MINISTRY OF EDUCATION OF THE REPUBLIC OF BELARUS

STATE EDUCATIONAL INSTITUTION
"SCHOOL OF BUSINESS OF BELARUSIAN STATE UNIVERSITY"

Chair of Innovative Management

He Zhuoyi

DEVELOPMENT OF PERSONAL FINANCIAL MANAGEMENT BUSINESS OF COMMERCIAL BANKS

Master`s thesis

specialty 1-26 80 04 "Management"

(profile "Financial Management")

Supervisor:
Siarhei Darakhovich

Admitted to Master's thesis defense on
"___" ____________ 2021
Head of Chair
of Financial Management
Ph.D., Associate professor
__________ Alena A. Poddubskaya

Minsk, 2021

CONTENTS

GENERAL CHARACTERISTICS OF THE WORK

Master's thesis: 59p., 10 figures, 3 tables, 43 sources.

COMMERCIAL BANK, PERSONAL FINANCE, FINANCIAL SERCICES, FINANCIAL PRODUCTS

The aim of the study is to promote the development of personal financial management business and to enhance market competitiveness of a commercial bank.

Object of the research: China commercial bank.

Subject of the research: personal wealth management business development.

With the gradual liberalization of China's economy, the opening of the market to the outside world, the living standards of residents have been greatly improved, and the goal of building a well-off society in an all-round way has gradually been realized. The acceleration of the interest rate marketization process has also made the bank's previous source of profit - deposit and loan interest differentials less and less, and the development of new bank businesses has become imminent - personal wealth management services, that allow banks to get higher returns at relatively low risks. Wealth management business does not only meet the needs of customers to maintain and increase the value of their assets, but also opens up a new profit path for banks.

Research methods: comparative analysis, expert assessments, graphic method, linear-functional models.

Realm of the possible practical application: It systematically analyzes the development status of personal financial management services of commercial banks in China in recent year (from 1978) and the new problems brought about by the impact of Internet finance and its new possibilities offered to personal financial management services.

INTRODUCTION

Since China's reform and opening up from 1978, the economy has risen rapidly. China’s economic annual growth rate was basically maintained at about 10.0% before 2010, creating the world’s “Chinese miracle”. However, since 2012, the economic growth rate has slowed down and remained at about 7.0%. Whether it can continue to grow steadily in the future is also a matter of whether an important factor that can realize the Chinese dream as soon as possible. [17]

After entering the 21st century, the degree of opening of the domestic market to the outside world has gradually been liberalized, the living standards of residents have been improved to a large extent, and the goal of building a well-off society in an all-round way has gradually been realized. Moreover, the per capita GDP of cities such as Shanghai, Beijing, Tianjin, Jiangsu and Zhejiang has gradually exceeded US$10,000, reaching the level of medium-developed cities. In 2010, the Engel coefficient of residents (the proportion of total food expenditure in total personal consumption expenditure) nationwide was 30.2%, which was a drop of more than 40% from before the reform and opening-up .[16]

On the other hand, the acceleration of the interest rate marketization process has also made the bank’s previous source of profit - the interest gap between deposits and loans - less and less, and the development of new businesses for banks is imminent, which allows the personal wealth management business of banks with higher returns and lower risks.

Wealth management refers to the customer-centric design of a comprehensive financial plan, which provides customers with a series of financial services such as cash, credit, insurance, and investment portfolios, and manages customers’ assets, liabilities, and liquidity. It meets the financial needs of customers at different stages, and help customers achieve the goal of reducing risks and achieving wealth appreciation.

Bank wealth management business is a business in which the bank analyzes the customer's risk appetite and investment needs and after understanding all aspects about the customer formulates wealth management plans for the customer and selects the appropriate financial tools to maximize the value of the assets.

The core of wealth management is: customer-centric, reasonable distribution of assets and income, not only consider the accumulation of wealth, but also consider the protection of wealth. The extension can include personal wealth management and asset management.

Wealth management business not only meets the needs of customers to maintain and increase the value of assets, but also opens up a new profit path for banks. Commercial personal financial management business has a history of more than one hundred years of development in some developed countries, but it has only been developed in China for more than 20 years since its inception, and there are still many problems. This work analyzes and gives solutions to commercial personal financial management business.

The full text is divided into three parts. The first part mainly introduces what is the theoretical basis of personal wealth management business and development of wealth management business, and briefly explains the origin of personal wealth management business of commercial banks and the development process in China.

The second part is about the personal wealth management business of commercial banks including the main bank wealth management products currently existing on the market in China.

The third part analyzes the various aspects of the personal wealth management business of commercial banks in China under the current development situation and makes suggestions for improvement.

The research methods I used in my thesis are: the comparative analysis, expert assessments, graphic method and linear-functional models.

CHAPTER 1
OVERVIEW OF BANK COMMERCIAL PERSONAL FINANCIAL MANAGEMENT

1.1 Definition of personal wealth management and its types

Personal wealth management business refers to professional service activities such as financial analysis, financial planning, investment consulting, and asset management provided by commercial banks for individual customers. [1]

The personal wealth management business of a commercial bank is actually a bank financial planner who fully understands the customer's financial situation, analyzes the customer's risk appetite, investment needs and other factors, and then helps the customer choose a suitable financial product to develop a reasonable asset allocation plan and make it possible to obtain the largest investment income service.

The personal wealth management business of commercial banks is a special kind of bank intermediary business. Commercial banks' personal wealth management services can be divided into financial advisory services and comprehensive wealth management services according to different operating methods.

Financial advisory services refer to commercial banks providing customers with professional services such as financial analysis and planning, investment advice, and personal investment product promotion. In financial advisory service activities, commercial banks accept clients' entrustment and authorization to conduct investment and asset management activities in accordance with the investment plans and methods agreed in advance with clients.

At present, the connotation of wealth management in the asset management market is mainly concentrated on two levels. One is the operation of maintaining and increasing the value of funds through the purchase of asset management products; the other is the peripheral services that extend the operation of funds, such as wealth inheritance and medical VIP services. , VIP room, golf and other services to increase the added value of wealth management. The former's cognition of wealth management overlaps with the connotation of asset management, while the latter's cognition does not conform to the financial connotation of wealth management.

The limitations of the above two cognitions are prominently manifested in two points. One is the excessively narrow definition of wealth management, which is closer to the category of "asset management", which is reflected in the way financial institutions respond to customer wealth management needs as "investment". Service" instead of "Management Service". This cognition does not conduct "wealth management" based on the perspective of tangible and intangible financial statements of customers, which reduces the real added value of wealth management, leading to the homogenization of asset management agency services and a decline in customer experience. The second is an excessively broad definition of wealth management, setting a higher threshold for wealth management services. At present, mainstream wealth management services target high-net-worth clients, and the net worth of investment threshold is mostly set at 6 million yuan. Its service content is to provide slightly customized exclusive investment products and wealth peripheral services, most of which are outsourced to third parties Executed by non-financial service institutions. This cognition over-interprets the service connotation of "wealth management", and the peripheral services provided to clients are highly substitutable. Financial institutions only serve as service intermediaries. Clients can contact law firms and high-end service clubs by themselves. Obtain legal, taxation, and life enjoyment services in other ways.

1. Personal wealth management services need to meet the needs of individual's comprehensive asset allocation

Wealth management in a narrow sense only considers personal investment needs from the perspective of asset allocation in the capital market, and does not fully consider personal wealth-related management needs. The high-threshold service distorts the original intention of wealth management, and the mass affluent class also has greater wealth management needs. Combining the above considerations, this article defines wealth management. The first is to broaden the definition of wealth management asset allocation to cover all personal wealth-related matters such as insurance, real estate, and large consumption planning, and to reflect the overall allocation of personal tangible and intangible assets; the second is Reflect the popularity, adapt to the wealth management needs of the wealthy class of the masses, lower the threshold of wealth management services, and focus on demonstrating the financial connotation of wealth management.

Personal assets are composed of tangible assets and intangible assets. Tangible assets can include real estate, automobiles, wealth management products, funds, insurance, deposits (salary income), provident funds, stocks, etc., which can be roughly divided into fixed assets and financial assets; intangible assets can include predicting the present value of future wage income and future inheritance Present value of assets, etc. If calculated based on tangible assets, after considering tangible liabilities (such as mortgages, car loans, financing loans, etc.), personal equity assets are net assets; if calculated based on intangible assets, increase on the basis of tangible assets and liabilities Considering intangible assets and intangible liabilities (such as the present value of future daily expenses, the present value of large expenditure plans, the present value of pension fund requirements, etc.), the individual’s equity assets are net wealth. The demand for personal overall asset allocation is to manage personal net wealth.

The management needs of personal net wealth are reflected in many aspects. Taking pension insurance as an example, the third pillar of insurance recommends that individuals improve the personal basic pension and enterprise annuity pension systems by purchasing commercial pension insurance. Calculating the purchase volume of individual commercial pension insurance requires comprehensive consideration of the present value of individual tangible and intangible assets and liabilities, and clarifying the amount of funds held and used by individuals in the future and at the current stage, so as to determine the allocation ratio of commercial pension insurance. Taking house purchase planning as an example, according to the asset portfolio management theory, the volatility effect between assets has a nonlinear linkage relationship. It is necessary to consider the risk factor hedging between holding assets and continuous monitoring and adjustment of positions. If individual investors have already purchased real estate, Then its stock positions should consider avoiding holding real estate-related listed company equity, or hedging real estate risk factors. All in all, personal wealth management needs include tangible and intangible assets and liabilities, spanning the capital market and consumer market, and are in line with the wealth management needs of the mass affluent class.

2. Asset management institutions need to develop innovative models to meet future personal wealth management needs

Asset management institutions need to break through the limitations of traditional cognition of wealth management and gain insight into the overall asset allocation needs of personal wealth management in order to cope with the future development momentum of wealth management business. From the perspective of asset management institutions, the configuration requirements of personal wealth management can be divided into underlying underlying assets, asset management products, insurance products, and non-financial assets. At present, according to the different fields of asset management institutions, the configuration services provided are also different. Brokerage firms mainly deal with the allocation needs of underlying underlying assets and asset management products. Bank wealth management, funds and trusts mainly deal with the allocation needs of asset management products. Insurance companies mainly deal with the allocation needs of insurance products. Commercial banks mainly deal with the needs of non-financial asset financial services. (For example, mortgage, car loan, etc.). If you need to respond to the individual's comprehensive wealth management needs, asset management institutions need to "one-stop" to meet the ability to allocate all types of assets. From the perspective of concept, the institution closest to the concept of wealth management services is currently a third-party wealth management institution. However, due to the disadvantages of licenses and the decline of reputation in recent years, third-party wealth management institutions have not taken a good role in integrating personal wealth management. The "big banner" of asset allocation needs, and bank wealth management subsidiaries enjoy license and reputation advantages, and are expected to carry this "big banner."

3. From the perspective of implementation methods, the wealth management business developed by asset management institutions can be divided into "product models" and "service models."

The "product model" is an extension of the existing asset management institution's "product-centric" business model. It also responds to the needs of personal wealth management in a "one-thousand-person" approach, but increases the consideration of pension insurance, factor hedging, liquidity, and maturity For specific needs, relevant elements (or factors) are embedded in asset management products. For example, embedded pension elements in asset management products, some weighted assets are configured according to factors such as long duration, high risk, low liquidity, etc., and a product grading system can be set to classify products according to personal age and wealth accumulation needs. Realize that individuals can have corresponding asset management products for investment at different stages of life. Another example is designing real estate risk factor hedging asset management products, avoiding the equity of real estate companies in the product, or increasing the industry weight that is negatively correlated with the real estate market, and hedging the relatively large risk of physical real estate assets in personal wealth.

In order to solve the disadvantages of the "product model" and "one-thousand-person", the design of asset management products needs to consider factors such as returns, risks, deadlines, purchase thresholds, performance comparison benchmarks, and weights of investment targets, as well as the suitability of the product. Factors such as age stage, the scale of family financial assets, the range of personal expected income needs, the range of personal risk tolerance, and the range of personal liquidity needs during the existence period. Its service concept is to treat asset management products as a corner portfolio of personal investment allocation. The asset management products that individuals actually need to configure are a proportion of two or more standard portfolios, so as to be as close to personal wealth management as possible. Various needs.

The "service model" treats all asset management products and underlying assets as configurable assets of the same level, and realizes all-round management of personal wealth through comprehensive configuration of wealth management products, asset management plans, pension insurance, stocks, bonds, non-financial assets, etc. . The principle and connotation of "service model" and "product model" are similar, and the fundamental difference lies in the front-end customer experience. The "service model" emphasizes the service experience of "thousands of people with a thousand faces" more than the "product model", which is also difficult to achieve after the "product model" uses the standard combination configuration method.

Foreign countries have implemented the TAMP model for many years, and have accumulated a lot of practical experience in the "service model". Currently, they are developing towards a deep integration of general banking services and personal wealth management to form a personal comprehensive financial service system.

4. Implementation measures for the development of innovative models of asset management institutions

Both the "product model" and the "service model" require asset management institutions to clarify their strategic positioning of wealth management, and focus on choosing a model as the breakthrough and focus of wealth management business.

The "product model" requires asset management institutions to strive to develop investment and research systems to achieve actuarial capabilities in product design. This model seems to be expanded on the basis of the existing business model, but it actually requires a lot of investment in algorithms, data volume, and professionalism. According to the above, personal wealth management is the relationship between the present value of a series of future capital flows and the current capital market allocation factors. For example, when designing product features such as pension elements and factor hedging elements, it is necessary to learn from actuarial methods to make it clear Product pricing range and duration management plan. Correspondingly, large and high-quality data is the basis for supporting actuarial conclusions. Actuarial methods consist of a series of algorithms and models, and the output quality of the model cannot be higher than the quality of the data. Finally, in order to support the quality of product design based on actuarial and data, asset management institutions need to build standardized investment and research processes and supporting application systems to demonstrate the professional attributes of asset management products and win the trust of customers. It can be seen that the "product model" requires a greater depth of capability, which is to develop wealth management business in depth and gain a competitive advantage. Relatively speaking, the "service model" requires a greater breadth of capabilities.

The "service model" requires asset management institutions to use information systems and standardized management processes to strengthen the implementation of innovative models at the front end of the service. In order to meet the needs of personal wealth management, asset management institutions using this model need to enrich the types of asset management products, broaden the channels for obtaining other financial products, and provide transaction services for over-the-counter and non-over-the-counter underlying underlying assets. After that, asset management institutions need to strengthen their service platforms and use standardized management processes and information systems to assist the users of the platform to make wealth management decisions. The users of the platform can include investment (wealth) consultants, individual investors, third-party service agencies, and private equity. Funds, etc. Compared with the "product model", the "service model" has changed a lot from the traditional way of business development of asset management institutions, and needs to adjust the organizational structure and strategic direction. However, unlike the "product model" that requires mining top teams in the investment industry and building top systems, the cost is relatively large, the uncertainty is high, and it is challenged by private equity funds, the construction content of the "service model" can rely on the existing mature logic System and construction practice quickly occupy the market share of personal wealth management at a relatively small theoretical trial and error cost.

In summary, asset management institutions need to develop personal wealth management services based on the individual's overall asset allocation needs, and form specific service plans by innovating "product models" or "service models." Judging from the current market environment, if a bank's wealth management subsidiary or a "service model" best practice institution can obtain a brokerage license, the combination of banking and brokerage businesses will bring unlimited reveries to other non-bank institutions. The impact of developing wealth management business may be even greater.

The definition of personal financial management by the International Association of Financial Planners: Personal financial management is to provide specific plans, suggested action strategies and programs to achieve financial goals as a paid service based on the analysis of personal and financial status and abilities.

The American Association of Certified Financial Planners defines personal financial management: Personal financial planning is to organize financial and personal information and formulate a strategic plan. Constructively manage income, assets, and debts to achieve short-term and long-term goals. The key to the success of the personal financial planning process is to focus on and regularly check the implementation of the plan to ensure that the client's goals are achieved.

In summary, personal financial management is the process of realizing financial goals through comprehensive and effective management of assets, debts, income and expenditures based on understanding and analyzing the situation of customers, according to their life, financial goals and risk preferences.

2. Wealth Management and Personal Finance

(1) Investment and wealth management.

Wealth management includes investment management. Investment or investment management is the process of asset allocation and investment tool selection in order to achieve asset preservation, appreciation or current returns: In addition to asset allocation, wealth management also includes wealth accumulation, wealth protection, and wealth distribution.

(2) Personal financial management and wealth management.

Personal financial management has two meanings: one refers to a set of scientific and systematic financial analysis and financial planning tools, methods and processes; the second refers to personal financial management, that is, financial institutions and their business personnel use professional personal financial services tools, The activity or process of method development, customer service, and achievement of business goals.

Wealth management has two meanings: one refers to the tools and methods of professional services, including processes; the other refers to wealth management business. As far as the former is concerned, that is, in terms of the tools and methods of professional services, the two definitions of personal financial management and wealth management are difficult to distinguish, and they are essentially the same.

(3) Personal financial management business and wealth management business.

The scope of personal financial management includes wealth management and even private banking.

1.2 Needs for personal wealth management.

There is a great need for people to understand and take control of their personal finances. These are some of the overarching reasons for it:

1. Shortened employable age: Over the years, with the advent of automation and changing needs; it has been witnessed across the globe that several jobs that require manual intervention, or that are mechanical in nature are increasingly becoming redundant. Work becomes redundant, which means that the demand for employees is reduced, and employees have a sense of crisis in their own careers, and even lose their jobs. As a result, personal property is lost, which affects personal financial management.

Several employment opportunities are shifting from countries with higher labor costs to countries with lower labor costs keeping margins low for companies.

In economies with a considerably large younger population entering the workforce who are more equipped with latest technologies, several employees in the middle management who have not up-skilled are easily replaceable with new and fresh talent that are cheaper and more valuable to the organizations.

These are some of the reasons why individuals should start planning for their retirement and systematically build on their retirement corpus, hence the need for personal finance. After retirement, their income will decrease, and they must ensure effective wages and efficient use, so financial management is very necessary.

2. Increased life expectancy: With the developments in healthcare, people today are living till a much older age than their forefathers. The average life expectancy has changed over the years and people even in developing economies are living much longer. The average life expectancy has gradually shifted from 60 to 81

and upwards reference. Increased life expectancy coupled with a shorter employable age reinforces the need of having a large enough retirement corpus and the importance of personal finance. [17]

3. Rising medical expenses: Medical expenses including cost of drugs, hospital admission care and charges, nursing care, specialized care, geriatric care have all seen an exponential rise over the years. Many of these medical expenses are not covered through the insurance policies that might either be private/individual insurance. From 1993 to 2011, the economic burden of disease for the elderly increased from 77.5 billion yuan to 21.4 billion yuan (the price of the year).

The proportion for now of GDP increased from 2.1% to 3.3% in 2012. After price index adjustment, the economic burden of disease increased by 12.9% annually.

The average annual growth rate of labor costs for disability care is 14.1% in 2012. [18]

Several important dimensions that should be considered in personal family "wealth management":

1. Personal financial needs based on family structure, life cycle and income asset status

Wealth management is multifaceted, because each person's family structure, life cycle, and income and asset status are different, so each person's corresponding needs are also different.

We divide a person's life into several major stages, which are nothing more than youth, adulthood, and old age.

In our youth, we usually don't have a heavy family burden, and we are "being alone". In fact, the most important thing we should do at this stage is the allocation of physical assets. Because at this stage our biggest advantage is time, which can shape many things. A very important point is that time can be exchanged for space, and financial tools can be used to realize the transformation of funds in time. What can be done is to convert the cash flow in the long future into today’s investment and consumption. For example, many people take out loans to buy a house. The financial behavior of "time for space".

For the act of buying a house, the benevolent see benevolence, and the wise see wisdom. On the one hand, buying a house can buy out all future inflation. In the past 20 years, buying a house has basically been one of the most successful investments, but on the other hand, the act of buying a house will to some extent limit many options in the future.

Therefore, the author's opinion is that if the family can support it, it will not restrict oneself too much in the future career development and personal growth, just need a house can be bought earlier.

Investing in yourself, in my opinion, is the most in-kind investment that you should make in your youth. In the youth, it is more important than any other investment to continuously improve one's own cognition and ability, let oneself continue to add value, see the world, and find one's own direction.

In the prime of life, usually we have established a family, our role has changed, and our income has also increased. At this time, we need to make more diversified asset allocations based on the family structure and our own income and assets. On the one hand, from the perspective of family roles, there are old people at the top and young people at the bottom. You can start to consider the financial needs of parents' retirement and pension, medical care, and children's education; on the other hand, in terms of asset types, different risks can be matched. , Income and liquidity of financial tools, the reasonable allocation of family property to realize the effective use of family property, meet short-, medium-, and long-term financial goals, and better prepare for the needs of the next different stages.

In old age, safety and mobility should be considered the most. Because at this time, our cash inflow has been reduced, and we basically rely on the wealth we have accumulated before to live, and our risk tolerance is also weakening.

At different stages of life, corresponding to different family structures and income asset levels, as well as different financial needs and priorities, we need to make good use of different financial tools for different asset allocations to meet the financial needs of all stages of life.

To borrow Xiangshuai's words, "No matter where you are in your life, all financial tools are like small time machines, moving our wealth back and forth on the track of life, allowing us to be able to Living a better life allows us to obtain better liquidity when we are old and not very liquid. So I have always said that studying finance and making good use of financial tools can give us greater freedom in life."

1.3 Personal financial management process.

First, set financial goals. There should be many considerations for this. First of all, the financial management goal should be quantified. For example, if you want to buy a house, is this a financial management goal? this is not. To buy a house worth a lot of money, to buy a house in three years, or to buy a house next year, this is a financial goal, that is to say, it must be quantified and there must be a concept of time. At the same time, you can also imagine what it would be like to live in this house, which will help you achieve your ideal goals. The real financial goal is a quantitative and time-bound goal. Second, review your own asset status. What is a review of asset status? Just take a look at how much money you can manage. One is how many assets you have in the past, and the other is how much income you will have in the future. This is a question of how much money you can manage. Look at whether your assets meet your own needs, whether your assets and liabilities are reasonable, and whether you can use some financial leverage to make your financial structure more reasonable. This is a review of your asset status. Third, understand your own risk appetite. Some people say that they are a very conservative person, while others will say that they are a very aggressive person. How can you correctly evaluate your risk appetite? There are three methods. First, consider your personal situation, whether you have a family, whether you have a dependent population, and how much expenditure accounts for your income. If you have a child, your investment behavior is still very aggressive and very high-risk, which can only mean that you do not have a clear understanding, because the family responsibilities you have to bear are no longer the same. Second, consider the investment trend. For example, you are very good at stocks, you are a very aggressive person in investment, and so on. Finally, we must also consider the orientation of personal character. People of different personalities will make completely different choices when facing certain things, and personalities also determine what behaviors people will have in the financial management process. Fourth, carry out reasonable asset allocation. This asset allocation is strategic. It is an asset allocation made in a very rational state. You can't suddenly hear a friend say that a stock is very good today, so you just put all your assets on the stock. Assets should be allocated first. For example, from a strategic point of view, only 30% of assets should be used for stock investment. No matter what others say, it should be fixed at 30% and 20% of assets should be placed in the bank. It is a strategic asset allocation. Fifth, manage investment performance and make adjustments according to changes in the market.

The personal financial management process involves five steps:

Figure 1.1 5 steps of personal financial management process

Note – source:[5]

Assessment: A person's financial situation is assessed by compiling simplified versions of financial statements including balance sheets and income statements. A personal balance sheet lists the values of personal assets (e.g., car, house, clothes, stocks, bank account), along with personal liabilities (e.g., credit card debt, bank loan, mortgage). A personal income statement lists personal income and expenses.

Goal setting: Having multiple goals is common, including a mix of short- and long-term goals. For example, a long-term goal would be to "retire at age 65 with a personal net worth of $1,000,000," while a short-term goal would be to "save up for a new computer in the next month." Setting financial goals helps to direct financial planning. Goal setting is done with an objective to meet specific financial requirements.

Typical goals that most adults and young adults have are paying off credit card/student loan/housing/car loan debt, investing for retirement, investing for college costs for children, paying medical expenses.

Plan creation: The financial plan details how to accomplish the goals. It could include, for example, reducing unnecessary expenses, increasing the employment income, or investing in the stock market.

Execution: Execution of a financial plan often requires discipline and perseverance. Many people obtain assistance from professionals such as accountants, financial planners, investment advisers, and lawyers.

Monitoring and reassessment: As time passes, the financial plan is monitored for possible adjustments or reassessments.

1.4 The origin and development of PWM

1.4.1 The origin and development of personal finance education

Personal financial management business originated in Switzerland. It developed rapidly in the United State in the 1960s, and then in European countries, Japan, Hong Kong and other countries and regions. The initial form of personal wealth management business was that Swiss commercial banks offered personal wealthy customers with one-to-one private banking services, and helped them with financial planning, investment, and asset management to achieve asset value preservation or appreciation. The latest statistics from JPMorgan Chase show that in April 2021, the proportion of American households holding stocks to their total financial assets rose to 41%, the highest level in history. The report attributed the increase in the proportion of stocks to two reasons, namely the rise in stock prices and the increase in the number of stocks purchased by retail investors. [24]

Before a separate specialty in personal finance was developed, various disciplines were closely related to it, such as family economics, and consumer economics were taught in various colleges as part of home economics for over 100 years. [25]

Personal finance education is needed to help an individual or a family make rational financial decisions throughout their life. Before 1990, mainstream economists and business faculties paid little attention to personal finance. However, several American universities such as Brigham Young University, Iowa State University, and San Francisco State University have started to offer financial educational programs in both undergraduate and graduate programs in the last 30 years. [9] These institutions have published several works in journals such as The Journal of Financial Counseling and Planning and the Journal of Personal Finance. Research of personal finance is based on several theories such as social exchange theory [10] and andragogy (adult learning theory). [11] Professional bodies such as American Association of Family and Consumer Sciences and the American Council on Consumer Interests started to play an important role in the development of this field from the 1950s to 1970s. The establishment of the Association for Financial Counseling and Planning Education (AFCPE) in 1984 at Iowa State University and the Academy of Financial Services (AFS) in 1985 marked an important milestone in personal finance history. [19] Attendances of the two societies mainly come from faculty and graduates from business and home economics colleges. AFCPE has since offered several certifications for professionals in this field such as Accredited Financial Counselor (AFC) and Certified Housing Counselors (CHC). Meanwhile, AFS cooperates with Certified Financial Planner (CFP Board). [21]

As the concerns about consumers' financial capability have increased in recent years [12], a variety of education programs have emerged, catering to a broad audience or to a specific group of people such as youth and women. The educational programs are frequently known as "financial literacy". However, there was no standardized curriculum for personal finance education until after the 2008 financial crisis. [19]

The United States President's Advisory Council on Financial Capability was set up in 2008[13] in order to encourage financial literacy among the American people. It also stressed the importance of developing a standard in the field of financial education.

1.4.2 Development of PWM in China

In the late 1990s, providing customers with investment advisory services and foreign exchange wealth management services was the beginning of personal wealth management services in the banking industry in China. In 1996, the "Private Wealth Management Center" launched by China CITIC Bank Guangzhou Branch was the first financial management in China. [20] After that, major domestic commercial banks began to develop wealth management services, but they were all small in scale and single in variety, and there was no effective competitive market. It was not until October 2002 that the retail financial product "Golden Sunflower", series of financial products designed by China Merchants Bank came out, which brought the personal financial management business of commercial banks to a climax to be the top one among Chinese banks. In 2002, Golden Sunflower Financial Management was the first time that the Chinese banking industry began to subdivide customer groups and implement customer-classified service management.

The China Merchants Bank credit card launched in 2002, although China Merchants Bank was not the first to promote credit cards in the Chinese banking industry, the true credit card was first launched by China Merchants Bank, which played a huge role in guiding the real credit card consumption awareness of Chinese people. [20]

In September 2000, the People's Bank of China issued the "Notice on Reforming the Foreign Currency Deposit and Loan Interest Rate System", liberalizing the interest rates of foreign currency loans and large foreign currency deposits, of which small foreign currency deposits were uniformly set by the Banking Association. It can be said that this is a "broken window" for foreign currency wealth management business, and it also laid a policy foundation for the development of foreign currency wealth management business. The hurling of foreign currency products has led to increasing calls for the launch of RMB products. [15]

In short, interest rate marketization, especially deposit interest rate marketization, is one of the important prerequisites for the issuance of wealth management products, and the development of foreign currency wealth management products is an example. The development of renminbi wealth management products shows that the marketization of interest rates on the asset side is also one of the conditions for the smooth issuance of wealth management products. [15]

In fact, in 1999, the Ministry of Finance realized the first issue of treasury bonds in the inter-bank market by a way of interest rate bidding[15] In 2003, the People's Bank of China began to issue central bank bills. [15] After that, products and trading tools in the inter-bank bond market continued to increase, and trading methods continued to improve. From 2004 to 2013, the People's Bank of China gradually liberalized the lower limit on loan interest rates. According to the different ways in which customers obtain income, bank wealth management products can be divided into three categories: guaranteed income type, guaranteed floating income type and non-guaranteed floating income type. From the perspective of investment targets, bank wealth management products can be divided into bonds and money market, credit, bill asset, securities investment, new stock subscription, equity investment, portfolio investment, structured products, and QDII products. and many more. Therefore, the above-mentioned policies provide an important role for the pricing of RMB wealth management products, especially fixed-income products.

The development of foreign currency wealth management business has provided convenience, so that in the following years from 2005, the market-leading products are foreign exchange wealth management products.

In terms of total amount, since 2009, total personal investable assets in China have risen rapidly. As of the end of 2018, it has reached 196 trillion yuan, and it is expected to exceed 216 trillion yuan in 2019. In terms of growth rate, since 2016, the growth rate of personal investable assets in China has dropped from the previous double-digit growth rate to about 10% today, and the growth rate has slowed down significantly. On the one hand, the slowdown in the growth rate is due to the decline in GDP growth and the decline in the overall wealth growth rate; on the other hand, the financial supply-side reform in recent years has had some impact on the wealth management industry. [22]

In terms of structure, from the perspective of residents' financial management structure, savings accounted for 51% of the allocation of financial assets; bank financial management followed closely, accounting for about 15%; capital market investment (stocks, funds, bonds) accounted for the total investment of residents 14.5%; insurance investment accounts for 10%; cash accounts for about 5%. [22]

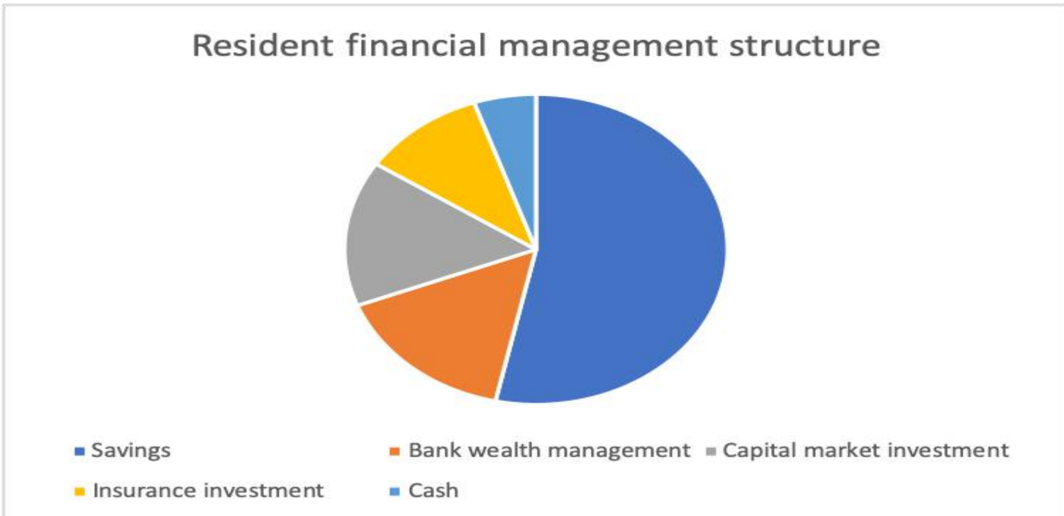

Figure 1.2 Resident financial management structure

Note - source: [22]

1.5 Theoretical Basis for PWM

When a commercial bank develops personal financial management business, financial planners must understand the customer's various information, especially the customer's financial status, so that they can develop a set of appropriate financial management plans for the customer. Financial planners mainly use portfolio theory, life cycle theory and financial innovation theory when choosing appropriate financial management tools for customers to invest.

1.Portfolio Theory

Portfolio theory is mainly to study how to minimize risk by diversifying investment while ensuring the maximum return on investment. Personal financial management is actually an asset management service. It is a service for banks to help customers make investments. Therefore, it is inevitable to use portfolio theory. When banks use financial management funds to invest, they can use portfolio theory to diversify investment to reduce non-systematic risks.

The beginning of modern portfolio theory originated from the "Securities Portfolio Selection" published by the American economist Harry Markowitz [2]. The return of the portfolio is formed by the weighted average of the returns of each security in the portfolio, but the risk of the portfolio is not determined by the individual. [23] The risk-weighted average of securities is made because the investment portfolio reduces the risk of unsystematic. Markowitz quantified the risks and returns in the mean variance model, and used this model to determine the best state of the asset portfolio. However, in this model, the covariance matrix of all assets needs to be calculated. Such a large amount of calculation greatly limits the application of the model in practice.

It was not until William Sharp created the Sharp single-cause model in the early 1960s [3] that the covariance matrix of assets could be easily estimated, and this allowed portfolio theory to be widely used in practice. After that, Sharp, Lint, and Mawson successively proposed their respective capital asset pricing models. The proposal of this model not only quantified the mutual conversion of returns and risks, but also allowed investors to conduct investment portfolios [4]. There is a theoretical basis when analyzing or evaluating the performance of the invested funds. In order to overcome the untestable shortcomings of the capital asset pricing model, Ross created a model that can replace it in 1976-the Arbitrage pricing theory(APT) model. [5] The proposal of this model makes the multi-index portfolio analysis method widely used in actual investment.

2. The product life cycle

The product life cycle, referred to as PLC, is the market life of a product, that is, the entire process of a new product from entering the market to being eliminated by the market. Vernon believes that product life refers to the life of marketing in the market. Like human life, products undergo a cycle of formation, growth, maturity, and decline. As far as the product is concerned, it means going through a stage of development, introduction, growth, maturity, and decline. The time and process of occurrence of this cycle are different in countries with different technological levels. There is a large gap and time difference during the period. It is this time difference that is manifested as a technological gap in different countries, which reflects The difference in the competitive position of the same product in different countries' markets determines the changes in international trade and investment. This theory focuses on analyzing the basis of international trade from the perspectives of technological innovation, technological progress and technological dissemination, dynamics the comparative benefits in international trade, and studies the transmission of product export advantages among different countries.

The product life cycle theory was first proposed by Harvard University professor Raymond Vernon in his article "International Investment and International Trade in the Product Cycle" in 1966. The theory has the following specific stages:

(1) The introduction period

Refers to the product from being designed and put into production until it is put on the market and enters the testing stage. When a new product is put on the market, it enters the introduction period. At this time, there are few product varieties, and customers still don't understand the product. Except for a few customers who are pursuing novelty, almost no one actually buys the product. In order to expand sales, producers have to invest a lot of promotional expenses to promote products. At this stage, due to the limitation of production technology, the production batch is small, the manufacturing cost is high, the advertising cost is high, the product sales price is high, and the sales volume is extremely limited. The company usually cannot make a profit, but may lose money.

(2) Growth period

When the product enters the introduction period and the sales are successful, it enters the growth period. The growth period means that the product has passed the test sale with good results, and buyers gradually accept the product, the product has a foothold in the market and opened up a market. This is the stage of demand growth, and demand and sales are rising rapidly. Production costs have dropped significantly and profits have increased rapidly. At the same time, when competitors see profit, they will enter the market one after another to participate in the competition, which will increase the supply of similar products and decrease their prices. The growth rate of corporate profits will gradually slow down.

(3) Mature period

Refers to the product entering mass production and stably entering the market for sales. After the growth period, as the number of people buying the product increases, market demand tends to become saturated. At this time, products are popularized and standardized day by day, with low cost and large output. Sales growth was slow until it turned down. Due to intensified competition, manufacturers of similar products had to increase investment in product quality, design, specifications, and packaging services, which increased costs to a certain extent.

(4) Decline period

It means that the product has entered the phase-out phase. With the development of technology and changes in consumption habits and other reasons, product sales and profits continue to decline. Products have been aging in the market and cannot meet market demand. There are other new products with better performance and lower prices on the market. Enough to meet the needs of consumers. At this time, companies with higher costs will cease production because they are unprofitable, and the life cycle of such products will gradually end, and eventually withdraw from the market completely. [42]

3. Financial innovation theory

Financial innovation theory, financial innovation is a theory of demand-induced profit-driven financial phenomena. Not only is the invention and creation of a new financial product or service, but more importantly, its production can bring huge profits to people. Because of this, financial innovation is generally recognized and welcomed by people, and it is a persistent pursuit of the international community. However, so far financial innovation has not yet created an independent and complete theoretical system in practice. Financial economists often use the microeconomic theory of corporate profit maximization to analyze the birth of new financial instruments and the process of financial enterprises' efforts to innovate. In 1983, W.L. Silber pointed out that financial innovation is produced to resist external factors that inhibit enterprises from achieving profit maximization and utility maximization. The various restrictive factors of financial activities, based on their sources and forms, can be divided into: changes in government regulation and taxation policies; changes in the external environment such as consumer product prices and financial asset prices; changes in the supply and demand factors lead to changes in the entire market. Variety. The changes in supply factors mostly refer to the impact of technological progress and intensified competition on the risks and costs of financial institutions; the changes in demand factors refer to changes in investors' attitudes towards capital liquidity, risk, transaction costs and financing channels, etc. . [1]

Among the many financial economists who have contributed to the generation and development of financial innovation, they can be roughly divided into two groups: one group focuses on analyzing the constraints that promote the process of financial innovation, rather than studying the economic principles of financial innovation. Its main representatives and discourses include: E. J. Kane's discourse on regulation and technology in 1984, M. H. Miller's discourse on taxation and technology in 1986, and

S. L. Greenbaum and B. Higgin Sri Lanka's 1983 discussion on raising real income and periodic interest rates, etc. The other school focuses on the research on the determinants of the financial innovation process and the development momentum. The main representative works in this area are: M. Beholman and Sibel in 1977, AW. Sumz's analysis of the causes and results of innovation in 1986, Sibel in 1983, Cross 1986 and JD ·Fennerty's 1988 classification research on new financial instruments, markets and technologies and analysis of their origin, purpose, significance and other aspects. The above analysis and research show that financial regulation is crucial in the initial stage of financial innovation, and technological progress is the driving force of innovation, and its importance runs through the entire process of financial innovation. Although taxation is also very important for innovation, it is selective and temporary. In short, financial innovation is the result of the interaction of many factors. Many factors that play a decisive role in the initial stage of financial innovation are often not important for its later development.

According to the above-mentioned theory, the emergence and development of financial innovation in the United States can be divided into three stages according to its origin and main contributions: (1) From 1965 to 1972, the first wave of financial innovation occurred in the United States. During this period, the prices of consumer goods in the United States have risen sharply, interest rates have fluctuated sharply, and strict interest rate controls have led to a sharp drop in the income of huge savings and financial transactions, and even losses. Financial institutions and the securities industry urgently need to use a form of easy-to-monetize debt that reflects market interest rates to withstand the risks caused by inflation and rising interest rates. Driven by this demand, new financial products have emerged. Citibank of New York took the lead in launching the "Transferable Certificate of Deposit" (CD), and then the US securities industry launched the "Money Market Mutual Funds" (Money Market Mutual Funds), which facilitated the purchase of Treasury bills by the majority of savers, and their yield was even higher than Negotiable certificate of deposit. In order to compete with the banking and securities industries, the American insurance industry has also vigorously opened new insurance products, such as "Universal Life Policy" and "Variable Life Policy". At the same time, this wave soon spread to the European continent, and London's European currency market and European bond market also developed by leaps and bounds. ②From 1973 to 1982, it was the second wave of financial innovation. In the 1970s, the impact of the oil crisis, the worst post-war inflation, and unprecedented high interest rates and interest rate fluctuations caused the U.S. economy and stock market to stagnate for a decade. However, the pace of financial innovation has not stopped because of this. The drastic changes in the financial market have instead promoted the birth of new financial products. Financial asset futures and options are the most important innovations in this period. With the development of various treasury bond futures and stock options, the financial futures market has developed rapidly just like the commodity futures market. The increase in personal savings and the establishment of mutual funds are forces that cannot be ignored in promoting the development of emerging markets. In the face of competition for funds in the securities market, the US regulatory authorities lifted restrictions on bank interest rates in 1982 in order to change the situation of declining banking business and lower interest rates. Then a variety of "adjustable interest rate mortgages" and "floating interest rate notes" matching deposits came out one after another. In addition, the banking sector has also begun to get involved in the securities industry, relying on the securities market to issue subordinated bonds, and began a test of securitization of mortgage loans. The popularization and application of electronic information technology has opened up a broad horizon for banks to expand credit card business, cash management business, Unicom account business and automatic withdrawal business. ③ 1982 has been the third wave of financial innovation. Since 1982 in the United States, technological innovation, inflationary pressures, and evasion of financial regulation have no longer been determinants of financial innovation. The new impetus comes from the dramatic fluctuations in stock prices and the wave of industrial mergers and acquisitions. From 1983 to 1987, the U.S. stock market prices soared, prompting the securities industry to introduce new products such as "stock index futures" to eliminate the risk of price fluctuations and achieve the purpose of hedging to obtain profits. With the wave of corporate mergers and acquisitions in the 1980s that focused on acquisitions, the issuance of high-yield and high-risk bonds became the main financing channel for acquisition activities. This mode of operation is known as leveraged buyout (LBO) and junk bonds (junk bonds). . These new financial products have also promoted the development and growth of investment banks.

Some large banks in the United States, such as JPMorgan Bank, have successfully turned to investment banking business, and got rid of various restrictions on the scope of banking business and geographic areas. However, for some regional small and medium-sized banks, the cost of innovation in deposit instruments is too high. Mortgage securitization saves capital but yields meagre benefits. Therefore, these banks have few innovative products. As U.S. investment banks have opened up many new financial market tools, such as commercial paper, junk bonds, etc., they have fiercely competed with commercial banks on the upper level of short-term and fixed-term asset portfolios, forcing commercial banks to get involved in non-banking businesses that they were not familiar with before. As a result, the bank's share and profits in the entire financial market have shown a downward trend. Some large national banks have begun to rely on securitization to improve their asset portfolio and capital structure, and embarked on the path of mergers and reorganization. The more famous bank M&A activities include: Hanover and Manufacturing Bank, Hanover and Pacific Securities, and the merger of National Bank of America and

Bank of America. Therefore, in the third wave, financial innovation is shifting from innovation in financial tools, markets and services to innovation in financial systems and financial regulation. [41]

CHAPTER 2
THE PERSONAL FINANCIAL MANAGEMENT IN CHINESE COMMERCIAL BANKS: PRODUCTS, DEVELOPMENT SRTATEGIES AND PROBLEMS

2.1. Classification of wealth management products of commercial banks in China.

2.1.1. Classification of wealth management products of Chinese commercial banks

While the number of wealth management products issued by commercial banks is increasing day by day, the types of bank wealth management products are becoming more diverse. For mass investors, therefore, it is particularly important to classify wealth management products so that investors can see at a glance what kind of they need based on their investment preferences.

The financial products issued by commercial banks can be classified according to different standards.

Table 2.1 - Three main classification methods of wealth management products

	Type			
According to the different investment periods	ultra-short-term wealth management products with a duration of less than 1 month	short-term wealth management products with a duration of 1 month to 3 months		medium-term wealth management products with a duration of 3 months to 1 year
According to the different investment directions	loan trust type wealth management products	structured wealth management products	currency type wealth management products	new stock purchase type wealth management products

According to different design structures	unitary financial products	structured financial products with financial derivatives embedded in the transaction
According to the division of capital investment	Wealth management products of financial instruments such as treasury bonds, central bank bills, financial bonds, etc.	

Note-Source: https://www.wind.com.cn/NewSite/edb.html

Guaranteed-yield wealth management products refer to the bank's promise that when the wealth management product expires, the bank will repay all the principal of the investor, and will pay the investment to the investor at the lowest fixed interest rate agreed in advance.

Income-based financial products. If the final realized rate of return of the financial product is higher than the agreed rate of return, then the higher part will be distributed in accordance with the distribution method agreed in the previous contract. The risk of this type of wealth management product is borne by the bank. Even if the final rate of return of the wealth management product does not reach the rate of return that the bank promises to the customer in advance, or even a loss of principal occurs, the bank must repay all the principal of the investor and pay the lowest rate of return agreed in the contract. Such wealth management products are suitable for investors with low risk tolerance and investment styles that favor conservative investors.

The non-guaranteed floating income products refer to wealth management products funded by investors and managed by managers with professional capabilities. If the investment is not profitable, the investor will bear the loss alone; if the profit is obtained, the investor and the manager will distribute the profit in a certain proportion. The distribution ratio in the financial market is generally 20% for managers and 80% for investors.

Different from fixed-income trust products, floating-income products basically do not have any measures to ensure the safety of the principal and the trust income paid at maturity is not fixed, which may be low or high, mainly based on the income distribution of the project. Floating income trust products are generally invested in the securities market, including stocks, debt, funds, etc. For example, trusts that invest in the secondary market may not be able to recover their capital if their stocks fall sharply. As for the non-guaranteed floating income products, its security of the principal is not guaranteed, and the return is not fixed, it may not reach the expected rate of return and there may be a principal replacement.

At present, the average return of bank financial products is around 5%, of which principal-guaranteed products the income of wealth management products is mostly below 4.0%, while the income of non-guaranteed wealth management products is mostly around 5.0%.[17]

In general, fixed-income trust products have relatively low risks and are suitable for investors who pursue stability. The floating income products are relatively risky, but they may obtain excess returns, which are suitable for more aggressive investors. When investing in trust products, you have to weigh the risks and benefits, and the one that suits you is the best.

According to the division of capital investment, monetary wealth management products mainly refer to wealth management products in which banks invest their wealth management funds in treasury bonds, central bank bills, financial bonds and other financial instruments with higher credit ratings and better liquidity. The investment period of currency-based wealth management products is generally relatively short, and the redemption of funds is relatively simple. Moreover, because of the higher credit rating of general investment products, the liquidity and safety of wealth management products are generally better. However, there are many institutions that provide currency-based wealth management products on the market, such as securities companies, money market funds, and Internet finance. Compared with the currency-based financial products issued by these institutions, the financial products issued by banks are in a relatively weak position. Because most bank wealth management products do not allow investors to redeem funds within the specified period, and the currency wealth management products issued by these institutions, investors can generally participate or withdraw at any time during the life of the product, and banks the wealth management products of the company do not have more advantages in terms of yield, and the investment threshold of bank wealth management products is also higher than most other currency-based wealth management products.

Loan trust wealth management products are trust plans when banks raise funds from customers to invest in trust investment companies. After the trust plan expires, the trust company pays the principal and income to the bank according to the trust investment situation, and then the bank pays the principal and income to investors. The operation mode of this type of product is actually that the bank and the trust company sign a contract, entrust the trust company to issue loans to the bank's designated customers, and then use its own channels to sell wealth management products to investors, thereby raising credit funds. In this type of wealth management product, the bank has established a legal relationship of entrusted wealth management with individual customers, and also established a trust legal relationship with a trust company. The two levels of legal relationship have also been adopted to connect the wealth management funds with the loan company.

Loan trust financial products are initiated by banks. From the selection of customers, product design and sales, to the final income distribution, they are all dominated by the bank, and the trust company is only in a subsidiary position.

The main reason why banks issue loan trust wealth management products is to use the trust platform to finance customers who do not meet the loan requirements, so as to establish long-term cooperative relationships with some large corporate customers and high-quality customers. Therefore, the operation of such products within the bank is usually carried out according to the ordinary loan process. Although this type of wealth management products has brought higher returns to investors to a certain extent, and diversified investors' risks, they have brought greater potential liquidity risks to the banks themselves.

2.1.2 The development history of personal financial products of commercial banks.

The business model of China's commercial banks has been single for a long time. The main source of income and profit is income from deposit and loan spreads. However, in recent years, as the People's Bank of China has continuously lowered deposit interest rates, the loss of savings deposits has been severe and spreads have been narrowing. As a result, commercial banks whose main profit model is to earn the difference between deposits and loans have to face a serious risk of profit decline. In order to maximize profits, professional banks are constantly transitioning to commercial banks, and the original professional division of labor between banks is also being broken, the crossover between businesses is getting deeper and deeper. With the increasingly fierce financial competition, the space for the development of traditional business of commercial banks has become narrower. The increased risk of traditional business and the reduction of revenue have forced banks to seek new profit growth points. In order to increase profits, commercial banks are all working hard to expand the field of services, increase the types of services, and open up new business varieties in order to gain the initiative in the fierce competition. As one of the business models, personal wealth management business has become a key profit growth point for the development of banking business with a wide range of fields, large batches, low risk, individualization, stable income and high added value.

For a long time, the personal wealth management business of commercial banks in China has been limited to single and traditional banking services such as savings, collection and payment. With the reform and opening up of Chinese economy, the disposable income and wealth of individuals in my country has also grown rapidly. While the accumulation of the domestic financial market, individuals are no longer satisfied with depositing their money in the bank alone, but hope to obtain more profitable and diversified investment channels from the bank. So that their assets could be on a stable basis and get value preservation and appreciation. Driven by the increasing demand of domestic residents, the personal wealth management business of commercial banks has developed rapidly. It started in the 1990s and experienced the following key periods:

The first stage is the embryonic stage (before 1990s). At this time, residents did not have a clear understanding of personal financial management. With the launch of China's first "all-in-one card" in 1990 in China Merchants Bank, its fills in the domestic and foreign currency and fixed-term deposits. The blank of account payment and settlement tools laid the foundation for the establishment of the prototype of personal wealth management business, followed by the ICBC Shanghai Branch in 1996, which integrated foreign exchange trading, wealth management consulting design, deposit certificate pledge loans and other dozens of contents.

The second stage-the initial stage (1990-1999), the main significance of this stage is that domestic commercial banks begin to provide corresponding organizational structure guarantees for the development of personal financial services in the organizational system. In 1966, CITIC Industrial Bank established a private banking department in its Guangzhou branch, which stipulates that as long as customers with a personal deposit of 100,000 yuan, they can enjoy a number of financial consulting services provided by the bank. In 1999, China Construction Bank established personal financial management centers belonging to the bank in more than ten developed cities such as Beijing and Shanghai.[5]

The third stage-development stage (2000). At this time, the domestic personal wealth management business began to have brand awareness and was willing to increase efforts to promote the brand created. In 2000, the ICBC Shanghai Branch established a wealth management studio named after outstanding employees, and then the Agricultural Bank launched in 2001 In 2002, China Construction Bank launched the personal wealth management brand “LeDangjia”, and in the same year, ICBC launched the “Wealth Management Gold Account” again. "This concept, at the same time, China Merchants Bank launched a similar personal wealth management product "Golden Sunflower"[1].

The fourth stage-rapid development stage (2003-2005). Bank wealth management products at this stage have entered a period of full-speed development. Domestic wealth management products can be said to be blooming everywhere. Major banks have not only launched self-developed wealth management brands, but also continuously improved their own service quality, by expanding the scale of wealth management products to seize Market share, and strive to get a share of the big cake in the financial market. In 2003, the banks that launched independent wealth management brands mainly included Bank of Communications, Minsheng Bank, Shanghai Pudong Development Bank and China Guangfa Bank. Not only that, all commercial banks also launched their own foreign exchange wealth management products at the same time. In this year, emerging financial management methods including e-banking and online banking also developed rapidly.

The fifth stage-monopolistic competition stage (2005-now). The so-called monopolistic competition stage means that commercial banks try to achieve their own monopolistic competition strategy by subdividing customers, and achieve this goal by strengthening their own brand building and core competitiveness. In 2004, major banks realized that only improving the quality of their own financial management personnel and strengthening team building is the most important link for banks to improve their core competitiveness and shape their brand advantages. ICBC first realized the problem, so from the end of 2003 to 2004 the beginning of the year, the personal financial management core competitiveness development and management project was launched, which strictly followed the service standards of the National Financial Management Center, and strived to provide customers with comprehensive financial services [2].

According to statistics [5], before 2005, the varieties of personal wealth management products of domestic banks were relatively single, and wealth management funds were mainly invested in fixed-income instruments such as treasury bonds, central bank bills, and money market funds. With the increase in domestic demand for financial management and changes in the investment environment, the financial products of commercial banks have undergone certain changes in terms of management period, investment objects, capital structure, guarantee methods and application methods. Especially after the regulatory authorities strengthened the supervision of credit wealth management products in 2010, and even ordered the prohibition of the sale of such products, commercial banks have begun to pay attention to the adjustment of the structure of wealth management products, and have changed the growth mode of wealth management products. In the wealth management market, in addition to currency-based wealth management products, other types of wealth management products such as loan-type bank trust wealth management products are also emerging in an endless stream, and the number of wealth management products is increasing day by day. This further shows that the wealth management products of my country's commercial banks have broad space.

After the 2008 global financial crisis, affected by interest rate risks, investors are more inclined to hold short-term financial products with higher liquidity, lower risk, and higher security. Among these short-term wealth management products, especially ultra-short-term wealth management products are favored by investors. According to statistics from Wealth[37], the ultra-short-term wealth management products issued by banks in September 2011 accounted for 30.28% of the total number of all wealth management products of the bank, and short-term wealth management products from one to three months accounted for 33.6% of the total number of bank wealth management products. Therefore, it is precisely because of the few types of wealth management products that domestic and foreign commercial banks have opened up a very broad market for this business. However, since the regulatory authorities restricted the number of ultra-short-term wealth management products of various banks at the end of 2011, the ultra-short-term wealth management products issued by banks in 2012 only accounted for 9% of the overall wealth management products, but financial management products with a period of one to three months the market share of the products accounted for 54.4% of the total number of bank wealth management products.

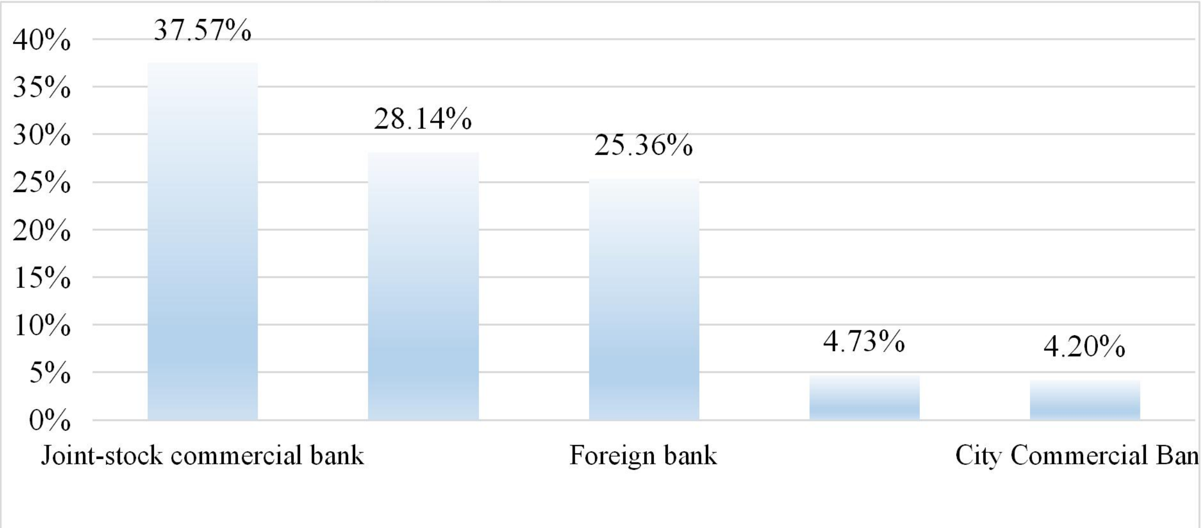

Figure 2.1 - Distribution channels of wealth management products in China

Note-Source: http://wap.stats.gov.cn/?ivk_sa=1024320u

2.3 Problems in the personal financial management business of Chinese commercial banks.

2.3.1 External environment factors

The rapid development of the personal financial management business of Chinese commercial banks could not eliminate a big gap between them and foreign commercial banks, operating in China. The reasons can be summarized in three aspects.

First, psychological aspect due the long Chinese history and culture. Influenced by traditional thinking, Chinese residents have a heavy preference for savings deposits, which has a serious impact on the perception of financial management.

(1) At present, the deposits in Chinese financial institutions have reached 171 trillion. If these deposits are evenly shared among China's 1.4 billion people, it is equivalent to 122,000 per person. Even if we only look at household deposits, there are 67.5 trillion yuan, which is equivalent to 48,000 per capita deposits.

(2) According to the results of a survey conducted by ING on 15,000 people from 15 countries, 29% of Europeans have no deposits, 16% of Americans have no deposits.Americans have no more than $1,000 in deposits, or 6,600 yuan. But in terms of income, Europeans and Americans are obviously much higher than us. From this point of view, the Chinese like to save money is not a vain reputation.

Therefore, even when the People's Bank of China continues to lower bank interest rates under the circumstances, there are still quite few residents who are reluctant to change their financial habits and are still willing to deposit their savings in the bank. Because in their inherent concept, children need to go to school, buy a car, and buy a house. The so-called "complex" financial planning only accepts a single financial savings.

It can be seen from Figure 2.5 (Year 2019) that most residents think that banks are only used as savings institutions, and this part of resident's accounts for 29.8%. And 11% of residents also understand stock trading, bonds, and funds, 5.6% of residents understand trust products. And 12.6% of residents know about gold trading or foreign exchange transactions.

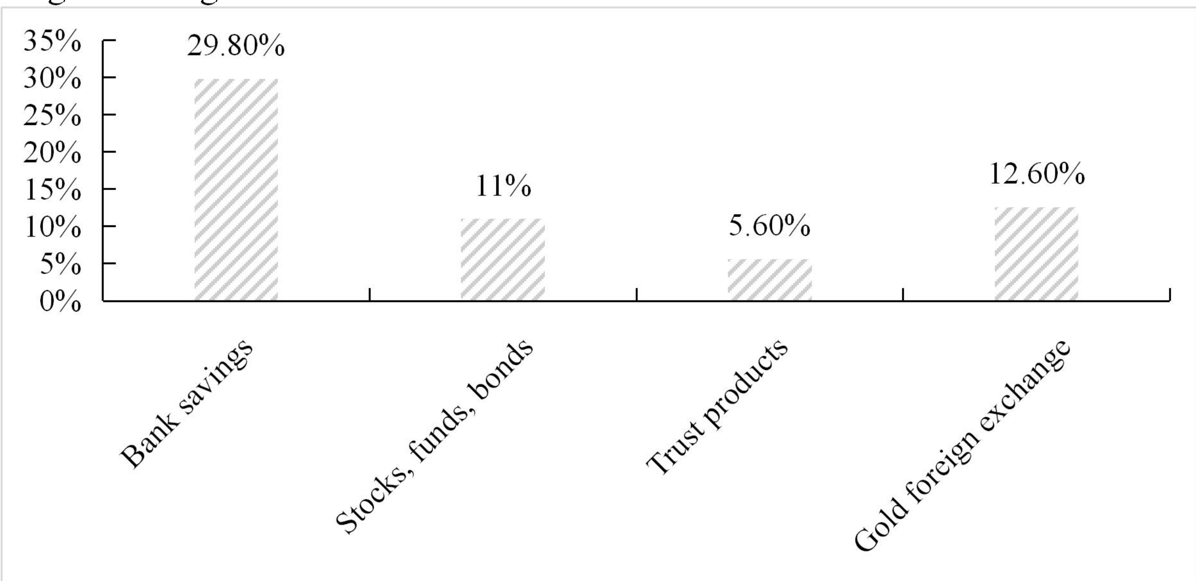

Figure 2.2 - Residents' understanding of personal financial management business （2019 year）

Note-Source: http://wap.stats.gov.cn/?ivk_sa=1024320u

It can be seen from Figure 2.6 that residents' investment and financial management methods mainly focus on buying houses and depositing savings in banks. This part of residents accounted for 29.8% and 27% respectively. And 12.6% of residents will invest in gold or foreign exchange transactions. 11% of residents will buy stocks or fund bonds. The remaining residents will invest in trusts (5.6%), insurance (5.8%), or other financial derivatives (5.2%).

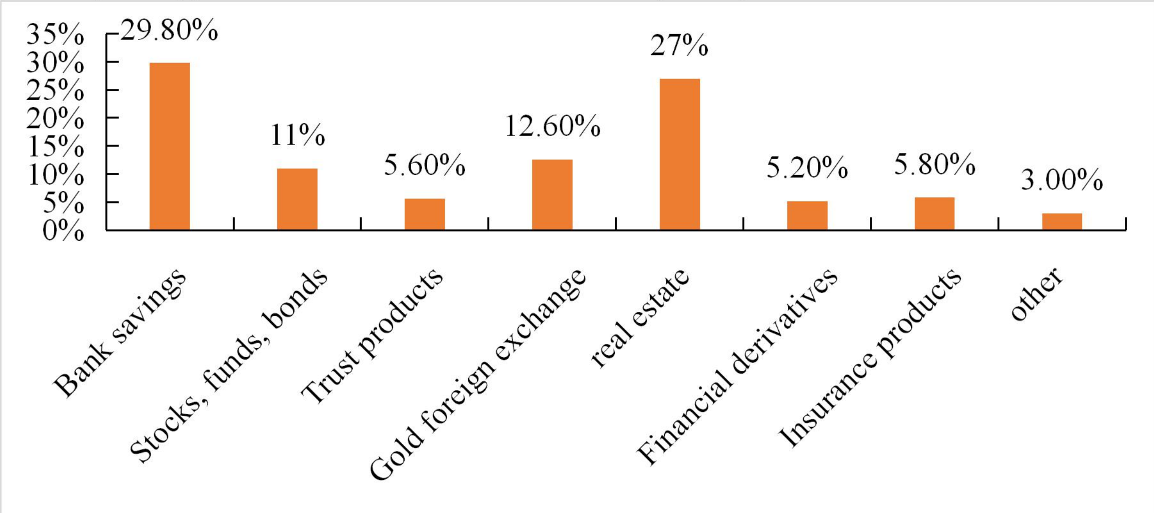

Figure 2.3-The main ways of personal investment and financial management year 2019

Note-Source: http://wap.stats.gov.cn/?ivk_sa=1024320u

Secondly, although China's economy is developing rapidly and people's income seems to have increased, the inflation is severe and the gap between the rich and the poor has widened. Taking 2020 as an example, the annual per capita disposable income of Chinese residents was 32,189 yuan, an increase of 4.7% over the previous year. After deducting price factors, the actual increase was 2.1%. The median per capita disposable income of Chinese residents was 27,540 yuan, an increase of 3.8%. In the latest survey in 2021, China's inflation rate was 1.30, compared to 0.90 in the previous survey. [39] According to statistics from the United Nations Development Program, China's current Gini coefficient is 0.45. The poorest people, who account for 20% of the total population, account for only 4.7% of income or consumption, while the richest people, who account for 20% of the total population, account for up to 50% of income or consumption.

In the past 10 years, China's Gini Index has not fluctuated much. In 2018, China's Gini Index was about 0.474, which exceeded the warning line, which means that the gap between the rich and the poor in China is large. [39]Many low-income people are unwilling or even unable to use their savings to purchase wealth management products. In addition, domestic housing prices keep hitting new highs. The post-80s and post-90s generations, as the main consumer force, have not enough strength to purchase wealth management products after purchasing a series of just-needed products. The Gini coefficient is an important indicator that reflects the correction of the gap. The judgment standard given by the United Nations: A Gini coefficient greater than 0.4 means that the gap between the rich and the poor is very serious. The Gini coefficient of China is always higher than 0.41.[38]

In the third aspect, Chinese residents have not yet formed a systematic and scientific understanding of the risks and benefits of financial management. In other words, when residents make investment and financial management, they pay attention to income and ignore risks. In my opinion, the main reason for this problem is that commercial banks always focus on profits when promoting financial products, while ignoring warnings to customers about investment risks. Since most wealth management customers do not have common-sense financial knowledge, when choosing wealth management products, the public is more inclined to choose traditional bank deposit products. If customers choose high-margin wealth management products, they often ignore the knowledge of product risks.

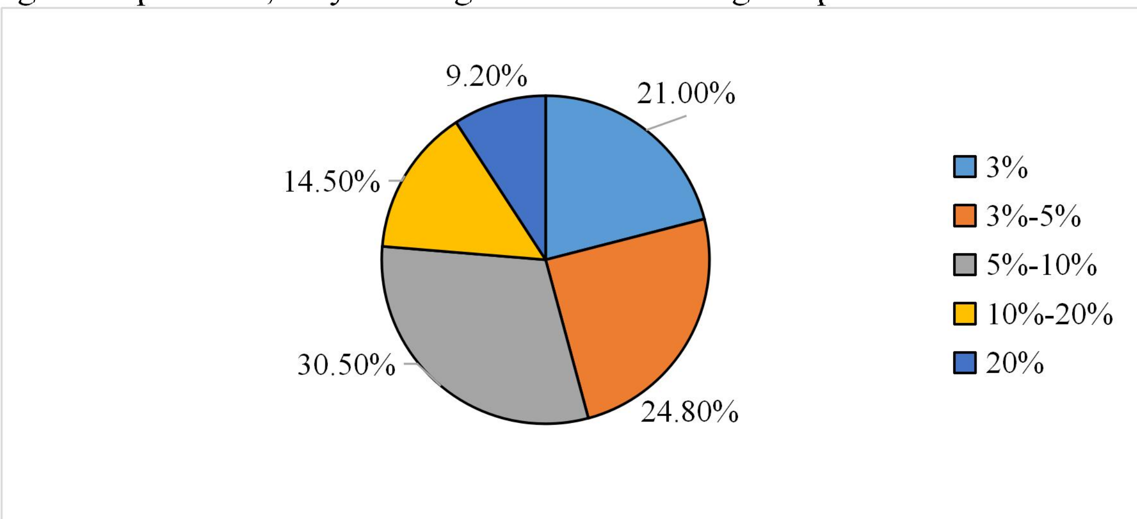

Figure 2.4 - the proportion of residents on personal finance and investment risk tolerance (2019 year)

Note: %-The proportion of wealth management residents that can bear the investment risk tolerance)

Source: http://wap.stats.gov.cn/?ivk_sa=1024320u

The project was quickly promoted and has been implemented nationwide, but not only that: in order to improve service quality and improve their own research and development capabilities, major domestic commercial banks have not only increased their own financial management staff, but also launched a battle for talent among major banks. China Merchants Bank has done an outstanding job of grasping customers, and can provide differentiated wealth management products based on the stratification of VIP customers. For example, the Golden Kwai Card, which was previously launched specifically for high-end wealth management customers, not only realized the stratification of customers by the bank, but also achieved differentiated services and maintenance.

Table 2.2 - Five important stages in the development of personal wealth management products of China's commercial banks

Stage	Time	Main features
The 1 stage	Embryonic stage (before 1990s)	Residents did not have a clear understanding of personal financial management.
The 2 stages	Initial stage (1990-1999)	Domestic commercial banks begin to provide corresponding organizational structure guarantees for the development of personal financial services in the organizational system
The 3 stages	Development stage (2000)	The domestic personal wealth management business began to have brand awareness and was willing to increase efforts to promote the brand created.
The 4 stages	Rapid development stage (2003-2005)	Bank wealth management products at this stage have entered a period of full-speed development
The 5 stages	Monopolistic competition stage (2005-now)	Monopolistic competition stage means that commercial banks try to achieve their own monopolistic competition strategy by subdividing customers, and achieve this goal by strengthening their own brand building and core competitiveness

Note - Source：[3]

2.2 Chinese personal financial management business development status

2.2.1 Fierce competition in the commercial banking market

With China's accession to the WTO, the degree of domestic opening to foreign financial institutions has become more comprehensive, not only fully opening up foreign exchange business, removing restrictions on regions and targets, and allowing foreign banks to operate renminbi business and renminbi retail business. Preferential national treatment has made foreign banks flood into China's financial market in 2005. At present, the total assets of foreign banks in China are about 1.7 trillion.The renminbi has grown by nearly 300% in recent years, and its share of the total assets of domestic commercial banks has stabilized at around 1.8%. As of the end of 2010, the total assets of foreign banks with domestic legal personality accounted for 87.4% of the total assets of all foreign banks in China. It can be said that foreign banks have already opened up a certain scale for them to seize the Chinese banking industry, which is conducive to weakening the monopoly position of local banks and optimizing the domestic banking market. Foreign banks have brought many competitive advantages to the development of the domestic banking industry by virtue of their advanced management concepts, sound management procedures, and rich financial service products. It's a huge blow to China's commercial banks.

After the entry of foreign banks, the personal financial management business has become the focus of competition between Chinese and foreign banks. It is an important strategic choice made by foreign banks. They do not hesitate to spend huge sums of money on the promotion of personal wealth management business with the purpose of attracting high-end customers. For these high-end customers who are rich or expensive, they do not have a lot of time to research wealth management products, so those high-quality bank personnel who have a comprehensive grasp of the banking business [4], have the investment market, understand the marketing skills and customer psychology have become their inevitable choice. These people can not only provide them with intelligent financial services, but also have expert financial management services. The emergence of foreign banks just caters to the needs of some people.

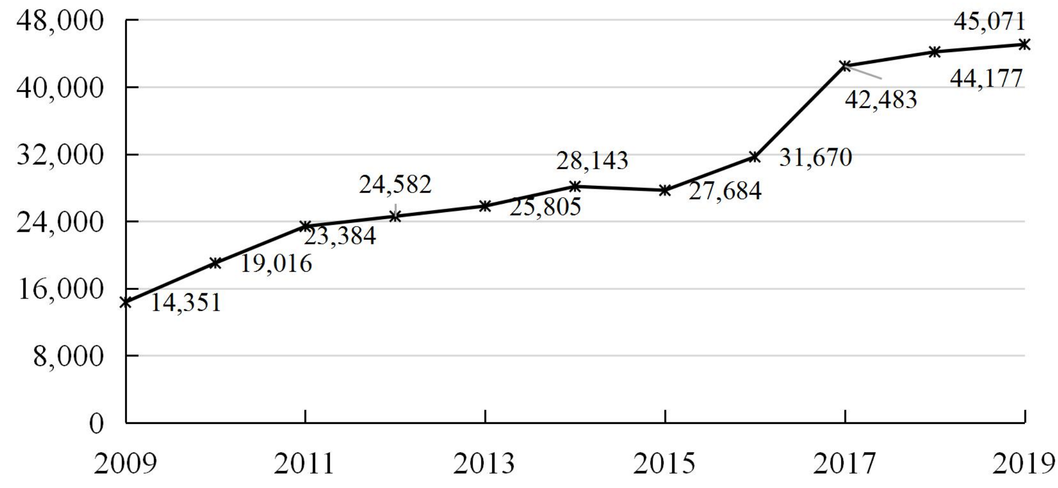

Figure 2.5 - Total assets of foreign banks in China from 2009 to 2019 (100 million yuan)

Note - source:http://www.pbc.gov.cn/diaochatongjisi/116219/116319/3959050/index.html

We can find the answers to why major banks are grabbing high-quality customers from a set of personal customer data analyzed by McKinsey Consulting Company for Industrial and Commercial Bank of China Guangzhou Branch. [38]

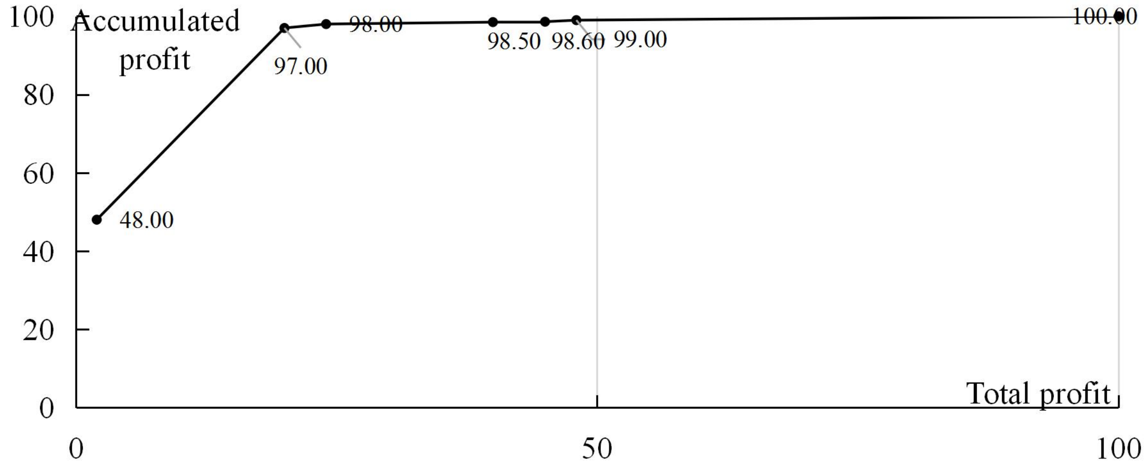

Figure 2.6 - The relationship between quality customers and profits (total profit in %)

Note – source: [38]

It can be seen from Figure 2 that although the most profitable customers account for only about 2% of all customers, they have created 48% of profits for the bank, followed by about 20% of customers that have created 97% of profits. This is what usually called quality customers. However, more than 55% of customers are the proportion of customers who cannot bring profit to the bank. These customers reduced the overall profit level of the bank. It is precisely because of objective facts that 20% of high-quality customers create nearly 100% of bank profits.

Therefore, major banks have focused their competition targets on high-quality customers, and have vigorously launched their own wealth management products, striving to find a place in the competition of high-end customers.

Table 2.3 - SWOT analysis of personal financial management business of all Chinese commercial banks

Personal financial management services of commercial banks in China SWOT analysis	Strengths: Brand awareness is high, market share is high, financial industry lasts for a long time, and there is long-term corporate marketing to corporate customers as the marketing basis for personal banking	Weaknesses mjku : Insufficient development of new financial products, lack of innovation, internal operation and management and services to be improved, resulting in the

		loss of customers, lack of professional financial management personnel, and unclear market positioning
Opportunity: The shareholding reform of commercial banks, the gradual improvement of banking legislation, the highly application of modern information technology in the financial industry, and the gradual recognition and acceptance of networking, electronic and in formalization by the public	Maintain the advantages of commercial bank brand development, continuously improve business and service levels, develop and innovate personal financial products, and continuously increase market share. The strategic focus is shifted from business to public to corporate and personal financial development.	Look for opportunities among the weak, train relevant financial professionals, improve management, improve internal management, focus on product development, product innovation, market segmentation, provide customers with differentiated services and customer-centric
Threats: The current macroeconomic environment, the influence of national economic policies, economic globalization, financial integration, and network facilitation have made competition among banks increasingly fierce.	Threaten and Strength Advantages to challenge external threats, the status quo of separate operations in the financial industry, combined with the characteristics of my country's commercial banks, establish a financial brand with its own characteristics, carry out market segmentation, implement customer differentiated service strategies, and improve its own business and services	Threaten and Weak Threats from the outside should reduce or close part of the business, withdraw from the market, and deepen the reform of the internal management mechanism to meet the requirements of the new era.

Note - source: [35]

At the stage where opportunities and challenges coexist, the personal financial management business of commercial banks in China should find their own advantages and meet the challenges. Only by having a more comprehensive understanding of market needs and customer needs can pressure be turned into motivation, and individuals can be developed faster and better of wealth management business.

Specifically, it can be considered from the following four aspects:

1. Improve the variety of wealth management products.

Personal financial management services rely on financial products, and various financial products will give personal financial services a strong support. As mentioned before, compared with foreign commercial banks, the product varieties of Chinese banks are very few and cannot satisfy people's product demand. Therefore, in accordance with national regulations, while referring to the requirements of customers, speed up the development of product types, and constantly change and introduce the latest products.

2. Pay attention to customer relationships.

Chinese commercial banks are currently focusing on product promotion. It cannot effectively retain existing customers, nor can it understand the true needs of customers, so that customers can be satisfied about the long-term cooperation. In order to improve efficiency, the financial management service department of a commercial bank should shift its focus from products to customers, pay attention to the contribution of customers to the bank, and establish an operating mechanism centered on customer relationship management to group customers to ensure an excellent customer base.

3. Strengthen the training of talents.

The mutual restraint of financial management staff is also a key point to supervise the progress of personal financial services. In order to develop and progress, a firm needs to cultivate some comprehensive high-quality talents who are familiar with professional knowledge. At present, the staff of the personal financial management business of various commercial banks are basically selected from the tellers in the original bank. Their own conditions and familiarity with the bank must be better than those of ordinary employees, but they still have big flaws.

4. Establish a correct business philosophy.

Personal financial management services are based on customers, and customers' satisfaction with the bank will inevitably interfere with customers' attitudes towards the bank. Therefore, in the stage of developing personal financial management business, banks should take the concept of customers as the main body as a very important course to learn. The advancement of foreign banking is also due to this reason.

2.3.2 Market channels factors

This problem has been around for a long time. Due to the insufficient development of China's capital market, the financial market has always plagued the development of China's personal wealth management business, whether it is capacity or product issues. However, with the accelerated changes in the international investment environment, coupled with the continuous appreciation of the RMB and failure to resolve investment channels will seriously affect the investment environment of the domestic financial market and the development of the overall economic situation. Only a comprehensive connection with the external economic environment is the best way to improve this problem. This is because the Chinese government has very strict controls on foreign exchange. Ordinary residents cannot touch the currencies of other countries in their daily lives. In other words, within the borders of China, the only currency held by residents is RMB.

Whether it is a substantive marketing company or a company that provides intangible services, this problem cannot be avoided. (When banks or other financial institutions sell wealth management products, many products are sold by marketing companies at the same time.) The best way to improve the status quo is to control the channel factors and manage all aspects of the channel. Only in this way can we guarantee our country the personal wealth management business of commercial banks has a good sales trend.

The implementation of "channel is king" in various industries is an issue worthy of attention. At the end of each year, banks will inevitably face similar problems. Situations such as purchasing reserves and surging performance are not only affected by the pressure of the central bank's policies, but also because of the pressure of competition among the same industry. The main reason is that It was caused by a decision error in channel strategy during the year.

2.3.3 Lack of professionals engaged in wealth management products

With the development of personal wealth management business, domestic commercial banks are faced with the problem of lack of talents [Fig. 7]. Domestic wealth management business personnel are far from satisfying in terms of scale and professionalism. When the business is busy, there are often situations in which personnel from other departments are deployed to help. The limitation of professional talents has caused my country's commercial banks to focus on helping customers manage their assets in their personal wealth management business for a long time, instead of developing wealth management services for customers in a deeper level. The lack of professional talents such as financial planners has always been a bottleneck facing the development of China's commercial banks. [9]

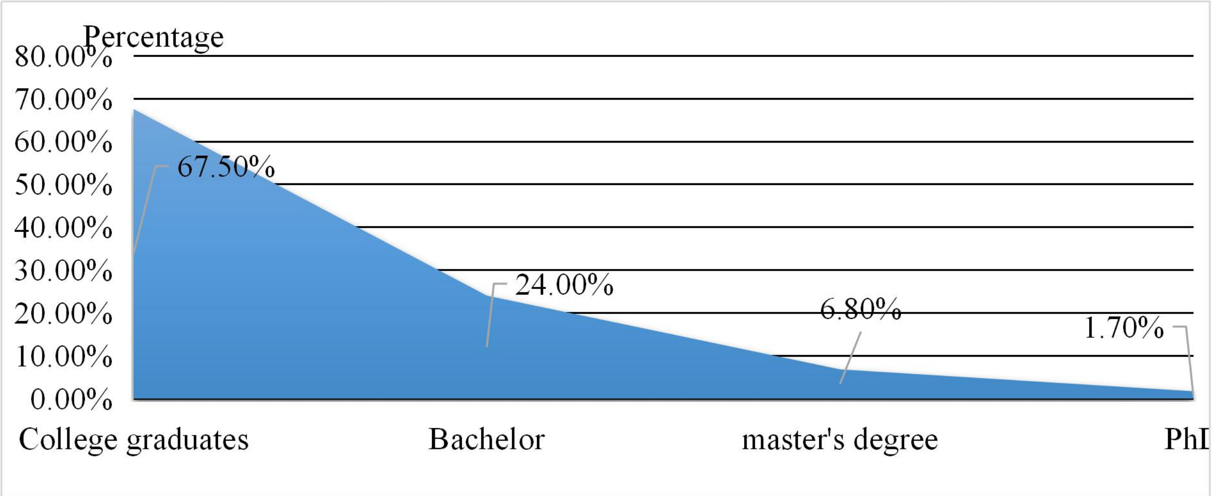

Figure 2.7 - Distribution of education level engaged in commercial wealth management products (2019)

Note-Source: http://wap.stats.gov.cn/?ivk_sa=1024320u

Commercial banks need talents who can integrate securities and insurance industry knowledge and apply. And Chinese is very scarce in this regard. This has caused many commercial banks to use high salaries to dig out key talents from other banks as the norm, hoping to satisfy their own demand for talents. But even with such painstaking efforts, the talents in the market are still limited, so the overall development of the wealth management business, the effect is not very satisfactory. A qualified financial planner not only needs to have a deep and comprehensive knowledge reserve, but also must have strong investment skills and rich financial management experience, and even need to master relevant knowledge such as real estate, law, marketing, etc., and at the same time be good interpersonal relationships and outstanding public relations skills are also indispensable skills.

2.3.5 Lack of innovation

Comparing the types of personal wealth management services of domestic commercial banks, it is not difficult to find that no matter which commercial bank it is, there is a very high degree of similarity in product categories, and there may even be cases where individual products have the same income analysis and income characteristics. A very serious problem caused by this is "product homogeneity." The lack of personalized products means that it is not conducive to competition between banks.

(1) The income method is basically the same. In recent years, Bank of China's wealth management products have been dominated by non-guaranteed wealth management products, especially 31,208 non-guaranteed wealth management products launched after 2015, accounting for 70.14% of wealth management products. Therefore, from the perspective of income methods, bank wealth management products have a trend of homogenization. [31]

(2) The investment direction is the same. Chinese commercial banks' wealth management products can invest in underlying assets such as stocks, bonds, credit assets, interest rates, exchange rates, etc. Compared with developed countries, Chinese available investment target assets are single. Therefore, the sources of income from wealth management products sold by banks are always nearby. [31]

(3) The expected rate of return is the same. The rate of return of bank wealth management products is mainly determined by the conditions of the investment target asset market, the return risk structure of the wealth management product design, and the investment management ability of the fund manager. By convention, the rate of return is divided into five levels: (0, 2%], (2%, 3%], (3%, 5%], (5%, 8%), (8%, +∞]. According to the specific distribution of returns in 2014, we found that most of the returns are concentrated in the range of 5% to 8%, accounting for 72.13%; secondly, they are concentrated in the range of 3% to 5%, accounting for 25.33%; the return is greater than 8% of products accounted for only 0.62%. Therefore, bank wealth management products also have a trend of homogenization in terms of expected yield.

The phenomenon does not only reflect the serious homogeneity of personal financial management business in commercial banks, but also reflects the lack of innovation in the team in the research and development process.

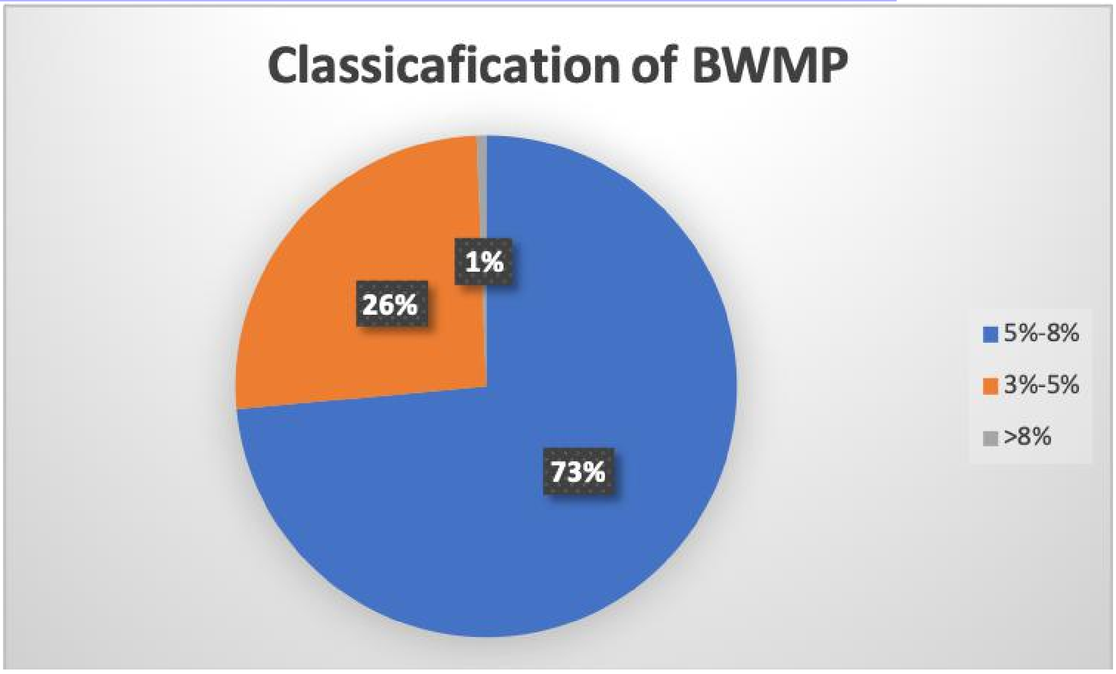

Figure 2.8 Classification of BWMP

Note – source: [31]

At present, domestic commercial banks are facing many policy restrictions on business development：

（1）The settlement currency can only be RMB, not the currencies of other countries.

（2）The investment destination of banking products cannot be related to securities. The restrictions of policies and regulations have hindered business innovation. As a result, domestic commercial banks are still in the growing stage in individual business areas, despite the competition in the industry. The intensification and the entry of foreign banks have provided impetus to the reform of domestic commercial banks, but we have to admit that Chinese financial market still has a lot of room for improvement in terms of innovation. In the operation of many wealth management businesses, there are many cases where theories are more than practical, and the actual terminal implementation is not.

The above-mentioned problems have directly led to serious homogeneity in the personal financial management business of commercial banks in China. [29]

There are 3 main reasons for the lack of innovation one is that there is not enough innovative research with technological level, and the products launched have not been organically integrated with market development, resulting in unsatisfactory sales, which directly affects the bank's revenue. The main reason is that the products launched do not fully consider the needs and wishes of consumers, there is no buyer's market, and the sales targets are limited, and the products cannot be sold, which in turn affects bank revenue.

The second is that the sense of innovation in the sales process is not strong, and the sales team has not achieved innovation in marketing strategies, and will not reasonably use scientific marketing methods to increase customer viscosity.

The third and most important point is that Many banks still retain traditional service models and fail to make timely adjustments in service quality according to changes in customer needs. Many innovative ideas are not well used in actual services.

The last point is that the team building is not in place, and sufficient funds and energy have not been invested to build the team. The result is a large gap between the innovation effect and the expected.

CHAPTER 3
RECOMMENDATIONS FOR PERSONAL FINANCIAL MANAGEMENT SERVICES OF COMMERCIAL BANKS IN CHINA

3.1 Possible ways for banks to improve their wealth management business

1. Optimization countermeasures for product homogeneity

(1) Increase the intensity of individualized product innovation

Although the scale of issuance of wealth management products continues to expand, there is a very serious phenomenon of homogeneity. On the one hand, because most of the structured products issued by Chinese banks are purchased from foreign banks, there are quite a few linked structured products. The pattern restricts the innovation of Chinese wealth management products.

On the other hand, the competitive strategy of over-relying on products such as new shares to obtain market benefits is inherently homogenous and unsustainable, which is not conducive to the formation of banks' own competitive advantages. Therefore, commercial banks should strengthen the guidance and promotion of bank financial product innovation in terms of internal mechanisms and talent reserves. Increase research on customer needs, build an online research platform, and use big data platforms to collect customer information, including the collection of information on investment product liquidity, maturity, income requirements, and investment preferences, combined with customer group characteristics and customers Life cycle characteristics, designing personalized products on the product side, screening investment targets and designing products that meet the customer's risk tolerance. For example, for customers in the upswing period of their careers, product design needs to focus on their investment returns, which can moderately increase risks Invest in the target, to obtain high investment returns, etc. At the same time, introduce different types of financial instruments, such as financial derivatives, personal artwork, etc., to achieve product differentiation, avoid product homogeneity, and enhance the comprehensive competitiveness of banks.

(2) Change the organizational structure of personal financial management business

The organizational structure of my country's commercial banks is mainly U-shaped. [17] It is characterized by the pyramid type. that is, a single type, with high-level personnel separated from front-line employees, resulting in unsatisfactory implementation effects of development plans. Through the operation of the business unit, management efficiency can be improved and the upper and lower linkages can be realized. The policy requirements of the head office can be implemented quickly, and the front-line feedback and suggestions can be quickly responded to form a virtuous circle, improve efficiency, and enhance the subjective initiative of innovation. At the same time, it is necessary to accelerate the training of talents within the organization, accelerate the adjustment and enrichment and improve the knowledge structure and skill level of existing personnel to meet the marketing needs of future commercial bank wealth management products, and establish a sound internal cascade talent training plan and reserve cadre reserve The system requires bank employees to have the professional qualification certificates required for each position, for example, first-line financial managers must have professional qualification certificates such as AFP. The bank shall improve the management system of holding certificates, strengthen the professional quality education of personnel, establish an accountability system, improve the overall quality of personnel, create an atmosphere of innovation within the bank, and provide talents and internal driving forces for product innovation.

2. Improve investors' financial literacy

(1) Popularization of financial knowledge

With the development of Chinese economy and the popularization of Internet finance, Chinese investors are faced with a wide variety of investment products. Bank wealth management, tripartite wealth management, P2P wealth management, etc. flood our daily lives, and the channels and purchase methods of wealth management and investment are also changing with each passing day. Faced with the rapid development of wealth management business, most of the wealth management concepts and knowledge of Chinese public investors still remain in the understanding of conventional wealth management products in the past, which has caused investors to insufficiently identify the risks of bank wealth management, especially when banks sell illegally. When managing money, public investors face the risk of financial loss. Based on this, Chinese investors should independently update and learn financial management knowledge.

The financial management department of bank has made a lot of efforts in strengthening the education of financial consumers and establishing a long-term mechanism for popularizing financial knowledge.[20] Regulatory agencies continue to publicize and popularize financial knowledge through various channels such as the Internet and TV to enhance consumer risk prevention awareness, and require financial institutions to embed financial knowledge popularization and risk notification links in the product sales process, so that consumers can fully understand themselves Financial products purchased. The People's Bank of China recently decided to launch a pilot financial education demonstration base to promote a more systematic and normalized popularization of financial knowledge. With the joint efforts of many parties, the overall financial literacy of consumers has improved. Investors are gradually establishing value investment, rational investment concepts and risk prevention awareness. [1]

(2) Reasonably use legal ways to protect their rights and interests.

The most important thing for the protection of investors' rights is that when their legitimate rights and interests are infringed, investors should adopt appropriate remedies. Investors should clarify their rights to report and sue, and investors have practical and feasible supervision rights. Investors' reports and accusations can be made to the Consumer Association, the China Banking Regulatory Commission or other competent authorities, such as the administrative department for industry and commerce. Regardless of which department the investor reports to or complaints, the authority that has the authority to deal with it should deal with it and give a reply; the authority that has no authority to deal with it should be transferred to the authority with an explanation. The bank also further clarified the legal relationship between the bank and the customer in the financial management contract, and at the same time explained it in necessary ways. At present, the China Banking Regulatory Commission is in the protection of investors' rights and interests, requiring banks to make audio and video recordings when selling wealth management products. In the audio and video recordings, financial managers must provide detailed risk warnings, product notifications and explanations, short answers to purchase doubts, investors With the right to know, customers can protect their rights through audio and video recording. The audio and video recordings are required to be kept for at least half a year. If the customer appears in the purchase due to improper sales by the financial management personnel, the audio and video recordings can be used to raise objections. At the same time, the Consumer Protection Association is also an important rights protection agency for investors. Investors have the right to complain to the Consumer Protection Association for financial services.

3. Expand sales channels

(1) Develop diversified channel sales

With the development of the Internet, online sales have become an irreversible trend.

(1) The so-called Internet deposits specifically refer to deposits sold by banks on third-party Internet financial platforms that have advantages in scenarios and traffic in order to supplement deposits. The Internet platform here only provides information display and purchase interfaces to the public, and the relationship between creditor's rights and debts is still (2) In August 2018, WeBank launched on-demand deposit and withdrawal. Interest is calculated by files. The annualized interest rate can reach up to 4.50% and the limit Basically unrestricted smart deposit products, this move gradually increased WeBank's deposit scale from USD 53.36 million at the end of 2017 to USD 154.786 billion at the end of 2018 (Subsequently,

WeBank's deposit scale increased to 2371.63 at the end of 2019. One hundred million U.S. dollars). [2]

Through continuous improvement of the functions and security of mobile banking, the entire process of online recommendation, purchase, and after-sales can be improved as soon as possible, which is helpful for accelerating offline customers to online migration. In the future, which bank will be the first to realize the migration of customers and the overall optimization of functions will gain strong competitiveness.

In addition to strengthening the sales of online mobile banking, strengthening offline customized operations is also a very important way to expand sales channels, change the original branch counter operation mode, develop mobile customized operation equipment, and migrate marketing scenarios. The relocation of branch sales to customers' workplaces, residences and other scenarios facilitates the development of mass marketing and the provision of exclusive services, which in turn promotes the sales of wealth management products.

Gradually develop lightweight outlets such as community banks, reduce sales costs, and improve the functional areas of outlets, which can not only meet the emotional and psychological needs of customers for face-to-face consultation, but also achieve flexible and convenient operations. Its lower cost is an important advantage of this sales channel. In the future, commercial banks can achieve their goal of differentiated transformation only by expanding their sales channels

(2) Cross-border financial management

Wealth management business is diversified, multi-market, multi-level investment and risk management. Cross-market, cross-border, and cross-basic asset diversified investment and risk management challenges will promote the innovation of asset management concepts and methodology, and bank wealth management will realize the transition from cross-border supervision to cross-border cooperation on the Internet and investment banks.

4. Refined Customer -Segmentation

Customer segmentation is mainly based on the needs and purchasing power of customers in the entire consumer market. Through segmentation, more market opportunities can be found, enabling enterprises to improve service quality and better serve customers. According to surveys and research,[6] the segmentation of wealth management customers of commercial banks includes gender, age, income, geographic area, and psychological factors. From a gender perspective, women prefer debt base, while men pay more attention to risky investment. [20]

Specifically, Lufax data shows that in terms of wealth management behavior, the proportion of active platform investors is 54% in 2020, which is significantly higher than 46% of men; from the perspective of average holdings, female active users holding assets are 59.4% more than men; in terms of transaction frequency, women are 55% loewer than men. Compared with male investors, female financial management is more active in terms of number, average assets and transaction frequency. [20]

In addition, from the perspective of age, 35 years old is a very interesting watershed for men and women in financial management. According to data from Lufax, the gender ratio of wealth management users is skewed based on the age of 35. The proportion of men and women in wealth management users under the age of 35 is the same, and even men are slightly higher than women. However, among users over the age of 35, female users account for more than male users. Female users in the 35-50 age group account for more than men of the same age. 3 percentage points out. This means that most people at the age of 35 have entered family life, and women currently play a very important role in Chinese family financial management. [20]

In terms of regions, the proportion of male and female investment users in first-tier cities is relatively balanced, but among the investment users in Chengdu, women account for 55%. On the contrary in Shenzhen, the proportion of women is only 46.4%. In addition, unlike the current situation where the number of male and female investment users in first-tier cities is balanced, fourth- and fifth-tier cities have more women than men. The number of female investment users in fourth-tier cities is 12% higher than that of men, while female users in fifth-tier cities are 14% higher than male users. [20]

Because people of different ages have different concepts of risk, they can be divided according to their age when dealing with customers. Generally, 25-40-year-old customers pay more attention to the accumulation of assets. They sometimes pursue risk, while 40-50-year-olds customers are under greater pressure to survive, so they pay more attention to consumption and financial management(for them, the life style of "the old and the young are small" has led them to have financial management concepts and prepare funds for emergencies.), and customers over the age of 50 are more likely to save. [5]

From a geographical perspective, economically developed cities are generally the main battlefields of banks, such as Beijing, Shanghai, Guangzhou and Shenzhen, and foreign banks also prefer financial projects in large cities.The entry of foreign banks into the markets of developed cities can comprehensively promote the competitive situation of Chinese commercial banks. On the one hand, the mixing of catfish in the tuna culturing tank can stimulate the local banking market to re-energize, making the Chinese banks that had enjoyed government policy support but gradually lost their active development in the comfortable market feel the crisis again. Therefore, they have to find a new way of development in terms of their management philosophy, management methods, business models and risk control. On the other hand, high-quality services are produced in competition. Under the strong impact of foreign banks, Chinese banks need to continuously improve their service awareness in order to obtain the same business performance in the limited market as before. Consumers provide more complete and comprehensive services. This is conducive to the overall development of my country's financial sector.

From the perspective of psychological factors, the focus of dividing the market according to lifestyle is to understand residents' attitudes and financial needs. It is worth noting that for Chinese consumers, they are passionate about buying new insurance products. 85% of the respondents indicated that they plan to buy new insurance products in the next six months. This proportion is the second one only to Vietnam (91%) and the Philippines (87%), and far exceeding the average level in Asia (71%).). In terms of insurance products that are of interest, the most interesting types of insurance for Chinese respondents are critical illness insurance, accident insurance and life insurance. Among them, 43% of critical illness insurance ranks first among all surveyed Asian regions (average 25%). [4]

More than half (56%) of Chinese respondents are more inclined to use digital platforms such as mobile APPs for the daily management of insurance policies, including procedures for handling claims and payment. However, the survey results also show that Chinese consumers are also willing to communicate with insurance agents. 76% of the respondents have directly communicated with insurance agents on insurance purchase issues. This proportion is second only to Hong Kong (77%) and much higher than 64%. % Asian average. [4]

As a commercial bank, customer segmentation should be broadened in the future, and the development of personal wealth management business must be studied in depth. Customer segmentation should highlight individualization and differentiation. From a development perspective, personal financial management should meet the life-long needs of customers and help customers obtain greater benefits.

5. Improve the financial literacy of employees

Practitioners of commercial banks must have solid professional knowledge in finance, finance, law, marketing, etc., in addition to relatively good communication skills, and the ability to convince customers. The overall level of financial management personnel in Chinese current commercial banks cannot meet the needs of my country's rapid financial management business development, the quality of personnel is uneven, and the industry as a whole lacks high-quality talents. [4] Cultivating for basic personnel, and give a certain period of observation to those who do not meet the basic requirements at this stage. At the same time, all personnel must have various professional qualifications recognized by the bank to be able to work, so as to improve the overall quality of the industry.

In terms of assessment, practitioners should also be treated differently, divided according to their abilities, and established different levels of assessment systems, using wages, bonuses and other multi-dimensional assessments to improve the professionalism of the bank team.

3.2 Banks themselves need to expand sales channels

1. Develop diversified channel sales

With the development of the Internet, online sales have become an irreversible trend. Through continuous improvement of the functions and security of mobile banking, the entire process of online recommendation, purchase, and after-sales can be improved as soon as possible, which is helpful for accelerating offline customers to online Migration has a very important meaning. In the future, which bank will be the first to realize the migration of customers and the overall optimization of functions will gain strong competitiveness. In addition to strengthening the sales of online mobile banking, it is also important to strengthen offline customized operations

It is necessary to expand sales channels, change the original branch counter operation mode, develop mobile customized operation equipment, and relocate marketing scenarios. The original branch sales are moved to the customer's workplace, residence and other scenarios, which is convenient for batch development. Marketing and providing exclusive services to promote the sales of wealth management products. Gradually develop lightweight outlets such as community banks, reduce sales costs, and improve the functional areas of outlets, which can not only meet the emotional and psychological needs of customers for face-to-face consultation, but also achieve flexible and convenient operations. Its lower cost is an important advantage of this sales channel. In the future, commercial banks can achieve their goal of differentiated transformation only by expanding their sales channels

2. Expand financial marketing channels

Financial marketing channel refers to the entire channel through which financial services or service products flow from the production field to the consumer field, and in the entire delivery process of the product, in order to meet the needs of consumers in the target market, use various information technology and development based on information technology. The various services provided by the network terminal to its customers.

To open marketing channels in different forms.

(1) Branches. Generally set in the most convenient place for customers, it can not only provide convenient services to prospective customers, but also develop the business to the maximum extent, which is the most important marketing channel.

(2) In-store and factory bank. It is an agency set up by commercial banks in industrial and commercial enterprises. It enables customers to pay wages through agencies, etc., and obtain bank services within and outside of bank working hours.

(3) Telephone banking. That is to provide customers with banking services through the telephone system. Generally, it has service functions such as inquiry, transfer, automatic payment, letter of credit and credit card authorization, check audit, and check payment.

(4) Home bank and corporate bank. The customer terminal is a new type of commercial bank distribution channel that has only developed in recent years. It connects a microcomputer located in a unit or home with a bank network through a communication technology network, so that customers can inquire about information such as accounts, payments, accounts, securities and stock markets without leaving home.

(5) ATMs and sales terminals. ATMs and sales terminals are new distribution channels formed with the development of financial electronics. ATMs automatically handle withdrawals and inquiries through the network of electronic computers, and sales terminals enable customers to directly deduct the consumption amount through electronic transfer transactions at the point of sale.

(6) Credit card. Credit card is both a product and a marketing channel. Credit cards provide credit to customers far beyond the banking area, making bank 64 services faster and more convenient. At the same time, credit cards have dual functions of payment and Xinbao, which can encourage existing customers to increase their use of banking services.

There are many factors that have an impact on financial marketing channels. By analyzing their influencing factors, we can develop some methods to open up financial marketing channels.

(1) Characteristics of financial products

Financial products have different characteristics due to their different types, which is a very important factor influencing the choice of marketing channels. Generally speaking, financial products are divided into convenience products and special products. Among them, convenience products connect intensive channels and long-term channels. The selective distribution of special financial products in a given area determines the shorter lifespan of their marketing channels. In addition, the innovation and diversification of financial products has made product quality more standardized and greatly promoted the development of its marketing channels.

(2) Market factors and customer characteristics

The size of the market, the concentration and dispersion of customers, the number of customers, geographic distribution, purchase frequency and average annual purchase quantity, the sensitivity of different marketing methods, and other factors, as well as the marketing channel strategies of commercial bank competitors' products, will all affect sales. Choice of channels.

(3) Commercial bank scale, information and technology factors

Commercial banks' scale, funding capabilities, credit capabilities, sales capabilities, services provided and requirements, etc., will all affect their choice of marketing channels. The development of information technology can also encourage commercial banks to provide financial services through ATM and telephone banking, thereby expanding marketing channels.

(4) Marketing technology

The marketing techniques of commercial banks directly affect the sales of their financial products. Advertising is very important for certain products. Some products must be promoted by personnel. For this reason, when a commercial bank chooses its marketing technology, it must first measure and define its own marketing technology in order to make decisions about marketing channels in a timely manner.

(5) Availability of existing marketing channels

When choosing marketing channels, commercial banks must consider the availability and availability of their existing marketing channels, because the re-selection of marketing channels is strictly controlled by the applicability of existing marketing channels.

(6) Policy factors

The price policy and taxation policy adopted by the government for various financial products will affect the choice of commercial banks' marketing channels. If the free purchase and sale of various financial products is allowed, the channels are bound to be diversified. On the contrary, the channel will become singular. At the same time, local government actions will also affect the choice of commercial banks' direct sales channels.

3. M&A

Mergers and acquisitions are a quick and effective means for commercial banks to expand their distribution channels, especially when facing newly opened regions and trans-regional and transnational operations. If a commercial bank directly invests in the establishment of institutions and its own distribution channels, huge investment is required, especially in cross-border operations, and it will also encounter obstacles in language, culture, consumer preferences, etc., and the results are relatively slow. M&A can be said to be a kind of high efficiency Way. Through mergers and acquisitions, the distribution channels and market share of the acquired company can be used, thereby greatly reducing the uncertainty in the process of developing distribution channels and reducing risks and costs. Since the 1990s, the world economic and financial environment has undergone great changes. Many countries have changed their conservative attitudes of strictly restricting banking mergers and actively promoted policies to encourage bank mergers and acquisitions. This has led to more and more developed countries in Europe and the United States. Super financial institution. They have successively explored the markets of other countries, and they did not hesitate to make huge acquisitions in order to compete for intercontinental and even global financial dominance.

4. Strategic Alliance

Strategic alliances are related commercial banks that provide services to each other based on their respective advantages in order to enhance their business development capabilities. The role of strategic alliances in channel expansion is as follows: (1) It is not necessary to invest a lot of manpower and material resources, but to expand the business by borrowing the other party's distribution channels; (2) It has greater flexibility and choice, and the risk is less than Mergers and acquisitions, if the mergers and acquisitions are inappropriate, the subsequent layoffs and debts will bring trouble; (3) Many policy restrictions can be broken through, and business can be carried out across regions and countries.

CONCLUSION

The personal wealth management business of commercial banks can not only bring new profit growth points to banks, but also allow banks to maintain their previous positions in the increasingly fierce competition, while also meeting market demands and providing opportunities for the public to manage wealth. Judging from the analysis of the article, the current development status of the personal wealth management business of our commercial banks can be summarized as follows:

1. The personal financial management business of my country's commercial banks is currently in the advancing stage of development, with good future development prospects and unlimited market potential. From the analysis of the current situation of the article, it can be seen that the personal wealth management business of commercial banks has developed in our country from the beginning to the point where it is widely loved by residents. Especially in recent years, the variety of wealth management products has emerged in endlessly, and the overall sales scale is also one Years are greater than one year, and the maturity of wealth management products tends to be short-term. Among various wealth management products, the number of non-guaranteed floating income wealth management products dominates.

2. The current development of personal financial management of commercial banks in my country is not mature in terms of external environment or internal conditions of banks. All relevant units and banks should pay more attention to provide a good platform for the development of personal financial management business, so that it can play its due effect. After all, the personal wealth management business of commercial banks has only taken shape in my country for more than ten years, and it is currently in a stage of exploration. Therefore, in its current development process, both the current policy, legal environment and the professionalism of commercial banks are all There are various problems, and it is imperative to solve these problems.

Due to the difficulty of collecting information and data, the article only focuses on the analysis and research of the theory, but not the empirical analysis. Limited by my knowledge, the article also lacks model argumentation and support. For deficiencies, teachers and scholars are welcome to add and correct!

Although the personal financial management business of my country's commercial banks started relatively late, their development prospects are good. In recent years, China’s legal system has continued to improve, the wealth level of domestic residents has gradually increased, the financial order has become more stable, the marketization of interest rates has continued to decrease the income of people’s deposits, and the demand for investment has also increased. Personal financial management is bound to become As the first choice for investment by most residents, personal wealth management business has also become the main area of business competition for major commercial banks. The reduction of deposit and loan spreads and the income of intermediary business will become more and more important to determine the survival and development of commercial banks. Development. The analysis of this article finds that products and services are the core factors that determine the development trend of personal wealth management business. Only by continuously improving these two aspects can the sustainable development of commercial banks' personal wealth management business be supported.

The key to the innovation of commercial banking is to establish a good mechanism to encourage innovation and establish a complete innovation system to make the product structure more reasonable. Only in this way can we increase market share and attract more customers' attention. Therefore, we must first reform the thinking of Yinjin practitioners, design more products that meet customer needs, think ahead of customers, and change with changes in customer needs; second, provide customers with differentiated products Services, according to different customers to provide tailor-made investment portfolio. In the short term, it is necessary to improve the structure of wealth management products and change the traditional model to an innovative model; in addition, foreign-funded business has always been a weak link of domestic commercial banks. If new ways of financial management are to be opened up, foreign-funded business and intermediate business are also good Development direction, because the development of intermediary business will bring many cross-marketing and differentiated marketing opportunities, and the increase in business types will bring more customer groups to commercial banks. From a long-term perspective, the financial management business of commercial banks should develop in a more comprehensive, professional, and diversified direction, not only focusing on developing itself, but also cooperating with other financial industry companies, such as funds, this year Many domestic commercial banks have begun to develop the blue side custody business, that is, customers can go to the bank counter to handle the blue side custody business after opening an account with a securities company. This not only provides convenience for customers, but also helps banks deposit funds. Not only that, commercial banks can also carry out daring banking services to provide more humane and personalized services to more high-end large customers.

The personal wealth management business of commercial banks can not only bring new profit growth points to banks, but also allow banks to maintain their previous positions in the increasingly fierce competition, while also meeting market demands and providing opportunities for the public to manage wealth. Judging from the analysis of the article, the current development status of the personal wealth management business of our commercial banks can be summarized as follows:

1. The personal financial management business of my country's commercial banks is currently in the advancing stage of development, with good future development prospects and unlimited market potential. From the analysis of the current situation of the article, it can be seen that the personal wealth management business of commercial banks has developed in our country from the beginning to the point where it is widely loved by residents. Especially in recent years, the variety of wealth management products has emerged in endlessly, and the overall sales scale is also one Years are greater than one year, and the maturity of wealth management products tends to be short-term. Among various wealth management products, the number of non-guaranteed floating income wealth management products dominates.

2. The current development of personal financial management of commercial banks in my country is not mature in terms of external environment or internal conditions of banks. All relevant units and banks should pay more attention to provide a good platform for the development of personal financial management business, so that it can play its due effect. After all, the personal wealth management business of commercial banks has only taken shape in my country for more than ten years, and it is currently in a stage of exploration. Therefore, in its current development process, both the current policy, legal environment and the professionalism of commercial banks are all There are various problems, and it is imperative to solve these problems.

Due to the difficulty of collecting information and data, the article only focuses on the analysis and research of the theory, but not the empirical analysis. Limited by my knowledge, the article also lacks model argumentation and support. For deficiencies, teachers and scholars are welcome to add and correct!

REFERENCES

1. Popularize financial knowledge and improve financial literacy, People's Daily, 2020.09.14.
2. Wang Yanru, On the Training of Financial Management Talents, 2004.
3. Bill Fisher: Young people are more likely to succeed in starting a business, "Chinese Entrepreneur", 2012.
4. Miao Yiwei (Reporter), Women's Investment and Financial Management Data Awards: Average holdings of assets are 60% higher than men's, 35 years old is the watershed for both sexes' financial management.
5. Shao Yu. Microfinance and its mathematical foundation/ Shao Yu // Finance House - 2003, p. 91.
6. Zhao zhilan. Personal financial planner requirements / Zhao zhilan, Wang Pingwa, Li Shuguang// Chinese Journal of Finance – 2008. № 3, p. 43-56.
7. Liu Qianqian. On the status quo and development of personal financial products of commercial banks / Liu Qianqian, Yang Lishe // Guizhou Rural Finance-2012. - vol 6, p.32-34.
8. Article 2 of the "Interim Measures for the Administration of Personal Financial Management Services of Commercial Banks".
9. Securities Portfolio Selection.
10. William Shape "Simplified model for 'asset portfolio'analysis",1963.
11. CNKI, WanFang,2012(04):83.
12. Steven Rose: "Journal of Economic Theory".1976.
13. Modigliani: "The hypothesis of savings life cycle after twenty years".1975.
14. Schumpeter: "Theory of Economic Development". 1912.
15. Liu Jajuan: "Research on the Development of Personal Financial Management Services of Commercial Banks in my country". Beijing, 2009.
16. Tutorial – W3KI.
17. One of the main schools of contemporary American social theory, born in the late 1950s, and tending to decline in the 1970s.
18. Thorndike: "Adult Learning", 1928.
19. Zhou Rui: "The definition of China's wealth management products is vague-many people are misled" "N" China News Network, 2013.
20. The China Banking Regulatory Commission, "Measures for the Management of Risks in Personal Wealth Management Business of Commercial Banks" and "Guidelines for the Management of Risks in Personal Wealth Management Business of Commercial Banks",2005.
21. Financial Expo. Fortune,"Interest rate marketization vs. wealth management product market: the battle of layers",2013s[16]www.GOV.cn.

22. Analysis of Regional Differences in Life Expectancy and Economic and Social Influencing Factors,Zheng Chen,2010.
23. Qian Juncheng, The Changing Trend of the Economic Burden of Diseases in the Chinese Elderly Population and Countermeasure,2012.
24. Analysis of the status quo of China's wealth management industry,2020.
25. Markowitz ,The Choice of Asset Portfolio,1952.
26. Fu Juan, Research on the Status Quo of Personal Financial Management Services of Commercial Banks in my country, 2014.
27. Huang Yong, Essentials of Modern Family Economics,1996,P25-30.
28. Barton Biggs, Wealth,2010

Internet resources:

29. http://caifuhao.eastmoney.com/news/20210111080454303132730
30. http://insurance.jrj.com.cn/2021/02/22120332004966.shtml
31. http://finance.sina.com.cn/economist/jingjixueren/20070508/12053569930.shtml.
32. https://www.zh-cn.w3ki.com
33. https://static.sse.com.cn
34. https://baike.baiidu.com
35. https://www.ceicdata.com/zh-hans/china/resident-income-distribution/gini-coefficient
36. https://www.un.org/zh/databases/index.html
37. http://www.gov.cn/guoqing/2021-04/09/content_5598662.htm
38. Li Weimin. Dictionary of Finance: Heilongjiang People's Publishing House, 2002-11
39. Huang Weiping and Peng Gang, "A Course in International Economics": China Renmin University Press, 2nd edition, March 2012
40. https://www.gwyoo.com/lunwen/jjgl/zhjuan/200603/35557.asp
41. http://www.gov.cn/gongbao/content/2006/content_375815.htm.
42. www.treasury.gov
43. http://www.ccb.com