Statistics and analyses

Report on financial investments of Italian households

Behavioural attitudes and approaches

2015

Survey

CONSOB
Commissione Nazionale per le Società e la Borsa

The Report presents evidence on the investment choices of Italian households with the aim of gaining insights as to how they manage investment decisions and the main risks they may take.

The Report is based on the Multifinanziaria Retail Market Survey and on the Observatory on 'The approach to finance and investment of Italian households', both conducted by GfK Eurisko and representative of Italian retail financial decision makers. For more information about the data, please see the Methodological notes at the end of this Report.

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Le scelte di investimento delle famiglie italiane

Nell'ultimo biennio, la ricchezza netta delle famiglie dell'Area euro ha registrato una crescita pari a circa tre punti percentuali (Figura 1.1); tale incremento è dovuto principalmente a un effetto valutazione, a fronte della sostanziale stabilità del tasso di risparmio attorno ai livelli pre-crisi (Figura 1.2). In Italia, nello stesso periodo, la ricchezza netta è aumentata del 3,4%, mentre il tasso di risparmio, pur registrando un'inversione di tendenza rispetto alla dinamica calante innescata dalla crisi finanziaria, continua ad attestarsi a fine 2014 su un livello inferiore ai valori raggiunti prima del 2008 (8,6%). Negli ultimi due anni il rapporto tra attività finanziarie e reddito disponibile ha sperimentato un rialzo sia nell'Area euro sia in Italia, anche per effetto del migliore andamento dei mercati finanziari, portandosi rispettivamente a 3,3 e a 3,6 a fine 2014 (Figura 1.3). Il rapporto tra passività finanziarie e reddito disponibile è rimasto sostanzialmente stabile, dopo essere cresciuto in maniera costante nell'ultimo decennio; il dato relativo all'Italia (0,8) continua a mantenersi su un valore più basso della media dell'Area euro (1,1). La composizione delle attività finanziarie ha visto crescere il peso del circolante e dei depositi (in Italia, in linea con il dato europeo, dal 28% nel 2007 al 32% nel 2014) e delle riserve assicurative e pensionistiche (in Italia, nello stesso periodo, dal 16% al 20%), a fronte di una contrazione delle quote riferibili a fondi comuni, titoli obbligazionari e azioni quotate; a fine 2014, tuttavia, l'incidenza delle quote di fondi comuni è tornata ai livelli pre-crisi (Figura 1.4). A partire dal 2008, i tassi di crescita di prestiti ipotecari e credito al consumo hanno sperimentato una contrazione e, in alcuni casi, valori negativi sia nell'Area euro sia in Italia, a fronte della debolezza del mercato immobiliare e della domanda interna (Figura 1.5).

In Italia, la persistente debolezza dell'attività economica negli ultimi anni ha comportato un aumento della vulnerabilità finanziaria percepita dalle famiglie. A fronte di una valutazione molto positiva delle proprie capacità di evitare spese superflue, monitorare il budget familiare e risparmiare (oltre l'80% degli intervistati considera se stesso migliore della media; Figura 2.1 – Figura 2.3), il 47% degli individui (prevalentemente donne, lavoratori autonomi e residenti nelle regioni centro-meridionali) riferisce di una flessione del reddito annuo rispetto ai dodici mesi precedenti, temporanea (15%) o permanente (32%; Figura 2.4 e Figura 2.5). Inoltre, più della metà degli intervistati (soprattutto donne e residenti al Sud) ritiene che non sarebbe in grado di far fronte per almeno sei mesi alla riduzione di un terzo del reddito attuale (Figura 2.4 e Figura 2.6). Con riferimento a ulteriori profili di vulnerabilità finanziaria delle famiglie, appaiono significativi i dati relativi a indebitamento e capacità di risparmio. A fine 2014, risulta complessivamente pari al 41% la quota di nuclei familiari indebitati per l'acquisto di un'abitazione (25%) e/o per l'acquisto di beni durevoli o altre spese (21%; Figura 2.7). Solo il 30% delle famiglie afferma di essere in grado di risparmiare 'qualcosa' o 'a sufficienza', mentre il 45% dichiara che il reddito disponibile è appena sufficiente a coprire le spese, il 15% ha intaccato i risparmi e il restante 11% deve indebitarsi. Sono soprattutto gli individui con livello di istruzione più basso, i residenti al centro-sud, nonché (tra gli occupati) i lavoratori autonomi ad avere più frequentemente difficoltà a risparmiare (Figura 2.8).

Nonostante la diffusa percezione positiva delle proprie competenze in materia di scelte economiche e di investimento, le conoscenze finanziarie e le capacità logico-matematiche degli italiani rimangono basse. Inflazione, diversificazione, relazione rischio-rendimento, interesse semplice e rendimento atteso di un investimento continuano a essere nozioni poco note e di difficile applicazione. In particolare, quasi la metà del campione dichiara di non conoscere o definisce in modo errato il concetto di inflazione; il 55% non è in grado di indicare correttamente cosa significhi diversificare gli investimenti e circa il 57% non sa spiegare la relazione rischio-rendimento (Figura 3.1). Inoltre, il 67% e il 72% degli individui non riesce a calcolare, rispettivamente, un montante in regime di interesse semplice e il rendimento atteso di un investimento. Genere, istruzione e area di residenza sembrano essere correlati con il livello di conoscenze finanziarie. In dettaglio, in termini di percentuale di soggetti che hanno risposto correttamente ad almeno quattro domande su cinque, il divario è pari a 13 punti percentuali tra uomini e donne, 18 punti tra laureati e individui con un livello di istruzione più basso, 18 punti tra residenti al Nord e residenti al Sud (Figura 3.2 – Figura 3.5). È significativo, inoltre, il divario tra abilità percepite e conoscenze dimostrate: ad esempio, tra i soggetti che si dichiarano nella media o superiori alla media per la capacità di comprendere le caratteristiche di prodotti finanziari di uso quotidiano, il 30% non è in grado di definire correttamente il concetto di inflazione e il 44% non sa calcolare il rendimento atteso di un investimento (Figure 3.6). Il 32% di coloro che si riconoscono buone capacità nel prendere decisioni di investimento non conosce né il significato di diversificazione di portafoglio né la relazione rischio-rendimento. Il 18% del campione non ha familiarità con alcun tipo di strumento finanziario (Figura 3.7); tra i prodotti noti si distinguono i titoli di Stato italiani (indicati dal 67% degli intervistati), seguiti da obbligazioni bancarie, azioni quotate, depositi e fondi comuni (indicati da una percentuale di individui compresa tra il 48% e il 40%). Le azioni quotate italiane sono considerate lo strumento finanziario più rischioso dal 19% degli intervistati, seguite dai fondi azionari (11%), titoli di Stato italiani e azioni straniere (7%); i prodotti derivati, che solo l'11% degli investitori dichiara di conoscere, sono considerati rischiosi solo dal 5% del campione.

La percezione del rischio può essere correlata non solo alle conoscenze finanziarie ma anche a tratti personali degli individui (quali l'ottimismo), al contesto di riferimento e ad attitudini comportamentali (*bias*) tali da incidere sia sull'atteggiamento verso il rischio sia sulle scelte adottate. A tal fine, è di interesse rilevare anzitutto quale significato venga attribuito al rischio finanziario. Il 51% degli intervistati associa al rischio l'idea di un evento avverso, da cui è necessario proteggersi, piuttosto che la possibilità di un guadagno; quanto alle dimensioni del rischio finanziario, la metà dei soggetti indica l'eventualità di subire perdite in conto capitale, mentre l'andamento dei mercati, la possibilità di ottenere guadagni inferiori a quelli attesi o la volatilità dei rendimenti sono importanti per una quota del campione oscillante tra il 25% e il 29% (Figura 3.8). L'importanza dei fattori di rischio varia al variare dei livelli di conoscenza finanziaria: per il sotto-gruppo di soggetti più 'preparati' (ossia che hanno dimostrato di avere dimestichezza con tutte le nozioni di base menzionate prima), rilevano soprattutto le eventuali spese legali da sostenere per ottenere un risarcimento danni e la difficoltà di monitorare gli investimenti, oltre alle perdite di capitale; per i meno preparati (coloro che non hanno fornito nessuna risposta corretta) le criticità maggiori risiedono nel possibile conseguimento di un rendimento inferiore a quello atteso o di una perdita in conto capitale, oltre alla variabilità dei rendimenti (Figura 3.9). Appare poco diffusa l'attitudine all'ottimismo, rilevata con riferimento alle aspettative di guadagno da un investimento nei titoli del FTSE Mib: il 65% degli intervistati infatti dichiara di attendersi una perdita (Figura 3.10). La maggior parte dei soggetti, inoltre, mostra un atteggiamento verso il rischio invariante rispetto al contesto di riferimento: coloro che risultano avversi al rischio in ambito lavorativo, dichiarando di preferire una remunerazione fissa a una variabile, quasi sempre lo sono anche rispetto alle scelte di investimento (81% dei casi) e viceversa per coloro che si dichiarano propensi al rischio in ambito sia lavorativo sia finanziario (85% dei casi; Figura 3.11 e Figura 3.12). L'atteggiamento verso il rischio mostra, tuttavia, una maggiore variabilità se valutato rispetto al dominio dei risultati attesi (positivo *versus* negativo) ovvero rispetto a potenziali guadagni *versus* potenziali perdite. Il 31% degli intervistati dichiara preferenze per il rischio opposte a seconda che si trovi a scegliere tra opzioni che comportano solo guadagni ovvero solo perdite (cosiddetto effetto certezza; Figura 3.13). Il 37% dei soggetti, invece, mostra una propensione a vendere velocemente i titoli con rendimenti positivi, per poter monetizzare i guadagni, e a mantenere in portafoglio i titoli in perdita per rimandare la monetizzazione delle perdite (cosiddetto *disposition effect*), evidenziando una differente valutazione di guadagni e perdite (Figura 3.14). La ricorrenza di una o più tra le attitudini comportamentali che incidono sulla percezione del rischio, alimentando una instabilità/incoerenza delle preferenze, sembra variare a seconda del livello di istruzione e di conoscenze finanziarie: la quota di soggetti esposti ad almeno un *bias* è pari a circa l'83% per il sotto-campione degli individui con conoscenze finanziarie più elevate e al 66% dei soggetti con conoscenze più limitate (Figura 3.15). Inoltre, le dimensioni di rischio corrispondenti a perdite in conto capitale, rendimenti inferiori a quelli attesi e variabilità dei mercati sono più frequentemente citate dagli investitori inclini a più *bias* (Figura 3.16).

A fine 2014 il livello di partecipazione delle famiglie ai mercati finanziari si è attestato attorno al 48%, in crescita di sette punti percentuali rispetto all'anno precedente sebbene ancora inferiore ai valori registrati nel 2007 (55%; Figura 4.1). Tale incremento è imputabile soprattutto alla maggiore quota di investitori *retail* che detengono almeno un'attività rischiosa (azioni, obbligazioni, risparmio gestito e polizze vita), passata dal 26% nel 2013 al 32% nel 2014. In particolare, come si evince dai dati sulla composizione di portafoglio, è aumentata, tornando sui livelli pre-crisi, la quota di ricchezza finanziaria investita in prodotti del risparmio gestito (16%), mentre rimane più contenuto il peso delle azioni (5%, sostanzialmente dimezzato rispetto al 2007; Figura 4.2). La partecipazione ai mercati finanziari risulta più diffusa tra le famiglie residenti nelle regioni settentrionali, più abbienti, in cui il decisore finanziario è uomo, di età compresa tra i 45 e i 64 anni e con livello di istruzione elevato (Figura 4.3). Tra i fattori che incentivano l'investimento, il 56% degli intervistati indica la fiducia negli intermediari finanziari, mentre la possibilità di investire in prodotti a capitale garantito o a rendimento minimo è rilevante per il 52% del campione; seguono i costi connessi all'investimento (41%) e l'andamento dei mercati (24%; Figura 4.4 – Figura 4.8). L'attenzione prevalente verso la protezione del capitale e la garanzia di un rendimento minimo è coerente con il dato relativo all'avversione alle perdite, particolarmente marcata per il 72% del campione, e ricorre anche nella scelta tra diverse opzioni di investimento. In particolare, tra gli elementi da tenere in considerazione nella valutazione di uno strumento finanziario il 15% degli investitori indica la protezione del capitale, l'orizzonte temporale e la diversificazione del portafoglio; il rischio di liquidità, credito e mercato risultano importanti, rispettivamente, per il 10%, 6% e 5% dei soggetti, mentre solo l'8% ritiene che l'obiettivo di investimento sia un fattore rilevante (Figura 4.9). Con riferimento ai modelli decisionali, il 44% degli intervistati sceglie come investire dopo aver consultato familiari e conoscenti, il 22% si affida ai consigli di un esperto ovvero delega a questi la gestione dei propri investimenti (il dato si riferisce soprattutto a donne, lavoratori autonomi, soggetti di età compresa tra i 45 e i 64 anni o famiglie abbienti), mentre il 15% decide in autonomia (soprattutto ultra sessantacinquenni e meno abbienti; Figura 4.10 – Figura 4.11). Inoltre, coloro che decidono di investire in autonomia si connotano per un livello elevato di conoscenze finanziarie di base (circa il 65%), per una adeguata consapevolezza delle proprie competenze (34%), nonché per un basso livello di avversione alle perdite (Figura 4.12 – Figura 4.14).

Con particolare riferimento alla domanda di consulenza, è utile distinguere tra diverse tipologie di servizio erogate in funzione della frequenza dei contatti tra consulente e cliente e del grado di personalizzazione delle raccomandazioni. In particolare, la cosiddetta 'consulenza MiFID' corrisponde al caso in cui le famiglie, contattate almeno una volta nell'arco di un anno dal consulente di fiducia, ricevono proposte di investimento personalizzate e riferite a uno specifico strumento finanziario; la 'consulenza generica' e la 'consulenza passiva' invece si caratterizzano, rispettivamente, per l'assenza di proposte di investimento relative a specifici strumenti finanziari e per la scarsa frequenza dei contatti. A fine 2014, la percentuale di famiglie che fruiscono della consulenza MiFID si attesta attorno al 9%, confermando la scarsa diffusione del servizio; la consulenza generica e quella passiva coinvolgono rispettivamente il 15% e il 36% delle famiglie, in calo rispetto agli anni precedenti, mentre aumenta la quota di famiglie che non ricevono alcuna consulenza (40% *versus* 26% nel 2009; Figura 5.1). Tra coloro che fruiscono del servizio di consulenza MiFID, il 60% dichiara di ricevere una proposta di investimento su iniziativa dell'intermediario (49% nel 2013), il 7% circa riceve una proposta a seguito di una sua specifica richiesta, mentre il restante 33% non è in grado di riconoscere la modalità con la quale accede al servizio. L'utilizzo di un servizio di consulenza personalizzato si associa a un maggior livello di istruzione e di ricchezza finanziaria (Figura 5.2). In particolare, la quota di famiglie che ricevono proposte di investimento personalizzate si attesta attorno all'8% quando il decisore finanziario ha un titolo di studio inferiore al diploma di laurea, mentre è pari al 18% circa tra gli investitori *retail* più istruiti (benché anche in questa categoria rimanga elevata e pari al 33% circa la quota di famiglie che non ricorre a consulenza MiFID). Con riferimento alla ricchezza, la quota di nuclei familiari che si avvale di raccomandazioni personalizzate oscilla tra il 4% e il 60% al crescere del patrimonio finanziario. Gli investitori *retail* che fruiscono di consulenza personalizzata detengono un portafoglio più diversificato (a fine 2014 il 74% possiede almeno uno strumento finanziario rischioso), mentre per le famiglie che dichiarano di non avere un consulente è marginale la quota di soggetti che investono in azioni, obbligazioni, risparmio gestito e polizze vita. Gli investitori, tuttavia, sembrano percepire poco i vantaggi connessi al servizio di consulenza rispetto a modelli decisionali differenti. La disponibilità a pagare per la consulenza, infatti, rimane bassa sia tra coloro che fruiscono del servizio MiFID (oltre il 60% non si esprime o dichiara di non essere disposto a sostenere alcun costo) sia tra coloro che ricevono consulenza passiva o generica (circa l'85%; Figura 5.3). Tale evidenza è coerente con un livello di soddisfazione per il servizio di consulenza mediamente contenuto: in particolare, solo il 14% degli individui che utilizzano consulenza passiva e poco più del 20% degli investitori che ricevono raccomandazioni personalizzate o generiche esprimono un giudizio molto positivo. Il giudizio sul consulente si fonda soprattutto sulla disponibilità e sull'attenzione verso il cliente (come indicato da quasi il 50% degli investitori che ricevono consulenza MiFID), mentre l'assenza di conflitto di interessi e il supporto all'adozione di scelte di investimento corrette risultano meno preponderanti (entrambi indicati dal 20% circa dei fruitori del servizio MiFID; Figura 5.4). I risparmiatori sottovalutano, inoltre, l'importanza dello scambio informativo che deve attivarsi tra consulente e cliente affinché il primo possa fornire un servizio nel miglior interesse del secondo (Figura 5.5). In particolare, il 14% degli intervistati dichiara di non sentirsi in dovere di fornire all'intermediario (tenuto alla valutazione di adeguatezza delle proposte di investimento al profilo del cliente) informazioni complete e veritiere in merito alle proprie esigenze e alla propria situazione finanziaria, mentre la percentuale di soggetti propensi a comunicare informazioni relative a uno dei molteplici profili necessari per la valutazione di adeguatezza (quali conoscenze ed esperienze, obiettivi, situazione finanziaria e orizzonte temporale) oscilla tra l'8% e il 30% circa. Il consulente viene comunque ritenuto il principale canale informativo da coloro che dichiarano di informarsi prima di investire (92% dei soggetti assistiti con consulenza MiFID e 70% dei soggetti che accedono alla consulenza generica o passiva), mentre rivestono un ruolo marginale internet e la stampa specializzata.

Trends in household wealth and saving

After the slowdown due to the financial crisis, household net wealth in the Eurozone has been experiencing a slight increase with an average growth of approximately 3% over the past two years (+3.4% in Italy; Figure 1.1). The relative weight of real and financial assets is now gradually retracing back to its early 2000's level, after the widening gap also driven by the rise in house prices.

The growth marked by household wealth in the Euro area is mainly due to a valuation effect, with the average saving rate steadily around its pre-crisis level (Figure 1.2). In Italy, in spite of a reversal of the falling trend due to the economic downturn at the beginning of 2013, the household saving rate remains far below its pre-crisis levels.

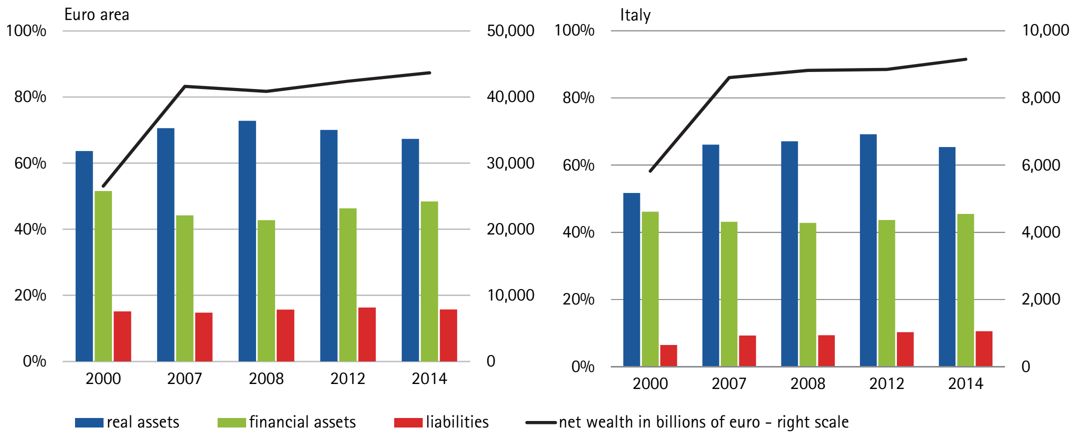
Mirroring market trends, over the past two years the ratio of financial assets to disposable income has shown an upward trend both in the Eurozone and in Italy (Figure 1.3). In the same period, the ratio of financial liabilities to disposable income remained stable, after the soaring trend recorded over the last decade, with the Italian figure persistently below the Euro area average.

Following the financial crisis, household holdings of currency and deposits as well as of insurance policies and pension funds rose both in Italy and across the Eurozone, mainly at the expense of mutual funds shares, non-equity securities and listed shares (Figure 1.4). At the end of 2014, the proportion of financial assets held in mutual funds shares was back to its 2007 level, whilst holdings of listed stocks remained lower, also reflecting the negative performance experienced by stock markets over recent years.

Since 2008 mortgage loans and consumer credit have recorded declining and, in some cases, negative growth rates both in Italy and the Euro area, driven by the weakened activity in the property market and the subdued domestic demand (Figure 1.5).

After the slowdown due to the financial crisis, household net wealth in the Eurozone has experienced a slight increase with an average growth of approximately 3% over the past two years (+3.4% in Italy).

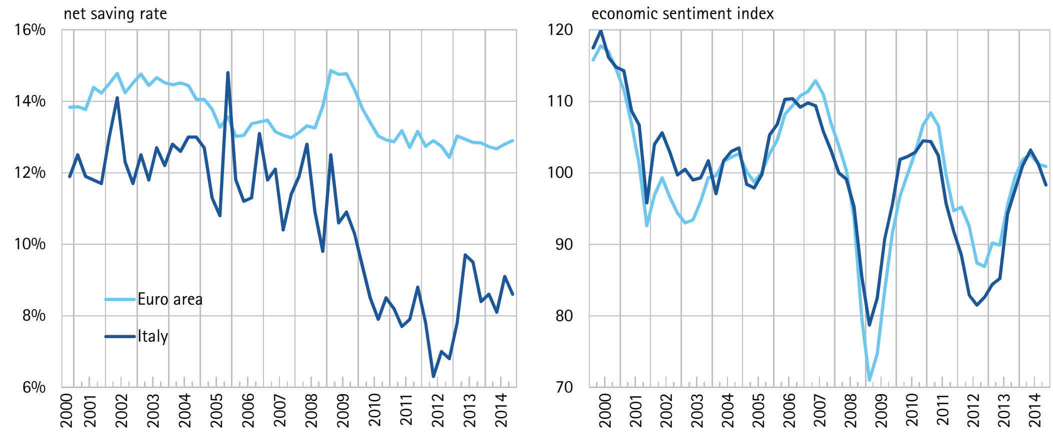
Figure 1.1 – Household net wealth: level and composition
(annual data)



Source: ECB and Bank of Italy. Net wealth is the sum of real and financial assets net of financial liabilities.

The growth marked by household wealth in the Euro area is mainly due to a valuation effect, with the average saving rate steadily around its pre-crisis level. In Italy, however, the household saving rate remains far below its pre-crisis levels.

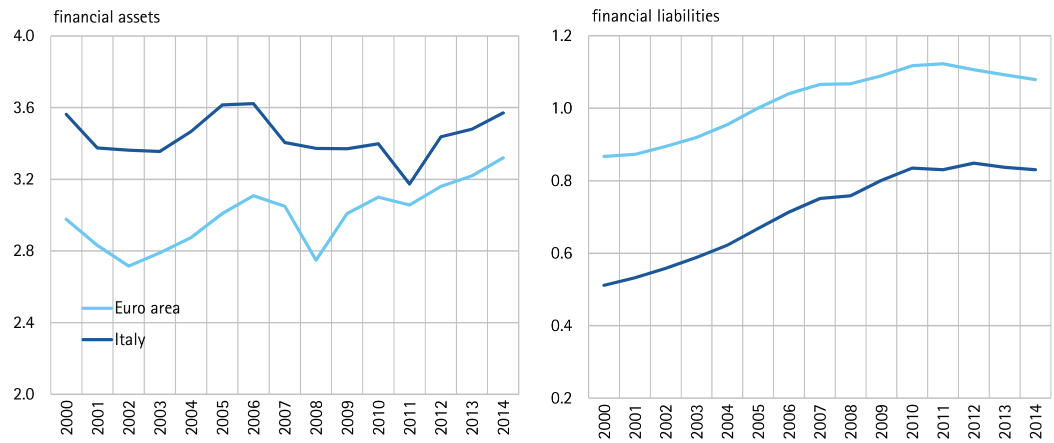
Figure 1.2 – Household net saving rates and economic sentiment indicator
(quarterly data)



The net saving rate is the percentage ratio between net saving and net disposable income. Source: ECB, European Commission (DG ECFIN), Istat.

Over the past two years, the ratio of financial assets to disposable income has shown an upward trend both in the Eurozone and Italy. In the same period, the ratio of financial liabilities to disposable income has slightly declined, with the Italian figure persistently below the Euro area average.

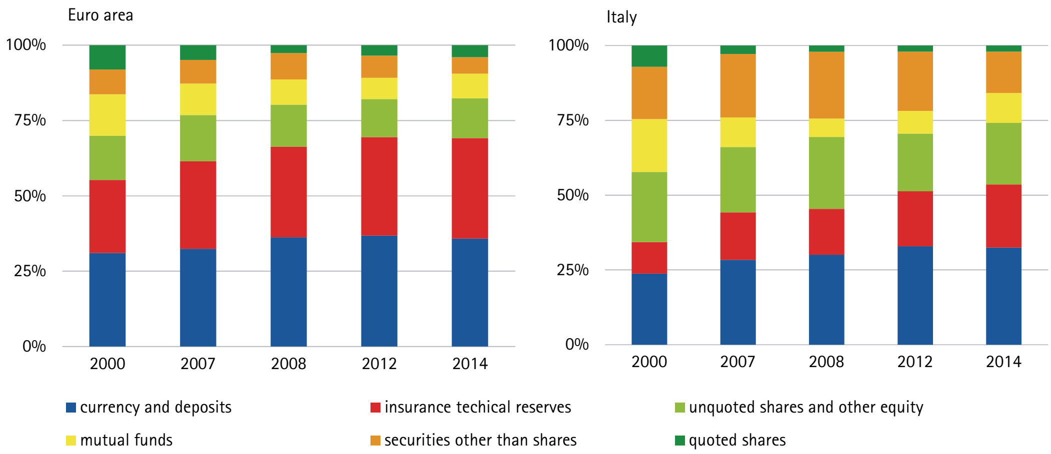
Figure 1.3 – Household financial assets and liabilities to disposable income
(annual data)



Source: ECB and Bank of Italy.

Following the financial crisis, household holdings of insurance policies and pension funds rose across the Eurozone, mainly at the expense of mutual funds shares, non-equity securities and listed shares. At the end of 2014, the proportion of mutual funds shares was back to its 2007 level, whilst holdings of listed stocks remained lower.

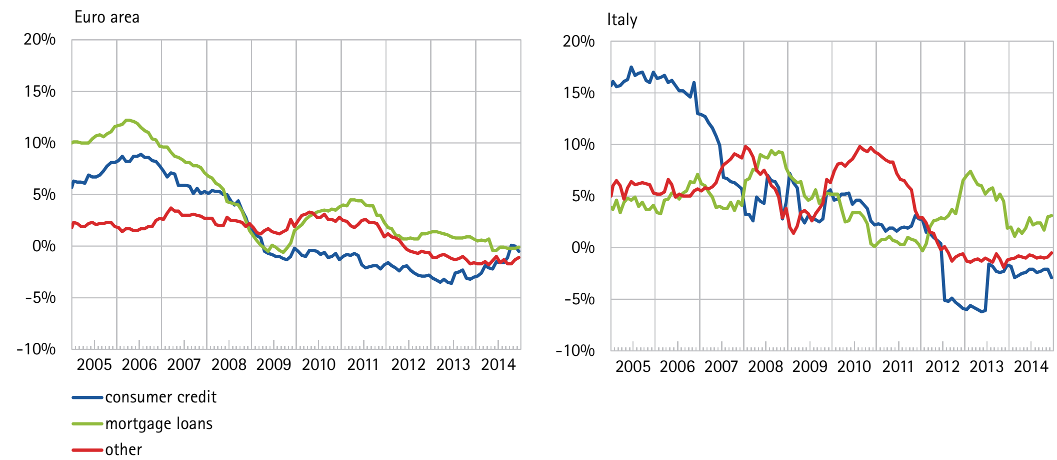
Figure 1.4 – Breakdown of household financial wealth by type of assets



Source: ECB, Eurostat, Bank of Italy.

Since 2008 mortgage loans and consumer credit have recorded declining and, in some cases, negative growth rates both in Italy and the Euro area, driven by the weakened activity in the property market and the subdued domestic demand.

Figure 1.5 – Trends in household debt
(monthly data; annual growth rate)



Source: ECB.

Financial resilience and saving behaviour

In order to gain insights on Italian households' saving behavior, evidence was collected on their perceived financial capability, financial resilience as well as ability to save. Perceived financial capability was investigated by ascertaining to what extent respondents felt to be better than average in monitoring budget, saving and investing. More than 80% of interviewees think themselves as above average at avoiding useless expenses, budget monitoring and saving (Figure 2.1), whilst the proportion of 'self-confident' subjects decreases to 70% with respect to the understanding of basic financial products and to 65% and 63% when considering saving for retirement and investment decisions, respectively. Financial capabilities are rated similarly across genders, although women are more likely than men to regard themselves as being worse than average at making investment decisions (47% and 34%, respectively; Figure 2.2). Moreover, the proportion of individuals rating their financial capabilities as better than average seems to be positively correlated with financial wealth (with the exception of the wealthiest households; Figure 2.3). Resilience was defined with respect to respondents' appraisal about income changes over the last 12 months, their ability to cope with a major loss of income and their outstanding debt. At the end of 2014, 47% of respondents report a deterioration in his/her income, either temporary (15%) or permanent (32%); 39% feel that their income remained stable, while 10% register an increase (Figure 2.4). The perception of a drop in income is more widespread among women, self-employed and residents in central and southern regions (Figure 2.5). As for financial resilience, half of the interviewees declare to be not 'robust' to a one-third drop in their disposable income; this concerns more women, low-educated people, residents in the South of Italy, employees and retired (Figure 2.6). Almost 41% of respondents carry debt, either mortgages (25%) and/or consumer credit for durable goods' purchase (21%; Figure 2.7). As for saving behaviour, only 30% of the people are able to 'save something' or 'sufficiently', whilst 45% declare that their income just balance their expenses, 15% are using their savings and 11% are falling into debt. As expected, the proportion of people unable to save is higher among low-educated respondents, residents in the Centre and the South of Italy as well as self-employed, housewives, students and unemployed (Figure 2.8).

More than 80% of respondents think themselves as above average at avoiding useless expenses, budget monitoring and saving. The proportion of self-confident interviewees falls to 70% or lower when it comes to understanding basic products, saving for retirement and investment decisions.

Figure 2.1 – Self-assessment of financial capabilities

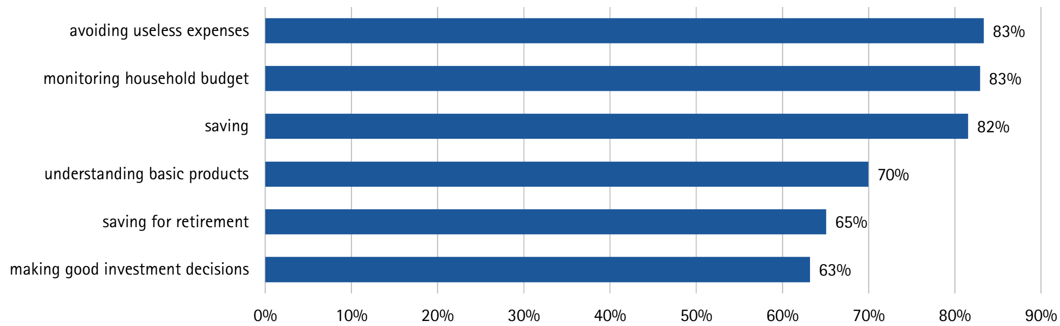


Figure reports the percentage of individuals who regard themselves as 'better than average' or 'slightly better than average' on each specified item (being the other options 'On average; Slightly worse than average; Worse than average'). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Financial capabilities are rated similarly across genders. However, women are more likely than men to regard themselves as worse than average at making good investment decisions (47% and 34%, respectively).

Figure 2.2 – Self-assessment of financial capabilities by gender

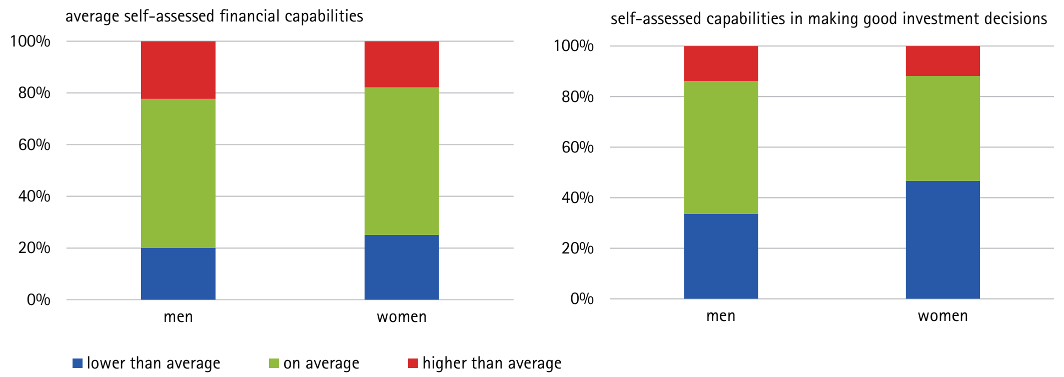


Figure on the left hand side refers to the overall self-assessed financial capability averaged across the self-assessed capabilities in six specified items: understanding of basic financial products, budget monitoring, making good investment decisions, saving for retirement, saving and avoiding useless expenses (Figure 2.1). Figure on the right hand side refers to self-assessment in making good investment decisions. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Better-than-average self-evaluation of financial capabilities seems to be positively correlated with financial wealth (with the exception of the wealthiest households).

Figure 2.3 – Self-evaluation of financial capabilities by total wealth

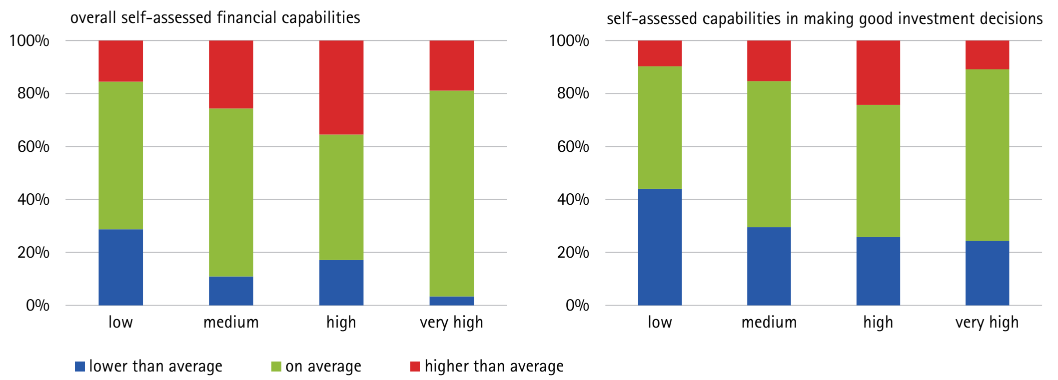
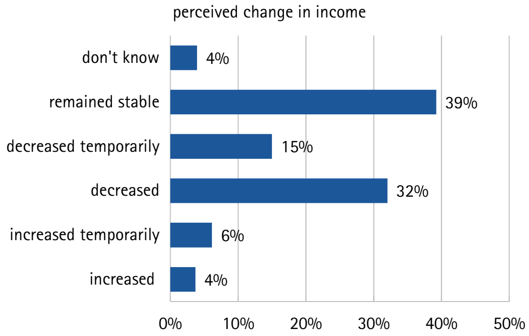


Figure on the left hand side refers to the overall self-assessed financial capability averaged across the self-assessed capabilities in six specified items: understanding of basic financial products, budget monitoring, making good investment decisions, saving for retirement, saving and avoiding useless expenses (Figure 2.1). Figure on the right hand side refers to self-assessment in making good investment decisions. Wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' from 50,000 to 250,000€; 'very high' more than 250,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

At the end of 2014, 47% of respondents report a deterioration in income, either temporary (15%) or permanent (32%). Half of the interviewees feel they are not resilient to a one-third drop in their income.

Figure 2.4 – Perceived change in income and perceived resilience



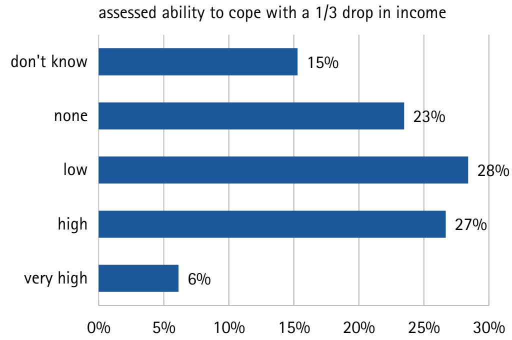
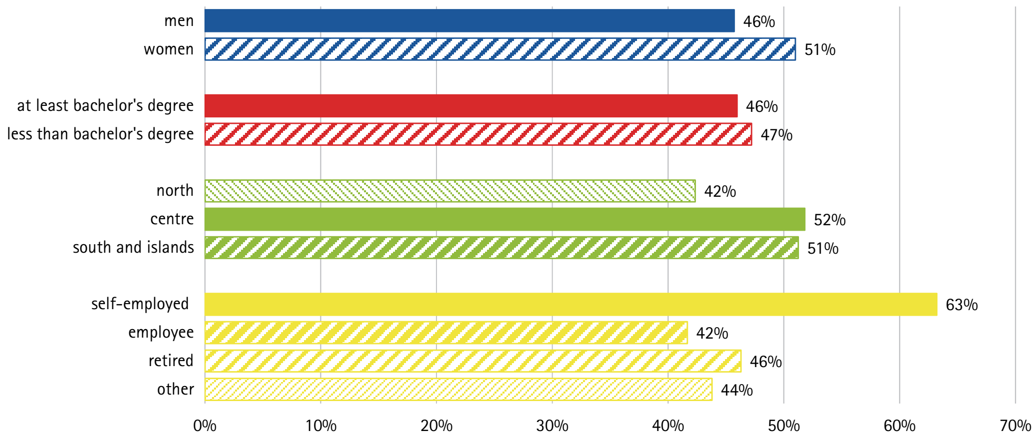


Figure on the left hand side refers to the following question: 'How did your family income change over the last 12 months?' Figure on the right hand side refers to the following question: 'I would be able to cope with a 1/3 decrease in my family income for at least 6 months'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The perception of a deterioration of income is more widespread among women, self-employed respondents and residents in central and southern regions.

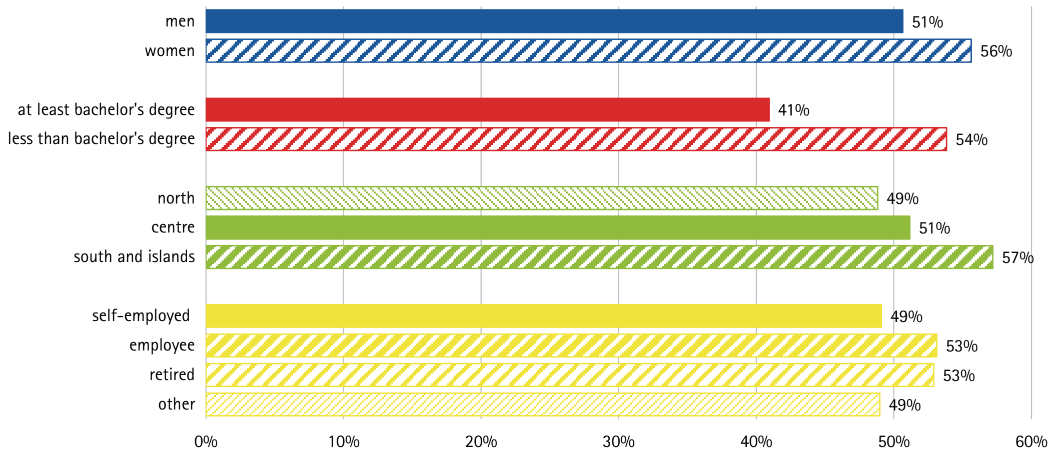
Figure 2.5 – Perceived decrease in income by some socio-demographic characteristics



The group 'other' includes housewives, students and unemployed. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Coping with a decrease in income concerns more women, low-educated people, residents in the South of Italy, employees and retired.

Figure 2.6 – Assessed inability to cope with a major negative change in income by some socio-demographic characteristics



The group 'other' includes housewives, students and unemployed. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Almost 41% of respondents carry debt, either mortgages (25%) and/or consumer credit for durable goods' purchase (21%). Only 30% of the people are able to 'save something' or 'sufficiently'.

Figure 2.7 – Debts and savings

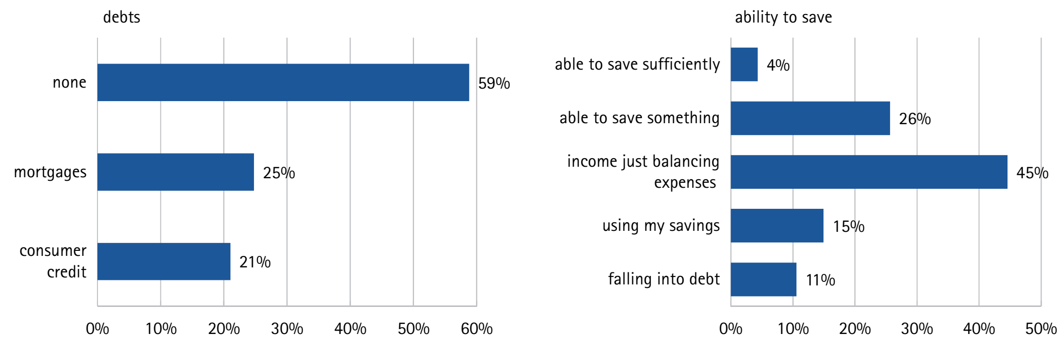
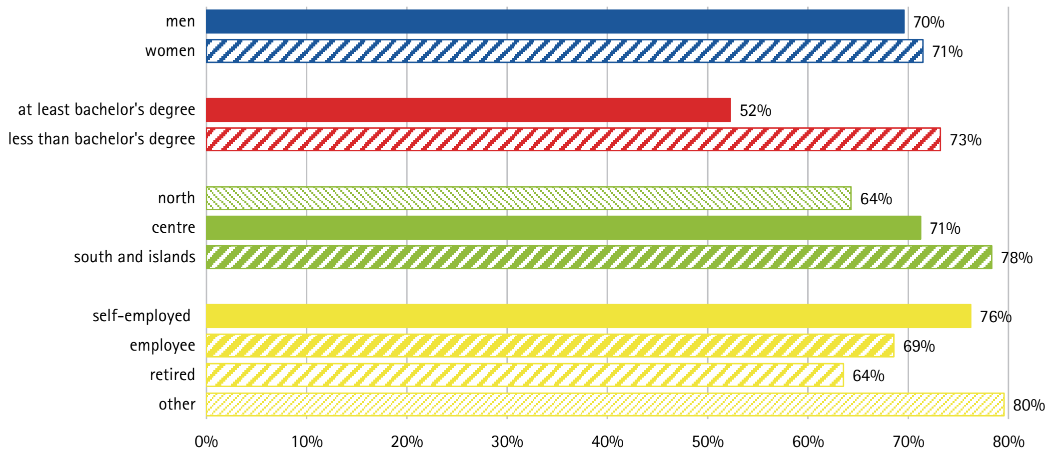


Figure on the left hand side refers to the following question: 'Are you carrying debt, associated either with mortgages and/or consumer credit for durable goods' purchase? Mortgages; Consumer credit; No' (multiple answers are allowed). Figure on the right hand side refers to the following question: 'Does your income cover your monthly family expenses? No, we fall into debt; No, we use our savings; Yes, income just balances expenses; Yes, we are able to save something; Yes we are able to save sufficiently'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

As expected, the proportion of people unable to save is higher among low-educated respondents, residents in the Centre and the South of Italy, self-employed as well as housewives, students and unemployed (the 'other' category in the Figure).

Figure 2.8 – Inability to save by some socio-demographic characteristics



The group 'other' includes housewives, students and unemployed. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Financial knowledge and personal traits

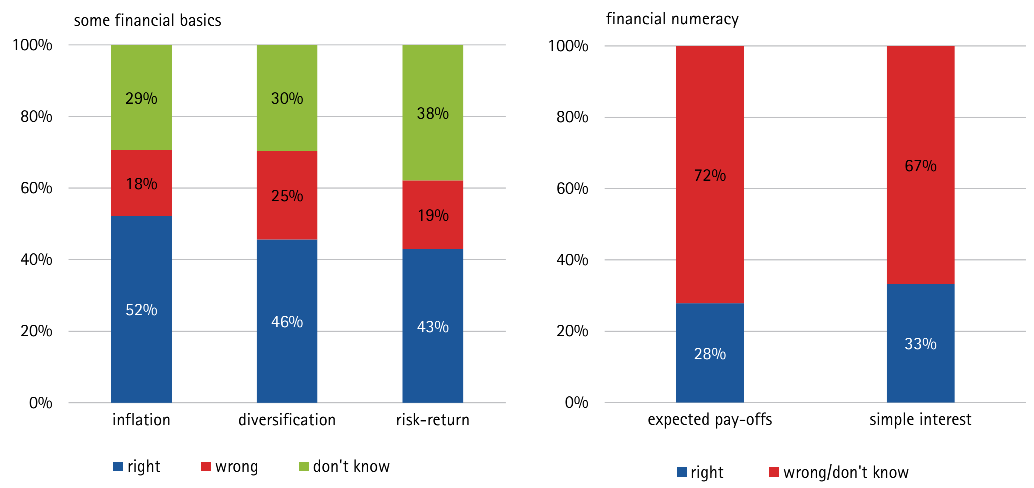
Financial knowledge and numeracy are key to effective money management and, in particular, saving and investing. A set of basic concepts underpins financial decision-making, including inflation, portfolio diversification and risk-return trade-off, while the calculation of simple interest and expected pay-off for an investment gauges numeracy. The ascertainment of these concepts in our sample returns poor understanding levels. Almost half of respondents are not able to describe inflation, whilst 55% and 57% incorrectly define risk diversification and risk-return relationship, respectively (Figure 3.1). As for numeracy, about 72% of the subjects are not able to compare investment options across expected returns, while roughly 67% show insufficient understanding of simple interest rates. Basic financial knowledge seems to be higher on average among men, residents in the North of Italy and positively correlated with high levels of schooling. In details, the breakdown of respondents' performance (as measured by the number of items defined correctly) by some socio demographic characteristics shows that the proportion of 'top literate individuals' (i.e. those answering at least four questions rightly) is far higher among men than women (24% and 11%, respectively) and among highly-educated than low-educated respondents (36% and 18%, respectively); moreover, North scores better than the South (24% and 16%, respectively; Figure 3.2). Gender differences in financial knowledge are also confirmed by an item-by-item comparison: in particular, the percentage of men answering the five financial basics' questions correctly is on average higher than that of women by 8 percentage points (Figure 3.3). As for the level of schooling, the gap across the proportions of financially informed interviewees across levels of education is on average 16 points (Figure 3.4), whilst the percentage of residents in the southern and insular regions failing the answers to the financial literacy questions is on average 11 points higher than among residents in the North of Italy (Figure 3.5). Financial knowledge was also related to self-assessed financial capabilities, with specific reference to the understanding of basic financial products and the ability of making good investment decisions. Among the respondents reporting an understanding of basic financial products equal or higher than the average person, 30% is not able to correctly define inflation and 44% cannot solve a simple-interest problem (Figure 3.6), whereas the mismatch between respondents' self-assessment on investment capabilities and their actual understanding of portfolio diversification and risk-return relationship involves 32% of the subjects. Turning to knowledge of specific investment options, 18% of the sample is not familiar with any instruments, 67% know Italian government bonds, while a share of individuals ranging from 48% to 40% mentions bank bonds, listed stocks, deposits and mutual funds (Figure 3.7). When coming to risk ranking, listed Italian stocks are rated as the riskiest instrument by 19% of respondents, followed by stock funds (11%). Derivatives products are known by the lowest percentage of interviewees (11%), and only 5% regard them as risky instruments.

Alongside with financial knowledge, personal traits and risk preferences may heavily impact on the way people make their financial decisions. Behavioral economics sheds light on a series of common patterns of behaviour marking a deviation from the rationality hypothesis and showing that consumers may not be able to make good financial choices even when they have access to information and/or are financially educated. In our sample, behavioral traits were explored with respect to risk perception, optimism (i.e. the tendency to 'believe about the future') and some attitudes susceptible to influence risk judgment across contexts and domains. As for feeling about financial risk, at the end of 2014, 51% of subjects regard it as an uncertain event to be avoided rather than an opportunity (41% at the end of 2013; Figure 3.8). When detailing risk dimensions, half of the respondents mention the possibility of capital losses, while concerns about exposure to market trends, lower than expected returns or return volatility are pointed out by a proportion ranging from 25% to 29%. The perception of risk dimensions, however, varies with financial education. 'High knowledge individuals' (i.e. those answering five out five financial literacy questions rightly) are more uneasy about the cost of compensation schemes, difficulties in monitoring investments and capital losses; 'low knowledge individuals' (i.e. those failing answers to all questions) are more concerned about getting returns lower than expected, capital losses and variability of returns (Figure 3.9).

Optimism is captured with respect to the expectations of a positive/negative return delivered by a hypothetical one-year investment in the Ftse Mib stocks and is not predominant: indeed at the end of 2014, 65% of respondents anticipated a loss (69% at the end of the previous year; Figure 3.10). Also the elicitation of economic satisfaction returns a high percentage of individuals with a negative attitude (70% in 2014 *versus* 66% at the end of 2013). To ascertain context-specificity of risk preferences, interviewees were asked to state their attitudes towards, respectively, alternative remuneration arrangements (job context) and alternative risk-return profiles of a financial investment (financial context; Figure 3.11). Inconsistencies between stated risk attitudes across the two contexts (i.e. people preferring only or mainly fixed remuneration but choosing a high risky investment and vice versa) involve a percentage of respondents ranging from 15% to 19% (Figure 3.12). Risk preferences may also change across domains, i.e. a risk-seeking attitude in the loss domain may turn into risk-aversion in the gain domain (so called certainty effect): this inclination is indeed exhibited by 31% of interviewees (Figure 3.13). The tendency to sell too quickly financial assets that have gained value (winners) and hold too long financial assets that have lost value (losers; so called disposition effect) is observed among 37% of respondents (Figure 3.14). Attitude towards biases (as measured by the exposure to the 'inconsistencies' such as preference instability across contexts, certainty effect and disposition effect), is likewise relevant across genders (about 70% of either men and women exhibit at least one bias), whilst it is lower among people with poorer financial knowledge (34% of them do not show any bias) than high-literate individuals (17%; Figure 3.15). Exposure to biases might also be correlated with sensitivity towards some risk dimensions, such as capital losses and market trends (Figure 3.16).

When asked about some basic financial concepts, roughly 47% of respondents are not able to describe inflation, whilst 55% and 57% incorrectly define risk diversification and risk-return relationship, respectively. As for numeracy, about 72% of subjects are unable to compare investment options across expected returns, while about 67% show poor understanding of simple interest rates.

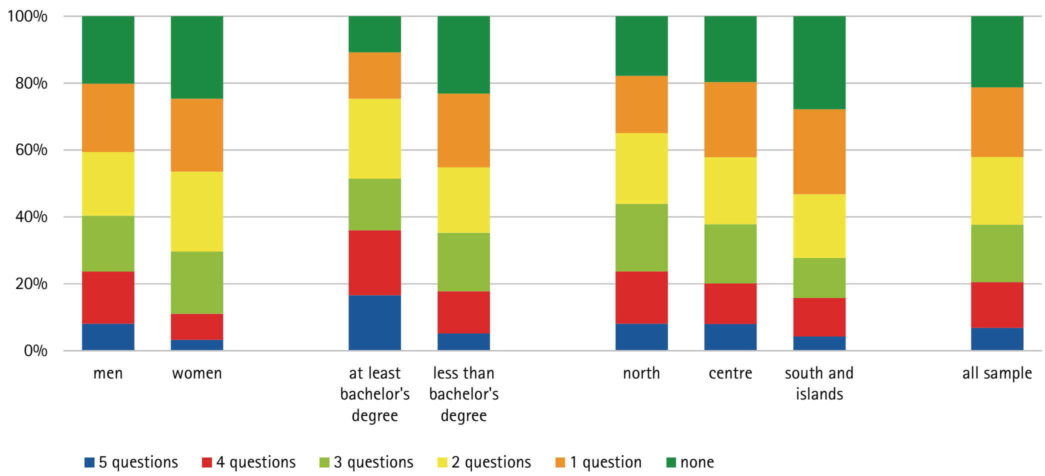
Figure 3.1 – Basic financial knowledge and numeracy



Percentage of individuals who answered correctly to questions about: inflation (Q1); risk diversification (Q2); risk/return relationship (Q3); computation and comparison of expected pay-offs of two investment options (Q4); simple interest (Q5). Q1: Suppose you win € 1,000 euro at the lottery and that you receive the it after one year time (during that period your winning is not invested). If the inflation rate is equal to 2%, in one year's time you will be able to buy: More things than those you can buy today; The same things you can by today; Less things than those you can buy today; Don't know'. Q2: 'Diversifying investments means investing...: in a large number of stocks; with a long investment horizon; in uncorrelated assets; in mixed assets as long as they are characterized by the same type of risk; Don't know'. Q3: 'What kind of relationship exists between investment risk and return? Direct: the higher the risk, the higher the return; Indirect: the higher the risk, the lower the return; None; Don't know'. Q4: 'Which of the two following investment options would you prefer? Investment 1 delivers either 7 euros or 4 euros or 3 euros or 2 euros each with a probability of 25%; Investment 2 delivers either 3 euros or 8 euros or 4 euros or 5 euros each with a probability of 25%'. Q5: 'Suppose you have 100 euros in a current account delivering a 2% annual interest rate (zero costs). Suppose you will make neither withdrawals nor deposits during the coming year. How many euros will be in your current account at the end of the year after interest is paid? __ euros; I can't answer given the available information; Don't know'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The proportion of 'top literate individuals' (i.e. those answering at least four questions correctly) is far higher among men than women (24% and 11%, respectively) and among highly-educated than low-educated respondents (36% and 18%, respectively). North regions score better than the South (24% and 16%, respectively).

Figure 3.2 – Basic financial knowledge by some socio-demographic characteristics
(breakdown by number of correct answers)



The breakdown refers to questions about: inflation (Q1); risk diversification (Q2); risk/return relationship (Q3); computation and comparison of expected pay-offs of two investment options (Q4); simple interest (Q5; see Figure 3.1). Scores range from zero (= no question out of 5 is correctly answered) to five (= 5 questions out of 5 are correctly answered). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

As for gender differences in financial knowledge, the percentage of men defining rightly some financial basics is on average higher than that of women by 8 percentage points.

Figure 3.3 – Basic financial knowledge by item and gender

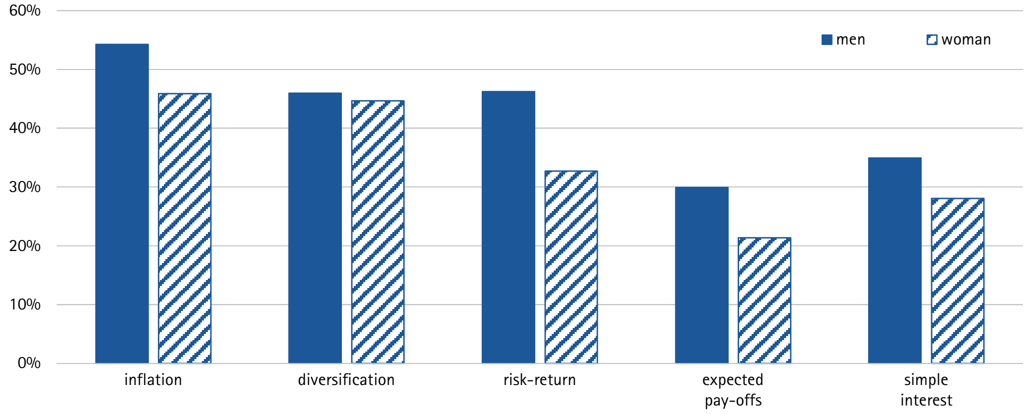


Figure reports the percentage of respondents giving five out of five correct answers to the questions on inflation, risk diversification, risk/return relationship, expected pay-offs computation and simple interest (see Figure 3.1). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

As expected, basic financial knowledge seems positively correlated with high levels of schooling. In particular, the proportion of 'literate' interviewees is on average 16 points higher among highly-educated people.

Figure 3.4 – Basic financial knowledge by item and education

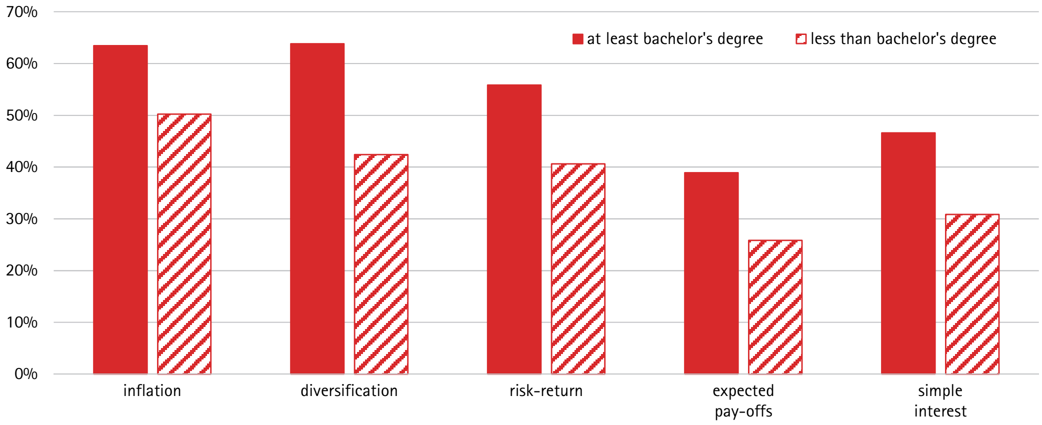


Figure reports the percentage of respondents giving five out of five correct answers to the questions on inflation, risk diversification, risk/return relationship, expected pay-offs computation and simple interest (see Figure 3.1). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Financial knowledge also differs across Italian regions. The proportion of residents in the southern and insular regions showing poor understanding of basic financial items is on average 11 percentage points higher than that of residents in the North of Italy.

Figure 3.5 – Basic financial knowledge by item and area of residence

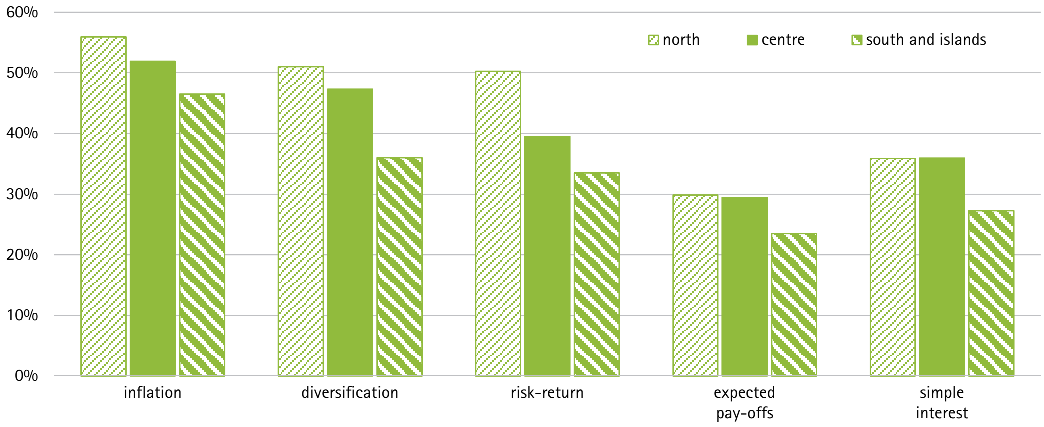
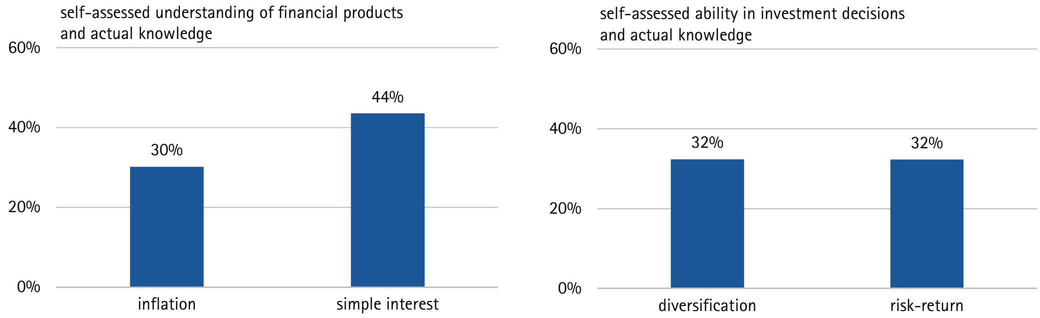


Figure reports the percentage of respondents giving five out of five correct answers to the questions on inflation, risk diversification, risk/return relationship, expected pay-offs computation and simple interest (see Figure 3.1). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Among respondents self-assessing an understanding of basic financial products equal or higher than the average, 30% is not able to define correctly inflation and 44% cannot solve a simple-interest problem. As for portfolio diversification and risk-return relationship, the mismatch between respondents' self-assessment about their own investment capabilities and their actual understanding involves 32% of the subjects.

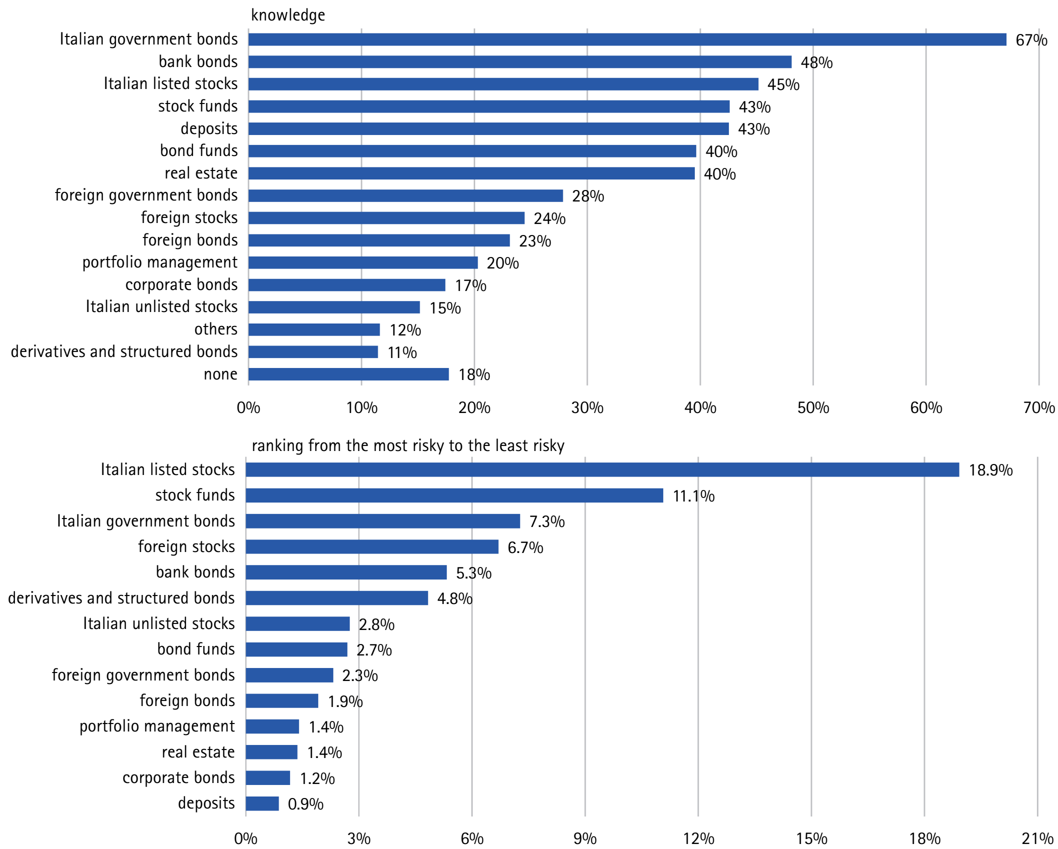
Turning to knowledge of specific investment options, 18% of the sample is not familiar with any instruments, 67% know Italian government bonds, whereas a share ranging from 48% to 40% mention bank bonds, listed stocks, deposits and mutual funds. When coming to risk ranking, listed Italian stocks are identified as the riskiest instrument by 19% of respondents, followed by stock funds (11%). Derivatives products are known by the lowest percentage of interviewees (11%), and only 5% regard them as risky.

Figure 3.6 – Mismatch between self-assessed capability and actual financial knowledge (overconfidence)



Figures refer to the mismatch between self-assessed financial capability (Figure 2.1) and actual knowledge (Figure 3.1), that is the gap between respondents' assessment of their capabilities in 'understanding basic financial products' and 'making good investment decisions' and the respondents' understanding of some financial basics and numeracy. In particular, the figure on the left hand side reports the percentage of individuals who consider their ability in 'understanding basic financial products' to be at least on average but are not able to define correctly either inflation (see Q1, Note in Figure 3.1) or simple interest (see Q5, Note in Figure 3.1). The figure on the right hand side reports the percentage of individuals who consider their ability in 'making good investment decisions' to be at least on average but are not able to define correctly either risk diversification or risk/return relationship (see Q2 and Q3, Note in Figure 3.1). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Figure 3.7 – Knowledge and perceived risk of alternative investment options



The first figure refers to the following question: 'Which financial product do you know?' Answers also include the portfolio management service. The second figure refers to the following question: 'Please select the three most risky products among the following and rank them from the most risky to the less risky'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

At the end of 2014, 51% of the subjects regard financial risk as an uncertain event to be avoided rather than an opportunity. As for risk dimensions, the possibility of capital losses is mentioned by half of the respondents, followed by exposure to market trends, lower than expected returns and return volatility (by 25% to 29% of individuals).

Figure 3.8 – Risk perception

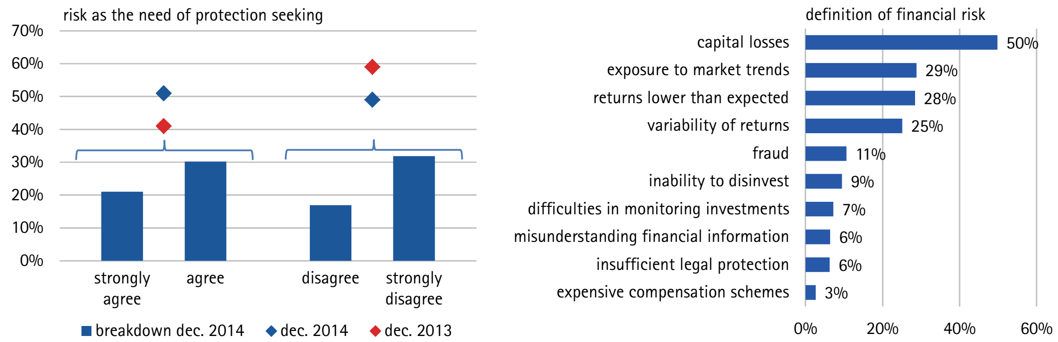
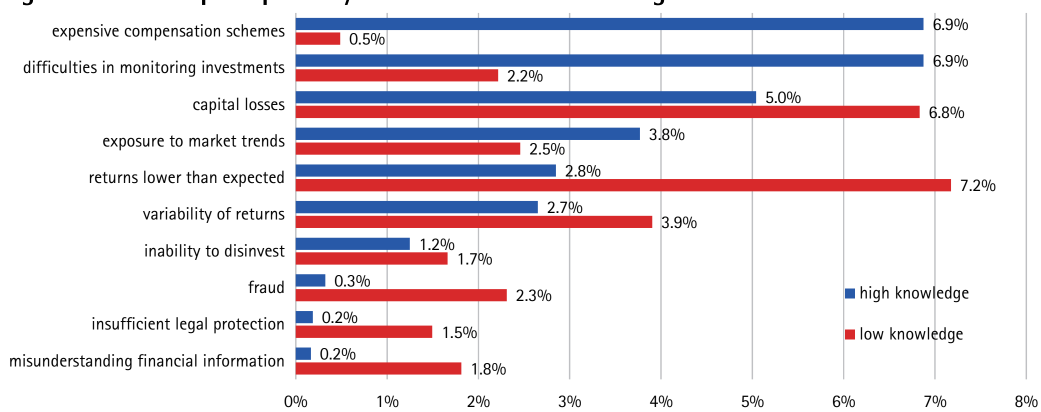


Figure on the left hand side refers to the following question: 'On a 0-10 scale (where 0 is 'I strongly disagree' and 10 is 'I completely agree') how much do you agree that risk is an uncertain event that may be avoided through preemptive actions rather than an opportunity? Figure on the left hand side refers to the following question: 'What do you mean by «financial risk»?' (multiple answers allowed). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Sensitivity to risk dimensions varies with financial education. 'High knowledge individuals' are more uneasy about the cost of compensation schemes, difficulties in monitoring investments and capital losses; 'low knowledge individuals' are more concerned about getting returns lower than expected, capital losses and variability of returns.

Figure 3.9 – Risk perception by level of financial knowledge



Risk perception is elicited through the following question: 'What do you mean by «financial risk»?' (multiple answers allowed). The group 'high knowledge' includes respondents that answered correctly to all the questions about inflation (Q1), risk diversification (Q2), risk/return relationship (Q3), computation and comparison of expected pay-offs of two investment options (Q4) and simple interest (Q5; see Figure 3.1). The group 'low knowledge' includes respondents that were not able to answer to none of the questions mentioned above. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Optimism (as captured with respect to expectations on the return of an hypothetical one-year investment in the Ftse Mib stocks) is not predominant: at the end of 2014, 65% of respondents anticipated a loss. Also the elicitation of economic satisfaction returns 70% of individuals with a negative attitude.

Figure 3.10 – Optimism and economic satisfaction

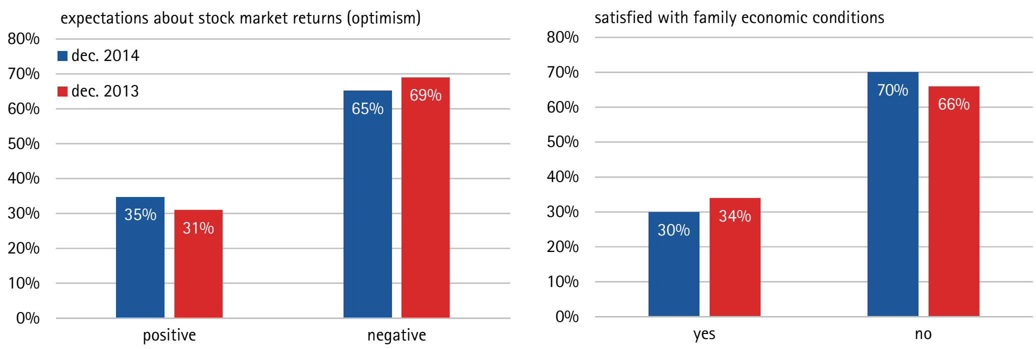


Figure on the left side refers to the question 'Investing today in Ftse Mib stocks, do you expect to realize a gain or a loss at the end of the year?'. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'. Figure on the right side refers to the question: 'Do you consider your family's economic conditions satisfactory?'. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

To ascertain context-specificity of risk preferences, interviewees were asked to state their attitudes towards alternative risk-return profiles of a financial investment (investment context) and alternative remuneration arrangements (job remuneration context). The majority of respondents declared, respectively, to prefer low risk-return investments (71%) and fixed or mainly fixed remuneration (76%).

Figure 3.11 – Context-specific risk preferences

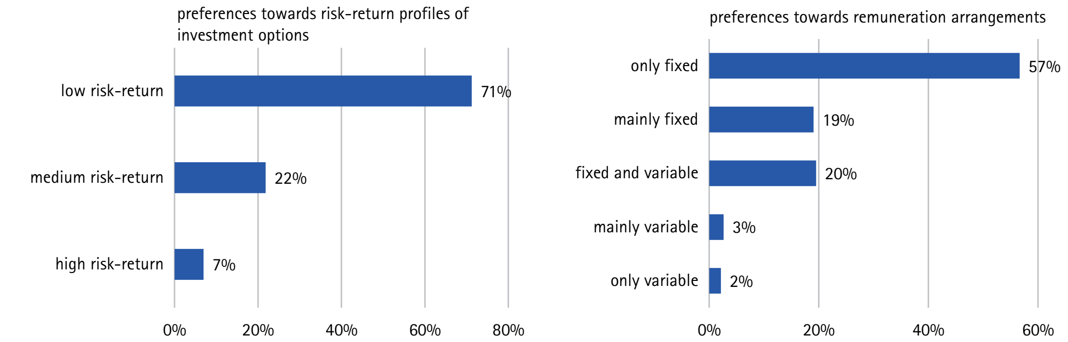
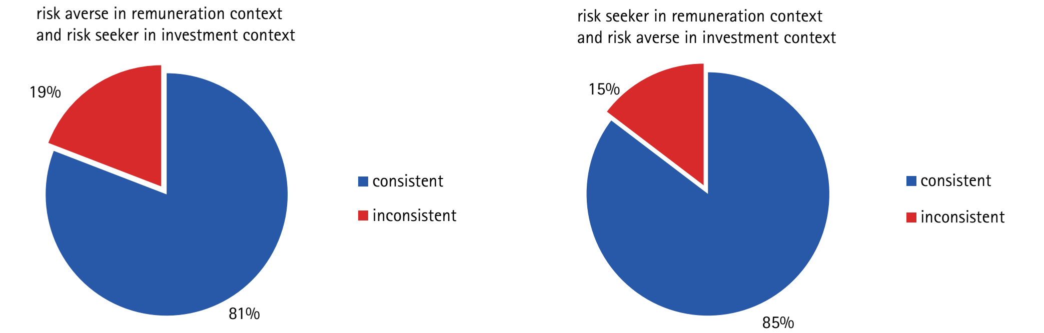


Figure on the left hand side refers to the following question: 'Which of the following investment options would you prefer?', being the answers: 'An investment delivering an expected return of 20% in one year with a 50% probability of losing part of the invested capital'; 'An investment delivering an expected return of 6% in one year with a 20% probability of losing part of the invested capital'; 'An investment delivering an expected return of 2% in one year without risk of losing part of the invested capital'. Figure on the right hand side refers to the following question: 'What do you prefer among the following remuneration arrangements?' Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Inconsistencies between stated risk attitudes across the two contexts (i.e. people preferring fixed or mainly fixed remuneration and choosing a high risky investment and vice versa) are shown by a percentage of respondents ranging from 15% to 19%.

Figure 3.12 – Context-specific risk preferences (inconsistency across domains)



In the figure on the left hand side inconsistent individuals are those declaring to prefer 'fixed remuneration' or 'mainly fixed remuneration' but high risky products. In the figure on the right hand side inconsistent individuals are those declaring to prefer variable remuneration but safe products. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Risk preferences may change across domains, i.e. a risk-seeking attitude in the loss domain may turn into risk-aversion in the gain domain (so called certainty effect). This inclination is indeed exhibited by 31% of interviewees.

Figure 3.13 – Instability of risk preferences (certainty effect)

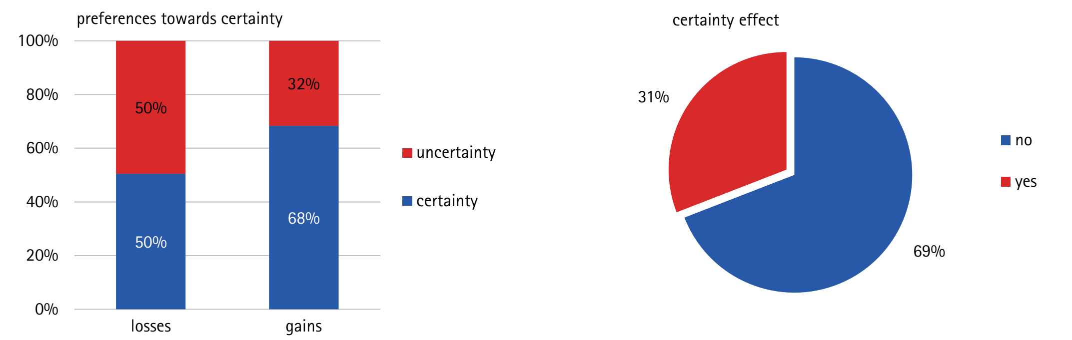


Figure on the left hand side refers to the following questions: 'Which of the following options would you prefer: a sure loss of 100 euros or 50% chance to lose 200 euros and 50% chance to lose nothing?' and 'Which of the following options would you prefer: sure gain of 100 euros or 50% chance to win 200 euros and 50% chance to win nothing?'. Red section of the figure on the right hand side reports the percentage of respondents that changed their preference moving from the loss domain towards the gain domain. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

37% of respondents exhibit the tendency to sell too quickly financial assets that have gained value (winners) and hold too long financial assets that have lost value (losers; so called disposition effect) even if no new information is known.

Figure 3.14 – Asymmetric behaviour towards winning and losing investments (disposition effect)

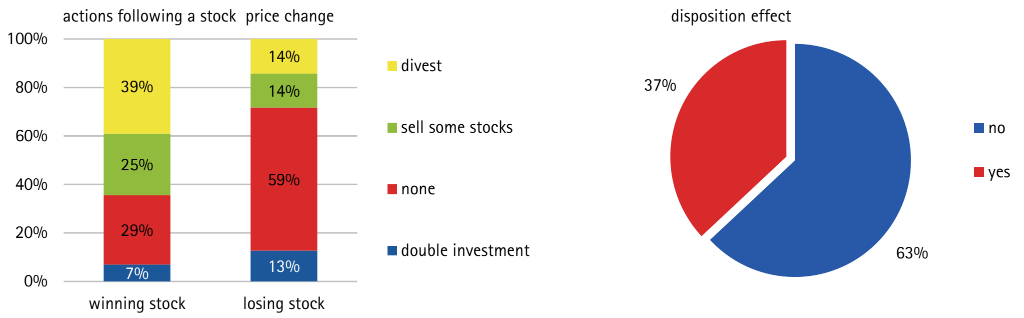


Figure on the left hand side refers to the following two questions: 'Suppose you bought a share of XYZ Company at the price of 60 euros per share. In the last month the price rose to 120 euros. If no new information potentially affecting XYZ Company is known, what do you do?' and 'Suppose you bought a stock at the price of 60 euros. In the last month price went down to 30 euros. If no new information about your product is known, what do you do?'. The figure on the right hand side reports the percentage of respondents that prefer to immediately sell all stocks and make profits when they are winning, but choose to maintain their investment and not liquidate a loser. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Attitude towards biases, as measured by the exposure to risk preference instability across contexts, certainty effect and disposition effect, is higher among high-literate individuals (83% of them show at least one bias) than among low-literate people (66%).

Figure 3.15 – Attitudes towards behavioural biases by some socio-demographic characteristics

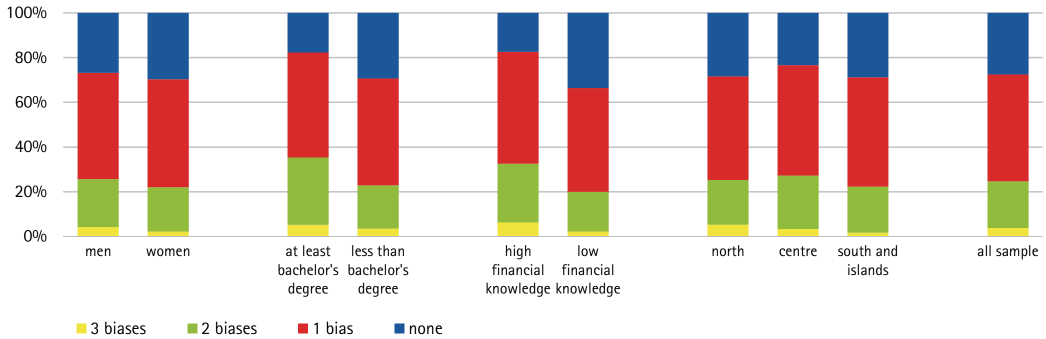
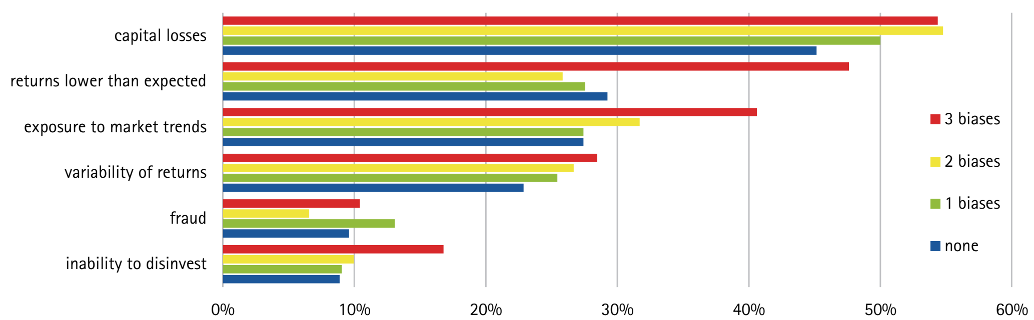


Figure reports the breakdown of the respondents' attitude towards one or more biases between inconsistency across domains (Figure 3.12), certainty effect (Figure 3.13) and disposition effect (Figure 3.14) by some socio-demographic characteristics. 'High financial knowledge' group includes respondents giving at least three correct answers to the questions on inflation, risk diversification, risk/return relationship, expected pay-offs computation and simple interest (Figure 3.1). 'Low financial knowledge' group includes respondents giving less than three correct answers to the questions mentioned above. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Sensitivity towards capital losses and market trends is more frequent among people exhibiting inconsistency across domains, certainty effect and disposition effect than 'unbiased' individuals.

Figure 3.16 – Risk perception and attitude towards behavioural biases



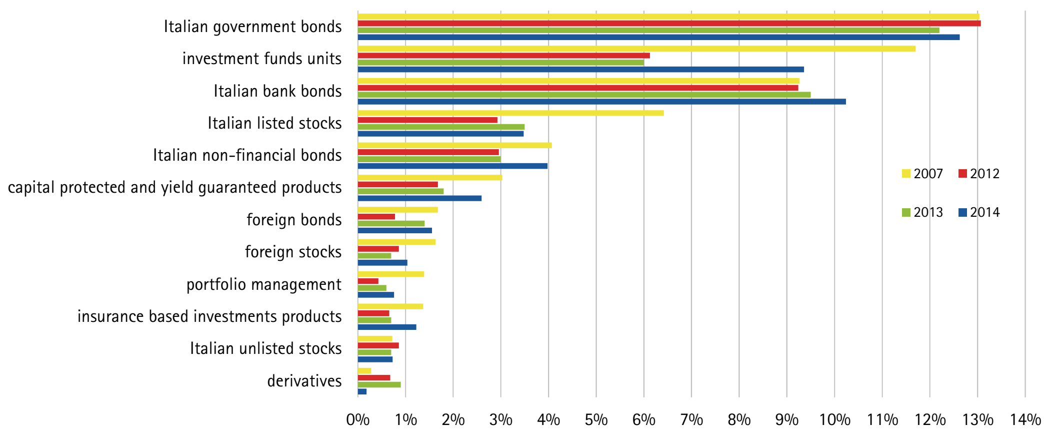
Risk perception is elicited through the following question: 'What do you mean by «financial risk»?' (multiple answers allowed). The groups '1 bias', '2 biases' and '3 biases' include respondents that exhibited one, two and three biases, respectively, among the following: inconsistency across domains (Figure 3.12), certainty effect (Figure 3.13) and disposition effect (Figure 3.14). The group 'none' includes respondents that did not show any attitude towards the biases mentioned above. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Investment choices and investment habits

The proportion of Italian households participating in financial markets reached 48% at the end of 2014, seven percentage points higher than the previous year (Figure 4.1). Despite this increase, the figure remains still lower than its 2007 level, when it equalled 55%. As for portfolio composition, apart from bank deposits and postal saving accounts weighing by 48%, the highest share of household financial wealth is ascribable to asset management products, almost back to their pre-crisis level (around 16%; Figure 4.2). Corporate bonds and government bonds account both for about 14% (slightly below its 2007 level the former, basically stable the latter), while the quota of shares is equal to 5%, half of its pre-crisis level. The breakdown of financial market participation by some socio-demographic characteristics shows that investment in risky assets is more frequent among wealthier families, living in northern Italy (Figure 4.3). Participation is also higher when the head of the household is male, middle-aged, highly-educated and self-employed. Willingness to invest is prompted by trust in financial institutions and advisors (56% of respondents), availability of capital protected and/or minimum yield guaranteed products (52%), investment costs (41%) and financial markets trends (24%; Figure 4.4). The concern about capital protection and minimum yield guarantees is driven by the respondents' strong loss aversion: 55% of them are not willing to take financial risk implying a chance of loss and 17% would disinvest even after a very little loss. This evidence confirms a well-documented behavioral attitude, which may cause investors to miss out on opportunities and take emotional actions – such as liquidating their assets – possibly inconsistent with their long-term investment goals. The main drivers of financial investments exhibit a certain variation across some socio-demographic characteristics. In more details, trust in financial intermediaries is more frequently mentioned by high wealth families, financial decision makers living in the Centre of Italy and retired (Figure 4.5), whilst the availability of capital protected and/or minimum yield guaranteed products seems to be slightly less relevant among residents in the Centre of Italy and retired (Figure 4.6). Attention to investment costs is more pronounced among less wealthy households and residents in northern regions (Figure 4.7), while market trends are more important to men, highly-educated interviewees and wealthier respondents (Figure 4.8). Consistently with the evidence on loss aversion, capital protection is also very relevant to the choice among different investment options, alongside with holding period and diversification needs (mentioned as key features by 15% of the subsample of investors; Figure 4.9). Investment costs and the opinion of an expert follow (14% and 12% of investors, respectively), whilst liquidity, credit and market risks are deemed important to a much lower extent (by 10%, 6% and 5% of investors, respectively). Only 8% pay attention to the investment goal. As for investment habits, approximately 44% of respondents make a decision after consulting relatives or friends, about 22% follow a financial expert (either by seeking her advice before investing or by delegating her), whilst 15% make decisions on their own (Figure 4.10). The expert is regarded as the main source of financial information by 50% of investors, whereas more than 20% do not seek information. Investors relying on an expert are especially women, middle-aged individuals, highly-educated subjects, self-employed and wealthier households (Figure 4.11). Respondents showing a good level of financial knowledge are more frequent among those making decisions on their own, while the proportion of financially educated interviewees is higher among those relying on a financial expert with respect to those seeking advice from relatives and friends (Figure 4.12). The majority of investors seeking financial advice under-estimate their knowledge of basic financial concepts more frequently than individuals making financial decisions on their own (who tend to correctly assess their ability and knowledge; Figure 4.13). Investors exposed to at least one behavioural bias are more frequent among those making decision on their own, while the proportion of loss-averse is higher among those seeking advice from their relatives and friends (Figure 4.14).

At the end of 2014, the proportion of Italian households holding at least one financial asset reached 48%, seven percentage points higher than the previous year. Despite this increase, households financial market participation remains still lower than its 2007 level (55%).

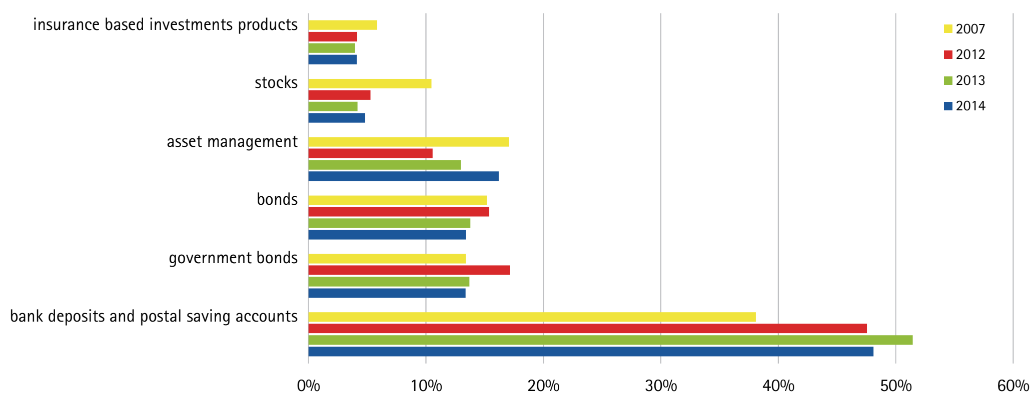
Figure 4.1 – Italian household financial market participation
(percentage of households holding the specified financial product)



Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Apart from bank deposits and postal saving accounts (weighing by 48%), the highest share of household financial wealth refers to asset management products, almost back to their pre-crisis level (around 16%). Corporate bonds and government bonds account both for about 14%, while the quota of shares remains at 5%.

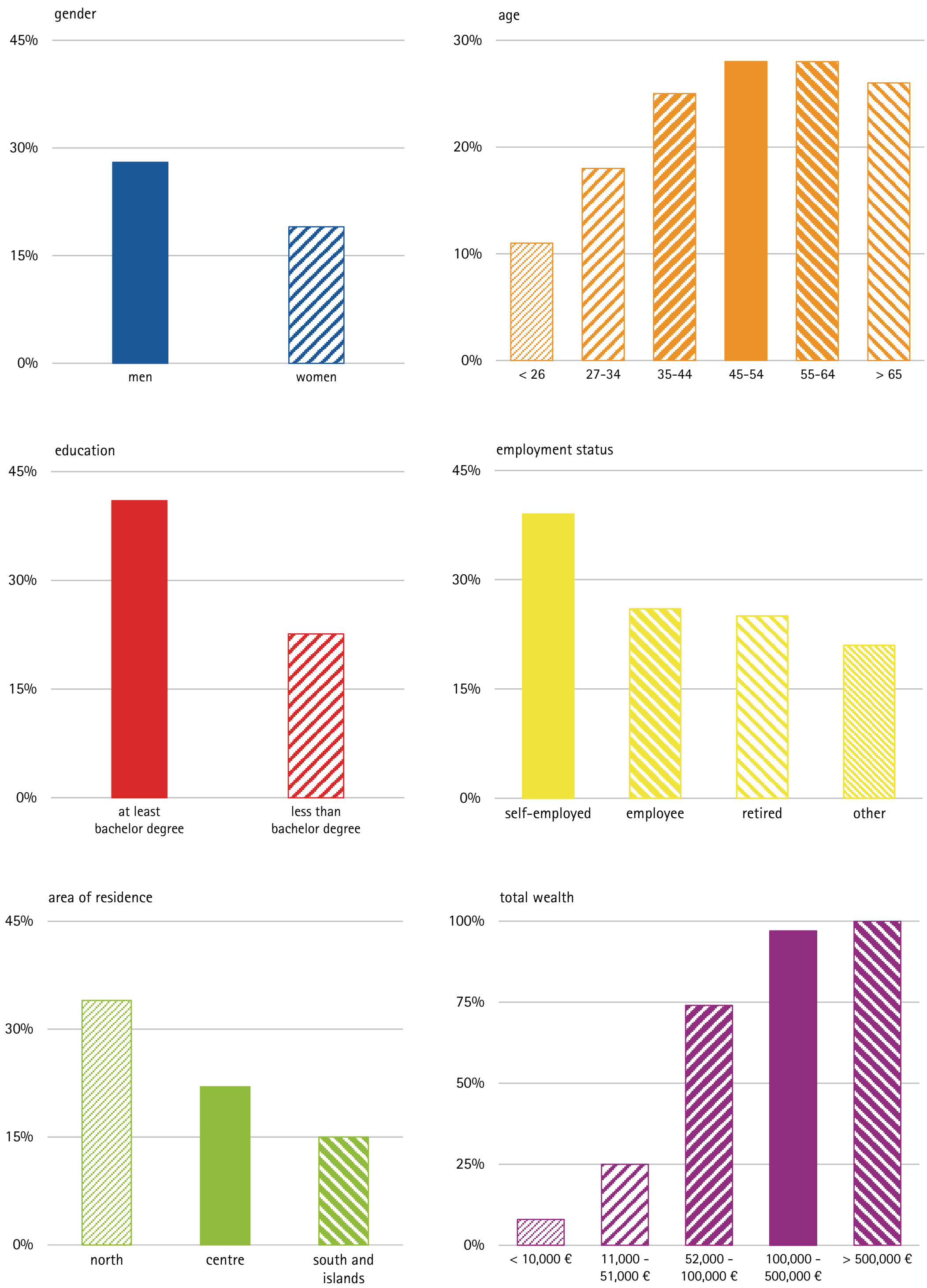
Figure 4.2 – Breakdown of Italian household financial wealth by type of assets



Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Investment in risky assets is higher when the head of the household is male, middle-aged, more educated and self-employed. Participation is also more frequent among residents in northern Italy and wealthier families.

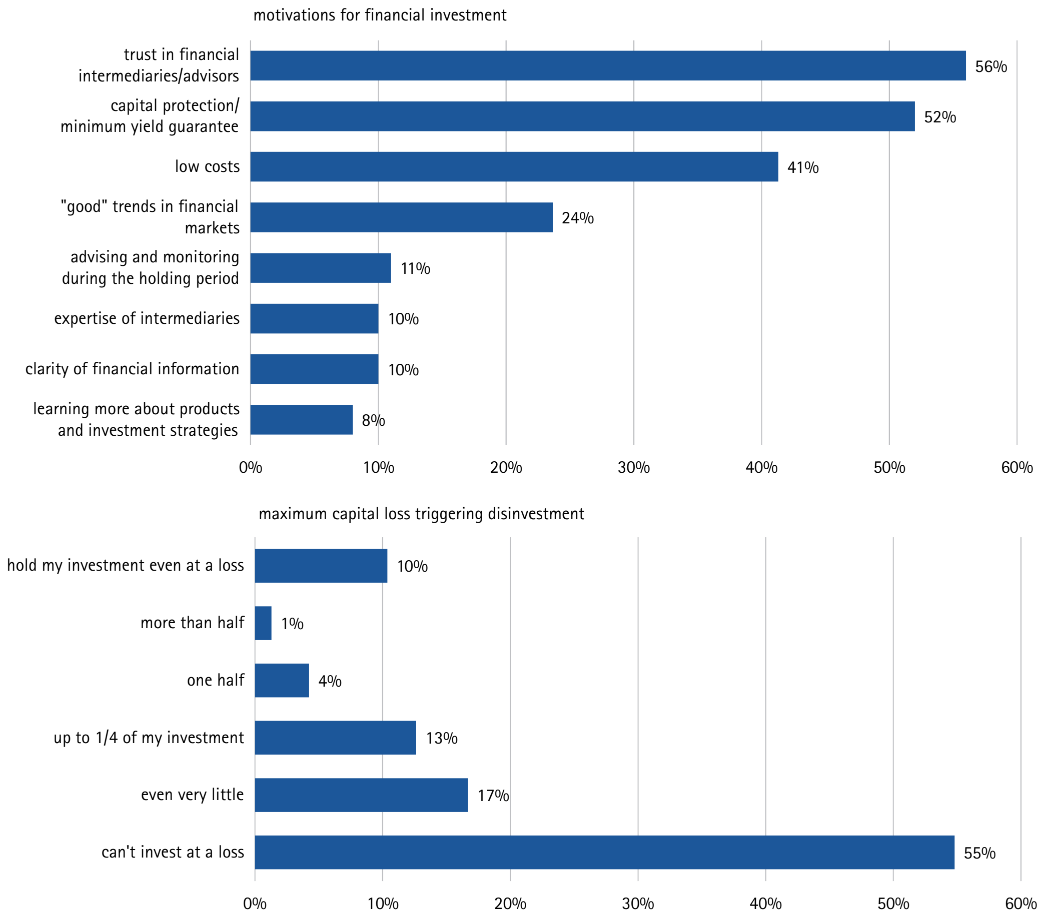
Figure 4.3 – Italian household participation to financial markets by some socio-demographic characteristics



In the 'employment status' graph, the group 'other' includes housewives, students and unemployed. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Willingness to invest is prompted by trust in financial institutions and advisors (56% of respondents), availability of capital protected and/or minimum yield guaranteed products (52%), investment costs (41%) and financial markets trends (24%). Concern about capital protection is driven by respondents' strong loss aversion: 55% of them are not willing to take financial risk implying a chance of loss and 17% would disinvest even after a very little paper loss.

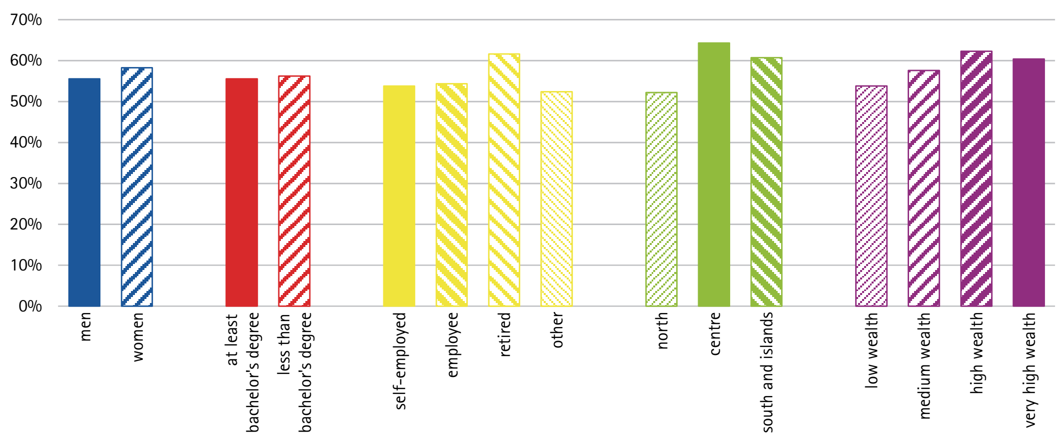
Figure 4.4 – Drivers of willingness to invest



The first figure is based on the question: 'Indicate motivations which could convince you to invest'. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey. The second figure refers to the following question: 'What is the maximum loss you would accept before deciding to sell?', being the answers: 'I can't invest at a loss; Even very little; Up to one fourth of my investment; One half; More than half; I hold on to my investment even at a loss'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Trust in financial intermediaries and advisors as a motivation for investing is more frequently mentioned by retired financial decision makers, interviewees living in the Centre of Italy and high wealth families.

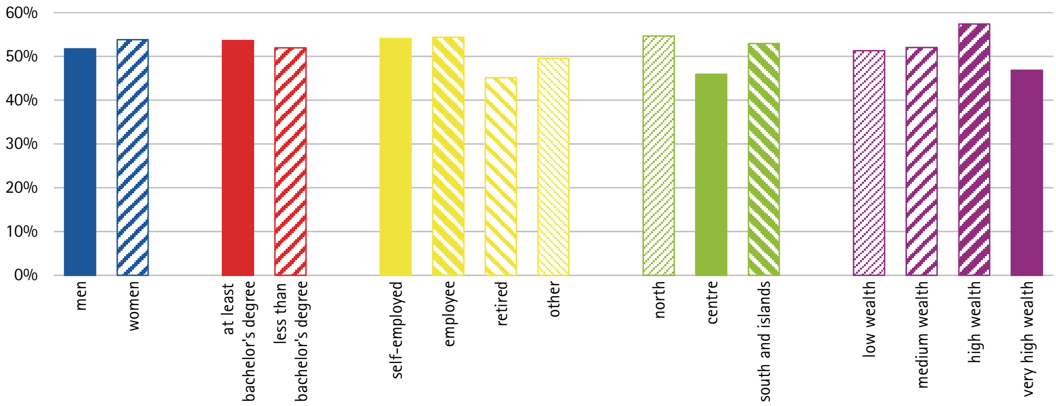
Figure 4.5 – Trust in financial intermediaries and willingness to invest by some socio-demographic characteristics



The group 'other' includes housewives, students and unemployed. Wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' from 50,000 to 250,000€; 'very high' more than 250,000€. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

The availability of capital protected and/or minimum yield guaranteed products as a factor prompting investment seems to be slightly less relevant for retired, residents in the Centre of Italy and the wealthiest households.

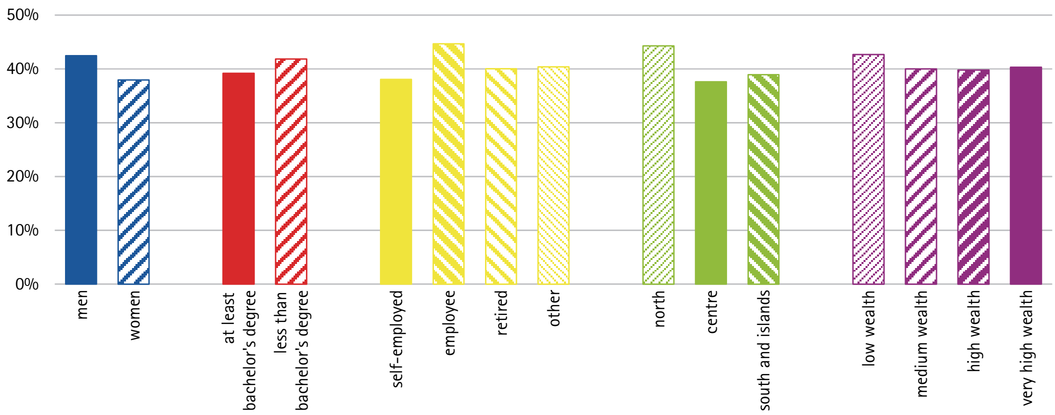
Figure 4.6 – Loss aversion and willingness to invest by some socio-demographic characteristics



The group 'other' includes housewives, students and unemployed. Wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' from 50,000 to 250,000€; 'very high' more than 250,000€. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Attention to investment costs is more pronounced among employees, households living in northern regions and less wealthy families.

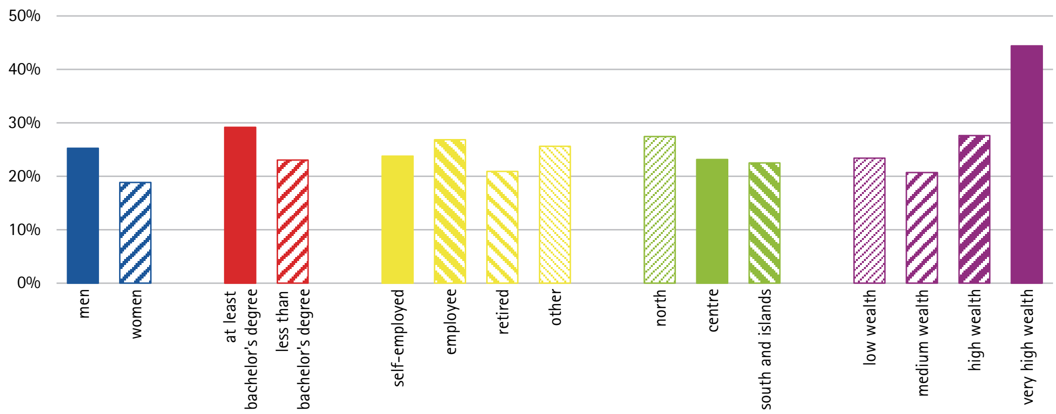
Figure 4.7 – Investment costs and willingness to invest by some socio-demographic characteristics



The group 'other' includes housewives, students and unemployed. Wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' from 50,000 to 250,000€; 'very high' more than 250,000€. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Market trends' impact on willingness to invest is more marked for men, highly-educated individuals, residents in northern regions and wealthier financial decision makers.

Figure 4.8 – Attention to market trends and willingness to invest by some socio-demographic characteristics



The group 'other' includes housewives, students and unemployed. Wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' from 50,000 to 250,000€; 'very high' more than 250,000€. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

When choosing among alternative financial products, capital protection, holding period and diversification needs are mentioned as key features by 15% of the subsample of investors. Investment costs and the opinion of an expert follow (14% and 12% of investors, respectively). Only 8% pay attention to the investment goal.

Figure 4.9 – Considerations when choosing a financial investment option

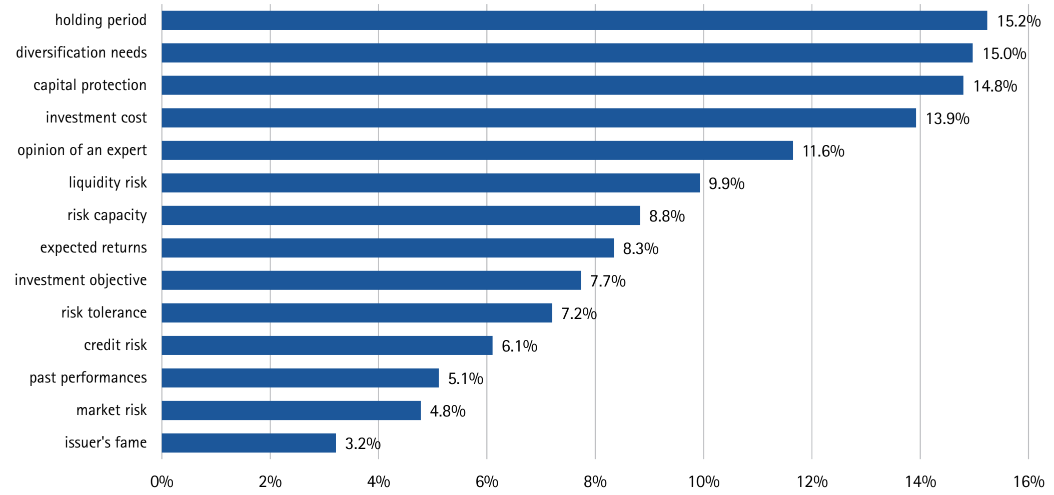
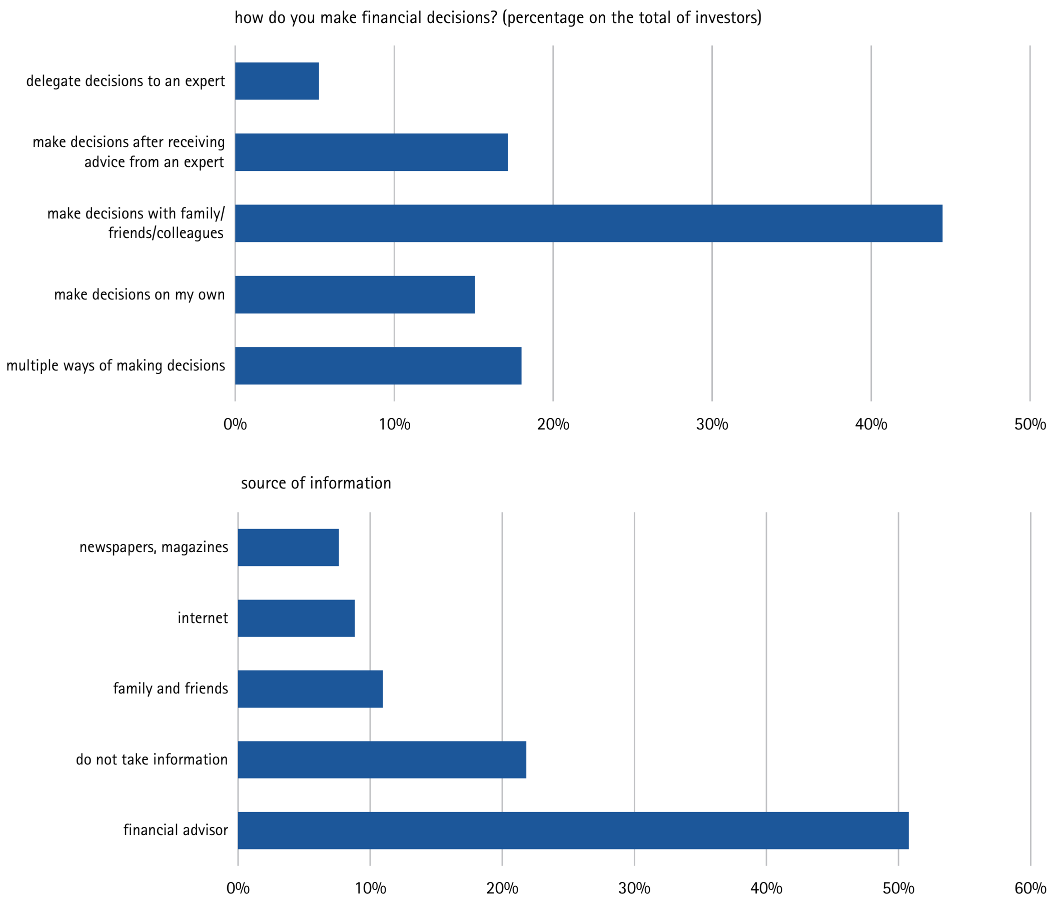


Figure refers to the following question: 'If you decided to invest, in your opinion, which factors are important to be taken into consideration before choosing among different investment options?' (maximum four answers allowed). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Approximately 44% of investors make a decision after consulting relatives or friends, about 22% rely on a financial expert (either by seeking advice before investing or by delegating financial decisions), whilst 15% make decisions on their own. As for information channels, the 'expert' taking care of the investments is mentioned by 50% of respondents, whereas more than 20% do not seek information.

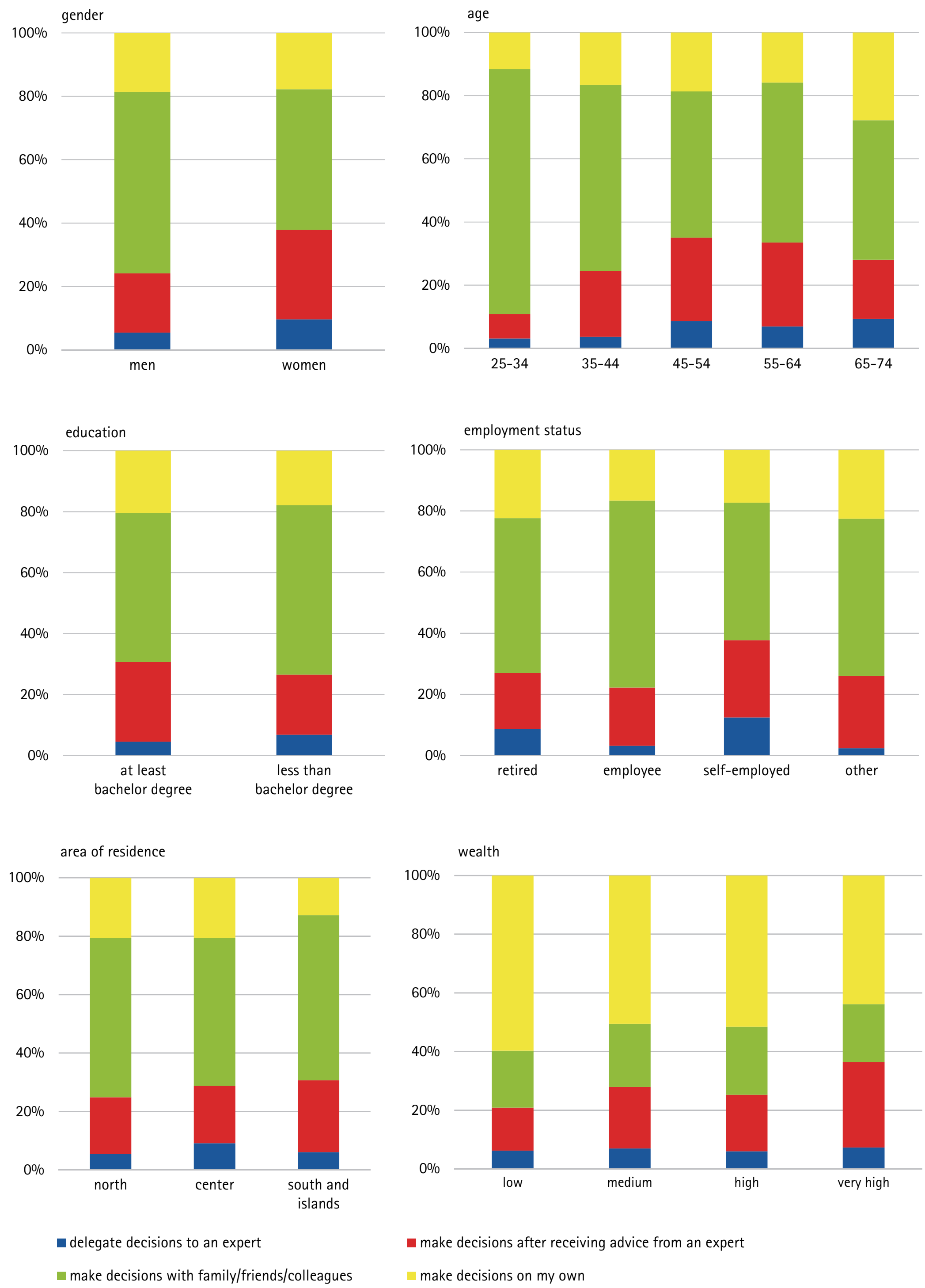
Figure 4.10 – Household investment habits and source of information



Investment habits' categories reported in the first figure refer to the question: 'How do you make financial decisions?' and refer to the sub-sample of investors only. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'. Sources of information reported in the second figure refer to the question: 'How do you get information when you make a financial decision?'. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Relying on an expert is more frequent among women than men (38% *versus* 24%, respectively), middle-aged decision makers, highly-educated and self-employed investors. Demand for financial advice also rises with wealth. The proportion of households deciding autonomously is higher in the North and the Centre.

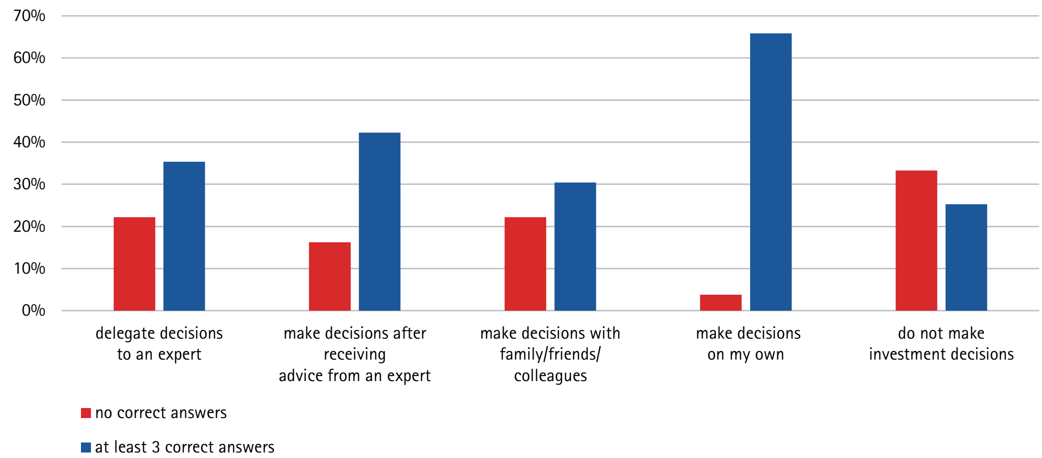
Figure 4.11 – Household investment habits by some socio-demographic characteristics



Investment habits' categories reported in the graph are defined on the basis of the answers to the question: 'How do you make financial decisions?' and do not include respondents declaring multiple ways of making choices. Wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' from 50,000 to 250,000€; 'very high' more than 250,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Respondents showing a good level of financial knowledge are more frequent among those making decisions on their own. Moreover, the level of financial knowledge is higher among interviewees relying on a financial expert with respect to those seeking advice from relatives and friends.

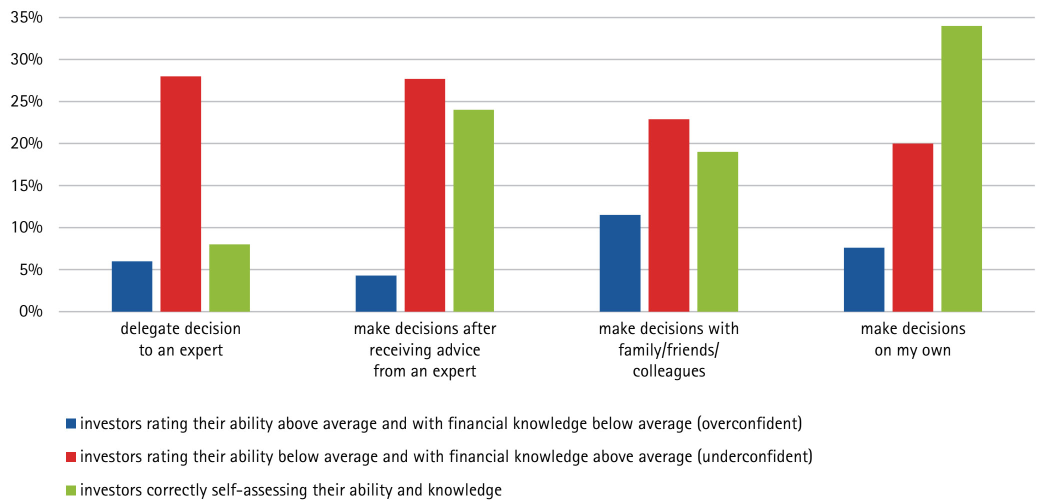
Figure 4.12 – Household investment habits by financial knowledge



Investment habits' categories reported in the figure refers to the question: 'How do you make financial decisions?' and do not include multiple ways of making choices. Financial knowledge refers to questions about: inflation (Q1); risk diversification (Q2); risk/return relationship (Q3); computation and comparison of expected pay-offs of two investment options (Q4); simple interest (Q5; see Figure 3.1). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The majority of investors seeking financial advice under-estimate their knowledge of basic financial concepts more frequently than individuals making financial decisions on their own (who tend to correctly assess their ability and knowledge).

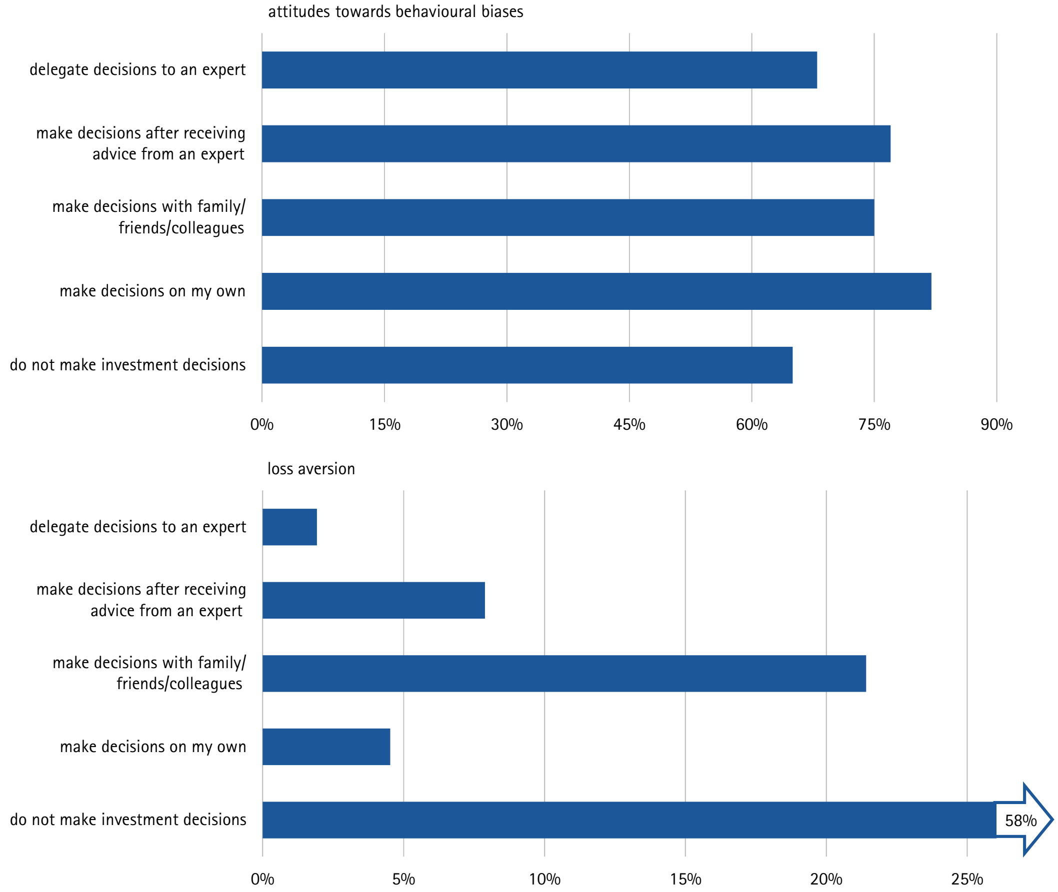
Figure 4.13 – Households investment habits by mismatch between self-assessed financial capability and actual financial knowledge



Investment habits' categories reported in the figure refers to the question: 'How do you make financial decisions?' and do not include multiple ways of making choices. Overconfidence is defined as the mismatch between self-assessed financial capability (Figure 2.1) and actual knowledge (Figure 3.1), that is the gap between respondents' assessment of their capabilities in 'understanding basic financial products' and 'making good investment decisions' and the respondents' understanding of some financial basics and numeracy. In particular, overconfidence refers to individuals either rating their ability in 'understanding basic financial products' to be above average and not being able to define correctly inflation (see Q1, Note in Figure 3.1) and/or simple interest (see Q5, Note in Figure 3.1) or individuals rating their ability in 'making good investment decisions' to be above average and not being able to define correctly risk diversification and/or risk-return relationship (see Q2 and Q3, Note in Figure 3.1).

Investors exposed to at least one behavioural bias are more frequent among those making decision on their own, while the proportion of loss-averse is higher among those seeking advice from their relatives and friends.

Figure 4.14 – Households investment habits by attitudes towards behavioral biases and loss aversion



The first figure reports the percentage of respondents that exhibit at least one bias between inconsistency across domains (Figure 3.10), certainty effect (Figure 3.12) and disposition effect (Figure 3.13). The second figure refers to the following question: 'What is the maximum loss you would accept before deciding to sell?' and includes only respondents declaring that they 'Can't invest at a loss' or that they would disinvest after 'Even a very little loss'. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

The demand for MiFID financial advice

At the end of 2014, the percentage of Italian families receiving tailored recommendations (so called MiFID advice) remains below 10%, although recording a slight increase on a yearly basis (Figure 5.1). Households using financial advice at the intermediaries' initiative are preponderant (more than 50%), whereas those prompting an investment proposal are negligible. The proportion of households unable to identify the terms by which they receive advice remains significant (around 30%), although shrinking with respect to previous years. The proportion of Italian households receiving MiFID advice is positively correlated with the education level of the decision maker (18% when he/she holds at least a bachelor degree *versus* 8% otherwise) and financial wealth (4% among low wealth households and almost 60% among the wealthiest; Figure 5.2). Retail investors relying on MiFID advice hold better diversified portfolios than other households (74% of them own at least a risky asset among stocks, bonds, asset management *versus* a proportion ranging from 7% to 53% among the other households). Willingness to pay for financial advice is very low across all investors, concerning only 27% among those receiving MiFID advice and 15% among those receiving either generic or passive advice (Figure 5.3). Satisfaction among advice users is overall low: only 20% among those receiving MiFID advice declare to be very satisfied. The opinion on the service received is mainly driven by the advisor's paying attention to the client (48% and 34% among MiFID advice users and other users, respectively; Figure 5.4). Help in avoiding wrong choices and absence of conflict of interests follow (19% and 20% among MiFID advised investors and 12% and 14% among the others). Investors' awareness of the importance of providing the intermediary with the information necessary for the suitability assessment of the recommended products seems to be low. About 14% of respondents declared that they do not feel bound to give the advisor any information about their situation, whilst the percentage of individuals acknowledging the importance of the informational flow on the items also suggested by the MiFID rules (basically knowledge and experience, financial situation, investment objectives etc.) ranges from 8% to 30% depending on the item (Figure 5.5). The advisor, however, is regarded as the predominant information channel to be used before investing for respondents receiving tailored financial recommendations, whilst almost 50% of the interviewees passively advised either do not look for information or rely on family and friends. The proportion of respondents using internet as an information channel is negligible among all investors.

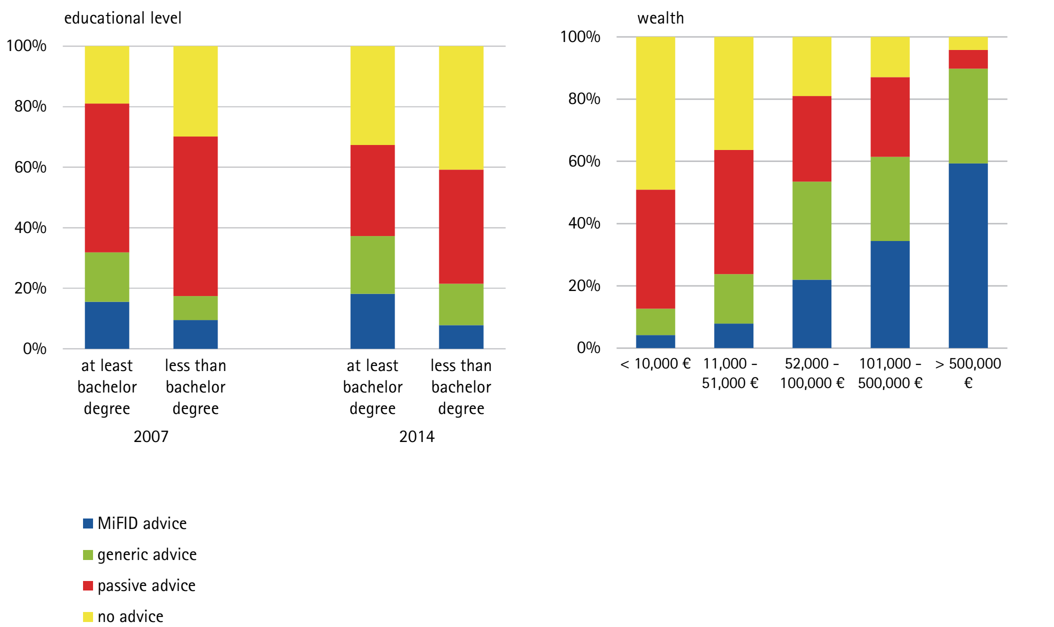
At the end of 2014, the percentage of Italian families receiving tailored recommendations (so called MiFID advice) remains below 10%, although recording a slightly increase with respect to the previous year. Households using financial advice at the intermediaries' initiative are preponderant (more than 50%), whereas those prompting an investment proposal are residual.

Figure 5.1 – Household use of financial advice

The group 'MiFID advice' includes households who are contacted by their financial advisor and receive tailored investment offers referred to a specific financial instrument. The group 'passive advice' includes households declaring to have a financial advisor who has never contacted them in the previous 12 months. The group 'generic advice' includes household declaring to have a financial advisor who has contacted them without recommending any investment offer referred to specific financial instruments. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

The proportion of Italian households receiving MiFID advice is positively correlated with the education level of the decision maker (18% when he/she holds at least a bachelor degree *versus* 8% otherwise) and financial wealth (4% among low wealth households and almost 60% among the wealthiest).

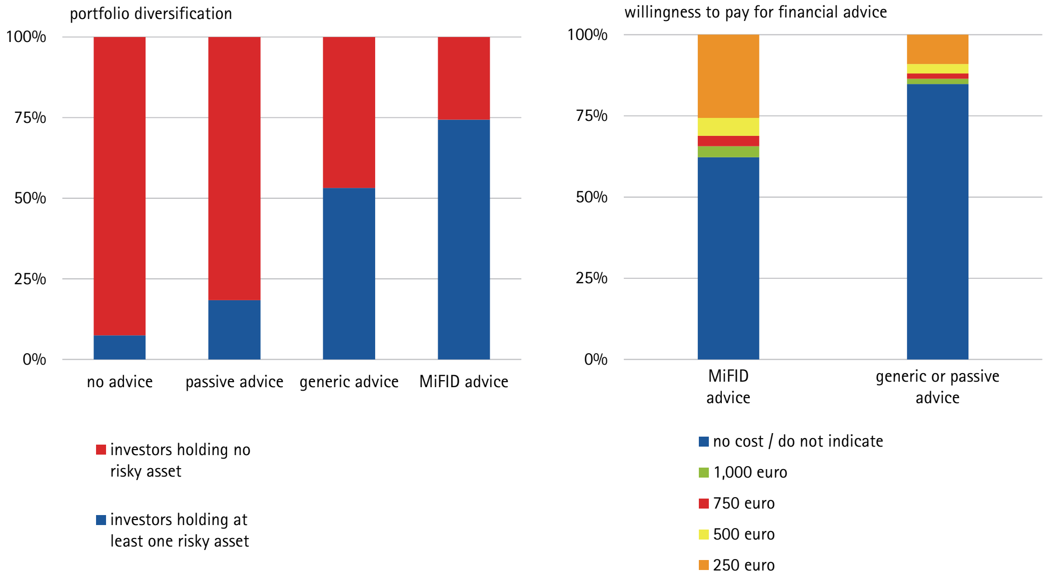
Figure 5.2 – Household use of financial advice by education and wealth



The group 'MiFID advice' includes households who are contacted by their financial advisor and receive tailored investment offers referred to a specific financial instrument. The group 'passive advice' includes households declaring to have a financial advisor who has never contacted them in the previous 12 months. The group 'generic advice' includes household declaring to have a financial advisor who has contacted them without recommending any investment offer referred to specific financial instruments. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Retail investors relying on MiFID advice hold better diversified portfolios than other households (74% of them own at least a risky asset among stocks, bonds, asset management *versus* a proportion ranging from 7% to 53% among the other households). Willingness to pay for financial advice is very low across all investors, concerning only 27% among those receiving MiFID advice and 15% among those receiving either generic or passive advice.

Figure 5.3 – Household use of financial advice by portfolio diversification and willingness to pay



The group 'MiFID advice' includes households who are contacted by their financial advisor and receive tailored investment offers referred to a specific financial instrument. The group 'passive advice' includes households declaring to have a financial advisor who has never contacted them in the previous 12 months. The group 'generic advice' includes household declaring to have a financial advisor who has contacted them without recommending any investment offer referred to specific financial instruments. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Satisfaction among advice users is overall low: only 20% among those receiving MiFID advice declare to be very satisfied. The opinion on the service received is mainly driven by the advisor's paying attention to the client (48% and 34% among MiFID advice users and other users, respectively). Help in avoiding wrong choices and absence of conflict of interests follow (19% and 20% among MiFID advised investors and 12% and 14% among the others).

Figure 5.4 – Household opinions on financial advice and level of satisfaction

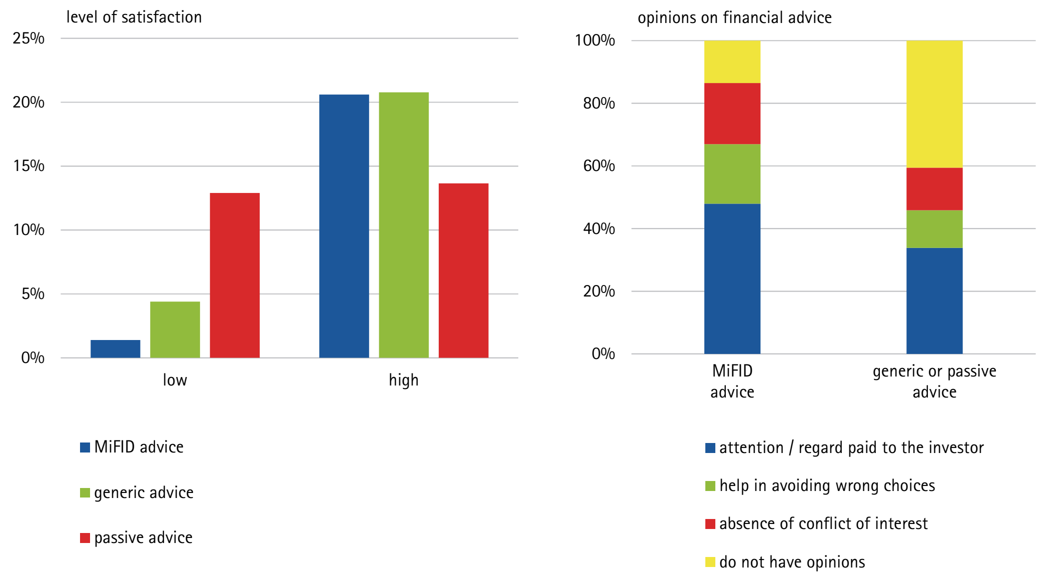


Figure on the left hand side is based on the answers to the question 'Express opinions on financial advisor'. The group 'MiFID advice' includes households who are contacted by their financial advisor and receive tailored investment offers referred to a specific financial instrument. The group 'passive advice' includes households declaring to have a financial advisor who has never contacted them in the previous 12 months. The group 'generic advice' includes household declaring to have a financial advisor who has contacted them without recommending any investment offer referred to specific financial instruments. Figure on the right hand side is based on the answer to the question 'Which is your level of satisfaction for financial advice?' Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Investors' awareness of the importance of providing the intermediary with the information necessary for the suitability assessment of the recommended products seems to be low. The advisor, however, is the predominant information channel for MiFID advice users (around 70%), whilst almost 50% of the interviewees passively advised either do not look for information or rely on family and friends. The proportion of respondents using internet as an information channel is negligible.

Figure 5.5 – Household consideration on information to be given to the advisor and information channels

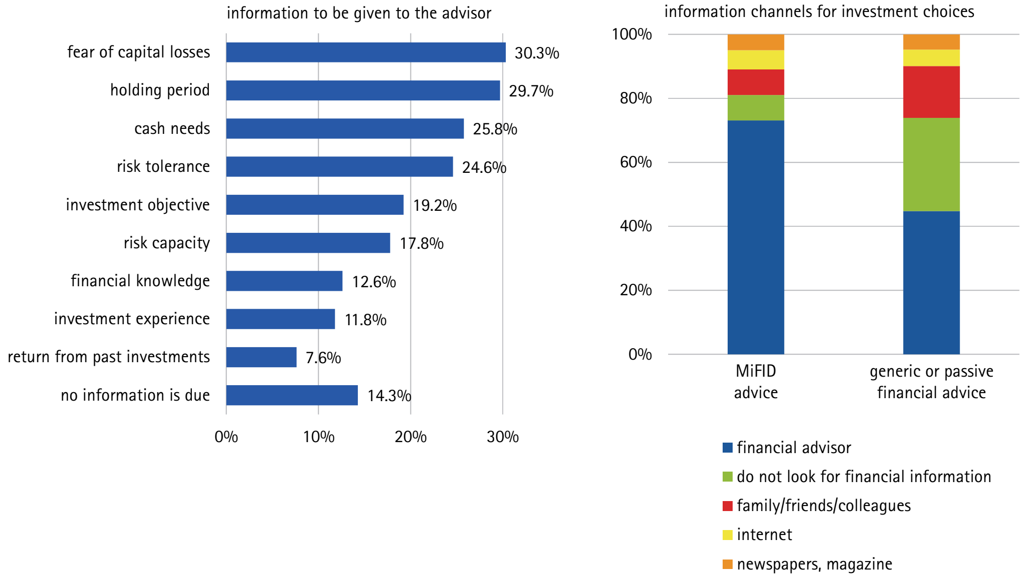


Figure on the left hand side refers to the following question: 'Do you think it is your responsibility to give complete and true information to the intermediary that is offering you financial advice? If yes, which information?', being the answers: 'Cash needs, Investment objective, Holding period, Risk capacity, Fear of capital losses, Risk tolerance, Financial knowledge, Past investment experiences, Return from past investments, Other'. Multiple answers allowed. Figure on the right hand side is based on the answer to the question 'How do you get information when you make financial decisions?'. The group 'MiFID advice' includes households who are contacted by their financial advisor and receive tailored investment offers referred to a specific financial instrument. The group 'passive advice' includes households declaring to have a financial advisor who has never contacted them in the previous 12 months. The group 'generic advice' includes household declaring to have a financial advisor who has contacted them without recommending any investment offer referred to specific financial instruments. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

Methodological notes

About the data

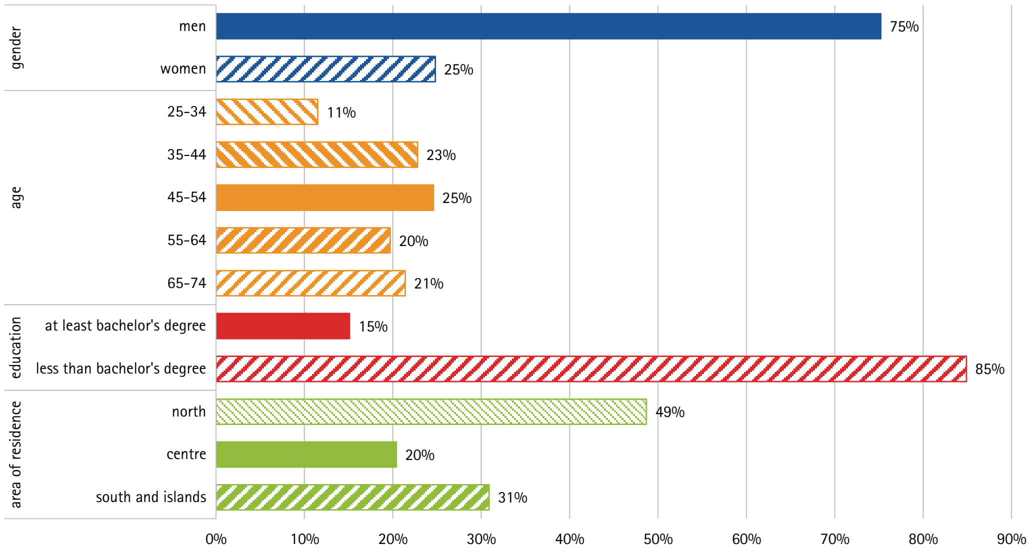
The Report is based on the Multifinanziaria Retail Market Survey and on the Observatory on 'The approach to finance and investment of Italian households', both conducted by GfK Eurisko. These surveys provide information on the respondents' investment habits and choices, socio-demographic characteristics, financial situation, level of financial knowledge and behavioural traits and attitudes.

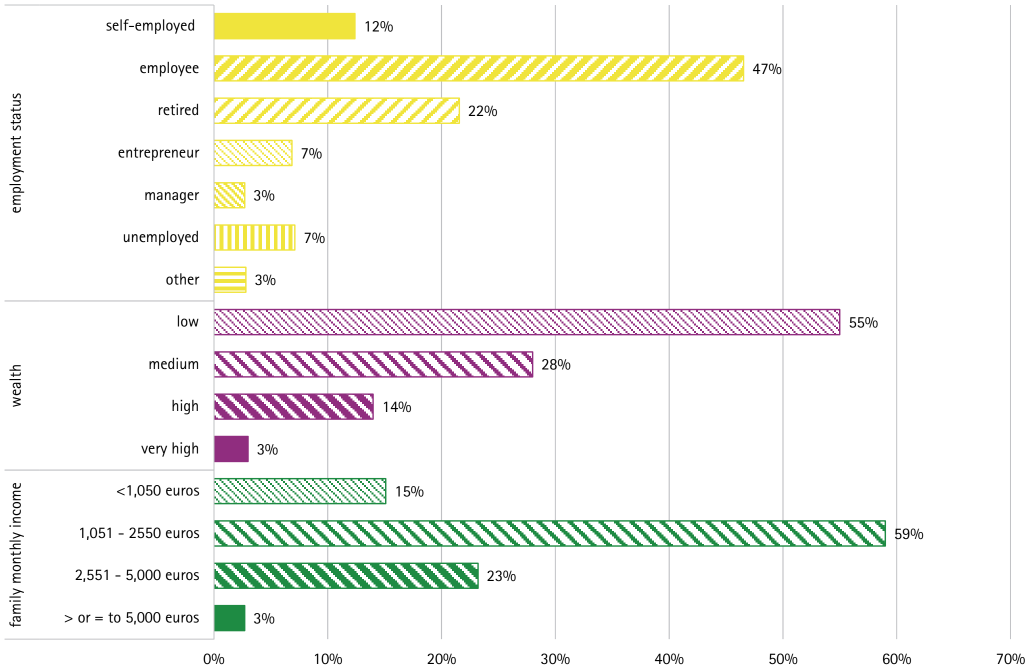
Multifinanziaria Retail Market Survey gathers data from a sample of 2,500 Italian households. The Observatory on 'The approach to finance and investment of Italian households' collects data from 1,013 households.

Both Surveys are representative of the same population of Italian retail financial decision makers, defined as the primary family income earner (or the most senior male, when nobody works, or the most senior female, when there are no male family members), aged between 18 and 74 and excluding bank employees, insurance company employees and financial advisers.

In the following, households socio-demographic characteristics are reported for the sample drawn in the Observatory. Out of the 1,013 interviewees, 75% are men; on average, respondents are 51 years old; 15% of them earned at least a bachelor's degree. As for professional status, 22% of respondents are retired, 47% are employees and 12% self-employed, whereas the other categories (unemployed, manager and entrepreneurs) range between 3% and 7%.

Distribution of household financial decision makers by socio-demographic characteristics





In the 'employment status' graph, the group 'other' includes housewives, students and unemployed. Wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' from 50,000 to 250,000€; 'very high' more than 250,000€. Source: calculations on GfK Eurisko – Observatory on 'The approach to finance and investments of Italian households 2014'. Reported percentages are estimates based on the application of sampling weights and refer to the same population of retail financial decision makers. Rounding may cause discrepancies in the figures.