APLICAREA EXPERIENȚEI MONDIALE ÎN FORMAREA ŞI DEZVOLTAREA POTENȚIALULUI FINANCIAR AL GOSPODĂRIILOR CASNICE

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În articol este prezentată baza de resurse de formare a potențialului financiar al gospodăriilor casnice altor țări şi mecanismele de dezvoltare cu ajutorul instrumentelor sistemelor de pensionare şi fiscale, precum şi ale ipotecii. Sunt analizate instrumentele moderne principale de formare şi dezvoltare a potențialului financiar al gospodăriilor casnice din Statele Unite ale Americii, Uniunea Europeană şi țările spațiului postsovietic. Este justificat faptul, că aplicarea experienței mondiale trebuie implementată în practica autohtonă treptat, separând mecanismele şi instrumentele existente conform gradului de posibilitate a implementării lor în Ucraina.

***Cuvinte cheie**: gospodărie casnică, potențial financiar, imobil, impozite, conturi de pensii, transferuri, ipotecă, instrumente financiare.*

THE WORLD EXPERIENCE APPLICATION FOR THE FORMATION AND DEVELOPMENT OF FINANCIAL POTENTIAL OF HOUSEHOLDS

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The article considers the resource base of the financial potential of the households in foreign countries and the mechanisms of its development with the instruments of the pension and tax systems, as well as mortgages. The current basic tools of the formation and development of the financial potential of the U.S. households, the households of the European Union and the former Soviet Union countries are analyzed. One proves that the use of foreign experience should be introduced gradually in Ukrainian practice, dividing the present mechanisms and instruments for raising the possibility of their implementation in Ukraine.

***Keywords:** household, financial potential, real estate, taxes, retirement accounts, transfers, mortgages, financial instruments.*

JEL Classification: G21, G23, R20, F24

Introduction

The experience of the developed countries and the theory of the market economy evolution says that the raise of financial potential of households contributes to the stabilization of the state financial system. Therefore, one needs the study and use of the present foreign experience regarding to the formation and development of the financial potential of the population. That requires a scientific in-depth study.

In each country there is a certain socio-economic mechanism that allow forming of the effective and developed financial potential of households. For further research this item one needs to examine the particular qualities of the formation and instruments of the development for financial potential of households in developed economic systems, as well as in some countries with emerging market system. That goal is to highlight those features and instruments for using in domestic practice.

The basic content

The Z.1 «Flow of Funds Accounts» report by the U.S. Federal Reserve System [9] states the household net worth and non-profit organizations net worth is $66 trillion, the real estate is 22% of household`s assets, and the mortgage loans ($9.4 trillion, 70%) is the lion's share of the liabilities. That is, the real estate is the main asset for U.S. households, and the mortgage is the principal liability for the vast majority of the U.S. population.

The volume of financial potential certainly depends on the level of households` income by various sources, namely: wages, social transfers, property income, income by operations in the financial market, etc.

The analyzed monetary income of European households reveals that, firstly, the level of income varies by countries, and, secondly, there are huge differences in the ratio of the minimum and maximum amount of income characterizing the development of the pension and tax systems [6]. By analysis of the level of financial potential one needs to consider the degree of development of financial markets and the state regulatory environment, as well as housing, and accordingly, the existence of a variety of mortgage instruments and programs.

The statistics state that in Germany real estate owns approximately 48% of all households, which tend to have one type of housing in the family (29%) or a share of property (13%), or a two-family house (5%). Therefore, the most of funds of households in Germany is not invested in real estate, and financial assets. This is explained by the existence of an effective system of mortgage financing [5].

Higher level of disposable income in the country reflects the effective state policy of income redistribution, provides additional opportunities to increase household income of the family budget through the development of the state ensure of the public goods provision. First of all, it concerns the formation of an effective pension system (including the problem of global aging), the tax burden on the population and housing arrangements, and the availability of developed financial service markets.

The existing instruments allowed households in foreign countries to effectively form their financial potential could be grouped as: fiscal, transfer, mortgage and finance one.

The fiscal instruments used in foreign countries are shown in Table 1.

Table 1

Fiscal instruments for financial potential of households in foreign countries

USA	EU countries	Emerging market countries
– corporate retirement accounts and plans are not taxed on income, at withdrawal of plans a system of deferred taxation is used;	– corporate pension compensation, stock option plans with tax exemption;	– no such mechanism;
– the functioning tax system of aggregate family income less expenditure of households according to legislation;	– family taxation considering tax benefits applied to families with children;	– individual taxation;
– the progressive tax scale provided a minimum tax base and five tax rates;	– the progressive tax scale is able to allocate tax classes using tables and charts (Germany);	– flat tax rate on individual income (higher rate of certain statutory income);
– tax credits for families had children up to 17 years	– different size non-taxable minimum base for single and couples	– tax credits for land-tax and real estate tax for families with three or more underage and other privileged categories of citizens (Ukraine)

Comparing the existing fiscal instruments in different foreign countries, the taxation system of individuals differs tax base (individual income of each household member and aggregate income), tax credits, tax administration with retirement accounts must be noted. So when borrowing some fiscal instruments one should consider the peculiarities of the national tax system, tax law, tax administration, as well as the possibility of a rapid transformation of all of the above elements.

The qualities of transfer policy in some foreign countries are shown in Table 2.

The data in Table 2 show that in the EU a social component, regulated by the state, is more meaningful than the U.S. one.

Table 2

Transfer policy instruments of foreign countries studied

USA	EU countries	Emerging market countries
– corporate retirement accounts and plans 410 (k) or TSP;	– private transfer payments (pensions);	– Russia is planning the introduction of specific target retirement accounts;
– individual retirement accounts IRA or Keogh;	– existence of corporate pension compensation, option plans, for instance, providing employees share of ownership (Share Incentive Plan);	– social transfers (state pension, all kinds of social assistance, benefits);
– additional opportunity to invest in financial and non-financial assets out of individual retirement accounts	– social transfers (state pension, all kinds of social assistance benefits)	– aid for children or maintained family members does not affect tax rates

In the USA every individual has to choose the mechanism of formation of the pension program using a set of specific instruments.

That, in the USA, Canada, the UK, Japan and other developed countries, there is the formation of the assets in the pension system by means of individual accounts and retirement plans. In Poland, the Czech Republic, Hungary, Estonia, Turkey, the Russian Federation, the third component of the pension system is implemented mainly through specialized funds [3].

In the USA there is the most developed stock market, so households with varying degrees of net worth are able to carry out transactions with securities using commercially available instruments. The analysis of existing financial instruments in the different countries, by which the household is able to enhance their financial potential, is carried out in Table 3.

Table 3

Financial instruments for the formation of financial potential in foreign countries

USA	EU countries	Emerging market countries
– securities (stocks, bonds for education, shares in mutual funds, etc.);	– securities (government bonds, stocks, shares in the funds);	– securities purchased mainly through joint investment institutions (mutual funds, asset management company, investment company);
– investments through individual intermediaries (brokers, financial advisors);	– investments through individual intermediaries (brokers, financial advisors);	– individual trades for households with high income;
– bank deposits and funds in non-banking system;	– bank deposits and funds in non-banking system;	– introduction to the practice of long-term bank deposit of pension programs;
– current accounts;	– current accounts;	– current accounts of the rich men;
– capital invested in the business;	– capital invested in the business;	– capital invested in the business;
– equity in vehicles;	– credit derivatives;	– various pension plans offered by private pension funds;
– capital property that is leased	– capital property that is leased	– capital property that is leased (shadow income from rental real estate for rent)

Thus, the US Census Bureau [8] and the Pew Research Center [7] states that assets of households differ in their structure, depending on their income level. The richest households' main assets are shares, bonds, debenture stock, investments in various financial funds, and the middle and low worth households` assets are their own housing property (about 50% of the available assets) and the ability to purchase it.

As for most post-Soviet countries, the household is inherent inertia approach based on earlier formed paternalistic expectations of citizens and the state social guarantees. Thereby, for example, in these countries the stock market is underdeveloped, is practically in its infancy. Therefore, the financial potential formatting through the use of financial market instruments is not carried out, since most of the households do not have the financial potential to become any significant participant. So, the most common source of income part of these households` financial potential are financial products and services offered by banks.

The further examine of formatting financial potential of households needs to consider the most important structural element of it, i.e. the availability of own housing and the possibility of its receipt, named the mortgage instruments (Table 4).

Table 4

Mortgage instruments of formatting financial potential in foreign countries

USA	EU countries	Emerging market countries
– real estate (income of property);	– income of property including real estate;	– income of property including real estate becomes insignificant in most households;
– capital invested in own housing;	– capital invested in own housing, sublease income;	– capital invested in own housing only for high income households;
– opportunity to purchase ownership of housing through stock market instruments;	– special state programs aimed at providing housing to the poor;	– special state programs aimed at providing housing to certain social groups;
– special mortgage programs offered by both banks and non-bank sector;	– special mortgage programs offered by both banks and non-bank sector;	– mortgage loans offered by banks;
– low interest rates on mortgage loans;	– reduction in mortgage lending;	– complex mechanism of the mortgage, assuming a higher wage high cost of registration and high interest rates on loans;
– issue treasury bonds (treasuries) on the real estate market to stabilize it	– availability of state consruction programs designed to provide housing for the citizens (through a mortgage or rent), construction loan funds, i.e. mortgage companies in non-banking sector	– lack of effective programs of private housing and lack of enforcement of existing state programs

One is to be interested in development and introduction of various programs to provide own housing for individuals in foreign countries.

In New South Wales State, Australia, for instance, the State Housing Pathways system ensures the obtaining dwelling to be simple and fair regarding to society. Each type of household identifies limit on the level of income. Where in the individual benefits are considered, particularly the benefits for families with children, the disabled, when the household has significant permanent medical expenses. Limit level of income is regularly reviewed and indexed for legislative changes in living wage [1].

In developed countries the households, are not covered the public housing program, can participate in a variety of mortgage programs, in particular households with low financial potential are able to do. For example, in the USA the initial fee is issued in subsidies by the state.

There is no doubt that regarding to development of the real estate market the possibility of construction, development of commercial construction sector and social housing is a major problem. For example, in Germany, in post-crisis 2009-2011 years dwellings increased by 416, and dwellings per 1,000 inhabitants increased by 7, i.e. 1,5 m^2 per inhabitant and in 2011 that is 43 m^2 per inhabitant [4].

As concerns the dwelling sector in the post-Soviet countries, the main problem is an undeveloped market of housing construction, lack of effective mechanisms for the implementation of state housing programs, and particular qualities of mortgage by non-banking sector financing that is complicated for the public understanding, disinterest of developers in collaboration with state mortgage agencies.

The State Statistics Service of Ukraine gives that in 2010 total living area is 23.3 m^2 per capita average. The data are comparable to the European countries of the CIS. In 2010, in Russia living area is 22.6 m^2 per capita average, in Belarus – 23.6 m^2 per capita average, in Moldova – 22.3 m^2 per capita average [2]. In the EU, they are 2-3 times higher, for example, in Hungary – 28.0 m^2, in the Czech Republic – 28.7 m^2, Denmark – 52.4 m^2, in Norway – 74.0 m^2 [2].

In the USA, living area is 67 m^2 per capita. However, thus it is necessary to take into account that the majority of Americans has private house of average size of 170-180 m^2, and in the post-Soviet countries there is an area over 50-65 m^2, in the European Union – 80-90 m^2 [2, 4, 5, 8].

However, regards to the number of houseroom per 1,000 inhabitants, in Ukraine the providing housing looks very «European» (Ukraine – 408 units, Russia – 413 units, Czech Republic, Hungary – 423 units, Germany – 486 units, France – 513 units). This can be explained to the average Ukrainian apartment is half the European one [2, 4, 5]. In the CIS countries for the past few years the positive trends is explained not so much to increase the number of real estate as rapid depopulation.

The State Statistics Service says that the estate market in Ukraine has positive trend due to increased construction works in cash terms in 2011, which tended to increase by 11.1% compared to the previous period (2008 – 16%, 2009 – 48.2%, 2010 – 5.4%) [2].

Thus, the examined countries significantly differ in living conditions, income, social standards and the degree of development of financial markets and instruments helped to shape households` financial potential.

Conclusions

Considering the international experience of the formation and development of households` financial potential there is necessary to divide the existing mechanisms and instruments in the degree of possibility of their use in Ukrainian practice.

Thus, there are the most appropriate and feasible for implementation instruments. It seems to be the instruments and mechanisms are not directly related to reform the tax system, since, the system of family taxation is discussed by academics. But main provisions of the system of family taxation were not even considered in the Tax code draft. Therefore, all instruments associated with changes in tax laws seem to hard fulfill soon.

The most probable mechanisms and instruments for use in Ukrainian practice are emphasized by author:

– to introduce the individual retirement accounts formed in the banking system (deposit products) and in the non-banking system (products of Private Pension Fund), as well as had the same state guarantees (the Fund Deposit Guarantee). It makes to increase the non-bank segment of financial market;
– to modernize mortgage market by expanding its infrastructure (to create the specialized commercial mortgage companies);
– to improve the mechanisms of the State Mortgage Institution of Ukraine in the sphere of existing state mortgage programs (youth loan) as well as developing new ones (for example, programs to provide housing in the long-term mortgage leasing);
– the need to develop new public construction regarding to social housing programs through arrangements and the system of preferential government lending developers.

Ukrainian corporate sector versus the U.S. one is not financially able to implement the redistribution of stock ownership to the formation of pension plans, because today the basis of corporate solidarity is not formed. Also, the concept of corporate social responsibility and the need for it is disputed, as business concerns primarily the entrepreneur`s benefits, but they are absent now.

Therefore, the use of such schemes in Ukrainian corporate sector seems problematic because of deficient legislation, lack of willingness to large corporations bear social responsibility and confidence of employee to such instruments.

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