

Chinese households save more than American households, study finds

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With the global economy in a state of unrest, saving money seems to be an obvious strategy for households to protect themselves. But are global households saving enough? Researchers at the University of Missouri have compared savings habits of households from two of the world's most powerful economies: China and the United States. Rui Yao, an assistant professor in the personal financial planning department in the College of Human Environmental Sciences at the University of Missouri, found that urban Chinese households, on average, save much more than American households. She says the difference stems from saving motives.

"Saving is one of the critical tools that [households](#) utilize to achieve financial goals and to improve financial well-being," Yao said. "By looking at saving motives for households in each country, we hope to explain the difference in saving rates across these two countries."

For her study, Yao looked at three common savings motives: precautionary, [education](#) and [retirement](#). By studying and comparing results from the American 2007 Survey of Consumer Finances and the 2008 Survey of Chinese Consumer Finance and Investor Education, Yao found that nearly 60 percent of Chinese households save for precautionary reasons, while only 35 percent of American households have similar saving motives.

She also found that 59 percent of Chinese urban households save for education, such as college tuition, while only 19 percent of Americans

report an education saving motives. Finally, Yao found that there was no strong significance in the difference in [retirement savings](#); however low income Chinese households reported saving more for retirement than low income American households. Yao believes the variations in saving motives are related to from cultural and economic differences between the two countries.

"In the U.S., [unemployment insurance](#) and other welfare programs provide a relatively sound safety net, whereas in China, there are no such social-welfare programs," Yao said. "As a result, Chinese households must resort to family support or previous savings in the case of an emergency. Also, the Chinese culture, which is influenced by Confucianism, values education very highly. Recent Chinese economic reforms have shifted education costs to households, which gives them additional motive for education saving."

Yao says the percentages of households reporting a motive to save for retirement (51 percent for the Chinese sample and 45 percent for the American sample) indicate that both Chinese and American households should be motivated to save for retirement. She believes economic reforms in China have significantly changed their retirement plan system.

"There is no sound social security system in China," Yao said. "In the United States, the future of Social Security remains uncertain and employers who used to sponsor defined benefit pension plans have started to offer defined contribution plans instead. Facing a higher longevity risk and more responsibilities for their financial well-being during retirement, people in both countries should motivate themselves to save for retirement."

To increase saving habits in America, Yao suggests more incentives for employers to provide retirement benefit plans for employees. She also

advocates increased financial planning education to increase precautionary [saving](#) in the U.S. Yao's study will be published in the *Family and Consumer Sciences Research Journal*.

Provided by University of Missouri-Columbia

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