,81%)
Kapitalförsäkring eller liknande	336 (49,19%)
Aktier	189 (27,67%)
Skog- och jordbruksfastighet	68 (9,96%)
Annat:	96 (14,06%)
Svar	683

Här följer ett antal påståenden. Välj ett svarsalternativ.

	Instämmer	Varken eller	Instämmer inte	Vet ej	Svar
Det är intressant med ekonomi	516 (75,77%)	134 (19,68%)	27 (3,96%)	4 (0,59%)	681
Det är intressant med pensionsrelaterade frågor	337 (49,56%)	268 (39,41%)	67 (9,85%)	8 (1,18%)	680
Jag kommer att ha resurser nog för att upprätthålla den levnadsstandard jag vill ha som pensionär	335 (49,26%)	140 (20,59%)	119 (17,5%)	86 (12,65%)	680
Jag kan påverka hur mycket pengar jag får som pensionär	420 (61,76%)	146 (21,47%)	91 (13,38%)	23 (3,38%)	680
Jag har ansvaret för mitt pensions sparande	571 (83,85%)	82 (12,04%)	19 (2,79%)	9 (1,32%)	681
Att tänka på pension gör mig stressad	171 (25,15%)	246 (36,18%)	254 (37,35%)	9 (1,32%)	680

Finns det idag en tilltänkt övertagare av ditt företag?

Ja	105 (15,37%)
Nej	456 (66,76%)
Ej aktuellt	122 (17,86%)
Svar	683

5. Kunskap om pension

Här följer ett antal påståenden. Välj ett svarsalternativ.

	Instämmer	Varken eller	Instämmer inte	Vet ej	Svar
Pensionssystemet är lätt förstå	77 (11.51%)	247 (36.92%)	339 (50.67%)	6 (0.9%)	669
Jag har goda kunskaper om pensionssparande	174 (26.01%)	303 (45.29%)	184 (27.5%)	8 (1.2%)	669
Om jag haft bättre kunskap, vore jag mer aktiv i mitt pensionssparande	241 (36.02%)	265 (39.61%)	128 (19.13%)	35 (5.23%)	669
Jag vet var jag kan lära mig mer om pension	310 (46.34%)	226 (33.78%)	108 (16.14%)	25 (3.74%)	669
Jag vill förbättra mina kunskaper om pensionssparande	200 (29.9%)	344 (51.42%)	110 (16.44%)	15 (2.24%)	669
Den allmänna kunskapen om pension är låg	398 (59.49%)	170 (25.41%)	49 (7.32%)	52 (7.77%)	669
Att aktivt planera mitt pensionssparande är inte viktigt	76 (11.36%)	162 (24.22%)	419 (62.63%)	12 (1.79%)	669
Många jag känner har idag inget pensionssparande	181 (27.06%)	178 (26.61%)	89 (13.3%)	221 (33.03%)	669

6. Information om pension

Här följer ett antal påståenden. Välj ett svarsalternativ.

	Instämmer	Varken eller	Instämmer inte	Vet ej	Svar
När jag undrar något om pension vänder jag mig till pensionsmyndigheten.	155 (23.45%)	177 (26.78%)	290 (43.87%)	39 (5.9%)	661
När jag undrar något om pension vänder jag mig till oberoende rådgivare.	297 (44.93%)	166 (25.11%)	168 (25.42%)	30 (4.54%)	661
Jag pratar mycket om pension med min familj.	113 (17.1%)	251 (37.97%)	291 (44.02%)	6 (0.91%)	661
Med information anpassad till min situation skulle jag kunna planera bättre inför min pension.	265 (40.09%)	232 (35.1%)	119 (18%)	45 (6.81%)	661
Jag pratar mycket om pension med mina vänner.	78 (11.8%)	233 (35.25%)	342 (51.74%)	8 (1.21%)	661
Jag hittar lätt den information jag behöver angående mitt pensionssparande.	189 (28.59%)	273 (41.3%)	161 (24.36%)	38 (5.75%)	661
Vad mina vänner berättar om pensionssparande har större betydelse än information från andra källor.	57 (8.62%)	234 (35.4%)	323 (48.87%)	47 (7.11%)	661
Vad andra inom samma yrke som mig berättar om pensionssparande har större betydelse än information från andra källor.	110 (16.64%)	228 (34.49%)	263 (39.79%)	60 (9.08%)	661
Det är inte lämpligt att lita på information från internet om pension.	104 (15.73%)	323 (48.87%)	150 (22.69%)	84 (12.71%)	661
Det är lättast att ta till sig information om pension från vänner och kollegor.	121 (18.31%)	284 (42.97%)	207 (31.32%)	49 (7.41%)	661