

Population Aging and Financial Innovation for the Elderly: A Case Study of Guangdong Province

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Abstract

China has a large population base, in the 1990s, our country has entered a stage of aging society, the resident population of Guangdong province for years among the provinces, how under the background of an aging population, pension financial reasonable development, to provide a abetted the social environment, is the key point of this study. This paper expounds the current situation of population aging, and puts forward corresponding countermeasures and suggestions centering on the current product structure of pension finance is still single and the legal system needs to be improved urgently, in order to promote the innovation and development of pension finance.

Keywords

Population Aging; Pension Finance; Innovation.

1. Introduction

In the past 40 years of reform and opening up, the economy of Guangdong province has developed in a comprehensive and sustainable way, and the size and structure of permanent population have also changed greatly. Along with the development of the economy, a large number of migrants moved to Guangdong to work and study, and Guangdong province itself huge population base, its permanent population growth rate is far more than the national average, the huge "demographic dividend" has promoted the rapid economic development of Guangdong province, therefore, the sustainable development of population structure is very important for the economy of Guangdong province.

2. Population Aging in Guangdong Province

From 1992 to 2012, the population of Guangdong province has been growing rapidly, which is a normal phenomenon presented with the rapid economic development.[1] A large number of floating populations has entered Guangdong. In the past 20 years, the permanent population of Guangdong Province has increased by nearly 60%, making Guangdong the first permanent population in China in 2007 and breaking the 100 million population mark in 2009. In recent years, from 2012 to 2018, the economy entered a stage of steady development and the urbanization process continued to advance. The population concentration degree of central cities in the Pearl River Delta region reached a high value, and the population growth rate also entered a stage of steady development. The slowing down of the growth rate of permanent population made the population age structure present a pattern of "low at both ends and high in the middle". The dependency coefficient of the elderly population continues to rise, and the aging process of population gradually becomes faster as time goes by.

3. The Definition of Pension Finance and its Development Stage

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Pension financial at an early stage, just save endowment or buy endowment insurance, and the development, has become a pension fund, pension financial sector and pension services, field, some scholars even call pension financial "old-age financial", says more about pension finance is financial activities in an aging society, in order to through the form of storage or redistribution.[2] To provide the society with sufficient pension funds to ensure the life of the elderly population, improve the national happiness index and stabilize social security.

3.2. Current State of Pension Finance

In January 2019, an institution published a report on The Wealth and Health of Chinese Urban Households in 2018, which revealed Chinese residents' choice of wealth management from a statistical perspective. According to the report, the average urban household in China has assets of 1.6 million yuan, of which real estate accounts for 78 percent, much higher than the 35 percent in the United States. The proportion of financial assets allocated is only 12%, while the United States has the largest allocation of 43% in financial assets. Bank deposits account for 43% of the financial assets allocated by Chinese residents, while insurance accounts for only 17%.

4. Dilemmas in Pension Financial Innovation

4.1. Uneven Development of the Three Pillars

The "three pillars" theory of pension finance is proposed based on the successful pension plans of Britain and the United States, with public pension fund as the first pillar, occupational pension jointly contributed by enterprises and employees as the second pillar, and individual pension assets as the tertiary industry.

As the first pillar of pension finance, public pension fund is guaranteed by compulsory means of law. Fiscal expenditure in Guangdong Province has increased by 16% annually in the past ten years. Pension fund has been effectively implemented in breadth and depth, but the development of the second and third pillars is relatively slow, causing 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, and the gap between supply and demand is expanding day by day.

4.2. Pension Assets Still Need to Maintain and Increase Value

As the first pillar, the public pension carries most of the hope of the pension plan, so the rational management of this huge fund has a far-reaching impact on the social pension project. In terms of pension asset management, China still adopts the main allocation fields of bank deposits, national bonds and annuity, which guarantee the low risk of pension principal, but the relative return of investment is also low. After hedging the impact of inflation, the effect of preservation and appreciation still needs to be strengthened and the capital operation level needs to be improved.

4.3. Pension Financial Innovation is Restricted by Traditional Ideas

Total amount of China's household savings in the world, but because of the influence of traditional concepts, the old conservative to think Banks constant current is the most insurance way of asset value, insurance, securities, trust and fund, etc., are also have a lower risk investment, while older people lack of understanding of pension financial asset allocation knowledge, not for a pension financial products and services and reasonable demand, As a result, the types and quantities of products provided by the market are relatively small, which in the long run forms a vicious circle and inhibits the innovation of pension financial products.

4.4. The Pension Financial Management System is not Perfect

The innovation of pension finance is inevitably accompanied by the need for innovation of management system, and the common development of the three pillars is the general trend, while the emergence of diversified pension institutions and financial products poses a challenge to the government's professional industry management. For pension financial legal system is not much, "the basic old-age insurance fund investment management notice, public pension insurance gold by the central centralized management, as the only authorized the national social security fund council managed institutions, although the authority is clear, but the single couldn't keep up with diversified pension financial development of the world governing body of direction.

5. Suggestions for Pension Financial Innovation

5.1. Supporting the Simultaneous Development of Multiple Pillars

Among the three pillars of pension, the second pillar is the occupational pension jointly paid by enterprises and employees.[3] The Pension Act of Britain puts it in an equally important position with the first pillar, making the second pillar more legally guaranteed. The current 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 the international "five pillars" framework, multi-channel, multi-level to provide practical life security for the elderly.

5.2. Appropriately Expand Pension Investment Channels

By selecting suitable investment fields and establishing relevant laws and regulations, we should clarify the way and proportion of pension investment, so as to improve the profitability of pension while ensuring the security of investment. Properly expanding the channels of pension investment, not limited to the current bank deposit or national debt, is not only conducive to the preservation and appreciation of pension itself, but also promote the development of related securities, insurance and fund and other financial industries.

5.3. Strengthen the Awareness of Financial Consumption for the Elderly

One of the ways to increase the asset income of the elderly is to provide diversified financial products and services for the elderly. However, the traditional awareness of asset allocation and the popular nature of financial products make the current market not develop diversified targeted products according to the needs of the elderly. According to the needs and characteristics of the elderly population in Guangdong Province, targeted development of "one-stop" comprehensive pension financial products to meet the elderly, and through newspapers, billboards and TV advertising channels that the elderly often contact to strengthen the consumption awareness of pension finance, forming a systematic pension system.

5.4. Improve the Multilevel Government Oversight System

The innovation and development of pension finance industry must require the innovation of supervision system. For the public endowment insurance system, through the system upgrade, make the public endowment insurance between urban and rural areas and actually also between units more balanced; 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 to invest in the financial industry, and severely crack down on illegal financial activities that deceive the elderly.

6. Conclusion

Under the background of the aging of the population of Guangdong province established, from the point of view of the overall improve social welfare, pension financial industry development is conducive to improve overall well-being society and promote the industry development of economy, the social welfare level has positive externalities, in order to promote the healthy development of pension financial, the plight of the need to recognize that the current pension financial innovation, Draw lessons from the successful implementation experience of international pension plans. In fact, the aging of population provides an opportunity for the innovative development of pension finance. The key is how to rationally plan the pension finance industry and implement it according to plan.

Acknowledgments

This work was financially supported by the University-level important construction project of Guangzhou College of Commerce in 2018(NO. 2018XJZDXK03).

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