

Research on the Current Situation and Development Path of Pension Finance- Based on the Survey in Sichuan Province

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Abstract: With the rapid growth of the elderly population and the great expansion of the demand for pension services, the family pension function is weakening day by day in China. At present, the pattern of "one body, three wings" of China's pension finance has taken shape initially, but it is facing development difficulties. Based on the investigation of pension financial services in Sichuan Province, this paper expounds the current situation of population aging, and puts forward corresponding suggestions to strengthen pension financial services, strengthen the consumption awareness of pension finance and support multi-pillar synchronous development in order to promote the innovation and development of pension finance.

Keywords: Pension finance, population aging, development strategy.

1. INTRODUCTION

1.1 Population Aging in China

Since China formally entered the aging society in 2000, the trend of population aging has become more and more obvious, and the speed has been accelerating. According to the statistics of the National Bureau of Statistics, in 2018, the working-age population aged 16 to 59 was 897.29 million, accounting for 64.3% of the total population, and the population aged 60 and over was 249.49 million, accounting for 17.9% of the total population. At present, we are facing a grim situation of not getting rich before getting old and not preparing for getting old, which seriously affects the security of our pension system and the economic security of the elderly groups.

1.2 The Concept of Pension Finance

The pension finance can be divided into narrow sense and broad sense. In a narrow sense, pension finance refers to the financial operation activities of financial products and services that social individuals prepare for their old age in their youth according to the relevant policies of the state. In a broad sense, pension finance refers to a series of financial activities, carried by financial institutions, including commercial banks, insurance, securities, trust and investment companies, which provide various financial products and services for the elderly to satisfy their needs. Generally speaking, pension finance is all financial activities with the fundamental purpose of pension.

1.3 The Current Situation of Pension Finance

According to 2018 China Urban Household Wealth Health Report, the average urban household assets in China reach 1.6 million yuan, of which the proportion of real estate is as high as 78%, far higher than 35% in the United States. Only 12% of these assets are allocated financial assets, while in the United States they take up the largest 43% of financial assets. Of the financial assets allocated by Chinese residents, 43% are bank deposits, with insurance accounting for only 17%. Except that the proportion of housing assets is too high and the financial share is squeezed, the awareness of family insurance is obviously insufficient. Less than 15% of the family members take part in commercial insurance, and the enthusiasm for underage children is higher than that for adults. The traditional concept of asset allocation makes most families choose simple basic bank deposits as the main way of wealth management, which also leads to the lack of motivation of the innovation of pension financial products.

2. METHODOLOGY

The research of this paper includes theoretical reference, investigation and analysis and puts forward strengthening path countermeasures, the details of which are shown in the figure 1.

3. Development Dilemma

3.1 The three pillars develop unevenly

The theory of "three pillars" of pension finance is based on the successful pension plans of Britain and the United States, with the public pension fund as the first pillar, the occupational pension paid by enterprises and employees as the second pillar, and the personal pension assets as the third pillar. As the first pillar of pension finance, Public pension funds are guaranteed by compulsory means of law. The fiscal expenditure in Sichuan Province has increased by 14% annually in the past five years, so the pension fund has been effectively implemented in breadth and depth. But the second and third pillars developed relatively slowly, which has caused great pressure on the first pillar. With the gradual aging, the pension demand of the first pillar increases, but the supply is difficult to change in the short term, which results in that the gap between supply and demand widening day by day.

3.2 Pension assets are difficult to maintain and increase their value

As the first pillar, the public pension carries most of the hopes of the pension plan, so the rational management of this huge fund has a profound impact on the social pension project. In the management of pension assets, the main allocation areas in our country are still bank deposits, treasury bonds and annuities, which guarantee the low risk of pension principal, but the relative income of investment is low. After hedging the impact of inflation, the effect of maintaining and increasing value still needs to be strengthened, and it is urgent to improve the level of capital operation.

3.3 The innovation of pension finance is restricted by the traditional concept

The total amount of savings of Chinese residents ranks first in the world, but under the influence of traditional ideas, the elderly conservatively think that the bank demand deposit is the safest way of asset preservation. For insurance, bonds, trusts and funds, although there are also low-risk investment objects, the elderly lack of understanding of the knowledge about the allocation of pension financial assets. Besides, there is no reasonable demand for financial products and services for the aged,

resulting in a relatively small variety and quantity of products provided by the market. In the long run, a vicious circle is formed, which will restrain the innovation of financial products for the aged.

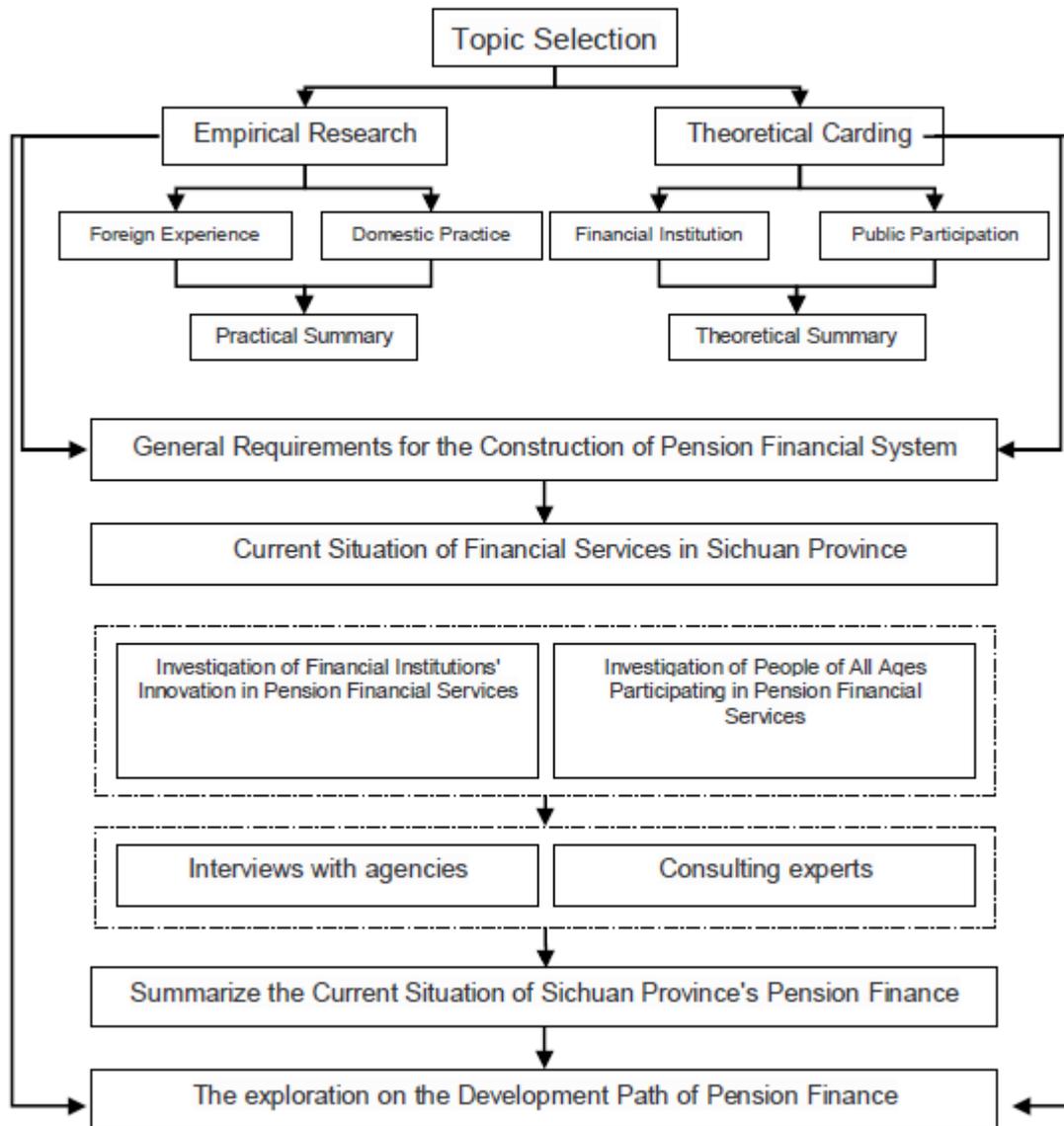


Figure 1 Flow chart of reasearch process

3.4 The financial management system for the aged is not yet perfect

The common development of the three pillars is the general trend, and the emergence of diversified pension institutions and financial products challenges the professional industry management of the government. At present, there are not many legal systems for pension finance. According to the Circular on the Investment Management Measures of the Basic Pension Fund, the public pension insurance fund shall be centrally managed by the central government, and the National Council of Social Security Fund shall be authorized as the only trusteeship institution. Although the functions and powers are clear, the single management organization cannot keep up with the diversified development direction of pension finance.

4. SUGGESTIONS

4.1 Support multi-pillar synchronous development

Among the three pillars of multi-pillar synchronous development pension, the second pillar is the occupational pension paid by enterprises and employees. The British Pensions Act places it in the same important position as the first pillar, making the second pillar more legal protection. At present, the focus of China's pension security framework is to adjust the reasonable proportion of the three pillars, and on the basis of the three pillars, to move forward to the internationalized "five pillars" framework which will provide practical living security for the elderly through multiple channels and levels.

4.2 Broaden the channels of pension investment

By selecting appropriate investment fields and establishing relevant laws and regulations, the way and proportion of pension investment can be defined to ensure the security of investment and improve the profitability of pension at the same time. Properly widening the channels of pension investment, rather than limited to the current bank deposits or treasury bonds and other ways, is not only conducive to the maintenance and appreciation of pension itself, but also promotes the development of related securities, insurance, fund and other financial industries.

4.3 Strengthen the consumption consciousness of pension finance

One of the ways to increase the asset income of the elderly is to provide diversified financial products and service guarantees for the aged. However, the awareness of traditional asset allocation and the popular nature of financial products make the current market not develop targeted diversified products related to the needs of the elderly groups. According to the demand characteristics of the elderly population in Sichuan Province, the "one-stop" comprehensive pension financial products are developed to meet the needs of the elderly, and the consumption consciousness of the pension finance is strengthened through the newspapers, propaganda columns and television advertisements that the elderly often come into contact with, in which a systematic pension system is formed.

4.4 Improve the multi-level government supervision system

The innovation and development of the financial industry for the aged, will inevitably put forward the requirements for the innovation of the supervision system. For the public pension insurance system, through the upgrading of the system, the public pension insurance is more balanced between urban and rural areas; for occupational pension, enterprises should be guided to increase the application of commercial insurance and annuity through preferential tax policies; for diversified personal pension assets, we should improve the government supervision system, protect the rights and interests of the elderly investment in the financial industry, and crack down on illegal financial activities that deceive the elderly.

5. CONCLUSION

Under the established background of aging population, from the perspective of the overall improvement of social welfare, the development of pension financial industry is conducive to improving the overall happiness index of society and promoting the development of economic industry. In order to promote the healthy development of pension finance, it is necessary to recognize the difficulties faced by the current pension financial innovation and draw lessons from the successful

experience in the world. Efforts must be made to support the synchronous development of multi-pillar, properly broaden the channels of pension investment, propagate and strengthen the consciousness of financial consumption for the aged, improve the multi-level government supervision system, and then perfect the financial pension service industry in our country.

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