The Current Situation and Countermeasures for Personal Investment and Finance

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Abstract. The rapid development of the economy has improved people’s living standard, and the improvement of residents’ income has gradually changed the concept and values of people’s life. The topic of how to plan personal investment and finance has become the focus of attention. In the personal investment and financial management, different stages of life should have different financial planning. This article takes individual investment and financial management as the topic, and analyzes and suggests the problems that are often encountered in the process of financial management.

Introduction

With the development of social economy and the improvement of people’s living standards, personal investment and financial management have gradually become important factors affecting people’s lives and the personal investment and financial management has become a daily topic. The so-called personal investment management refers to the effective management to their own assets and liabilities, including tangible, invisible, mobile, non-mobile, past, present, future, heritage, testament and intellectual property rights. And one or more types of financial investment instruments will be used within a limited time frame, through one or more means to achieve the purpose of hedging and value-added. Personal investment and financial management are a kind of active consciousness and behavior, “you do not finance, money ignore you”.


At present, the common personal investment financial management tools in the market are: savings, funds, bonds, stocks, insurance, and real estate. Their characteristics are shown in Table 1:

<table>
<thead>
<tr>
<th></th>
<th>Savings</th>
<th>Funds</th>
<th>Bonds (Treasury bonds)</th>
<th>Stocks</th>
<th>Insurance</th>
<th>Real estate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Circulation</td>
<td>Strongest</td>
<td>Lower</td>
<td>Stronger</td>
<td>Stronger</td>
<td>Lowest</td>
<td>Lowest</td>
</tr>
<tr>
<td>Profitability</td>
<td>Lowest</td>
<td>Higher</td>
<td>Lower</td>
<td>Highest</td>
<td>Higher</td>
<td>Highest</td>
</tr>
<tr>
<td>Risky</td>
<td>Lowest</td>
<td>Higher</td>
<td>Lower</td>
<td>Highest</td>
<td>Higher</td>
<td></td>
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</tbody>
</table>

2 Problems and Analysis of Personal Investment and Financial Management

2.1 Some people’s personal investment consciousness and financial consciousness are weak

In our society, personal investment and financial awareness of some people are weak. We have often heard from the news that a lot of people have been cheated in the financial process, it can be attributed to the following reasons: they want to add their own assets value but with the absence of income; lack of professional financial knowledge; lack of resistance to the temptation in the face of high-yield financial products, and so on.
2.2 Lack of understanding of investment risk

Each investor has his own personality, and each investor’s attitude towards the risk is different. Some investors in the preparation of investment decisions often have some misconceptions of investment risk: either exaggerate the investment risk, or miss the opportunities of investment and dampen their investment confidence; or underestimate the investment risk, ignoring the investment risk, resulting in investment failure or even loss.

2.3 Concentrated or scattered investment

In real life, it’s common to see that the investment is too concentrated. If the investors are too concentrated in the investment, investment shows a single way and the risk of investment will be higher. In the event of a crisis, they have to bear the loss of the number on their own, so the role of funds can’t play its best and the best income effect can’t be achieved; investors can’t make the funds too scattered, if too dispersed, an investor needs to spend a lot of energy, and the earnings may be greatly reduced.


3.1 Popularize the knowledge of personal investment and financial management

For people whose personal investment and financial awareness are weak, need to strengthen the understanding of personal investment and financial management. In the individual, you can get knowledge of personal investment and financial management through the books, newspapers, television, network and other means. In addition, appropriate practice is needed in practice to improve their financial concept. In the community, the relevant areas of the sector should promote personal investment and financial management, especially the promotion of poverty-stricken areas. Although they are poor areas, the economy is underdeveloped and the people’s financial concept is backward, popularize the personal investment and financial knowledge will reduce the gap between the rich and the poor.

3.2 Correct understanding of the investment risk and rational allocation of assets

The risk that investors can bear is not infinite, so a well personal investment and financial management should have a risk assessment and coping strategies. In determining the purpose of personal financial management as far as possible to make clear their short, medium and long-term goals and quantify them. In the allocation of assets, financial management tools, financial management time and personal investment in the proportion of financial management portfolio should be considered together. Our common portfolio of investment and financing has a “4321” asset allocation ratio, it is 40% of revenue for housing and other investments, 30% is spent on daily expenses in life, and 20% is spent on bank deposits for emergency needs and 10% for the purchase of insurance.

Personal investment and financial management can be accompanied by a lifetime, at different times, we have different financial purposes and financial management behavior, therefore, we need to make the appropriate financial planning according to the various stages of situations.

3.2.1 Financial planning before the age of 20

Before the age of 20, the crowd mostly student-based and generally with no income, so what need to do is to learn more and accumulate on the personal investment in financial management knowledge, training financial concepts. If the pocket money is available, it should be properly used, and do not waste the money to catch up with fashion or compare with others with blind consumption, resulting in the formation of poor spending habits. Rational consumption should be learnt, and green consumption and a correct view of consumption should be established.

3.2.2 Financial planning between the ages of 20 to 30

In the age between 20 to 30 years old, most of the young people just go into the society and do not have enough income while the daily expenses are great, so thrift should be formed and start
from a rational use of funds with patient. Single youth should keep the habit of regular savings, and plan to accumulate funds for future plans. In addition, you can also come up with part of the funds for high-risk investment. In the acquisition of personal investment and financial experience, the risk of investment should also be noted. The so-called “water into the River”, that is, when the accumulation of small money form to a certain extent, it will become a considerable amount of money. Therefore, personal financial investment should start from the daily life, save small money to big money.

3.2.3 Financial planning between the ages of 30 to 40

In the age between 30 to 40 years old, most have their life couple and form a family. At this time, the personal economic income has increased and become more stability than before, but this is also the consumption peak of household. Besides to considering the problems of life, the future of the child’s education is also in advance to be considered, so it is quite important to make personal investment and financial management. At this stage the focus of financial management should be put in the home construction expenditure to ensure the quality of life. For those who have a loan to buy a house and car, personal credit should be properly arranged, and gradually reduce the debt, reduce the burden on the family. In addition, the insurance awareness should be enhanced to prevent unforeseen things happen. The accident insurance, medical insurance, etc., could be chosen. The amount of insurance is best to meet a family more than 5 years of living expenses. If there are other savings, you can choose more aggressive financial management tools, such as equity funds or stocks, in order to obtain additional returns.

3.2.4 Financial planning between the ages of 30 to 40

In the age between 30 to 40 years old, family members are basically stable. With the age growth of family members, the main household expenses for the family include the daily expenses, children’s education and health care costs. Therefore, the current financial management should focus on educational expenditure, insurance and investment planning. If there are mortgages and car loans to the family or the family intends to buy a house or car for children in the future, a supply for the house or car is also needed to increase.

In the children’s education funds, part of the funds can be allocated for their children’s education fund each year. In China, the education fund is tax-free. As a parent, the burden of medical expenses and insurance premiums also need to be measured, medical insurance, life insurance and accident insurance could increase. In terms of the investors themselves, their work experience has been accumulated, the income is relative increased and the investment capacity have enhanced. A combination of ways should be taken in the personal financial investment. Investing real estate which is optimistic by the current public to obtain long-term stable income; investing in funds, bonds and stocks focusing on a long-term investment, without too much storm; part of the demand deposits as a family reserve are also need to set aside to prevent from time to time at the same time.

3.3 Analysis of financial case

Mr. Zhang, 40 years old, as a department manager in a company, the monthly income is 8000 yuan. His wife Lin, a civil servant, the monthly income is 4000 yuan. Both sides are well paid, with five social insurances and one housing fund. They have a son, who is now in his eighth grader. There are also two old people in the family, one of them has endowment insurance, and the other one has no insurance. The specific conditions such as Table 2:
Table 2. The current personal finance and investment status of Mr. Zhang.

<table>
<thead>
<tr>
<th>Income</th>
<th>The couple monthly income is 12000 yuan; the house rental income is 3000 yuan</th>
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<tbody>
<tr>
<td>Expenditure</td>
<td>The monthly daily expenses is about 5000 yuan, the annual travel costs is about 10000 yuan</td>
</tr>
<tr>
<td>Assets</td>
<td>Three year time deposit is 200 thousand yuan and the annual interest income is about 6000 yuan after tax; 30 thousand yuan in cash; the housing value is 500 thousand yuan; the value of the car is 160 thousand yuan; no debt</td>
</tr>
<tr>
<td>The goal of financial management</td>
<td>150 thousand yuan for college expenses for his son; buy insurance for the family</td>
</tr>
</tbody>
</table>

Mr. Zhang’s current state is in a stable stage with a stable work and income, a happy family, some savings and a house and a car. However, he is now faced with the elderly and children education problems, which require greater financial support.

Mr. Zhang’s family annual income is \((12000 + 3000) * 12 = 180000\) yuan, annual expenditure of about \(5000 * 12 + 10000 = 70000\) yuan, accounting for about 38.9% of the income, the consumption that is reasonable. The remaining 61.1% income, Mr. Zhang can use 20% of the funds for the purchase of insurance for family members. As an important source of family economy, Mr. Zhang and his wife can be insured with a higher ratio, the choose of insurance for the son can be the accident insurance or medical insurance, and the elderly can choose insurance endowment insurance or life insurance and so on. In addition, he can also buy property insurance and car insurance. There are 30 thousand yuan in the home, plus three year time deposit 200 thousand yuan, if there is a need in the family, these funds can be used. In order to prepare for the son’s college expenses, 20% of the funds can be used to purchase long-term plan gold education which will solve the children’s education expenses in the future. The last remaining 21.1% of the revenue can be used to finance investment, which can increase the source of funds. Mr. Zhang is 40 years old, and the investment risk should be stable preference type. He can buy some bonds or stocks that are less risky, if it is possible, the effect of combination of these tools is much better.

**Summary**

Investment portfolio tells us, don’t put all your eggs in one basket, try more diversiform financial products can not only understand the financial knowledge, improve their financial management experience, the risk also can be dispensed at the same time.

With the development of social economy and improvement of people’s living standards, personal finance and investment has gradually become an important factor affecting people’s lives. The personal finance and investment market competition becomes more intense, full of challenges, if the investors can seize the trend of market development and make full preparation of personal finance and investment to equip themselves. According to your own situation, make use of good investment finance portfolio to maximize the benefits, and find the way to manage your own money in the current financial trends.

**References**


