Research on Family Financial Management under the Background of Internet Finance

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Abstract: With the continuous infiltration of Internet finance, Internet finance has a greater impact on people’s life, and thus dominates the new trend of financial management. However, in the family financial management activities, the income of family financial management is low due to the influence of traditional concepts. Based on the concepts related to family financial management, this paper takes the families at all stages of marriage as the research object, points out the problems existing in family financial management, and puts forward suggestions to improve family financial management, so as to promote the continuous appreciation of family wealth.

Keywords: Internet finance; Family finance; Risk tolerance
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1. Background

With the increasing of people’s concept of financial management, financial management has become an important way to increase family wealth and is a necessary means to achieve financial freedom. With the popularization of “Internet plus”, Internet finance plays a pivotal role in family finance. According to the Survey report on Chinese Household Wealth 2019, the most important function of Internet finance is consumption and payment in the process of family financial management. No matter on a national scale or in the statistics of urban and rural areas, consumers who have used the Internet consumption payment function are far more than those who have made investment and financing through the Internet. Among them, those who have used the investment function of Internet finance are significantly more than those who have raised money through Internet. By studying the problems of family financial management, this paper can help families change their conservative financial thinking and make full use of Internet financial means to realize the continuous increase of wealth.

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2. Definition

(1) The Concept of Internet Finance

Internet finance is an emerging financial mode that realizes the functions of financing, payment and settlement and information intermediary with the help of Internet and mobile information technology.

(2) The Concept of Family finance

Family financial management means to plan and manage the family economy by means of corporate financial management and financial methods, so as to enhance the family’s economic strength, improve its ability to resist risks and increase its utility. In short, family financial management is to manage the family’s wealth, so as to achieve the purpose of improving the efficiency of family wealth.

(3) Family Pattern

According to the life cycle theory, families are divided into single family and marriage family, and marriage family includes four models: formation family, growth family, maturity family and aging family.

Single family refers to the period from work to marriage, which is generally 1-5 years. At this time, the income is relatively low, the consumption expenditure is large, the assets are relatively small, there may be debt, even the net assets are negative. The formation family is one to five years from marriage to the birth of a new child. At this time, the family income increased and life was stable, the family had certain financial resources and basic necessities of life. To improve the quality of life often requires a large family building expenditure, in addition to the provision of childcare funds for future children. The growth family refers to the period from the birth of a child until graduation from university. During this period, household income increases, expenditure stabilizes, savings gradually increase, and the largest household expenditure is health care and education expenditure. Mature family refers to the period from the completion of children’s education to the retirement of both husband and wife. In this stage, the number of family members decreases, career development and income reach the peak, family debts are basically paid off, and family net assets reach the maximum. Aging family refers to the period when the husband and wife retire, leading to a decrease in family income and an increase in medical expenses due to the deterioration of their health as they getting older.

Since the single stage is mainly a person’s life, this paper mainly takes the married family as the research object, and analyzes the family financial management behavior.
3. The Concept of Family Finance is Old

This paper mainly adopts the form of questionnaire and interview to carry out the investigation. In the actual investigation process, a total of 200 questionnaires were issued, 178 valid questionnaires were recovered, and the questionnaire efficiency was 89%. Through the analysis of the questionnaire, it is found that there are the following problems in the process of family finance:

(1) *Lack of knowledge of Internet finance*

In the survey, 71.9% of the households have some understanding of Internet finance but do not have a deep understanding. These respondents all use third-party payment tools such as Alipay or WeChat, and a few know P2P online loan products and crowd funding. 16.29% of the respondents said they had no contact with Internet finance, and only 11.79% said they had a “deep understanding” or “comprehensive understanding” of Internet finance. Most of them have done or are doing comprehensive research on Internet finance. Thus, very few people in the process of family financial management to active learning system of financial management knowledge, recursion family financial management knowledge is very scarce, and most of them only from the bank staff and family members that a small amount of financial knowledge, thus under financial advisers recommend choose corresponding financial management products, at the same time family in the degree of Internet financial shallow, reflect in the context of the Internet financial member of the family financial management knowledge is relatively narrow.

(2) *Household financial asset allocation structure is single*

Common financial tools used in family financial management include savings, insurance, bonds, real estate, funds, stocks, etc., which can increase the value of wealth through the combination of financial tools. However, the survey showed that nearly 60% of respondents said the asset in the home to focus on cash or deposit; 73% of the respondents chose “money market funds” such as Changtong and Yu ‘ebao, which they believe are convenient, time-saving, and can be accessed at any time. They also offer higher returns than demand deposits.18% of families chose “insurance”. They said that they chose insurance with financial functions because there had no better financial channels, but the income is not very good; 15.7% of households chose “bonds” for financial management. Most of them chose 1-5 year Treasury bonds for investment, while a few chose corporate bonds they know. 14.6% of the households chose “fund”, most of them chose balanced fund or bond fund, and very few chose stock fund. Only 14% of families choose to invest in “stock”. This part of respondents hope to have a high investment return rate, but some of them have a low investment return rate or even lose money. Another 14% of families chose other financial tools for
financial management. Some wealthy families chose to invest in real estate and realize wealth appreciation through bid-ask difference or rental income, with an ideal rate of return. Few people chose futures, net loan and other products.

A single way of financial management will lead to a lower return on family financial management, at the same time, due to family inherent flexibility and family, cause people often through short-term in asset allocation and flexible way for household assets allocation, and the lack of a comprehensive understanding and analysis of the various financial tools, the way to to a certain extent can increase the risk of family financial management, and even lead to losses.

(3) Low risk tolerance and portfolio matching
First, there is the lack of a comprehensive assessment of family risk tolerance. According to the survey, only 27 families, or 15.17 percent of respondents, had a “comprehensive understanding” of risk tolerance, with most of them using online assessment software. 56.74% of the respondents indicated that they had a “little understanding” or “a little understanding” of the risk tolerance. Most of them confused the risk tolerance with the risk appetite, thinking that the risk tolerance is the risk appetite, and taking it for granted that they like wool is the risk tolerance, lacking an accurate understanding of the risk tolerance. A total of 28.09% of respondents said they “don’t understand” their risk tolerance, and their choice of financial tools is based on experience or imitation.

Second, portfolios do not better reflect households’ risk tolerance. Found in the finishing process of the questionnaire, Nearly 20% of households in the formative period have less disposable assets because they have just set up a family and spend a lot on household construction. Therefore, they only allocate savings or bank financial products, and a few households in the formative period have made fund investment. In the interviews with many interviewees, it was found that more than half of them had too low return rate or too high risk in their portfolios, which made them unable to match their risk tolerance well.

4. Advice on How to Improve Family Finances

(1) Learn financial knowledge, enhance financial awareness
In the context of the Internet, people can make full use of the convenience of the Network to learn financial knowledge. First of all, I will enrich my financial knowledge through APP. In their spare time, people can use the APP to learn about financial products such as funds and stocks, know the risks and returns, and broaden their knowledge. Secondly, through Banks, insurance companies, securities companies and other financial institutions to enrich financial knowledge. Third, through the participation of spe-
cial financial training, wealth management knowledge. As families do not have a thorough understanding of relevant financial knowledge and concepts, they are often influenced by others in the process of financial management. Therefore, in the process of family financial management, people should attend more financial management training, effectively establish a sound financial management concept, effectively enhance the family financial management knowledge reserve, and lay the foundation for the construction of a more perfect financial management system.

(2) Choose diversified investment tools to build an appropriate investment portfolio

First of all, in the process of family financial management, the characteristics and risks of various financial tools should be well assessed and recognized, so as to choose a more suitable way of financial management and financial investment behavior in the process of investment, so as to ensure that the process of financial management always maintain a certain degree of rationality. Secondly, in the process of family financial management, one should have a comprehensive understanding of risk tolerance and choose appropriate financial management tools based on this. Instead of being limited to yu ‘ebao and other financial management tools, one should make full use of the advantages of Internet finance, choose diversified financial management tools and build an appropriate investment portfolio. Third, build different portfolios for different families at different times. Through to the main members of the family income and the stability of the work, family health, family life cycle, investment funds accounted for the proportion of household assets, such as the comprehensive evaluation of family risk to bear ability, capital respectively according to certain proportion invested in low-risk financial products, medium risk in financial products and high-risk financial products, build appropriate portfolio, to combine the length, the varieties of complementary, long-term investment and short-term investments are simultaneously, the pursuit of the overall portfolio of utility maximization.

Works Cited