

RETIREMENT SAVING OPTIONS FOR AN ENTREPRENEUR

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Abstract

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Title of publication Retirement saving options for an entrepreneur		
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Abstract <p>Entrepreneurs need to figure out their retirement saving plan on their own. YEL-insurance is mandatory for entrepreneurs to take, but if one wants to increase pension, there are several options for gaining more. A bachelor's thesis was carried out to study the specifics of YEL-insurance and alternative retirement fund options for an entrepreneur.</p> <p>The aim of the study was to examine a possible retirement saving fund options and with that, give recommendations for retirement saving plan for the owner of BioComb Huolto Ltd. The topic was approached inductively by using qualitative research method. The secondary data were gathered from reliable published sources such as literature and internet-based sources. The primary data were collected by semi-structured interviews and an online survey. The topic is wide, and it has been limited by looking it from entrepreneur point of view and making the suggestions concerning this specific entrepreneur's situation.</p> <p>The results of the thesis showed that there is a lack of knowledge among entrepreneurs considering the retirement saving plan options. It also showed that retirement saving plan is individual for each entrepreneur, there is not one right plan for all entrepreneurs to execute. It cannot be promised which method will be successful, but it can be researched which method is the most suitable for one's situation and needs. It all starts by making a plan. The recommendations given for entrepreneur was suitable for him. Taking into account his circumstances, it was recommended he would use investment fund and ETF's.</p>		
Keywords Retirement saving, entrepreneur's retirement plan, investing methods, YEL-insurance		

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1 INTRODUCTION

1.1 Research Background

YEL-insurance is mandatory for entrepreneurs. YEL means Entrepreneur Retirement Law. According to this law, entrepreneurs must insure themselves in case of working disability, death or old age. The insurance also includes family pension which protects the family of the entrepreneur. One must take YEL-insurance if one is a self-employed person between the ages of 18-67, their entrepreneurial activities have lasted at least four months and in 2019 their income is at least 7799,37 euro. (Yrittäjät 2019.)

Although YEL-insurance is mandatory for entrepreneurs, there is a possibility it is not adequate or cost-effective. The main objective of this research is to find alternative retirement fund options along with YEL-insurance for the commissioner. It is important to prepare oneself to retirement already in the beginning of the career. The commissioner of this thesis is the owner of BioComb Huolto Ltd. He has minimum amount of know-how on this subject and feels it is necessary to have alternative options for retirement fund.

One interesting thesis made previously is a research about entrepreneur's YEL-insurance and how entrepreneur's tend to underinsure themselves by only paying the lowest amount possible. In this specific thesis, the results showed that YEL-insurance is only seen as a mandatory payment and not as a social security. (Haapala 2012.)

This topic is interesting because it is useful for maintaining a person's finances. Some research concerning YEL-insurance or investing has been done before, but there is a necessity for general retirement savings information package which combines both matters.

1.2 Thesis Objectives, Research Questions and Limitations

The purpose and the main objective of the thesis research is to explore possible options for retirement saving plan as an entrepreneur. The second objective is to give the preliminary retirement saving plan recommendations for the owner of BioComb Huolto Ltd. Exploring possible options help to achieve the main objective of the thesis research.

A proper research question should be clear and concise. The research question and sub-questions will also help to narrow the topic and helps to focus on the specific points of the research (The Writing Center 2018).

The main research question is:

How could an entrepreneur save for retirement in addition to the self-employed person's pension insurance (YEL)?

To support the main question, the sub-questions for the research are:

1. How sufficient is the YEL-insurance itself?
2. Which are potential options for saving for retirement?
3. What entrepreneurs think about alternative retirement saving options?

There are couple of limitations in this study. Firstly, the retirement fund and options for retirement saving is a wide subject, which is limited by considering it only from Finnish entrepreneurial point of view. Secondly, this study is concerned to give the retirement saving plan recommendations for this particular entrepreneur, the owner of BioComb Huolto Ltd. These limitations narrow the subjects of this thesis research and keeps it clear and focused on the research topic.

1.3 Theoretical Framework

Understanding theoretical concepts concerning this thesis topic is important. In order to answer all research questions, knowledge of these theories is required. Theory supports research process and it is an important part of the thesis. A theory is a set of concepts, definitions and propositions that are advanced to explain and predict phenomena (Adams 2007, 28).

The main point of this thesis is to study other retirement saving options in addition to YEL-insurance. From this research, it is possible to give recommendations for the entrepreneur of the case company. For the theory part of this thesis, several sources have been studied. The main sources were books, articles and webpages of professional investors and banks. Other sources were official webpages of Finnish laws and insurance companies.

Introduction and key points of the YEL-insurance is told as well as alternative options for retirement saving. This information gives the opportunity to reader understand the key points and bigger picture of various aspects of the YEL-insurance. It also gives the overall knowledge of possible other saving options. It is important to have the knowledge of these matter, so one can see the point and importance of the topic.

1.4 Research Methodology and Data Collection

The thesis research is a case study for BioComb Huolto Ltd. More specifically it is for the owner of that company.

There are mainly two types of approaches used in researches. These are inductive and deductive. Inductive approach starts with observations or theories which it uses to form a new theory (Research Methodology 2019a). Unlike inductive approach, deductive approach involves an existing hypothesis which is developed in the research (Research Methodology 2019b). Considering the topic of this study inductive approach is used.

Two types of data are called quantitative and qualitative. In quantitative research measurable data is collected. Unlike in quantitative research, in qualitative research verbal and descriptive data is collected. Qualitative method is more concerned on understanding the human behavior and quantitative is more concerned about numerical facts and statistics. (Surbhi 2016.) In this study, qualitative data is collected and analyzed.

Data can be primary or secondary. Primary data are new collected data by the researcher for the specific research. Primary data can be collected for example from interviews. Secondary data are collected from existing data. They can be collected for example from literature and electronic sources. (Adams 2007, 107-117.)

Interview is commonly used data collection method in qualitative research (Gill, Stewart, Treasure & Chadwick 2008). The main primary data collecting method for this study was interview. The type of this interview was semi-structured. Other primary data collection method used in this study was questionnaire. As a data collection method, questionnaires are very popular. They contain a number of questions and are sent to respondents (Kothari 2004, 100).

1.5 Thesis Structure

Figure 1 shows the structure of the thesis:

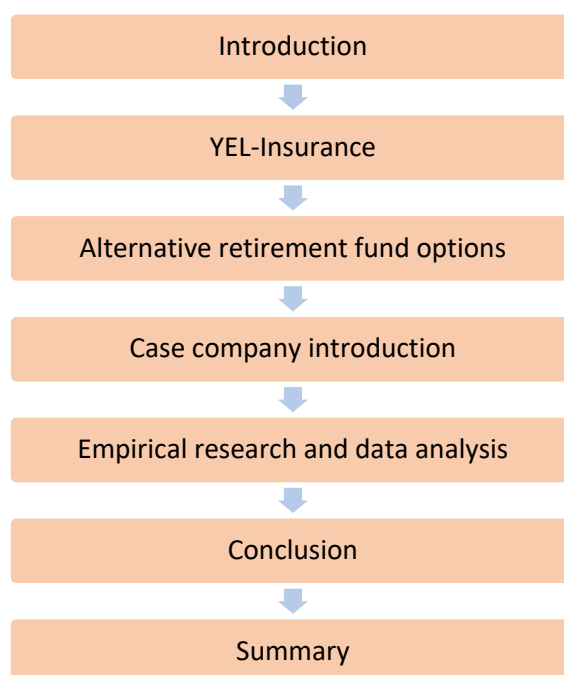


FIGURE 1 Thesis structure

This thesis starts with an introduction. Introduction will guide the reader to the research topic by describing research background and the objectives, questions and limitations of the research. The sub-chapter of objectives, questions and limitations will explain the main objectives and the research question and sub-questions of the research. It will also explain how the topic of this research is limited. Theoretical framework and research methodology and data collection are also presented. The last sub-chapter mentioned, will open up the used research and data collection methods of this research.

The theoretical part is after the introduction chapter. This part contains two chapters which covers theories this research is based on. Chapter 2 introduces the YEL-insurance and gives information of its aspects. Chapter 3 familiarizes the reader with alternative retirement fund options. This chapter includes basic information and pros and cons about stock investments, investment fund savings, investment apartments and few other options. This theoretical part is basis for this research.

The fourth chapter focuses on the case company, BioComb Huolto Ltd. First, general information is told. After that, mission and vision are explained. Final sub-chapter will explain more about the services the company is offering. The main point of this chapter is to give information about the case company, even though the company itself has not a big role in this research problem, because it is done for the owner.

Chapter 5 is about the empirical research. This part includes also data collection and analysis. In chapter 6, the results of the research are told and recommendations for retirement

saving plan recommendations are given. This chapter answers to the main research question and the sub-questions, also validity and reliability are presented and suggestions for future research is given. Finally, the last part Chapter 7 summarizes the thesis.

2 YEL-INSURANCE

2.1 General information

As previously mentioned in the introduction, the YEL-insurance is mandatory for all entrepreneurs. According to the law, an entrepreneur signifies a person who is working without being in employment or in an official or other public service relationship. An entrepreneur can also be considered as a person who is a partner in a joint-stock company or other type of partner who has personal responsibilities of a company. A person working in leading position in limited liability company is also considered to be an entrepreneur if 1. he owns alone over 30 percent of a company's capital stock or has over 30 percent of the voting rights of the company's shares, 2. he owns over 50 percent of a company's capital stock with his family or they have more than 50 percent of the voting rights of the company's shares, or 3. he has a leading position in another community and has same disposal than in parts 1 and 2. person (Yrittäjän eläkelaki 1272/2006, 3§, translated by the author.) An entrepreneur is also considered to be a person who actually practices business even if the activity was formally carried out on behalf of another (Yrittäjän eläkelaki 1190/2010, 3§, translated by the author). Other prerequisites for the law are that one must be between the ages 18-69, business has lasted at least 4 months and in 2019 approximate income is 7 799,37 euro. If these conditions are met, the entrepreneur needs to take the YEL-insurance. (Yrittäjät 2019.)

Based on the YEL-insurance, the entrepreneur is paid pension for old-age, working disability, part-time (currently known as partial early old-age pension) and family which brings protection for family members (Yrittäjät 2019).

An entrepreneur has permission to retire old-age pension in the beginning of the next calendar month following the minimum retirement age. An entrepreneur is entitled to an old-age pension regardless he continues or not his entrepreneurial activity. (Yrittäjän eläkelaki 1272/2006, 8§, translated by the author.) If an entrepreneur has a working disability or an impaired working ability as a result of disease, fault or injury, he has a right to get working disability pension (Yrittäjän eläkelaki 1272/2006, 32§, translated by the author). The minimum age for an entrepreneur's partial early old-age pension is determined as follows: 1. the minimum retirement age for born in 1963 and before is 61 years 2. the minimum retirement age for born in 1964 is 62 years and 3. the minimum retirement age for born in 1965 and after is adjusted to change in life expectancy in accordance with section 76§ and 83§ of the Employee Pension Act. (Yrittäjän eläkelaki 1272/2006, 12§, translated by the author.) Family pension gets secure for family members in case of a death. Beneficiary is a

person who has legal right to get family pension after the death of an entrepreneur. Beneficiaries are a widow, the children of deceased and widower and the former spouses of the deceased. (Yrittäjän eläkelaki 1272/2006, 51§.)

Even though the insurance is compulsory for entrepreneurs, they can choose the insurance company by themselves. Because the fees are determined by law, there are no differences between these companies. Four companies which provides the YEL-insurance are Elo, Varma, Ilmarinen and Veritas. (Yrittäjät 2019). The insurance company and the pension insurance company can be in collaboration with each other. An example of this kind of activity is the insurance company If and the pension insurance company Varma. These two are in collaboration with each other and when taking other insurances from If they will offer a pension insurance and from Varma the other way around. (If 2019.)

Pension insurance payment is based on the earnings of the entrepreneur. The percentage has been annually verified by the Ministry of Social Affairs and Health. In 2019, the fee is 24,1% from the earnings for entrepreneurs under the age 53 and 25,6% from the earnings for entrepreneurs for over the age of 53. Fee is lower for under 53-year-old entrepreneurs because the pension accrues less for them as well. If preferred, an entrepreneur can pay more on one year and this way get more pension. First time entrepreneurs can get 22% discount from the payment on first four years. (Yrittäjät 2019.)

2.2 The functionality of the YEL-insurance

According to the law, earnings from the YEL-insurance must correspond to a reasonable wage, if a person with the same professional skills should be employed to conduct the business. This is impossible to keep an eye on. Suomen Yrittäjät made a questionnaire of the YEL-insurance, where they asked over a thousand entrepreneurs about the YEL-insurance and its functionality. As it can be seen from the Figure 2 (below), earnings from the YEL-insurance does not contribute well. Under third has reported that the YEL-earnings are at the level required by law. Most of the respondents implies that their YEL-earnings does not match with the work input. It is possible that at least amongst the younger entrepreneurs, money is preferred to put to develop the company and not to pay extra of the insurance. (Hellstén 2017.)

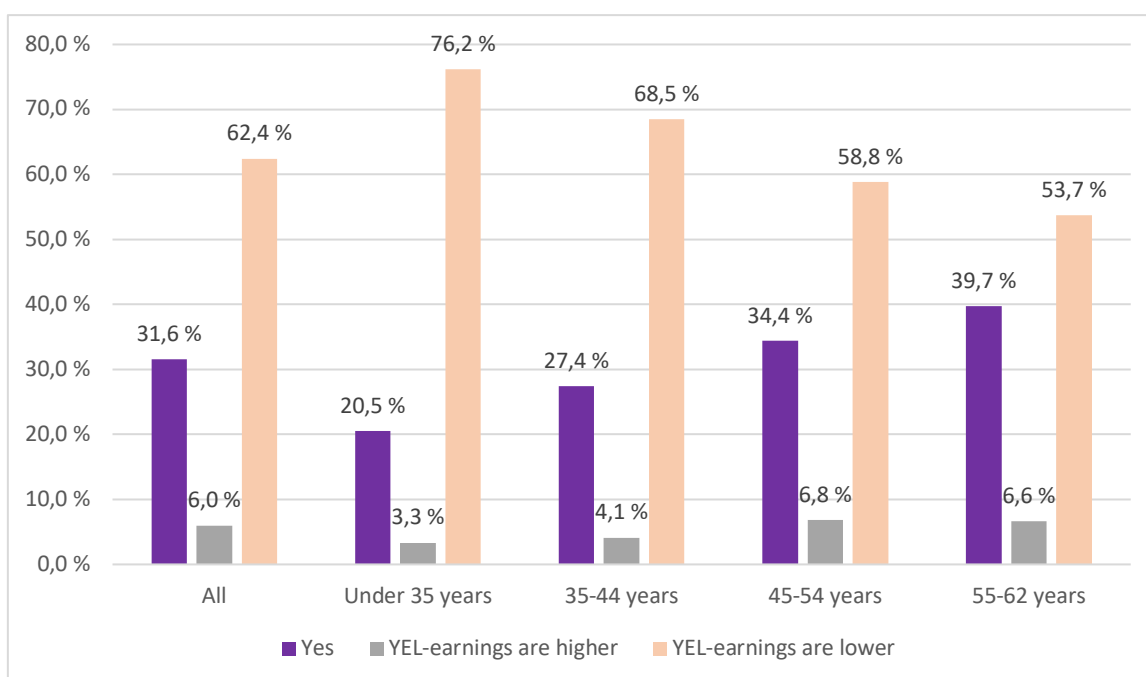


FIGURE 2 Chart of YEL-earnings and contribution (Hellstén 2017.)

According to the questionnaire made by Suomen Yrittäjät, entrepreneurs feel particularly unreasonable how much the entrepreneur's pension contribution is to the pension benefits it receives (Figure 3) (Hellstén 2017).

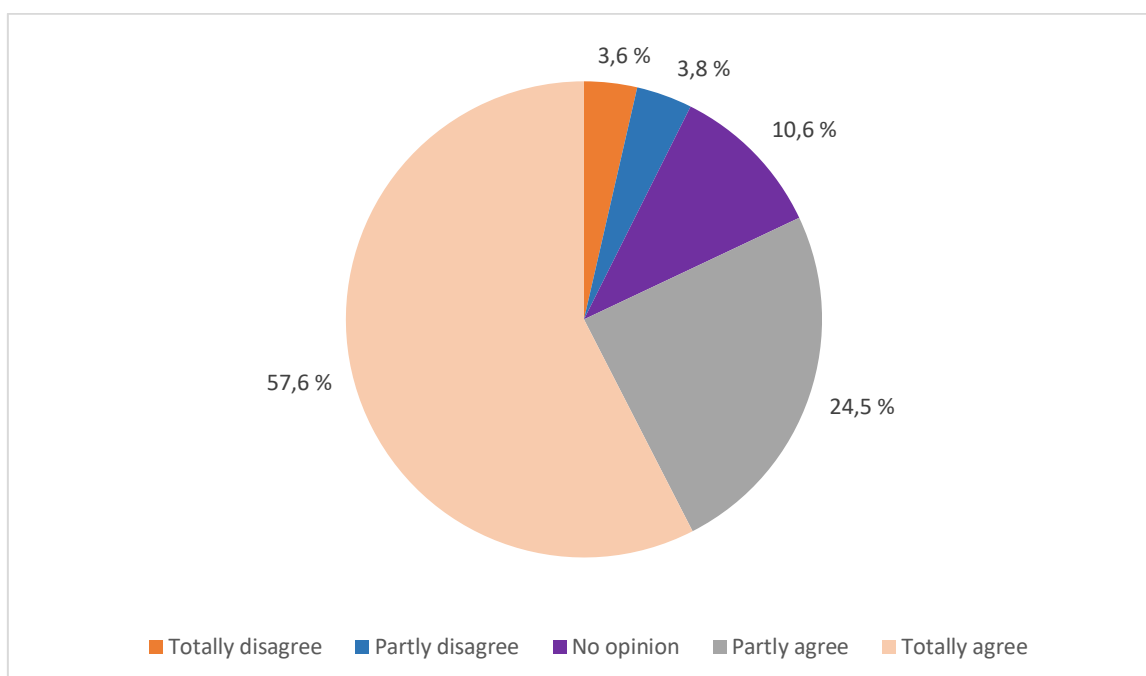


FIGURE 3 Entrepreneur's pension is unreasonable in contribution to pension benefits received (Hellstén 2017.)

Suomen Yrittäjät also asked from entrepreneur's how much do they trust current YEL-insurance system and how do they feel about it. Figures 4 and 5 shows the results of trusting the system and how do they feel about investing the same amount of money by themselves would they have more security for old age. Figure 4 shows that over 60% of respondents does not agree with the argument and does not trust the system. (Hellstén 2017.)

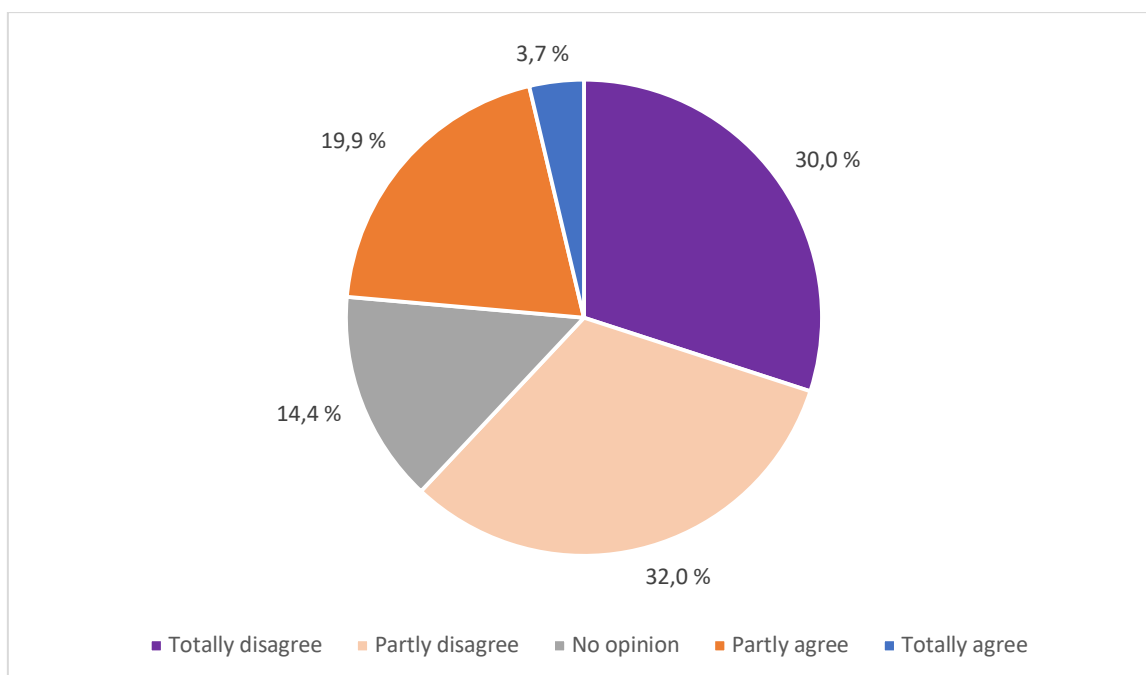


FIGURE 4 I trust the current YEL-insurance system (Hellstén 2017.)

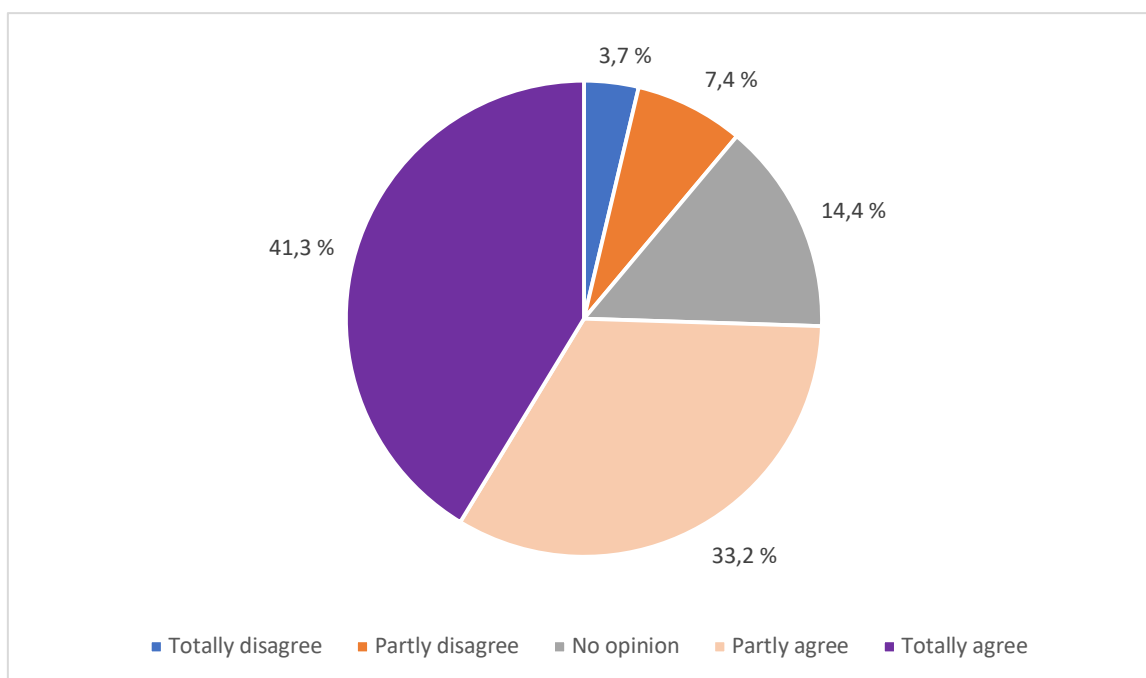


FIGURE 5 If I invested the money, I put into the YEL system myself, I would have better old age protection (Hellstén 2017.)

Figure 5 shows that 41,3% totally agree and 33,2% partly agree with the argument. It expresses about the trust towards the YEL-insurance system, that this many entrepreneur feel they could use money better and get the security they need by themselves without the YEL-insurance. (Hellstén 2017.)

3 ALTERNATIVE RETIREMENT FUND OPTIONS

3.1 Creating a retirement saving plan

A retirement saving plan is always personal for every entrepreneur. It is impossible to give specific instructions and recommendations which are suitable for all entrepreneurs. (Manninen 2016.) Every entrepreneur should decide the time limit for the retirement and in this time, they should put the retirement saving plan in practice. Another important thing to decide is how secure revenue is wanted and approximately how much would be enough. On the websites of the pension companies, there are calculators which are made for calculating the amount of pension and these are very helpful for this matter (Manninen 2016). According to Finlandiagroup, there are four things to think about for retirement plan. Firstly, entrepreneur needs to think about how much income is needed on monthly basis in addition to the statutory pension. Secondly, entrepreneur needs to figure out what kind of savings allow financial security during the retirement. Thirdly, it needs to be thought how this saving plan is achieved. Lastly, how long different investment portfolios are enough with unequal amounts of monthly withdrawals. (Finlandiagroup 2019.)

When starting to save one should make an investment plan. Things that should be considered in this are what is one's current financial situation, which would correlate to how much one can invest on a monthly basis or put a side to wait for later date. If one has a starting capital that they would like to invest and continue with monthly, quarterly etc. investments. The typical amount to put aside monthly is 5% from the gross salary, but it can be also higher or lower, depending on the one's goals. Then one should determine how big of a risk they are willing to take, is the one willing to have bigger risk of losing money in order to have possibility to gain bigger profits, other key factors are the goals of the investments and what is the time period for these investments, is the goal to have investments for only short amounts of time or to save up money within longer period. (Nordnet 2019.)

3.2 Asset classes

Different investment instruments are grouped into asset classes, based on their characteristics, laws and regulations. Instruments with similarities on these are grouped on to the same asset class category. Historically there has been the main three asset classes equities (stock shares), fixed income (bonds) and cash. Also, now real estate and commodities can be included as asset classes. Investment asset can be tangible and intangible instruments which can be bought or sold to generate income on short- or long-term basis.

Having instruments from different asset classes help to create diversified portfolio which will mitigate risks rather than having instruments from only one class. (Ganti 2019.)

3.3 Stock investments

Shares are marketable shareholdings on a specific company. Shares can be traded with other investors. Shares are first issued in a share issue. With this the company gets new owners, that are investing money into the company's actions. In return the investor gets a vote on company's general meetings and right on possible dividends the company might pay. (Nordnet 2019.) In this research we are not going to cover stock investments from a trader's perspective, since the focus is trying to find savings solution rather than something that requires active monitoring.

3.3.1 Stock broker & fees

When starting to save on shares, one of the first steps is choosing a stock broker. When choosing a stock broker one of the biggest factors are the expenses, some stock brokers are more expensive than others. Most common broker service providers are banks but there are also other investment institutions. Other service providers do not charge anything for holdings the stocks on their platform, they will only take a fee on transactions (selling or buying), but there are some that charge for also holding investments. (TalouSuomi 2019.) Most of the stock brokers use tier-based pricing model on their fees. Tier is based on how much your transactions have been on the past quarter, the higher the amount higher the tier and therefore smaller fees. From the three stock broker comparison only one was charging for holding the shares, but only if you had not done any transactions on the past quarter. Below is an example of the tier-based pricing:

TABLE 1 Tier based pricing model (Nordea 2019a.)

Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
0 Euros	150 Euros	500 Euros	1 000 Euros	2 500 Euros
Over 800€ transactions 0,20% minimum of 8€	Over 800€ transactions 0,18% minimum of 8€	Over 500€ transactions 0,15% minimum of 5€	Over 500€ transactions 0,10% minimum of 5€	Over 300€ transactions 0,06% minimum of 3€

Less than 800€ transactions 1%	Less than 800€ transactions 1%	Less than 500€ transactions 1%	Less than 500€ transactions 1%	Less than 300€ transactions 1%
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For choosing the most cost-efficient option, one should always think of their investment strategy and based on that choose the best broker based on transaction fees and holding fees.

3.3.2 Stock picking and Dispersing

When choosing which shares you should buy in your portfolio, one should always gather background information on the company and on company's business field. Doing this will help one mitigate risks and therefore minimize possibility of losing money. After all investing is about choosing the shares that have the best potential of increase in value and in that way providing the best profit for owners. When choosing the companies to invest in one should gather information on the following things: what is the field of business of the company, does the field go in cycles i.e. the field is only active during summer times. How does the future look for the field, is there any room for growth or has it been maxed out already. How big of a share the company has on the market and how big is the market overall. Is the field trending and has it been created by a trend, trending field might be good for seeking short term profits but often not very good for long term investing. What makes this specific company better and more likely to succeed in the future than its competitors. Financial situation of the company, what are the company's foresights on the revenue and profit for the following five years and how will the profit grow in the future. Has the growth been steady or is it insecure and moves a lot between years, is the profit less or more than 10%. How much loans the company has in comparison to its capital, cash and operating profit. Company should also be evaluated based on its numbers. How much the company paid dividends in the past five to ten years (note that some companies do not pay dividend at all) average dividend yield on Helsinki's market is approximately 4%, other important figures are P/E and P/B, specifications for the on below (Sijoittaja 2019d.)

Dividend yield indicates the dividends relation to the share price on the market on percentages, this can be calculated by dividing the dividend by the price and multiplying it by 100, i.e. Nordea Bank's dividend was 0,69€ per share on the year 2019 and the share price at the end of financial year was 7,27€, so the formula would be $0,69/7,27*100=9,49\%$. When calculating dividend yield or looking at the calculations it is important to note which dates share price has been used on the calculation, it can be current price, financial years end

or the price of the date when the dividend proposal has been presented for the company's board. (Almatalent 2019.) Dividends can in some cases also be other than money, in some cases they can be extra shares from the same company or in this example: Sampo Group decided on 7.8.2019 that they will pay extra dividend by giving one Nordea Banks share per ten owned Sampo Groups shares (Sampo Group 2019).

P/E indicates the share's price compared to the profit per share. P/E explains in how many years the company would make its market prices value in profits, this value varies a lot between different business fields, so it is important when comparing these values to compare companies on same business field. Also, knowledge that if values are rather high on some business field there should be some considerations made if the business field is worth investing it. P/E is calculated by dividing the price with earnings ($\text{price/earnings}=\text{P/E}$). (Almatalent 2019.)

P/B value explains the share price compared to book value. This indicates the value of the company on market when comparing it to book value, if the value is rather low this could mean the company is undervalued, but this might also mean there is something wrong with the company. P/B value average also varies a lot between different business fields. P/B is calculated by dividing the price with book value ($\text{market price/bookvalue}=\text{P/B}$). Using P/B value as the main valuation of company is rather difficult since it does not take any other factors in play in the valuations. (Almatalent 2019.)

Dispersing is a way to mitigate the risks on investing. If one only had one company's shares on their portfolio the market fluctuations would be rather high on their portfolio. If the one company, one owns makes a bad profit for few years one might lose large amount of their investment by that and one would have nothing to balance out one's losses. But of course, one should not only trust on Dispersing, but valuate all their investment companies as well as one can in order to make sure one pick only the "winners". (Sijoittaja.fi 2019.) Warren Buffet has a different kind of perspective when it comes to Dispersing of portfolio, he has a principal of "do not ever lose money". He believes on investing only in companies that will make profit in the far future as well. He does not take big risks but demands from every purchase almost certain profit on his portfolio. This way of investing is a good way for buy and hold strategy but choosing these companies that would be certain to not lose any money can be extremely difficult; therefore, many investors tend to use the Dispersing instead as a way to mitigate risks. (Hyttinen 2018, 56-58.) Key things to consider when creating a portfolio and deciding how to mitigate the risks are deciding what kind of investment instruments one would like to have on their portfolio and what suits

their investing style. Portfolio can be constructed from different instruments such as shares, investment funds, properties or bonds, more on these later.

If creating a portfolio based on shares, it is good to diversify the investments between different business fields, this action mitigates the risks that some specific field faces big difficulties and therefore stock market values would decrease. By owning shares from different fields effects on specific fields do not reflect as much on the portfolio as they would if there is no Dispersing.

Timing of purchases is also important, because value of shares changes all the time. In a case that one would have a lot of money that they would like to invest, one should not buy all the wanted company's shares at one time, but spread the purchases on a set time period, in order to get the average price from the set time period. (Sijoittaja.fi 2019.) One big risk with investors is trying to set their purchases on the low prices and trying to sell at the top. Unfortunately, the price fluctuations are impossible to predict and trying to wait out the perfect time will most likely just make one miss out potential profits (Hyttinen 2019, 53). Easiest way to mitigate the timing risks is to set a time period within to buy shares with a set amount of money, this also works even if the person does not have starting capital but wants to start saving on shares. This is also something that can be used to optimize the transaction fees which were presented earlier. Trying to buy shares in a quarter with specific amount of money to get on specific tier level on the pricing model to get cheaper broker expenses, while minimizing the price fluctuation effects.

Geographical Dispersing is also important. If all the shares are from companies that operate in one country, then the risks of trade wars or tariffs effecting is higher than if the portfolio would have been diversified globally or with companies that operate on different parts of the world. Some parts of the world are also more volatile on the stock markets than other and also riskier, so that is something that one should keep in mind when creating an investment strategy. (Sijoittaja 2019d.)

What is a perfect amount of different shares and different instruments. That is something that is dependent on the investor themselves, some guidelines can of course be given. Example of a portfolio could be that it could consist from 5-6 different shares and 2-3 investment funds. This creates great diversification on the portfolio but requires good selection protocol on which companies and funds are chosen into the portfolio. Also, there should be a pressure tolerance in case some of the share values drop in order not to panic at that point but to wait out and not sell. Investing as saving method requires time to get the best interest upon interest profits. (Nordnetblogi 2018.)

3.3.3 Small capital stock saving account

On 13.3.2019 Finnish Parliament approved the law that will provide private persons to open a stock saving account. This law will be effective from January 2020. Currently if a company person owns shares of pays dividends person must pay taxes from the dividend. This tax is based on capital income tax, also if one sells shares, they own same taxing rule effects these transactions. With the new law, one can deposit up to 50 000€ on this stock savings account and invest this money as one wish on shares. Any dividends paid for these shares one has on the stock saving account could be paid on the same account without any taxes paid in between this. Also, if one sells shares that are bought within this account there is no taxes paid during this transaction. The value of the account may exceed the 50 000€ if there are dividends paid or the value of stocks increase. In this set up taxes would be eventually paid at the time one decides to withdraw the money out of the stock savings account. This enables small capital investors to get the benefits on interest upon interest, which has currently been available on some investment funds. (Etelävuori 2019.)

3.4 Investment funds

Investment funds are another way to invest money in to the stock market, but in a different kind of way. Investment fund can hold within itself different investment instruments such as bonds, shares or interest-based instrument. Investors can invest into the investment fund and in return they get pieces of the investment fund. Almost all the banks have their own investment funds which are governed by the fund management company. Most popular type of investment fund is mixed fund, which invests in shares and interest instruments. Investment fund are commonly less risky than stock shares, because investment funds have better Dispersing than single stock share, but risk can also be higher. Investment into a multi business field company is more likely less risky than investing into an investment fund focusing on single country on developing markets. Investment funds suit better an investor who does not have the time or expertise to pick stock shares since it usually has lower risk levels than stock shares and offers easy way to gain diversified portfolio. Investment funds are managed by the broker or bank which offers them, and they might change the percentages of the instruments of which the fund consist of as the markets change, but they offer information on the investment funds and their investment strategies on the fund info. (Sijoittaja 2019e.)

3.4.1 Broker and fees

Mostly same rules apply on choosing a broker and comparing the fees as it does with direct stock purchases, but some differences do apply. With investment funds each bank or broker offer wide variety of different kind of investment funds and each of those have different amount of fees charged. Different kind of fees charged from investment funds are transaction fees when one buy or sell their shares of the investment fund these are similar to ones on stock shares. Biggest difference is that some of the investment funds have governance fee, this fee is being charged based on the amount one have invested in to the fund. With investment funds it is extremely important to select the investment funds in a way that the funds fees do not eat all of the profit that the fund would make. There are also some investment funds that are completely free. Value of fees depend greatly on the type of investment fund and actively managed funds are more often more expensive than passive funds. (Sijoitusrahastot 2019.) As an example, to demonstrate we have chosen the Osuuspankki's OP-Maltillinen investment fund. This fund consists on other investment funds that are invested on stock shares and interest instruments. Fees on this investment fund are; subscription fee 0%, governance fee 1,25% and underwriting fee 0,50%. During the year 2017 the fund made profit of 2,51%. If one would have bought this investment fund with 100€ at the beginning of 2017, since there is no subscription fee one would have gotten a 100€ share of the investment fund. After holding it for till the end of 2017 and gain the profit of 2,51% which is 2,51€ in this case. During that time there has been charged 1,25% governance fee in this case 1,28€. After deduction of fees the total value of the share owned is now 101,22€. If the one would then decide to sell the investment fund share then underwriting fee of 0,50% would be charged from the 101,22€ which would leave the one with 100,71€. Also, important to note is that the governance fee is charged even if the fund is not making profit but is actually losing money. (Op 2019.) Example above is to give an idea of the fees from investment funds, fees and value changes are normally calculated on daily basis.

3.4.2 Choosing an investment fund

When choosing investment fund first one would have to choose whether they want an actively managed or passively managed fund. Based on research over 80% of actively managed lose to the index and are more often more expensive, but in a case, one would choose to go with the actively managed investment fund one should consider the following things;

1. Does the investment fund have good reasoning on the investment strategy?

2. Is the fund manager investing their own money into the investment fund?
3. Is the fund genuinely active, is it clearly diversification from the index?
4. Does the fund or the fund manager have proven track record of success from long term period?
5. What are the fees of the investment fund?

If these questions can be answered in a way that it justifies the most likely higher costs on the fund, then it should be considered as viable investment. (Heikinheimo 2019.)

As well, when choosing whether to invest in a passive index fund the following should be considered beforehand;

1. What are the profit expectations from the investment?
2. Thinking the overall portfolio, is the investment increasing or lowering the risk level?
3. How big are the management fees and transaction fees on the fund?
4. Is the index funds profit far away from the index?
5. Is it efficient on taxation, are the dividends paid or invested back to increase the share of the fund?

With investing on investment funds, it can be seen that costs are playing a big role, since they have a possibility to eat up all of the profit or make the losses even greater, therefore choosing a cost-efficient investment fund with fair profit expectations is key. Figure 6 (below) is an example of capital growth with two different fees percent. This also shows the effect on interest upon interest within 40 years. (Heikinheimo 2019.) Some banks and brokers offer monthly savings programs that do not have any or no transactions fees, this helps to make the investing easy and automatic and also cuts down the expenses making the profit share bigger.

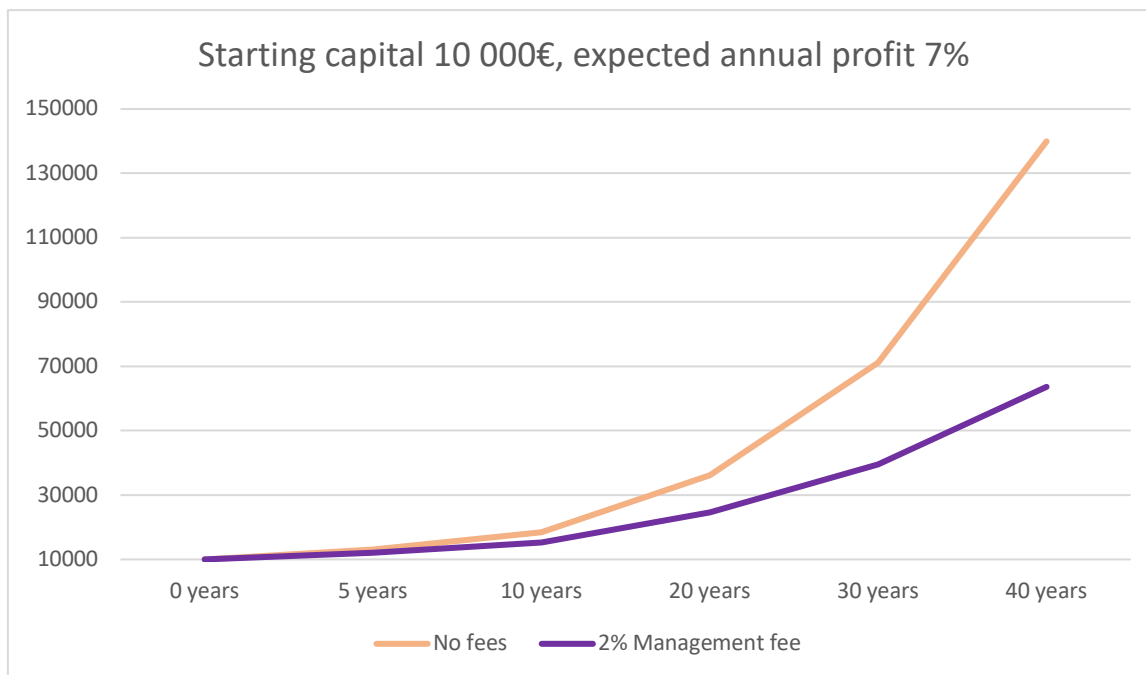


FIGURE 6 Illustration on Growth of starting capital with and without fees during 40 years without other investments than starting amount (Heikinheimo 2019.)

Diversification has to be also done with investment funds just as with any investment. This should be done quite similarly as the stock shares diversification, between different business and between different investment instruments. Investment funds make this little bit easier since one fund contains multiple companies, either from same industry or between different ones, fund can also be made in way that they hold different types of investment instruments. Geographical diversification can be done by selecting funds that either have instruments from different regions. Time diversification should also be done with investment funds and this can either be done manually by buying fund shares i.e. monthly or by subscribing into a monthly savings plan if that is offered, this would also most likely decrease the fees. (Heikinheimo 2019.)

3.4.3 ETF

Exchange Traded Fund (ETF) is different type of investment fund, as simplified it is investment fund that is purchasable from the stock market same as stock share. So, they are not like other investment funds that are managed by the bank or broker which sells them. ETF's have been rising in popularity because of the low expenses and large variety of variants. Main features in ETF's are that they can be bought from the stock market, almost every Finnish bank offers possibility to do so. Investors know exactly what instruments ETF holds and how much. ETF's are rather low on expenses, large variety to choose from and a possibility to invest in almost anything. Risk on ETF's is not any higher when

compared to normal investment funds and they are under the same regulations as normal investment funds. (Sijoittaja 2019c.)

3.4.4 Key features on investment funds

Investment funds suit for investors that do not have the time or expertise to purchase stock shares. With investment funds it is easier to obtain diversified portfolio between different investment instruments, regions and business fields. Most banks and brokers also offer easy options for time diversification with monthly savings plan. With investment funds it is still very important to carefully choose the best funds for each one and their needs and to keep expenses in mind to get best profits. Investment funds are great way to get the interest upon interest profits and are best suited for long term investing. ETF's are good alternative for regular investment funds, and they are purchasable from normal stock market.

3.5 Investment apartments

One possible option for the retirement saving plan are investment apartments. Like other investment strategies, this also needs basic knowledge before actions. At the moment investing apartments is popular way to get extra income. Getting extra income is based on rental income and capital gain. It has been said that investment apartments have excellent risk-revenue ratio. Investing in apartments should be started by learning the topic and getting basic knowledge of it and understanding in example rental calculations is important. There are several websites and books about this topic, which are great for learning the subject. Secondly, it is essential to create a goal and a plan, which is followed by taking steps towards the goal. Lastly, like in every other successful thing, this needs networking. (Asuntosalkunrakentaja 2019.)

Like in every other investing method, investing apartments needs the capital. Easiest way for this is to have the capital already and use savings. There are also few other ways to make this happen, if there is not enough capital available. One possible way is to invest with one's family member or a friend. Other possible way is to get a loan from a bank. (Asuntosalkunrakentaja 2019.)

According to Joonas Orava and Olli Turunen, there are at least 10 good reasons to invest in apartments. First reason is, that the investment apartments gives growing stable income. Second is that, the prices of the apartments vary very calmly therefore development of the price is stable. Thirdly, because of the first two reasons it is relatively easy to get a loan from the bank for this. Collateral value of the apartments is 70-80 percent.

Fourth reason is risk management. The positivity of risk management is based on the following idea, because it is easy to get a loan, it is easier to get more investment apartments and after having three or four apartments the risk of a cash flow decreases. Good income is the fifth reason to invest in an apartment. It is possible that in housing markets pricing mistakes will occur. This is the sixth reason. Examples of these pricing mistakes are when emotions or hurry are part of selling the apartment, some cases estates are sold lower price than the real value is. Seventh reason is that the owner has possibility to affect the revenue. Reason number eight is, that because investing in apartments needs an effort, not everybody has the time to do it, which banishes part of other investors. Ninth reason is, that investing in apartments can be an enjoyable hobby. Lastly, tenth reason to invest in apartments is, that it is an ethical way to invest. (Orava & Turunen 2016, 3.)

Like all investing methods, investing in apartments has its own risks. Examples of these risks are regional risk, variation in rent, increased interest rate, increase in management expenses, problems with lessee, renovation costs, difficulties with a loan and political issues. These are only examples of possible risks and all the risks depends on the investment strategy. (Hänninen 2016.)

The regional risk means that the location of the apartment is important. The location has an impact to the value and investor should find out if the location has an impact to investments or not. In some regions prices has decreased and in other regions prices has increased in last years. (Hänninen 2016.)

Decrease in rent is not the biggest problem since in common level rents have been increasing steadily last years in Finland. Decrease in rents would be a risk, if in the rent level would decrease a lot, and the level of rent would lower the profit. On the other hand, increase in rents can be a risk. This risk is a possibility when the level of rent increases, but salary level remains the same. (Hänninen 2016.)

Increased interest rate should be noticed when getting a loan. Learning how to calculate all possible costs is important and calculations should be as real as possible to avoid the risk. This can be avoided for example with calculating with the higher interest and changing to fixed interest. In Finland management charge is usually paid in condominiums and sometimes fees can increase because of the renovations. This can be controlled by affecting matters in condominium board and taking notice the finances of condominium and management charge when buying an apartment. (Hänninen 2016.)

Several problems with lessees can cause risks. For example, not having lessee can lower the profit or huge variability with lessees because if certain reasons such as high rent. On the other hand, lessee can cause problems with living and break apartment or not pay

rents. These are common risks and can be handled by interviewing lessees properly, taking an insurance and maintaining apartment. Renovation costs takes a part of the profit. Before buying an apartment, investor should find out possible renovations for apartment or renovations in building. Other way to avoid this risk is to invest in new buildings and renovated apartments. (Hänninen 2016.)

If investor needs a loan for buying an apartment, it is possible that there are problems with a loan. This can be controlled by making calculations before going to bank and managing rationally financial matters. Political issues can also have an impact. These are increase in taxation or decisions concerning students. Problem with this is that these cannot be predicted, and investor should just be prepared by following political decisions. (Hänninen 2016.)

There are always risks in investing, but most of previously mentioned risks can be controlled or avoided. Not all risks are for every investor to concern and it depends on the investing strategy. (Hänninen 2016.)

3.6 Other options

This chapter presents few other alternative retirement fund options. Other options are commodity investing, bank account saving, selling company and bonds. These options are introduced in following sub-chapters.

Commodity investing

In commodity investing, investor invests in raw materials. These materials can be gold, platinum or oil for example. There are several ways to invest in commodities for example, investing in raw material, exchange trading fund/exchange trading commodity (ETF/ETC) and shares. Investing in raw materials means that investor buys the exact material. This concerns mostly precious metals. It is also possible to have contracts owning for example gold, this means that there are more contracts than real gold in the world, but in most cases the purpose is to sell contract forward, not the actual gold. Exchange trading fund/exchange trading commodity funds are convenient way to invest in commodities. These are easy to buy and sell and, in the background usually are futures contracts of the raw material. (Hikipää 2018.) Selling and buying can be done in real time, because trading in ETF's happens in stock market. One benefit in exchange trading funds is that management costs are lower. (Nordnet 2019.) Investor can also buy shares from for example mining companies and oil companies. This method includes a learning about companies and choosing carefully which company should be the one to invest in. (Hikipää 2018.)

Bank account saving

Saving in the bank account is easy and safe solution. However, on the longer period of time it does not gain large amount of profit. This occurs, when money in the account is eaten by low interest rate and inflation. (S-Pankki 2019.) Several banks have product and/or service for the bank account savings. Nordea has “Nordea Future” which is for the retirement savings and S-Pankki has several options for example fixed-term account (Nordea 2019b, S-Pankki 2019). Saving in the bank account is seen as low-risk safe option, which it is, but it is not very profitable option (Kauppalehti 2018).

Selling company

Selling company is popular way to finance entrepreneur’s retirement. Selling does usually not happen in short-time period which is why plan is needed. Plan for selling company includes financial planning, company structure and funding options. It is ideal to sell company when its value is high. (Danskebank 2018.)

Even though, this option is popular, there are several risks. These risks should be noticed when making a selling plan for company. First risk is economic depression, at the time of economic depression it is hard to sell a company. Second, it is possible that the value is not the greatest at the time of selling. Third risk is that operational environment and competitive situation can change. Risks can also be that no one wants to buy the company or there are no suitable buyers. Lastly, competitors can try to benefit themselves and buy the company for low price. (Sijoittaja 2019a.)

Bonds

One investing method is bonds. Bond is an agreement where debtor agrees to pay back debt capital and interest rate to creditor (Sijoittaja 2019b, translated by the author). Investing in bonds is not as transparent as investing in shares, because prices vary depending on bank and client. Pricing in bonds is following, value of the loan decreases when interest increases and vice versa. This method is not very profitable, because often small investors will get worse exchange rate than bigger investors. (Lindström 2011.)

The investor cannot buy bonds straight; bonds must be bought from the bank or controller. It is possible to invest for example in stock companies, governments and municipalities bonds. Biggest issue with bond investments is that they require large amounts of capital to be bought, since the minimum mark ups are often millions of euros. (Sijoittaja 2019b.)

4 CASE COMPANY INTRODUCTION

The BioComb Huolto Ltd company was founded in 2015 and at the time it was a trade name. It was registered as a limited liability company in 2018. BioComb Huolto Ltd. provides cleaning and coating services for facades, roofs and walls. The company works currently mainly in Southern Finland and main operation areas are Päijänne-Tavastia and Helsinki metropolitan area. They will operate in other cities also, depending on where the target destination is.

The company is still small since it is rather new, and there is only 2 permanent employees and 2 subcontractors working. The company's revenue on the year 2018 was 133 thousand.

In this field of business, there are not many companies who has the same services. This is growing business and there is niche for this kind of service because the growth in buildings is not vanishing. Simply, there are only few experts in this field and very little knowledge about this field.

BioComb Huolto Ltd. provides several property maintenance services. These services include cleaning and coating facades, cleaning and treatments of roofs, painting, structural repairs, installation of roof safety products and treatments against growth. BioComb Huolto Ltd. has both housing companies and individuals as their customers. (BioComb Huolto Oy 2019a.)

BioComb Huolto Ltd.'s mission is to give the customer best service and provide the best quality service available. The quality is assured with expertise of employees and using only best biological, effective and approved treatment agents.

Customer satisfaction is important to BioComb Huolto Ltd. They will offer their customers 2-year guarantee and will handle reclamations in 72 hours. Their working method is in a contact with customers, by informing them about the progress and having conversations about the actions. This way they can get feedback immediately and inform individuals in advantage about the future actions. (BioComb Huolto Oy 2019b.)

In five years, the goal of BioComb Huolto Ltd. is that the company would be nationwide.

As mentioned before, BioComb Huolto Ltd. provides various property maintenance services to their customers. These services are cleaning and coating facades, structural repairs, installation of roof safety products, cleaning and treatments of roofs, painting and treatments against growth.

Cleaning and coating facades can be done on facades of different properties, for example on facades of apartment buildings. Cleaning and coating will make the wall look like a new and it removes mold and algae and keeps it away. This can be done to rock, element, cement and painted surfaces. Clean building is visually attractive and maintaining facade increases the value of the property. (BioComb Huolto Oy 2019a.)

Structural repairs can be done along with the other work. Sometimes on the roof can be found weak or wrong installed equipment which can be repaired or renewed. When working on the roof, BioComb Huolto Ltd. also repairs incomplete installation of roof safety products. Roof safety products include for example snow barriers. BioComb Huolto Ltd. offers also for smaller targets, for example detached houses, painting works. (BioComb Huolto Oy 2019a.)

Roof cleaning and treatment can be done for the roofs of apartment buildings or detached houses. There are different mechanisms for different roof materials. The right method will be selected depending on the condition of the roof. Roof cleaning and treatment maintains the quality of roof and makes it long-lasting. (BioComb Huolto Oy 2019a.)

Treatments against the growth keeps the roofs and facades clean for years. Often, there is growth on the walls of properties or on the roofs. BioComb Huolto Ltd.'s mission is to wash the surface and protect it with right treatment which will give the surface long-term protection. (BioComb Huolto Oy 2019a.)

5 EMPIRICAL RESEARCH AND DATA ANALYSIS

5.1 Data collection

The CEO of BioComb Huolto Ltd. offered the topic and goals for this research. The research question and sub-questions helps to create retirement saving plan for entrepreneur along with the compulsory YEL-insurance. In order to answer the research question, primary and secondary data were collected.

The data collection process started in February 2019 by collecting the primary data. It has been previously mentioned that this research is based on the qualitative approach. The primary data were collected by using two different research methods, face-to-face interview and online survey.

There are three types of research interviews and those are structured, semi-structured and unstructured. Structured interviews are beforehand appointed, and questions are considered and settled. Structured interview goes according to plan. Semi-structured interviews have some questions agreed in advance but collecting information from context and conversations between questions is possible. Lastly, unstructured interviews are open in nature and they are little or not at all organized. (Gill et al. 2008.)

In this study, semi-structured interview was chosen for several reasons. Firstly, main questions were carefully thought and agreed in advance to get all needed answers. Secondly, practical and detailed information was desired and meant to be collected from the conversation during the interview. This method ensured to get all the important and deeper answers for questions. To make situation more comfortable and not that structured, face-to-face interview was chosen. This enabled to be in interaction with interviewee and read the body language and face expressions during the interview. It was chosen to do two interviews to get enough information for this research, first interview included many basic questions and second one was more detailed about expectations towards the retirement saving plan.

After face-to-face interview, the primary data were collected also through survey. There are generally four types of surveys: in-person interviews, telephone interviews, mailed surveys and online surveys. (Nolinske 2019.) For this thesis online survey was selected for various reasons. Firstly, creating online survey is easy and cheap. Secondly, sending online survey is convenient and fast. Online survey was sent to several entrepreneurs via email.

Online survey included open and closed questions because the target group was small. Target group was selected in a way it included only entrepreneurs. These entrepreneurs were known by the researchers beforehand. Survey was created to get the information from entrepreneurs. The current level of knowledge about saving, retirement plan, investing and needed help with these matters were wanted. This information was wanted before writing theory part to create comprehensive and helpful theory part for this thesis. The meaning of this was to get the knowledge of what entrepreneurs know already, and from which investment methods they would like to get more information. Survey was sent to ten entrepreneurs, seven of these ten replied to the questionnaire. The response rate was 70%. Because this research is qualitative by nature, it was not meant to have many respondents. With the help of the answers the focus on the right matters and collecting precise secondary material were secured. Questions can be found as appendices at the end of this thesis.

Open questions give respondents liberty to answer to the question with their own words. Overall survey had 12 questions. Only couple background questions were asked because considering the topic and the research questions, other background questions were unnecessary. Background questions gave the information about the entrepreneur's current situation, not about their gender, age or other personal information of themselves.

The data collection process continued by collecting the secondary data. The qualitative secondary data can be collected from for example interviews, newspapers and transcripts (Krishnaswami & Satyaprasad 2010, 86-87). The secondary data were collected from several written and electronic sources.

All the answers from the one face-to-face interview and online survey are analyzed in the following sub-chapter.

5.2 Data analysis and results

5.2.1 Interviews

Two interviews were arranged. These face-to-face interviews were arranged to the owner of the BioComb Huolto Ltd., because he wanted help to find alternative options for retirement fund saving. It was a natural choice to interview him and get all needed information. Interviews were half-structured like mentioned before, and questions can be found as appendices. In this chapter, first interview is analyzed primary and after second interview is analyzed.

There was no need to ask specific background questions, only one was important concerning the topic of this study. He has been an entrepreneur for four years now. Currently he has no other retirement saving plans than the YEL-insurance, since it is mandatory. He has chosen to pay only the needed amount for it and not any extra. One of the reasons he wanted this study is that he does not think that the current retirement saving arrangements are enough and he would like to get more information of other options and solid plan for the future.

Asking how he feels about the YEL-insurance and its sufficiency, his answer was: "YEL is not working, it is as sufficient as shoveling money to the yard. Payments are very high compared to accumulation." (Translated by the author.) It is clear, that since currently the YEL-insurance is only thing he has, he does not feel that his arrangements for retirement are enough even though he has accumulated something from working life before.

Information about the retirement saving plans he has gotten from private companies and their marketing. He said:

Other ways there is very little information available. Some brokerage companies have also been in touch. I think, for example, Ladec and other incubator services would probably help with this kind of situations, but entrepreneur should know what to ask. Many insurance companies support in that case if entrepreneur cannot continue working. (Translated by the author.)

Brokerage companies can be risky, and one should have basic knowledge about investing before making a deal with brokerage company. He said:

I got a call from one of these brokerage companies. They had made their background work and knew I was an entrepreneur and wanted to make an appointment. A lot of talk about how it would be beneficial for me and good investment. I booked an appointment and they talked a lot and made a lot of markings on white board. I got a lot of papers when I left and gladly, I took some pictures of the numbers on the white board since there were no numbers and prices on the papers. It seemed little unclear and dishonest business. (Translated by the author.)

He also cannot say if gotten information has been useful or not. He said: "It is hard to say if has been beneficial. Many of the sources plays in their own bag, so to speak, and it is not genuine help." (Translated by the author.)

He feels that, he definitely needs more information about this subject. He would like to get basic knowledge about the retirement saving plan options. He would also like to get comprehensive information because like mentioned before, many companies give information

which is beneficial for them. To see the whole picture, it is important to get comprehensive knowledge about the subject.

Last question was about his knowledge of investing, and he said that he has no knowledge of investing at all.

After this interview, second interview was arranged to get more detailed picture from the expected retirement saving plan. From the second interview was found out that the timeline for retirement is approximately 10 years. He would like to gain enough profit that the company can run successfully, and all the extra is desired. He mentioned previously that he has no knowledge of investing. He said:

Of course, I would like to learn about investing. The beginning point is zero, so how much does it take to know enough? I do not know that, so it is hard to say how much time I would like to spend on it. I do not need to be professional investor, but I would like to know all I need to do it on my own. (Translated by the author.)

He wants to have at least basic knowledge of investing or possible more knowledge if needed. He has the enthusiasm to learn about it, which is good, because investing without knowing anything about it can be riskier.

Last question asked was about risks. From the options higher risk with higher profit expectations and lower risk with lower profit expectations, he would choose lower risk.

5.2.2 Survey

Background questions showed that all the respondents were currently entrepreneurs and none of them had retired yet. Over half (57,1%) of respondents had been entrepreneurs five to ten years, 28,6% had been entrepreneurs less than five years and 15 to 20 years 14,3% of the respondents (figure 7).

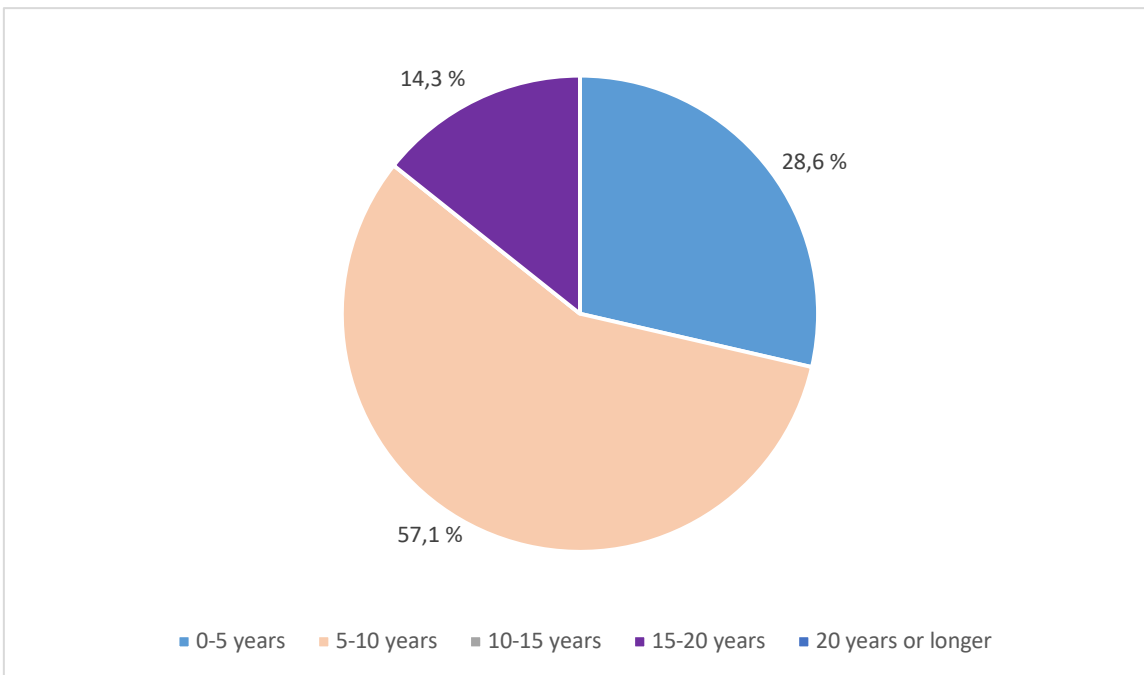


FIGURE 7 How long respondents have been entrepreneurs

Almost all respondents were aware how they can save for retirement. One respondent answered openly that is not aware how and few others answered with a possible option for example “by working” or “by taking retirement insurance”. From these answers can be seen, that most of the entrepreneurs are aware of some retirement saving options but it is not aware which kind of options are familiar to them.

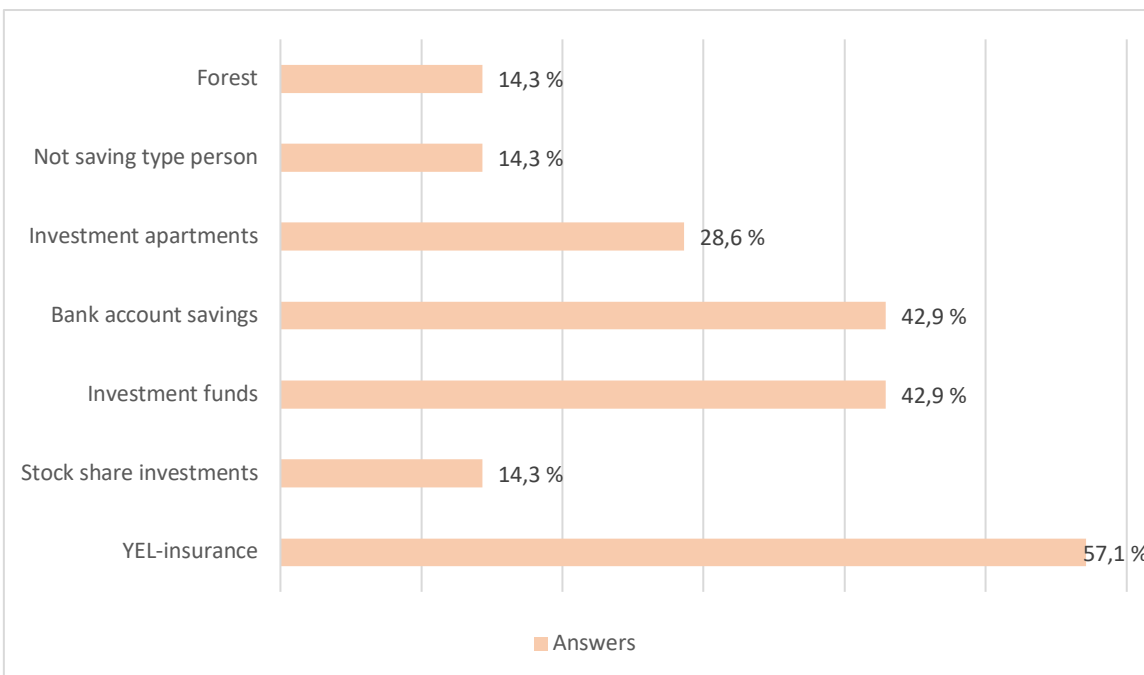


FIGURE 8 What kind of retirement saving arrangements they currently have

From all the answers, 57,1% said that as a retirement saving plan, they had YEL-insurance. Other retirement saving plan mentioned were investment fund savings, stock investments, savings at the bank account, investment apartments and ownership of land or forest. One answer differed from other answers majorly because one of the participants said that: "I am not saver type of person" (translated by the author). It is possible that this person does not have extra saving plan for retirement and that is the way he understood the question. YEL-insurance was the most common saving plan, which is not surprising because it is mandatory for certain entrepreneurs. The next popular options were investment fund savings and savings at the bank account. From these results can be seen, that some of the entrepreneurs do have a saving plan for retirement and they are aware of possible options. Anyhow, not everyone is aware of the options to accumulate the retirement.

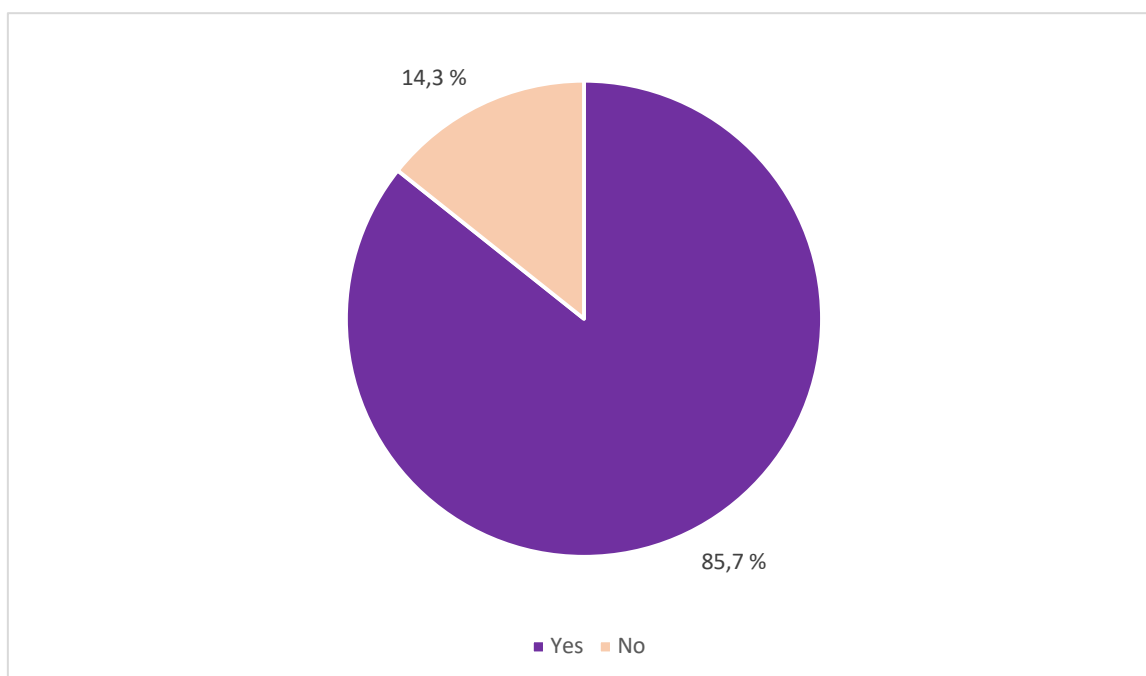


FIGURE 9 Do they feel current arrangements are enough

Next question was attached to the previous one. 85,7% felt that their current retirement saving plans are enough and 14,3% felt that current plan was not enough.

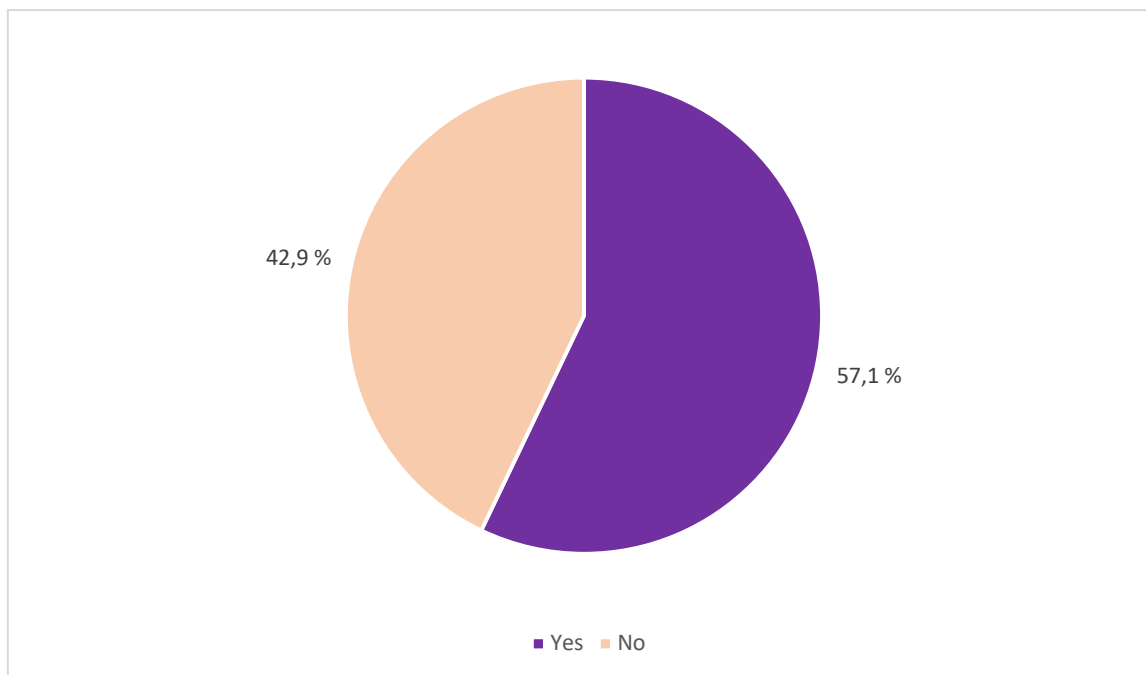


FIGURE 10 Do they feel YEL-insurance is sufficient

Next question was created to figure out if entrepreneurs themselves feel that the YEL-insurance is enough. Again 57,1% answered that they feel that YEL-insurance itself is enough for retirement. However, 42,9% answered that they do not feel that the insurance itself is enough. It can be seen from all the results that more or less half of the respondents are happy with YEL-insurance as an only retirement saving plan and little bit less than a half disagree. The latter group of persons do have or would maybe want alternative extra retirement saving options.

There were several sources where entrepreneurs got information about possible retirement saving options and arrangements. Two respondents said that he had not searched for the information at all or retirement plan is not necessary at the moment. Other sources for the information were bank and accounting company, internet, from other entrepreneurs and insurance company. Analyzing these results, it can be noticed that most of the respondents got information from some sources. Two persons whose answers differed from others may not think this topic is important yet or they are happy with current situation and want to figure it out later.

Next question was connected to this question and it said if these gotten advices and information were useful. 66,7% answered that information and advices were useful but 33,3% disagreed.

Open question about things that entrepreneurs think that they needed more help with considering retirement plan, did not get a lot of answers since it was not mandatory. Basically,

all respondents did not think that they needed more help with anything. One person answered that he could have needed more help with bookkeeping, which can be understood the way that the question should have been more specific.

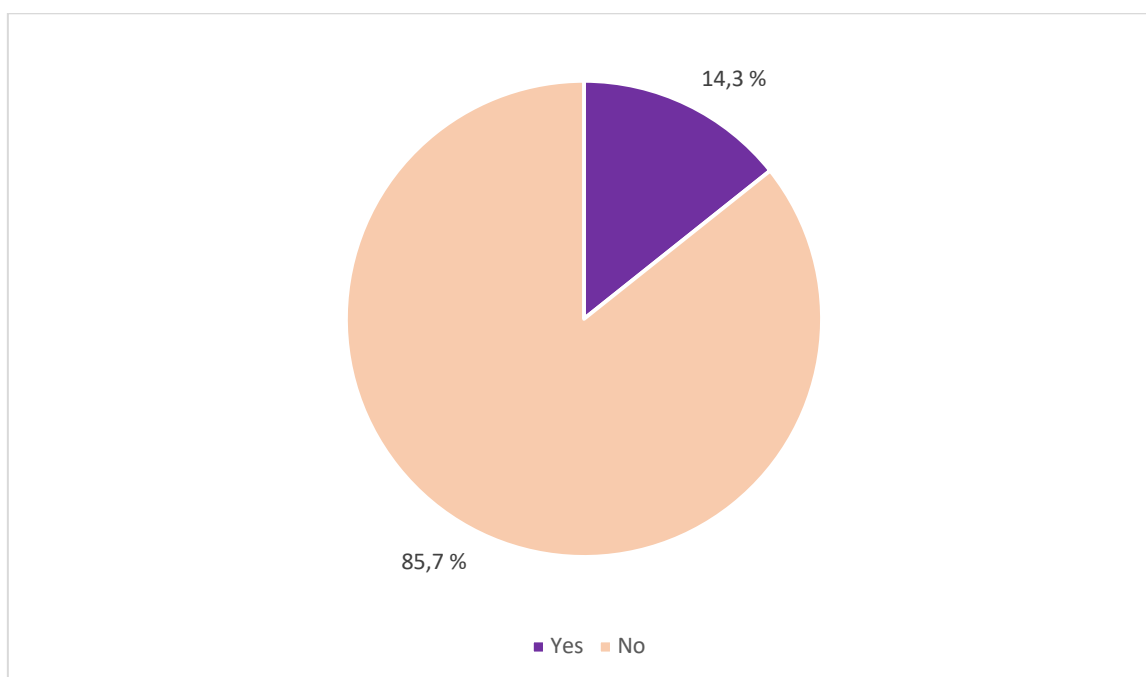


FIGURE 11 Do they feel they need more information on the subject

Next question was if these entrepreneurs feel that they need more information about this topic. 85,7% do not think that they need more information. Anyhow, 14,3% could have more information about retirement saving plan options. Last question specified what kind of help respondents would like to have concerning retirement. Less than a half answered to this question and none of the entrepreneurs felt that they would like to have any help.

The analysis of the results can be found from conclusion.

6 CONCLUSION

6.1 The analysis of the results

Depending on the goal for retirement savings, the plan should be thought early enough and not when it is too late.

From the interviews it can be seen that there is information available, but it can be hard to get or gotten information is not comprehensive. Insurance companies will help with retirement saving plan when the situation is, that entrepreneur has no working ability anymore. Some incubator companies would help if one asks for help and knows what to ask. And of course, there are brokerage companies which business is to get benefits from the entrepreneur, and these companies can be shady. Interviewee thinks that the YEL-insurance is not enough for him and he wants alternative option for saving.

From the survey results we can see that most of the entrepreneurs feel they have enough information about retirement saving plan. Many are perfectly happy with their current plan and do not feel that more is needed. The information they got from other entrepreneurs, bank, insurance company or internet is enough, and they do not need or want more information about this topic. There are still individuals that want some help and would like more information about different options. They may have gotten some information but do not feel it is valid or enough for them and they would like to know more. Clearly, there are some varying in the results and it depends from the individual if they feel that the YEL-insurance is enough and if retirement saving plan and information about it is needed.

From this study point of view, the survey gave wanted results but there could have been more beneficial answers and answers to all questions. Many of these selected entrepreneurs feel that the YEL-insurance is enough for the retirement which means it has to have some benefits or there is a lack of information. However, overall this survey showed that most of the entrepreneurs know how to save for retirement and feel that they do not need more information or help with anything.

6.2 Answers to Research Questions

The study was organized to give preliminary retirement saving plan recommendations for the owner of BioComb Huolto Ltd. by researching possible alternative retirement saving options. In order to answer the main research question, three sub-questions were created. Answering first to these sub-questions, better understanding of main research question is gotten.

The first sub-question is:

How sufficient is the YEL-insurance itself?

The sufficiency of the YEL-insurance depends on the amount invested in it. If an entrepreneur wants to invest more than compulsory, the profit is bigger. If an entrepreneur wants to pay only the amount required, the profit is smaller. In the latter case, the YEL-insurance is not very sufficient. In the first case, it is sufficient enough to have only the YEL-insurance as a retirement saving plan. Considering the results gotten from interviews, the interviewee stated that the ratio of payment to money received from the YEL-insurance is not sufficient and alternative option is needed. Nevertheless, survey results showed that over half of the answerers feels that the YEL-insurance is sufficient enough, but over 40% thinks it is not sufficient enough itself.

The second sub-question is:

Which are potential options for saving for retirement?

As instructed earlier every individual planning on starting investing, should make an investment plan. When doing this one should decide what type of instruments they would like to have in their portfolio, the risk levels they are willing to have, whether the investment are done from one set amount of money or is it more of a saving type of investing and money will be put in during longer period of time. One should also consider their own knowledge and how much time they are willing to put in to learn investing and which investments to get into. So, depending from one's plan all options are valid, as well if not creating any other retirement funding besides the YEL payments.

On the following table we have gathered some of the main features on each chosen investment instrument:

TABLE 2 Main features on investment instrument covered on this study

	Needed Starting Capital	Risk Level	Ease of Learning	Profit Expectations	Time Requirements	Monthly Saving Option (Yes/No)
Stock Shares	Can be started without large	Medium Can vary a lot,	Requires good knowledge on matter	Medium/High Can vary a lot	High Stock picking	No

	starting capital	based on knowledge	and takes time		requires a lot of time	
Investment Funds	Can be started without large starting capital	Low Can vary a lot	Requires knowledge, but on the easier side	Low/Medium Can vary a lot	Low/Medium Requires some time at the start	Yes
ETF	Can be started without large starting capital	Low Can vary a lot	Requires knowledge, but on the easier side	Low/Medium Can vary a lot	Low/Medium Requires some time at the start	Yes
Investment Apartments	Large capital or loan needed	Low, but location dependent	Requires knowledge, mistake can be costly	Low Can vary a lot, location dependent	Medium Requires some time at the start and during	No
Commodity Investing	Some capital needed	Low	Easy to pick up	Very low	Low	No
Bank Account Savings	Can be started without large starting capital	Low	Very easy to pick up	Low, almost none	Very low	No
Bonds	Large capital	Low	Requires knowledge	Medium	Low Requires time when picking the bonds	No

The third sub-question is:

How do entrepreneurs feel about the retirement saving options?

From the survey results, it can be seen that most of the entrepreneurs feel that their actions for retirement is enough. Most of the answerers have only the YEL-insurance but some of them have also alternative options. It is noticeable, that it is not very common to have investment funds or stock share investments as a retirement saving option. It is even more rare to own a forest or a piece of land. Because over half thought that current actions are enough, it can be considered that there is lack of information. Individuals who answered that YEL-insurance is sufficient itself, do not possibly know alternative options or the negative sides of it. The lack of the knowledge on these matters' effects on that, when people do not understand the matter, the risky effects cannot be seen. Most of the answerers felt they do not need more information about the matter, but usually when something is not available, it is not even thought to be needed.

Previous sub-questions support to answering the main research question:

How could an entrepreneur save for retirement in addition to the self-employed person's pension insurance (YEL)?

As an entrepreneur if one does not have much of previous knowledge on investing, our suggestion is to get into the investment fund and ETF's. These are instruments that create easily good diversification on different business fields, geographical locations and on investment instruments to mitigate risks. With the investment funds and ETF's, it is good to subscribe to monthly saving plan from chosen broker, in this way person gains time diversification and it makes saving automatic and therefore also saves time. It is important to remember that even when these instruments create good diversification, that does not mean that choosing the specific funds or ETF's would not be important, because it is. Funds and ETF's are also great way to gain the interest upon interest effect and since saving for retirement should be a long-term investing profits from this could be big.

If one would have good knowledge and would be willing to do stock picking then investing directly to stock market shares is also good method, but this would require more time to pick the best companies and to create more diversified portfolio.

Investment apartments requires also bit more time and preferably living close to growing big cities where the chance of apartments value dropping is lower, own location is not key but it would make finding new tenants of their own easier rather than hiring someone else

to do that and to take care of the rental agreements other responsibilities. Finding good long-term tenants may also be difficult and the apartments require either large amount of capital or bank loans. Also, to have diversification on the portfolio investments should be done to something else than apartments.

When choosing the instruments, it is important to keep in mind how much they are willing to put time on learning investing and doing it, since other instruments require more learning and more time when investing on them than others. Also, when choosing the instruments, it is important to make sure that the portfolio will have proper diversification on it to mitigate risks. This thesis has focused on the long-term saving perspective since when saving for retirement the timespan tends to be longer and everyone should make some saving for their retirement and start it as early as possible to get the most benefit from it.

After the instrument or instruments are chosen if they are type that require broker, then the broker should be chosen and to keep in mind in this the expenses will eat the profit, so it is key to minimize the expenses, whether it is by subscribing on monthly savings plan on investment funds or by buying stock shares quarterly to get bigger purchases in order to gain higher tier from the expense table.

After the instruments and broker has been chosen and specific targets from each instrument pool has been selected then the investing just has to be started and the key to get the profits is starting, because the studies have shown the perfect timing to start is almost impossible to determine and by delaying the start there is always possibility to lose profits and worst cases not even start investing.

6.3 Recommendations for retirement saving plan

For the owner of BioComb Huolto Ltd. we suggest, based on the interviews and the theoretical research, that he would create his retirement fund from investment funds and ETF's. This option is chosen based on the knowledge of the specific person and time that the investing should take including the studying and the actual investing. Accepted risk level was leaning more on the lower side so in this will provide more diversification for lowering risks. He would also have the YEL retirement saving, but he would save there only the required minimal amount. For the investment portfolio first, he would create the investment plan based around funds and ETF's and then search and choose the best broker for his needs, keeping in mind that the costs of the funds should not be too high. We also suggest on subscribing to monthly saving plan to lower the costs and making the investing easier. Since the retirement for him is rather close (around 10 years) he should start investing with bit bigger monthly purchases and then lower it later, in this way the interest

upon interest effect would be bit more effective. In his case there was also interest on being able to sell the company before retiring, this is also good idea, but we still suggest on saving of the funds rather than relying only on that.

Preliminary calculations of gaining profits

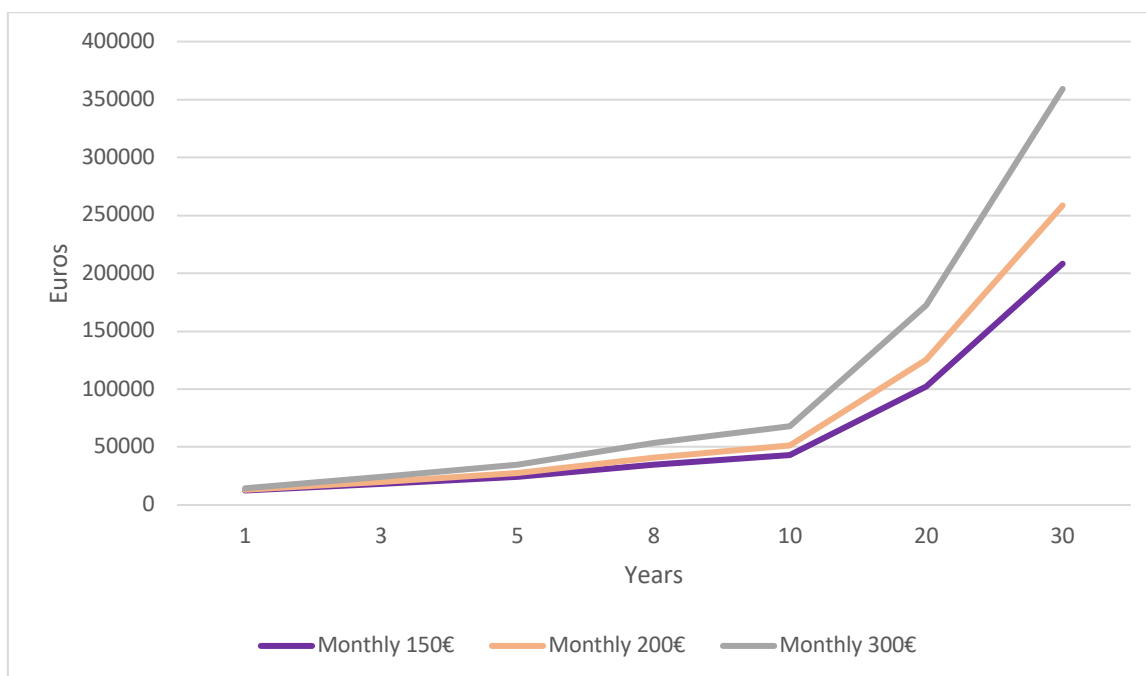


FIGURE 12 The illustration on effect of saving amount and time

On this chart we have illustrated the effect of time on gaining profits. For our study the target time was 10 years, but we wanted also to show the effect with bit more time. Starting capital in these calculations has been 10 000€ with different monthly saved amounts. On the calculations the person saving 150€ per month has put in their own money into saving total of 10 000€ starting amount plus 18 000€ with the monthly savings. In 10 years, the total saved amount with profits would be 43 057€, total profit being around 15 000€. With 200€ monthly savings the amount would be 10 000€ starting amount plus 24 000€ and total saved amount with interests 51 440€ and with 300€ monthly savings 10 000 plus 36 000€ ending up with 68 206€ profit being around 22 000€. To show the effect of longer time period with 200€ monthly saving amount, total of own money put in would be 82 000€ with total amount saved with profits 258 559€, most of the profit in this case is made by the interest upon interest effect. These calculations were made with the expectation of 6% yearly profit and with no broker fees.

6.4 Validity and Reliability

Reliability refers to consistency. Reliability is also known as dependability. Referring to consistency with which the results could be repeated and result similar findings. The other way to explain this is, that if the same process were repeated would researcher get the same results eventually. (CIRT 2018; Social Research Methods 2018.) For this study, primary and secondary data were collected. As a source of secondary data academic and semi-academic books, articles related to the topic and legal acts were used. Sources were both, printed and online, preferred latest and most credible sources. Primary data were collected through semi-structured interviews and online survey. Collecting qualitative data, interviews were the most trustworthy and desirable data collecting method, to gather all the information wanted to this thesis. Data collection and analysis were executed properly using correct procedures. It can be concluded that the research is reliable.

Validity refers to accuracy of the findings. Credibility, or internal validity, refers to the believability and trustworthiness of the findings. Credibility depends on how rich the collected data is which the researcher has gathered. External validity is also called transferability. This is established by providing readers with evidence that the findings could be applicable to other contexts, situations, settings and so on. Confirmability is a measure used in evaluating the results. This describes how the findings of the study are supported by the actual data and it is done by other researchers. Construct validity is one of the measures which are used to validate tests. This is used to figure out is the test constructed in a way it successfully tests what it says it is testing. Construct validity is also related to generalizing like transferability. (CIRT 2018; Criteria 2018.) Both interviews were face-to-face interviews. Survey has taken place online and it was recorded from the beginning. The language used for the interviews and survey was Finnish. It is a native language of the researchers and there was no threat to language misunderstanding. Using a native language of both parties, gives an opportunity to ask additional questions if needed. The survey was anonymous, which gave answerers the possibility to share honestly their opinions. This study is case-oriented, and results can differ if done to other entrepreneur or survey focused on different group of entrepreneurs. Thus, the research can be considered valid.

6.5 Suggestions on Further Research

The study in question has been made only thinking about entrepreneurs and most specifically created for this particular entrepreneur. Similar research could be done for other entrepreneurs as well or people interested of investing for retirement. Basic theory remains

the same, but retirement saving plan is always made for specific individual and has always its variables. One research suggestion, related to the topic of this thesis, is to research more investing methods mentioned or alternative ones. Such research would help to get more specific picture of investing and spreading the knowledge of it for entrepreneurs or individuals interested investing as a retirement saving option.

7 SUMMARY

The aim of the study was to research alternative retirement saving options and give retirement saving plan recommendations for entrepreneur. The second aim was to figure out if YEL-insurance is enough and find out what entrepreneurs feel about alternative options. The study was created for the owner of the BioComb Huolto Ltd.

The thesis started with introduction and general information about the YEL-insurance. The next chapter was about alternative retirement saving options such as investment funds, stock investments and investment apartments. The chapter included basic information, risks and key points of each investment method. After theoretical chapters, the case company were introduced. The case company's mission and vision as well as services were presented.

The empirical research aimed to find out what kind of knowledge entrepreneurs have about different retirement fund options and get the baseline from the entrepreneur of the case company to create the retirement plan. The researching was made through secondary sources such as literature and internet-based sources. Empirical research was completed by interviews and survey. Chapter 5 includes all the results of the data collection and analysis.

The study finished with the conclusion of the findings and answers to the research questions, validity and reliability of this thesis and suggestions for further research.

The findings of the results showed that there is a lack of knowledge among entrepreneurs considering the retirement saving plan options. It also showed that the retirement saving plan is always individual for each entrepreneur. The recommendations for retirement saving plan for case company's entrepreneur was given on the conclusion chapter as well as general information for new investor and preliminary calculations of profit gaining.

Here at the bottom are some tips to anyone who wants to start or is thinking about investing as a retirement saving option or for some other reason.

Anyone thinking about starting investing should start by making investment plan for themselves, within this plan they should cover the following:

1. Current financial status
2. How much they can put money on investing monthly
3. Is there starting capital (is it needed)
4. Tolerated risk level

5. Time period
6. Goals for investing
7. Previous knowledge

Based on the points above one should decide on what type of instruments they would like to have on their portfolio, in this thesis we have covered and given information on the following instruments:

1. Stock shares
2. Investment funds and ETF's
3. Investment apartments
4. Commodity investing
5. Bank account savings
6. Bonds

All in all, there are proper alternative options for retirement saving if an entrepreneur thinks that the YEL-insurance is not sufficient enough. It is important to think carefully own retirement saving plan taking all circumstances into account.

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APPENDICES

APPENDIX 1. Interview questions in Finnish

First interview

1. Kuinka kauan olet ollut yrittäjänä?
2. Millaiset järjestelyt sinulla on eläkettä varten?
3. Koetko, että nykyiset järjestelyt ovat riittävät?
4. Koetko, että YEL on itsessään riittävä?
5. Mistä olet saanut tietoa yrittäjän eläkejärjestelyitä varten?
6. Onko saadut neuvot olleet hyödyllisiä?
7. Koetko, että tarvitsisit enemmän tietoa aiheesta?
8. Mistä haluaisit enemmän tietoa?
9. Kuinka paljon tiedät sijoittamisesta?

Second interview

10. Millaista/kuinka varmaa tuottoa tavoittelet?
11. Minkälainen aikahorisontti sinulla on eläkkeelle siirtymiseen?
12. Kuinka paljon haluaisit perehtyä sijoittamiseen?
13. Kuinka paljon haluat käyttää aikaa sen oppimiseen?
14. Kumman valitsisit mieluummin: pienemmän riskin pienemmillä tuotto-odotuksilla vai isomman riskin isommilla tuotto-odotuksilla?

APPENDIX 2. Interview questions in English

First interview

1. How long have you been an entrepreneur?
2. What kind of retirement saving plans do you have?
3. Do you feel that the current arrangements are sufficient?
4. Do you feel that YEL-insurance itself is sufficient?
5. Where did you get the information for the entrepreneur's pension arrangements?
6. Have these previously mentioned advices been helpful?
7. Do you feel you need more information on the subject?
8. What would you like to have more information about?
9. How much do you know about investing?

Second Interview

10. How secure profit do you aspire?
11. What is your time horizon for retirement?
12. How much would you like to read up on investing?
13. How much time would you like to spend studying it?
14. Which one would you choose: lower risk with lower profit expectations or higher risk with higher profit expectations?

APPENDIX 3. Survey questions in Finnish

1. Oletko yrittäjä
 - Tällä hetkellä
 - Ollut aikaisemmin
2. Kuinka kauan olet ollut yrittäjänä?
 - 0-5 vuotta
 - 5-10 vuotta
 - 10-15 vuotta
 - 15-20 vuotta
 - 20 vuotta tai kauemmin
3. Oletko jo eläkkeellä?
 - Kyllä
 - Ei
4. Oletko tietoinen, miten voisit säästää eläkettä varten?
5. Millaiset järjestelyt sinulla on eläkettä varten?
 - YEL
 - Osakesijoituksia
 - Rahastosijoituksia
 - Säästöjä pankkitilillä
 - Sijoitusasuntoja
 - Muu
6. Koetko, että nykyiset järjestelyt ovat riittävät?
 - Kyllä
 - Ei
7. Koetko, että YEL-järjestelmä on itsessään riittävä?

- Kyllä
- Ei

8. Mistä olet saanut tietoa yrittäjän eläkejärjestelyistä?

9. Ovatko saadut tiedot ja neuvot olleet hyödyllisiä?

- Kyllä
- Ei

10. Missä asioissa koet, että olisit tarvinnut enemmän apua?

11. Koetko, että tarvitsisit enemmän tietoa aiheesta?

- Kyllä
- Ei

12. Millaista apua haluaisit saada eläkejärjestelyitä varten?

APPENDIX 4. Survey questions in English

1. Are you an entrepreneur
 - Currently
 - Have been earlier
2. How long have you been an entrepreneur?
 - 0-5 years
 - 5-10 years
 - 10-15 years
 - 15-20 years
 - More than 20 years
3. Have you already retired?
 - Yes
 - No
4. Are you aware of how you could save for pension?
5. What kind of arrangements you have for pension?
 - YEL-insurance
 - Stock investments
 - Investment funds
 - Savings in bank account
 - Investment apartments
 - Other
6. Do you feel that the current arrangements are sufficient?
 - Yes
 - No
7. Do you feel that the YEL-insurance itself is sufficient?

- Yes
- No

8. Where did you get the information for the entrepreneur's pension arrangements?

9. Have these previously mentioned advices been helpful?

- Yes
- No

10. In what matters you feel you needed more help?

11. Do you feel that you need more information on the subject?

- Yes
- No

12. What kind of help would you like to receive for your pension arrangements?