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RESEARCH ON FAMILY INVESTMENT AND FINANCIAL MANAGEMENT STRATEGY BASED ON LIFE CYCLE THEORY

Aoqi Xu[1*],Wei Guo[2], Min Li[3]
[1] *School of Economics, Fujian Normal University,Fuzhou350007,China*
[2] *School of Credit Management, Guangdong University of Finance, Guangzhou510521, China*
[3] *Digital Economy Academy, Yango University, Fuzhou 350015, China*
Corresponding Author: Aoqi Xu , Email: hgzdy5843@163.com

ABSTRACT
With the rapid development trend of China's economic development, the income of Chinese households is also increasing. Therefore, we will not be satisfied with simple investment and financial management methods such as current deposits of financial institutions, but gradually try some new investment products and methods to avoid the risk of project investment and financial management. The scientific research on large family investment and financial management strategy is a subject that still needs to be developed in China's financial industry. It has key practical significance to improve the management system of China's financial system. This paper is devoted to discussing how to systematically design China's household investment and financial accounting strategy from the perspective of life cycle theory. Taking Hebei Urban home as an example, this paper analyzes the current situation and preventive measures of family investment and financial management in China by using classic cases and data collection. The results are as follows: property is excessively concentrated in deposits; The concept of commercial insurance has not been popularized; The stability of property composition is low. The proposal is: from the perspective of government departments, improve the per capita income in China; Improve the management of China's social security system; Improve relevant laws and regulations and improve the supervision system. From the perspective of financial institutions, improve the service level, systematization and humanization; Strengthen independent innovation and create competitive advantage. From the perspective of home, formulate financial plans according to the family life cycle; Clarify the psychological state and improve the personal psychological quality of financial management and investment.

Keywords: Investment and financing; Resident family; Life cycle theory.

1 INTRODUCTION

1.1 Background and Significance of the Topic

1.1.1 Topic background

With the sustainable development of China's economy, the income level of Chinese residents is also increasing. With the growth of household income, people began to focus on investment and financial management, but due to the lack of financial knowledge and skills, they did not carry out a comprehensive investment and financial planning, and only focused on some low-risk or even risk-free financial products, such as bank deposits, treasury bonds, fixed income funds, etc. However, due to the economic trend in recent years, the yield of some of the above-mentioned financial products continues to decline. Therefore, Chinese residents must learn more about investment and financial management to make a reasonable plan for their family assets. Taking urban families in Hebei Province as an example, this paper analyzes the current situation and coping strategies of household investment and financing in China by using the methods of case analysis and data collection.

1.1.2 Significance of topic selection

Despite the increase in income, Chinese households do not fully have the matching knowledge and skills related to investment and financial management. Therefore, how to plan the income reasonably to maintain and increase the value of assets is a problem that Chinese households need to pay attention to. At present, the research on family investment and financial management in China is still in the preliminary stage, and the relevant literature is not many. Therefore, in the face of this research gap, it is necessary for us to conduct a comprehensive discussion on this issue.

1.2 Research contents and methods

Mainly through data collection and case analysis, this paper studies the problems of China's household investment and financial management strategies in recent years, mainly through the analysis of the income, consumption and financial management structure of this kind of people, and then through the research of the literature related to household investment and financial management, from the Perspective of life cycle, to improve the level of household investment and financial management, and finally realize the healthy development of household investment and financial management, and strengthen the efficiency of household investment and financial management, We are committed to research and development in the field of household investment and financial management in China, and improve the construction of relevant basic research, so as to promote the harmonious development of China's social economy. See Figure 1-1 for the specific thinking framework.

1.3 Research status of household finance at home and abroad

1.3.1 Research status abroad

In western developed countries, the social development and family economy are relatively perfect, the average income is also high, and the family financial structure is highly developed. Grable John E et al. (2021) [1] believe that family investment and financial management are very important. Some famous related theories are also from western developed countries, such as portfolio theory, life cycle theory, etc. [2]. The portfolio theory was first proposed by Markowitz [3]. The important content of this concept is to solve the probability of investment risk. Through in-depth research, probability and other methods were applied to the field of securities investment for the first time. After the development and improvement of sharp and others, he clearly put forward that: when the risk is determined, the expected rate of return of portfolio investment is higher; When the expected rate of return is fixed, the probability of risk will be smaller.

Family life cycle theory refers to the whole process of family development, including establishment, development, disintegration and extinction. Any family has this process. The whole life cycle of a family is from a couple getting married and having children (family formation period), children's growth and learning (family growth period), children's independence and career development to the peak (family maturity period), and husband and wife's retirement to the end of life and the death of the family (family aging period).

1.3.2 Domestic research status

The domestic family investment and financial management business appeared relatively late, and most of the research on family investment and financial management by Chinese experts and scholars focused on the financial investment level [4]. Liuhaimo (2016) [5] put forward relevant research in his published paper. Zhouzixiang (2021) [6] mentioned research on investment and financial management of Chinese households in his published journal. Zhang Yan et al. (2018) [7] also put forward some suggestions on how to do well in investment and financial management of households in his published journal. Liyaochuan (2022) [8] tried to explore the evolution of China's household financial asset allocation in his journal, and obtained some results. Zhang Cong (2021) [9] tried to study the impact of household income on China's household financial asset allocation in his journal. Hou Xuejie (2021) [10] analyzed China's household investment and financial management from the perspective of income structure in his paper. But at the beginning of this century, there is no systematic research on household asset allocation and financial planning in China. At this stage, the analysis of family financial risk in relevant fields in China is mainly focused on the investment in a single stock, and there is less research on the theory of family investment and financial management involving other aspects. At this stage, the scientific research achievements of family investment and financial management in China are relatively decentralized. Most of them put forward targeted suggestions and views on the problems encountered by financial institutions such as securities, funds and banks in carrying out personal finance business in China. There is no real theoretical research in this field from the practical significance of economy and finance, and there is a lack of consistent theoretical framework management system, which needs to be explored and developed.

1.4 Innovation of research

The innovation of this paper is to put forward China's family investment and financial management strategies based on the life cycle theory. In the past, few relevant studies specifically put forward financial management strategies according to the characteristics of each stage of the family. And this paper puts forward a specific example to design the scheme to match the research theme of this paper.

2 ANALYSIS ON INCOME, CONSUMPTION AND FINANCIAL MANAGEMENT OF URBAN HOUSEHOLDS IN HEBEI PROVINCE

2.1 Income and Consumption Status

2.1.1 Income status

According to the data of Hebei Provincial Bureau of statistics, by 2020, the per capita disposable income of urban households in Hebei Province has reached 37285 yuan. Compared with 2014, it increased by 35%, with a large increase. In recent years, the income level has shown a steady growth trend. It is not difficult to see that household income in Hebei Province has increased significantly in recent years. As Shown in Table 1.

Table 1 Per capita disposable income of urban residents in Hebei Province, 2014-2020

Year	2014	2015	2016	2017	2018	2019	2020
Per capita disposable income (yuan)	24141	26152	28249	30547	32977	35738	37285

Source: Hebei Economic Yearbook (2014-2020)

The average disposable income of urban residents in Hebei Province increased from 24141 yuan / year in 2014 to 37285 yuan / year in 2020, with such a large increase in six years. There are two reasons: first, after the reform and innovation of national policies, Hebei's economic development has increased significantly; Second, it is reflected in the form of income distribution. Income diversification does not just depend on salary increases. At this stage, the specific source of urban residents' income is still daily salary and bonus income, while other income such as operating income accounts for a small proportion. However, with the strong support of the state for the relevant current policies, there are more and more ways to get income according to labor services, professional knowledge and investment, and the living standard has been advancing towards a well-off society.

2.1.2 Consumption status

Table 2 shows the per capita consumption expenditure and its composition of urban households in Hebei Province from 2015 to 2020. It can be seen that the consumption of residents in Hebei Province has continued to rise in recent years. Although the global new crown epidemic broke out at the beginning of 2020, the consumption expenditure of residents in Hebei Province has not decreased significantly. This also reflects the fact that income growth makes everyone "have money to spend". Let's analyze the specific situation of residents' consumption expenditure in the province.

Table 2 Annual per capita consumption expenditure and its composition of urban households in Hebei Province from 2015 to 2020

Year	2015	2016	2017	2018	2019	2020

index	total	Proportion	total	Proportion	total	Proportion	total	Proportion	total	Proportion	total	Proportion
Consumption expenditure	17587	100	19106	100	20600	100	22127	100	23483	100	23167	100
food	4581	26.0	4992	26.1	5067	24.6	5555	25.1	6024	25.7	6234	26.9
clothing	1544	8.8	1614	8.4	1688	8.2	1799	8.1	1806	7.7	1667	7.2
Equipment and services	1178	6.7	1351	7.1	1485	7.2	1508	6.8	1537	6.5	1540	6.7
medical care	1500	8.5	1550	8.1	1737	8.4	1884	8.5	2056	8.8	1988	8.6
Traffic communication	2386	13.6	2664	14.0	2923	14.2	2982	13.5	2992	12.7	2798	12.1
Education and entertainment	1870	10.6	1991	10.4	2172	10.6	2305	10.4	2588	11.0	2412	10.4
live	4111	23.4	4483	23.5	5047	24.5	5577	25.2	5880	25.0	5996	25.9
miscellaneous	413	2.3	460	2.4	478	2.3	517	2.4	599	2.6	529	2.3

Unit: Yuan

Source: Hebei Economic Yearbook (2015-2020)

(1) The overall consumption structure is moderate

The per capita consumption expenditure in the past 20 years was 23167 yuan / year, while the average disposable income in that year was 37285 yuan / year. It can be seen that they prefer to retain their income rather than further consume. This may be due to the uncertainty of social development, which makes them worry about the future and lack of trust.

(2) In the consumer market, physical consumption is higher than service consumption

The change of consumption structure shows different life theme styles. The consumption expenditure of urban households increases with the increase of wage level. It can be seen from table 2-2 that food, clothing, housing, culture, education and diagnosis and treatment are still the key components of household consumption. In recent years, the per capita income of households has continued to grow, but the portion of food used has basically remained stable. The proportion of clothing consumption in total expenditure is gradually declining. The higher the per capita income, the lower the proportion of clothing and food consumption, and then maintain the same relative situation, but this is a long process; In recent years, due to the gradual improvement of the medical service system and social security system, the medical expenses have also been reduced, which has greatly reduced the medical service costs. The consumption expenditure of culture and entertainment is not too large. The reason for the above consumption structure may be that the composition period of most urban families in China is not long enough, and the accumulation of family capital has not yet reached the rich level.

2.2 Financial Status

(1) Excessive savings and poor risk resistance

Table 3 Basic overview of savings deposits of urban residents in Hebei Province

statistical indicators	2015	2016	2017	2018	2019	2020
Total GDP of the whole province (unit: 100 million yuan)	26398.4	28474.1	30640.8	32494.6	34978.6	36206.9
Per capita GDP (unit: yuan)	35994	38688	41451	43808	47036	48564
Total savings deposits in the whole province (unit: 100 million yuan)	48927.59	55928.87	60451.27	66245.21	73216.32	81295.32
Savings deposits /gdp (%)	185%	196%	197%	204%	209%	224%

Source: Hebei Economic Yearbook (2015-2020)

As can be seen from table 3, in recent years, the savings deposits of the province are far higher than the province's GDP in that year. The financial assets of the residents' families in the province are mainly concentrated in savings deposits. Excessive concentration of savings is likely to lead to economic downturn in the future, such as economic crisis and high inflation. The yield of savings deposits can't beat inflation, leading to the depreciation of property and poor ability to resist risks.

(2) Low security of household portfolio

With the development trend of China's capital market, the asset structure of urban households in China is gradually diversified. Risk assets have gradually become part of household assets, and we have a certain investment concept. However, most residents did not have a professional and systematic study, and did not have a clear understanding of the characteristics of various financial products. In essence, most of their investment behavior is a kind of herd effect, because access to information is relatively limited, and it is impossible to accurately predict and analyze the changes in economic development and the development trend of the economic environment, and finally produce a "herd effect" in the capital market. This situation is very significant in the process of the stock market soaring, when individual stocks have been seriously offset from their intrinsic value. As everyone knows, many people are still "crazy in pursuit of growth".

This kind of investment behavior is mainly due to blind conformity, and they do not fully consider the reasons and possible risks.

(3) The proportion of insurance financial planning is too low

Insurance has a risk transfer function that other financial products cannot have. In 2017, the world's average insurance premium was $634, while China's was only $384; The global average insurance depth is 6%, while China's is only 4.57%. In terms of purchasing insurance to improve their ability to resist risks, Chinese residents have not yet had this awareness, which is an investment and financial management concept that Chinese families need to strengthen urgently. Obviously, the anti risk ability of Chinese families also needs to be improved.

3 MAIN PROBLEMS IN HOUSEHOLD INVESTMENT AND FINANCIAL MANAGEMENT

According to the analysis of the current financial situation of urban families in Hebei Province, we can find some problems, and then we will further discuss them.

3.1 Excessive Concentration of Financial Assets in Savings

Because China's social security system is not very perfect at present. People worry that their daily life will not be guaranteed in the future, so they will concentrate too much income on bank savings deposits. Secondly, because China's capital market is not yet mature and unlike the developed foreign financial system, which is also determined by China's national conditions, there are two extremes in China's capital market: first, the controlling shareholders of listed companies often privately occupy the assets of listed companies, interfere with the operation and management of listed companies, and ignore the fact that listed companies are independent legal persons, endangering the rights and interests of investors; Listed companies have also failed to meet the requirements of "listing", deliberately creating and publishing false information or concealing information, such as "making false accounts", which have seriously endangered the rights and interests of investors. The other extreme is to invest solely according to the direction of political direction or public opinion. People have been getting information from many network platforms. No matter the source is true or false, as long as a listed company releases good or bad news, the company's stock will rise or fall sharply, which has become an important factor in the rise and fall of the stock market. This kind of investment behavior does not invest on the basis of market value research. Too much speculation has also hindered the healthy and sound development of China's financial market, which has become a unique landscape of China's capital market. Therefore, the investability of these net worth financial products is in doubt, and we can only trust treasury bonds or bank deposits. After the outbreak of the global financial crisis in 2008, the stock market showed a downward trend. The sharp increase in the proportion of bank savings and fixed income products in household assets is the best proof.

3.2 Low Portfolio Security

Most residents can not accurately grasp the economic situation. Therefore, without the help of professionals, it is difficult to achieve their own needs and quality of life according to the full use of various financial derivatives. At this stage, financial services mostly stop at the concept. At present, the financial market mainly has the following problems: (1) lack of professional talents. At present, most of the businesses provided by financial institutions in China focus on services, but the recognition degree is generally not very high. Most of them talk about how to maintain the value of the value, that is, invest in savings, treasury bonds or fixed income products, and rarely involve net worth investment products, such as stocks, stock funds, etc. Secondly, the differentiated design of investment and financial products needs to be strengthened. At present, the investment and financial products on the market are the same. A financial institution releases a new financial product, which will soon be followed by other financial institutions, while there are very few differentiated products designed for different user needs in the market. (2) Low sense of trust. Because the financial industry salespeople blindly promote financial products, the residents feel that investment and wealth management is to buy financial products. This phenomenon is caused by the lack of comprehensive understanding. The blind marketing behavior of individual financial salespeople also hinders the healthy development of the financial industry. At present, China's financial market is still in its infancy. Most people's awareness of investment and financial management is still in its infancy, and they do not know how to reasonably allocate assets to achieve the purpose of increasing value and preserving value without comprehensive and systematic learning.

3.3 Insurance, Medical and other Configurations are Still Lacking

One reason is that affected by traditional concepts and China's economic development system, people prefer to rely on the role of the state and friends to obtain family security. The second is that Chinese residents themselves do not fully understand the importance of transferring risks. Many people often take risks by chance and always think that safety can be achieved by luck. At the same time, because the development of China's insurance market at this stage is not very perfect, most people's familiarity with this field is still in the initial stage. At this stage, most insurance products do not offer appropriate insurance products and reasonable suggestions according to the specific situation of customers, but are forced to sell products. Therefore, we have an obvious psychological state of exclusion. We are annoyed when we hear about commercial insurance, let alone master the basic knowledge of insurance. In general, to improve residents' acceptance of insurance, we must first further improve the overall norms of the market, which can not only ensure its healthy development, but also enhance the popularity of insurance among Chinese residents. At the same time, the medical planning of Chinese residents' families is also not perfect. Most residents' families do not have comprehensive planning for insurance, medical treatment and other aspects, which is also an urgent problem for Chinese residents' families to pay attention to.

4 PUT FORWARD CHINA'S HOUSEHOLD INVESTMENT AND FINANCIAL MANAGEMENT STRATEGY -- BASED ON THE LIFE CYCLE THEORY

4.1 Investment and Financial Management Strategies of Urban Families in Each Link of Life Cycle

According to the definition of family life cycle theory, it is mainly divided into five stages: single period, family formation period, family growth period, family maturity period and family retirement period (see table 4). In different life cycle stages, the specific characteristics of the family are not the same, so we should adopt different investment and financial management strategies in different stages according to the family life cycle. In the single and formative periods, the family wealth is relatively weak, and it is almost few except the most important living expenses. At this stage, if there is a surplus in income, you can appropriately invest in some high-risk investment and financial products for investment experience, and understand the laws and characteristics of the financial market as soon as possible. In the growth and maturity stages, the family's wealth has increased significantly compared with the previous two stages, and the investment and financial management experience has also improved. In this period, we can consider investing in some medium and high-risk financial products to rapidly improve the family's wealth. The third stage is the retirement stage. During this period, the income began to decline until there was no source of income, and it was about to enter the old age stage, which led to the continuous increase of expenditure on health care. At this time, it should reduce the proportion of high-risk investment and financial products, and gradually turn to risk-free and low-risk financial products, such as savings deposits, bonds, fixed income funds, etc. the first goal of this stage was to ensure the relative safety of the existing wealth.

Table 4 Life cycle characteristics

	Single period	Family formation period	Family growth period	Family maturity	Retirement period
Time period	Start: work End: Marriage	From: Marriage Until: birth of child	From: birth of children Until: independence of children	From: independence of children End: retirement of	From: Retirement End of life

				children	
Reference age	22-30	25-35	30-55	50-60	After 60
Revenue and expenditure characteristics	The income is not high, and the expenditure is mainly daily expenses	The income has increased, and began to consider large expenditures such as buying houses and cars	With a substantial increase in income and a large expenditure, it is the period with the heaviest burden. There are older people and younger people	Children are financially independent, family income continues to increase, and expenditure liabilities decrease	Personal family responsibilities are reduced, and leisure and entertainment are the main content of life
Financial objectives	Invest in yourself and increase income	Buy a house, buy a car, prepare to have children	Education of children and support of the elderly	Expand investment and prepare for pension	Carry on the inheritance in a planned way
Risk capability	Strong risk tolerance	Weak risk tolerance	Weak risk tolerance	Strong risk capability	Weak risk capability

When determining the overall planning of family financial management, we should closely focus on the family life cycle. In different life cycle stages, various situations and characteristics of the family have changed, so the financial plan we designed also needs to be adjusted accordingly. Next, we will put forward the corresponding investment and financial management plan according to the characteristics of different stages.

4.1.1 Single family financial planning

After leaving the campus and entering the society, it will correspondingly enter the single stage. At this stage, the income and expenditure are characterized by low income and high expenditure. Therefore, the primary goal is to save money. It is also from this stage that the single youth may start to bear some debts due to the characteristics of income and expenditure.

The period of coexistence with debts may be as short as 3 to 5 years, or it may be longer due to malignant consumption habits. The most important decision at this stage is to find a job with high income and maintain rational consumption.

If you have no debt at this stage and can save money every month, you can invest the surplus money in some investment tools with high return and high risk, start snowballing early, enjoy the investment income, and understand the laws and characteristics of the financial market as soon as possible.

4.1.2 Financial planning during family formation

At the same time, people in this period are in the growth period of their career. Their pursuit of economic growth has gradually increased their family's economic income. "Moonlight clan" and "card slave" were the most common problems in this period. During this period, the better investment methods are fixed income funds and regular quantitative investment (fixed investment). Because the current capital balance is limited, we must adopt this method which is stable, has a higher rate of return than savings and has liquidity. In addition, during this period of time, if your risk tolerance is high, you can try to select some of the medium and high-risk products for matching. Of course, it depends on your risk preference. You must not invest blindly and impulsively, which will often backfire. From marriage to birth, it usually takes one to three years. During this period, people's income will continue to grow and their lives will become more stable. However, at this stage, household bulk consumption will be very high, especially in such large consumption as buying houses and cars. The asset allocation goal at this stage should focus on reasonably controlling expenditure and housing construction expenditure. At this time, although the family has just been established, the parents of both parties are getting older and the burden is gradually increasing, so the risk tolerance is weak, and the assets in hand can be appropriately invested in low and medium risk investment and financial products, such as bonds, bond funds, etc. A small part of the income can be used as the appreciation part of the household assets to ensure the appreciation of their household assets, and the last small part can be used as current savings anytime, anywhere, as cash on hand for emergencies. Insurance products with lower premiums such as term insurance, accident insurance and medical insurance shall be selected. See Table 5 for specific configuration suggestions.

Table 5 Suggestions on asset allocation during household formation

Asset allocation proposal	
35%	Stocks and equity funds
50%	Bonds, insurance, etc
15%	Current savings

4.1.3 Financial planning during family growth

From birth to independence. This stage is now the mature stage of career. Personal income will increase greatly, family wealth will be accumulated, and even heritage will be inherited. However, the expenditure in this period will also be much more than before. For example, when the older generation of both sides begin to grow older and have physical problems, it may require various expenses, daily living expenses, worldly wisdom, children's education, their own health and other aspects. These are the expenses that families need to bear. After having a certain economic base, consider changing houses and cars. The current situation is heavy responsibility, high pressure, revenue exceeding expenditure, and a slight surplus. At this stage, investment methods such as bonds, funds, bank financing and partial shares can be considered, as well as the purchase of fixed funds or guaranteed insurance for family support. At the same time, you need to be prepared for retirement. If you have the ability, you can consider investment trust and sunshine private placement.

In recent years, children have changed from past assets to liabilities. At this stage, families' expenditure on raising children will account for the largest part of all expenditures. It usually takes about 20 years from the birth of a child to the growth of a child to work. The 20 years can be divided into three stages:

(1) The stage from the birth of a newborn to the beginning of school is also called the early stage of family growth. There are two main expenditures in this stage: one is the expenditure on children's nutrition and health care; The second is the cost of children's intellectual development. Nowadays, children's expenses are the largest, such as daily necessities and food, which are not a small burden. Moreover, China's current education trend is "starting from an early age". Parents sign up for various classes for their children to win at the starting line, but these expenses are huge.

(2) During this period, children receive nine-year compulsory education, which is the so-called "middle stage of family growth". During this period, children's education expenses and tuition fees are not small expenditures.

(3) Children enter high school, college and work. The education of children in this period is also a large expenditure. In addition, with the growth of children, the consumption in other aspects will also rise.

The financial planning of the whole family growth period is mainly carried out around the growth of their children. The focus of financial management should be the education and living expenses of their children. In particular, it is necessary to save the tuition fees for their children to go to college. It is best not to let their children go to college in debt. At this stage, families can invest part of their funds in blue chip stocks, growth funds and other products. Such assets are neither as risky as ordinary stocks, nor as low-income as fixed income funds. It is a compromise option. Then, some funds can be invested in national debt or time deposits to pay for the education and living expenses of their children. 10% of the funds can be used to buy insurance to avoid some possible unexpected risks, Finally, a small part of the fund is reserved for the family emergency reserve fund. See table 6 for specific asset allocation suggestions.

Table 6 Suggestions on asset allocation during family growth period

Asset allocation proposal	
40%	Blue chip stocks, growth funds, etc
40%	Bank deposits or treasury bonds
10%	insurance
10%	Family emergency fund

4.1.4 Financial planning of mature family

From children's independent life to retirement, 50 to 60 years old. This is the peak period of a career, when personal income and family wealth accumulation reach the maximum. Expenses mainly include parental alimony, normal family expenses and worldly wisdom, as well as the cost of buying a house for children. The family situation at this stage is characterized by income exceeding expenditure, reduced living pressure and strong financial needs. During this period, you can choose a financial management method with high risk and return and invest in the stock market. When allocating household assets, we can consider expanding the scope of investment, choosing the appropriate asset allocation mode, and preparing for the next retirement. See table 7 for specific suggestions on household asset allocation.

Table 7 Suggestions on asset allocation in mature household

Asset allocation proposal	
50%	Stocks or equity funds
40%	Fixed deposit, insurance, bond and fixed income products
10%	Current deposit

4.1.5 Family retirement financial planning

This stage begins with retirement and ends with death. General income includes pension, alimony, rent, etc., as well as some financial income. The main expenditure is reflected in household daily expenses, medical expenses and tourism. The family situation during this period was characterized by lower income than expenditure and the need for help from their children. At this stage, the goal of financial management is to enjoy the life of the elderly. Health first, wealth first, stability, safety and value preservation are the principles of household asset allocation. Investment suggestions given at this stage: only a small part of the investment funds can be invested in stocks; Most of the funds are invested in term deposits or bonds; The other part is invested in current savings. See table 8 for specific suggestions on household asset allocation.

Table 8 Suggestions on asset allocation during family retirement

Asset allocation proposal	
10%	Stocks, net worth products, etc
50%	Term deposits or bonds
40%	Current savings

4.2 The Design of Family Investment and Financial Management Scheme -- Taking a Family in Hebei as an Example

(1) Analysis of basic family information

Ms. Wang and her husband are ordinary employees of a certain unit. Outsiders have no registered permanent residence and have worked for more than five years. At present, the family's monthly income is about 8000 yuan, plus the annual additional income, the total annual income can be about 100000 yuan. Ms. Wang's family has a son. At present, she is about one year old, and the monthly child's milk powder money plus daily expenses is about 3000 yuan. She has never purchased financial products such as stocks and treasury bonds, Only the fixed deposit in the bank is 60000 yuan. The financial institution personnel sold the fund that had bought 6000 yuan and did not make any other investment after that. Ms. Wang and her husband's units have provided employees with five insurances and one fund. Although the working hours are not long at present, it's good that it's relatively stable. So at present, although they don't buy a house or a car, they don't have any liabilities.

(2) Financial expectation

The short-term goal is to first seek to preserve and increase the value of property. The medium-term goal is that Ms. Wang's family hopes to purchase a car of about 100000 yuan for daily travel.

(3) Risk appetite

From the basic information of Ms. Wang's family, we can see that the risk type of Ms. Wang's family is risk averse, never making any investment, afraid of risk, but at the same time, we should also note that this behavior will also make the family property waste the profitability of funds, which will lead to the low rate of return, thus causing the intangible depreciation of assets.

(4) Basic information of income and expenditure

The daily income is 8000 yuan per month, the monthly expenditure is basically about 3000 yuan, and there is still 5000 yuan left per month. In addition, there is an additional income of 4000 yuan per year. Therefore, the annual remaining fund is: 5000 yuan * 12 months +4000 yuan =64000 yuan. See table 9.

Table 9 Annual revenue and expenditure

Income (yuan)		Expenditure (yuan)	
Wage income	96000	Basic expenditure	36000
Additional income	4000		
total	100000	total	36000
balance	64000		

(5) Analysis of financial status

1) Ms. Wang's family belongs to a typical family growth stage in the family life cycle. Her children have just been born, and she has just entered social work. She is still in the rising stage of her career. Although her job position is relatively stable, her income is not very high, so the current family income is relatively low. The annual income is about 100000 yuan, the annual expenditure is about 36000 yuan, and the annual balance ratio is as high as 64%, which indicates that the liquidity of funds is relatively high, which also leads to a decrease in profitability. Fortunately, there are no other vicious consumption habits, and there is no foreign debt.

2) At present, Ms. Wang's family's financial assets are only 60000 yuan of bank savings deposits. They have never purchased other investment and financial products. The structure of financial assets is relatively simple, and there are few assets that can create income. They do not make good use of the portfolio to maintain and increase the value of assets. From the perspective of risk preference, they are risk averse.

3) The awareness of Ms. Wang's family in terms of risk resistance and risk protection is relatively weak, and there is no commercial insurance for risk transfer. The children are still young, the parents of both sides are growing older, their work is on the rise, and the work pressure is increasing. These are all risk factors that need to be considered.

4) As the children of Ms. Wang's family grow up, the cost of raising children will increase over time. For example, children's living expenses, tuition fees and other rigid expenses are essential, and must be planned in advance, so as not to affect the children's future education development in case of unexpected circumstances.

(6) Financial advice

1) Petty cash and contingency fund planning

Ms. Wang's family needs to take care of two elderly people, and the family burden is relatively large, so the possibility of accidents is relatively high. At the same time, due to the need to raise children, Ms. Wang should be prepared for at least three months' family emergency reserve, which can be obtained from her deposit. It is suggested to deposit three-month fixed deposits instead of 3000 yuan per three-month period to ensure the liquidity of funds and obtain a higher rate of return than demand deposits.

2) Education fund planning

This part of the plan mainly takes into account the expenditure required for children to receive education. This expenditure lasts for a long time and costs a lot. This expensive expenditure is a big challenge for young families like Ms. Wang. The whole cycle of children's education costs a lot, especially after entering high school and university. Therefore, it is suggested that Ms. Wang's family should make plans in advance and take precautions against a rainy day. From now on, they should set up an education fund and deposit a portion of their income into the fund regularly on a fixed monthly basis to reduce this pressure.

3) Basic support planning

This part of the plan mainly considers the risk protection of the family. During this period, due to the young children and lack of safety awareness, the ages of both parents gradually increase, and the health status will also show a downward trend. Once the family has an accident, it is difficult to deal with it properly according to the current income situation. Therefore, in addition to the basic medical insurance, it is suggested to purchase some additional commercial insurance to resist this risk, such as children's hospitalization accident medical insurance for their children and commercial endowment medical insurance for both parents. Although Ms. Wang and her husband have been provided with better pension, medical and other security due to their better welfare treatment in the unit where they work, but in today's social trend, the work pressure in this period is large, plus young people do not take their health into account, and from the perspective of Ms. Wang's own family situation, they are the main source of family income, and they can't afford the unexpected consequences once they happen, Therefore, it is recommended to purchase a certain proportion of additional commercial insurance for itself to resist this risk.

4) Financial asset planning

After the implementation of the above suggestions, Ms. Wang's family will still have some surplus funds, which can be appropriately invested in some investment and financial products with medium or high risk and return to seek the appreciation of idle funds. For example, it is appropriate to purchase some blue chip equity funds or partial equity funds, but it is not recommended that Ms. Wang's family invest directly in the stock market, because Ms. Wang's family has not thoroughly studied and understood the knowledge related to stocks, and without the guidance of professionals, the risk is relatively high.

5) Car purchase planning

According to the expectation of Ms. Wang's family, it's difficult to buy a car directly at the current income level of Ms. Wang's family. Therefore, it's suggested to use the down payment method to achieve the goal. According to China's policy, 30% of the car payment can be paid as the down payment, that is, 30000 yuan. Although it's a small challenge for this family, But it can be realized with efforts, and the remaining funds can be paid by installment repayment.

5 SUGGESTIONS ON FAMILY INVESTMENT AND FINANCIAL MANAGEMENT

Although the income of Chinese households is increasing, their skills in investment and financial management have not been improved accordingly. How to make the rational allocation of household property, reduce investment risk, and realize the safety and value-added of household assets is a problem we need to pay attention to. This paper will give some suggestions from three aspects.

5.1 Government

5.1.1 Increasing the income of Chinese Residents

The improvement of household disposable income is an important factor to improve household investment and financial management ability. At this stage, China's income distribution is still unscientific and unbalanced, which has become a short board of China's social and economic development to a certain extent. We should strengthen measures, formulate and optimize the income distribution reform plan, improve residents' disposable income, achieve consumption equity and ensure the healthy development of residents' investment and financial management industry.

5.1.2 Improving China's social security management system

Residents' consumption level depends on their lifetime wage level. Expenditure will increase with the uncertainty of external factors in the future, and the improvement of the social security system is closely related to the future estimation of residents. The uncertainty of residents' estimation of the future will be reduced with the improvement of social security level. Social security is a system to ensure the basic livelihood of our people, especially those living in difficulties. With the accelerated development of urbanization, the aging of society and the transformation of Employment layout, social security is facing a new development situation, such as the large pressure of long-term capital balance, and the mismatch of social security management mechanism and service capacity. Therefore, the uncertainty of residents' income and expenditure has greatly increased, and the ownership of zero risk assets of government guaranteed financing has steadily increased. Therefore, we should improve the social security management system according to the measures of improving the elderly care service and basic medical insurance management system architecture, increasing the total amount of urban social security payment, continuously improving social security treatment, and orderly promoting medical reform.

5.1.3 Strengthen legal system construction and improve supervision mechanism

At this stage, the laws and regulations related to personal and family financial management in China are still unable to keep up, which hinders the development of personal and family financial management business and will further reduce the success rate of all family investments. According to the successful experience of other countries, reducing the legal risk of personal and family financial management is the main guarantee for higher returns. With the rapid development of personal and family financial products in recent years, government departments should actively formulate relevant laws and regulations in line with China's national conditions, and improve the external legal environment for financial investment.

5.2 Financial Institutions

5.2.1 Vigorously improve the quality and quantity of financial services

China's financial institutions should establish a wide range of ways to finance customers, such as one-to-one service for financial managers and special reception of customers at the financial window for consulting, investment and financing. At the same time, with "customer first" as the service principle, we will provide every customer with the best quality service, with the primary goal of maintaining and increasing the value of customer assets, so that customers can make choices according to their own needs. Another is that financial institutions should provide different targeted services according to different customers. Financial institutions should put the needs of customers in the first place, so as to better expand investment and wealth management business. The introduction of service competition mechanism enables the industry to develop healthily, so as to comprehensively improve the quality of customer service.

5.2.2 Strengthen innovation and establish core competitiveness

In recent years, the investment performance of individual stocks, funds and precious metals has not been satisfactory. At this stage, China's financial market has not yet reached a developed level, but it can be believed that with China's economic development, the potential depth of this industry is predictable, and the corresponding services and products will be more in line with the standards expected by customers. In order to promote the development of the industry and expand more customer groups for investment and wealth management, China's financial institutions should focus on this aspect in the innovation of financial investment and wealth management products, and create targeted financial investment products or services according to the differentiated needs of each customer, such as customizing products or services according to each customer's family situation, so as to meet the actual needs of customers, Financial institutions should continue to release some innovative investment and wealth management products, create new ways of profit distribution, and vigorously promote the development of investment and wealth management market. Financial institutions should carry out all-round innovation in products, methods and technology, and create targeted investment and financial products according to customers' differentiated needs, so as to establish core competitiveness.

5.3 Household Aspects

5.3.1 Making financial planning according to family life cycle

The efficiency of investment and financial management is first reflected in whether it can help achieve the goal of life path and living standard. Therefore, before financial investment, we should set different goals according to different links of the family life cycle, and then carry out financial planning according to the goals.

5.3.2 Straighten out your mind and face market changes optimistically

When investing and financing, we should always maintain a good attitude. Investment is not gambling. You should not blindly follow the trend and follow the crowd. Before investing, we should first straighten out our mentality, and be vigilant and not impulsive when making profits; In the face of losses, we should not be too frustrated. When investing in financial management, you need to be rational and patient at all times, and be optimistic in the face of market changes.

(1) Optimism and confidence

For a long time, the market has been in a volatile situation, and middle-class family investors have received extensive higher education, are full of confidence in investment and expect to get higher returns. Once a loss occurs, some people may lose self-confidence. The optimism and confidence mentioned here is not only reflected in the view of entering the financial market, but also the key is to face risks bravely and deal with damage optimistically. When formulating countermeasures, the purpose of the portfolio is to diversify risk, not zero risk. No matter when you encounter damage, you can't be negative and pessimistic. You need to be optimistic and rational to see the essence. There are gains and losses in investment.

(2) Reason and patience

In addition to an optimistic and confident attitude, middle-class family investors also need to be rational in the face of inducements. When formulating the asset allocation strategy, it is very important to keep calm all the time. In the whole financial management process, we should not worry about short-term gains or losses, take a long-term view, patiently adjust gradually, and finally achieve the long-term goal.

6 CONCLUSION AND RESEARCH PROSPECT

6.1 Conclusion

According to the actual situation of urban household finance in Hebei Province, combining the life cycle theory of the basic theory of investment and finance and the relevant basic theory of financial product portfolio strategy, this paper analyzes the problems of the family in the process of investment and finance, such as excessive concentration of asset structure, low safety coefficient of family property portfolio, poor anti risk ability, and imperfect supporting facilities in the process of family finance. Thus, some suggestions for improvement are clearly put forward: from the perspective of government departments, the household income of residents should be increased as much as possible, and the social security system should be continuously improved; From the perspective of financial institutions, we should improve the service purpose and take good service as the ultimate goal. At the same time, it is necessary to upgrade the portfolio of investment and financial products, establish new ones from the old, and launch targeted service projects for customers with differentiated requirements and different social classes. From the perspective of the family itself, we should formulate a financial plan suitable for the actual situation of the family according to the life cycle theory, and always maintain a good attitude to deal with market changes. It is expected that these proposals will play a certain role in the future development of family finance.

6.2 Research Prospects

In the later study, the implementation results of these proposals will be investigated and statistically analyzed. If it has good results, the scope of this study can be extended to the whole banking system to further study the risk and profit of project investment and the relationship between them. On this basis, the investment proportion model of different classes of investors is created to find the best profit point and help residents complete capital appreciation.

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