



# Research on Household Wealth Management Risk Identification and Countermeasures Under the Background of Interest Rate Reduction

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**Abstract:** In July 2020, the People's Bank of China announced that the transition period of the new rules on capital management would be extended to the end of 2021, so there would be no so-called capital protection and interest protection financial products, and large banks would not be able to use the cost valuation method to evaluate financial products, resulting in continued decline in earnings and principal loss. Secondly, asset transparency is in full swing. On March 10, 2021, in the third session of the fourth Session of the 13th CPPCC National Committee, the committee members' Passage proposed that "the continuity and sustainability of macro policies should be maintained in 2021, and no sharp turn should be made". Since the outbreak, China's monetary policy has been lowering interest rates. The reduction of interest rate directly affects the interest income of people's bank financial management. The future trend of interest rates will directly affect the wealth management of families. In the face of the risks of wealth management, how to maintain and appreciate the existing assets? In the face of the downward interest rate, asset transparency and the reform of the tax system, this paper puts forward wealth management countermeasures for families under this background, and provides guarantee strategies for wealth management, such as the health of the elderly, the marriage of children and the inheritance of wealth.

**Keywords:** Lowering Interest Rates, Wealth Management Risks, Preventive Measures

## 1. Introduction

On March 10, 2021, in the third session of the fourth Session of the 13th CPPCC National Committee, the committee members' Passage proposed that "the continuity and sustainability of macro policies should be maintained in 2021, and no sharp turn should be made".

Since the outbreak, the monetary policies of the US and China have been lowering interest rates.

Us Monetary Policy since the pandemic:

On March 3, 2020, the US Federal funds rate was lowered by 50BP to 1%-1.25%;

On March 15th, the federal funds rate was cut by 100BP to 0-0.25%.

On March 23, the Federal Reserve open-ended purchases of Treasury bonds, MBS and bond ETFs without limited quantities of on-demand Treasury bonds and MBS. Established TALF for ABS, student loans, credit cards and small business loans; Quantitative easing.

*Table 1. Us monetary policy since the outbreak.*

time	content
March 3, 2020	The fed funds rate was cut by 50BP to 1%-1.25%
March 15, 2020	The federal funds rate was cut 100BP to 0-0.25 percent
23 March 2020	The Federal Reserve will purchase Treasuries, MBS and bond ETFs in an open manner without limited quantities of on-demand TREASURIES and MBS. Established TALF for ABS, student loans, credit cards and small business loans; Quantitative easing

China's Monetary Policy since COVID-19:

On February 3, 2020, the central bank announced the market operation of 1.2 trillion yuan, including 900 billion yuan for 7 days and 300 billion yuan for 14 days, both of which were reduced by 10 basis points.

On February 4, the central bank issued 500 billion yuan of reverse repos, including 380 billion yuan for 7 days and 120 billion yuan for 14 days.

February 17, the People's Bank of China launched a 200-billion-yuan MLF operation, down 10 basis points, the same period of 100 billion 7-day reverse repos;

On February 20, the central bank announced the LPR interest rate for February, which was cut by 10 basis points for the 1-year term and 5 basis points for the 5-year term and above.

On March 16, the central bank lowered the required reserve ratio for financial inclusion, releasing 550 billion yuan of long-term funds.

On April 20th, the latest LPR cut; The 1-year LPR was 3.85%, and the 5-year LRP was 4.65%, down 20 basis points and 10 basis points respectively from the previous month.

On July 15, 2021, the CENTRAL bank lowered the required reserve ratio by 0.5 point, releasing 1 trillion yuan of funds.

Table 2. China's monetary policy since the epidemic.

time	content
February 3, 2020	The central bank announced market operations of 1.2 trillion yuan, including 700 billion yuan for 7 days and 300 billion yuan for 14 days, both down 10 basis points.
February 4, 2020	The central bank issued 500 billion yuan of reverse repos, including 380 billion yuan for seven days and 120 billion yuan for 14 days.
February 17, 2020	The CENTRAL bank carried out 200-billion-yuan MLF operation, down 10 basis points, the same period of 100 billion 7-day reverse repos;
February 20, 2020	The CENTRAL bank announced the LPR rate for February, which was cut by 10 basis points for the 1-year maturity and 5 basis points for the 5-year maturity and above.
March 16, 2020	The central bank made targeted cuts to the required reserve ratio for inclusive finance, releasing 550 billion yuan of long-term funds.
March 20, 2020	The latest LPR cut; The 1-year LPR was 3.85%, and the 5-year LRP was 4.65%, down 20 basis points and 10 basis points respectively from the previous month.
July 15, 2021	The central bank cut the reserve requirement ratio by 0.5 point, freeing up 1 trillion yuan.

According to a report by China Union on June 19, 2021, it is known that "disguised interest rate cut": the interest rate of large bank deposits decreases. [3] Starting from June 19, the commercial deposit interest of major commercial banks will be significantly reduced. This time, the interest rate cut is not directly lowered by the Central Bank, but led by the Self-regulatory Working Committee of banks. Instead of lowering the loan interest rate, the deposit interest rate will be directly lowered. For example, IPCC's three-year deposit interest rate will fall from 3.85% to 3.25%, some banks will even drop to 2.25%, and some banks will even drop the overnight interest rate from 3% to 1.9%!At the same time, it also set a cap on the interest rate of demand deposit products. This rate cut is of rare urgency, and the rate of reduction is fierce and huge in more than 20 years.

June 1, 2021, the market interest rate pricing self-regulatory mechanism (referred to as the self-regulatory mechanism of interest rate) work conference was held in Beijing. Representatives from 15 core member units of interest rate self-regulation mechanism attended the meeting. At the meeting, Liao Lin, president of THE Industrial and Commercial Bank of China, was elected as the new chairman of the self-regulatory mechanism of interest rates. The self-regulatory plan for optimizing deposit interest rates and the Self-regulatory Initiative on Strengthening the Management of Public Information Release were deliberated and approved, and the text of the recommendation agreement on conversion of domestic US dollar loan benchmark interest rates was discussed. Liu Guoqiang, party member and Vice governor of the People's Bank of China attended the meeting and delivered a speech. [10]

The meeting believes that the current interest rate pricing

order is generally stable. In recent years, the People's Bank of China has pushed forward the reform of the quoted interest rate (LPR) in the loan market, optimized the regulation of deposit interest rates, significantly lowered the real loan interest rate, and guided the financial system to transfer profits to the real economy. Financial markets operate smoothly and market interest rates fluctuate centrally around policy rates. The reform of international benchmark interest rates continued to advance, with the active participation of domestic financial institutions and orderly progress in related work.

The meeting stressed that the mechanism for self-regulation of interest rates should continue to play an important role in helping finance better serve the real economy. We should optimize regulation of deposit interest rates, strengthen self-regulation of deposit interest rates, and guide financial institutions to set reasonable prices independently.

There are three characteristics of this rate cut: it is very fast, very low-key and very aggressive.

Very fast. The rate cut was so swift that banks were notified at midday on June 18th, giving only a few hours to react. Before the bank signed the long-term deposit interest rate, no matter how many signed, all have to lower, in fact, this has been counted as a bank default, but there is no way.

Very low-key. The news was supposed to be weighty investment information, but as it spread, it was filled with all sorts of untrue opinions. For example, some media said that this time it was only a small cut, or short-term interest rates went up while long-term interest rates went down, which is more balanced. But in fact, both short-term and long-term interest rates have fallen sharply. [15]

It was very powerful. The rate cut this time is even stronger

than last year. In the past, we only cut LPR by 0.25 or 0.5 percentage points. This time, we cut LPR by around 1%, which is quite drastic. And different from the earlier central bank hesitated to express, this time in the cut deposit rates simply and directly! [14]

The reasons behind the sudden and drastic rate cut are worth exploring. 1) An important means of self-rescue for the banking industry. Last year, the banking industry made 1.5 trillion yuan in profits to the real economy, and the deposit and loan spreads of the banks kept shrinking, and the banks kept pressuring the real estate business. Many banks had an extremely difficult life, and they urgently needed to expand deposit and loan spreads to make money, otherwise, local banks would have difficulty surviving the winter. If the last-ditch effort to rescue the banking sector succeeds, it will mean a return to pre-pandemic conditions and the end of massive stimulus. 2) Hedging overseas financial risks, withdrawal of foreign capital and depreciation of RMB exchange rate. Recently, the rapid appreciation of the US dollar, in recent days, foreign capital is different from the previous large inflow, instead of a large retreat, trying to do things on the day when the Chinese people celebrate. Rate cut at this time, is to release a huge signal to the market.

Yi Gang, governor of the People's Bank of China, said at the 12th Lujiazui Forum in 2020 that "Through the reform of interest rate liberalization, China guided the market interest rate to continue to fall [2], promoted the financial sector to reasonably transfer profits to enterprises, and focused on alleviating the problem of expensive financing."

The basic interest rate of one-year deposit in China is 1.5%, which means that a bank of one million yuan can get 15,000 yuan of interest a year. Whether people are willing to manage their money in this way is a question we need to think about

today.

By listing the monetary policies in the past three years, this paper analyzes the internal and external reasons for the downward interest rate, and takes the overall interest rate level of developed economies as a reference to predict that China will also experience the era of negative interest rate in the future. So, with interest rates gradually falling, how ordinary people manage their wealth is a worthy question to study. [9]

## 2. Interest Rate Downward Analysis and Wealth Management Countermeasures

Factors influencing market interest rates.

### 2.1. Internal Factors

Based on China's economic growth trend and macro-control measures (monetary and fiscal policies).

- (1) The direct adjustment of monetary policy and fiscal policy to risk-free rate of return;
- (2) Monetary policy and fiscal policy for the adjustment of money supply, the increase of money supply will accelerate the interest rate downward.

### 2.2. External Reference

The overall interest rate level of developed economies can be used as a reference sample for the future interest rate in The Chinese market.

- (1) US interest rates: if we do well in the future;
- (2) European and Japanese interest rates: If we don't do well in the future.

*Table 3. Monetary policy changes in recent years: RRR reduction.*

time	Release the funds
January 25, 2018	Targeted cuts in the required reserve ratio for inclusive finance released about 450 billion yuan of long-term liquidity
April 25, 2018	We will make targeted cuts to the REQUIRED reserve ratio to replace the MLF by 900 billion yuan, and at the same time release about 400 billion yuan of additional funds
July 5, 2018	Five state-owned banks and 12 commercial banks released 500 billion yuan, and other banks released 200 billion yuan
October 15, 2018	The action of replacing MLF with targeted RRR reduction has released about 750 billion yuan of incremental capital
January 15, 2019 January 25, 2019	The reserve requirement ratio will be cut by 1% in two phases, releasing about 1.5 trillion yuan in incremental funds and 800 billion yuan in long-term funds
May 15, 2019 June 17, 2019 July 15, 2019	On May 15, we lowered the required reserve ratio twice, releasing about 280 billion yuan.
September 6, 2019	Reserve requirement ratios were lowered by 0.5 percentage points across the board, releasing 800 billion yuan
October 15, 2019 November 15, 2019	Targeted cuts to the required reserve ratio were implemented twice, releasing 100 billion yuan
January 6, 2020	We will cut required reserve ratios across the board by 0.5 percentage points, releasing 800 billion yuan
16 March 2020	550 billion yuan of long-term funds was released by making targeted cuts to the required reserve ratio
15 April 2020 15 May 2020	We made targeted cuts to the required reserve ratio twice, releasing 400 billion yuan
July 15, 2021	We will cut the required reserve ratio across the board by 0.5 percentage points, releasing 1 trillion yuan of long-term funds

### 2.3. The Overall Level of Interest Rates in Developed Economies Can Serve as a Reference Sample for Future Chinese Market Interest Rates

Us: If China's economy transitions smoothly in the future, we will enter a low interest rate cycle just like the US.

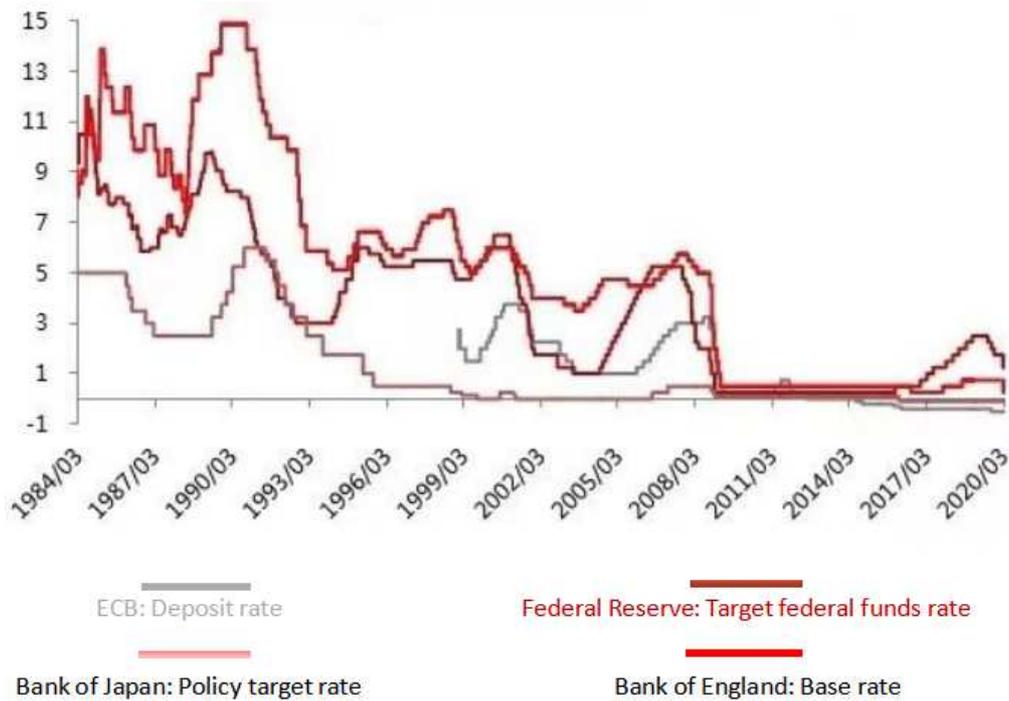


Figure 1. US, Japan, Euro Countries Deposit Interest Rate Trends.

Japan and Europe: If China's economic development tends to stagnate in the future, we will enter a zero or even negative interest rate cycle just like Europe and Japan.

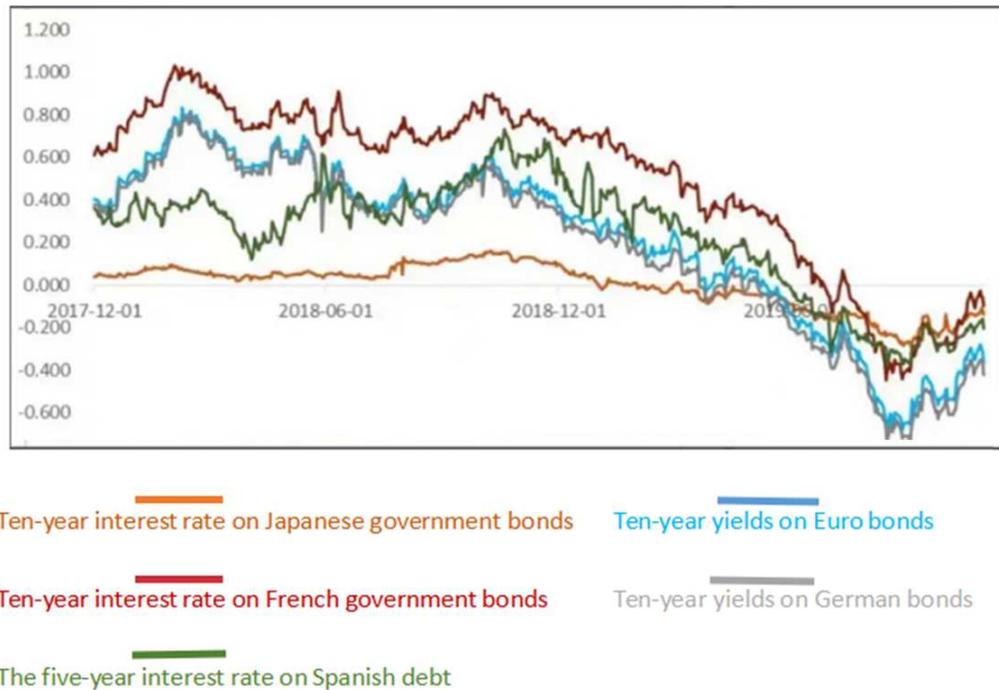


Figure 2. US, Japan, Euro Countries Treasury Bonds Interest Rate Trends.

As can be seen from the chart above, no matter in the United States, Japan or Europe, the overall level of interest rates has shown an obvious downward trend since 2000. Therefore, future changes in China's benchmark exchange rate may be affected by the exchange rate trends of developed economies.

**2.4. Rate Cut Channel Open, the Interest Rate Continues to Go Down, How Do People Finance**

**2.4.1. The Principal and Interest Guarantee Does Not Exist**

On April 27, 2018, the Guidance on Regulating the Asset Management business of Financial Institutions was officially

implemented, and one of the guiding opinions was widely concerned about "breaking rigid payment". Previously, for ordinary people, there are capital protected financial products, can mark expected earnings, if there is a risk of non-capital protected financial products, most of the banks are in the bottom, there is rigid payment. After the transition period to December 31, 2021, the so-called "capital guarantee" will no longer exist, bank financial management will be paid rigidly and the guaranteed interest will no longer exist, and financial products will realize net income. [5]

Here's the big news: Six big state-owned banks and their wealth-management companies will not be allowed to use cost methods to value their wealth-management products after Sept. 1, excluding unlisted shares.

Let's take an example. Suppose it's Evergrande's bond. It was 100 yuan when it was issued, but now it's 40 yuan. If according to the "cost valuation", the miracle happens, it is still 100 yuan; If according to the regulatory requirements of

the "market valuation", it is no problem of 40 yuan.

I'm sure you can see at a glance the huge difference between the two and the problems that can result.

There are historical reasons why banks used to use "cost valuation" for wealth management, and there are two benefits to doing so.

First, the yield of bank financing will be very stable. After all, bond prices will rise and fall under normal circumstances. If the "market value method" is used, the bank financing you hold will rise and fall, you will not have a good experience.

Second, it is easy to cover up mistakes made by carelessness. For example, if Evergrande bonds are bought, as long as they fall to 0 before the redemption date, they are still reflected in the products according to 100 yuan, so that the losses will not be exposed and there is room for adjustment. [11]

It is no longer a novelty for bank financial products to break the rigid exchange, reduce returns and lose principal, which is a huge impact on people's traditional financial habits.

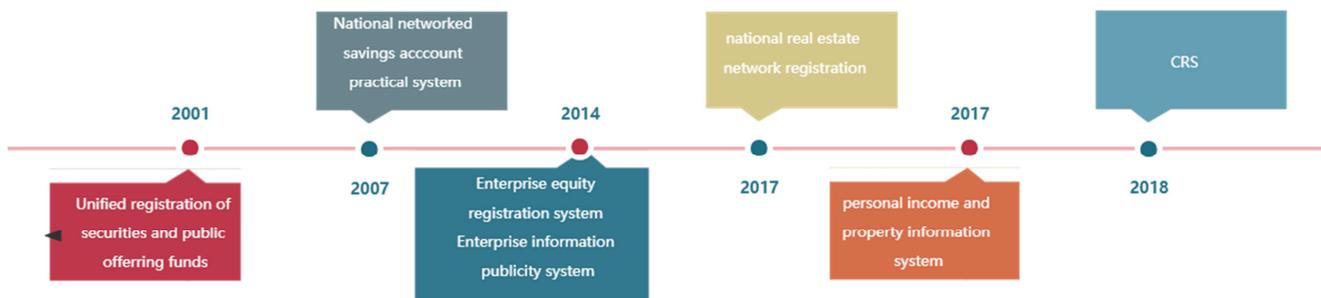


Figure 3. Asset Transparency Process.

2.4.2. Asset Transparency Is in Full Swing

The central Committee of the Communist Party of China on the formulation of the 14th five-year plan for national economic and social development and the construction of the vision and goals of 2035, the establishment of a modern fiscal and tax financial system is one of the core goals.

- (1) Accelerate digital development. We will strengthen the building of a digital society and a digital government, and make public services and social governance more digital and intelligent.
- (2) We will improve the modern tax system, improve the local and direct tax systems, optimize the tax

structure, appropriately increase the proportion of direct tax, and deepen reform of the tax collection and administration system. (Improve the individual income tax system and steadily advance real estate tax legislation).

- (3) We will improve the mechanism for redistribution, increase the intensity and precision of tax, social security, transfer payments and other adjustments, appropriately adjust excessive income, and ban illegal income. (Focus on equity and real estate with high income and high net worth).

Table 4. Comparison of golden Tax Phase III and Phase IV.

Gold three period	Gold four period
A platform	"Non-tax" business
A unified platform for network hardware and basic software	More comprehensive monitoring of business
Two levels of processing	Information sharing
The data and information of the tax system are processed centrally in the general administration and provincial bureaus	Establish channels between ministries, the People's Bank of China and banks
Three cover	Information for verification
Covering taxation, taxation authorities at all levels and related departments	Relevant enterprise manual machine number, tax status, registration information
Four types of systems	"Cloud" through
Collection/administration, decision support and external information systems	The whole data, whole business and whole process of "taxes and fees" will provide conditions and basis for intelligent supervision and intelligent tax handling.

The previous system can only identify the "basic information" on the invoice, such as amount and tax number, but the current Jinsan system is artificial intelligence, which will collect, store, check and compare the whole factor information of the invoice one by one in real time. The current "Golden Three" system, which uses big data and cloud computing technology, is incredibly powerful.

Five certificates in one, tax, industrial and commercial, social security, statistics, banking and other interfaces, individual tax social security, provident fund, disability insurance, bank accounts, etc., should be in the tax system in a glance!

Using big data, the Golden Three system now connects you with how many fixed assets invoice (how many houses you bought, how many cars you bought); How much expense invoices (how much is for office, how much is for travel, how much is for guests) can be accurately known. When the functions of the golden Tax system are fully opened, 100% of all taxes, such as corporate income tax, value-added tax, personal income tax and social security, can be detected.

On August 1, 2021, the fourth phase of the Golden Tax will be officially launched. There will be no major problems for conventional enterprises, and the key enterprises that will be inspected are as follows:

- 1) Empty shell false accounts of enterprises, want to use the shell company to open accounts for fraud, tax evasion, with other people's ID cards open wages illegal transactions and a series of illegal crimes.
- 2) Enterprises that pay less individual income tax and social security may focus on enterprises with large data differences between social security system and individual income tax system.
- 3) The inventory account is inconsistent with the real enterprise, is sold, or early not affirm income, not make out an invoice, there is no pay tax, invoice issued a unanimous upload, bill opens up not only of the invoice value, even to open some of the name of commodity, quantity, unit price, etc. will be regulated, which means the company enters sells saves the is transparent, as long as the invoice to enterprise is unusual, You'll get a phone call from the IRS, maybe even a physical inspection.
- 4) Enterprises involved in false invoicing.
- 5) Enterprises with serious revenue cost mismatch.
- 6) Abnormal enterprises reported.
- 7) Abnormal tax burden of enterprises, this is relatively common.
- 8) Perennial losses, there are no closed enterprises.

Personal bank account connected to the Internet, so the revolution of the private, don't too casual, many bosses think the company is their own, once the lack of money, it will get from the company account, actually this is for your mine, once check, pay taxes is small, there will be a lot of fine for delaying payment and tax penalties, if the case constitutes a crime, may be the law.

The People's Bank of China, Yinfa [2020] No. 105, notice

on pilot cash management. Hebei Province will carry out pilot cash management from July 2020. Starting from October 2020, Zhejiang Province and Shenzhen will carry out pilot projects. The starting point for public accounts in each region is 500,000 yuan, while the starting point for private accounts is 100,000 yuan in Hebei Province, 300,000 yuan in Zhejiang Province and 200,000 yuan in Shenzhen City.

The following points need to be paid attention to:

- 1) Establish a large amount of cash analysis report system: on the premise of ensuring the security of personal information and strictly regulating the use of information, communicate with relevant departments and share information.
- 2) Strengthen the management of large amounts of cash used in personal accounts: subdivide the sources and uses of operational income and expenditure of personal accounts, and explore the corresponding monitoring of public and private accounts on the same subject.
- 3) Establish a personal cash income report.

China Development Office [2015] No. 56 document mentioned that the establishment of natural person tax management system. In line with the trend of gradually increasing the proportion of direct tax, large number of natural person taxpayers and difficult management, a natural person tax management system focusing on high-income individuals should be established from the aspects of legal framework, system design, collection and management methods, technical support and resource allocation. The State Administration of Taxation and provincial tax bureaus have concentrated on conducting tax risk analysis on high-income taxpayers, and sent the analysis results to relevant tax authorities to deal with them, so as to continuously improve the tax collection and administration level of natural persons. In 2018, the collection and administration data will be centralized with the State Administration of Taxation, a collection and administration system for natural persons will be established, and the system will be interconnected with the personal income and property information system. By 2020, China's tax collection and management information system will be in the international advanced ranks.

On January 1, 2019, the Individual Income Tax Law was implemented (the seventh amendment), adjusting the determination of tax resident status, increasing renunciation of citizenship and clearing tax, adding anti-tax avoidance provisions for the first time, annual settlement of natural person taxpayers, annual settlement of natural person taxpayers and declaration and tax payment of overseas income (Announcement no. 3, 2020); Strengthen cooperation among departments and incorporate credit mechanism; Core idea: "increase low, expand medium, adjust high".

The introduction of real estate tax, real estate tax includes property tax. The real estate tax includes many links, such as development, circulation and possession, etc. The tax on the possession link is the frequent property tax.

**Table 5.** On October 1, 2018, China launched the seventh individual income tax reform in its history.

	The main content	Tax reform before	After the tax reform
1	The consolidated income shall be determined by the degenerate income items	11	9. Labor income shall be included in the scope of comprehensive taxation, which shall be paid in advance on a monthly basis, calculated on an annual basis, with more refunds and less subsidies
2	We will raise the standard for basic deductions and increase additional deductions for special expenses	3500 yuan for Chinese and 4800 yuan for foreigners	The sum is 5000 yuan
3	Adjusting tax rate structure	Three insurances and one housing fund, commercial health insurance and deferred endowment insurance There is no	Six special Widen 3, 10, 20% of the third grade distance, reduce 25% of the first grade distance
4	We will improve foreign tax policies	7 excess progressive tax rates	He has lived in China for 183 days New anti-avoidance provisions
5	Reform the mode of collection and management	Time standard for resident taxpayer: resident in China for at least one year Tax treatment of tax avoidance: none Tax calculation rules for domestic and foreign income: tax calculation and deduction respectively Deductions for individual use by foreign nationals: 8 subsidies	Domestic and foreign income combined tax, unified deduction of 5000 yuan It is unclear whether the tax break will be extended
6	Sound supporting measures	Mainly withholding and remitting	The combination of withholding and personal declaration External support: multi-department information sharing, joint punishment; Establish a credit system for natural persons

“The personal income tax reform has significantly reduced the tax burden on low - and middle-income people, increased personal income and boosted consumption to some extent.” Professor Shi Zhengwen, China University of Political Science and Law.

For high-income mixed professionals with diversified income sources, the increase in tax burden is more obvious. This group of people both have part of their income from wages and salaries, and part of their income from labor services. For example, for some people with a monthly income of 6W, half of them come from wages and half from part-time labor remuneration. Before the reform, the tax rate of the two kinds of income is not high, but after the reform, the tax burden will be increased immediately.

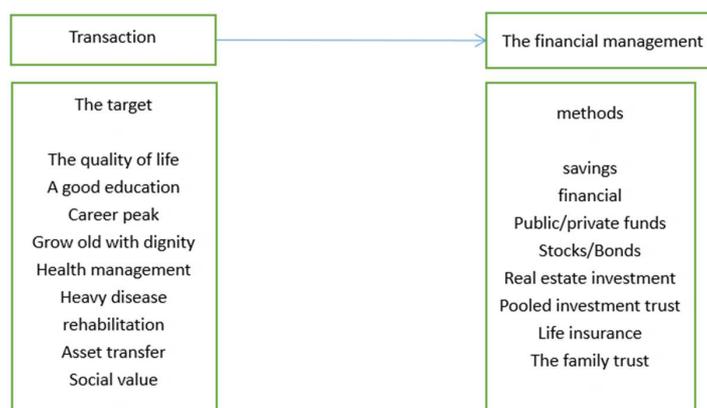
Article 1,159 in Title VI of Succession of the Civil Code, in the division of an estate, the decedent shall pay off the taxes and debts that shall be paid according to law. Article 161. The successor shall, within the limit of the actual value of the estate he has obtained, pay off the taxes and debts that the decedent shall pay according to law. Article 1,162. The execution of a legacy shall not prevent the payment of taxes and debts payable

by the legator according to law. Article 80 of the Revised Draft of the Law on the Administration of Tax Collection (draft for public comments): "Where the property of a taxpayer who has not paid tax is donated or inherited, the donee or heir shall be the person responsible for paying tax, but the amount of the donated or inherited property shall be limited."

## 2.5. The Downward Interest Rate Cycle: Build a Wealth Management Strategy That Starts with the End

### 2.5.1. Under the Background of Declining Interest Rates, the Establishment of Wealth Management Strategies with the Beginning as the End

Morgan Stanley wealth management maxim: "the ultimate goal is not to make money of wealth management geometric proportion increasing and global coverage, but a better life, so the financial planner to do not money-making, investment in financial management work is a means not the goal, the purpose of a lot of people expect us to help him play a piece of paper into ten thousand sheets of the game, I will tell him: You're wrong."

**Figure 4.** From the beginning of wealth management path: from financial management to transaction management.

2.5.2. Wealth Management in the Context of Declining Interest Rates Follows Principles

Principle 1: Focus on the long term, not downgrade.

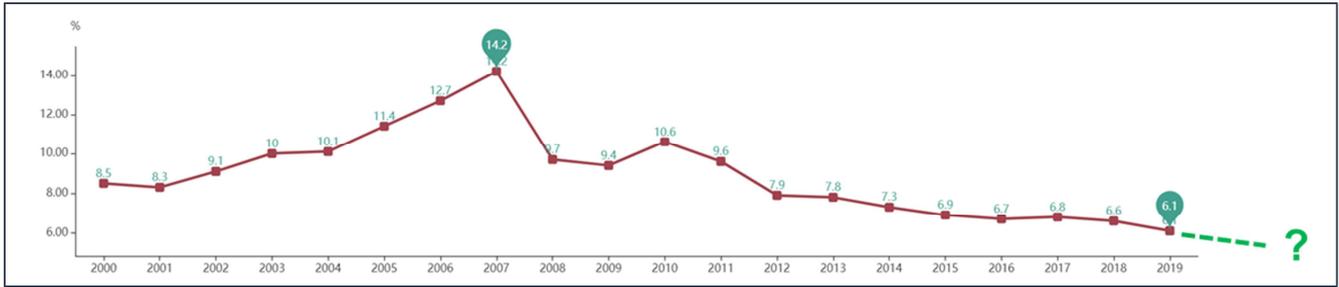


Figure 5. China's GDP Growth Rate (2000-2019).

The 20 years before 2016 were a cycle of wealth expansion accompanied by economic growth, and the transition from class to class could be completed through efforts. Today, the barrier of class is higher and higher, the space of class span is smaller and smaller; The wealth accumulation of high-net-worth clients mainly comes from productive income (enterprise expansion). The economic downturn slows down the wealth expansion and increases the risk of loss.

After 2016, the risk of class downgrading increases, and the phenomenon of class sinking caused by enterprise losses occurs frequently. At present, the primary risk that needs to be considered is the business risk of the economic downturn cycle. The primary consideration is not to blindly expand, not to over-borrow, and to build a moat of lasting and high-quality family life.

As Chinese people, we are living in the best of times. In the past 30 years, along with the political cycle, every 10 years we will usher in an explosion of wealth growth cycle, from mineral resources to real estate, from real estate to the Internet;

The rapid growth of wealth broke the solidification of class, but also caused negative effects: Chinese people have a strong utilitarian mind in everything, like to make fast money, not slow money, like speculation, not investment;

Existing ideas cannot be changed from the inside, but can only be changed from the outside. Now China's economic growth continues to decline, resulting in the stall of

individual wealth expansion, we must, like the country, take a long-term view in wealth management!

Principle 2: face up to the function of financial products, adjust the proportion.

The essence of finance is to price time. To buy a financial asset is to buy the future value at different times. Reducing fixed assets and increasing current assets; Reducing taxable assets and increasing tax-free assets; It is the direction of future asset management planning to reduce explicit assets and increase implicit assets. [7]

Principle 3: Correctly identify risks and manage them in advance

It is easier to focus on the risk of an occasional occurrence (black swan) than the risk of an everyday occurrence (gray rhino). The number of deaths from fatal accidents among global commercial airlines reached 257 in 2019, compared with 332 in 2020; Each year 1.35 million people die in traffic accidents.

2.5.3. Insurance Planning Product Configuration Policies

Face up to the risk of "gray rhino" and "keep" and "pass on" the money: reasonably avoid business risks, ensure that the quality of family life does not decrease, and make adequate health planning, family pension planning and children's lifelong planning; Make asset inheritance plan in advance and benefit descendants. [6]

(i). Pension Planning

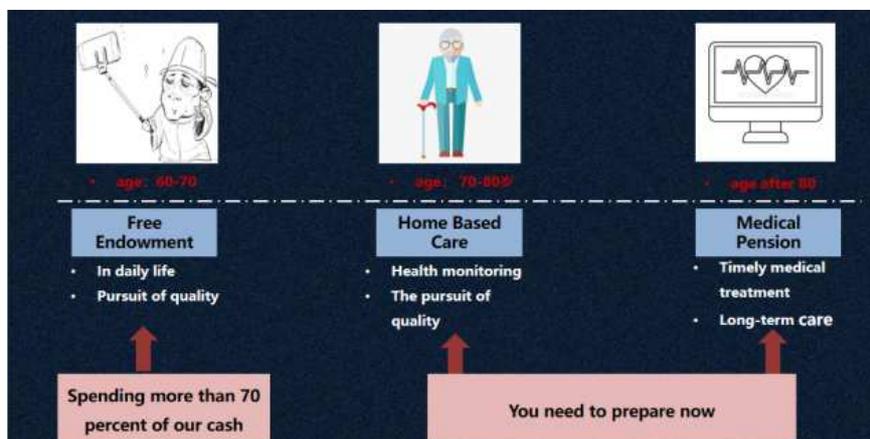


Figure 6. Pension Planning.

**(ii). Planning for Children**

Children's lifelong planning includes children's life: growth, study, career, marriage, pension, etc. We can prepare for children: cash, real estate, insurance... Compared with the other three, real estate can solve the problem of living, cash can provide phased emergency fund, and insurance can ensure that children's life limit is not low. [4].

**(iii). Asset Inheritance Planning**

There are four progressive demands in asset inheritance:

Give the money to the person you want to give, avoid the risk of legal inheritance, distribute the assets according to the will of the decedent, before (gift) and after (inheritance) do not move the right to move property, after the assets do not inherit.

By giving all your money to the person you want to give it to, you effectively avoid the risk of inheritance debt (which the estate should pay first) and taxes (which may be levied in the future). [8]

Double the money to the person you want to give it, make reasonable use of the financial principle of time value of money, use financial instruments (whole life insurance) to make inheritance planning in advance, and realize the double inheritance of assets;

Give money to people who want to give it in good faith, make reasonable use of financial instruments (family trust, insurance trust), and effectively restrain children's behavior after inheritance.

**(iv). Asset Inheritance Planning -- Comprehensive Plan****1) Will (inheritance after death) + Gift Agreement (inheritance before death)**

Testamentary inheritance: Key elements of qualified will: written by notarization, indicating the marital ownership after the children inherit the property;

Problems of testamentary inheritance: inheritance right notarization, inheritance out of control;

Gift agreement: designate inheritance in advance to avoid marriage risk in inheritance. [12]

**2) Financial instruments -- whole life insurance**

Give money to want to give the person: designated inheritance (designated beneficiary) and procedures are simple, not open love with tools said, death benefit fund legal record exit; [13].

Give all the money to the person you want: according to the structure of the product (death fund is the beneficiary's personal property) to effectively avoid inheritance tax and debt;

Double the money to the people you want to give: make full use of the leverage principle of insurance [1] to enlarge the scale of inheritance assets to N times;

**3) Financial instruments -- Insurance trust**

Give the money to the person you want in good faith: after the enlargement of the inheritance, according to the will of the applicant (both the trustee of the family trust), the children can be restrained by setting conditions for the children to obtain the trust profits, and set a clear and guiding

healthy life development path for the children.

Insurance product allocation reason: interest rate downward cycle locked long-term stable income [9].

In 1996 annuities were guaranteed for life with predetermined interest rates of 6-8%.

Cash value is everything, and incremental life expectancy can be thought of as a security. Unlike ordinary securities, however, the value of an increased lifetime increases over time, and this increase is predictable and certain, equal to the cash value of the policy.

**1) Value-added savings function**

Increased lifetime after payment, the cash value will compound at a rate of 3.5% per year, which grants the function of increasing the value of life savings.

**2) Against the downside risk of interest rates**

In addition to the value-added savings function, increased lifetime can also protect against the downside risk of interest rates. It is well known that Yu'E Bao's annualized income exceeded 2%. As a risk-free welfare fund with low threshold, Yu'E Bao has spent six years bringing its yield down from 7% at its peak to 2%, and even fell below 2% a few days ago. The lower interest rate of Yu'E Bao is the best embodiment of the downside risk of interest rate. In other words, it is becoming more and more difficult to make money grow.

**3) Provide alternative cash flow**

Incremental lifetime can be viewed as a marketable security whose value is the cash value of the policy. At the same time, we can "sell" the increased lifetime just as we sell securities. The way to sell it is to surrender the insurance. And like marketable securities, we can just sell some of it and let the rest grow in value. This kind of means calls partial retreat protect or call reduce the specified amount to get.

**3. Conclusion**

According to the background of current interest rate decline, this paper introduces wealth management methods such as pension, children studying abroad, marriage and wealth inheritance. In the case that there is no guarantee of principal and interest in financial products, it helps people to adopt appropriate financial management methods according to different situations, which is conducive to the accumulation of personal wealth. It is suggested that families pay attention to long-term financial products, appropriately adjust the allocation ratio of financial assets, make pension plans for the elderly, and protect and inherit marriage assets for children.

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