Analysis of the Investment Behavior of the Elderly and Safe Investment Countermeasures

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Abstract: In the context of an increasingly aging population, elderly individuals have become significant participants in the investment and financial management market, while also being the primary victims of many illegal fundraising activities. Therefore, ensuring the financial investment security of the elderly is of great social importance, as it directly relates to societal stability and harmony. This paper analyzes factors such as the investment motivations of the elderly, their criteria for choosing investment institutions, and their responses after investment failures, revealing the main characteristics of elderly investment behavior. To better guide elderly individuals in financial management and investment, the government and relevant authorities should actively formulate corresponding laws and regulations, strengthen investment risk education for the elderly, and provide reasonable investment advice. This will help the elderly adhere to principles such as capital preservation, short-term investments, and diversified asset allocation, ensuring they can achieve safe financial management and reasonable investments.

Keywords: elderly, investment motivation, financial education, risk awareness

1. Introduction

In recent years, with the development of China's economy, residents' income levels have been steadily rising. According to data from the National Bureau of Statistics in 2024, the per capita disposable income of residents nationwide reached 39,218 yuan in 2023, showing a nominal growth of 6.3%, with a real growth of 6.1% after adjusting for price factors. In terms of urban and rural areas, the per capita disposable income of urban residents was 51,821 yuan, an increase of 5.1% (nominal growth), and 4.8% after adjusting for price factors; rural residents' per capita disposable income was 21,691 yuan, increasing by 7.7%, and 7.6% after adjusting for price factors. This reflects the steady development of China's overall economy and demonstrates the significant improvement in residents' living standards.

However, as income levels rise, the demand for financial management among residents has also been growing, especially against the backdrop of increasing inflation pressure and the rapid development of internet finance, making financial management an integral part of daily life for an increasing number of residents.

Particularly among the elderly, due to having more leisure time after retirement, their financial management needs are particularly pronounced. To increase their sources of income, many elderly individuals have begun investing in various financial products. However, China is facing a growing aging population problem. According to a forecast by Zhiyan Consulting, by the end of 2023, the elderly population aged 60 and above in China had reached 297 million, accounting for 21.1% of the total population. It is projected that by 2050, the elderly population aged 60 and above will reach 430 million, with the proportion rising to 30%. This trend means that in the coming decades, the elderly group will become an important part of the financial management market.

However, at the same time, the elderly group faces many difficulties in financial management. Due to their general lack of financial knowledge and management experience, coupled with limited access to information channels, elderly individuals are often misled when making financial decisions. Especially in the era of rapid internet finance development, many fraudulent financial institutions and individuals exploit the elderly's lack of financial risk awareness to carry out misleading promotions of high-return, low-risk investments. Due to limited understanding of financial products, the elderly are often attracted to promises of "high returns" and "low risks," and may blindly invest in high-risk products. Some even end up guaranteeing for others, mortgaging property, or lending out important assets like real estate or savings certificates. If defaults occur, elderly individuals not only face huge financial losses but may also fall into irreparable economic difficulties.

In recent years, with the frequent collapse and default of fraudulent financial institutions, the elderly group has become the biggest victim. Many cases have revealed issues exposed during the elderly's financial management process, such as excessive trust in others, lack of basic risk identification skills, and neglecting to thoroughly understand financial products. These factors make the elderly more susceptible to manipulation by fraudsters in investment decisions, even taking excessive risks in high-risk investments, ultimately leading to wealth losses.

Therefore, studying the characteristics, motivations, and influencing factors of elderly investment behavior has become an important topic in the fields of social economics and finance. By analyzing the common psychological misconceptions and behavioral patterns in elderly investment processes, theoretical support can be provided to relevant authorities, which can then formulate more effective policies and measures. Particularly in the current context of strengthening financial market supervision, it is essential to explore how to educate the elderly on financial management, promote financial literacy, and design investment products suitable for them. These issues need to be addressed urgently.

Furthermore, strengthening guidance on elderly financial management behavior not only helps improve their financial literacy but also reduces their risk of falling victim to illegal fundraising and fraud. Through scientific financial education and policy guidance, the elderly can effectively avoid investment risks and raise their awareness of rational investment, thereby contributing to societal stability and harmony.

In summary, this study aims to analyze the characteristics of elderly financial management behavior, identify their financial motivations, and propose targeted policy recommendations. The goal is to enhance the elderly's ability to prevent financial risks and promote the healthy development of the social financial system.

2. Theoretical Analysis

Elderly investment education is a social issue, and many experts and scholars have actively called for increased publicity and education for the elderly investment group. Currently, the focus is mainly on three aspects.

First, research on elderly investment principles. The risk of internet finance is the most significant risk to consider in financial management, as internet financial risks are characterized by suddenness, contagion, virtuality, technicality, and tail risk. Once a large-scale incident occurs, the impact can be vast and deep, and the elderly are especially vulnerable to internet financial risks. Therefore, elderly individuals should avoid investing in areas they are unfamiliar with or that carry high risks (Lu Minfeng, 2019). Elderly financial management should be within their means, with clear investment goals. They should choose medium- to short-term, highly liquid products and avoid using all of their funds for investments. Cheng Yunfei et al. (2018) conducted a study using univariate analysis and multivariate logistic regression on factors influencing the financial management behavior of the elderly in Beijing, finding that elderly people with higher education levels, better economic conditions, and higher frequencies of internet use were more likely to engage in financial management.

Second, research on the causes of elderly investment failure. This is primarily reflected in the large number of illegal fundraising and financial frauds encountered by the elderly during their investment activities. Particularly in the online lending industry, many illegal fundraising platforms attract elderly individuals by using improper means, exploiting their lack of financial knowledge and psychological traits of trusting others to commit fraud. Studies show that online lending platforms have become a major source of investment failure among the elderly, with many P2P lending platforms setting up offline stores and using agents to guide elderly people into investing. Due to deeply ingrained habitual thinking, elderly people often need assistance when handling financial matters and tend to trust others blindly. The elderly lacks a deep understanding of financial products and independent judgment abilities. Combined with their relatively weaker psychological resilience, these factors make them less cautious when facing high-risk investments and prone to making irrational investment decisions. Research also indicates that the elderly's lack of financial knowledge and unfamiliarity with modern financial tools prevents them from identifying the risks of financial products, making them more susceptible to scams during their investment process.

Finally, research on preventing elderly investment failures. The elderly, especially elderly women, are the most vulnerable group when it comes to financial consumer rights violations, which is a global issue. The United States has established the Office of Financial Protection for Older Consumers specifically to protect the rights of elderly financial consumers. In Japan, the law explicitly requires financial institutions to fully explain the risks when providing financial services to the elderly. Furthermore, elderly people are categorized as cautious clients by financial institutions, and in Hong Kong, financial institutions are required to provide services to the elderly only with the accompaniment of their children. These measures are worth considering (Zhou Yejing et al., 2015). These international experiences can be useful references for China. To prevent elderly investment fraud, in addition to strengthening financial knowledge education, it is necessary to enhance regulatory efforts at the institutional level. Combating illegal fundraising and financial fraud requires cooperation from various social entities, including the government, financial regulatory agencies, judicial departments, industry associations, and thirdparty media, to establish a comprehensive prevention system. By strengthening regulation, formulating relevant laws and regulations, and providing financial education, elderly individuals can improve their risk identification abilities and reduce their chances of falling victim to investment fraud.

3. Analysis of Elderly Investment Behavior and Motivations

The elderly is an important group of investors, and their investment motivations exhibit distinct behavioral characteristics. Below, we analyze the investment behavior of the elderly from various perspectives, including investment motivations, criteria for choosing investment institutions, decision-making, and how they handle investment failures.

(1) Behavioral Characteristics of the Elderly.

The elderly exhibit significant behavioral differences from younger individuals, which means their investment behavior also differs greatly. After working hard throughout their lives, many elderly people have accumulated substantial wealth but tend to have a lower tolerance for risk. They are more inclined toward conservative investment choices and rarely opt for high-risk products like futures. Because the elderly is less accepting of new things, they often require guidance to use internet-based financial services. Additionally, the transition from working life to retirement can lead to a sense of loneliness and isolation. This is why many elderly investors find it difficult to refuse the "friendly inquiries" from offline wealth management company salespeople. However, since the elderly are no longer employed, their only predictable income source is their pension.

(2) Investment Motivations of the Elderly.

Firstly, Wealth Preservation Motivation. With the rapid aging of the population, rising labor costs, and the excessive issuance of broad money (M2), the price level has been consistently increasing. According to the central bank's 2024 Q1 financial statistics, M2 increased by 8.3% year-over-year, surpassing the nominal GDP growth of 4.2%. China's M2 is now larger than the combined M2 of the U.S., the Eurozone, and the UK, and its growth rate is higher. This indicates that China has already entered an era of negative interest rates. Without proper investment channels, the wealth of residents, especially the elderly, is continuously devaluing. For the elderly, whose income mainly consists of a limited pension and lacks other income sources, the effects of inflation are more pronounced. Therefore, one of the primary reasons the elderly invest is to preserve and grow their wealth.

Secondly, Reducing Financial Pressure Motivation. With improvements in medical care and living conditions, the average life expectancy of the elderly in China continues to increase. As of 2023, the average life expectancy has surpassed 78.6 years and is still rising. This trend means the elderly's retirement duration is also extending. How to ensure their financial independence and quality of life after retirement has become an increasingly pressing societal issue. Due to the long-term impact of the one-child policy, many families still adhere to a 4:2:1 structure, where one couple needs to support four elderly individuals while raising one child. This increases the financial burden on families, especially when the elderly face health issues. Even if children try to provide support, differing lifestyles, values, and the pressures of work and family make it hard to balance both financial and caregiving responsibilities. Consequently, many elderly individuals seek to alleviate this financial pressure through investment, aiming to reduce their children's burden and secure a higher quality of life for themselves.

Thirdly, "Getting Something for Nothing" Motivation. This motivation stems from the life experiences of many elderly people, especially those who lived through the hardships of the 1940s and 1950s. For this group, frugality is a guiding principle, and they tend to be highly attracted to "free" or "low-cost" offers. Having lived through periods of scarcity, many elderly individuals are particularly sensitive to discounts, free goods, or gift promotions. In today's investment market, many financial institutions attract the elderly with offline activities offering gifts, cash vouchers, or other incentives. Due to their frugal mindset, the elderly is more inclined to take advantage of these opportunities, often without fully assessing the risks involved. This "getting something for nothing" motivation can lead to poor risk assessment and, in some cases, blind participation in fraudulent or high-risk investment products. Fraudsters often exploit this tendency, luring the elderly with promises of "high returns, low risk" and "free gifts." As many elderly people lack financial knowledge and risk awareness, they can fall victim to financial scams, losing substantial amounts of money.

Finally, Criteria for Choosing Investment Institutions. Attractive Interest Rates: For financial institutions, offering competitive interest rates is a core advantage, particularly in the peer-to-peer lending industry, where interest rates often serve as a key attraction. Traditional bank deposit rates are generally low, with one-year deposits offering just 1.35%. Consequently, many elderly individuals prefer higher-yielding investment products to maximize their returns and ease financial pressure.

Celebrity Endorsements: Financial institutions often use celebrity endorsements to attract clients. Whether inviting celebrities or experts for site visits or showcasing them in advertisements, celebrity endorsements can foster a sense of trust among elderly investors. Many elderly people associate the reliability of an institution with the celebrity endorsing it, which can lead to poor investment decisions if the actual reliability of the institution is not up to standard.

Herd Mentality: Due to their limited understanding of internet finance, elderly individuals often follow recommendations from family and friends when choosing investments. They trust the judgment of those around them, assuming that any losses will be shared. This herd mentality can lead to decisions made without adequate information, particularly when influenced by peers.

Institution's Credibility and Perceived Trustworthiness: An institution’s credibility is often influenced not only by its actual reputation but also by how the elderly perceive it. Celebrity endorsements, media coverage, and market performance all contribute to this perception. The elderly is more likely to choose institutions they perceive as trustworthy, making the enhancement of an institution’s public trust crucial for attracting elderly clients.

Channels for Choosing Investment Institutions: The elderly often relies on various channels for investment information, including their social circles, healthcare organizations, wellness centers, and advertising. Retirement communities and social activities are crucial places for discussing investments, and many institutions collaborate with health or wellness centers to promote financial products to the elderly.

Handling Investment Failures: When investments fail, the elderly typically respond by seeking legal recourse or reporting the issue to authorities. While many elderly people lack financial and legal knowledge, some seek legal remedies when they suffer financial losses, which can significantly reduce the negative impact of investment failure.

4. Countermeasures and Suggestions for Guiding the Elderly Toward Safe Investments

(1) Ongoing Investment Education for the Elderly.

The elderly is an important and vulnerable investment group. When they fall victim to scams, their quality of life can be severely affected, and social stability may be undermined. Therefore, investment education for the elderly must be continually strengthened, not only by the government but by society as a whole. Public education should use both positive and negative case studies, with both online and offline channels to raise awareness. Similar to other countries, China could establish dedicated institutions, such as an "Elderly Financial Protection Office," to conduct financial education programs and help monitor elderly accounts for any unusual activity.

(2) Paying Attention to the Life Needs of the Elderly.

As people age, they face a variety of challenges, including physical decline, which contributes to their investment decisions. Many elderly individuals, especially those who live alone, may experience loneliness, which can drive them to invest. Children should provide more care and warmth, and communities should create databases and service networks to support elderly family members. The government should accelerate the development of community-based pension systems and multi-functional centers offering comprehensive services, including healthcare, entertainment, and social activities.

(3) Designing Special Investment Products for the Elderly.

Given the abundance of financial products in the market, many elderly investors fall prey to fraud when financial institutions use emotional appeals. Although the government is cracking down on such fraudulent practices, it is challenging to eliminate them completely. To protect elderly investors, specialized investment products, such as trust or insurance products, should be designed with proper regulation, ensuring that they are promoted by reputable financial institutions.

(4) Improving the Elderly’s Investment Decision-Making Ability.

Elderly investors must be particularly cautious about managing their funds. They should focus not only on the returns of investment products but also on the flow of their capital. Investments in government bonds, money market funds, or regular bank deposits are generally safer, while higher-risk products, such as private equity or P2P lending, should be carefully evaluated.

(5) Enhancing the Elderly’s Investment Skills.

The elderly has low risk tolerance and should prioritize principal protection when choosing investments. Safer options like government bonds, money market funds, and bank deposits are appropriate, while riskier investments, such as stocks, futures, and P2P lending, should be avoided. Additionally, elderly individuals, due to their potential health issues, should consider short-term investment products, preferably with a duration of six months or less.

(6) Strengthening Risk Awareness in Elderly Investors.

Elderly investors often lack risk awareness and are vulnerable to scams. They should be reminded that "there is no such thing as a free lunch." Moreover, they should avoid offering guarantees for others, especially by mortgaging assets like real estate.

5. Conclusion

In conclusion, as the aging population grows, the importance of addressing elderly financial security and investments cannot be overstated. It is essential to build legal frameworks and provide appropriate support to ensure that the elderly can invest safely and manage their finances effectively.

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