Report on financial investments of Italian households

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The ideas and positions in this presentation are our personal views and cannot be attributable to CONSOB.
Outline
Sample
Approach

• Five permanent Sections plus two focus
  – Trends in household wealth and savings
  – Socio-demographics and personal traits
  – Financial knowledge
  – Financial control and savings
  – Investment choices and investment habits

• 2020 sample: 3,274 households *(rectius financial decision makers)* of which:
  – 1,105 individuals interviewed in 2018, 2019 and 2020
  – 2,207 individuals interviewed in 2019 and 2020)
  – 1,067 individuals interviewed only in 2020

• Multidisciplinary approach: questionnaires designed on the basis of the economic, behavioural and sociological literature
  – E.g.: personal attitudes

• Pilot survey
• Robustness tests
Personal traits
Risk and loss aversion

- 77% risk averse
- 60% loss averse
- 31% tolerant to short-term losses
- 9% tolerant to small losses

Source: Fig. 3.3
Self-reported attitudes when managing personal finances

- 17% incline to implemental procrastination
- 71% struggle with unexpected expenses
- 69% challenged by their financial goals
- 30% anxious when think about their personal finances
- 49% worried about their living standards in retirement
- 50% no trust in intermediaries

Source: Fig. 3.4, 3.5, 3.8, 3.9
Financial knowledge and competence
Financial knowledge

- risk-return trade-off
- compound interest
- inflation
- mortgage
- diversification

Over the last two years, financial basic knowledge has slightly risen

Source: Fig. 4.1, Fig. 4.3 and 4.8
Perceived financial knowledge

The propensity to be overconfident appears to be more frequent among interviewees making their economic decisions alone.

Source: Fig. 4.6, 4.7 and 4.10

- Sample average ex-ante downward mismatch: 25%
- Underconfidence (ex-post self-assessment): 16%
- Sample average ex-ante upward mismatch: 13%
- Overconfidence (ex-post self-assessment): 22%
- Revised and unbiased ex-post perception: 36%
- Persistent overconfidence: 54%
Financial competence

Understanding of portfolio diversification
Trading in the stock market

Source: Fig. 4.2 and 4.11
Financial control: saving and vulnerability
Financial control and financial satisfaction

somewhat or very satisfied with their financial situation: 48%

managing personal finances:

40% have (or have had) a financial plan

39% have a budget always or occasionally respected

10% have both a financial plan and a budget always respected

40% interested in an app to manage household budget

Source: Fig. 5.1 – Fig. 3.7 – Fig. 4.14
Saving and resilience

Lack of a clear vision of retirement is more frequent among those who are not satisfied with their financial situation and among those who are not saving enough for retirement.

- Saving regularly: 38%
- Saving occasionally: 37%
- Saving to face unexpected events: 42%
- Unable to cope with unexpected events: 30%
- Low awareness about retirement: 37%

Source: Fig. 5.3, 5.5 and 5.6
The Covid-19 crisis: vulnerability and behaviours

There is widespread pessimism about the economic recovery (in most cases expected after 2022)

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- **31%** recorded a decrease in their income (either temporary or permanent)
- **35%** reduced their expenses
- **14%** dipped into their savings
- **45%** did not change their behaviours

17% received more proposal for trading online ensuring easy and quick gains

Source: Fig. 5.7 and 5.9
Investment choices and investment habits
Participation in financial markets has slightly increased.

After bank and postal savings, the most frequently held products are mutual funds and Italian government bonds.
In 2020, the proportion of investors accessing financial information and using multiple information sources has risen (30% in 2019). Experts remain the main source of information.
Main deterrents from advice remain lack of trust and lack of understanding of the added value of the service.

Source: Fig. 6.7 and Fig. 6.14
Advice: expectations and willingness to pay

Beyond those think that advice is free for clients (44%), 14% think its paid by both the bank and the client, 8% paid only by the client (8%), 25% don’t know

Source: Fig. 6.15 and Fig. 6.16
Advice: the exchange of information with the client

After receiving advice...

If I do not understand the recommendation of my advisor...

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I inform my advisor regarding relevant changes in my life</td>
<td>21%</td>
</tr>
<tr>
<td>I always follow advice</td>
<td>57%</td>
</tr>
<tr>
<td>I always ask for a second opinion</td>
<td>5%</td>
</tr>
<tr>
<td>I seek explanation from advisor</td>
<td>61%</td>
</tr>
<tr>
<td>I read up on my own</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Fig. 6.17 and Fig. 6.18

webinar, 10 December 2020
Investor-advisor interaction

In case of market downturn...

66% have got in touch with the advisor in the last year

- I always try to meet my advisor 18%
- My advisor arranges to meet me 15%
- My advisor sends out mails/newsletters 21%

Source: Fig. 6.18
I monitor my investments with...

- nobody, I do it alone: 48%
- family/friends/colleagues: 18%
- my advisor/my bank: 34%

Source: Fig. 6.11
Focus: ESG investing
Focus
ESG investing

SRIs: familiarity and interest rise among investors (25% and 72% respectively)

Source: Fig. 7.1, Fig. 7.2 and Fig. 7.3
Focus
ESG investing

Among non investors, the proportion of respondents stating an opinion halves

Values and perceptions among investors

- feel good: 40%
- personal values: 38%
- social consideration: 32%
- low risk and low return: 24%
- financial concerns: 23%

Source: Fig. 7.4
Focus: the financial digitalisation
Focus: financial digitalisation

key words in perception of digitalisation
- present
- control
- flexibility
- opportunity
- breach of privacy

Source: Fig. 8.1, 8.2 and 8.4

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Drivers and deterrents

Investors interested in:
- crypto-currencies 19%
- robo advice 31%
- crowdfunding 31%
- trading online 33%

- quick gains, diversification
- lower threshold, human interaction, traditional bank service, lower costs, usability, reliability of the algorithm
- tax benefits, lower threshold, diversification
- lower threshold, lower costs, diversification, quick gains, self-managing

Source: Fig. 8.6, 8.7, 8.8 and 8.9
Conclusion
Financial literacy: antecedents and outcomes

Source: adapted from Goyal and Kumar (2020)

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### Attitude towards financial education

Need to raise the demand for financial education and use a diversified mix of channels and tools.

The proportion of don’t know ranges from 20% to 30%.

**preferred promoters**

<table>
<thead>
<tr>
<th>Preferred Promoter</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediaries</td>
<td>26%</td>
</tr>
<tr>
<td>Public Institutions</td>
<td>22%</td>
</tr>
</tbody>
</table>

**preferred tools**

<table>
<thead>
<tr>
<th>Preferred Tool</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Programmes</td>
<td>64%</td>
</tr>
</tbody>
</table>

**interest in financial education**

<table>
<thead>
<tr>
<th>Interest Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliance on others for important choices</td>
<td>35%</td>
</tr>
<tr>
<td>No Interest</td>
<td>24%</td>
</tr>
<tr>
<td>Interested but don’t know who to turn to</td>
<td>14%</td>
</tr>
<tr>
<td>Interested</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Fig. 4.12, 4.13, 4.14
Next steps
one-size-doesn’t fit-all

raise the demand of financial education: engagement
raise the effectiveness of financial education: enhancement
improve attitudes and behaviours: evolution

Differenciate contents, language, channels and tools (Cluster analysis) …
… to enhance motivation and decision making processes …
… covering also the ‘emerging issues’:
• digitalisation
• sustainable investments
Thank you for your attention!