



SAIF-Schwab 2019 China Rising Affluent Financial Well-Being Index

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September, 2019

Our Story So Far

SAIF and Charles Schwab share a passion for understanding what drives mainstream modern investors.

2016

Formed partnership to study China's rising affluent investors

2017

Launched annual index analyzing the financial well-being of China's rising affluent

2018

Conducted second annual study into this important cohort of the Chinese economy, combining quantitative and qualitative analysis

2019

Expanded to analyze how the rising affluent in Tier 3 cities approach their finances in comparison with Tier 1 and 2 cities

Why the rising affluent?

China's rising affluent—those earning RMB 125,000 to RMB 1 million—are driving China's economic future and are an emerging powerhouse in the world economy.

But for all of their influence, their financial decisions and attitudes are not well understood. And they are quickly evolving.



Our index tracks the overall financial well-being of the rising affluent, as well as the factors driving their sentiments

Overall Financial Well-Being Index Score



Confidence

Satisfaction towards personal financial status, sense of personal financial growth prospects, and sentiments towards financial concerns



Planning

Having and routinely reviewing a financial plan, setting timelines for financial goals, and possibility of achieving financial goals



Management

Having a sense of risk, attitudes towards portfolio management, and sensitivity towards fees



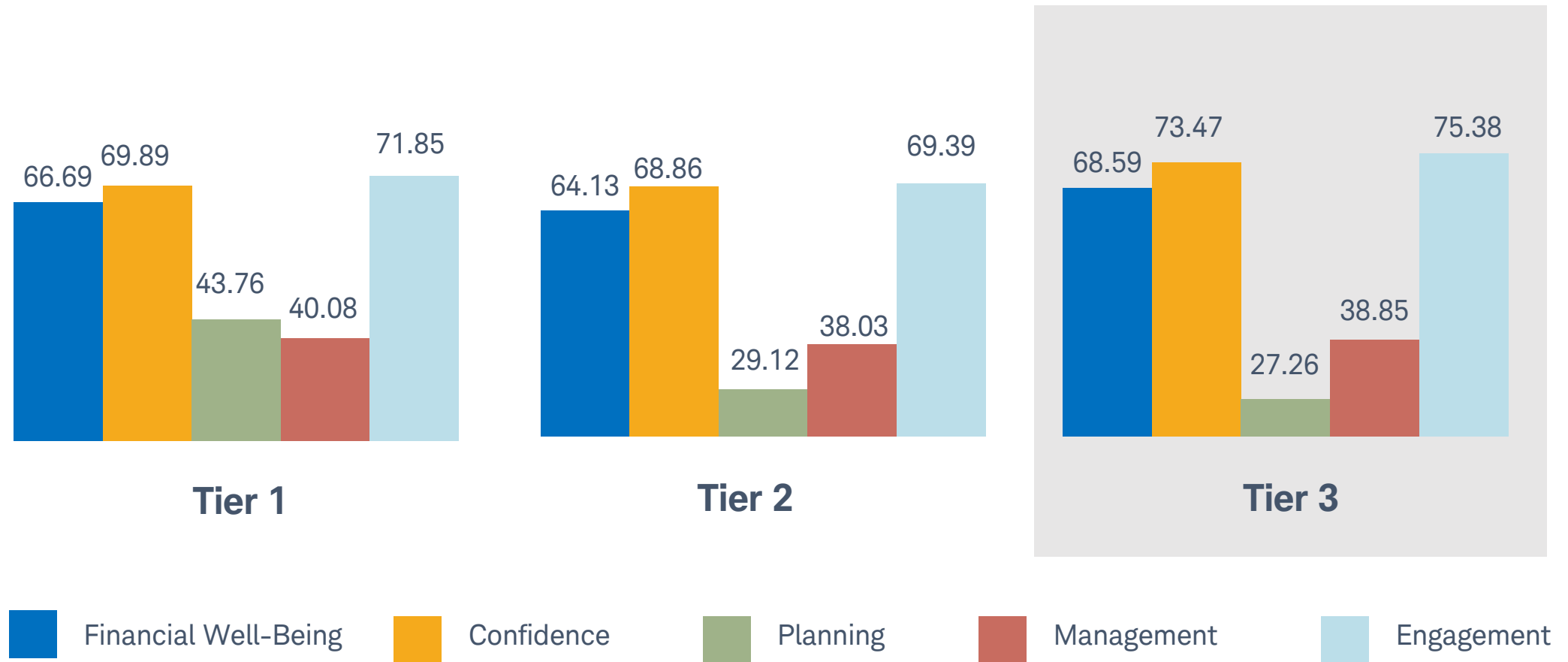
Engagement

Diversity of financial services used, engagement with professional financial advisors, and sensibilities regarding digital financial advisory services

Overall, the financial well-being index of China's rising affluent has remained steady over the past three years



This year our Index expanded to include respondents from Tier 3 cities



Key insights from the study

Savings and income underpin resilient confidence

Established preference for property as a financial asset continues to increase

Investment in education is reflective of differing ambitions among the rising affluent

A lack of risk consideration is prevalent amongst rising affluent investors

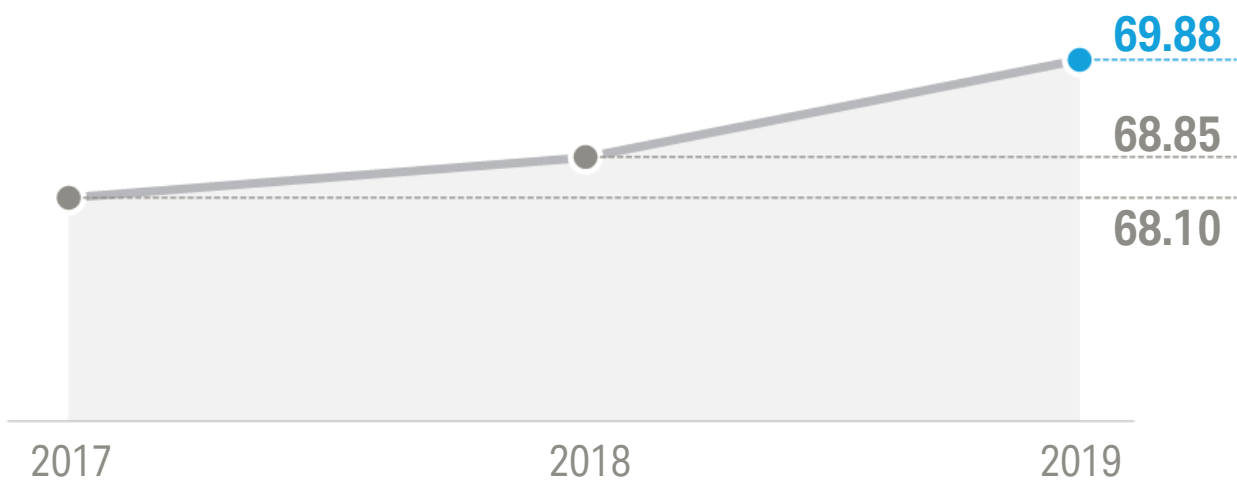
Disparity in levels of financial literacy across the city tiers undermines the possibility of the rising affluent achieving long-term financial well-being

Digital financial advisory services can serve as a pathway to strengthen financial literacy and improve rising affluent financial well-being



Savings and income underpin
resilient confidence

Against the backdrop of global economic uncertainty,
confidence has remained steady



Income stability and economic outlook are the top reasons for confidence...

Reasons for
short-term
financial well-
being (%)

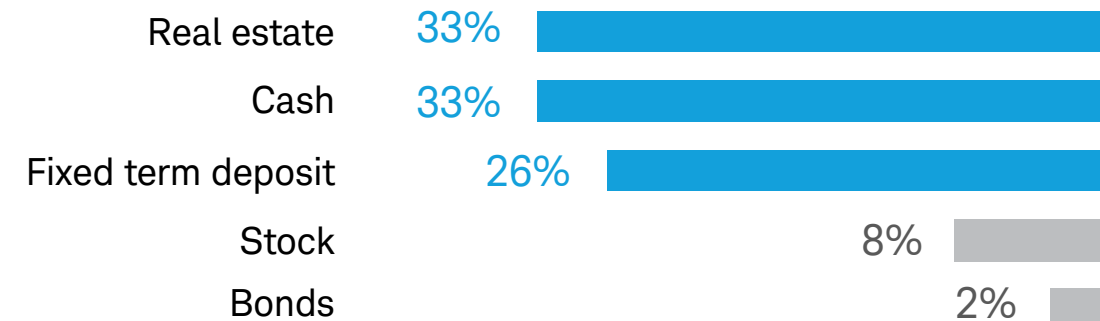
| | |
|------------------------------|-----------|
| Stable family income | 56 |
| Good career prospects | 46 |
| Health insurance for parents | 36 |
| Personal health insurance | 37 |
| Good economic development | 35 |

Reasons for
long-term
financial well-
being (%)

| | |
|-----------------------------------|-----------|
| Increased household income | 39 |
| Good career prospects | 36 |
| Healthy family members | 35 |
| Balanced living expenses | 34 |
| Stable family relations | 31 |

... and this confidence rests on **savings**

The average rising affluent investor dedicates **over 50% of their monthly income** to savings and investments, with a predominance of **cash or cash equivalent products**



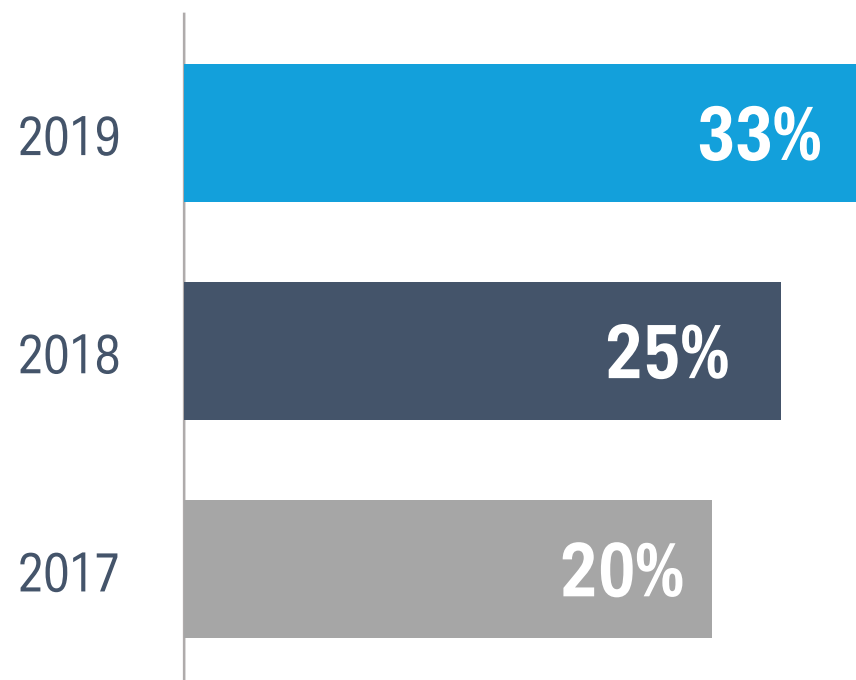
Financial portfolios of the rising affluent (%)

Established preference for property as a financial asset continues to increase



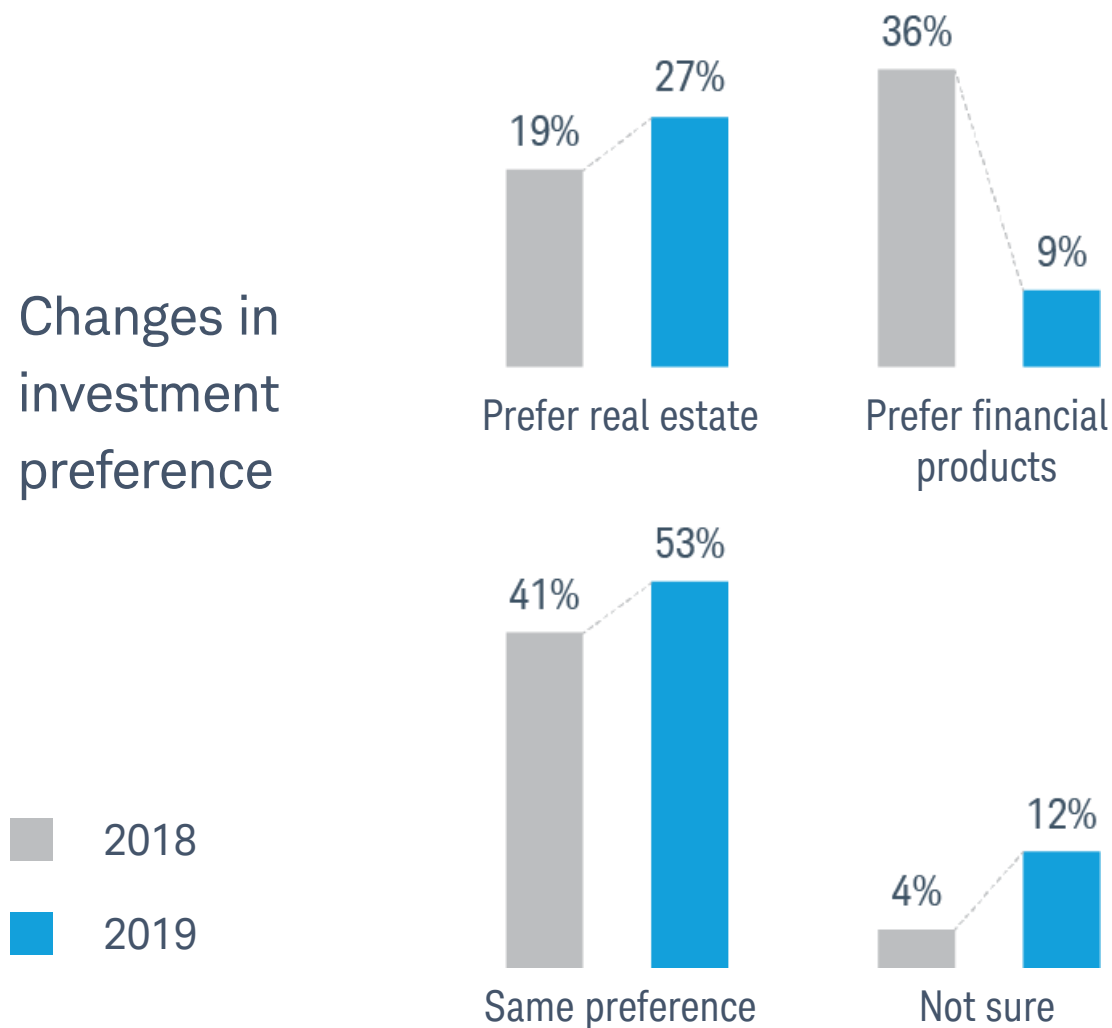
Real estate is playing an increasingly important role in the rising affluent's financial portfolios

Proportion of real estate in financial portfolios



The rising affluent are also shifting their investment preferences towards real estate

Changes in investment preference



Real estate is widely viewed as a reliable investment capable of preserving their financial well-being

Reasons for investing in real estate

Real estate can preserve value better than other investments

TOP 1

57%

Real estate can be rented out for additional income

TOP 2

46%

Property pricing will continue to rise

TOP 3

40%





Investment in education is reflective of
differing ambitions among the rising affluent

Investment in education is reflective of differing ambitions among the rising affluent

| Future goals and concerns influencing financial well-being | Financial Goals | | | Financial Concerns | | |
|------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------------|----------------------------------|---------------------------|
| | Tier 1 | Tier 2 | Tier 3 | Tier 1 | Tier 2 | Tier 3 |
| Top 1 | Children's education | Children's education | Luxury spending | Children's education fund | Stable household income | Long-term economic growth |
| Top 2 | Money for emergencies | Money for emergencies | Money for emergencies | Personal development | Personal development | Stable household income |
| Top 3 | Support for elderly parents | Real estate for investment | Money to start business | Rising medical expense | Work and life balance | Work and life balance |
| Top 4 | Retirement preparation | Retirement preparation | Children's education | Stable household income | Long-term economic growth | Personal development |
| Top 5 | Luxury spending | Luxury spending | Money for children's future | Long-term economic growth | Children's education fund | Rising medical expense |

Children's education is seen as essential in Tier 1 cities, even when it produces strain

64%

64% of Tier 1 rising affluent indicated that they are concerned about funding their children's education

49% of those in Tier 1 cities with lower incomes are more concerned about children's education...

49%

56%

...so are those who have lower liquid assets, with 56% identifying children's education as a top goal

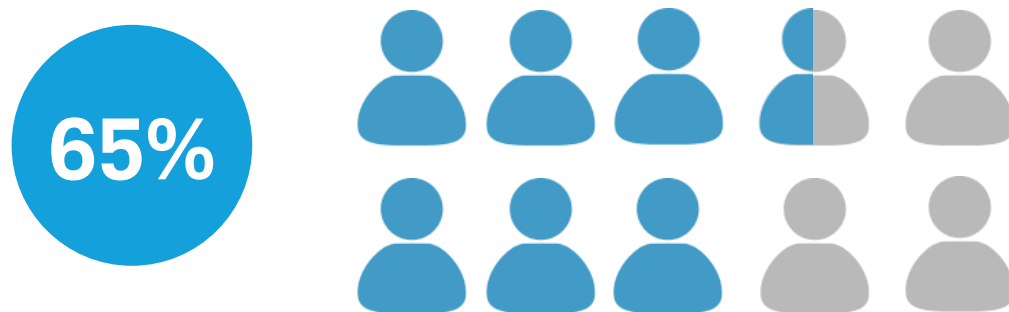


A close-up photograph of a person's hands working at a desk. One hand is writing in a small, lined notebook with a silver pen. The other hand is operating a calculator. On the desk, there is a glass jar filled with coins, a small wooden piggy bank shaped like a house, and a set of keys. The scene is dimly lit, with a warm, orange-toned light source in the upper left corner. A semi-transparent blue banner is overlaid on the bottom right of the image, containing white text.

A lack of risk consideration is prevalent
amongst rising affluent investors

A lack of risk consideration is prevalent amongst rising affluent investors

65% of the rising affluent consider themselves to be conservative or steady investors



However, their financial behavior contradicts their self-perception



52% of respondents expect a ROI this year that varies significantly from overall market expectations



67% stated that if a stock they held appreciated by 10%, they would buy more



49% of respondents who stated that they have a financial plan did not include risk consideration as a component

A glance at financial portfolio by investor type

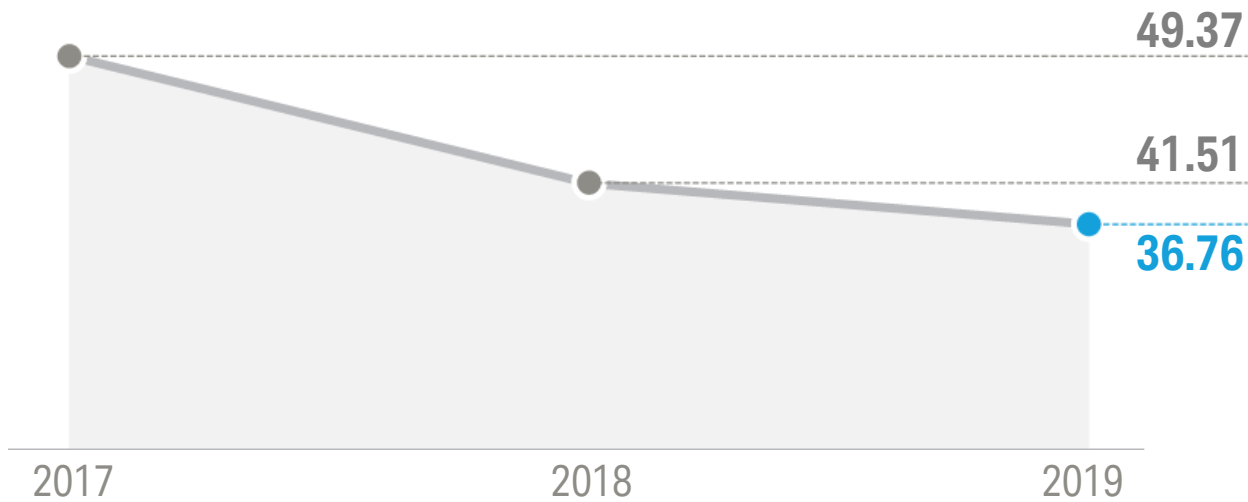
| | Conservative | Steady | Progressive | Aggressive |
|----------------------------------------|--------------|--------|-------------|------------|
| Real estate | 25% | 20% | 27% | 27% |
| Cash | 21% | 18% | 17% | 21% |
| Bank wealth management products | 19% | 16% | 15% | 14% |
| Fixed term deposit | 17% | 15% | 11% | 10% |
| Fintech product (i.e., P2P) | 7% | 11% | 8% | 6% |
| Fund | 5% | 8% | 7% | 5% |
| Stock | 3% | 5% | 8% | 6% |
| Foreign investment | 2% | 4% | 6% | 9% |
| Bonds | 1% | 2% | 2% | 1% |
| Trust | 0% | 0% | 0% | 0% |

Disparity in levels of financial literacy across the city tiers undermines the possibility of the rising affluent achieving long-term financial well-being



Lower financial literacy is reflected by consistent falls in the planning score...

Levels of financial planning have consistently fallen since 2017, while confidence remains steady overall.



...and lower usage of financial services

Differences in reasons for financial confidence show that financial literacy in Tier 3 is lagging behind Tier 1.

| | Tier 1 | Tier 2 | Tier 3 |
|-------|------------------------------|----------------------------|----------------------------------|
| Top 1 | Stable family income | Stable family income | Stable family income |
| Top 2 | Good career prospects | Good career prospects | Good career prospects |
| Top 3 | Health insurance for parents | Personal health insurance | Good family financial plan |
| Top 4 | Personal health insurance | Good economic development | Sufficient family savings |
| Top 5 | Good economic development | Good family financial plan | Onshore and offshore investments |



Digital financial services can serve as a pathway to strengthen financial literacy and improve rising affluent financial well-being



Digital financial services can serve as a pathway to strengthen financial well-being

60% of the rising affluent indicate that they do not seek professional financial advice, with top reasons being...

Believe they do not need consultation as their investment is small

30%

Do not meet required threshold for advice

21%

Do not want others to know their financial situation

21%

...for those who engage financial advisors, 91% recognize the contribution of financial advisors, and 89% trust their financial advisors

50%

Financial advisors can provide professional investment recommendations

47%

With the help of financial advisors, I can achieve my financial goals faster

45%

Financial advisors can help me save time and improve investment efficiency

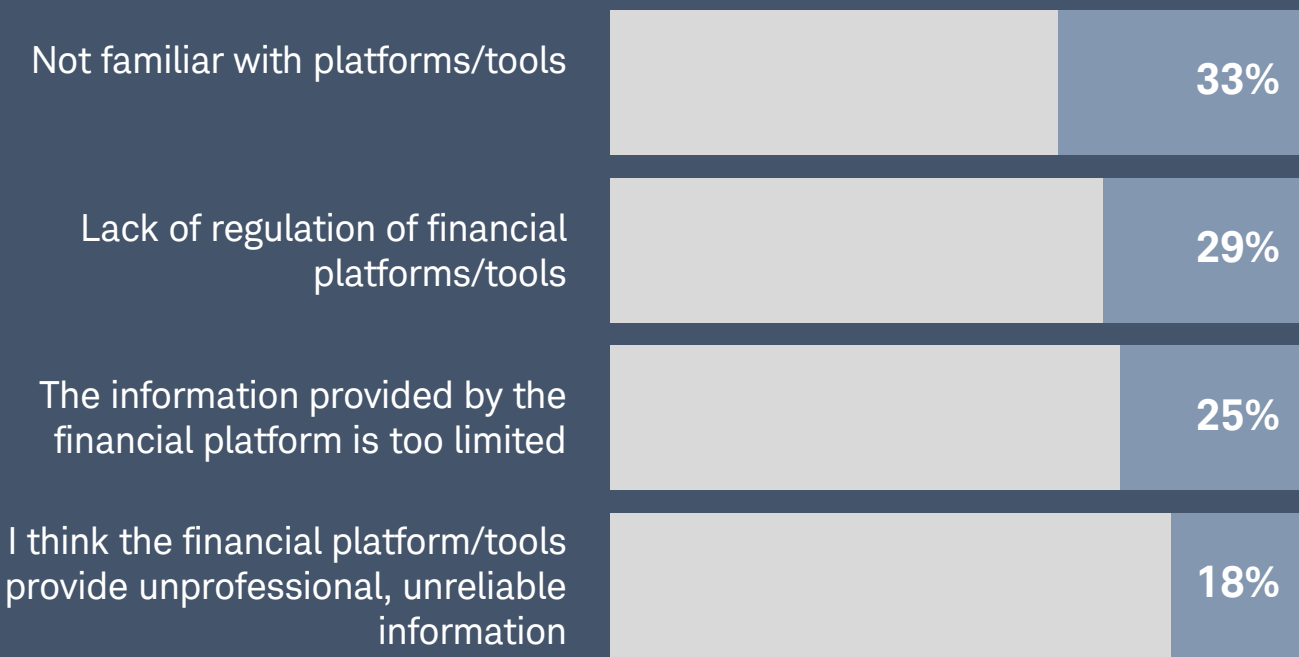
Digital financial services can serve as a pathway to strengthen financial well-being

Digital financial services are increasingly the method of choice for the rising affluent to manage their finances, with **29%** of respondents using only digital services

| | 2017 | 2018 | 2019 |
|------------------|------|------|------|
| Digital channels | 93 | 83 | 86 |
| Offline channels | 81 | 81 | 71 |

Changes in methods of financial management (%)

And factors influencing the rising affluent to not use digital financial services hint at opportunities for the sector to improve





Implications

An increasing fidelity towards traditional forms of investment is keeping rising affluent confidence resilient amidst a changing domestic and global economic environment.

While this may strengthen their current financial satisfaction, they may miss opportunities available through a wider embrace of diversification and financial products.

Expanded offerings of digital financial services could sharpen financial literacy and offer a stronger pathway for the rising affluent to further improve their financial well-being.



Thank you.