

Analysis on the Risks of Chinese Family Financial Investment in the Post-crisis Era and the Countermeasures

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Keywords: Family financial investment, Risks of investment, Countermeasures

Abstract: Family financial investment is an important form of modern family finance. But in the post-crisis era, many uncertain factors inside and outside the financial market are most likely to generate the risk in the process of family financial investment, and have a serious impact on the property security of the people and the social stability. Based on the practical working experiences of the author, this paper analyzes the risks of the family financial investment in the post-crisis era by the analysis of the characteristics of the family financial investment in the post-crisis era, and puts forward some preventive countermeasures.

1. Introduction

As the constant improvement of income per capita in China, people's awareness of financial management is also increasing, family financial investment has become a hot issue in the financial industry in recent years. Financial industry has the nature of profit-seeking and risk, in addition to the uncertain factors in the financial industry, there are many risks in the process of family financial investment, which has a serious impact on people's property security and family harmony. In recent years, there have been numerous cases of suicide and family breakdown caused by the failure of family financial investment, which has aroused heated discussion in the society. Therefore, under the background of the constant popularity of family financial investment, it is necessary to think about the risks and preventive countermeasures of family financial investment in combination with the characteristics of family financial investment in China in the post-crisis era.

2. The Characteristics of Family Financial Investment in China in the Post-Crisis Era

The post-crisis era is a term of economics, which refers to the relatively stable period of economic development after the economic crisis. In 2008, the global economic crisis has broke out. From that time on, by the efforts of many countries, the economic crisis has gradually been eliminated, and the international economy has come to the post-crisis era.

2.1 The Scale of Investment is Small

Compared with professional financial investment institutions, the scale of family financial investment is smaller. In the post-crisis era, the development of the urban area in China is gradually stable, and the family financial investment mainly depends on the salary of the family. Except for the necessary expenses in the family, the funds that can be used for family financial investment are very limited. The survey shows that more than 80% of family financial investments in China are between 20 and 50, 000 Yuan. As a result, most families choose to invest those small projects that are safe and profitable. This kind of scale of family investment can reduce the risk caused by investment failure to a certain extent, but for the overall financial market, this kind of investment behavior has a certain negative influence, which is not conducive to the stable development of China's financial market.

2.2 Risk-Taking Ability of Family Financial Investor is Weak

In the post-crisis era, although the economies of lots of countries improve constantly, but the overall economic situation is still not optimistic. There are still many unstable factors in the

financial market, which have an impact on the order of China's financial market. As far as family financial investment is concerned, family financial investment has some limitations. Besides, most of the family investors have little professional knowledge on finance, so it leads to a strong blindness of the family financial investment. At the same time, there are many kinds of investment in the family financial investment market, and there are many "financial traps" in the family financial investment market. Without professional guidance, it is difficult for family financial investors to make the correct investment choices, which increases the risk of family financial investment. In addition, although the scale of family financial investment is small, but once there is a risk, then the impact on the family is also serious, so it can be said that in the post-crisis era, the risk-taking ability of family financial investor is weak.

2.3 The Family Financial Investor Has to Rely on the Intermediary Institutions

According to the survey, it can be found that most of the family financial investments are based on the impression of the family itself on the financial products. Restricted by the circumstance and the professional skills, family investors usually do not have enough energy and time to carry out financial market research, and their own financial knowledge and research skills are also insufficient. In addition to the limitations of information channels, the authenticity and timeliness of investment information for the investors is not enough. Affected by the above factors, most family investors tend to choose intermediary institutions for their investments, choosing the investment products according to the recommendations of the intermediary institutions. However, the current financial intermediary market is chaotic, some unscrupulous intermediary institutions lack professional ethics or professional accomplishments, so that the family investment is applied to make profits for the institutions rather than for the investors, which bring about the loss of family investment funds, and some risks of the family financial investment.

3. Risk Analysis on Family Financial Investment in China in the Post-Crisis Era

3.1 Credit Risk

Credit risk refers to the risk caused by credit problems. In family financial investment, credit risk can be understood as the risk that the debtor fails to pay the expected benefits and repay the principal according to the amount of money that is put in the investment. For example, a family financial investor buys stocks or bonds of an enterprise, but due to poor management and some other reasons, the enterprise can not repay the interest or principal on time, which will lead to the damage of the interests of the investors, and the risk of family financial investment. From the perspective of financial investment, this kind of family financial credit investment depends on the economic situation and credit degree of the enterprise. In the current post-crisis era, the market uncertainty is increasing, many enterprises have poor state of operation or have to go bankrupt, which results in the decline of solvency of the enterprises, and ultimately leads to the credit risk of the family financial investment.

3.2 Market Risk

Market risk is also a potential risk in family financial investment. The existence of market risk in family financial investment is more common. Before investing, family financial investors usually make necessary analysis of the market, judge the expected returns, and weigh the expected returns according to different investment projects. However, in the post-crisis era, the changing situation of the market is unpredictable, and many risk factors, such as industry factors, economic fluctuations and so on, will have a serious impact on the market, so it is difficult to guarantee the wishes of family financial investors, so that it brings about some risks for the family financial investment.

3.3 Interest Rate Risk

Interest rate changes will create interest rate risk. Wholly speaking, the return of any investment activity will have a great correlation with interest rates. For example, in real estate investment, higher interest rate will lead to higher loan costs and lower yields; in stock investments, for example,

higher interest rate will also lead to lower values of financial assets. The emergence of interest rate risk is closely related to the macroeconomic policy and economic development of the country, so it may encounter some factors beyond human control. However, compared with other risks., under the influence of national macro economic policy, the change of interest rate is usually within a controllable range, so the loss caused by interest rate risk is relatively smaller.

3.4 Exchange Rate Risk

As the acceleration of the integration of the world economy, the financial business of each country begins to communicate with each other. But affected by different monetary conditions and economic differences of different countries, the exchange rate risk comes into being and has an impact on the returns of family financial investment. At the same time, exchange rate risk is not only reflected in investment in foreign business, but also in domestic business. For example, a family financial investor invests a domestic enterprise, but the profits of the international business of this domestic enterprises needs to be converted by exchange rate, which may affect the revenue of enterprises. Under this circumstance, the exchange rate then has an impact on the results of family financial investment, which could result in some risks of the family financial investment

4. Countermeasures Against the Risks of Family Financial Investment in China in the Post-Crisis Era

4.1 To Be Good At Comprehensive Investigation and Analysis

In fact, one of the main reasons for the risks of family financial investment is the blind investment behavior caused by the insufficient information of the investors. So, it is necessary to be good at comprehensive research and analysis before the family financial investment, so as to ensure the rationality of choosing the investment products and the scientific behaviors of family financial investment. First of all, collecting the comprehensive information about financial, investigating the possible risks and returns of the intended investment products, having a comparative understanding of a variety of financial products, and carrying out in-depth research according to the development trend of the market. Secondly, the family financial investors should actively study all kinds of financial knowledge, improve their own professional ability and critical thinking, establish the professional analysis ability of the financial products, so that they can effectively combine the theory with their practice. Only in this way can they lay a solid foundation for the stability of family financial investment.

4.2 To Improve the Administration of Intermediary Institutions

Compared with family financial investors, intermediary institutions have strong professional advantages. Under the background of constant standardization of financial intermediary institutions, more and more family financial investors tend to choose intermediary institutions to carry out their family financial investments. However, there are still some intermediary organizations which lack professional ethics in the market, which affects the market order of intermediary institutions. Therefore, it is necessary to improve the administration of the intermediary institutions. The relevant official departments need to introduce the necessary supervision system to carry on the investigation and the supervision to the intermediary institutions' professional skills and the professional accomplishments, enhances the intermediary institutions' professional skill and the professional ethics. once the bad intermediary organization is found, it is necessary to punish the institute seriously so as to standardize the intermediary market. At the same time, family financial investors also need to be careful in the choice of intermediary institutions, they should investigate the aimed intermediary institution before the choice of institutions to investigate it, and have a good understanding about the business situation and brand reputation of the institution so as to avoid any loss.

4.3 To Strengthen the Guidance to Family Financial Investment

Many family financial investors have certain speculative psychology in the process of

investment, coupled with the lack of their own risk awareness, so it is easy to appear blind or radical behavior in the investment, which ultimately leads to the occurrence of family financial investment. The government is the supervisor of the financial market. Therefore, in the family financial investment, the government also needs to play its own role and strengthen the investment guidance to the family financial investors. First of all, the relevant government departments can regularly organize the “Family Financial Investment Knowledge Conference” to popularize the investment knowledge for the family financial investors and help them understand the common traps and problems that should be paid attention to in the process of the investment, so that the family financial investors can have a correct investment concept by means of the proper guidance. At the same time, the government departments can also issue risk alarm regularly, so that the family financial investors can understand the information and alarm in the investment market timely, so as to play a positive role in helping the investment behaviors of the investors. In view of the disorder of the investment market, the government departments can also introduce relevant measures to carry out the necessary supervision, invite financial experts to formulate a new system of the financial market, maintain the order of the financial market, so as to reduce the risk of the family financial investment.

4.4 To Improve the Ability of Risk Management in Family Financial Investment

Any investment will be risky, and risk management is the most important work in the process of investment. Family financial investors need to carry out risk management in all the process of their investments, and build a scientific investment portfolio based on their own investment ability and anti-risk ability. The necessary risk early warning system should be worked out. When the risk occurs, the loss should be stopped in time. The investors should avoid the risk quickly, and reasonably transfer the risk by some effective methods, so as to reduce the loss to the least extent. In addition, the risk management and risk dispersion can be realized by constructing compensation mechanism and organizing investment, so as to reduce the loss that caused by the family financial investment risk to the greatest extent.

Conclusion: To sum up, the author of this paper thinks about the countermeasures of preventing the risks of family financial investment in China in the era of post-crisis from four perspectives----strengthening comprehensive investigation and analysis, perfecting the management of intermediary institutions, strengthening the guidance of family financial investment and improving the risk management ability of family financial investment. In the post-crisis era, the instability of financial markets aggravates the risks of the family financial investment, but the increase of income per capita further stimulates the growth of the scale of family financial investment in China. Therefore, family financial investors in China should comprehensively analyzed the investment market and investment projects, and prevent the risks in the process of investment by means of a variety of investment means and methods so as to maximize the returns on the basis of preventing the risks of family financial investment reasonably.

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