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Jarosław Dziuba
Teresa Orzeszko



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Layout: Barbara Łopusiewicz

Proof-reading: Barbara Cibis

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Małgorzata Solarz

Wrocław University of Economics
e-mail: malgorzata.solarz@ue.wroc.pl

EQUITY RELEASE TYPE OF FINANCIAL SERVICES IN THE CONTEXT OF THE INTERGENERATIONAL JUSTICE PRINCIPLE

USŁUGI FINANSOWE TYPU *EQUITY RELEASE* W KONTEKŚCIE ZASADY SPRAWIEDLIWOŚCI MIĘDZYPOKOLENIOWEJ

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Summary: Innovative on the Polish financial market, equity release type of financial services do not remain neutral in terms of the intergenerational justice principle, which assumes that one generation should not live at the expense of another. The article constitutes a part of the discussion on the sustainable development concept, analyzed from the perspective of multidirectional financial transfers occurring within families. Its major purpose is to present the essence of equity release type services as well as discuss the dilemmas caused by them in the context of the intergenerational justice principle. The analysis and critical review of the subject literature and legislation in force were used in the course of the study. It was indicated that the assessment of financial decisions related to equity release services is of individual and ambiguous nature and also depends on the quality of everyday life financial risk management.

Keywords: reverse mortgage, personal finance, equity release, intergenerational transfers, intergenerational justice.

Streszczenie: Innowacyjne na polskim rynku finansowym usługi typu *equity release* nie pozostają neutralne wobec zasady sprawiedliwości międzypokoleniowej, która zakłada, że jedno pokolenie nie powinno żyć kosztem innych. Artykuł wpisuje się w nurt dyskusji na temat koncepcji zrównoważonego rozwoju, analizowanej z punktu widzenia wielokierunkowych transferów finansowych, zachodzących w rodzinach. Jego głównym celem jest zaprezentowanie istoty usług typu *equity release* oraz ukazanie dylematów, jakie niosą one ze sobą w kontekście zasady sprawiedliwości międzypokoleniowej. W opracowaniu posłużono się metodą analizy i krytyki literatury przedmiotu oraz aktów prawnych. Wskazano, że ocena decyzji finansowych związanych z korzystaniem z usług *equity release* ma zindywidualizowany, niejednoznaczny charakter i zależy od jakości zarządzania ryzykiem finansowym codzienności.

Słowa kluczowe: odwrócony kredyt hipoteczny, finanse osobiste, *equity release*, transfery międzypokoleniowe, sprawiedliwość międzypokoleniowa.

1. Introduction

A lot of attention is paid to the problems of intra- and intergenerational justice in the concept of sustainable development. This principle states that each generation has the right and obligation to live at their own expense, without having to pay debts of previous generations and, without incurring either household debts (micro scale) or national economy ones (macro scale) on account of future generations. Initially the discussed principle was referred to environmental issues (similarly to the entire idea of sustainable development), emphasizing the need of preserving natural environment for future generations in the equally good condition as the one experienced by a given generation. The increasing popularity of sustainable development concept resulted in the fact that in time, apart from environmental order issues, it also covered economic and social ones.

Therefore, intergenerational transfers, present in the scale of entire society and also with reference to particular families, remain the vital component of the contemporary social and economic reality. The development of economy and also transformations taking place in the functioning of households and society bring about changes in the nature, in the underlying motives and consequences of such transfers. Less than 10 years ago first equity release¹ type of services was offered on the Polish financial market, which exerted an impact on the scale and direction of intergenerational transfers referring to residential property inheritance. Reverse mortgage was legally sanctioned at the end of 2014; however, it was raising social controversies in Poland much earlier.

The presented article, in accordance with the author's intention, is supposed to be perceived as an input in the discussion about the sustainable development concept analyzed from the perspective of multidirectional financial transfers occurring in families. The purpose of the study is to present the essence of equity release type of services and the resulting dilemmas in the context of the principle of intergenerational justice. In order to verify the presented research hypothesis, i.e. using equity release, as an innovative type of service on the Polish market, which is not neutral for the principle of intergeneration justice, the analysis and critical review of subject literature and legislation in force were used along with empirical data originating from secondary sources.

2. The concept of sustainable development vs. the principle of intergenerational justice

The analysis of the most popular sustainable development definition, which was published in the document including the first systemic study covering this concept,

¹ Financial instruments included in the group of the so-called equity release (ERS) represent services for converting illiquid real estate capital accumulated in liquid financial assets following the guarantee of living in a given property for life.

proves that justice remains its superior value. The Brundtland Commission Report (appointed by the United Nations World Commission on Environment and Development) published in 1987 defines sustainable development as “the one which meets current needs without depriving future generations from the possibilities of meeting their own needs” [Raport... 1991]. Despite the fact that the concept of “justice” is not *explicite* present in the above quoted definition, it does provide for the principles of intra- and intergenerational justice. Both of them were explicitly cited in Rio Declaration on Environment and Development published in 1992 and adopted at the end of the first Earth Summit. It provides that: “The right for development has to be enforced so as to fairly consider developmental and environmental needs of present and future generations” [Instytut Ochrony Środowiska 1998].

American philosopher Bryan Norton in his book entitled *Sustainability: A Philosophy of Adaptive Ecosystem Management* attempts to provide a detailed philosophical outlook on the complexity of the concept of sustainability. According to him, “sustainability refers to the future, our caring for it as well as being responsible for our actions having impact on future persons, generations” [Norton 2005]. On the other hand, Polish philosopher Andrzej Papuziński in his publication entitled *Sustainable Development in the Context of the Theory of Intergenerational Justice. An Attempt to Specify a Problem* analyses the principles of retrospective and prospective intergenerational justice in the light of the sustainable development concept. The first of them refers to past generations and popularizes the need for compensating the wrongs of the past, e.g. compensations for victims of armed conflicts, or claims of the descendants of former owners to return nationalized property. The second principle refers to current generations in the extent to which they remain affected by the results of decisions and actions currently implemented and having wellbeing of future generations in mind (also financial decisions). It aims at specifying fair relations between current and future generations by ensuring opportunities for future generations to carry out their aspirations similar to the pursuits of contemporary population [Papuziński 2014].

3. The essence and types of intergenerational transfers in a family

The concept of a generation takes different forms in economic science, depending on whether it is perceived from the perspective of public or private resources distribution. In terms of macro analysis, both age and professional activity remain important, whereas generations defined on their basis can be referred to as targeted groups of social policy. On the other hand, at the micro level, within the framework of a family, in terms of belonging to a particular generation, the most important factor seems to be the position in the network of relations connecting family members. Therefore, the term “generation” used in the present study should be understood in its anthropological meaning, i.e. as a group of individuals related to the same extent with the common ancestor [Szukalski 2002].

Intergenerational transfers, in their economic aspect, occur when some age group (a generation) consumes more or less than their members' income earned through work [Ermisch 1989]. Having remained at the level of the micro analysis, one should specify that intergeneration transfers are understood as the transfers of private resources (financial means, material goods, time, owned living area, etc.) executed between members of different generations within the same family [Szukalski 2002]. Obviously, apart from economic capital, also genetic, emotional, symbolic, ideological, cultural, social and human types of capital are transferred between generations.

Within the framework of economic intergenerational transfers two intersecting classifications are functioning at the micro level – an objective and a subjective one. The first of them identifies transfer types, namely: “the gifts of time,” i.e. all sorts of services rendered for family members (care over children and grandchildren, care provided for the sick and the disabled, help in renovating an apartment, etc.); “the gifts of space,” i.e. providing housing resources at the disposal to relatives following principles other than the market ones; material transfers (in-kind and financial donations, interest-free loans, bank guarantees, inheritance). All the above-mentioned forms are related, in their nature, to impacts on the level of usefulness and the costs covered. Even emotional support means covering costs, for example in the form of time devoted to a simple conversation [Michoń 2012].

The second classification identifies transfers addressed to the descending family members (children, grandchildren, great-grandchildren) and the ascending ones (parents, grandparents, great-grandparents) [Szukalski 2001]. For example, parents cover the costs resulting from having and bringing up offspring, financial support of adult children and; moreover, they can leave something behind to their children by making them their inheritors. On the other hand, children can support their senior parents by offering them care and/or financial support.

Money transfers take two forms: *inter vivos* (between living persons) and *post mortem* (resources transferred after death in the form of inheritance). The nature of *inter vivos* transfers includes potential repeatability, hence as a result they can be either sporadic or routine ones. As a rule, they are voluntary, although one must not forget about maintenance obligations of either parents towards children or adult children towards senile parents. Inheritance, on the other hand, can take three forms: accidental, voluntary and capitalist one [Kohli, Künemund 2003]. Accidental inheritance occurs as a result of having collected precautionary savings and postponing consumption in time, as well as imperfect information about life expectancy. Thus, the assets owned by an individual at the end of his/her life represent the measure of the lack of possibilities for predicting the moment of one's own death. Voluntary inheritance can be either altruistic or paternalistic when an individual desires to maximize his/her usefulness. Accumulating means for an inheritance seems rational and is translated into better treatment by potential beneficiaries or offers opportunities to influence their behaviours. Whereas the capitalist form of inheritance serves the accumulation of assets for the sake of just collecting or creating and preserving

them in the period extending an individual's existence [for more see Michoń 2012; Swacha-Lech 2014].

4. Equity release type of financial services in Poland

Financial instruments included in the group of the so-called equity release (ERS) represent services for converting illiquid real estate capital accumulated in liquid financial assets following the guarantee of living in a given property for life. The authors of the report, prepared for the European Commission and entitled *Study on Equity Release Schemes in the EU*, provide the characteristics of a particular service to be qualified as equity release, among which the following are listed [Reifner et al. 2009]:

- It has to be a financial service.
- It has to provide the source of liquidity for the future.
- It has to ensure the lifetime guarantee to reside in a property.
- Its repayment has to be based exclusively on the property value.

Equity release services have been known to clients worldwide for several dozen years with the leaders on British and American markets. They are offered in the form of one of the two below listed models: home reversion, reverse mortgage.

Following the home reversion model, a beneficiary, in return for financial benefits (usually lifetime ones), transfers the right to property to service providers along with the simultaneous guarantee of the right for lifetime residence in the property to a beneficiary. In the case of the reverse mortgage model a credit provider is obliged to pay a certain amount of money to a credited party (property owner) along with no obligation to repay the mortgage. The repayment is made based on the amount received from the sale of a property securing a mortgage, whereas an option of mortgage repayment by inheritors is possible.

In Poland the market of equity release services remains at a very initial stage of development. For recent several years it has been offering services based on the home reversion model, i.e. a life annuity. Such a life annuity agreement, concluded between a financial institution and a senior citizen, is regulated by the provisions of the Civil Code, because the draft of the law regarding a life annuity has not yet been finalized. Since 2010 senior citizens over 65 years of age are offered a life annuity, in exchange for the transfer of property rights, by Familia S.A. Mortgage Fund and DOM Mortgage Fund in Warsaw established in 2008. The latter entity remains the leader on the market of equity release services in Poland (70% share) – at the end of 2013 it was managing the property portfolio worth PLN 49 mn, and since the beginning of its functioning it paid PLN 3 mn worth benefits to senior citizens [Fundusz Hipoteczny DOM SA 2014]. As far as the second listed model is concerned, the bank product called reverse mortgage can be referred to it. Even though in Poland it was legally regulated by the Law passed in October 2014 [Ustawa z 23 października 2014], so far (February 2015) no banking institution has placed it in its offer.

The most important characteristics of a life annuity and a reverse mortgage are presented in Table 1.

Table 1. Selected characteristics of life annuity and reverse mortgage

Service Characteristics	Life annuity in exchange for transfer of property rights	Reverse mortgage
Model	Home reversion	Reverse mortgage
Source of law	Civil Code Law	The Law on reverse mortgage
Beneficiary	Entity running a business, e.g. a mortgage fund	Bank, credit providing institution, foreign bank division
Property ownership	Beneficiary disposes of property ownership and simultaneously establishes the right for life	Beneficiary remains the owner – perpetual property user till his/her death and resides in it. A mortgage on the property is set by a bank or based on the particular right to this property
Service provider's commitment	Periodic payment of a benefit for life (till the day of beneficiary's death)	Periodic payment of a benefit up to the amount of the credit granted or the entire credit amount at once
Agreement	For an indefinite period of time	For a limited period of time
Situation of beneficiary's inheritors	A property becomes the ownership of a service provider, beneficiary's inheritors do not hold any rights to it	There is an option of a credit amount repayment by inheritors and their retaining ownership rights to a property. In the case of non-repayment of an obligation, a bank covers the value of consumer's obligation and the difference resulting from the property value and the obligation is transferred to inheritors.

Source: auditor's compilation based on Ustawa z 23 października 2014 and Projekt Ustawy z 26 czerwca 2014.

With regard to the subject matter under consideration, the situation of inheritors of a person taking advantage of equity release services does require a broader comment. In the case of a life annuity a senior citizen, having signed an agreement for life, transfers all rights to an occupied property to a financial institution and regardless of the fact whether he/she dies within a year or 20 years after signing this agreements, inheritors cannot claim any rights to an apartment since it does not constitute a part of an inheritance. The problem of reverse mortgage settlement is a slightly different issue. Art. 20 of the Law provides, among others, that the total amount payable shall be due within one year from the death of a credited party, or the last one of credited parties, if a married couple of pensioners were the signatories of a reverse mortgage. Therefore, after client's death a bank is obliged to value a property and settle the accounts with inheritors. The latter can "recover" a mortgaged property

by repaying the total amount to be paid (i.e. the sum of a reverse mortgage amount paid by a bank, interest and other costs unpaid by a credited party before the credit repayment, such as commissions or other charges) [Ustawa z 23 października 2014, Art. 21]. They have 12 months to take action and if they fail to repay the total amount within this time, then the bank's claim to transfer property ownership or cooperative ownership right or the right of perpetual usufruct, constituting the reverse mortgage collateral, becomes claimable.

5. Management of everyday life financial risk in the context of pension security vs. intergenerational justice

One of the manifestations of intergenerational justice is the awareness of the fact that we participate in an intergenerational relay race. It refers to a process in the course of which limited resources inherited after predecessors are transformed into an endogenous developmental potential which guarantees the equality of life chances for all generations. The conducted research and the observations made confirm that every subsequent generation is, on average, wealthier, healthier, better educated and lives in better housing condition. Therefore, it expects further improvement of its living conditions, which obviously encounters "the limits of growth" [Solarz 2015].

Providing an answer to the question whether taking advantage of equity release type of services violates the principle of intergenerational justice is not clear. It depends, to a great extent, on the quality of everyday life financial risk management in the context of retirement security.

Households make various financial decisions on a daily basis. They can refer to their everyday consumption expenditure, be related to liquidity management, surplus or insufficiency of purchasing power. Some of them are of short-term nature, others are long-term ones, e.g. credit card payments or taking out a mortgage to purchase a property. It is mainly the latter which carries the burden of high everyday financial risk. This is manifested in the fact that current financial decisions are made in a particular socio-economic environment and can bring reverse, from the intended, effect in the future, e.g. result in excessive debt and in consequence household poverty. The above-mentioned risk can be related to an unexpected illness, disability, death, reduced income earned, unemployment, deterioration in the valuation of assets held, the loss of durables due to random events, unfavorable fluctuations in market interest rates or currency exchange rate resulting in debt servicing costs increase, as well as major income loss after retirement [Solarz 2010].

Financial decisions made by a current generation in particular market conditions bring about effects no sooner than after some years and affect not just parents (decision makers), but also children. An optimal situation takes place when an individual during his/her lifetime, manages available financial means in the way sufficient to bring up and educate offspring, secure the future of retirement and even leave an inheritance to provide financial support for children and grandchildren (see Figure 1).

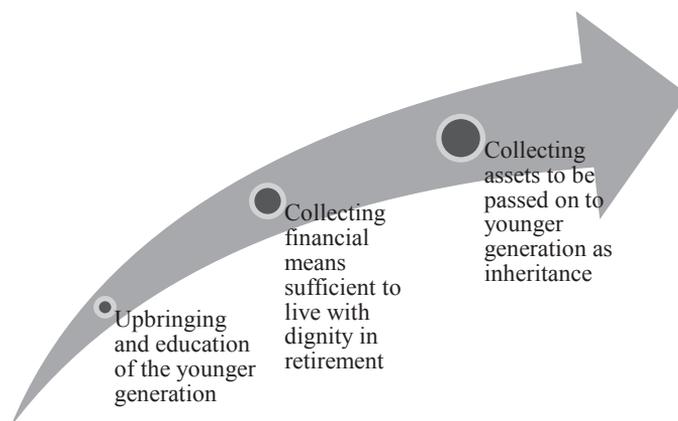


Figure 1. The objectives of future pensioners in everyday financial risk management

Source: author's own compilation.

An appropriate allocation of means between the three presented objectives is not an easy task, even more so that the perspective is quite distant and the surrounding environment remains turbulent. Behavioral finance researchers, including H. Shefrin and R. Thaler, claim that every human being is partly a myopic doer and partly a farsighted planner. The first of them is more inclined towards current consumption of earned income, whereas the second one prefers a more rational division of means between consumption and saving. Hence the choices made by individuals, and the propensity towards saving, constitute the effect of a peculiar inner game. The discussed phenomenon refers to the so-called intertemporal choice, which means a situation in which costs and advantages related to a decision made by an individual “spread” over time to be summed up in the future. Recognition of the essence and regularities occurring in the area of intertemporal choices remains a crucial issue since such decisions are common and their consequences are grave [Loewenstein, Thaler 1989].

People with predominant qualities of a myopic doer tend to concentrate on ensuring the best living standards for themselves and their children. In extreme cases, they can present the attitude of a consumption oriented lifestyle. If consumer choices are accompanied by the attitude of a farsighted planner, i.e. insurance decisions regarding assets, health and life of family members, as well as collected savings, having future retirement in mind, such financial risk management can be considered as correct; however, if otherwise, a serious financial problem may occur when reaching the retirement age. The World Bank experts are alarming that in thirty, forty years from now the retirement benefits of Polish pensioners, received from the public pension security system, are going to be very low and according to forecasts are supposed to constitute about 25–35% of the last salary (replacement rate), which shall result in pensions as much as even twice lower than the current ones. Therefore,

professionally active individuals should save additional 10% of their annual income to ensure their replacement rate at the level similar to the one of currently decided pensions, i.e. about 50% [The World Bank 2014]. Refraining from adequate saving decisions in due time shall result in the need to take advantage of one's offspring's financial support (intergenerational transfers upwards). Alternatively, property owners will be able to release the means frozen in them by using equity release services.

The principle of intergenerational solidarity, as already mentioned, provides that every generation should live in such a way so as not to impoverish the next one. Therefore, a question arises whether a senior parent, who brought up and educated a child/children (intergenerational transfers downwards) and remains a property owner to be transferred to a financial institution in exchange for a life annuity instead of bequeathing it to his/her inheritors, violates or does not violate the principle of intergenerational principle? While investigating the answer to the above presented question, attention should be paid firstly to what in fact is a fairer solution for the current young generation: whether it is not receiving a property as inheritance from parents along with a simultaneous absence or a limited need to cover the costs of care and financial support for senior parents or just the opposite. Secondly, do the parents choosing to take advantage of equity release services release adult children from taking care of them?

Along with the 21st century financial crisis the so-called sandwich generation has appeared in Poland. It includes individuals who are burdened by both senior parent/parents and growing children requiring support [Drozdowski 2012]. The financial clamps and liabilities towards two generations remain, on the one hand, the consequence of an average life expectancy lengthening and, on the other, the consequence of the growing number of "young adults" who keep postponing the moment of leaving their family household, or even if they have already left it, they are still not entirely economically independent. According to the Report entitled *Financial Portrait of the Young* developed for the National Debt Register BIG, as many as 72% of young people aged 18–35 were employed at the end of 2013, but only 29% of them were working based on permanent contracts [Krajowy Rejestr Długów BIG 2014]. The difficult job market situation results in the fact that every fourth young person aged 25–30 and 86% of those in their 30s are capable of earning independent living. The others are taking advantage of their parents or family financial support, who pay their rent, electricity and water bills: 66% of 18–25-year-olds; 34% of 26–31-year-olds and 24% of 31–35-year-olds.

Expecting financial support on the part of both ascendants and descendants can result in running out of funds, not to mention that a sandwich generation should make savings having their retirement in mind. Therefore, a senior parent who is self-sufficient and becomes financially independent even at the expense of transferring his/her property ownership to a financial institution can be observed by a younger generation as a resourceful individual.

Attitudes, opinions and financial behaviors do change over time. Currently there are five generations living simultaneously in Europe: traditionalists, baby boomers, X, Y, Z generation [Howe, Strauss 1992]. Traditionalists represent people born before or during the Second World War. They are characterized by strenuousness, financial conservatism and prudence; they do not like changes and are not willing to take risks; they are far more likely to make savings than to borrow money. The generation of baby boomers represents people born in the period 1946–1964 in The Peoples Republic of Poland. Their lifestyle is determined by the fact that they live to work; they received apartments from the State; in their youth they had very limited possibilities for taking advantage of banks, insurances or investment offers. X generation covers those born in the period 1965–1980 abundant in socio-economic transformations. This generation, as opposed to the previous one, works to make the most of their living. The financial market offers them a variety of products and services and they eagerly take advantage of them by taking credits, investing in purchasing moveable goods and real estate. The majority of them do work very hard to repay their debt and sometimes they do not earn enough money to make additional savings for their retirement. Y generation refers to those born after the information technology era, i.e. 1981–2000. They prefer to “enjoy” living rather than earn extra money at all cost. They are impatient, not really driven to make savings, as opposed to their parents and grandparents; they cannot imagine long-term saving or having to repay a credit for several dozen years. They prefer renting apartments to arduous and laborious saving in order to purchase their own and besides the job market situation turns property acquisition into a anchor making the decision about possible migration very difficult. Moreover, many representatives of Y generation are of the opinion that they will receive a property as inheritance from their grandparents or parents. Thus, senior citizens using equity release services can induce the feeling of injustice in them, despite the fact that even if inheritance is not considered, the young still remain net beneficiaries of intergenerational transfers [Szukalski 2003]. Z generation represents current teenagers, born after 2000, who still have not established their own households since they depend on their parents and, as yet, are not making any financial decisions.

Having considered the financial behaviours of the subsequent generations evolving over time, it may happen that in several/several dozen years more individuals will take a more favorable look on equity release services. In spite of the fact that, as of today, they seem economically unprofitable² and deprive the young generation of financial support after the death of their parents.

² The simulations performed for The Polish Bank Association indicate that a person deciding to use equity release services can receive an amount equal to maximum 50% of property value in the year in which crediting is ceased due to an average life expectancy period being over for a particular age category, paid in monthly instalments (e.g. 65 year old owner of an apartment in Szczecin worth about PLN 240,000 can receive a monthly installment of about PLN 3000) – for more see [Związek Banków Polskich 2012].

Yet another important component of interregional transformation is the disappearance of multigenerational families in favor of one or two-generation ones – an elementary family. In the past multigenerational families were jointly covering their residential costs, whereas nowadays young people are much more inclined to live independently, head towards larger cities and sometimes abroad. Owing to the distance barrier and the lack of time, supporting senior citizens takes, more and more often, the form of material transfers rather than those provided “in-kind,” i.e. personally performed care. Obviously, a family house can be sold and parents can be moved to one’s own place; however, seniors rarely wish to spend their old age in a changed environment and much prefer to live until they die in their own property which they were working for and maintaining all their life. Hence an option remains to take advantage of the services rendered by a professional senior care assistant (this profession will be gaining popularity in an aging society). Therefore, in the above presented perspective, equity release services can turn out a useful compromise.

The argument supporting equity release services offer, as becoming increasingly popular among senior citizens, should be observed in an approach of living at the expense of a younger generation, i.e. when an individual consumes beyond his/her means, does not make any retirement savings, expects support from children and grandchildren and enters into a reverse mortgage agreement or a life annuity with a financial institution without consulting it with family members. Obviously, being a property owner, even if inherited after his/her ancestors, he/she has the right to do so. Adopting such an individualistic approach remains, however, in contradiction to the behaviors deeply rooted in Polish society, aiming at accumulating assets in order to pass them on to the next generation, constituting the paramount notion comparing to the family concept, since it covers a group of many families based on the bonds of blood, i.e. all of those originating from a common ancestor. One of the crucial principles remaining at the source of motivation towards collecting assets and passing them on as inheritance is: “do for your child what your parents have done for you” [Szukalski 2002]. It is deeply ingrained in the concept of deferred reciprocity, since an inheritance is perceived as if it were returning favors for support received from one’s own parents. Each member of a multigenerational family in the course of his/her life remains both a recipient and a donor of financial transfers and thus, following the principle of justice, should carry out their duties resulting from being a participant of a multigenerational relay race.

Finalizing the discussion on managing everyday financial risk of future pensioners in the light of intergenerational justice principle, it is worth paying attention to the issue of transactional costs. They manifest themselves in, among others, high costs of equity release services, since releasing capital accumulated in a property is associated with losing almost half of its value. In such a situation it seems better to take advantage of the provided by law annuity agreement signed between an adult child and a senior-parent, where in exchange for a monthly cash benefit the property ownership would be passed on to a descendant. After parents’ death their offspring

could either reside in it or sell it. For a younger generation it could take the form of a long-term investment not burdened with banking costs.

6. Final remarks

As a result of the research and observations presented in the article, it can be clearly stated that using equity release services, innovative on the Polish market, does not remain neutral against the principle of intergenerational justice. The latter assumes that one generation should not live at the expense of another. Nobody has the right to limit the opportunities for a better life quality of generations to come. At the same time, nobody should take advantage of passing generations by spending more than they can earn.

Reverse mortgage and life annuity represent commercial products offered to clients who may or may not use them. Their decision in this matter shall mainly depend on the quality of managing everyday financial risk in the context of retirement savings. Proper allocation of financial means between the following three objectives: bringing up and educating offspring, securing future retirement, leaving inheritance behind, is definitely a difficult task to carry out in a long-term perspective and in the turbulent socio-economic environment. Excessive consumption, no inclination for making savings and an insufficient level of financial awareness represent the basic mistakes made by households.

Each family has the right to evaluate financial decisions of its members differently, from the perspective of their approach towards fairness. Some will consider themselves unfairly treated by their senior parents who decided to take advantage of an equity release service, whereas for others it will remain a sensible solution based on a fair compromise. Among the considered parameters, in the course of evaluating the analyzed financial instruments and in the context of intergenerational justice, the following were included: higher life expectancy, decreasing birth-rate, disappearance of multigenerational familiars, difficulties experienced by adult children in the process of gaining financial independence resulting from job market problems, differences in lifestyle, financial attitudes and behaviors typical for various generations. All of them allow supposing that in several or in several dozen years, when expert forecasts regarding the level of retirement benefits are materialized, the market of equity release services shall gain importance.

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