

Thoughts on Asset Allocation of Chinese Families in the Context of the New Era

Xinyi Tan

Nankai Middle School, Chongqing, China

**Corresponding author: Tan Xinyi, E-mail:270008175@qq.com.*

Abstract

Since the reform and opening up, the economic level of Chinese households has shown a sustained increase, mainly manifested in the growth of asset amounts and the diversification of asset distribution forms. This article aims to discuss the status of Chinese household assets in the new era since the reform and opening up, especially after the Third Plenary Session of the 20th Central Committee, the importance of rational allocation of household assets, and suggestions for rational allocation of Chinese household assets in the future period, in order to improve the quality of life and happiness index of families. To contribute to the development of the family itself, the economic prosperity of the country, and social harmony.

Keywords

Chinese household , asset allocation , investment , risk

1. Introduction

With the development of the Chinese economy, the assets of Chinese households continue to grow, and the high-quality development of the economy has driven the annual increase in disposable income of Chinese households. From 2013 to 2020, the per capita disposable income of Chinese residents increased from 18310.80 yuan to 32188.80 yuan, among which the per capita disposable income of urban residents increased from 26467.00 yuan to 43833.76 yuan. Compared with the per capita disposable income of American residents during the same period (39474 US dollars in 2013 and 52544 US dollars in 2020), the proportion gradually narrowed from 1:14 in 2013 to 1:10.6 in 2020 (He, 2022). The increase in disposable income of households has made people increasingly concerned about the allocation of property.

Since the Third Plenary Session of the 20th Central Committee of the Communist Party of China, China has entered a new stage of comprehensive deepening of reform. During this period, the country's development strategy and economic policies are constantly adjusted, while promoting high-quality economic development, more attention is paid to social equity and the happiness index of families. As the basic unit of the society, the rational allocation of assets in the family is not only related to the economic security of the family, but also to the stability and harmony of society. Therefore, exploring the importance and related suggestions of rational allocation of household assets in the context of the new era has profound strategic significance for the long-term development of the country.

2. Family asset status in the context of the new era

2.1 Composition of Family Assets

Family assets mainly include real estate (such as housing), financial assets (such as deposits, stocks, funds), and physical assets (such as jewelry, cars, etc.), with real estate typically accounting for the largest

proportion of family assets. But with the continuous development of the market economy, the proportion of households investing in financial assets is also increasing year by year.

2.2 Current situation and causes of asset distribution in Chinese households

Overall, the asset distribution income of most Chinese households is mainly used for investment and wealth creation, dedicated to the appreciation of wealth, such as purchasing real estate, wealth management insurance products, stocks or funds ,etcetera. Some parts of the income are used for household living expenses to ensure basic living consumption needs; A small portion of income is used for bank deposits, dedicated to preserving wealth while having quick liquidity for redemption; A small portion of the income is used for insurance planning and life risk management (Huang, 2022). However, it presents an unbalanced characteristic, with assets mainly concentrated in areas with relatively poor liquidity such as real estate and deposits, and the proportion of risk-free financial assets has been consistently high, known as the "mystery of high savings". In recent years, the financial assets of Chinese households have significantly increased in the relatively high-risk asset sector, mainly manifested in the increase in the ownership rate of wealth management products and the increasing popularity of stocks and funds. At its root, the risk attitude of the household, especially the head of the household, is the decisive factor in the allocation of household assets. The education level, age, and asset level of the household head have an impact on the allocation of household assets; The attitude towards risk is not fixed, it can be influenced by various factors such as a person's inner preference for outcomes. Financial products represented by venture capital products have the highest risk, but also the greatest increase and return. In addition, the situation of China's real estate market cannot be ignored. Since the market-oriented reform of China's housing market in 1998, the real estate market in mainland China has been growing rapidly, and the amount of real estate investment has been increasing year by year (Jia, 2021). Housing, as an important physical asset in a family, has two attributes: consumption and investment. As an investment product, the value of housing varies with changes in the real estate market price (Feng, 2021). The high property ownership rate indicates the singularity of household asset structure. Influenced by consumption concepts and policy factors, many households have experienced a significant decline in the allocation of risk financial assets.

2.3 Challenges faced by household asset allocation

In the context of the new era, factors such as economic restructuring and frequent market fluctuations have posed many challenges to household asset allocation

The uncertainty of financial markets: The diversification of financial products and the complexity of financial markets result in many households lacking necessary financial knowledge when investing and managing their finances, making them vulnerable to investment losses.

Fluctuations in the real estate market: In recent years, policies in the real estate market have been constantly changing, and price fluctuations have had a profound impact on household wealth management. Many families face significant risks in the process of purchasing a house.

Changes in household consumption structure: Modern households are gradually shifting towards service-oriented and experiential consumption. How to allocate assets reasonably to meet future consumption needs has become an urgent problem for many families to solve.

3. The Importance of Reasonable Allocation of Family Assets

3.1 Ensuring Family Economic Security

Reasonably allocating household assets can help reduce economic risks and provide a relatively stable economic support for families.

Reasonable asset allocation allows investors to diversify their funds into different investment products, thereby diversifying risks and achieving asset appreciation. Reasonably allocating household assets to different investment products can cope with different levels of inflation and enhance the family's ability to resist inflation. Asset allocation allows investors to adjust their investment strategies based on factors such as physical condition, market conditions, and personal interests to the maximum extent possible. Asset allocation can increase household cash flow and strike a balance between ensuring the safety and

appreciation of funds. Reasonable asset allocation can help families reduce the economic pressure caused by investment mistakes, and can also better solve the problem of fixed asset allocation for children or parents, reducing the issue of asset allocation after the death of loved ones. To some extent, cope with sudden economic crises such as unemployment, illness, and other economic pressures.

3.2 Promoting Sustainable Growth of Family Wealth

The rational allocation of household assets is not only to avoid risks, but also to achieve the preservation and appreciation of wealth while ensuring economic security. Through asset allocation, families can improve their financial management skills and awareness, obtain professional investment advice, better allocate funds, and achieve maximum returns. Through scientific investment, families can take advantage of market opportunities to achieve sustainable asset growth, thereby improving their quality of life.

3.3 Enhancing the social status of families

In the context of the new era, the economic strength of a family often directly affects its social status. Reasonable allocation of assets can enhance a family's voice in society, boost the confidence and sense of belonging of family members, and contribute to family harmony and social stability.

4. Suggestions for Reasonable Allocation of Family Assets

4.1 Develop a scientific family financial plan

Developing a scientific family financial plan is the foundation for rational asset allocation. Families should develop clear financial plans, including short-term and long-term goals, based on their own income level, expenditure structure, and future financial goals. The family adjusts the proportion of asset allocation at regular intervals, appropriately adjusting the investment varieties and asset categories held by the family. According to the Standard&Poor's household asset allocation table, 10% is used for expenses, 20% is for survival, 30% is for investment, and 40% is for capital preservation and appreciation. Help families allocate income reasonably and improve the efficiency of fund utilization.

4.2 Strengthen the learning of financial knowledge

Of course, under the influence of various factors, especially the impact of the epidemic in recent years and the economic downturn, the allocation situation of each family varies according to their actual situation. Especially in China, many families have an unfavorable economic situation and the education level of their family members, which leaves them with no time to consider reasonable asset allocation. In the face of increasingly complex financial markets, family members should actively learn and master basic financial knowledge, understand the characteristics and risks of different financial products, which not only helps to make scientific personal financial decisions, but also provides a practical foundation for family asset allocation.

4.3 Diversified investments to reduce risks

Families should pay attention to the diversification of their investment portfolio when allocating assets. Moderate investment in financial products such as stocks, bonds, and funds, as well as moderate real estate investment, can be considered to diversify risks as much as possible. When allocating assets, it is important to ensure stable investment in wealth management products, and to adapt to changing circumstances, adjust and stop losses in a timely manner, in order to reduce overall investment risks.

4.4 Pay attention to cash flow management

Good cash flow is crucial for the financial health of a family. Families should maintain a certain amount of working capital to cope with daily expenses and unexpected events. At the same time, when formulating the budget, ensure a relative balance between household income and expenditure to avoid financial crises caused by excessive spending.

4.5 Strengthen the popularization of national financial knowledge

Strengthen the efforts to popularize financial knowledge, enhance the financial literacy of Chinese residents, and vigorously develop digital finance. Promote more rational financial allocation among households, utilize existing financial tools, and enable residents to better integrate into the existing financial environment. In addition, relevant financial knowledge should be added to national education to enhance the financial literacy of the people, improve their credit awareness and contractual spirit (Mao, 2021). Utilize radio and television, various digital media, and multiple perspectives to promote education and eliminate cognitive biases towards finance in families.

4.6 Focus on long-term investments

Household asset allocation should not only focus on short-term returns, but also consider long-term financial goals. For example, children's education and elderly care are long-term projects that require advance planning. Families can consider appropriately allocating financial products such as pension insurance and education funds to achieve these goals.

5. Conclusion

Overall, the rational allocation of household assets is crucial for the future of each family and serves as the foundation for national economic development and social stability. In the new era of deepening reform, every family should attach importance to this issue, allocate family assets with a scientific attitude and method, and contribute their wisdom and strength to achieve common prosperity and long-term development.

Our country's economy continues to develop rapidly, and people's living standards and education levels are getting higher and higher. With the introduction of many favorable policies for people's livelihoods, more and more families are paying attention to and realizing the importance of asset allocation. They are gradually changing their negative concepts such as "only wealthy people are qualified to discuss investment and wealth management" and "wealth management investment is the patent of the wealthy". They should choose reasonable wealth management plans based on their own needs and risk tolerance, especially for the vast majority of middle and lower class people and middle-class salaried workers who should not avoid investment and wealth management that is closely related to life. They should change their mindset, face its value, be frugal, open source, and good at planning, arrange their capital structure reasonably, consider high-yield wealth management plans according to their own needs and risk tolerance, and continuously increase the happiness index of their families.

Against the backdrop of the comprehensive deepening of reforms proposed at the Third Plenum of the 20th Central Committee, the importance of rational allocation of assets in the family, as the basic unit of society, has become increasingly prominent. Through scientific financial planning, strengthening financial knowledge learning, diversified investment, good cash flow management, and focusing on long-term investment, families can not only effectively cope with economic risks, but also achieve sustainable wealth growth, thereby improving their quality of life and happiness index in the new era. This is not only beneficial for the development of the family itself, but also contributes to the economic prosperity and social harmony of the country.

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