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Report on financial investments
of Italian households

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2020 Report

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Francesco Scalese prepared figures Fig. 2.12 and Fig. 2.13. Renato Grasso provided useful hints for the preparation of Fig. 2.14 – Fig. 2.16.

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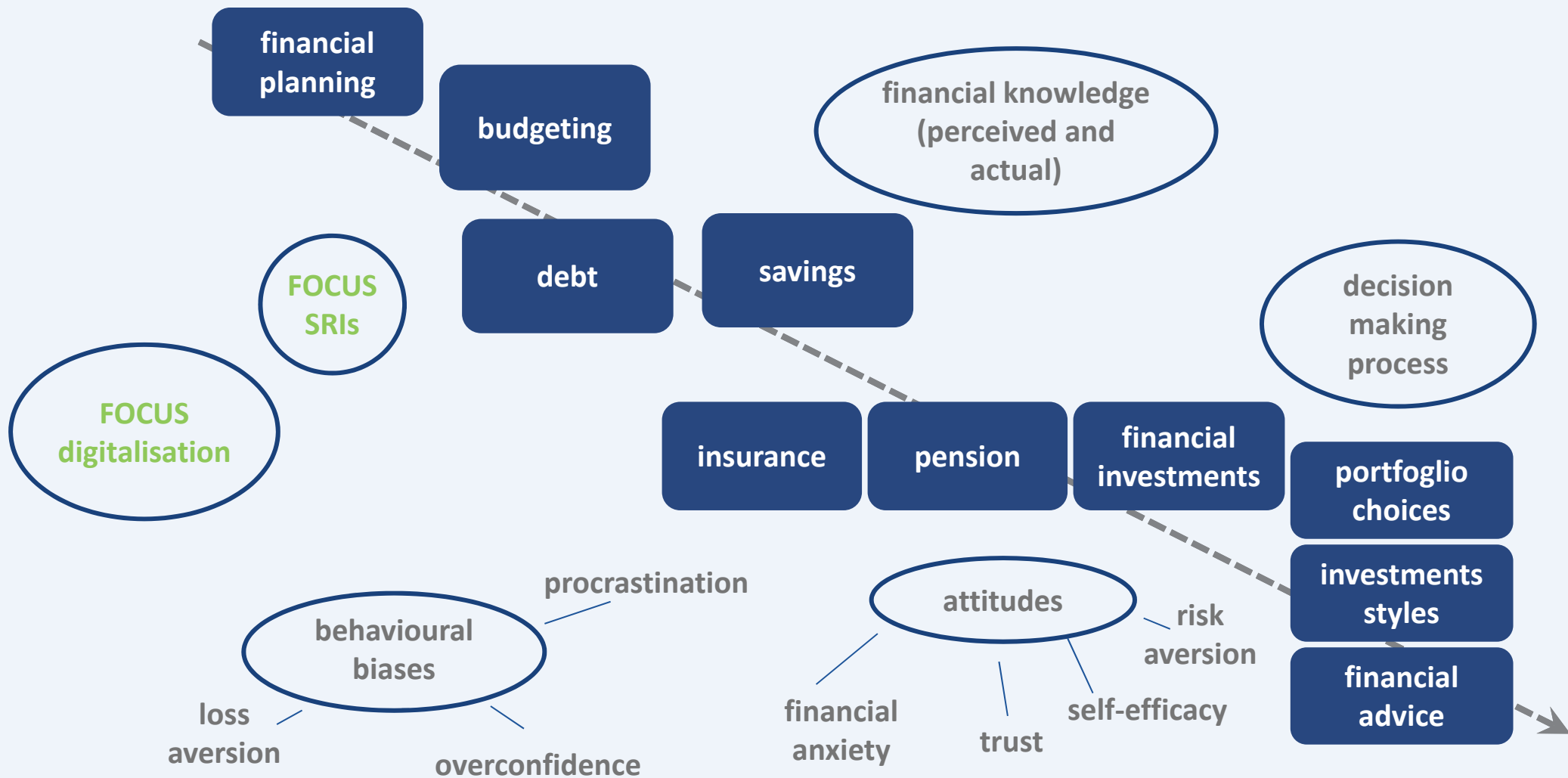
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The ideas and positions in this presentation are our personal views and cannot be attributable to CONSOB.

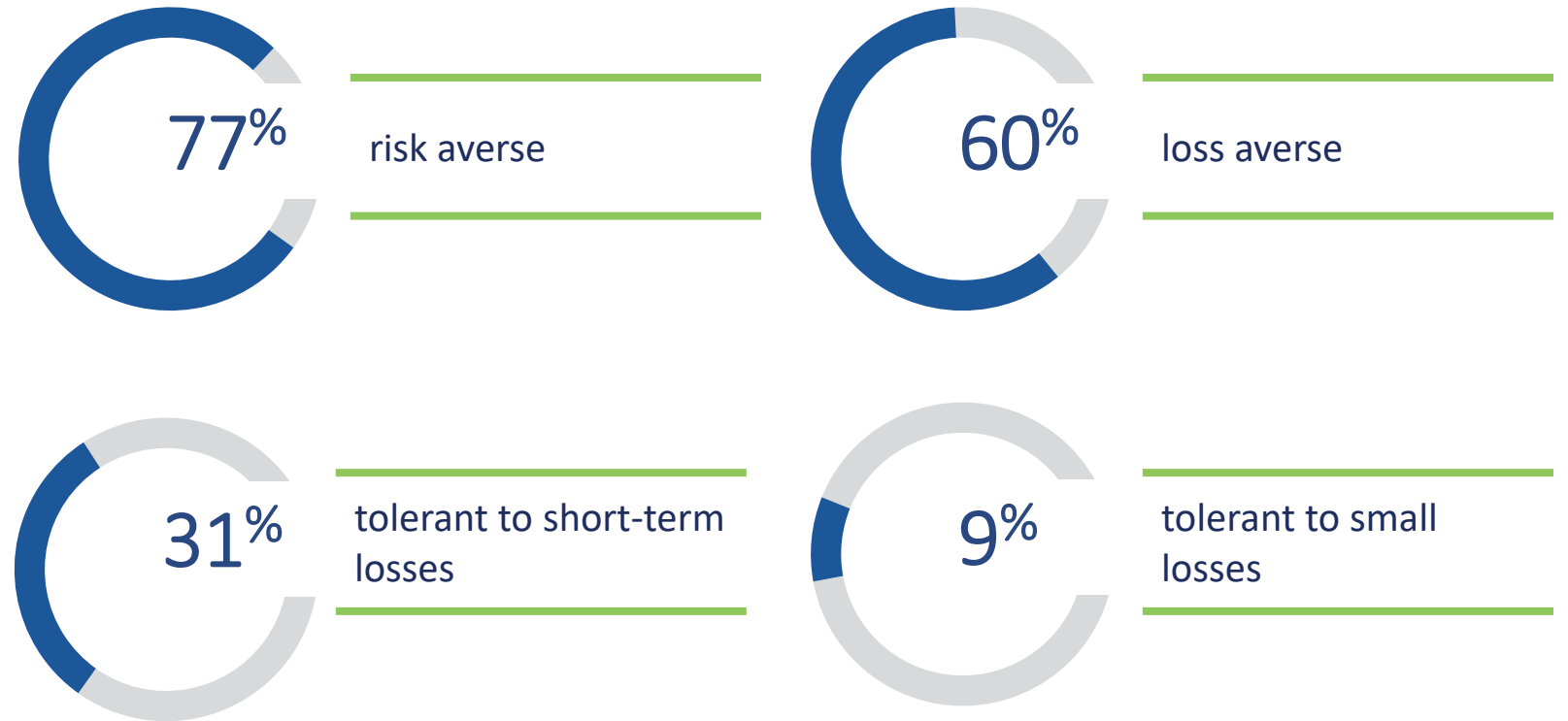
Outline Sample Approach

- 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

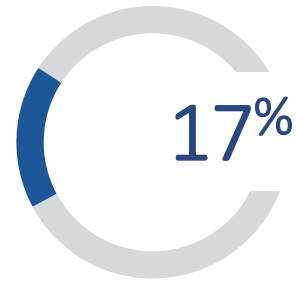
Risk and loss aversion



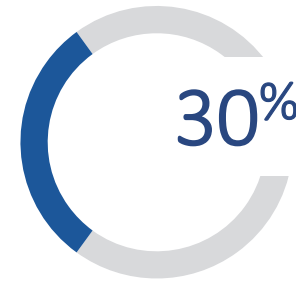
Source: Fig. 3.3

Individual attitudes

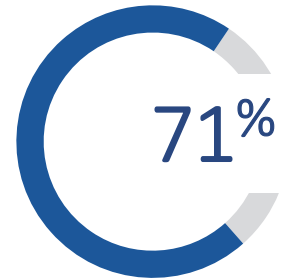
Self-reported attitudes when managing personal finances



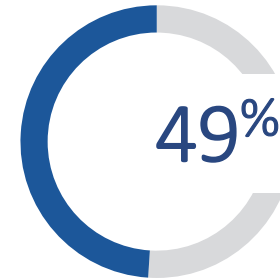
incline to implemental procrastination



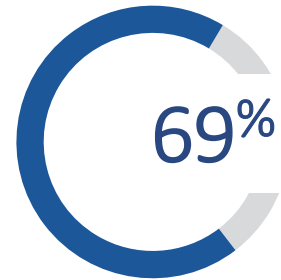
anxious when think about their personal finances



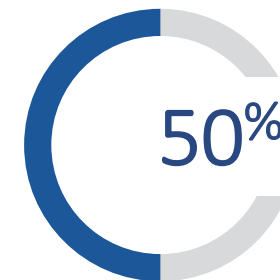
struggle with unexpected expenses



worried about their living standards in retirement



challenged by their financial goals



no trust in intermediaries

Source: Fig. 3.4, 3.5, 3.8, 3.9

Financial knowledge and competence

Financial knowledge

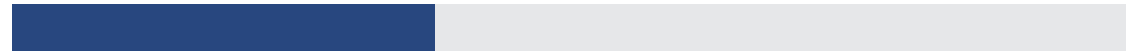
- risk-return trade-off
- compound interest
- inflation
- mortgage
- diversification



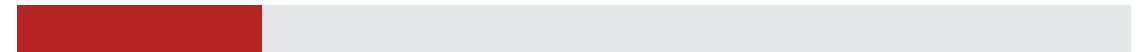
50% sample average of correct answers



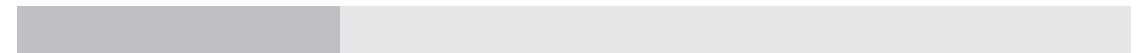
38% sample average of correct answers net of ex-post 'don't know'



22% no correct answer



29% sample average don't know

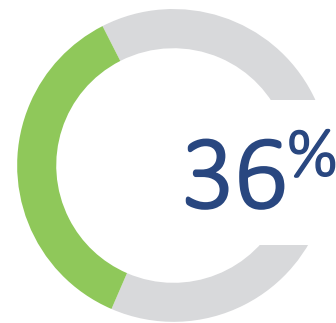
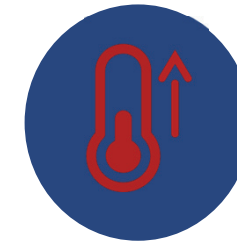
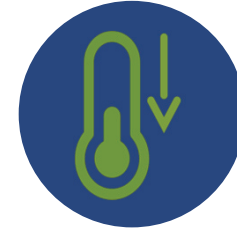


Over the last two years,
financial basic knowledge
has slightly risen



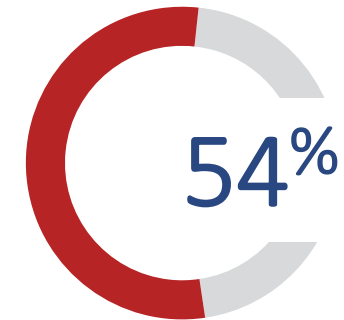
Perceived financial knowledge

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



revised and unbiased ex-post perception

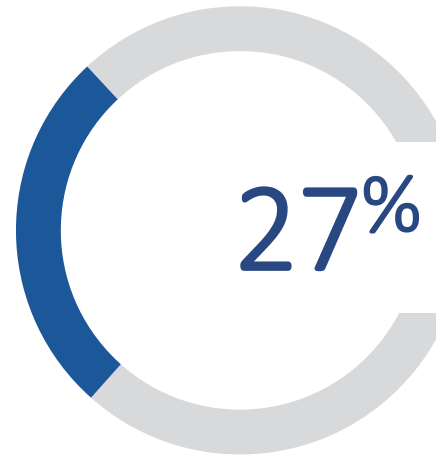
persistent overconfidence



Financial competence

Understanding of portfolio diversification

Trading in the stock market

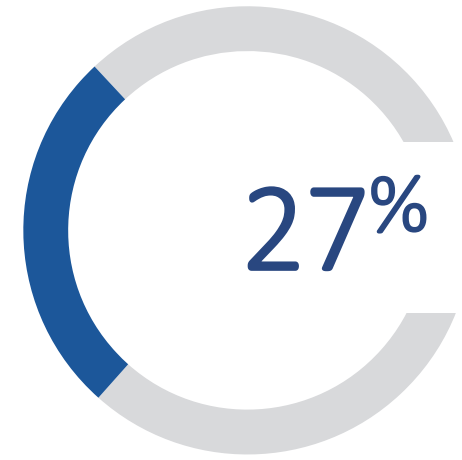


correctly defining diversification

24% naive diversification

26% wrong answers

35% don't know

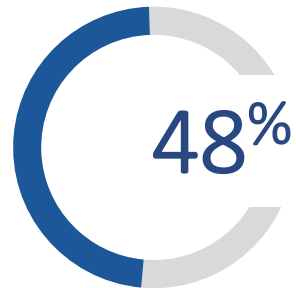


correctly identifying the good time to sell a stock

biases and misconceptions:
42% prone to anchoring
23% inclined to herding

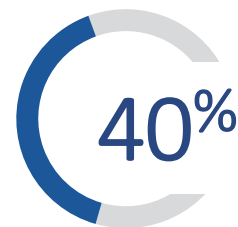
Financial control: saving and vulnerability

Financial control and financial satisfaction

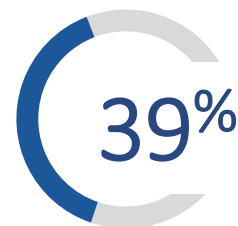


somewhat or very satisfied with their financial situation

managing personal finances



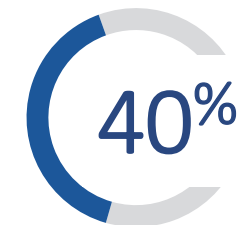
have (or have had) a financial plan



have a budget always or occasionally respected



have both a financial plan and a budget always respected



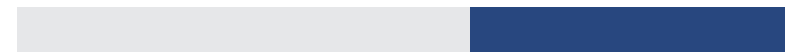
interested in an app to manage household budget

Saving and resilience

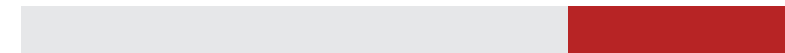
Lack of a clear vision of retirement is more frequent among those who are not satisfied with their financial situation and among those who are not saving enough for retirement



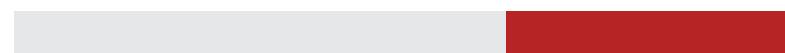
saving to face unexpected events 42%



unable to cope with unexpected events 30%



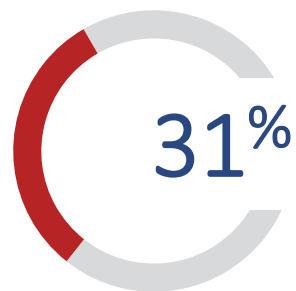
low awareness about retirement 37%



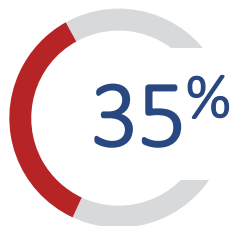
The Covid-19 crisis: vulnerability and behaviours

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

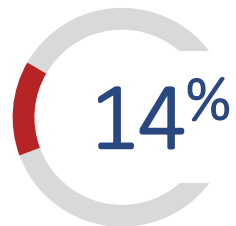
in the last 12 months



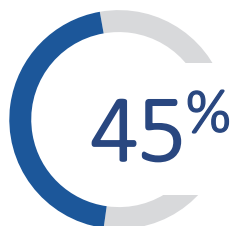
recorded a decrease in their income
(either temporary or permanent)



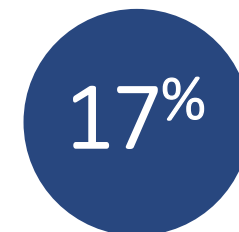
reduced their expenses



dipped into their savings



did not change their behaviours



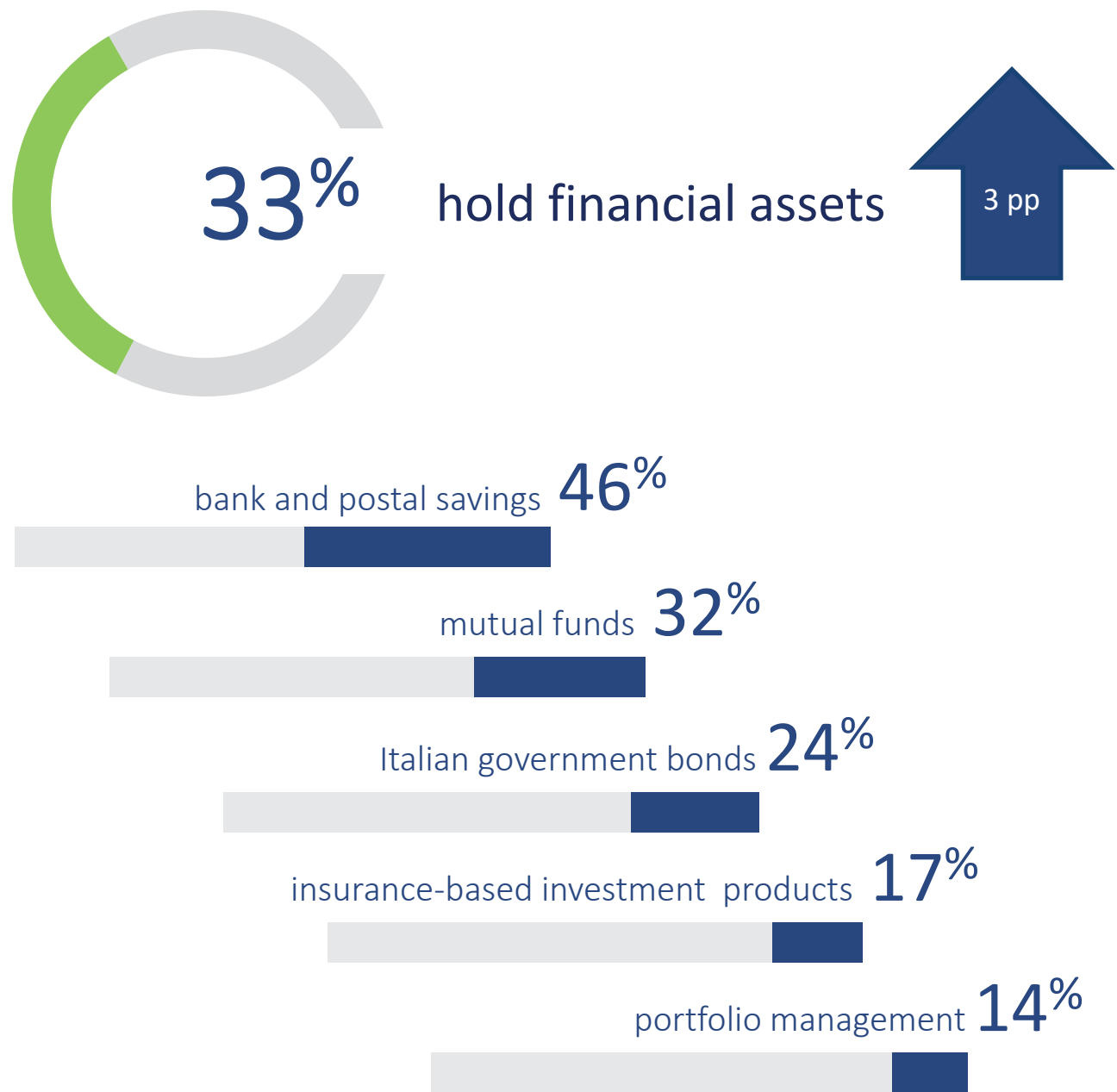
received more proposal for trading online ensuring easy and quick gains

Investment choices and investment habits

Investment: participation in financial markets

Participation in financial markets has slightly increased.

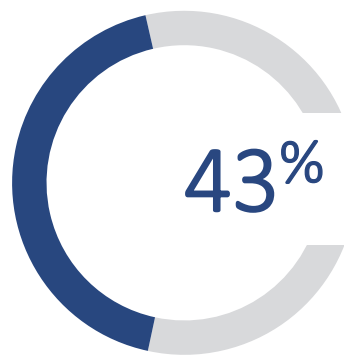
After bank and postal savings, the most frequently held products are mutual funds and Italian government bonds.



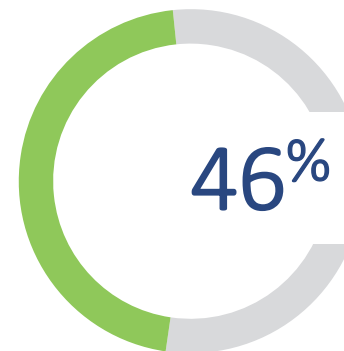
Investment: information sources

In 2020, the proportion of investors accessing financial information and using multiple information sources has risen (30% in 2019)

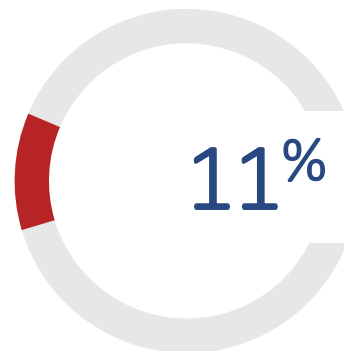
Experts remain the main source of information



multiple information sources



single information source



none



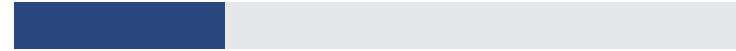
Source: Fig. 6.5 and Fig. 6.6

Investment habits

Main deterrents from advice remain lack of trust and lack of understanding of the added value of the service



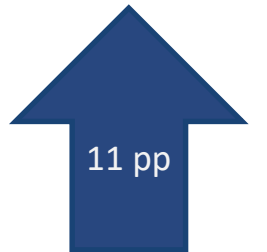
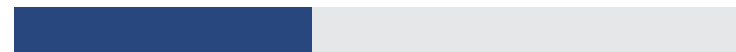
29% self-managed



49% informal advice

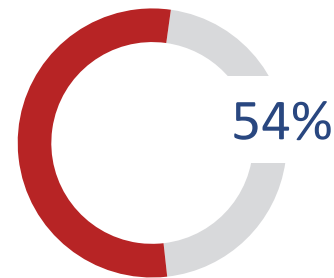
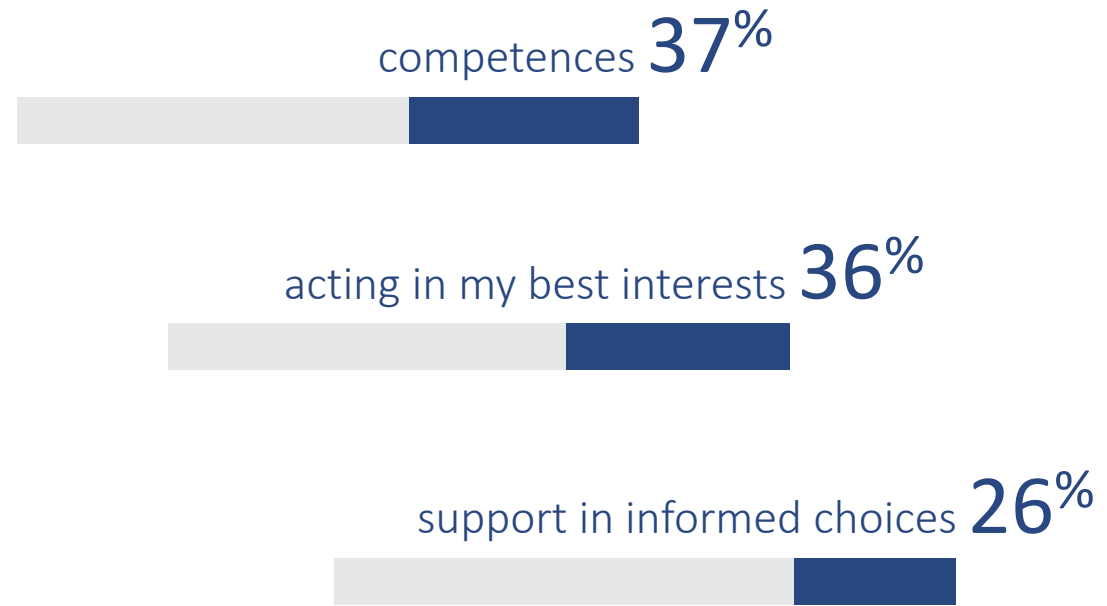


41% professional support

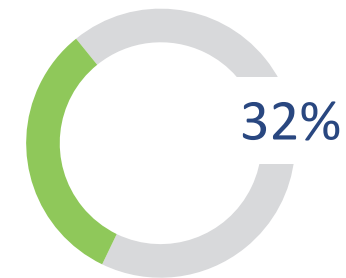


Advice: expectations and willingness to pay

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



advice is free for
the client

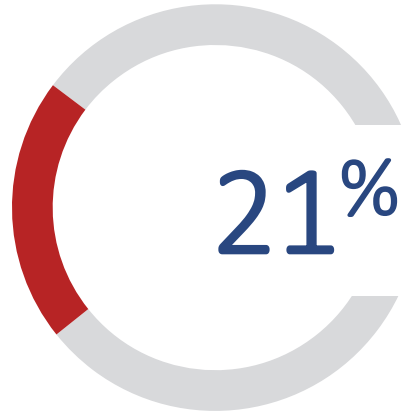


willingness to pay

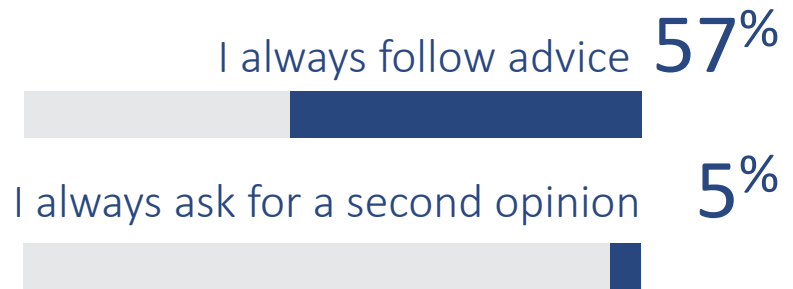
Advice: the exchange of information with the client

After receiving advice...

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

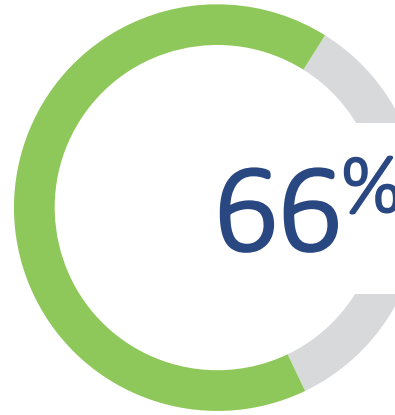


I inform my advisor regarding relevant changes in my life



Investor-advisor interaction

In case of market downturn...



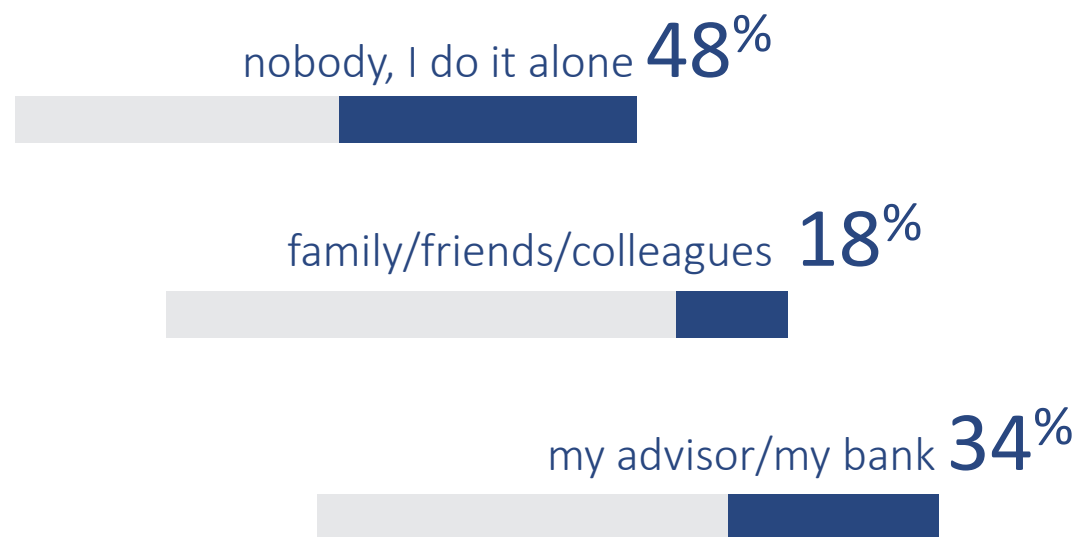
have got in touch with the advisor in the last year



Investment monitoring



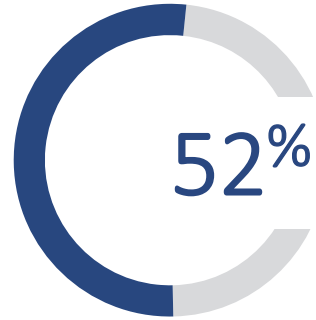
I monitor my investments with...



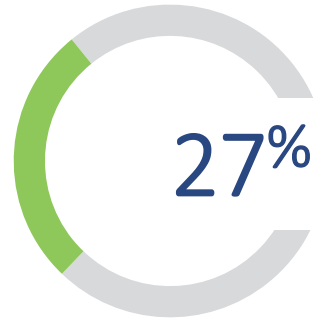
Focus: ESG investing

Focus ESG investing

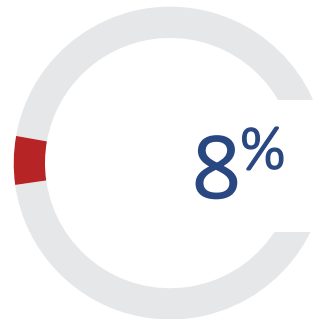
SRIs: familiarity and interest rise among investors (25% and 72% respectively)



never heard about SRI



are interested in SRI



hold SRIs in portfolio

Focus ESG investing

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



Values and perceptions among investors



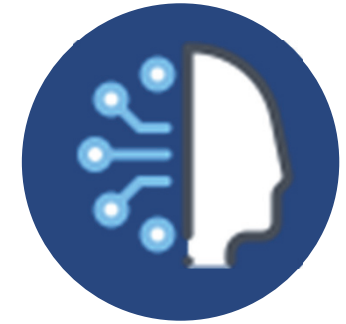
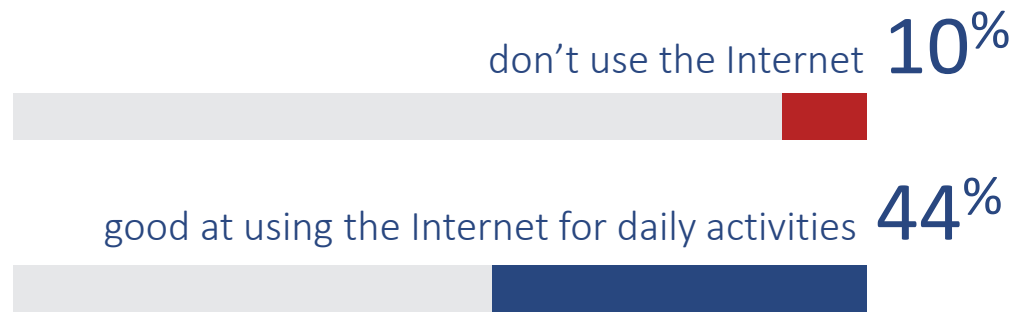
Source: Fig. 7.4

Focus: the financial digitalisation

Focus: financial digitalisation

key words in perception of digitalisation

- present
- control
- flexibility
- opportunity
- breach of privacy



familiarity with

crypto-currencies

robo advice

crowdfunding

trading online

INVESTORS

36%

13%

32%

44%

NON INVESTORS

18%

4%

14%

20%

Source: Fig. 8.1, 8.2 and 8.4

Drivers and deterrents

Investors interested in:

crypto-currencies 19%

robo advice 31%

crowdfunding 31%

trading online 33%



quick gains, diversification



fear of frauds, riskiness, lack of financial and digital skills

lower threshold, human interaction, traditional bank service, lower costs, usability, reliability of the algorithm



lack of financial and digital skills, preference for human touch, unreliability of the algorithm

tax benefits, lower threshold, diversification



lack of financial and digital skills, fear of frauds, riskiness, preference for other investments

lower threshold, lower costs, diversification, quick gains, self-managing



lack of digital skills, fear of frauds, riskiness

Conclusion

ANTECEDENTS OF FINANCIAL LITERACY

socio-demographics

personal and psychological factors

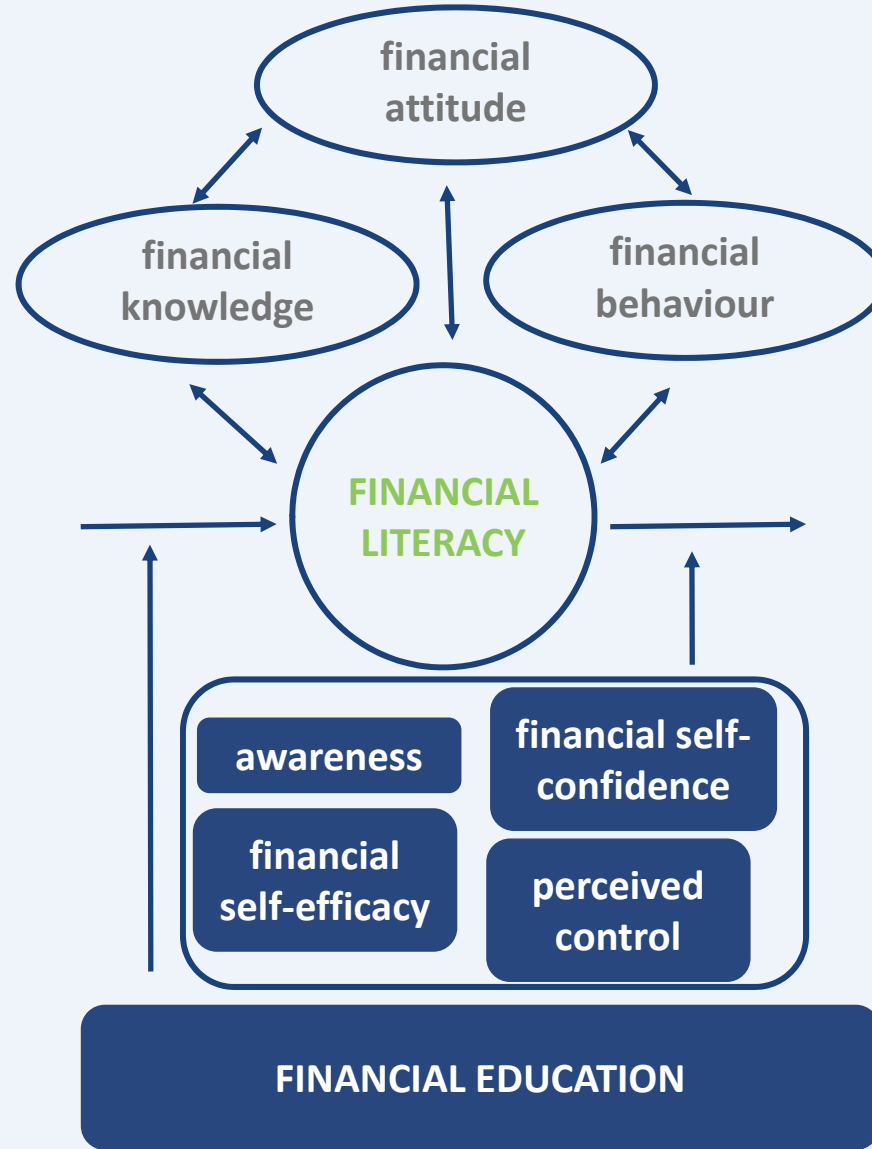
cultural factors

financial trust
attention to ESG factors

environmental factors

macro-trends
supply-side factors
digitalisation

procrastination
present bias
risk tolerance
loss aversion
financial anxiety
perceived usefulness
social norms
perceived control



OUTCOMES OF FINANCIAL LITERACY

planning

budgeting

borrowing

savings

pension choices

insurance choices

financial inclusion

Investments decisions

financial well-being

portfolio choices

financial satisfaction

investments styles

financial advice

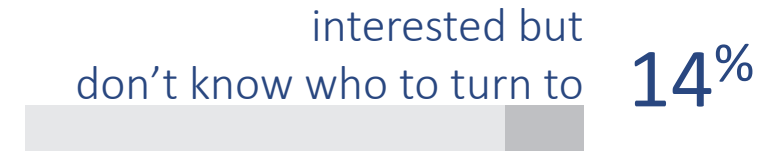
Financial literacy: antecedents and outcomes

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%

interest in financial education



preferred promoters



preferred tools



Next steps

one-size-doesn't fit-all



raise the demand of financial education:
engagement

Differentiate contents, language, channels and tools (*Cluster analysis*) ...



raise the effectiveness of financial education:
enhancement

... to enhance motivation and decision making processes ...



improve attitudes and behaviours:
evolution

... covering also the 'emerging issues':

- digitalisation
- sustainable investments



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