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# SAIF-Charles Schwab 2020 China Rising Affluent Financial Well-Being Index

*Responsive Pragmatism, Hidden Vulnerabilities*

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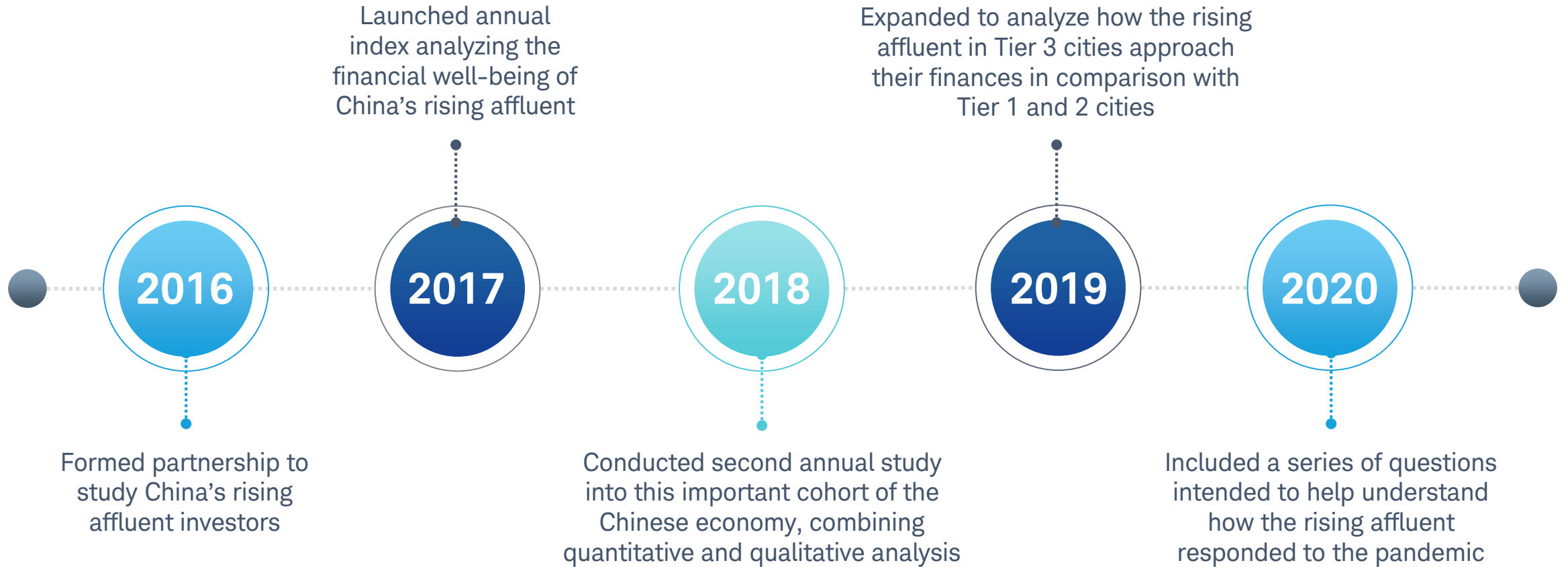
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November 2020

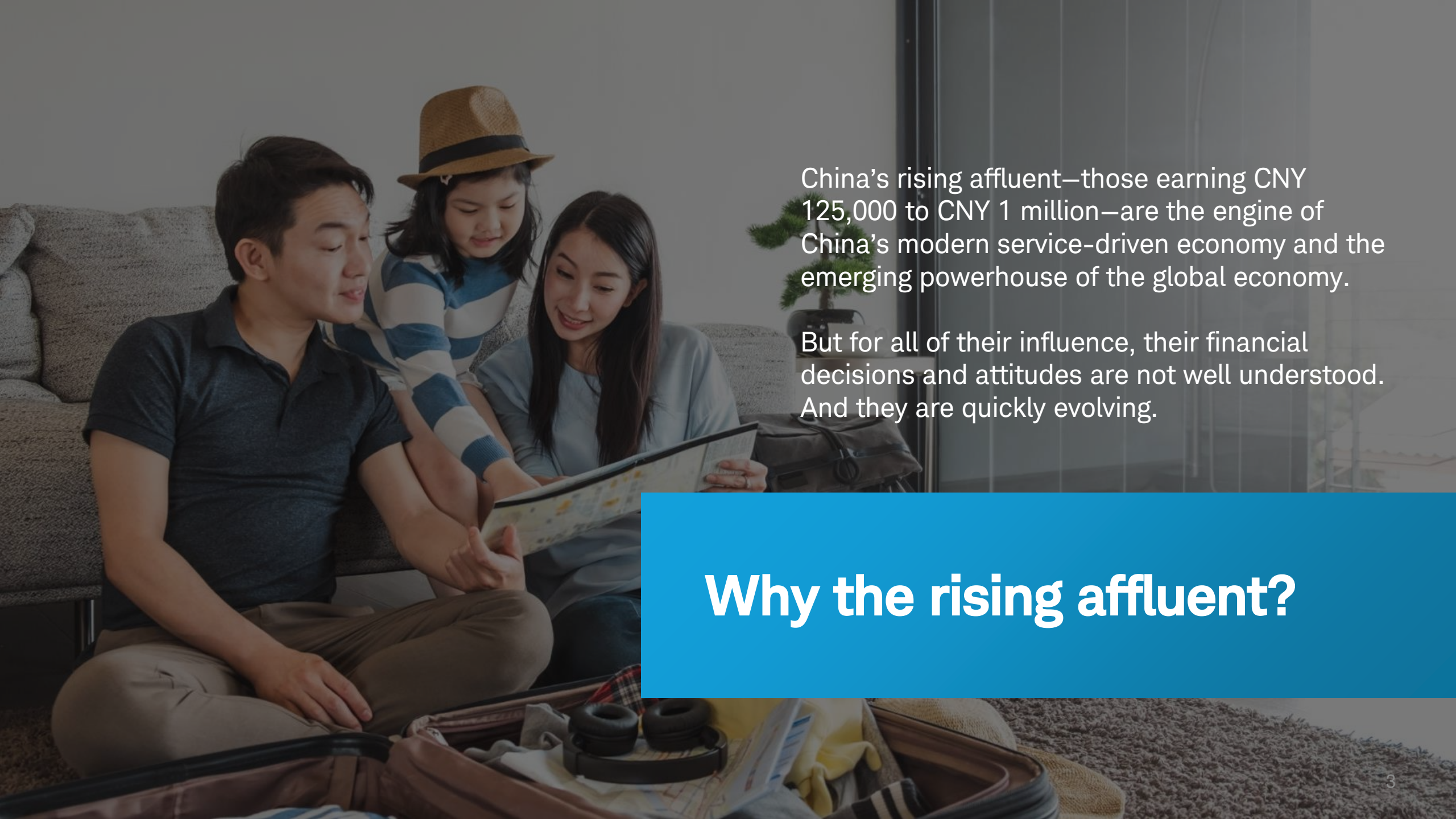
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# Our Story So Far

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







China's rising affluent—those earning CNY 125,000 to CNY 1 million—are the engine of China's modern service-driven economy and the emerging powerhouse of the global economy.

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

## Why the rising affluent?

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

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## Overall Financial Well-Being Index Score

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**Confidence**



**Planning**



**Management**



**Engagement**

# The 2020 financial well-being index reveals improvements across the board following the COVID-19 pandemic



\*2017 and 2018 did not include data from Tier 3 cities.

# Key insights from the study

1 Improved rates of financial planning underline growing awareness of the importance of preparing for emergencies

2 Cash and other low-risk products offer flexibility and stability that enhance rising affluent ability to respond to changes in circumstance

3 Missed debt repayments are prevalent, indicating vulnerability to unexpected financial challenges

4 Influence from social media could undermine the achievement of long-term financial well-being

5 Greater financial literacy can heighten focus on financial aspirations

6 A combination of digital and in-person financial advisory offers a pathway forward for the financial services industry

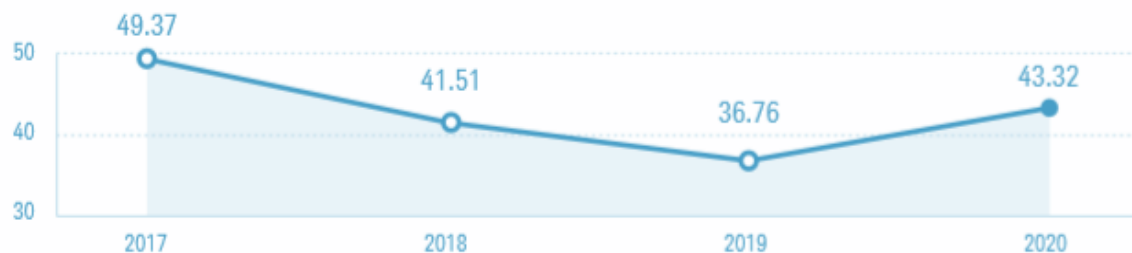


A young couple is sitting at a wooden table in a home setting, looking at a laptop screen. The woman is wearing a black and white checkered shirt, and the man is wearing a dark grey t-shirt. They are both looking intently at the screen. In the background, there is a staircase with wooden steps and a white railing. On the table, there is a laptop, a glass of dark liquid, a green mug, a smartphone, and some papers.

Improved rates of financial planning underline growing awareness of the importance of preparing for emergencies

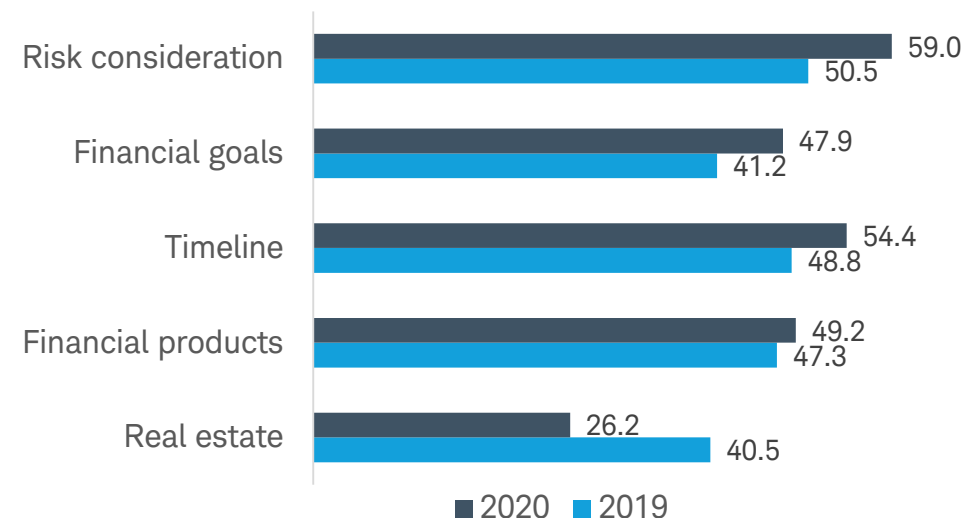
# The COVID-19 pandemic has driven home the importance of planning for unforeseen events.

The planning sub-index score has improved by 6.56 points following the pandemic.



Planning sub-index score

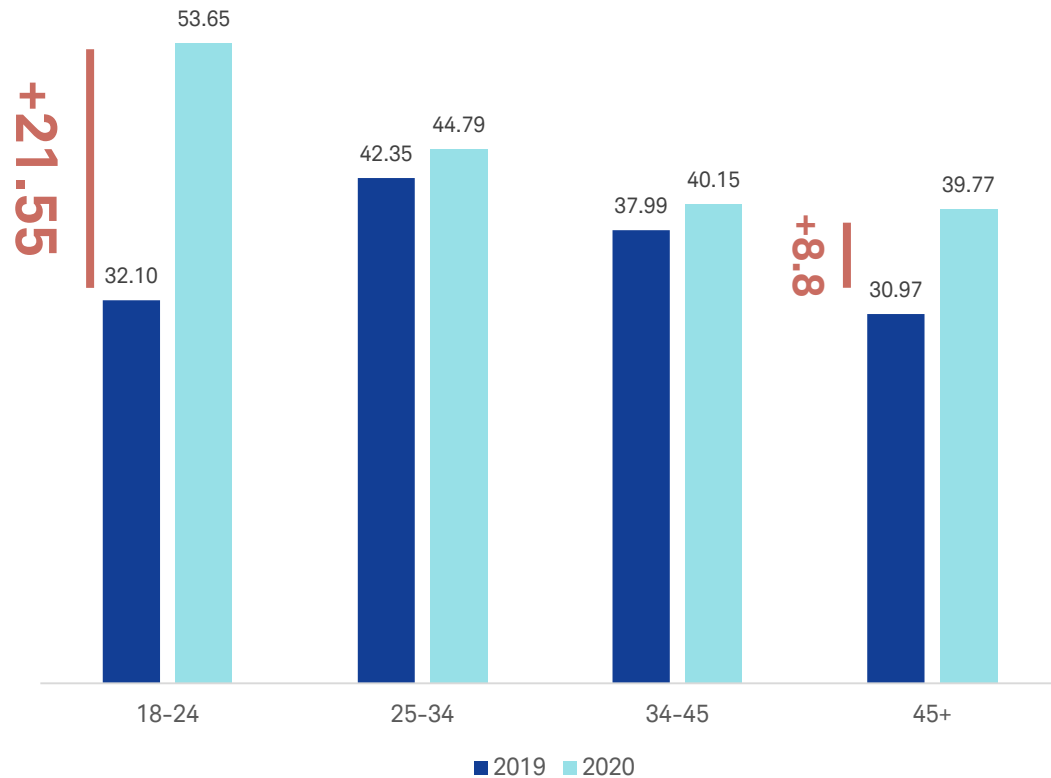
Rising affluent have a better understanding of what should be included in a proper financial plan.



Components of rising affluent's financial plans (%)

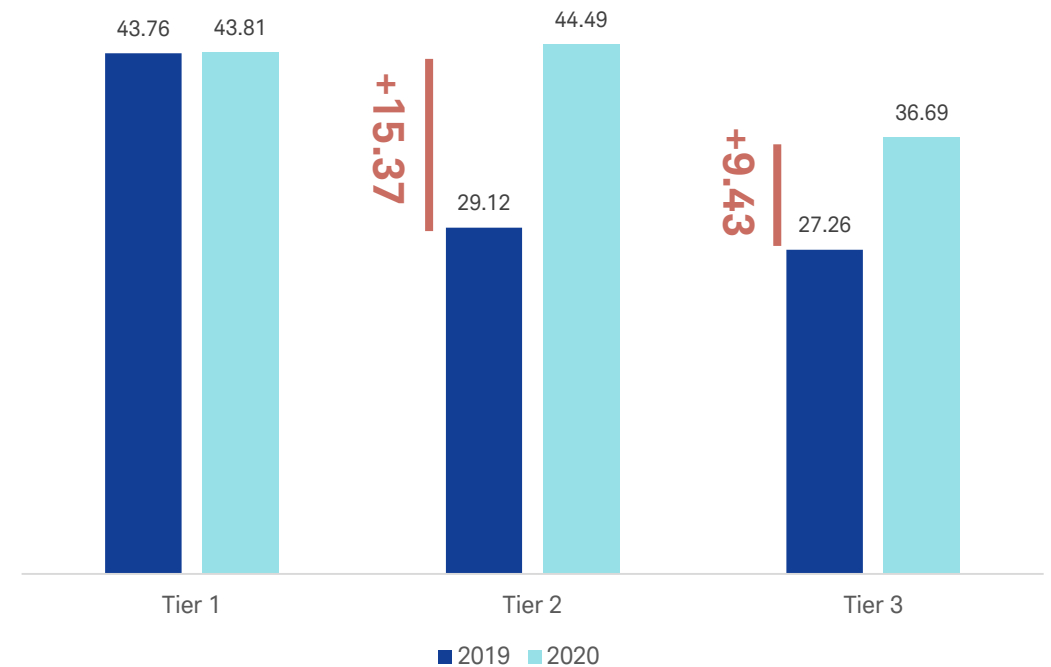


The improvement is most pronounced among the oldest and youngest...



Financial planning index score by age group (%)

...as well as Tier 2 and 3 cities



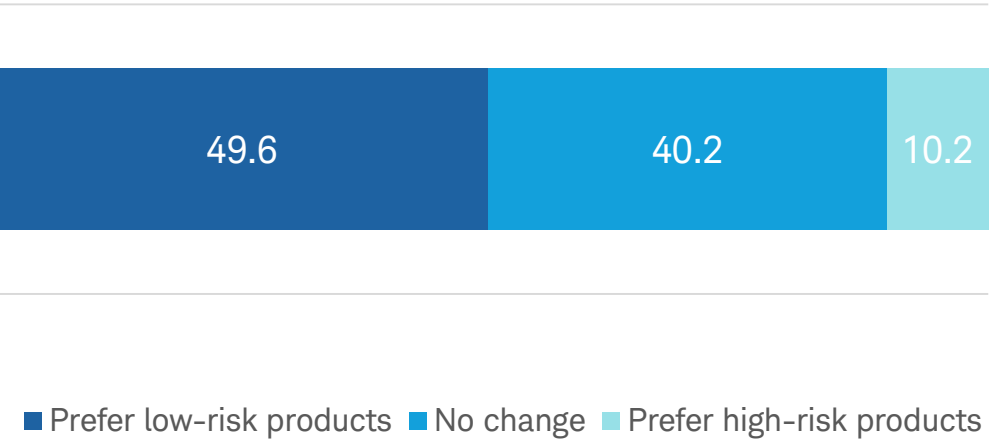
Financial planning index score by city tier (%)



**Cash and other low-risk products offer flexibility and stability that enhance rising affluent ability to respond to changes in circumstance**

# The rising affluent show an increased proclivity for cash and other low-risk products.

Risk preference following COVID-19 (%)

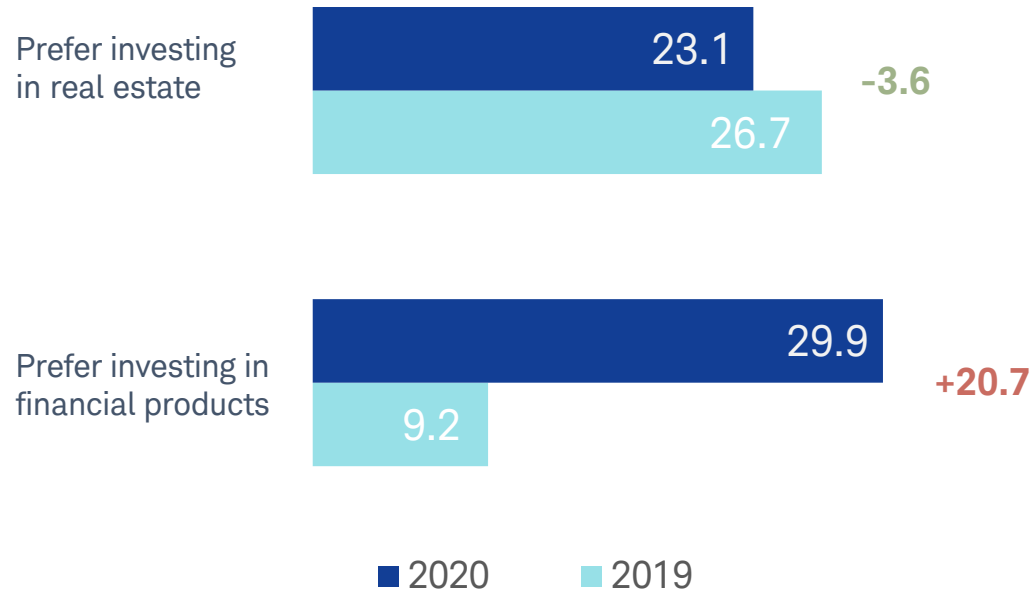


Change in the rising affluent’s most preferred financial products following COVID-19

	Before	After
Cash	4	1
Fixed term deposits	1	2
Bank wealth management products	2	3
Internet financial products	6	4
Real estate	3	5
Mutual funds & ETFs	5	6

# The pursuit of stable and flexible asset classes in preparation for short-term uncertainties and emergencies has made real estate less attractive....

**20.7% more rising affluent** prefer investing in financial products over real estate following COVID-19.



The **fixed, difficult to access nature of wealth** held in real estate has become **less attractive**.

*Among those who prefer investment in financial products over real estate...*

TOP 1  
**51.6%**

Financial products and their returns are relatively stable

TOP 2  
**49.8%**

Financial products are more flexible and can be traded at any time

TOP 3  
**42.5%**

Compared with real estate, the investment threshold of financial products is relatively low



...leading to a decline in the importance of real estate as an investment within rising affluent portfolios.

There has been a **28.7%** decrease in possession of real estate as an investment ....

And a decline of **23.2%** in respondents who receive secondary income from rent.

	2020	v. 2019
Cash	100.0	-
Fixed term deposits	72.6	+4.9
Bank wealth management products	58.1	-10.4
Internet financial products	47.3	+1
Mutual funds & ETFs	32.7	-5.4
Real estate	32.3	-28.7
Stock	21.1	-8.3
Overseas investment	20.1	-3
Bonds	11.1	+0.8
Trust	1.3	+1.1

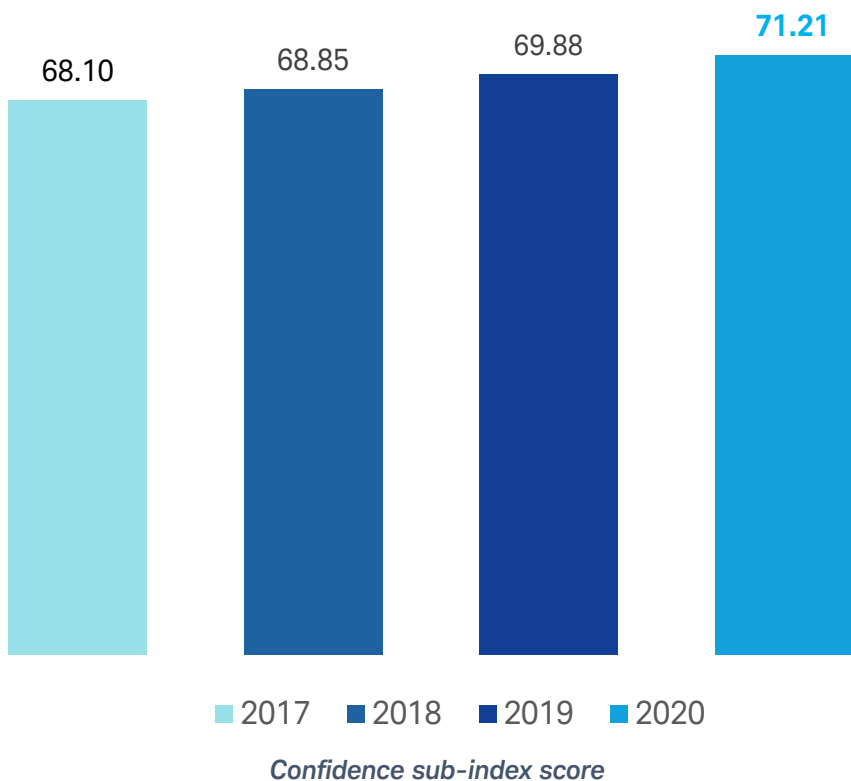
*Changes in financial product ownership (%)*

A person is sitting at a desk, holding a teal credit card in their right hand and a white receipt in their left hand. The desk is cluttered with various items: a white mug, a smartphone, a calculator, and a pair of glasses. The background is slightly blurred, showing a window with greenery outside. A blue banner with white text is overlaid on the bottom left of the image.

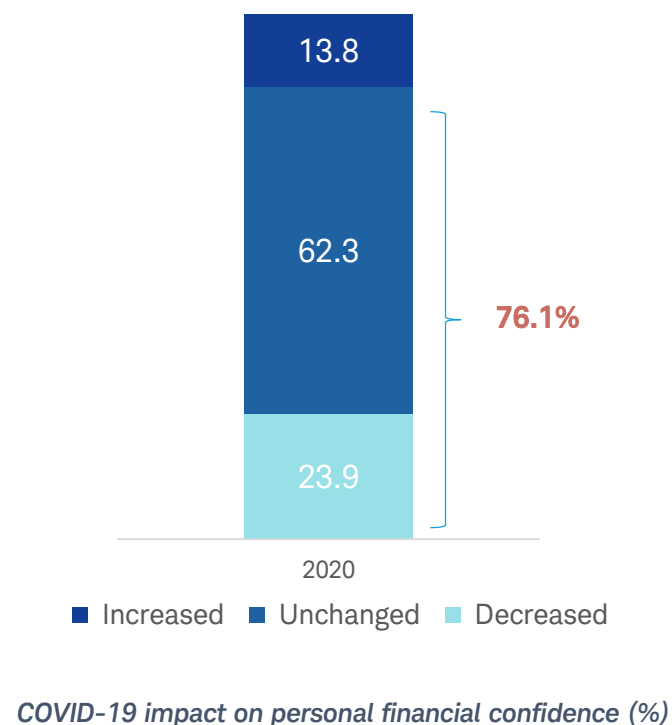
**Missed debt repayments are prevalent,  
indicating vulnerability to unexpected  
financial challenges**

# The rising affluent continue to demonstrate resilient confidence in face of COVID-19.

Despite the pandemic, rising affluent **financial confidence increased** this year.



Over **three quarters** of the rising affluent reported **positive impact or no impact of COVID-19 on their level of personal financial confidence.**



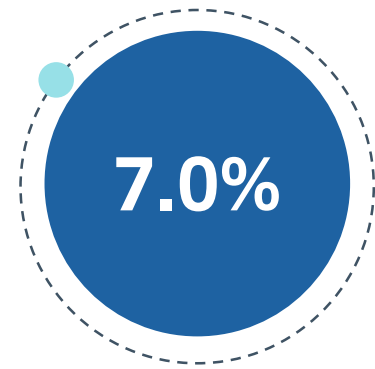
However, the resilience is not reflective of the emerging vulnerabilities as significant proportions of missed debt repayments.



21.3% of the rising affluent missed a debt payment in the six months prior to the survey



14.7% of those rising affluent report missing credit card repayments...

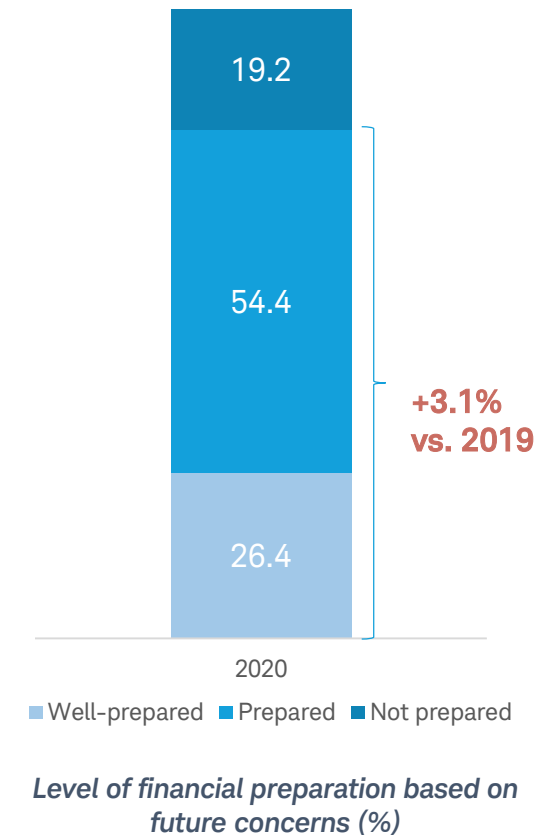
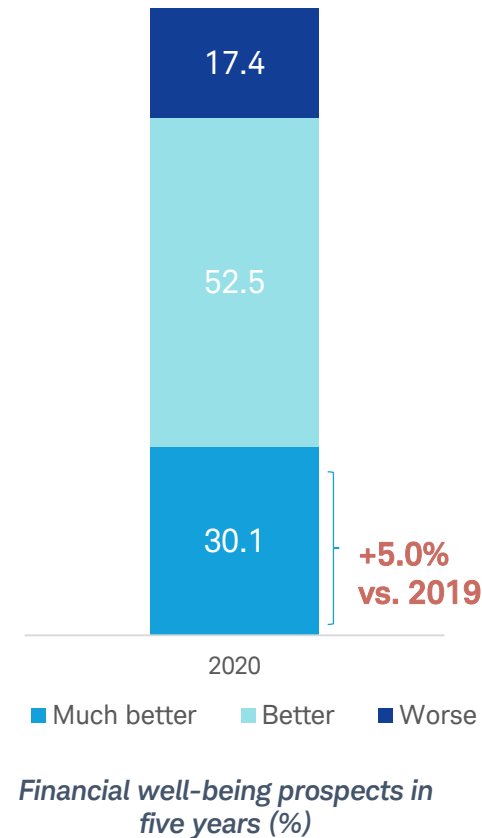


...7.0% of them state they had missed mortgage repayments



## All of the above indicate a need for improved financial planning.

Rising affluent financial confidence is **underpinned by a faith in future prospects and a personal sense of financial preparedness, as opposed to a financial plan that conforms with professional standards**



A close-up photograph of a person's hands holding a smartphone. The person is wearing a gold ring on their left ring finger and a gold watch on their left wrist. The background is blurred, showing what appears to be a white shirt. A semi-transparent blue rectangular box is overlaid on the right side of the image, containing white text.

**Influence from social media could  
undermine the achievement of  
long-term financial well-being.**

## The rising affluent prioritize spiritual and familial concepts of wealth over the material...






### Rising affluent definitions of wealth (%)

Family health across generations	40.2
Stable income	40.0
Personal Health	36.5
Happiness and contentedness	35.7
Successful career	35.5
Good family relations across generations	34.9
Work-life balance	33.7
Achievement of personal dreams	30.2
Ability to freely pursue interests	26.3
Happy children	25.4

...and COVID-19 further increased this trend.

### Top 5 types of wealth that are most valued by rising affluent

vs. pre-COVID-19

TOP 1		<b>31.3%</b> Family health across generations	+7.3
TOP 2		<b>27.9%</b> Personal health	+6.2
TOP 3		<b>24.5%</b> Stable income	+1.2
TOP 4		<b>21.6%</b> Good family relations across generations	+3.1
TOP 5		<b>21.2%</b> Happiness and contentedness	+1.9

## But social media drives a “fear of missing out”, which can undermine the rising affluent’s ability to stay focused on their financial aspirations.

**Material goods or concepts are more frequently** shared by rising affluent, their friends and families on social media.

Items		
TOP 1	Investment products	30.9%
TOP 2	New electronics	28.0%
TOP 3	Financial knowledge workshop	25.5%
TOP 4	A spacious house	25.3%
TOP 5	Concerts or shows	24.8%

*Top five items that are shared by rising affluent on social media*

These posts are most likely to produce a desire to emulate with **over three quarters of respondents** indicating they are influenced to purchase those items.

Items		
TOP 1	Investment products	76.5%
TOP 2	Monthly income	75.9%
TOP 3	Savings	74.6%
TOP 4	A spacious house	74.3%
TOP 5	Vacations	73.4%

*Top five items that rising affluent are motivated by social media to pursue*



A person with long dark hair, wearing a white long-sleeved shirt, is seen from behind, sitting at a dark desk. Their arms are raised, with hands pressed against a large window. On the desk to the left is an open laptop. The window looks out onto a cityscape with buildings and a body of water. A blue rectangular box is overlaid on the right side of the image, containing white text.

**Greater financial literacy can heighten  
focus on financial aspirations**

# Overall, China's rising affluent lack financial literacy.



19.5% of the rising affluent answered basic financial literacy questions correctly

Rising affluent with all correct answers by age group

18-24 y.o.	25-34 y.o.	35-44 y.o.	45+ y.o.
10.2%	20.4%	22.7%	15.3%

Rising affluent with all correct answers by city tier

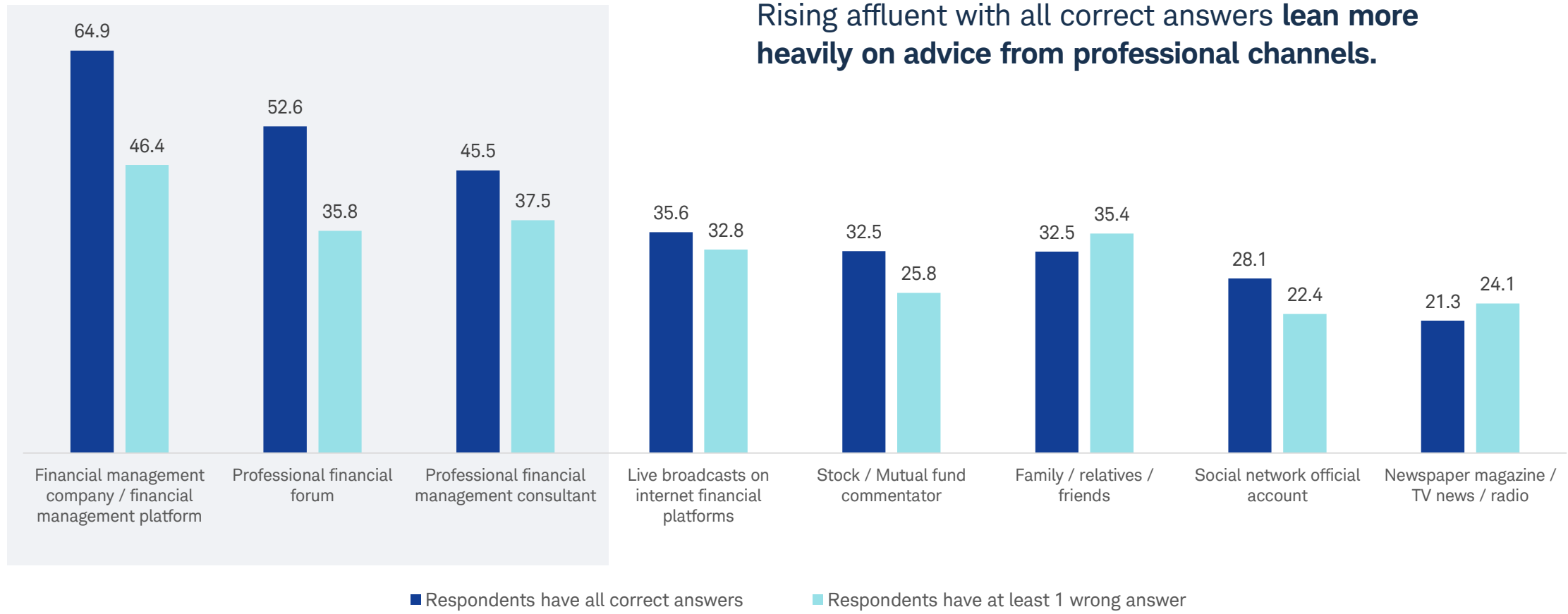
Tier 1	Tier 2	Tier 3
20.3%	20.2%	13.3%

## The “big three” financial literacy questions:

- 1
- Suppose you had USD 100 in a savings account and the annual interest rate was 2 percent. After 5 years, how much money would be in your savings account?
- 2
- Assume that the interest rate on your savings account was 1 percent per year and inflation was 2 percent per year. After 1 year, would you be able to buy more than today, the same as today, or less than today with the money in this account?
- 3
- Is the following statement true or false: Buying a single company stock usually provides a safer return than a mutual fund?

## Correct answers were correlated with higher engagement with professional financial channels

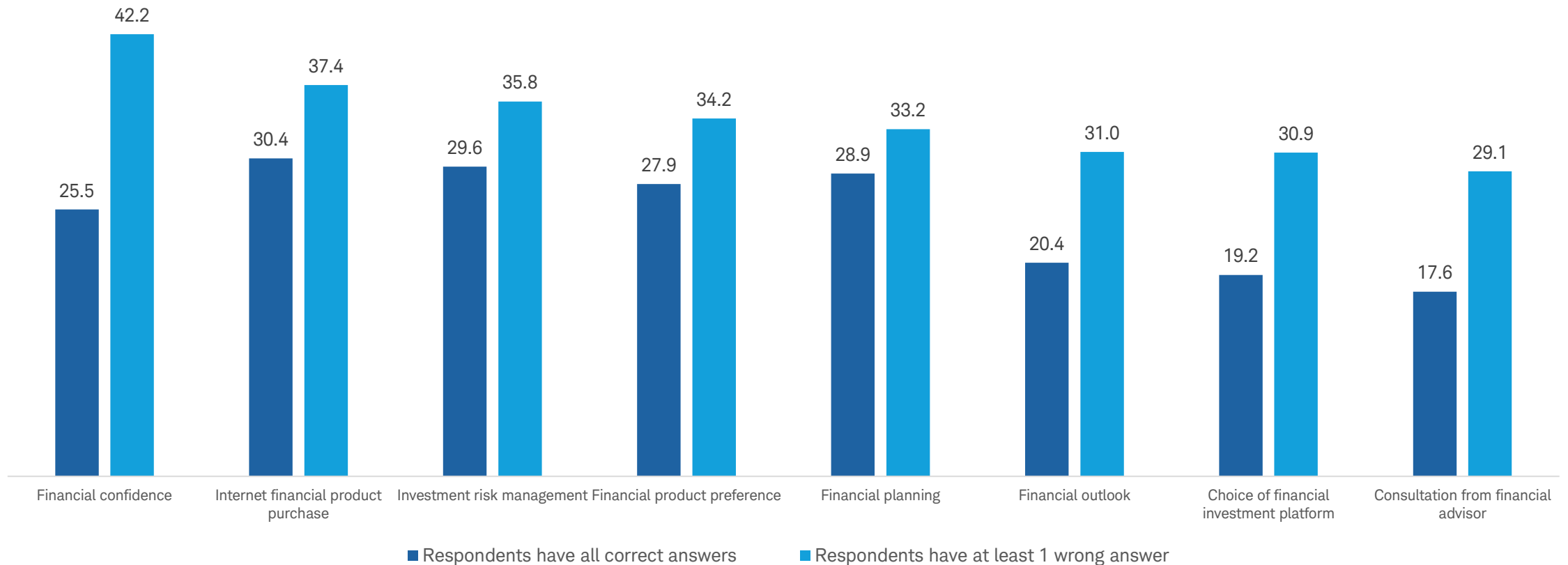
Rising affluent with all correct answers **lean more heavily on advice from professional channels.**



*Use of information source by rising affluent (%)*

## Greater financial literacy can prevent the rising affluent from being distracted by “noise.”

Rising affluent with all correct answers **were less influenced by social media stories about COVID-19**, indicating decreased likelihood of short-term thinking.



*Influence of social media stories on COVID-19 (%)*

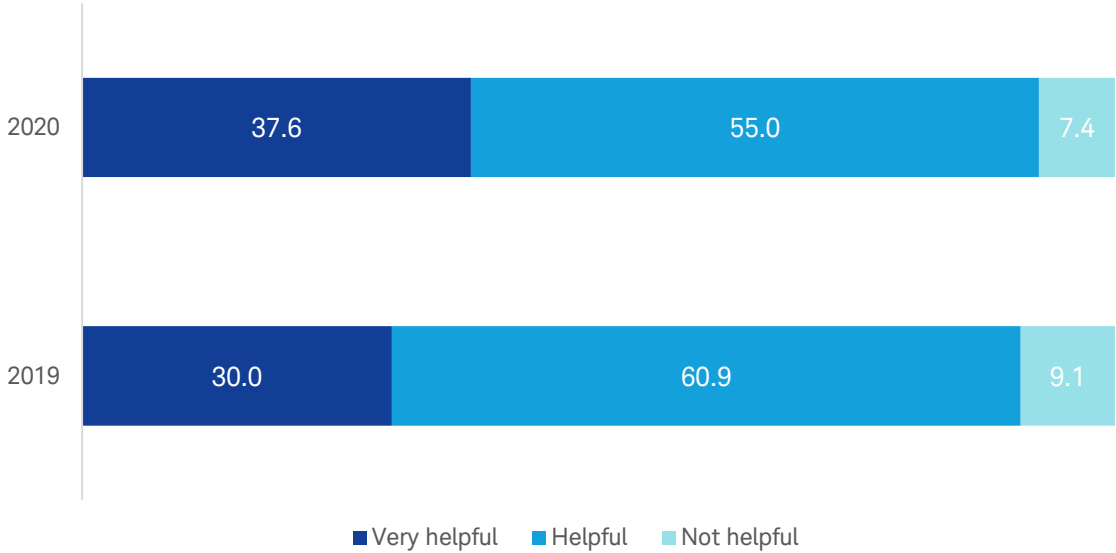


A man and a woman are sitting at a desk, looking at a laptop screen. The man is on the left, wearing glasses and a dark shirt, smiling. The woman is on the right, wearing glasses and a light-colored sweater, also smiling. They appear to be in a professional or educational setting. A blue semi-transparent box is overlaid on the left side of the image, containing white text.

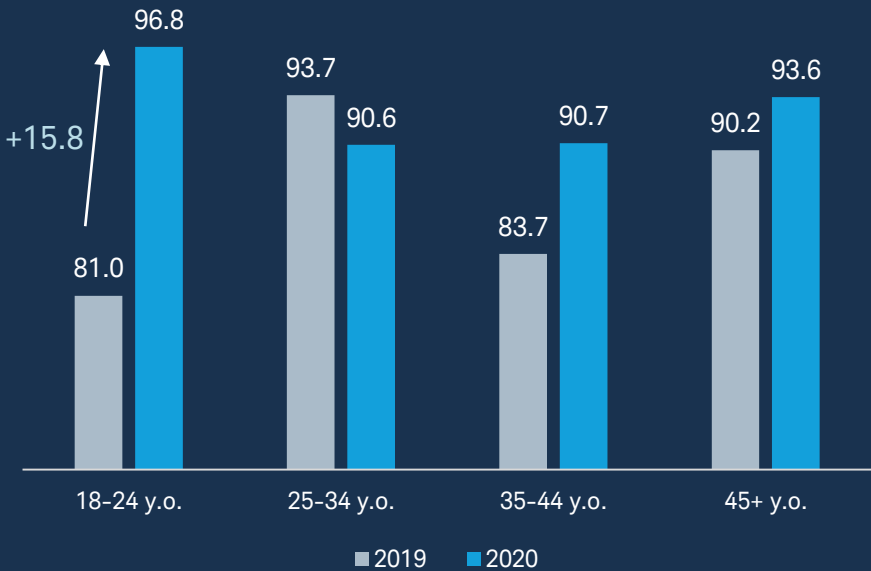
**A combination of digital and in person  
financial advisory offers a pathway  
forward for the financial services industry.**

# Positive perceptions of financial advisory have increased following COVID-19

7.6% more of the rising affluent view financial advisors as **very helpful** compared to 2019.



9% more trust financial advisors “**very much**” with most of these improvements coming from a growing level trust towards financial advisors **among younger age groups**



## Digital platforms have recorded the largest increases in use...

All of the rising affluent's' **top three most used financial investment channels** are digital.

	Financial management channels	Increased usage since COVID-19
TOP 1	Mobile banking APP	29.0
TOP 2	Online banking	14.0
TOP 3	Internet investment and financial platforms	13.2
TOP 4	Professional financial management consultant	12.5
TOP 5	Bank official WeChat or mini-programs	9.5

*COVID-19 impact on usage of financial management channels (%)*

...but a combined digital and in-person advisory is the best way forward.

	2019	2020
Digital channels	85.6	91.0
Offline channels	71.3	72.7
Only use digital channels	28.7	27.3
Only use offline channels	14.4	9.0

*Changes in methods of financial management (%)*

A man with dark hair and glasses is sitting at a wooden desk, looking down at a laptop. On the desk, there is a bowl of fruit. The background is slightly blurred, showing a window and some office equipment. The overall tone is professional and focused.

# Implications

The pandemic has prompted a broader consideration of the need for financial planning and diversification away from the traditional underpinnings of rising affluent confidence.

While this trend is positive, there is a gap between this consideration and the actual understanding necessary to address problems emerging from missed debt payments and low financial literacy.

An integrated service model that combines in-person financial advisory with digital tools could offer a pathway to improve rising affluent planning and overall financial well-being.



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**Thank you.**