Statistics and analyses

Report on financial investments of Italian households

Behavioural attitudes and approaches

2017

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

Ricchezza e risparmio delle famiglie nell'area euro

Nel corso del 2016, in linea con gli andamenti rilevati nell'area euro, è proseguita la crescita del reddito disponibile delle famiglie italiane, la cui ricchezza netta è rimasta invece sostanzialmente stabile attorno ai livelli pre-crisi (Fig. 1.1 e Fig. 1.2). Il tasso di risparmio domestico è lievemente aumentato, anche se continua ad attestarsi a un livello inferiore ai valori di lungo periodo e alla media dell'Eurozona (Fig. 1.3). Gli indicatori di indebitamento delle famiglie – pur superiori al dato registrato prima del 2007 – rimangono significativamente più contenuti di quelli europei (Fig. 1.5). Nel mercato del credito, i prestiti alle famiglie hanno raggiunto il livello più alto dell'ultimo triennio, sebbene soprattutto in Italia la domanda mostri un andamento discontinuo (Fig. 1.6 - Fig. 1.8).

Conoscenze finanziarie e tratti comportamentali

Le rilevazioni per il 2016 confermano che le competenze degli italiani in materia di investimenti finanziari rimangono limitate, sia per i profili attinenti alle conoscenze sia per gli aspetti relativi ad attitudini e modelli decisionali.

Per quanto riguarda le conoscenze, nozioni di base quali inflazione, tasso di interesse semplice, relazione rischio-rendimento e diversificazione di portafoglio rimangono oscure per la maggior parte degli intervistati (la percentuale di definizioni corrette oscilla infatti tra il 33% e il 53%), mentre registrano livelli di comprensione significativamente inferiori (tra il 10% e il 18%) concetti più sofisticati riguardanti talune dimensioni descrittive del rischio di un prodotto finanziario, ricorrenti nell'informativa destinata ai risparmiatori (Fig. 2.1 - Fig. 2.2). Non sorprende che il 20% dei decisori finanziari affermi di non avere familiarità con alcun prodotto (il dato si attesta al 15% per il sotto-campione degli investitori) e che il restante 80% dichiari più frequentemente di conoscere depositi bancari, titoli di Stato e obbligazioni bancarie, in linea con abitudini di investimento storicamente orientate dalla importante offerta di titoli del debito pubblico e dalle modalità di *funding* delle banche italiane (Fig. 2.18). Parimenti non stupisce che oltre un terzo degli intervistati abbia difficoltà a valutare la rischiosità delle opzioni di investimento più note (Fig. 2.19 - Fig. 2.20). Tale circostanza suggerisce cautela nell'interpretazione delle rilevazioni sulla propensione al rischio degli individui basate, ad esempio, sulle preferenze dichiarate in materia di allocazioni alternative di portafoglio. Le evidenze del Rapporto mostrano, infatti, che il 59% degli intervistati che affermano di preferire una composizione di portafoglio a prevalenza azionaria ritiene che le azioni siano meno rischiose delle obbligazioni (Fig. 2.23). La rilevazione dell'attitudine al rischio può divenire ancora più complessa se le preferenze degli individui variano a seconda delle modalità di presentazione dell'informazione (cosiddetto *framing effect*). Nel campione considerato, questa attitudine connota poco più del 30% degli intervistati. In un terzo dei casi, inoltre, le preferenze mostrano una certa instabilità anche rispetto all'orizzonte temporale considerato, suggerendo una tendenza alla procrastinazione che può avere un impatto significativo sulla qualità delle scelte economico-finanziarie (Fig. 2.24 - Fig. 2.25).

Le abitudini e le competenze in materia di risparmio e investimenti sono dovute prevalentemente all'interesse personale (circa un terzo degli intervistati), seguito dalla gestione del budget familiare (15%) e dall'esperienza in tema di finanza e investimenti (11%; Fig. 2.12 - Fig. 2.13). L'interesse ad apprendere e approfondire le materie finanziarie viene espresso da quasi la metà dei partecipanti alla rilevazione, registrando valori più elevati quando si identifica in maniera esplicita l'utilità che una maggiore conoscenza può avere rispetto al perseguimento di uno specifico obiettivo (ad esempio, scegliere un consulente finanziario o gestire le finanze personali; Fig. 2.10 - Fig. 2.11).

Accanto alle conoscenze finanziarie effettive è altresì importante rilevare le conoscenze percepite, poiché i comportamenti e le attitudini all'investimento possono essere orientati anche (o solo) dall'autovalutazione. La relazione tra conoscenze effettive e conoscenze percepite presenta un disallineamento all'incirca nel 40% dei casi, che (soprattutto rispetto alle nozioni più sofisticate) si traduce prevalentemente in una sopravvalutazione della propria *literacy*. Tale attitudine è più frequente tra gli uomini, gli individui nelle fasce centrali di età, coloro che sono in possesso di un diploma di laurea e coloro che mostrano un livello di conoscenze finanziarie più elevato (Fig. 2.3 - Fig. 2.6).

Il livello di apprensione sperimentato nel prendere decisioni attinenti alla gestione del denaro costituisce un ulteriore fattore che può condizionare comportamenti e scelte. Circa la metà degli intervistati (in particolare i soggetti con conoscenze finanziarie più limitate) dichiara di provare 'ansia finanziaria' (Fig. 2.8 - Fig. 2.9), mentre un terzo del campione esibisce un'attitudine ottimistica nel valutare le prospettive economiche e finanziarie sia personali sia generali.

L'ansia finanziaria sembrerebbe scoraggiare la propensione a sopravvalutare le proprie competenze, a differenza dell'interesse nelle materie finanziarie e della tendenza all'ottimismo, che mostrano viceversa una correlazione positiva (Fig. 2.15).

Elevata avversione alle perdite e bassa propensione al rischio rimangono caratteristiche molto comuni tra i risparmiatori italiani, che dichiarano una netta preferenza per i prodotti a capitale protetto e/o a rendimento garantito (Fig. 2.21 - Fig. 2.23).

Pianificazione finanziaria e risparmio

Le scelte di investimento si collocano a valle di un articolato processo decisionale che, a partire dalla pianificazione finanziaria e dalla gestione del bilancio familiare, conduce alla formazione del risparmio e alla sua allocazione in impieghi finanziari, assicurativi e previdenziali. La filiera del risparmio viene quindi definita anche dalla capacità degli individui di pianificare e monitorare (cosiddetto *financial control*). Le rilevazioni per il 2016 restituiscono al proposito un quadro degno di attenzione. Sebbene più della metà degli intervistati riferisca di controllare entrate e uscite familiari, solo il 24% lo fa in modo molto accurato, ossia con il supporto di note scritte o di strumenti digitali, e solo il 13% rispetta il budget sempre (Fig. 3.1). Inoltre, l'abitudine a pianificare e monitorare gli obiettivi raggiunti nel tempo è segnalata da poco meno del 25% del campione (Fig. 3.6). I comportamenti 'virtuosi' si associano positivamente a conoscenze (sia effettive sia percepite) e a interesse nelle materie finanziarie, mentre diventano meno frequenti al crescere dell'età e tra i soggetti più ansiosi nella gestione delle finanze personali (Fig. 3.2 - Fig. 3.5 e Fig. 3.7 - Fig. 3.8).

Pianificare aiuta ad affrontare con consapevolezza riduzioni (temporanee o permanenti) del reddito disponibile, fattore quest'ultimo cruciale nella formazione del risparmio. Quasi un terzo del campione (e ancor più se si considera solo il sottogruppo di soggetti che non effettuano alcuna programmazione finanziaria) non è in grado di stimare il ridimensionamento del tenore di vita che si dovesse rendere necessario per affrontare una contrazione di un terzo delle entrate familiari. Tale circostanza può sollevare criticità per il 30% delle famiglie che, alla fine del 2016, riferisce di aver subito una contrazione del reddito (Fig. 3.9 - Fig. 3.11).

Con riferimento alle abitudini di risparmio, il 60% degli intervistati dichiara di risparmiare prevalentemente in maniera regolare, mentre i restanti non sono in grado di farlo a causa di vincoli di bilancio molto stringenti ovvero perché indebitati (a fine 2016, circa il 42% delle famiglie ha in essere un mutuo ipotecario ovvero un finanziamento per le spese correnti). La propensione a risparmiare, ovviamente crescente al crescere del reddito, si associa positivamente alle conoscenze finanziarie, al *financial control* e all'interesse nelle materie finanziarie. Il dato registra invece valori più contenuti tra coloro che riportano di provare ansia verso le scelte economico-finanziarie. Il movente precauzionale guida il 70% circa dei risparmiatori, mentre solo il 32% associa il risparmio a un obiettivo specifico di breve o di lungo periodo (Fig. 3.12 - Fig. 3.21).

Più del 70% dei decisori finanziari si attribuisce capacità almeno nella media con riferimento alle scelte di risparmio (il dato si attesta rispettivamente all'86% per quelle guidate dalla necessità di fronteggiare spese programmate e al 72% con riguardo al risparmio previdenziale; Fig. 3.22). In generale, l'autovalutazione delle proprie competenze nelle decisioni economico-finanziarie registra i valori più alti rispetto alla gestione del budget familiare e al controllo delle spese (più dell'80%), e quelli più bassi in relazione alle scelte di investimento (70% del campione; Figure 2.5). La propensione a ritenere le proprie capacità superiori alla media è significativamente maggiore fra gli investitori; esibisce una certa variabilità tra generi e ambiti decisionali e sembra associarsi positivamente a conoscenze finanziarie e ricchezza e negativamente all'età (Fig. 3.23 - Fig. 3.26).

Scelte e abitudini di investimento

Alla fine del 2016 il 45% degli intervistati detiene uno o più strumenti finanziari, essendo fondi comuni, obbligazioni bancarie italiane, azioni quotate e titoli di Stato domestici i prodotti più diffusi. La partecipazione ai mercati finanziari è positivamente correlata con le conoscenze finanziarie, l'attitudine alla sopravvalutazione delle proprie competenze, l'interesse nelle materie finanziarie e l'ottimismo. Viceversa, la tendenza a provare apprensione nella gestione delle finanze personali sembrerebbe mostrare un'associazione negativa (Fig. 4.1 - Fig. 4.3).

Più della metà degli investitori decide insieme a familiari, amici e colleghi (cosiddetta consulenza informale), un quarto sceglie dopo aver consultato un consulente finanziario ovvero delega la gestione dei suoi risparmi a un intermediario, mentre i restanti agiscono in autonomia (Fig. 4.4 - Fig. 4.5). Conoscenze e consapevolezza dei rischi associati ai singoli prodotti finanziari risultano positivamente correlate alla propensione ad avvalersi di un supporto professionale e all'attitudine a decidere in autonomia. L'ansia connessa alla gestione delle finanze personali sembrerebbe scoraggiare l'investimento 'fai-da-te', mentre avrebbe l'effetto contrario l'interesse per le materie finanziarie, che mostra altresì una correlazione positiva con la tendenza ad affidarsi alla consulenza sia informale sia professionale (Fig. 4.6 - Fig. 4.7). Le caratteristiche di un processo decisionale adeguato rimangono oscure per il 41% del campione, che prima di investire non valuta in maniera specifica alcun elemento tra orizzonte temporale, obiettivi, capacità economica ed emotiva di sopportare il rischio; nei casi restanti, invece, più dei due terzi indica solo uno degli elementi citati (prevalentemente l'orizzonte temporale; Fig. 4.9). La consapevolezza del processo decisionale aumenta con le conoscenze finanziarie e con l'abitudine al *budgeting* e alla pianificazione finanziaria, suggerendo così la possibilità che atteggiamenti virtuosi maturati in un particolare ambito (attinente nel caso specifico al *financial control*) possano estendersi in modo trasversale a tutte le scelte economico-finanziarie (Fig. 4.10 - Fig. 4.11). A tal proposito, il monitoraggio delle scelte di investimento, posto in essere da poco più di due terzi del campione, sembra associarsi positivamente con l'attitudine a controllare le spese familiari e lo stato di avanzamento della pianificazione nonché, tra i tratti comportamentali, con l'ottimismo e l'interesse per le materie finanziarie; gioca invece nella direzione opposta l'apprensione finanziaria. Il controllo degli investimenti diviene meno frequente per il sotto-campione femminile, coloro che si affidano a familiari o amici e coloro che possiedono basse conoscenze finanziarie (Fig. 4.13 - Fig. 4.16).

La domanda di consulenza finanziaria

Con specifico riferimento alla fruizione di servizi di consulenza finanziaria, quasi un terzo degli investitori beneficia di raccomandazioni personalizzate ai sensi MiFID, mentre i restanti ricevono consulenza passiva o generica. Nell'ambito dei vari modelli di servizio, rimane residuale la consulenza cosiddetta indipendente, ossia riferita a un'ampia gamma di prodotti e remunerata esclusivamente dal cliente (7% degli investitori), mentre prevalgono la consulenza ristretta (riferita a un insieme limitato di strumenti finanziari generalmente emessi dallo stesso istituto di credito che eroga consulenza) e quella avanzata (applicata a un insieme più ampio di strumenti finanziari e con una valutazione periodica dell'adeguatezza dell'investimento; Fig. 5.1).

Le esigenze che più frequentemente spingono ad avvalersi di un professionista sono la pianificazione finanziaria di lungo periodo e la protezione del patrimonio (Fig. 5.4). Nella scelta del consulente rivestono un ruolo importante sia la fiducia nel professionista sia l'indicazione da parte dell'istituto finanziario di riferimento (rispettivamente, 35% e 34%), mentre le competenze rilevano per una percentuale più contenuta del campione (19%; Fig. 5.6). Coerentemente con l'evidenza relativa al ruolo della fiducia, capacità relazionali ed empatiche sono le abilità che più frequentemente gli investitori ricercano nel proprio consulente dopo quelle attinenti al conseguimento di buone *performance* (rispettivamente, 29% e 35% dei casi; 29%; Fig. 5.7). È significativo, inoltre, l'atteggiamento nei confronti dei costi del servizio. Il 45% degli investitori non sa indicare come venga remunerato il proprio consulente, mentre il 37% crede che il servizio sia gratuito (Fig. 5.10). Alla bassa consapevolezza dei costi sostenuti si lega anche la bassa disponibilità a pagare. In particolare, dopo la sfiducia negli intermediari (indicata nel 40% circa dei casi) i costi si annoverano tra i principali fattori che scoraggiano la domanda di consulenza (Fig. 5.5). Tra i fruitori del servizio, inoltre, in media solo il 20% si dichiara propenso a remunerare il professionista, sebbene il dato aumenti con il grado di personalizzazione delle raccomandazioni ricevute, raggiungendo il 43% tra gli investitori assistiti da consulenza MiFID (Fig. 5.11 - Fig. 5.12). Le rilevazioni evidenziano, altresì, la difficoltà a valutare la qualità del servizio ricevuto, oscillando tra il 40% e il 70% la percentuale di intervistati che non sono in grado di indicare alcun elemento di giudizio (Fig. 5.13).

Emerge altresì una diffusa riluttanza a informare il professionista degli elementi che egli deve (o può) acquisire ai fini della valutazione di adeguatezza della proposta di investimento (Fig. 5.14). In particolare, il 14% degli investitori che ricevono consulenza non ritengono di dover fornire alcuna informazione, mentre nei casi restanti la percentuale di intervistati che indica uno specifico elemento non supera il 36% (il dato è relativo, in particolare, all'obiettivo di investimento). Tale evidenza è coerente con la scarsa attitudine, già ricordata, a strutturare il processo decisionale in modo da tener conto dei fattori che più rilevano ai fini di scelte di investimento corrette e consapevoli (Fig. 4.9).

Focus: attitudini verso l'informazione finanziaria

Comprendere quale sia l'attitudine degli italiani nei confronti dell'informativa sugli strumenti finanziari è di particolare importanza, anche alla luce del ruolo della trasparenza informativa nel sistema dei presidi posti a tutela dell'investitore.

Più del 40% degli intervistati dichiara di leggere l'informazione finanziaria, prevalentemente in autonomia (25%) o con il supporto di familiari e amici (10%) e, solo in via residuale, con l'aiuto del consulente (8%; Fig. 6.1). Tra i restanti, il 28% non consulta i documenti informativi perché si affida a un professionista ovvero teme di non essere in grado di utilizzarli (*information overload*), mentre circa un terzo non risponde. La propensione a consultare l'informativa è meno pronunciata per le donne, i più anziani, i meno *literate* e coloro che sembrano esposti all'effetto *framing* (di cui alla Fig. 2.24); anche mancanza di interesse e apprensione nella gestione delle questioni finanziarie mostrano una correlazione negativa (Fig. 6.2 - Fig. 6.3).

In media, circa il 50% degli intervistati dichiara di non essere disposto ad acquistare un prodotto finanziario se non ne comprende i documenti informativi: il dato è maggiore tra coloro che possiedono un livello più elevato di conoscenze finanziarie, non sono ansiosi, dichiarano di essere interessati alla finanza e non sono inclini al *framing effect*. Per coloro che investirebbero in ogni caso (27%), giocano un ruolo prevalente la fiducia e la reputazione dell'intermediario; tale attitudine è meno frequente tra gli individui che decidono in autonomia (Fig. 6.5 - Fig. 6.8).

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Financial investments of Italian households

Trends in household wealth and saving

Net wealth keeps rising among euro area households, whilst in Italy it remains stable at 2007 level (Fig. 1.1). Household net disposable income has steadily increased since 2012 across Eurozone countries, while gross saving rate has slightly risen only in Italy, which however continues to rank below the euro area average (Fig. 1.2 - Fig. 1.3). Holdings of cash and deposits have marginally fallen since their 2012 highest, along with those of debt instruments (Fig. 1.4). Household resilience has kept improving since 2011, as shown by the downward trend in the liability-to-asset ratio, whereas the Italian household debt-to-GDP ratio, steadily above 40% since 2009, remains far below the Eurozone average (Fig. 1.5). Residential mortgages have reached their highest since 2013, following the ongoing economic recovery, loosening lending standards and the steady decline in bank lending interest rates. In the euro area household demand for bank loans is gradually reverting to its pre-crisis level, although following a discontinuous pattern in Italy (Fig. 1.6 - Fig. 1.8).

Financial knowledge and personal traits

The level of financial knowledge of Italian households remains largely unsatisfactory, as shown by the proportion of respondents failing to answer basic questions (i.e. inflation, risk-return trade-off, simple interest and diversification) and faring even worse on the understanding of financial risk dimensions (i.e. market, credit and liquidity risks; Fig. 2.1). Acquaintance with financial notions is positively associated with education and residence in northern and central regions, while no difference is detected across genders (Fig. 2.2). A proportion of respondents overvalues their competencies when self-rating their financial understanding (Fig. 2.3 and Fig. 2.4). Depending on the financial notion considered, inconsistencies between self-assessed and actual knowledge ranges from 32% to 41% of the sample, generally accounting for individuals prone to an 'upward mismatch', i.e. reporting to have understood the selected financial notions while being unable to define them. In particular, 36% of respondents state to know what the market risk is but fail in defining it correctly; this percentage declines to 28% and 27% as for liquidity risk and credit risk respectively (Fig. 2.5). Propensity towards upward mismatch is more likely among men, middle-aged groups, better educated and more financially knowledgeable individuals (Fig. 2.6).
Attitudes towards financial matters may also be affected by optimism and financial anxiety. Roughly one-third of respondents may be regarded as optimistic, on the basis of the reported positive expectations about their future and the economic landscape (Fig. 2.7). For about 50% of the respondents, engagement with one's personal finances triggers feelings of anxiousness, as measured by the overall individuals' attitude towards selected financial tasks (e.g. tracking one's bank account) and financial problem solving (e.g. bailing oneself out distress; Fig. 2.8). Anxious disposition is less frequent among younger and older age groups, individuals holding a higher formal education and respondents reporting a higher score in financial knowledge (Fig. 2.9). Beyond financial anxiety, interest in financial matters is another dimension affecting individuals' inclination towards financial decisions. Learning about financial matters is deemed to be interesting by half of the interviewees, according to an overall measure aggregating individuals' disposition towards different levels of cognitive and emotional involvement. Notably, the proportion of respondents expressing positive states rises when they are elicited about the usefulness of financial matters to develop a specific competence, hitting its highest value for the capability to invest on one's own (Fig. 2.10). Interest in financial issues rises among more educated, middle aged and wealthy respondents as well as among individuals exhibiting higher financial knowledge (Fig. 2.11). Personal interest turns out to be the main driver underpinning individual background in financial matters, especially for investors, male, more educated, younger and wealthier individuals. Experience in household budgeting is more frequently reported as a basis of one's financial knowledge among

women, residents in the Centre of Italy, middle-aged and individuals falling in low/medium wealth groups (Fig. 2.12 and Fig. 2.13). Not surprisingly, individual financial background benefits of a wider set of inputs when financial knowledge (both actual and perceived) and interest in financial matters are high, while anxiety seems to work the other way round (Fig. 2.14).

Attitude towards upward mismatch results to be positively correlated with interest in financial matters and optimism, whilst being negatively associated with financial anxiety. Inclination towards financial anxiety declines with optimism and, not surprisingly, with reported attractiveness of financial matters. This latter in turn rises with optimism (Fig. 2.15).

Financial decision making may also be correlated to the perceived trustworthy of the financial system. Family and friends are regarded as the most trustworthy by the vast majority of respondents, whereas financial intermediaries record a low rating by half of the interviewees (Fig. 2.16). Trust in financial intermediaries is higher among women, more educated individuals, wealthier interviewees and investors (Fig. 2.17).

As for perceived familiarity with financial products, more than 60% of the Italian households report to be acquainted with deposits, government and bank bonds, whereas 15% of investors are not familiar with any instrument (Fig. 2.18). Given the low level of financial knowledge, moreover, assessing the risk of the most known financial products is a challenge for more than one-third of respondents, whereas in the remaining cases stocks are frequently rated as high risky instruments, followed by derivatives (Fig. 2.19). The 'upward mismatch' between self-assessed familiarity with a specified product and one's ability to rate its riskiness surprisingly records its highest level for liquidity, followed by bond funds and Italian bank bonds (Fig. 2.20).

The majority of respondents is not willing to take financial risk, but would rather prefer risk free/capital guaranteed investment options (Fig. 2.21). This is consistent with the reported degree of loss aversion, which is far more pronounced among the subsample of non-investors (Fig. 2.22).

Difficulties that individuals may experience in assessing the risk level of a financial product and in ranking more products by their riskiness suggest caution in the elicitation of risk attitude through questions about portfolio preferences. As a way of example, reported preferences towards alternative combinations of stocks and bonds can be regarded as a proxy of one's risk propensity only if he/she is able to correctly rank stocks and bonds by their risk level. In our sample, among individuals preferring to hold more stocks than bonds, 59% assess the former as less risky than the latter. Notably, almost half of interviewees indicating a balanced portfolio are not able to rank bonds and stocks by their (potential) risk (Fig. 2.23). Elicitation of risk attitude may become more complex if individuals' are prone to a reversal in risk preferences depending on the way information is presented (so called framing effect). According to our data, about one-third of the Italian financial decision makers show such an inclination, thus preferring certainty when the choice set is positively framed and uncertainty when decisions are negatively framed (or vice versa; Fig. 2.24). Preferences may be unstable also over time, as shown by almost 35% of interviewees exhibiting time inconsistency and, therefore, potentially prone to present bias and procrastination (Fig. 2.25).

Financial control and saving

Keeping track of one's own finances and financial planning are key to financial control. More than half of respondents report to have a budget, although only 15% always stuck to it. Tracking spending involves more than 60% of the sample, but only one-fifth of interviewees rely on written records (Fig. 3.1). Meeting the budget (either completely or partially) and properly tracking expenses (i.e. taking notes of them) are more likely among women, individuals with higher formal education and younger people. Financial knowledge (both actual and perceived) and interest in financial matters are positively correlated with budgeting and monitoring, whereas financial anxiety plays the other way round (Fig. 3.2 - Fig. 3.5). Financial planning is not widespread, as it is reported by nearly one-fourth of the sample. Almost all the interviewees having either a short-term or a long-term plan review their progress, mainly on a biannual or a yearly basis (Fig. 3.6). Having a financial plan is positively associated with formal education, income and wealth as well as financial knowledge (both actual and perceived) and interest in financial matters (Fig. 3.7 and Fig. 3.8).

Financial control is an important input of individuals' economic choices. First of all, it enhances the capacity to gauge the resources that can be deployed to maintain a given living standard and, by this way, to evaluate financial resilience with respect to changes in income. At the end of 2016, 30% of respondents report a deterioration in their income, mainly on a temporary basis (18%; Fig. 3.9). It is remarkable, however, that almost 30% of the households are not able to assess their ability to cope with the downturn, while slightly more than 25% declare that a one-third drop in their disposable income would trigger an immediate downward adjustment in their living standards (Fig. 3.10). Notably, the proportion of interviewees not having a perception of their financial resilience declines with formal education, financial knowledge and engagement in financial planning (Fig. 3.11).

Secondly, both the decision to borrow money and debt management benefit from a proper financial planning process. Almost 40% of households carry debt, either mortgages (25%) and/or consumer credit for consumer good purchase and daily expenses, mainly to banks or other financial institutions (Fig. 3.12 and Fig. 3.13).

Long-term financial planning may also help in retirement planning. 40% of Italian decision makers report to be enrolled only in a first-pillar pension plan, while more than one-third declare to hold also a complementary pension (either second and/or third pillar; Fig. 3.14). Enrolment in a complementary pension scheme is less frequent among individuals with lower financial knowledge and lower interest in financial matters and among respondents engaged in financial planning (Fig. 3.15).

Finally, financial control is key to saving. According to our evidence, among respondents reporting to save (61%), almost two-thirds do it on a regular basis and mainly on their own (Fig. 3.16). Not surprisingly, the proportion of savers rises with education, income, wealth and financial education. As for the relationship with personal traits, individuals with disposition towards financial anxiety and those not interested in financial matters are less likely to save (Fig. 3.17 and Fig. 3.18). Moreover, saving is more frequent among households showing a higher degree of financial control, i.e. having a budget, tracking their expenses and having a financial plan (Fig. 3.19). While specific goals are reported to trigger saving only by 32% of respondents, precautionary motive is referred to be the main reason by 69% of the sample, particularly by less educated, less literate and less wealthy individuals. The major deterrent to saving is a tight budget, followed by debt service (Fig. 3.20 and Fig. 3.21).

Self-confidence in financial matters is higher when it comes to spending control, avoiding useless expenses and saving for expected expenses (as shown by the proportion of respondents rating themselves as better than average), whereas saving for retirement and capabilities related to investment decisions record the lowest figures. Investors are more likely to show a high self-assessment with respect to non-investors (Fig. 3.22). Women tend to rate themselves better than average more frequently than men do as for tracking and avoiding useless expenses and as for saving for expected expenses. The proportion of individuals self-assessing lower than average rises, especially for women, when it comes to retirement saving and financial choices (Fig. 3.23). Individuals are more likely to rate their capabilities in monitoring the household budget, saving for expected expenses and making good investment decisions as higher than average when they are younger, more financially knowledgeable and wealthier (Fig. 3.24). Self-assessment of one's own capabilities tends to be in line with reported behaviours, as the proportion of individuals rating themselves as better than average in tracking spending rises among interviewees properly monitoring expenses, and the percentage of individuals rating themselves above the average in saving is higher among savers (Fig. 3.25 and Fig. 3.26). Self-assessment of one's capabilities consistently decreases among individuals with lower attitude towards sound investment decision process (Fig. 4.12).

Investment choices and investment habits

At the end of 2016, 45% of respondents hold at least one financial instrument, being the most widespread (apart from deposits) mutual funds followed by Italian bank bonds, domestic listed stocks and Italian sovereign bonds (Fig. 4.1 and Fig. 4.2). Propensity to participate in financial markets is positively correlated with financial knowledge and risk awareness (as captured by the capability to correctly rank products by risk), as well as attitudes towards upward mismatch, interest in financial matters, optimism and trust in financial intermediaries. Vice versa, inclination towards financial anxiety seems to discourage investments (Fig. 4.3).

As for investment styles, more than half of the interviewees rely on the support of family, friends and colleagues when making investment choices (so called informal advice), whereas the remaining either rely on a professional expert (by seeking for advice or delegating portfolio management; one-fourth of the sample) or manage their investments on their own (Fig. 4.4). Investment styles exhibit some correlation with selected socio-demographic characteristics. As a way of example, informal advice is less common among women, middle aged people, more educated individuals, retired and high wealth group (Fig. 4.5). Seeking for professional advice and self-directed choices are positively correlated with financial knowledge, attitude towards upward mismatch and risk awareness. Financial anxiety is negatively associated with the willingness to invest on one's own, whereas interest in financial matters seems to raise the propensity towards self-directed investments and reliance on advice (either professional or informal; Fig. 4.6). Propensity towards financial control (as captured by inclination towards financial planning) is positively correlated to all investment styles but portfolio management (Fig. 4.7). Trust in financial system results to be positively associated to all investment habits but the propensity to make decisions on one's own (Fig. 4.8).

Understanding the investment decision process, both in its ex-ante and ex-post dimensions, is crucial to the quality of the investment choices. According to our data, however, Italian investors keep being unware of the steps that must be undertaken to select the most suitable financial products and to monitor their performance. Indeed, about 40% of the interviewees do not consider any of the building blocks of an investment decision, while three-quarters of the remaining respondents refer only to one out of five items (mainly the holding period). The proportion of investors neglecting all the relevant items hits its highest record among individuals delegating decisions to an expert (Fig. 4.9). Displaying some familiarity with the decision making process is more likely among men, younger, more educated and financially literate individuals as well as among those used to financial control (i.e. proper budgeting of expenses and financial planning; Fig. 4.10 and Fig. 4.11). Finally, lacking any acquaintance with the correct investment choice process seems to go hand in hand with inclination towards negative self-assessment of one's investment capabilities (Fig. 4.12).

As for monitoring, almost one-third of respondents do not track the performance of their investments, especially if they rely on informal advice, are women, middle-aged, low educated and prone to financial anxiety (Fig. 4.13 and Fig. 4.14). Vice versa, higher levels of financial knowledge as well as interest in financial matters and optimism play the other way round (Fig. 4.15).

Monitoring one's own choices can be regarded as a cross-cutting approach between various dimensions of economic decisions, as put forward by the positive association between checking investment performances and (properly) monitoring expenses and financial plan (Fig. 4.16).

The demand for financial advice

As for financial advice, retail investors mainly receive passive or generic advice, with only one-third of the advisees getting personalized recommendations (Fig. 5.1). Receiving advanced rather than restricted advice as well as receiving a customised service (i.e. MiFID versus generic or passive advice) are positively correlated with self-employment status, higher levels of education and residence in the North, while younger, residents in the South, employees and less wealthy investors seem to be less likely to benefit from any type of professional support at all (Fig. 5.2). The proportion of investors receiving recommendations at the initiative of the investment firm has kept increasing over time, while the advisor's low proactivity seems to be more frequently correlated with the provision of restricted advice (Fig. 5.3).

Long term financial planning and capital protection are the most frequent investment goals triggering the demand for financial advice (Fig. 5.4), whereas the most important deterrents to seeking advice are lack of trust, cost and the belief that no help is needed because investing in simple products or small amounts of money (Fig. 5.5). The choice of the advisor is mainly driven by confidence, along with the recommendation from the investment firm, while competences are relevant to less than one-fifth of the advisees (Fig. 5.6). Empathetic skills keep being important also when defining what to expect from professionals, as availability, carefulness and reliability are the most frequently reported items after performance. However, holders of risky assets on average pay more attention also to the suitability of the recommendation received (Fig. 5.7). Seeking for advice and, in particular, receiving a more customised service (i.e. MiFID relative to generic or passive advice and advanced advice relative to restricted advice) are positively associated with the propensity to use financial information and to hold risky assets (Fig. 5.8 and Fig. 5.9).

Advisees do not seem aware of the characteristics of the service received. Indeed, more than 40% of them are not able to indicate how their advisors are compensated, while 37% report that the service is free (Fig. 5.10). Low awareness about the cost of advice combines with low willingness to pay, which however rises for investors receiving a tailored-cut/advanced service as well as for more educated individuals. Vice versa, being woman, resident in the South of Italy and less wealthy is negatively associated with the willingness to compensate the financial expert (Fig. 5.11 and Fig. 5.12). This attitude is reinforced by difficulties experienced by respondents in identifying valuable features in their financial advisors: to this respect, a proportion ranging between 40% and about 70% of interviewees, reaching its lowest for MiFID and advanced advisees, has no opinion at all (Fig. 5.13).

The relationship between the information provided to the advisor and the quality (in terms of suitability) of the recommendation received is not sufficiently understood yet, as the percentage of respondents inclined to act accordingly is never higher than 36%, whereas 14% states that no detail needs to be disclosed (Fig. 5.14).

Focus: attitude towards financial information

Beyond rule of conducts that intermediaries have to comply with when providing investment services, financial transparency is key to investors' protection. It is therefore interesting to gather evidence on how individuals use financial information when approaching to an investment choice. More than 40% of the investors report to read information about financial products, either on their own (25%) or with the support of family and friends (10%) or with the help of their advisors. Among the remaining, 28% doesn't read anything either because reliant on financial experts or because of information overload, whereas 29% doesn't answer (Fig. 6.1). Willingness to go over financial information is less pronounced for women, elders and unemployed; low education and low financial knowledge, financial anxiety and lack of interest in financial issues show a negative correlation too. Finally, interviewees exposed to framing effect (i.e. prone to change their risk preferences depending on the way information is presented) are also less likely to read financial documents (Fig. 6.2 and Fig. 6.3).

Among investment styles, relying on professional advice and delegating decisions to an expert record the highest proportions of individuals not inclined to read financial information (Fig. 6.4).

About half of the respondents are willing to invest in the recommended product even if they don't understand the available financial information: this attitude is higher among women, the elders and less educated individuals, who also record the highest rate of 'don't know' answers along with middle-aged groups and men. In 27% of the cases, trust and familiarity with the intermediary are the main factors triggering the decision to purchase the financial product anyway (Fig. 6.5 and Fig. 6.6). Disposition to invest regardless of the understanding of financial information declines with financial knowledge and interest in financial matters as well as among respondents not prone to financial anxiety and to framing effect (Fig. 6.7). Investment styles seem to display a certain association too, as the proportion of individuals inclined to invest anyway is higher among those making decisions with friends/colleagues or asking for professional support (Fig. 6.8).

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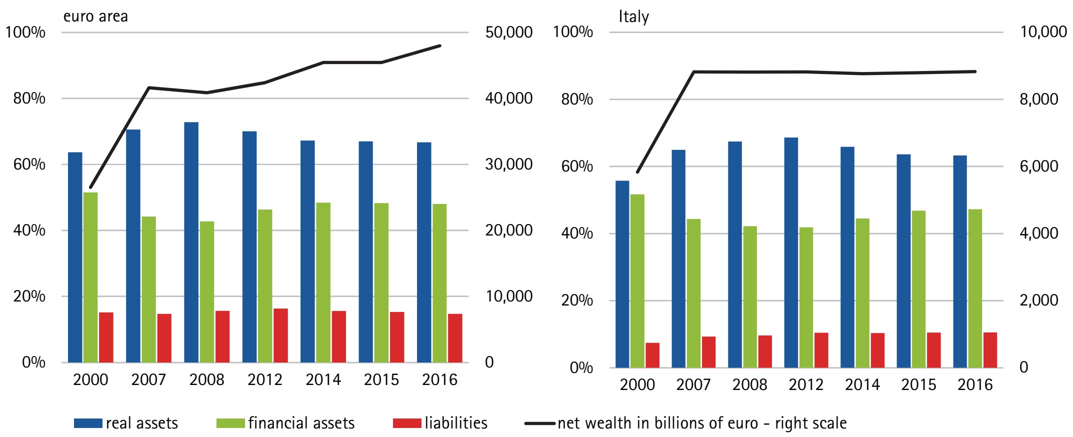
Trends in household wealth and saving

Net wealth keeps rising among euro area households, whilst remaining stable at 2007 level in Italy.

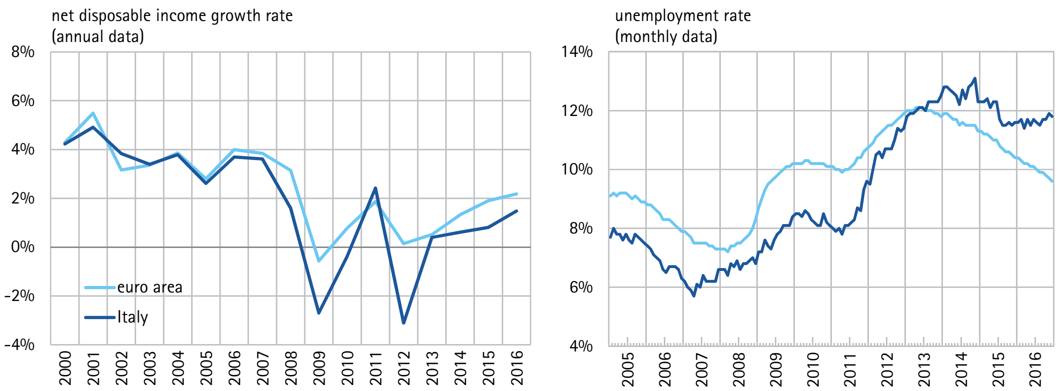
Fig. 1.1 – Household net wealth: level and composition
(annual data)



Source: ECB and Bank of Italy. Net wealth is the sum of real and financial assets net of financial liabilities. For Italy, 2016 net wealth is estimated on the basis of the quarterly variations published by the ECB.

Household net disposable income has steadily increased since 2012 both in the Eurozone and in Italy, while ...

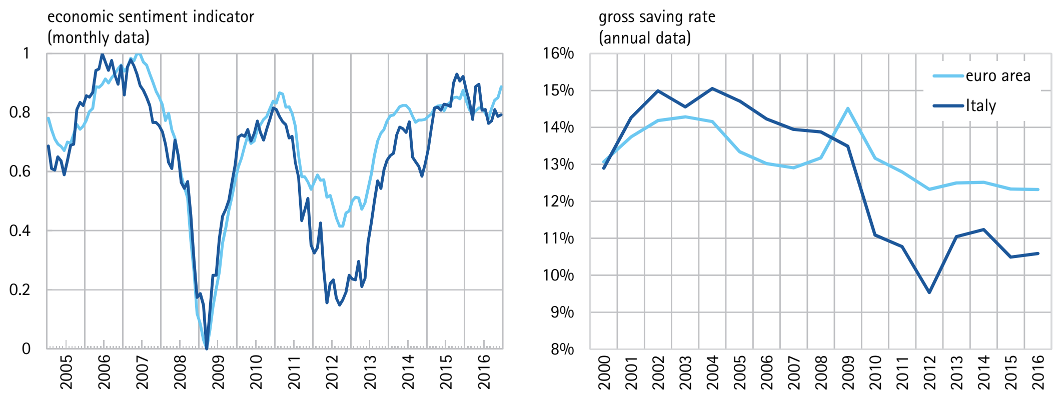
Fig. 1.2 – Net disposable income and unemployment rate



Source: Eurostat, Istat.

... gross saving rate has slightly risen only in Italy, which however continues to rank below the euro area average.

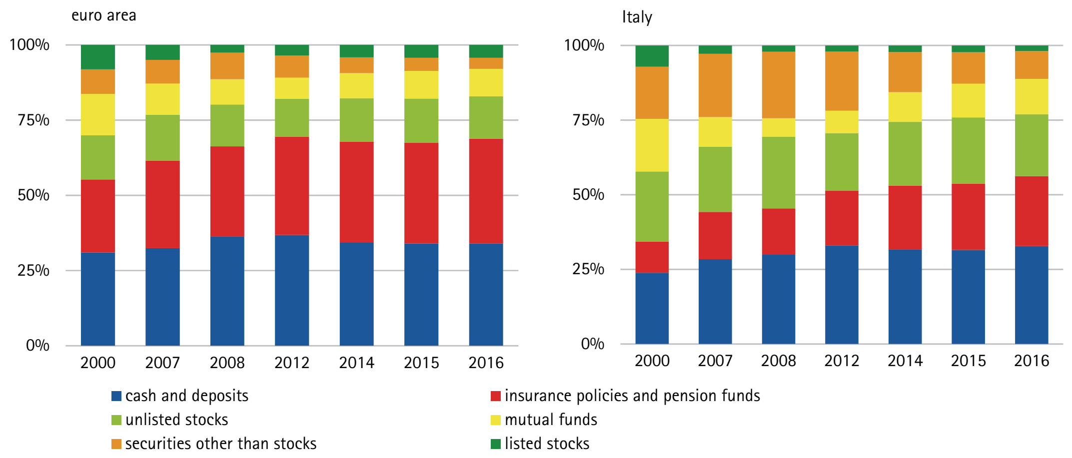
Fig. 1.3 – Economic sentiment indicator and gross saving rate



Source: OECD and European Commission. The economic sentiment indicator (seasonally adjusted time series) ranges from 0 (minimum value) to 1 (maximum value). The gross saving rate of households (including non-profit institutions serving households) is defined as gross saving divided by gross disposable income.

Holdings of cash and deposits have marginally fallen since their 2012 highest, along with those of debt instruments.

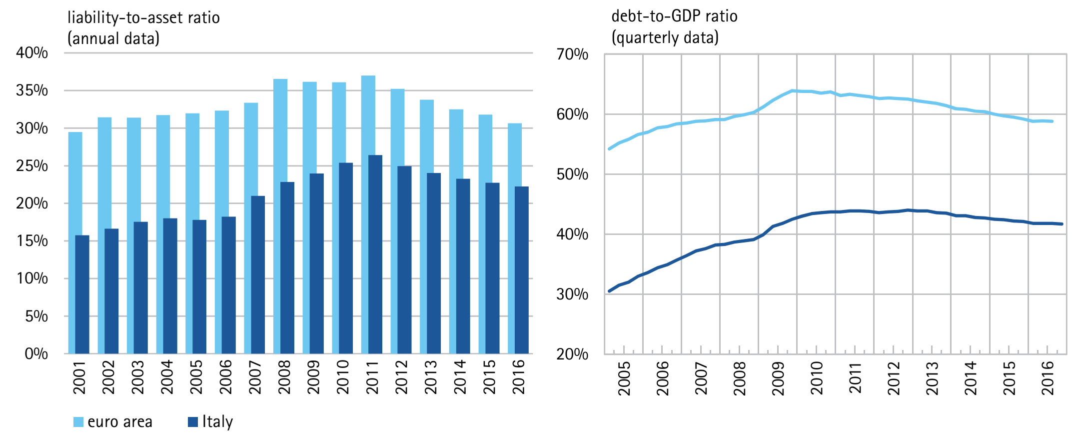
Fig. 1.4 – Breakdown of household financial wealth by type of assets



Source: Eurostat. Financial wealth data does not include some less relevant type of assets.

Household resilience has kept improving since 2011, as shown by the declining trend of the liability-to-asset ratio. The Italian household debt-to-GDP ratio, steadily above 40% since 2009, remains far below the Eurozone average.

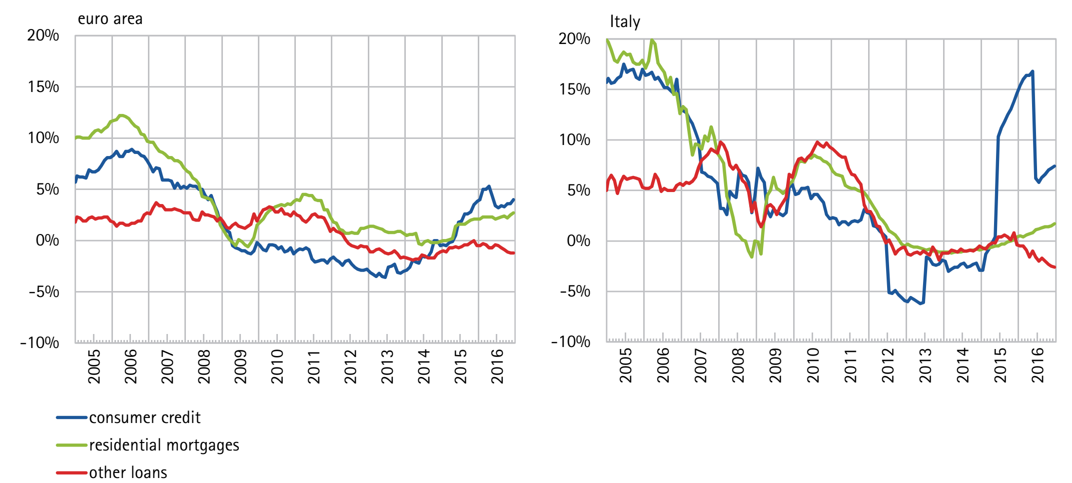
Fig. 1.5 – Household liabilities



Source: ECB, Bank of Italy, Banque de France.

Residential mortgages have reached their highest level since 2013, following the ongoing economic recovery, loosening lending standards and ...

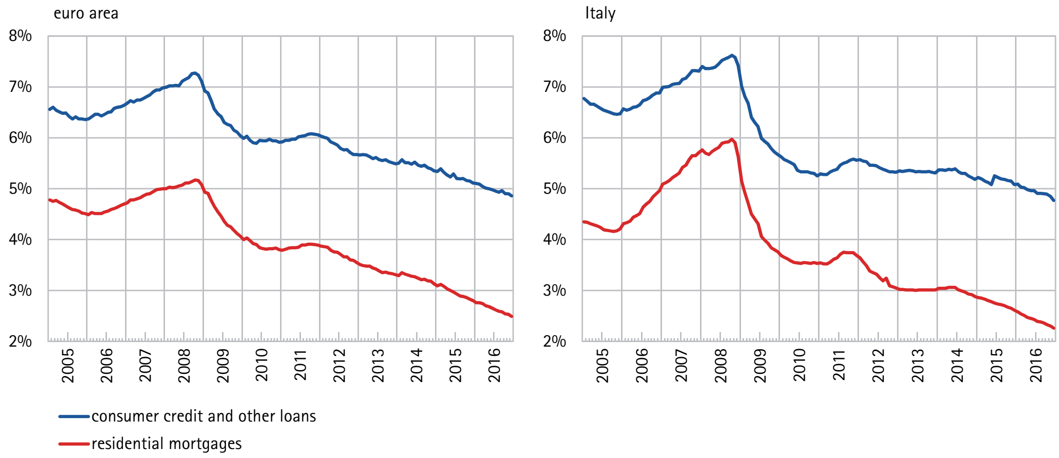
Fig. 1.6 – Bank loans to households
(monthly data)



Source: ECB.

... the steady decline in bank lending interest rates.

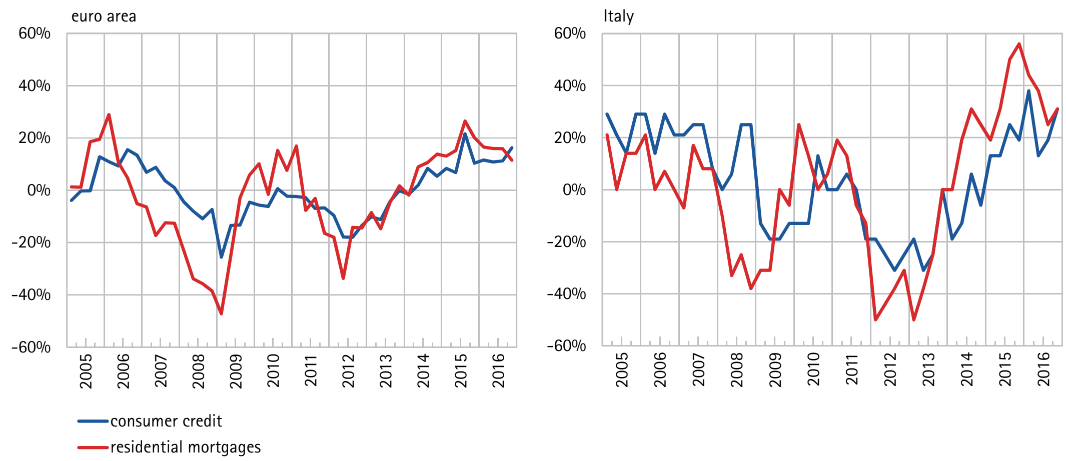
Fig. 1.7 – Interest rates on bank loans to households
(monthly data)



Source: ECB.

Household demand for bank loans is also gradually reverting to its pre-crisis level, although following in Italy a discontinuous pattern.

Fig. 1.8 – Household demand for bank loans
(quarterly data)

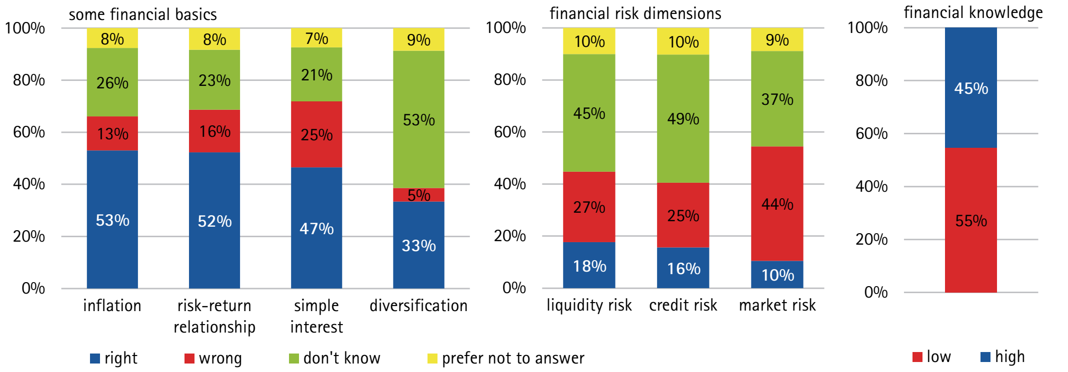


Source: ECB Bank lending survey. The demand for bank loans is defined as the net percentage of banks reporting an increasing demand.

Financial knowledge and personal traits

The level of financial knowledge of Italian households remains largely unsatisfactory, as shown by the proportion of respondents failing to answer basic questions and faring even worse on the understanding of financial risk dimensions.

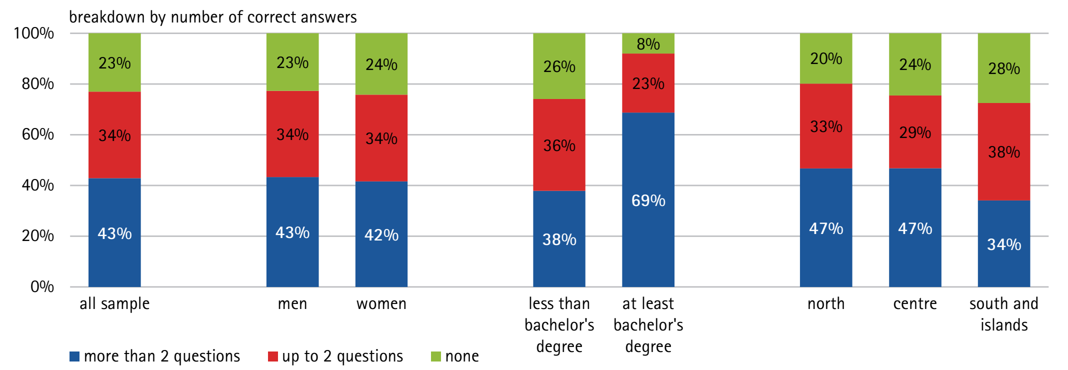
Fig. 2.1 – Actual financial knowledge



Figures on the left hand side and in the centre report percentages of correct, wrong, 'don't know' answers and 'prefer not to answer' reply to questions about: inflation (Q1); risk/return relationship (Q2); simple interest (Q3); diversification (Q4); liquidity risk (Q5); credit risk (Q6); market risk (Q7). Figure on the right hand side refers to the financial knowledge factor indicator (see Methodological notes). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Acquaintance with financial notions is positively associated with education and residence in northern and central regions.

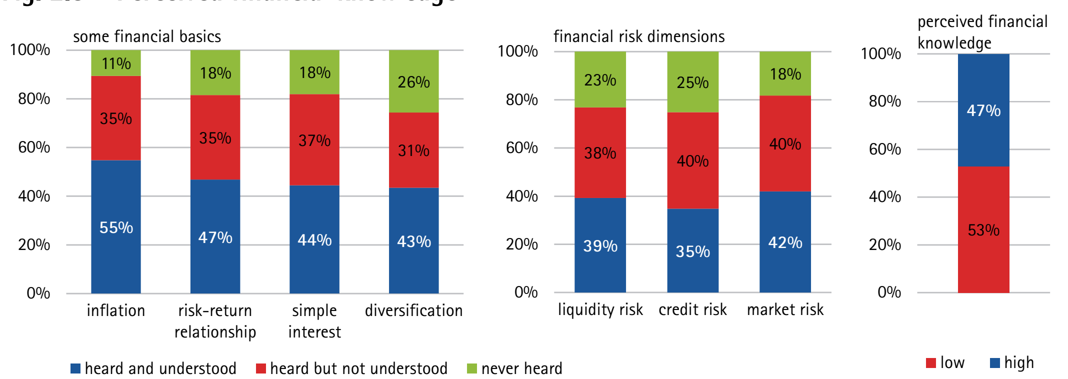
Fig. 2.2 – Actual financial knowledge by some socio-demographic characteristics



Figures refer to the breakdown of correct, wrong, 'don't know' answers and 'prefer not to answer' reply to questions about: inflation (Q1); risk/return relationship (Q2); simple interest (Q3); diversification (Q4); liquidity risk (Q5); credit risk (Q6); market risk (Q7; see Fig. 2.1). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Self-rating of financial understanding may be an unreliable gauge of individuals' actual literacy. In particular, the percentage of respondents reporting to have heard and understood the dimensions of financial risk is more than twice as much as the proportion of those actually capable to accurately describe them.

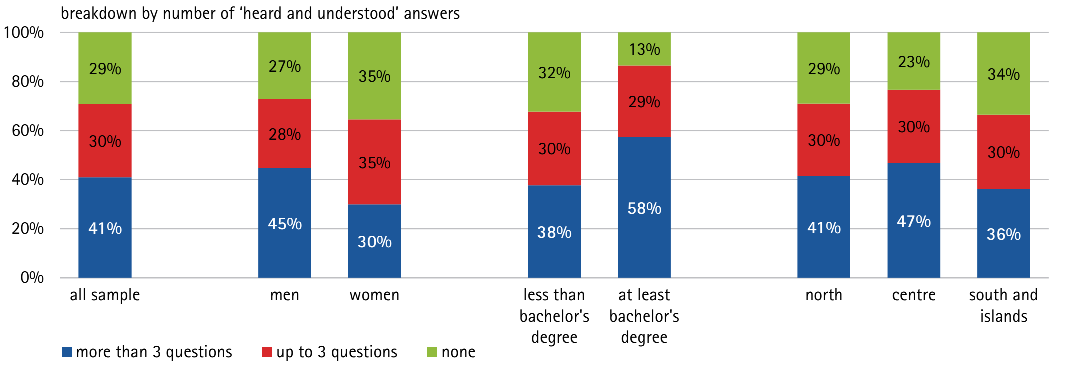
Fig. 2.3 – Perceived financial knowledge



Figures on the left hand side and in the centre report percentages of 'heard and understood', 'heard but bot understood' and 'never heard' answers related to the perceived financial knowledge of: inflation (Q1); risk/return relationship (Q2); simple interest (Q3); diversification (Q4); liquidity risk (Q5); credit risk (Q6); market risk (Q7; see Fig. 2.1). Figure on the right hand side refers to the perceived financial knowledge factor indicator (see Methodological notes). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Positive self-assessment is more frequent among men, holders of a bachelor's degree and residents in the Centre of Italy.

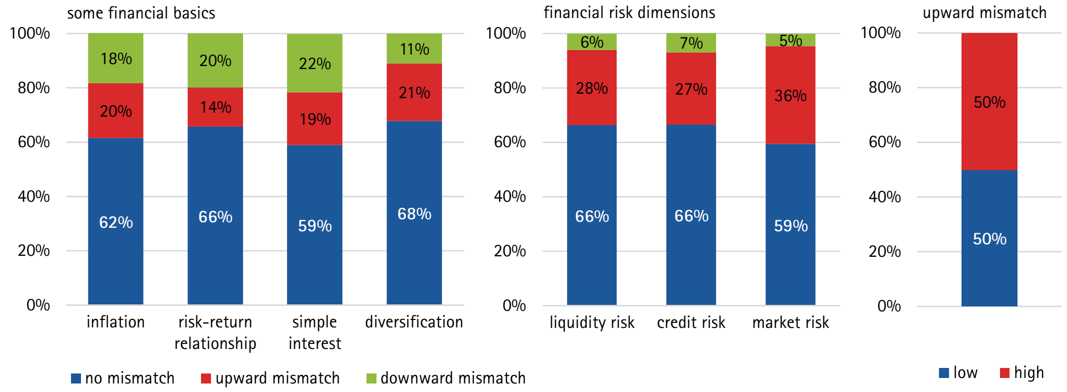
Fig. 2.4 – Perceived financial knowledge by some socio-demographic characteristics



Figures refer to the breakdown of perceived financial knowledge related to: inflation (Q1); risk/return relationship (Q2); simple interest (Q3); diversification (Q4); liquidity risk (Q5); credit risk (Q6); market risk (Q7; see Fig. 2.1). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Inconsistencies between self-assessed and actual knowledge ranges from 32% to 41% of the sample, generally accounting for individuals prone to an 'upward mismatch', i.e. reporting to have understood the selected financial notions while being unable to define them.

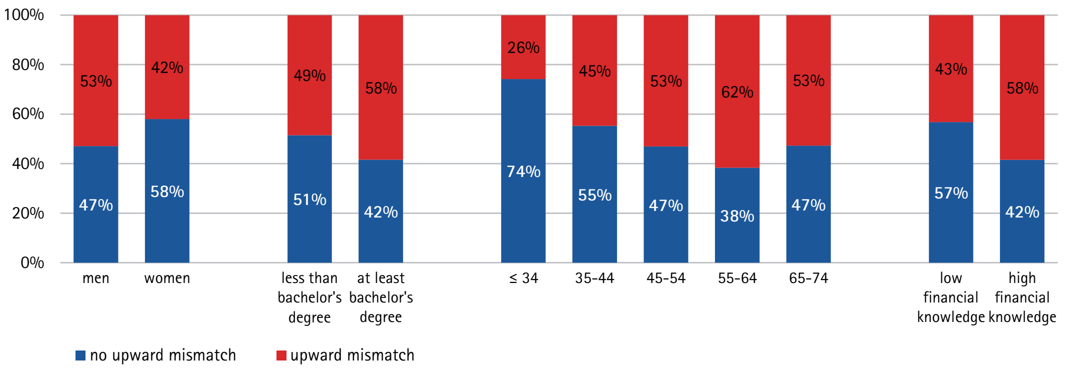
Fig. 2.5 – Mismatch between perceived and actual financial knowledge



Figures on the left hand side and in the centre refer to the mismatch between perceived and actual financial knowledge related to: inflation (Q1); risk/return relationship (Q2); simple interest (Q3); diversification (Q4); liquidity risk (Q5); credit risk (Q6); market risk (Q7; see Fig. 2.1). 'No mismatch' refers to individuals whose self-assessment is consistent with actual knowledge; 'upward mismatch' refers to individuals reporting to be knowledgeable but answering wrongly; 'downward mismatch' refers to individuals self-rating to be not knowledgeable but answering correctly. Figure on the right hand side refers to the upward mismatch indicator (see Methodological notes). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Attitude towards upward mismatch is more likely among men, middle-aged groups, better educated and more financially knowledgeable individuals.

Fig. 2.6 – Upward mismatch by some socio-demographic characteristics and actual financial knowledge



Figures refer to the breakdown of the 'upward mismatch' between actual and perceived knowledge related to: inflation (Q1); risk/return relationship (Q2); simple interest (Q3); diversification (Q4); liquidity risk (Q5); credit risk (Q6); market risk (Q7; see Figure 2.1 and Methodological notes). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Roughly one-third of respondents may be regarded as optimistic, on the basis of the reported positive expectations about their future and the economic landscape.

Fig. 2.7 – Optimism

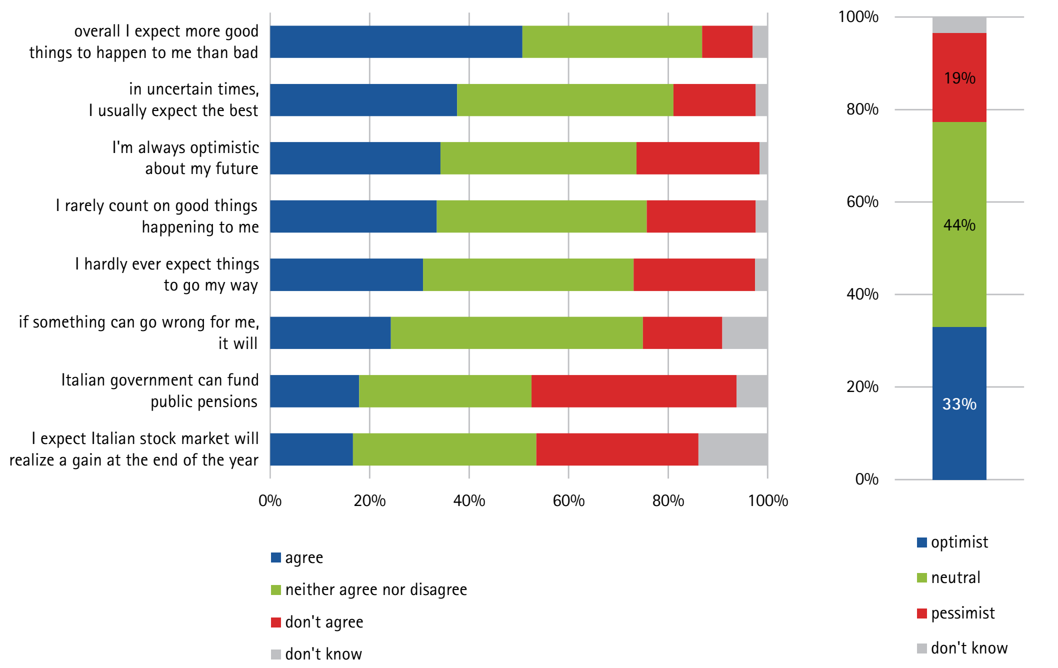


Figure on the left hand side refers to respondents' opinion on the eight statements reported above (scale type: 5-point Likert, from 1 – 'strongly agree' to 5 – 'strongly disagree'). 'Agree' includes 'agree' and 'strongly agree', while 'don't agree' includes 'disagree' and 'strongly disagree'. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Financial decision making may be correlated not only to financial competencies but also to financial anxiety. For about 50% of respondents, engagement with one's personal finances triggers feelings of anxiousness, as measured by the overall individuals' attitude towards selected financial tasks (e.g. tracking one's bank account) and financial problem solving (e.g. bailing oneself out distress).

Fig. 2.8 – Financial anxiety

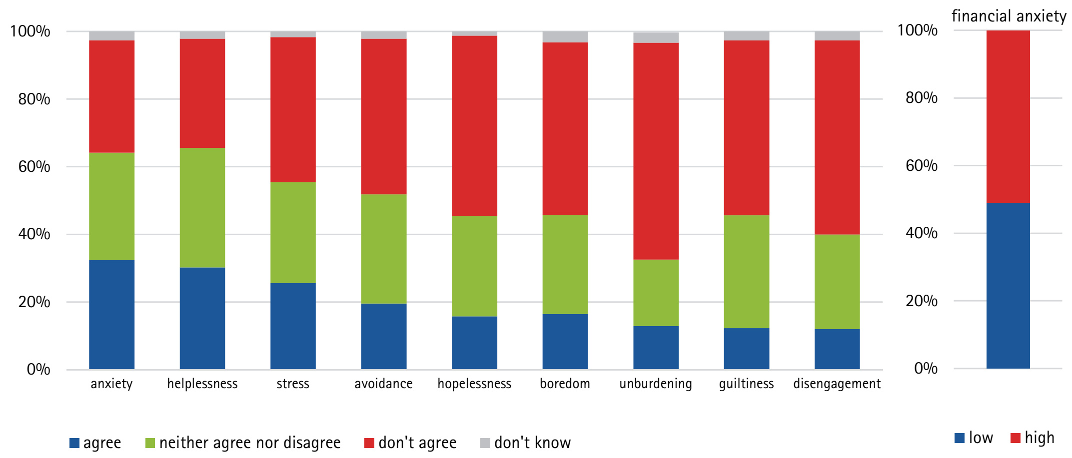
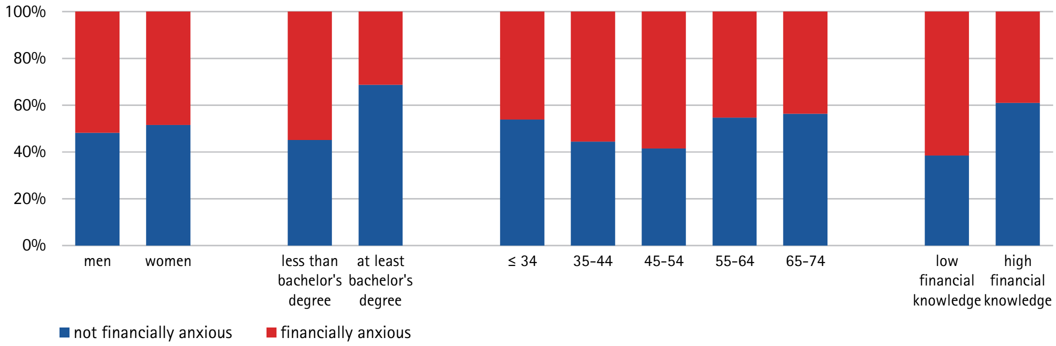


Figure on the left hand side refers to respondents' opinion on the following nine statements: 'Thinking about my personal finances can make me feel anxious (anxiety); There's little point in saving money, because you could lose it all through no fault on your own (helplessness); Discussing my finances can make my heart race or make me feel stressed (stress); I prefer not to think about the state of my personal finances (avoidance); I get myself into situations where I do not know where I'm going to get the money to 'bail' myself out (hopelessness); I find monitoring my bank or credit card accounts very boring (boredom); I would rather someone else who I trusted kept my finance organized (unburdening); Thinking about my personal finances can make me feel guilty (guiltiness); I don't make a big effort to understand my finances (disengagement)'; (single answer; scale type: 5-point Likert, from 1 – 'strongly agree' to 5 – 'strongly disagree'). 'Agree' includes 'agree' and 'strongly agree', while 'don't agree' includes 'disagree' and 'strongly disagree'. Figure on the right hand side refers to the 'PCA' financial anxiety indicator (see Methodological notes). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Anxious disposition is less frequent among younger and older age groups, individuals holding a higher formal education and reporting a higher score in financial knowledge.

Fig. 2.9 – Financial anxiety by some socio-demographic characteristics and actual financial knowledge



Figures refer to the breakdown of respondents' opinion on nine statements on financial anxiety (see Fig. 2.8 and Methodological notes). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Learning about financial matters is deemed to be interesting by half of interviewees, according to an overall measure aggregating individuals' attitudes towards different levels of cognitive and emotional involvement. Notably, the proportion of respondents expressing positive states rises when they are elicited about the usefulness of financial matters to develop a specific competence, hitting its highest value for the capability to invest on one's own.

Fig. 2.10 – Interest in financial matters

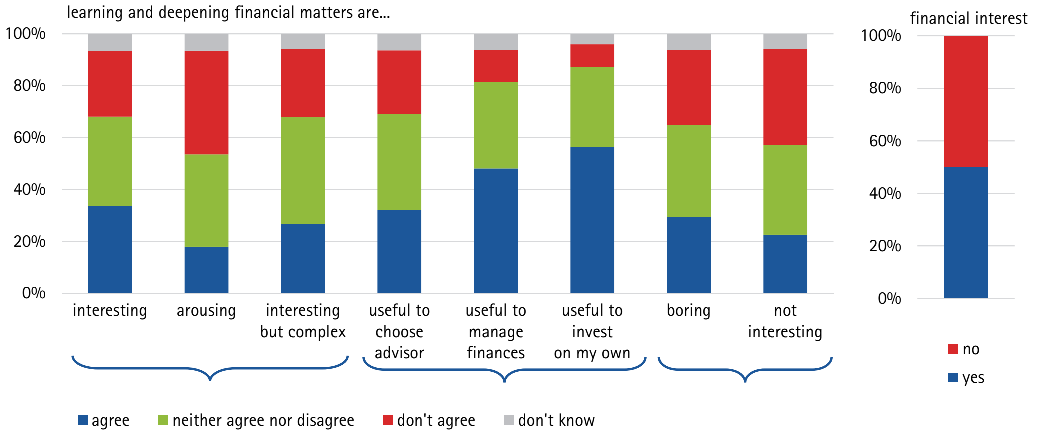
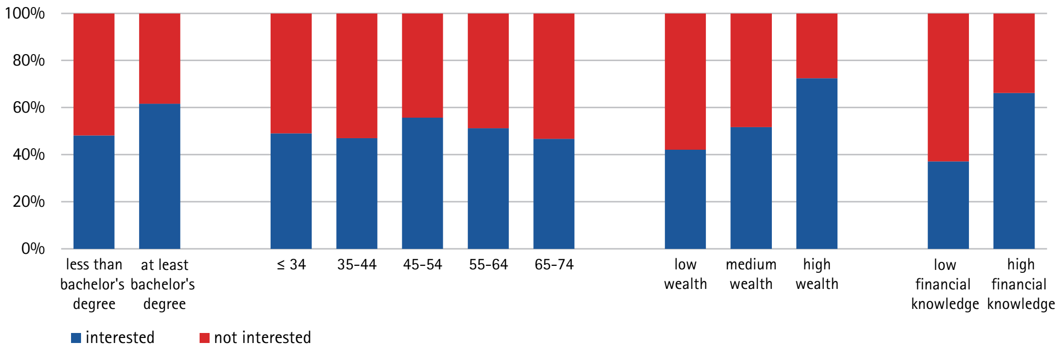


Figure on the left hand side refers to respondents' opinion on 'learning and deepening financial matters', the statements to be evaluated being: 'interesting; arousing; interesting but hard to understand; useful to choose the financial expert suitable for me; useful to manage my personal finances; useful to make investment decisions on my own; boring; not interesting at all'; (single answer; scale type: 5-point Likert, from 1 – 'strongly agree' to 5 – 'strongly disagree'). 'Agree' includes 'agree' and 'strongly agree', while 'don't agree' includes 'disagree' and 'strongly disagree'. Figure on the right hand side refers to the 'PCA' financial interest indicator (see Methodological notes). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Interest in financial issues rises among more educated, middle aged and wealthy respondents as well as among individuals exhibiting higher financial knowledge.

Fig. 2.11 – Interest in financial matters by some socio-demographic characteristics and actual financial knowledge



Figures refer to the breakdown of respondents' opinion on eight statements on interest in financial matters (see Fig. 2.10 and Methodological notes). Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Personal interest turns out to be the main driver underpinning individual background in financial matters, especially for investors, ...

Fig. 2.12 – Individual background in financial matters

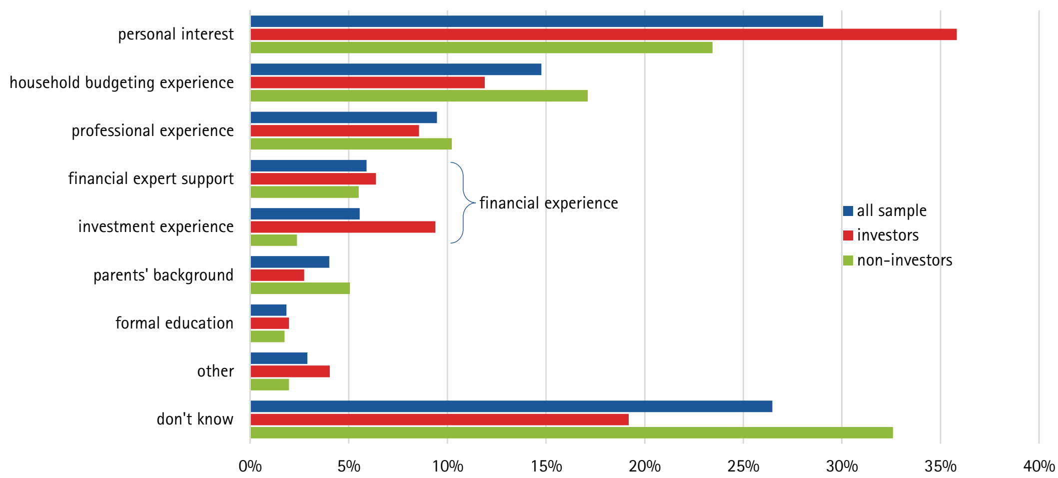


Figure refers to the following question: 'What is your background in financial matters?' (multiple answers allowed). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

... male, more educated, younger and wealthier individuals. Experience in household budgeting is more frequently reported as a basis of one's financial knowledge among women, residents in the Centre of Italy, middle-aged and individuals falling in low/medium wealth groups.

Fig. 2.13 – Individual background in financial matters by some socio-demographic characteristics

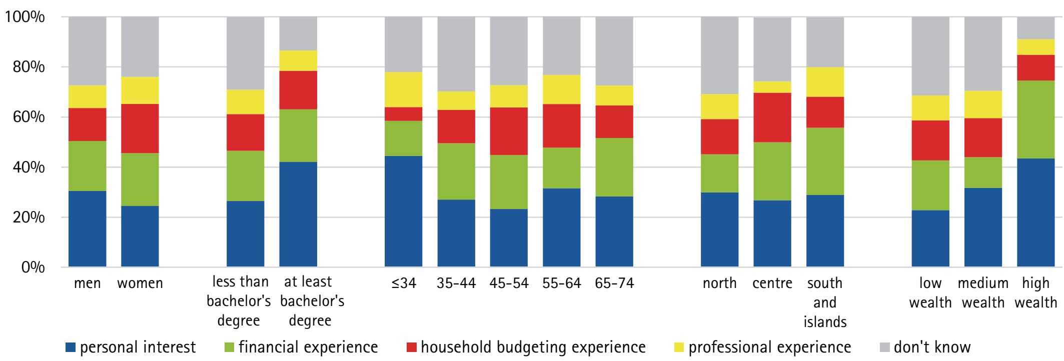
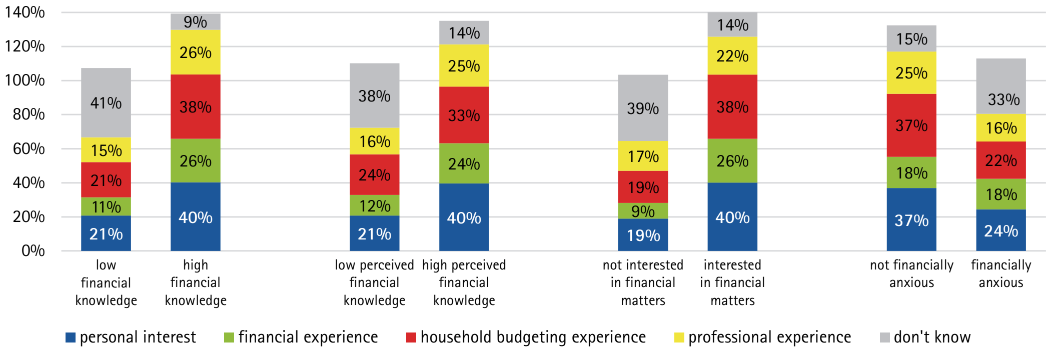


Figure refers to the following question: 'What is your background in financial matters?'. 'Financial experience' includes both 'investment experience' and 'financial expert support' (see Fig. 2.12). Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Not surprisingly, individual financial background benefits of a wider set of inputs when financial knowledge (both actual and perceived) and interest in financial matters are high, while anxiety seems to work the other way round.

Fig. 2.14 – Individual background in financial matters by some personal traits



Figures refer to the breakdown of respondents' answers to the following question: 'What is your background in financial matters?' (multiple answers are allowed). 'Financial experience' includes both 'investment experience' and 'financial expert support' (see Fig. 2.12). For more details about the financial knowledge indicator, the financial interest indicator and the financial anxiety indicator see Methodological notes. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

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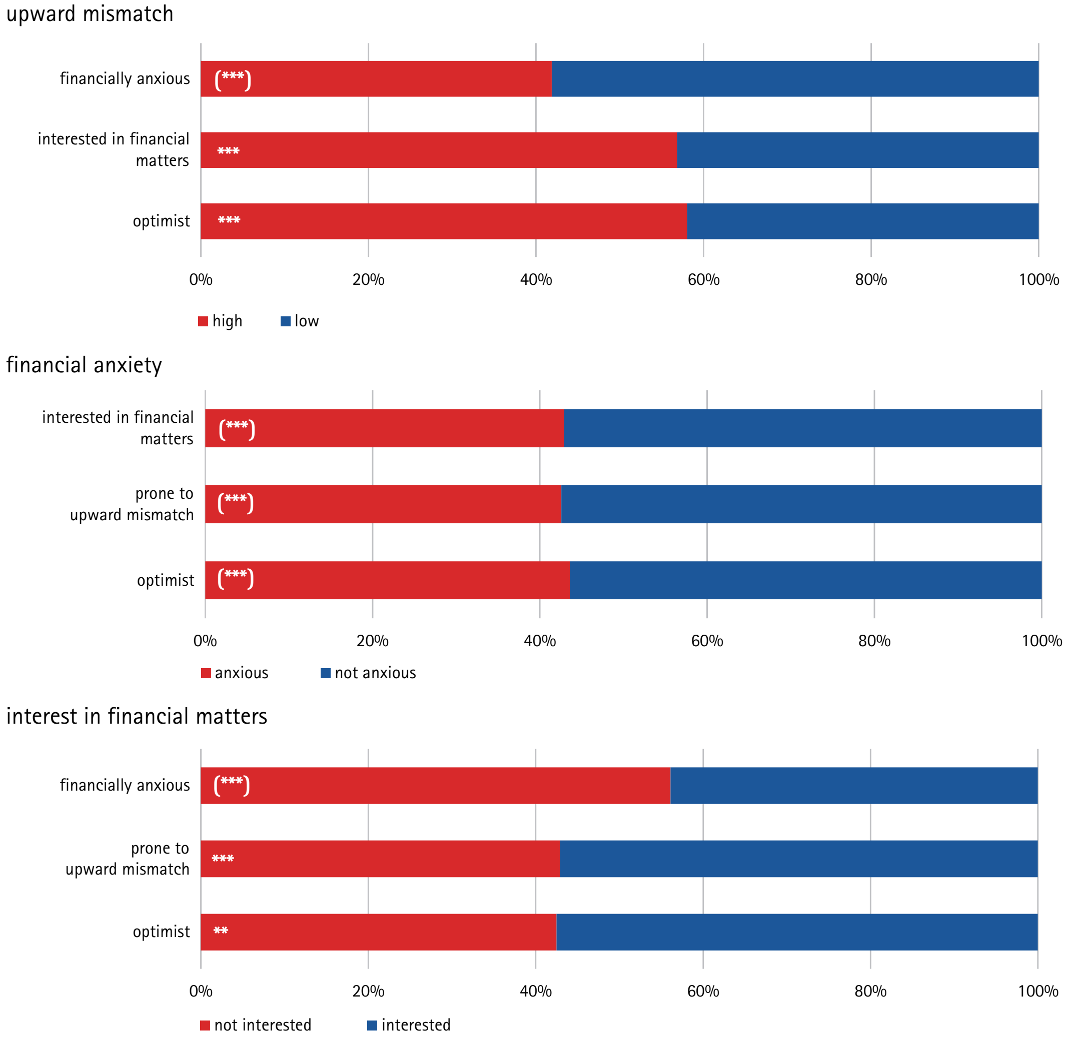
Attitude towards upward mismatch results to be positively correlated with interest in financial matters and optimism, whilst being negatively associated with financial anxiety. Inclination towards financial anxiety declines with optimism and, not surprisingly, with reported attractiveness of financial matters. This latter in turn rises with optimism.

Fig. 2.15 – Correlations among selected financial attitudes



Figures refer to the sample distribution of each selected financial attitude by propensity towards upward mismatch, financial anxiety, interest in financial matters and optimism and to correspondent pairwise correlations (highlighted when significant). As for pairwise correlations, *** indicates 1% significance level, ** indicates 5% significance level, * indicates 10% significance level; negative correlation is reported in brackets. For more details about the upward mismatch indicator, the financial anxiety indicator, the financial interest indicator and the optimism indicator see Methodological notes. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Family and friends are regarded as the most trustworthy by the vast majority of respondents, while financial intermediaries record a negative rating by more than half of the interviewees.

Fig. 2.16 – Trust

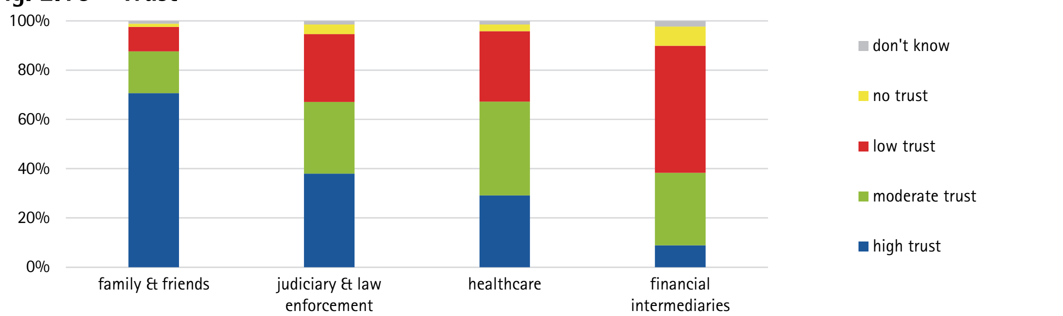
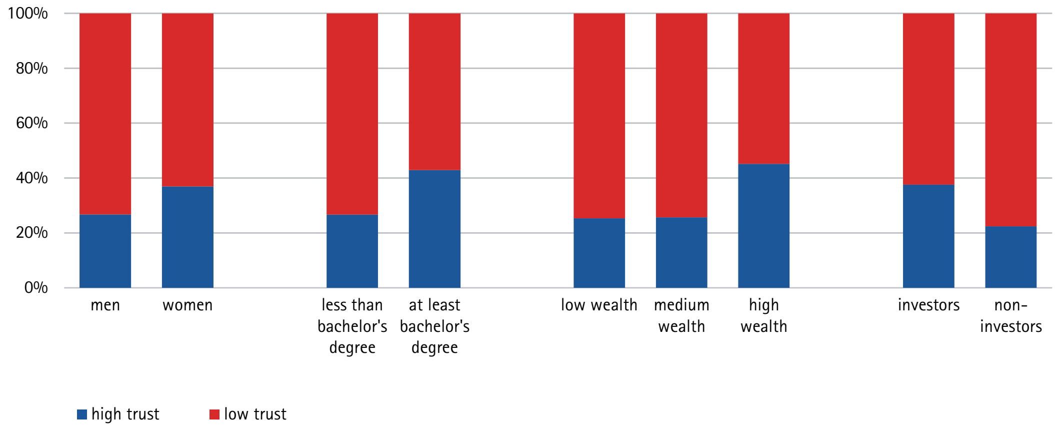


Figure refers to the following question: 'How much do you trust the following subjects/institutions?' (single answer; scale type: 5-point Likert, from 1 – 'very low trust' to 5 – 'very high trust'). 'High trust' includes 'high' and 'very high', while 'low trust' includes 'low' and 'very low'. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Trust in financial intermediaries is higher among women, more educated individuals, wealthier interviewees and investors.

Fig. 2.17 – Trust in financial intermedaries by some socio-demographic characteristics



Figures refer to the breakdown of respondents' answers to the following question: 'How much do you trust banks/financial salesmen/independent advisors?' (single answer; scale type: 5-point Likert, from 1 – 'very low trust' to 5 – 'very high trust'). 'High trust' includes 'high' and 'very high', while 'low trust' includes 'moderate', 'low', 'very low' and 'no trust'. Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

More than 60% of Italian households report to be acquainted with deposits, government and bank bonds. About 15% of investors are not familiar with any product.

Fig. 2.18 – Self-assessed familiarity with alternative investment options

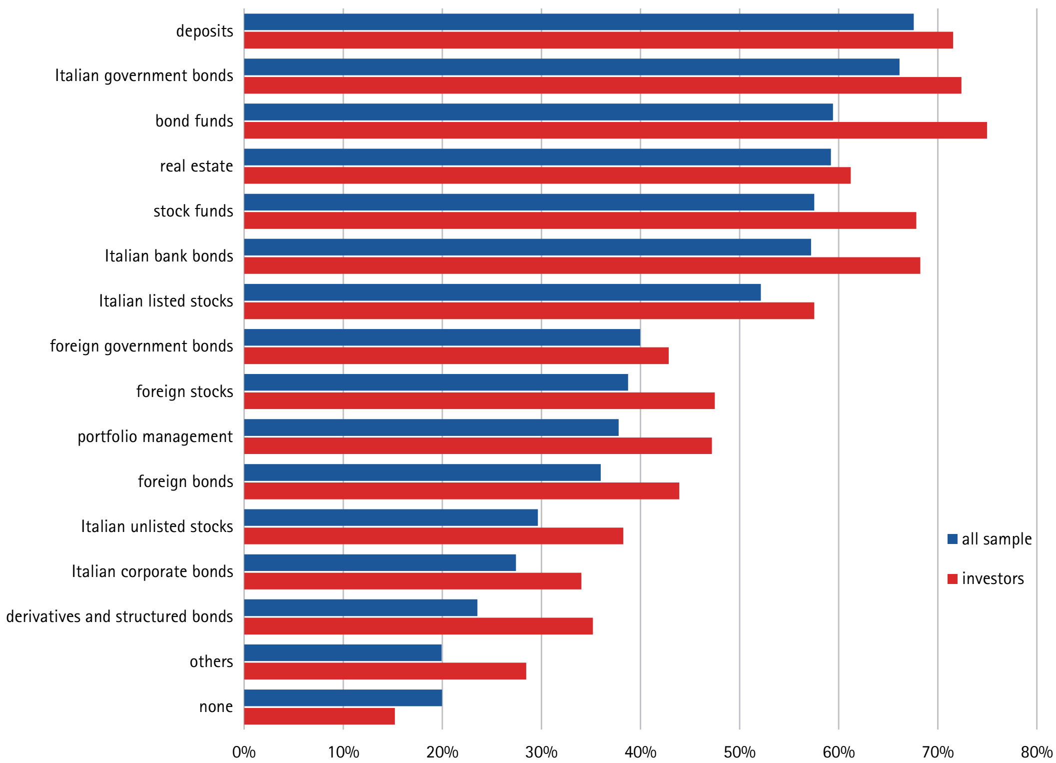


Figure refers to the following question: 'Which financial products/services do you know?'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Assessing the risk of some among the most known investment options is a challenge for more than one-third of respondents, whereas in the remaining cases stocks are frequently rated as high risky instruments, followed by derivatives.

Fig. 2.19 – Perceived risk of alternative investment options

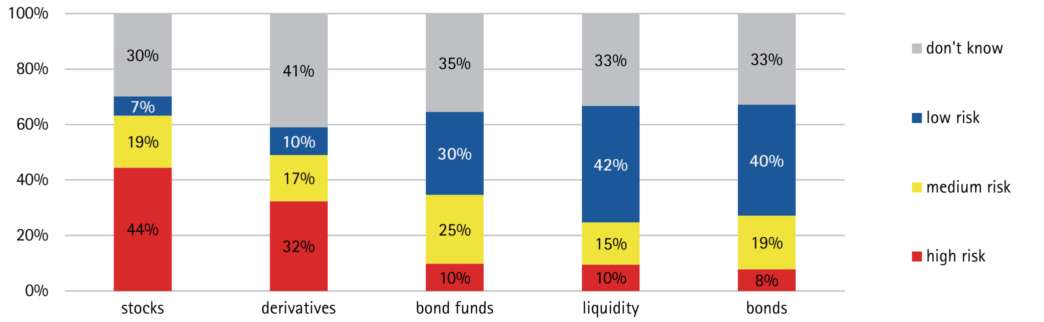


Figure refers to the following question: 'How risky do you rate the following investment options?' (single answer; scale type: 5-point Likert, from 1 – 'very low risk' to 5 – 'very high risk'). 'High risk' includes 'high' and 'very high', while 'low risk' includes 'low' and 'very low'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The 'upward mismatch' between self-assessed familiarity with a specified product and one's ability to rate its riskiness surprisingly hits the highest level for liquidity, followed by bond funds and Italian bank bonds.

Fig. 2.20 – Perceived risk of alternative investment options and self-assessed familiarity

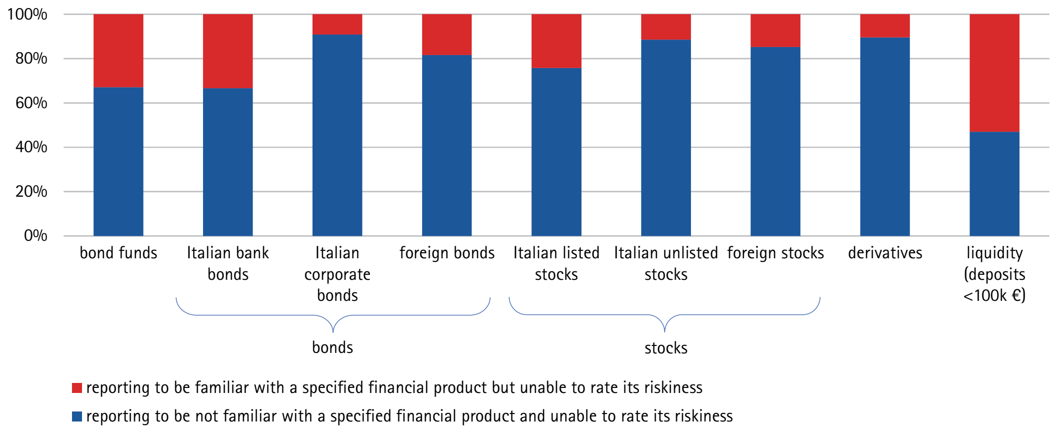


Figure refers to the breakdown of 'don't know' answers to the following question: 'How risky do you rate the following investment options?' (single answer; scale type: 5-point Likert, from 1 – 'very low risk' to 5 – 'very high risk'; see Fig. 2.19) by self-assessed familiarity with alternative investment options (see Fig. 2.18). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The majority of respondents is not willing to take financial risk, but would rather prefer risk free/capital guaranteed investment options. This is consistent with ...

Fig. 2.21 – Willingness to take financial risk

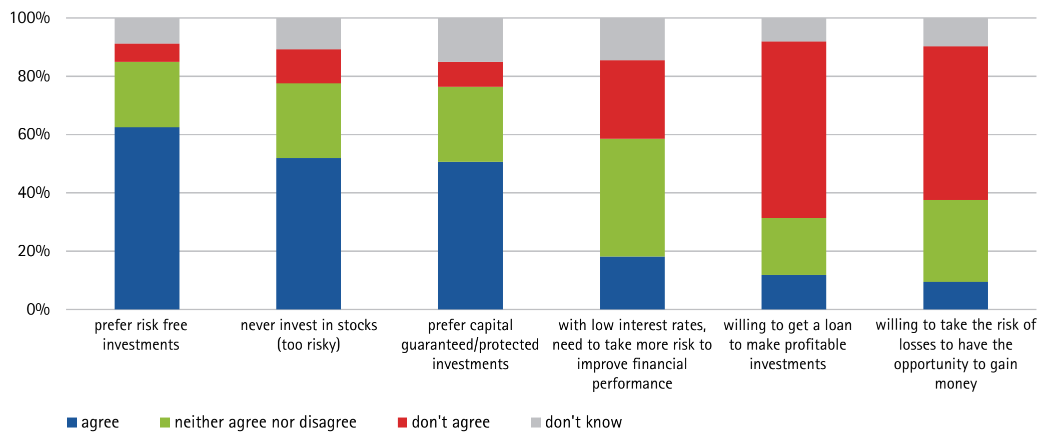
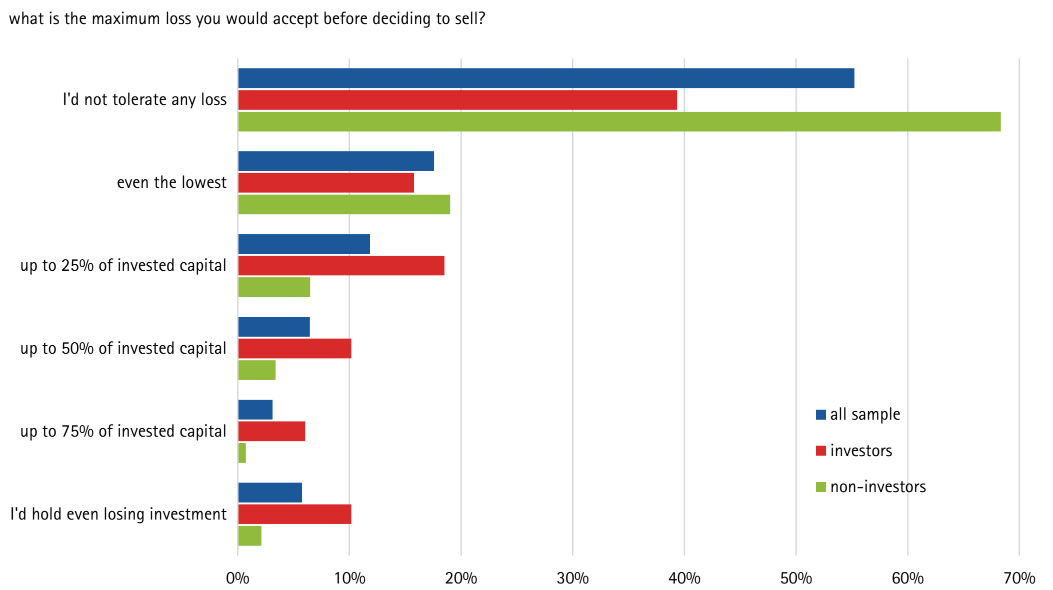


Figure refers to the following question: 'Which of the following best describes your preferences towards risk?' (single answer; scale type: 5-point Likert, from 1 – 'strongly agree' to 5 – 'strongly disagree'). 'Agree' includes 'agree' and 'strongly agree', while 'don't agree' includes 'disagree' and 'strongly disagree'. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

... the reported degree of loss aversion, which is far more pronounced among the subsample of non-investors.

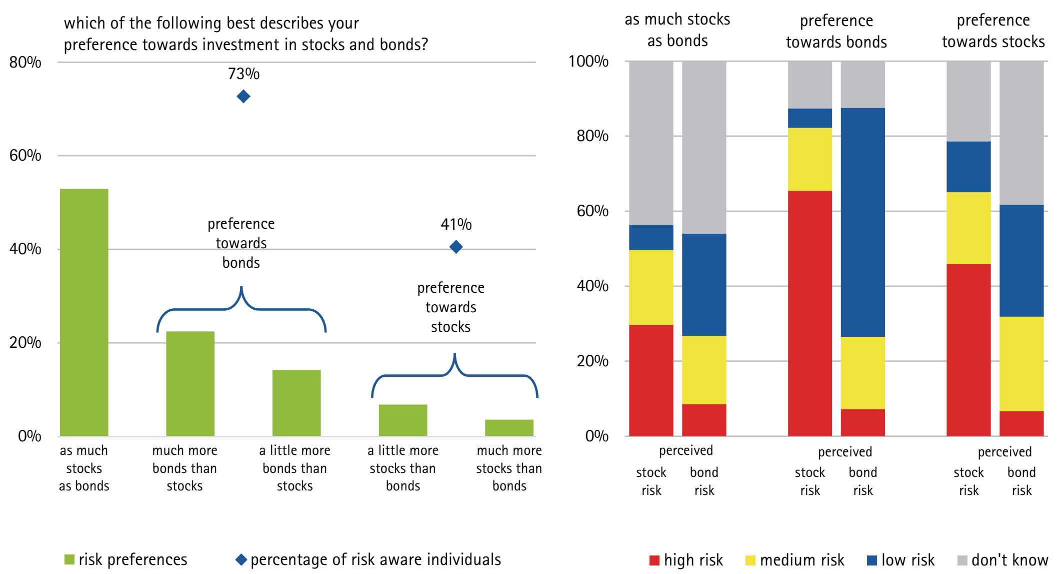
Fig. 2.22 – Loss aversion



Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Respondents' preferences towards alternative combinations of stocks and bonds can be regarded as a proxy of their risk attitude only if they are able to correctly rank stocks and bonds by risk level. Among individuals preferring to hold more bonds than stocks, more than 70% assess the former as less risky than the latter, whereas this proportion drops to 41% among those selecting more stocks. Notably, almost half of interviewees indicating a balanced portfolio are not able to rank bonds and stocks by their potential risk.

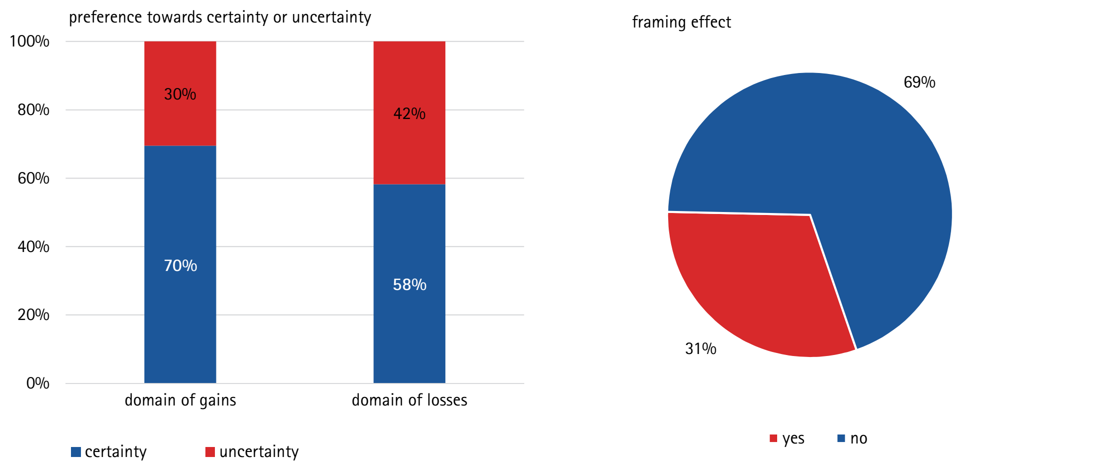
Fig. 2.23 – Risk preferences and risk awareness



In the figure on the left hand side, blue diamonds account for the percentage of individuals reporting to prefer more bonds (stocks) and correctly risk ranking bonds as less risky than stocks (*risk awareness*). Figures on the right hand side refer to the breakdown of the reported preferences towards investment in stocks and bonds (combined as in the left hand side figure) by perceived risk of such instruments as captured by answers to the following question: 'How risky do you rate the following investment options?' (see Fig. 2.19). Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

About one-third of interviewees show a reversal in risk preferences depending on the way information is presented, thus preferring certainty when the choice set is positively framed and uncertainty when decisions are negatively framed (or vice versa).

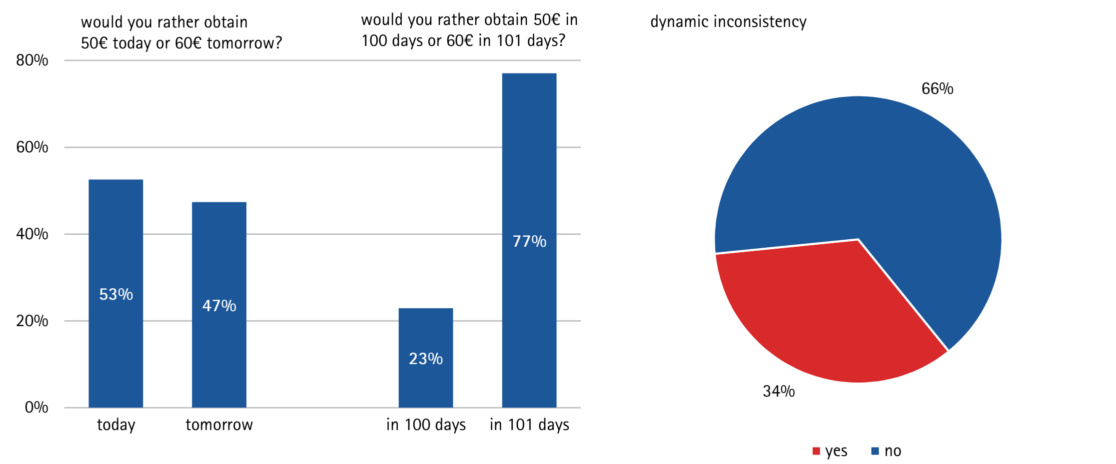
Fig. 2.24 – Attitude towards framing effect



Figures ascertain reversals in risk preferences elicited with respect to two fictional scenarios with the same information presented in two different ways, in order to frame respectively a domain of gains and a domain of losses. Inconsistencies are detected when individuals preferring certainty in the domain of gains become risk-seekers in the domain of losses and vice versa. The domain of gains is presented in the following question: 'Imagine that you invested 600 euros and that you may suffer a loss. Two alternative options are available to recover at least a fraction of your invested capital. Under option A you get back 200 euros (*certainty*), while under option B you receive 600 euros in one out of three cases and zero in two out of three cases (*uncertainty*). Which option would you prefer?'; (*parentheses and emphasis added*). The domain of losses is presented in the following question: 'Imagine that you invested 600 euros and that you may suffer a loss. Two alternative options are available to recover at least a fraction of your invested capital. Under option A you lose 400 euros (*certainty*), while under option B you lose nothing in one out of three cases and 600 euros in two out of three cases (*uncertainty*). Which option would you prefer?'; (*parentheses and emphasis added*). Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'. See Kahneman, D. and Tversky A. (1984), Choices, Values and Frames, American Psychologist, 39.

Almost 35% of respondents exhibit time inconsistency, i.e. a contradictory change in preferences over time, which may trigger present bias and procrastination.

Fig. 2.25 – Attitude towards dynamic inconsistency



Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Financial control and saving

More than half of respondents report to have a budget, although only 15% always stuck to it. Tracking spending involves more than 60% of the sample, but only one-fifth of interviewees rely on written records.

Fig. 3.1 – Budgeting and monitoring expenses

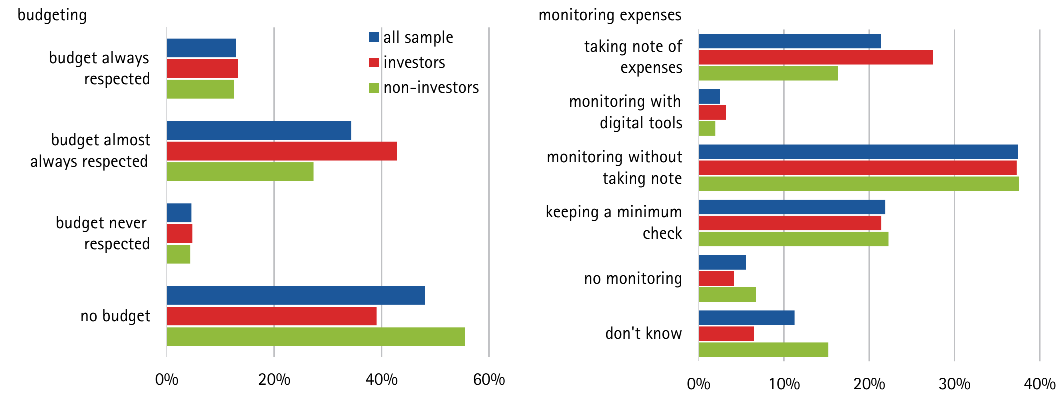
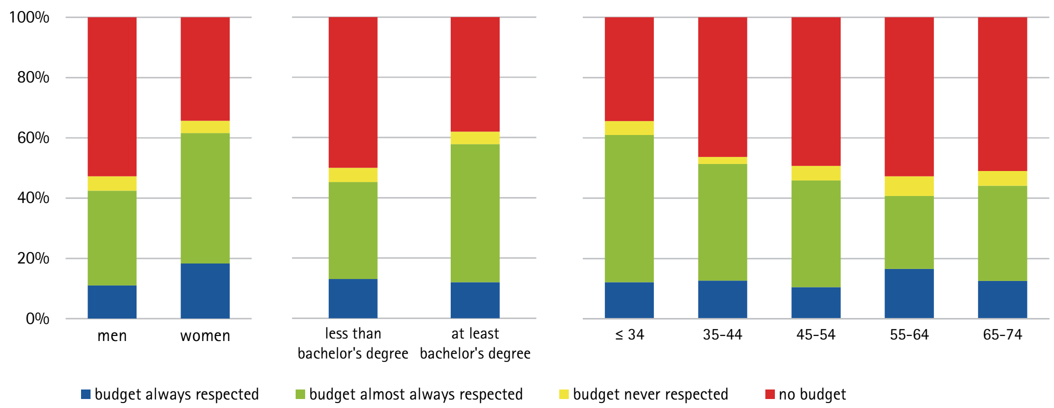


Figure on the left hand side refers to the following question: 'Which of the following best describes your attitudes towards budget planning?'. Figure on the right hand side refers to the following question: 'Which of the following best describes your attitudes towards monitoring household expenses?'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Meeting the budget (either completely or partially) is more likely among women, individuals with higher formal education and younger people.

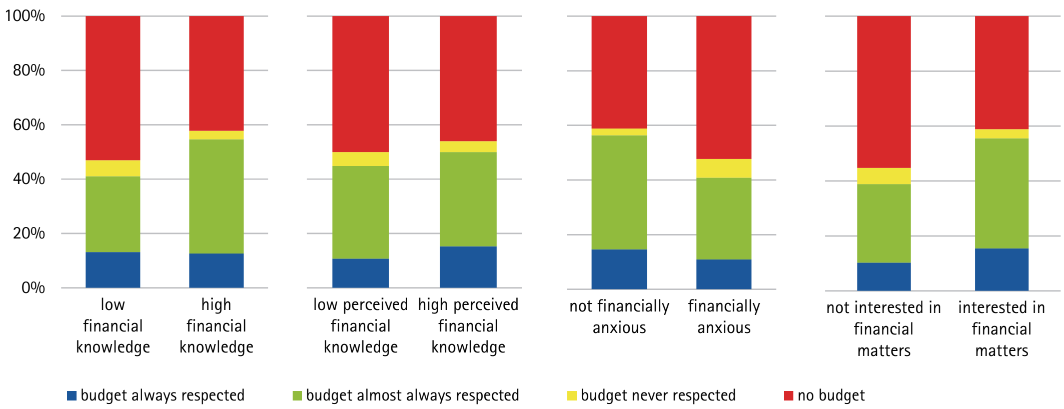
Fig. 3.2 – Budgeting by some socio-demographic characteristics



Figures refer to the breakdown of respondents' answers to the following question: 'Which of the following best describes your attitudes towards budget planning?'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The proportion of respondents reporting not to have a budget declines as financial literacy (both actual and perceived) and interest in financial matters grow, whereas it rises among individuals prone to financial anxiety.

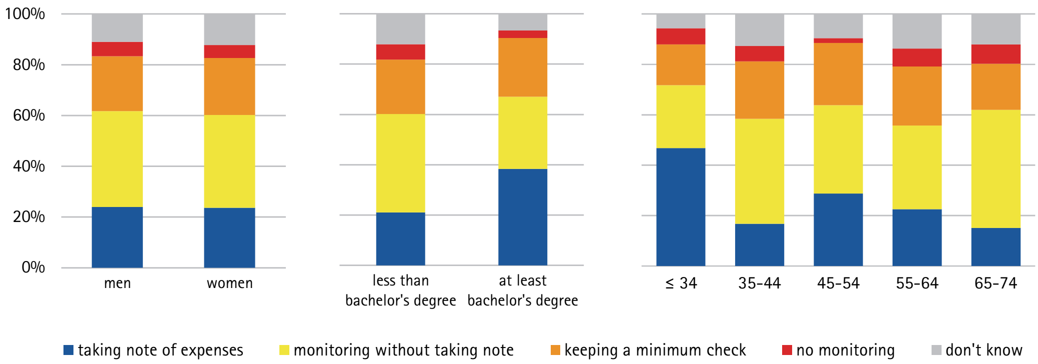
Fig. 3.3 – Budgeting by some personal traits



Figures refer to the breakdown of respondents' answers to the following question: 'Which of the following best describes your attitudes towards budget planning?'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

More educated and younger individuals are also more likely to properly track their expenses (i.e. to take notes of them), as well as ...

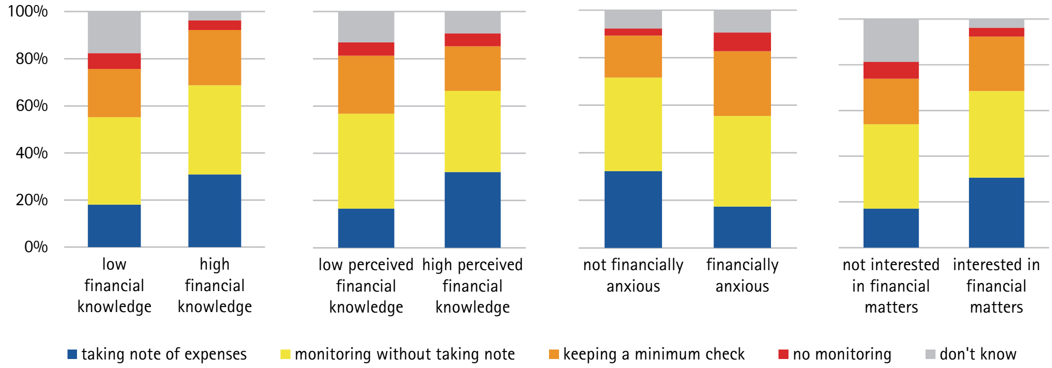
Fig. 3.4 – Monitoring expenses by some socio-demographic characteristics



Figures refer to the breakdown of respondents' answers to the following question: 'Which of the following best describes your attitudes towards monitoring household expenses?'. 'Taking note of expenses' includes 'taking written notes' and 'monitoring with digital tools'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

... more literate and financially interested decision makers, contrary to financially anxious respondents.

Fig. 3.5 – Monitoring expenses by some personal traits



Figures refer to the breakdown of respondents' answers to the following question: 'Which of the following best describes your attitudes towards monitoring household expenses?'. 'Taking note of expenses' includes 'taking written notes' and 'monitoring with digital tools'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Financial planning is reported by nearly one-fourth of the sample. Almost all interviewees having either a short-term or a long-term plan review their progress, mainly on a biannual or a yearly basis.

Fig. 3.6 – Financial planning

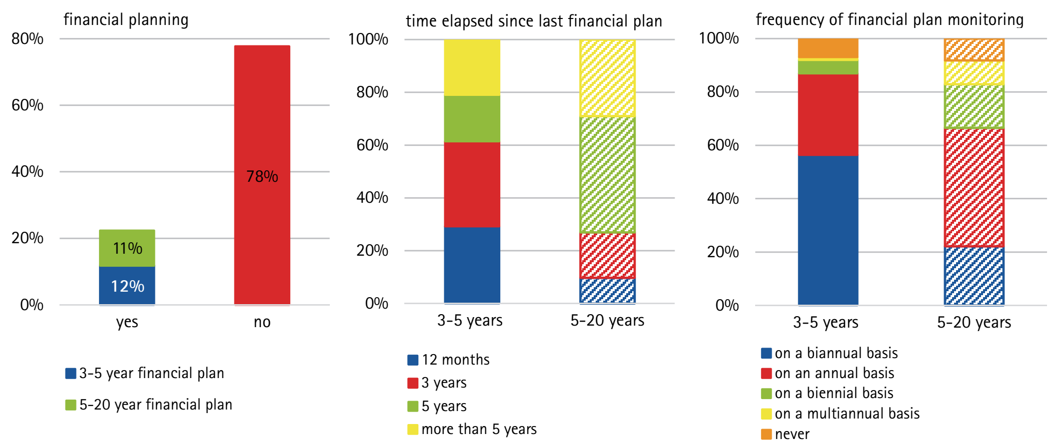
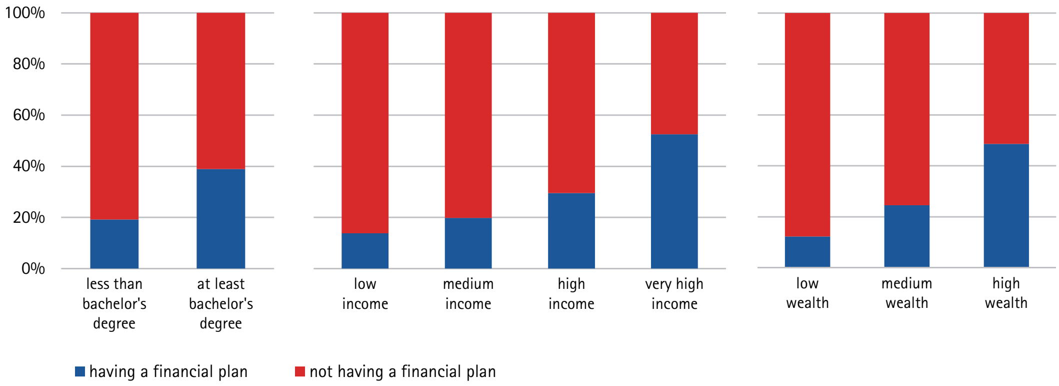


Figure on the left hand side refers to the following question: 'Which of the following best describes your attitudes towards financial planning?'. Figure in the centre refers to the following question: 'When did you last define your financial plan?'. Figure on the right hand side refers to the following question: 'How frequently do you monitor your financial plan?'. The last two figures refer to the subsample of individuals with a financial plan. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Having a financial plan is positively associated with formal education, income and wealth as well as ...

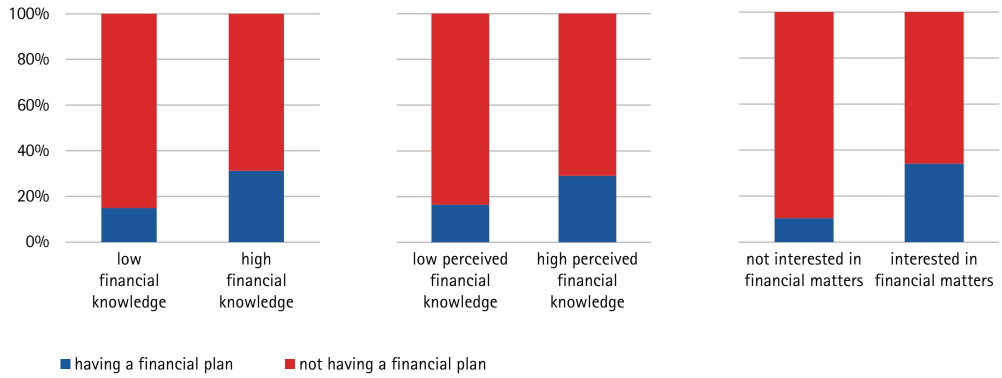
Fig. 3.7 – Financial planning by some socio-demographic characteristics



Figures refer to the breakdown of respondents' answers to the following question: 'Which of the following best describes your attitudes towards financial planning?'. Household monthly income categories are defined as follows: 'low' up to 1,050€; 'medium' from 1,050 to 2,550€; 'high' from 2,551 to 5,000€; 'very high' greater than 5,000€. Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

... financial knowledge (both actual and perceived) and interest in financial matters.

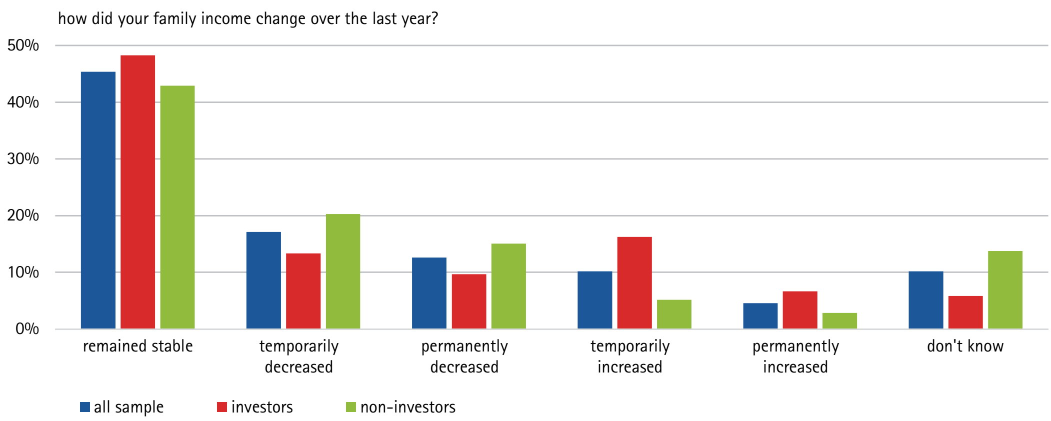
Fig. 3.8 – Financial planning by financial knowledge and some personal traits



Figures refer to the breakdown of respondents' answers to the following question: 'Which of the following best describes your attitudes towards financial planning?'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

At the end of 2016, 30% of respondents report a deterioration in their income (47% in 2014; see 2015 Report), mainly on a temporary basis (18%).

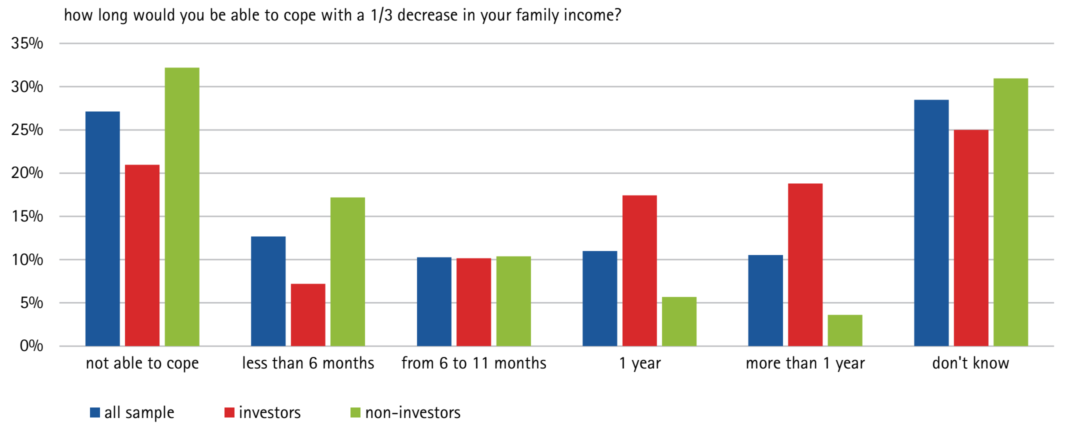
Fig. 3.9 – Perceived change in family income



Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

As for financial resilience, it is remarkable that almost 30% of the households are not able to assess their capability to face financial distress. Slightly more than 25% of interviewees declare that a one-third drop in their disposable income would trigger an immediate downward adjustment in their living standards (50% in 2014; see 2015 Report). This concern is less frequent among investors.

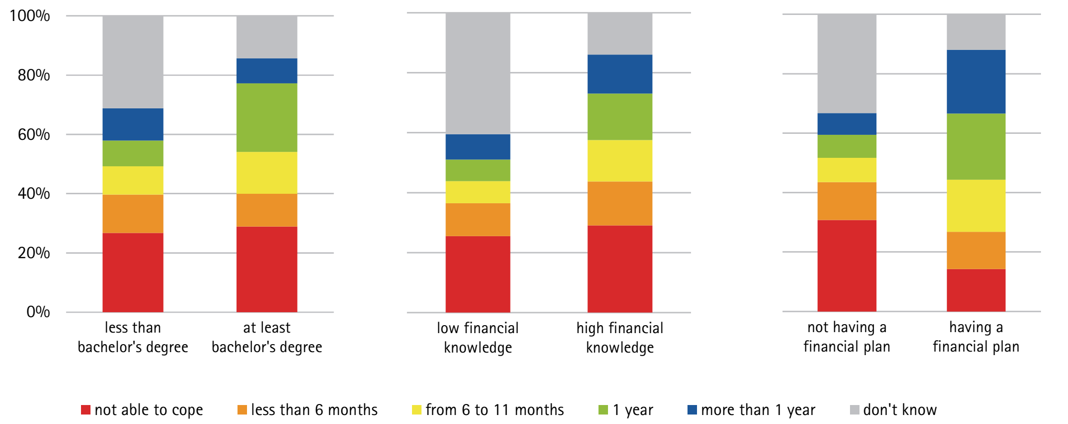
Fig. 3.10 – Perceived resilience



Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Notably, the proportion of interviewees not having a perception of their financial resilience declines with formal education, financial knowledge and attitude towards financial planning.

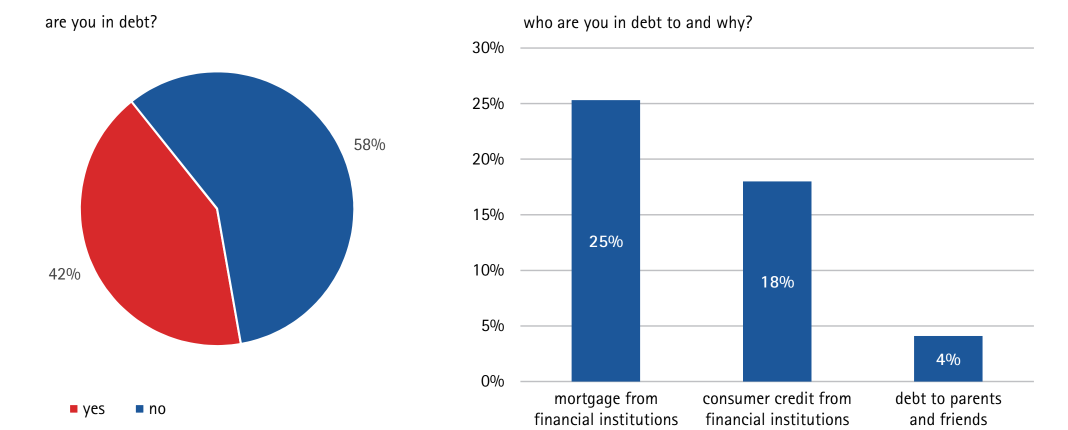
Fig. 3.11 – Perceived resilience by education, financial knowledge and financial planning



Figures refer to the breakdown of respondents' answers to the following question: 'How long would you be able to cope with a 1/3 decrease in your family income?' (see Fig. 3.10). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Almost 42% of households carry debt, either mortgages (25%) and/or consumer credit for consumer good purchase and daily expenses, mainly to banks or other financial institutions.

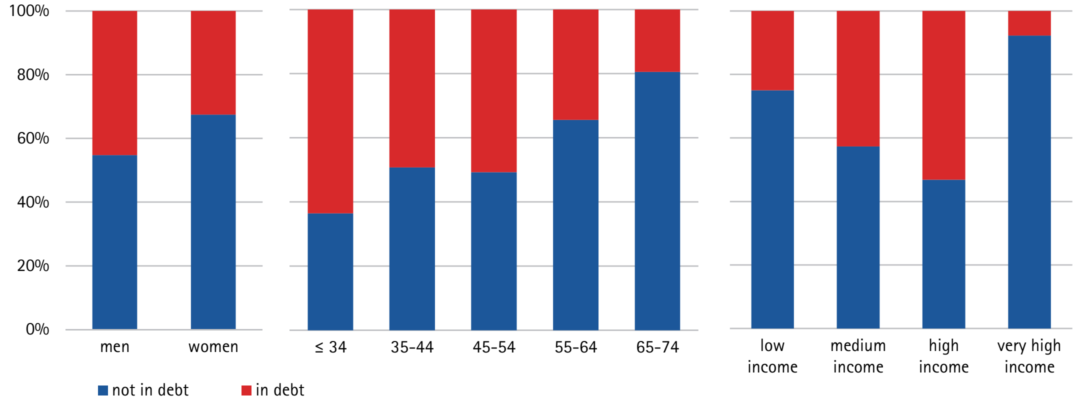
Fig. 3.12 – Household indebtedness



Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The proportion of respondents in debt is higher when the financial decision maker is male and for middle-income groups, while declining with age.

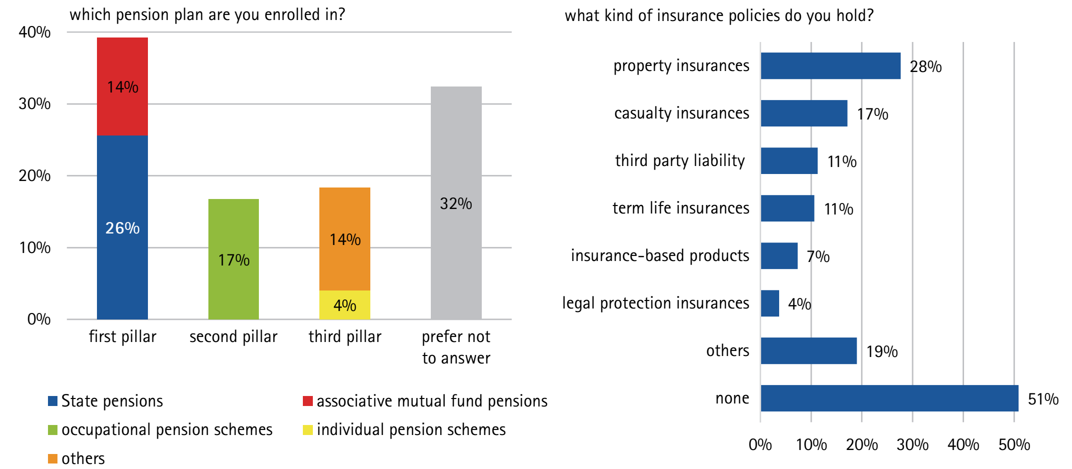
Fig. 3.13 – Household indebtedness by some socio-demographic characteristics



Figures refer to the breakdown of respondents' answers to the following question: 'Are you in debt?'. Household monthly income categories are defined as follows: 'low' up to 1,050€; 'medium' from 1,050 to 2,550€; 'high' from 2,551 to 5,000€; 'very high' greater than 5,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

As for retirement planning, 40% of respondents report to be enrolled only in a first-pillar pension plan, while more than one-third declare to hold also a complementary pension (either second or third pillar). Insurance policies (mainly property and casualty) are held by almost half of the sample.

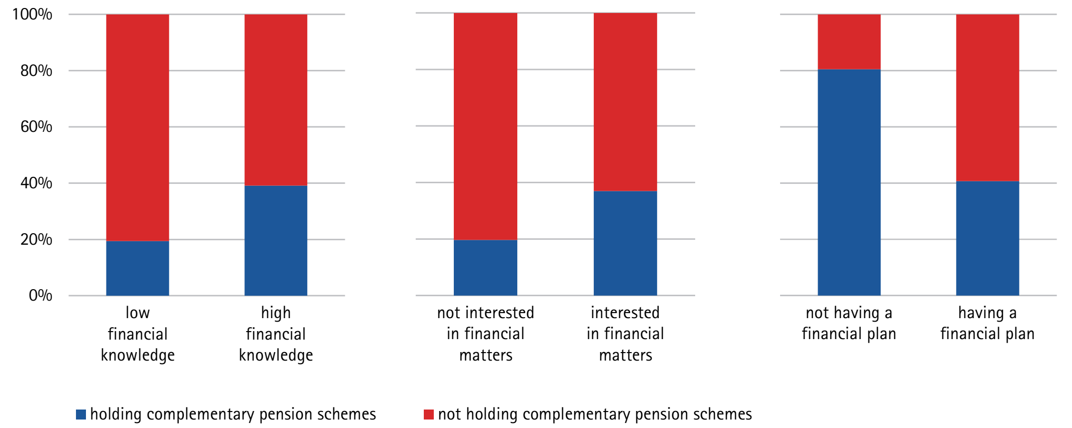
Fig. 3.14 – Pension plans enrolment and insurance policies holdings



In the figure on the right hand side, 'others' includes pension funds & health insurance policies. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Enrolment in a complementary pension scheme is less frequent among individuals with lower financial knowledge and lower interest in financial matters and among respondents engaged in financial planning.

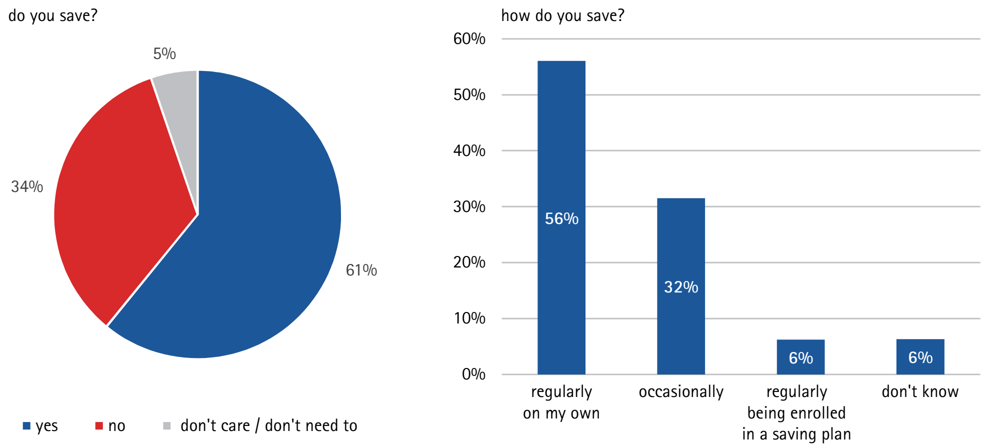
Fig. 3.15 – Pension plan enrolment by some personal traits and financial attitudes



Figures refer to the breakdown of respondents' answers to the following question: 'Which pension plan are you enrolled in?'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Among respondents reporting to save (61%), almost two-thirds do it on a regular basis and mainly on their own.

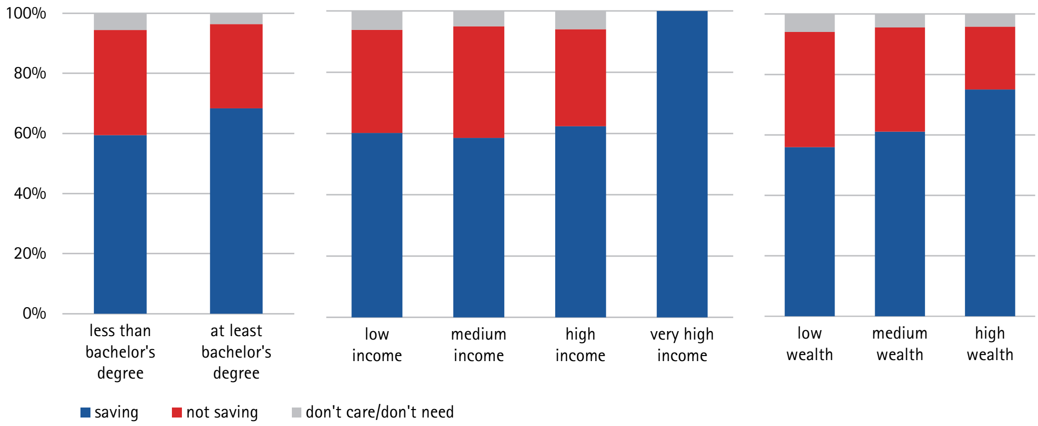
Fig. 3.16 – Saving habits



Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Not surprisingly, the proportion of savers rises with education, income, wealth and ...

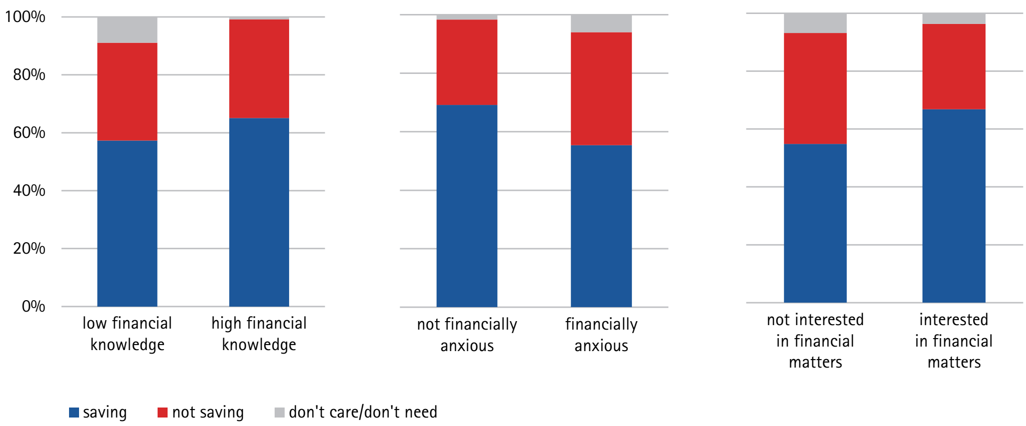
Fig. 3.17 – Saving by some socio-demographic characteristics



Figures refer to the breakdown of respondents' answers to the following question: 'Do you save?'. Household monthly income categories are defined as follows: 'low' up to 1,050€; 'medium' from 1,050 to 2,550€; 'high' from 2,551 to 5,000€; 'very high' greater than 5,000€. Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

... financial education. As for the relationship with personal traits, individuals with disposition towards financial anxiety and those not interested in financial matters are less likely to save.

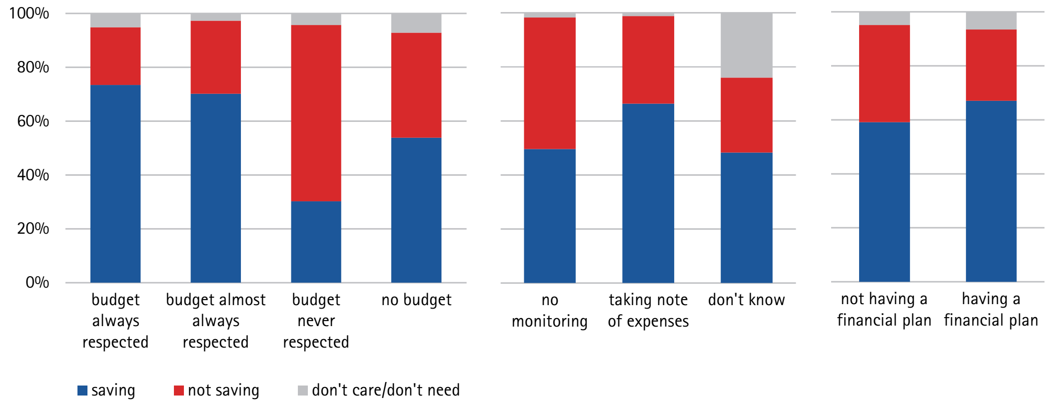
Fig. 3.18 – Saving by financial knowledge and some personal traits



Figures refer to the breakdown of respondents' answers to the following question: 'Do you save?'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Moreover, saving is more likely among households showing a higher degree of financial control, i.e. having a budget, tracking their expenses and having a financial plan.

Fig. 3.19 – Saving and attitudes towards budgeting, monitoring and financial planning



Figures refer to the breakdown of respondents' answers to the following question: 'Do you save?'. In the figure in the centre, 'taking note of expenses' includes 'taking written notes' and 'monitoring with digital tools'. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Precautionary motive is the main reason to save, while specific goals are reported to be a trigger only by 32% of respondents. The major deterrent to saving is a tight budget, followed by debt service.

Fig. 3.20 – Determinants of saving

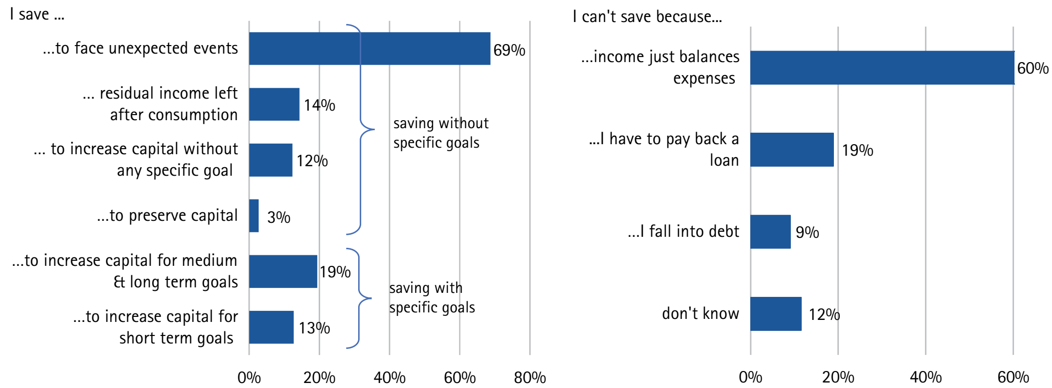
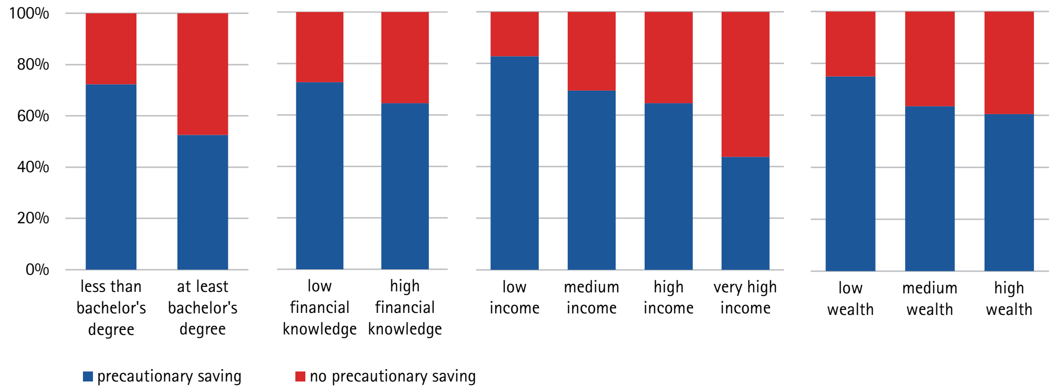


Figure on the left hand side refers to the following question: 'Why do you save?' (multiple answers allowed). Figure on the right hand side refers to the following question: 'What prevents you from saving?' (multiple answers allowed). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Precautionary saving is particularly widespread among less educated, less literate and less wealthy individuals.

Fig. 3.21 – Precautionary saving by some socio-demographic characteristics



Figures refer to the breakdown of respondents' answers to the following question: 'Why do you save?' and to the subsample of respondents reporting to save mainly to face unexpected expenses. Household monthly income categories are defined as follows: 'low' up to 1,050€; 'medium' from 1,050 to 2,550€; 'high' from 2,551 to 5,000€; 'very high' greater than 5,000€. Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Self-confidence in financial matters is higher when it comes to spending control, avoiding useless expenses and saving for expected expenses (as shown by the proportion of respondents rating themselves as better than average), whereas saving for retirement and capabilities related to investment decisions record the lowest figures. Investors are more likely to show a high self-assessment with respect to non-investors.

Fig. 3.22 – Self-assessment of financial capabilities

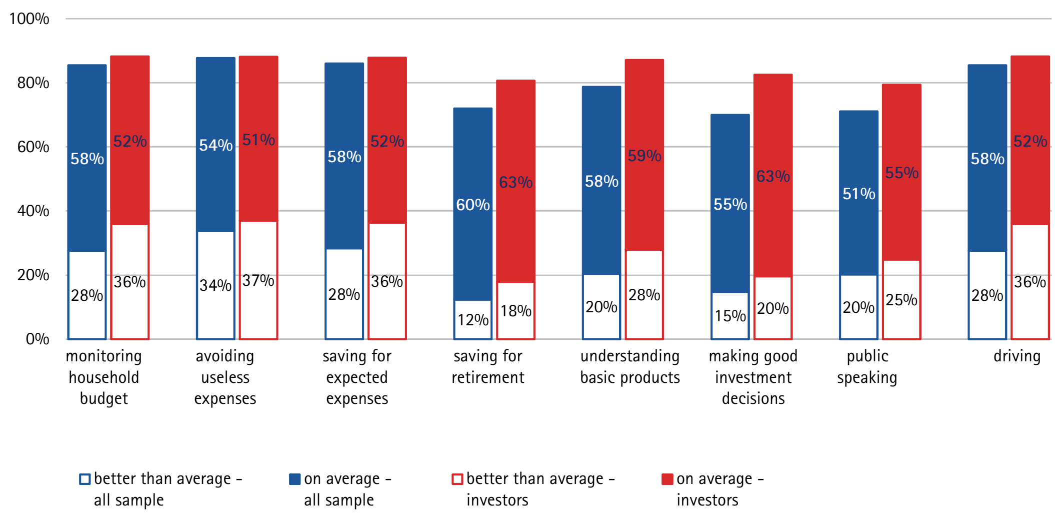
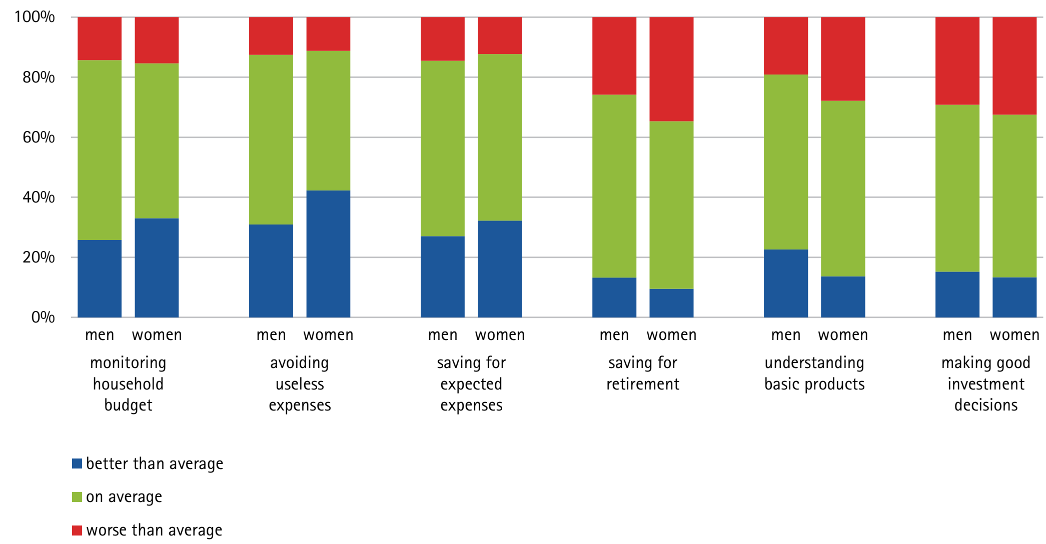


Figure reports percentages of respondents rating themselves as 'better than average' (including also 'slightly better than average') and 'on average' on each specified item (the other options being: 'slightly worse than average' and 'worse than average'). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Women tend to rate themselves better than average more frequently than men do as for tracking the budget, avoiding useless expenses and saving for expected expenses. The proportion of individuals self-assessing worse than average rises, especially for women, when it comes to retirement saving and financial choices.

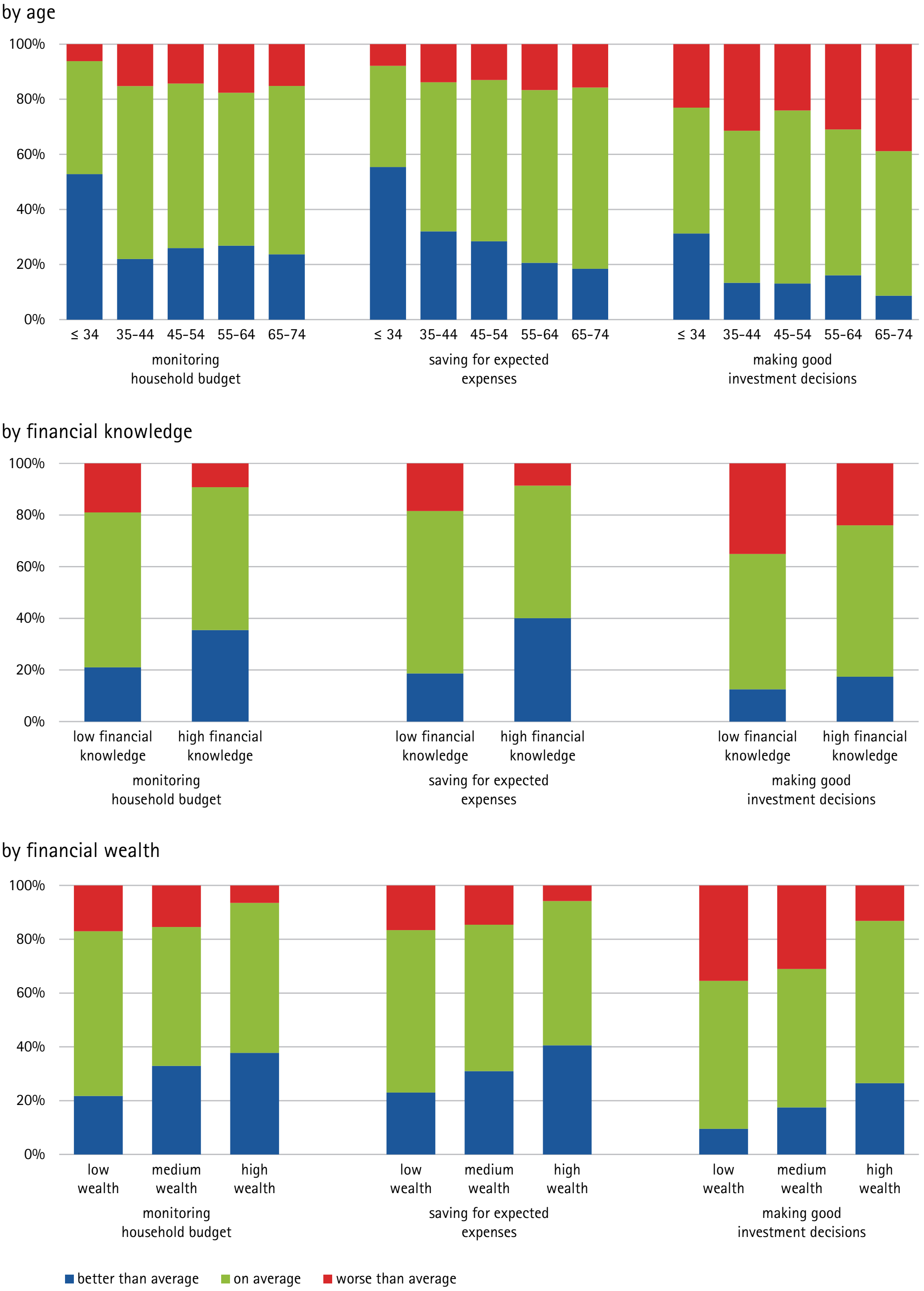
Fig. 3.23 – Gender gap in self-assessment of financial capabilities



Figures refer to the breakdown of respondents' self-ratings as 'better than average' (or 'slightly better than average'), 'on average' and 'worse than average' (or 'slightly worse than average') on each specified item. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Individuals are more likely to rate their capabilities in monitoring the household budget, saving for expected expenses and making good investment decisions as higher than average when they are younger, more financially knowledgeable and wealthier.

Fig. 3.24 – Self-assessment of financial capabilities by some socio-demographic characteristics and financial knowledge



Figures refer to the breakdown of respondents' self-ratings as 'better than average' (or 'slightly better than average'), 'on average' and 'worse than average' (or 'slightly worse than average') on the selected items. Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Self-assessment of one's capabilities tends to be in line with reported behaviours, as the proportion of individuals rating themselves as better than average in tracking spending rises among interviewees properly monitoring expenses, and ...

Fig. 3.25 – Self-assessment of financial capabilities and attitude towards monitoring expenses

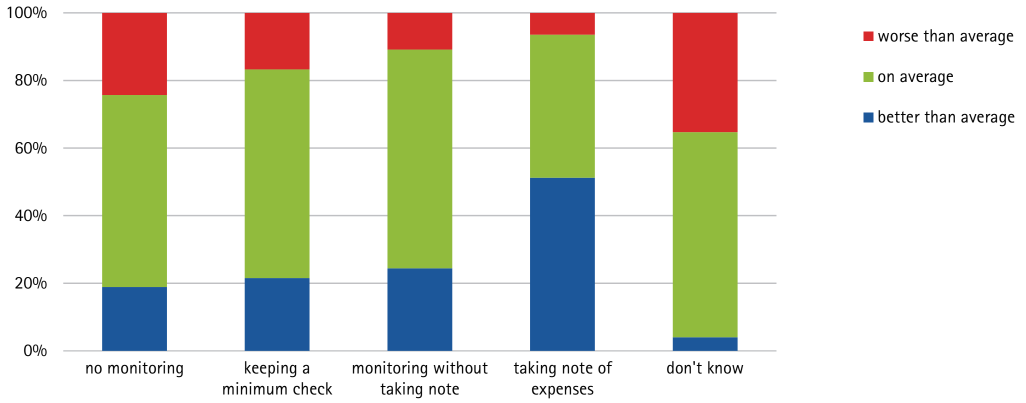
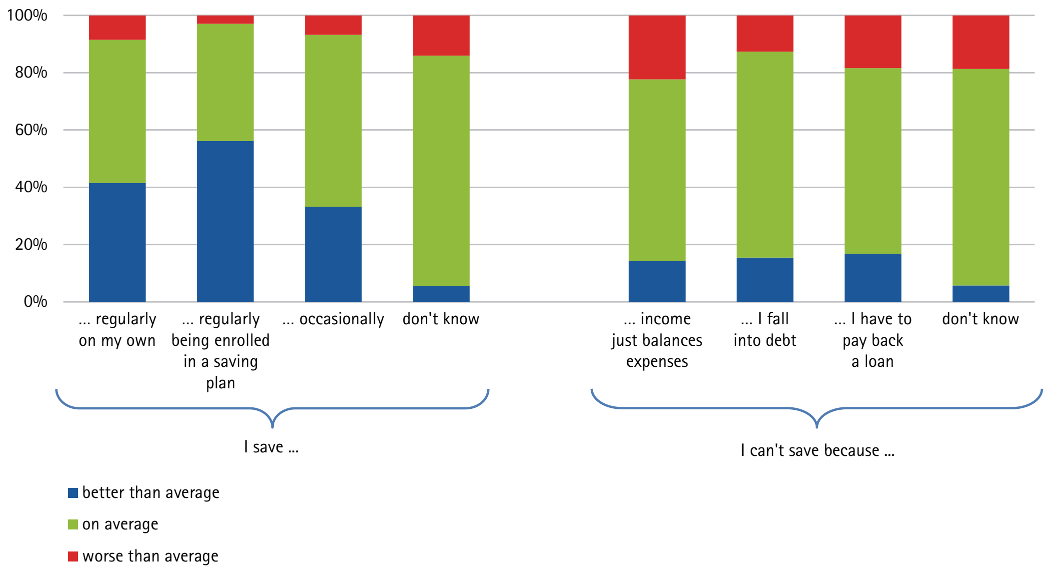


Figure refers to the breakdown of respondents' attitudes towards monitoring household expenses (see Fig. 3.1) by respondents' self-ratings as 'better than average' (or 'slightly better than average'), 'on average' and 'worse than average' (or 'slightly worse than average') in monitoring household budget (see Fig. 3.22). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

... the percentage of respondents rating themselves above the average in saving is higher among savers.

Fig. 3.26 – Self-assessment of financial capabilities and saving



Figures refer to the breakdown of respondents' saving behaviour (see Fig. 3.16 and Fig. 3.20) by respondents' self-ratings as 'better than average' (or 'slightly better than average'), 'on average' and 'slightly worse than average' (or 'worse than average') in saving for expected expenses (see Fig. 3.22). Figure on the left hand side refers to the subsample of savers. Figure on the right hand side refers to the subsample of respondents unable to save. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Investment choices and investment habits

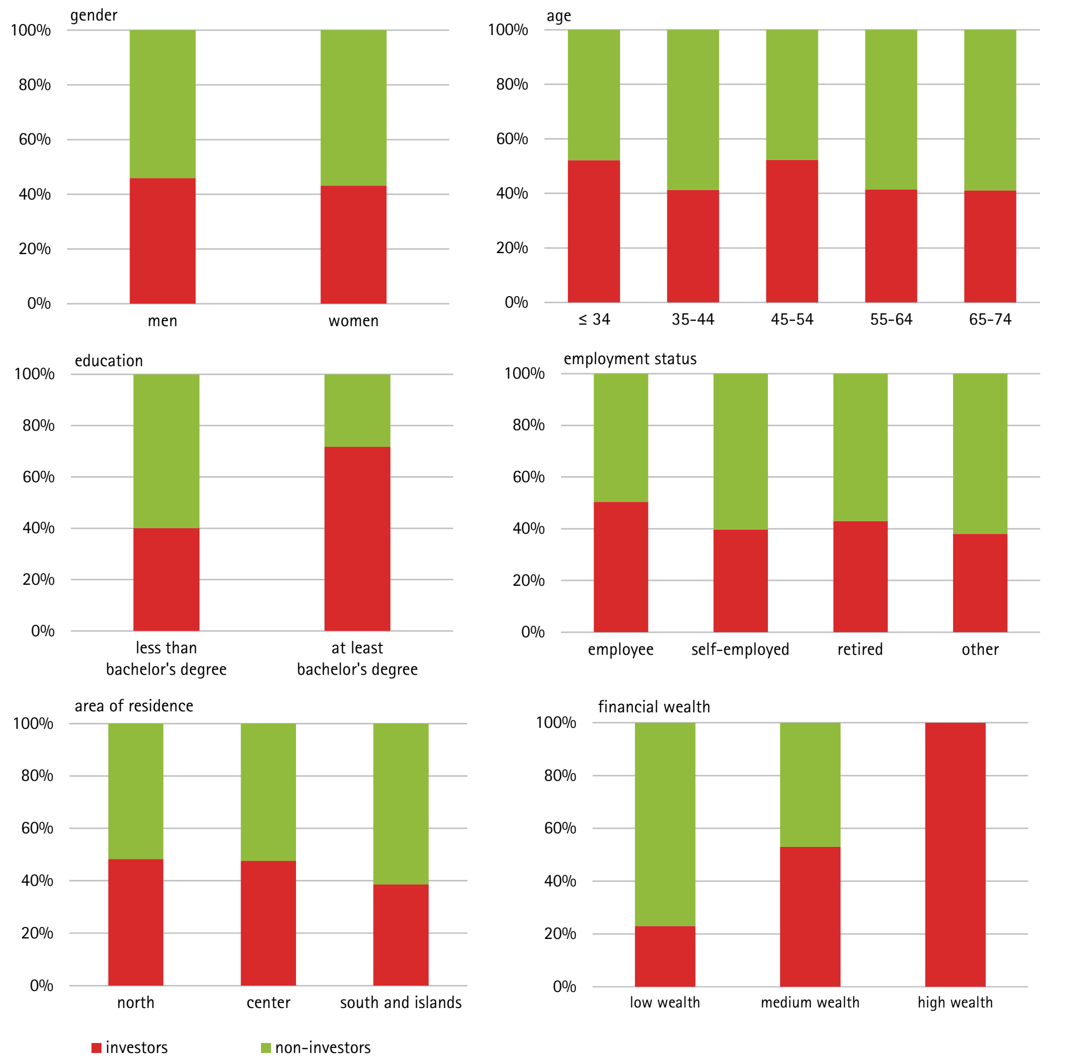
At the end of 2016, about 45% of respondents report to be investors. Apart from deposits, mutual funds are the financial asset most widely held, followed by Italian bank bonds, domestic listed stocks and Italian sovereign bonds.

Fig. 4.1 – Holdings of real and financial assets

Figure on the right hand side refers to the subsample of investors and reports the percentage of households holding the specified asset. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The proportion of investors shows a certain degree of variation by age, educational level, employment status, residence and wealth.

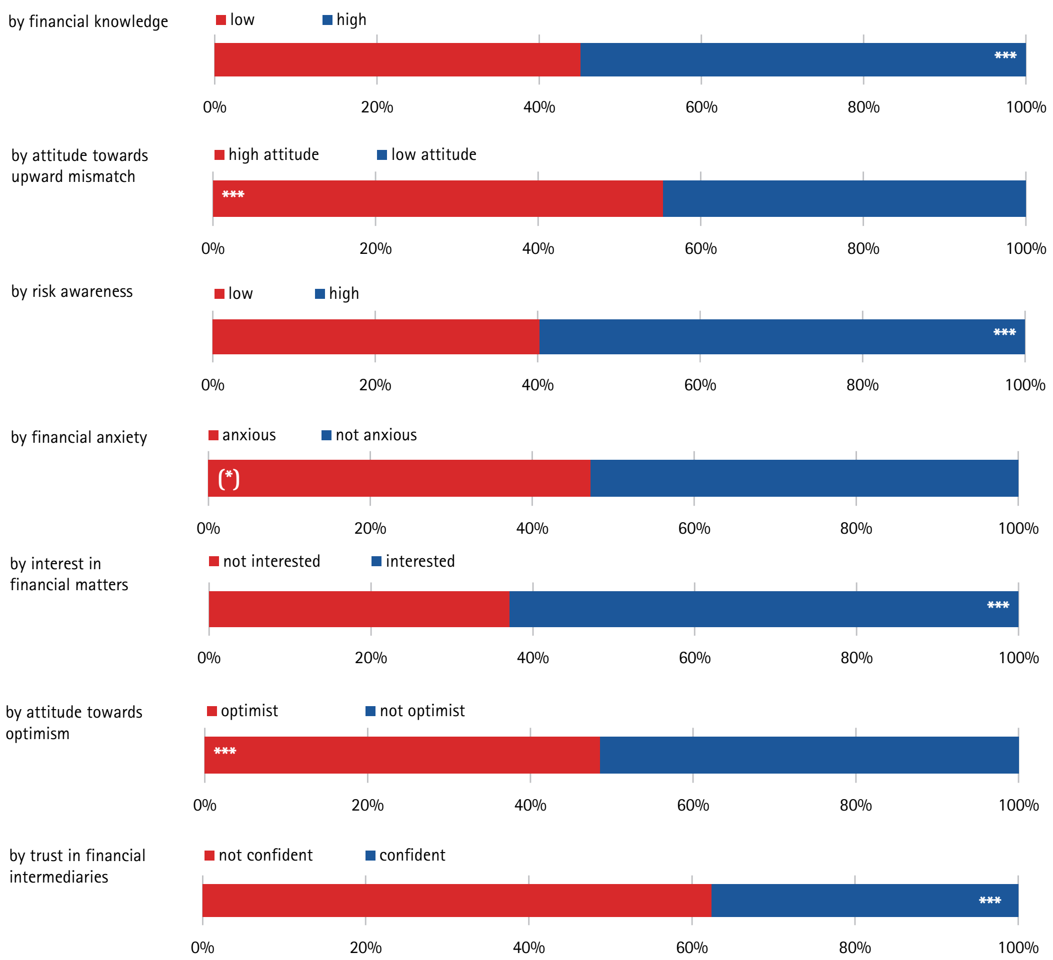
Fig. 4.2 – Participation in financial markets by some socio-demographic characteristics



Figures refer to the subsample of investors. As for the 'employment status', the group 'other' includes housewives, students and unemployed. Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Propensity to participate in financial markets is positively correlated with financial knowledge and risk awareness (as captured by the capability to correctly rank products by risk), as well as attitudes towards upward mismatch, interest in financial matters, optimism and, not surprisingly, trust in financial intermediaries. Vice versa, inclination towards financial anxiety seems to discourage investments.

Fig. 4.3 – Participation in financial markets by some personal traits



Figures refer to the subsample of investors and reports sample breakdown by the selected personal traits and correspondent pairwise correlations (highlighted when significant). As for pairwise correlations, *** indicates 1% significance level, ** indicates 5% significance level, * indicates 10% significance level; negative correlation is reported in brackets. 'Risk awareness' refers to individuals' capability to correctly rank bonds as less risky than stocks (see Fig. 2.23). For more details about the financial knowledge indicator, the upward mismatch indicator, the financial anxiety indicator, the financial interest indicator and the optimism indicator see Methodological notes. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

More than half of interviewees rely on the support of family, friends and colleagues when making investment choices (so called informal advice), whereas one-fourth either decide after receiving professional advice or delegate to an expert. The remaining respondents manage their investments on their own.

Fig. 4.4 – Investment habits

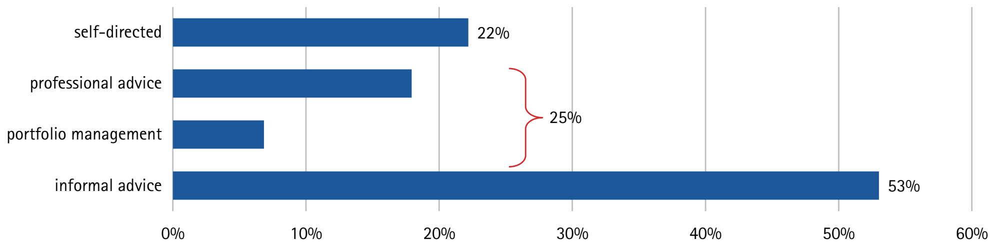


Figure refers to the subsample of investors and to the following question: 'How do you make financial investment decisions?'. 'Self-directed' includes investors making decisions on their own, 'professional advice' includes investors making decisions after receiving advice from an expert, 'portfolio management' includes investors delegating their financial decisions to an expert, 'informal advice' includes investors making decisions with family/friends/colleagues. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Investment styles exhibit some correlation with selected socio-demographic characteristics. In details, informal advice is less common among women, older and middle aged people, more educated individuals, retired and high wealth group, whereas the propensity to invest on one's own is more widespread among women, middle-aged groups, more educated and wealthier people as well as residents in the Centre of Italy.

Fig. 4.5 – Investment habits by some socio-demographic characteristics

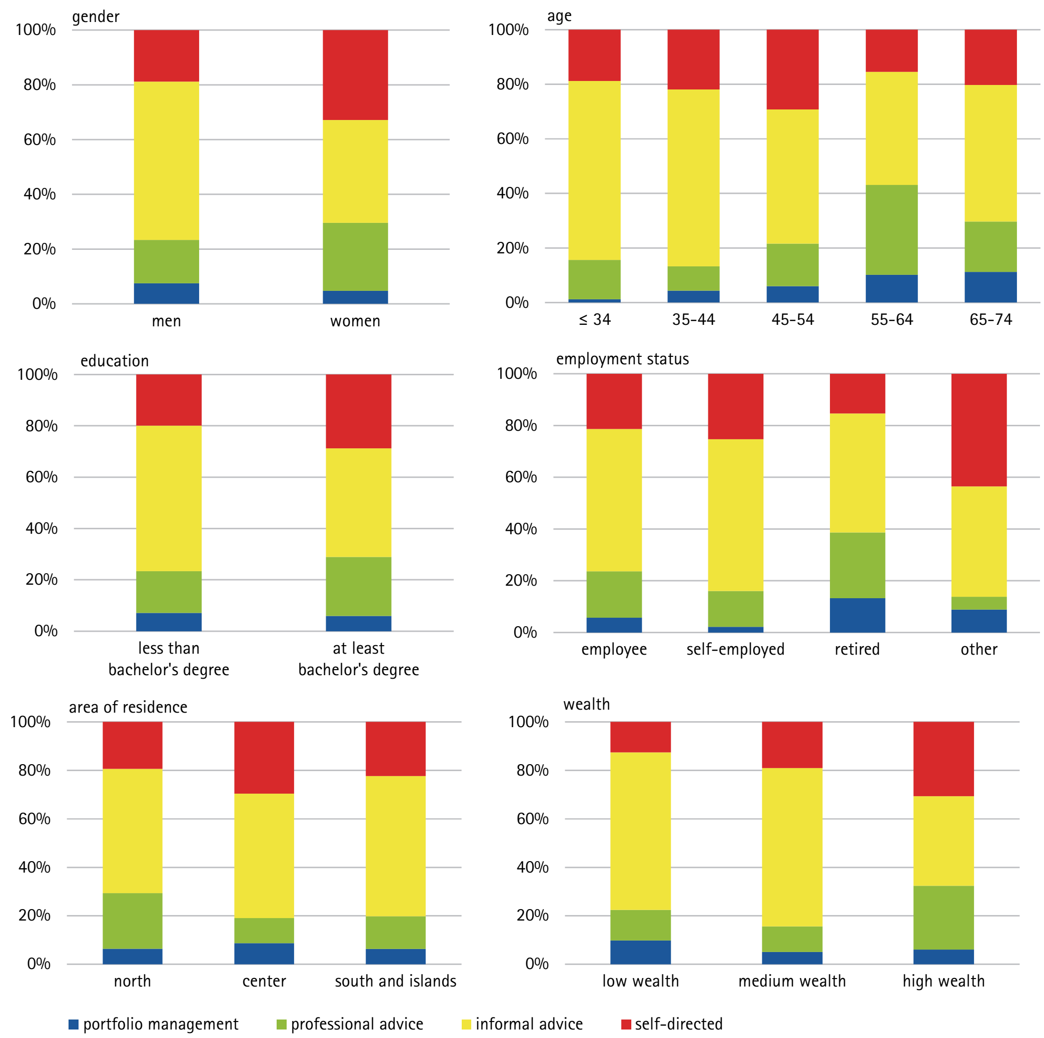
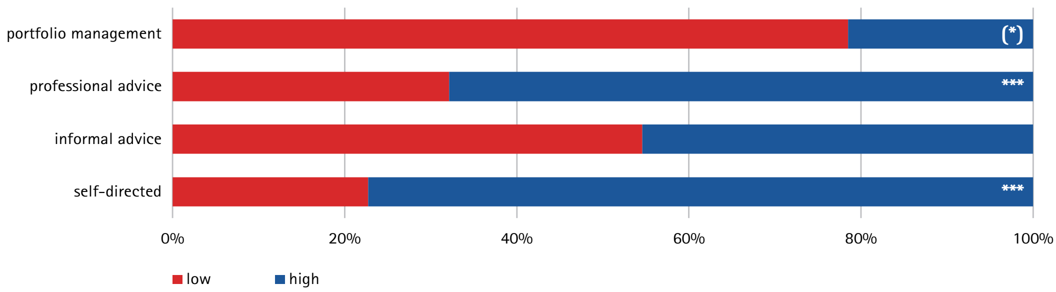


Figure refers to the subsample of investors and reports the breakdown of their answers to the following question: 'How do you make financial investment decisions?'. 'Self-directed' includes investors making decisions on their own, 'professional advice' includes investors making decisions after receiving advice from an expert, 'portfolio management' includes investors delegating their financial decisions to an expert, 'informal advice' includes investors making decisions with family/friends/colleagues. As for the employment status, the group 'other' includes housewives, students and unemployed. Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high' greater than 50,000€. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Investing after receiving professional advice and self-directed choices are positively correlated with financial knowledge, attitude towards upward mismatch and risk awareness (as captured by consistency between reported risk preferences and risk knowledge).

Fig. 4.6 – Investment habits by some personal traits

by financial knowledge



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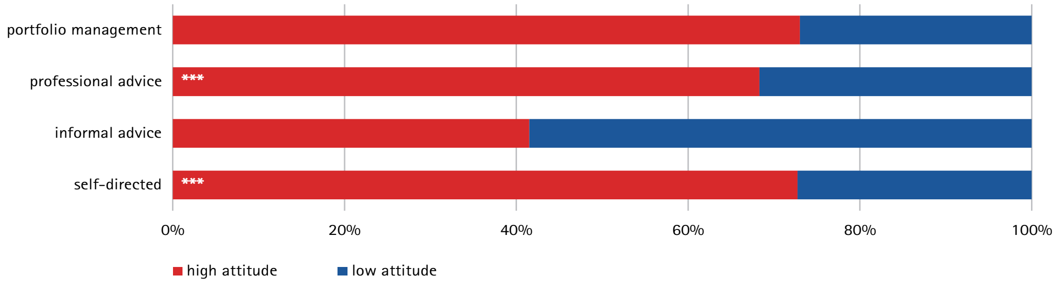
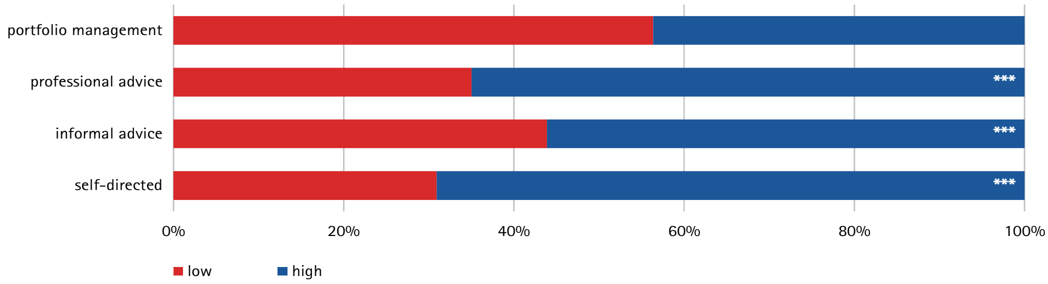
Financial anxiety is negatively associated with the willingness to invest on one's own ...

cont. Fig. 4.6 – Investment habits by some personal traits

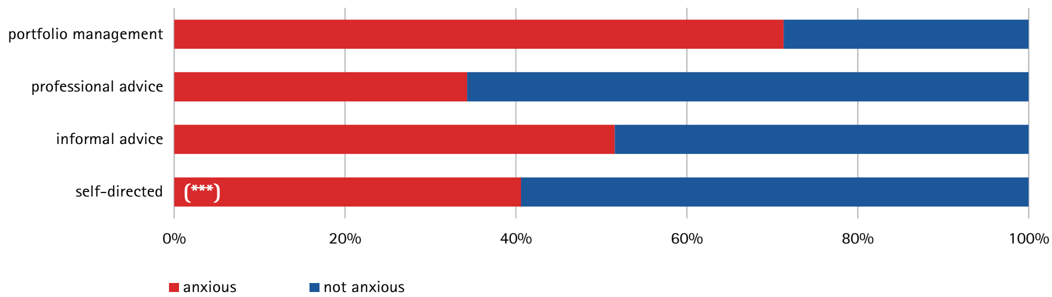
by attitude towards upward mismatch



by risk awareness

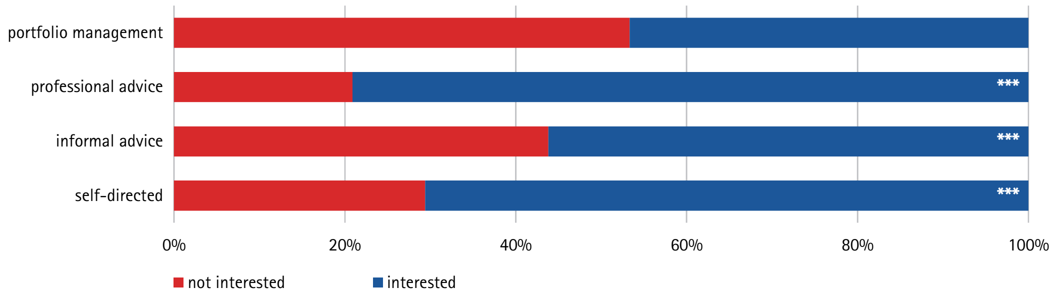


by financial anxiety



... whereas interest in financial matters seems to raise the propensity towards self-directed investments and reliance on advice (either professional or informal).

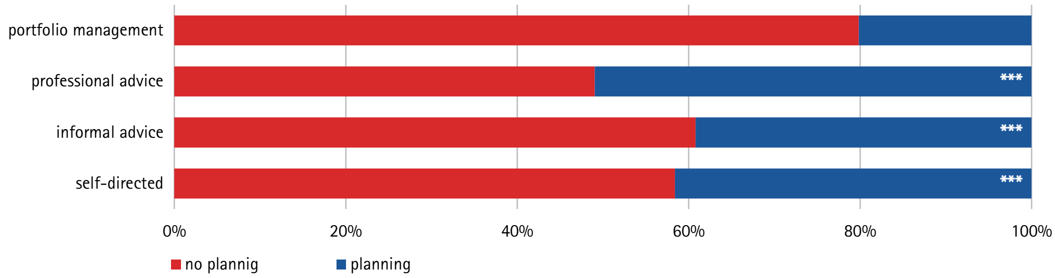
by interest in financial matters



Figures refer to the sample distribution of investment habits by the selected personal traits and to correspondent pairwise correlations (highlighted when significant). As for pairwise correlations, *** indicates 1% significance level, ** indicates 5% significance level, * indicates 10% significance level; negative correlation is reported in brackets. 'Self-directed' includes investors making decisions on their own, 'professional advice' includes investors making decisions after receiving advice from an expert, 'portfolio management' includes investors delegating their financial decisions to an expert, 'informal advice' includes investors making decisions with family/friends/colleagues. 'Risk awareness' refers to the subsample of individuals reporting to prefer more bonds/stocks and correctly ranking bonds as less risky than stocks (see Fig. 2.23). For more details about the financial knowledge indicator, the upward mismatch indicator, the financial anxiety indicator and the financial interest indicator see Methodological notes. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Propensity towards financial control (as captured by attitude towards financial planning) is positively correlated to all investment styles but the delegating decisions to an expert.

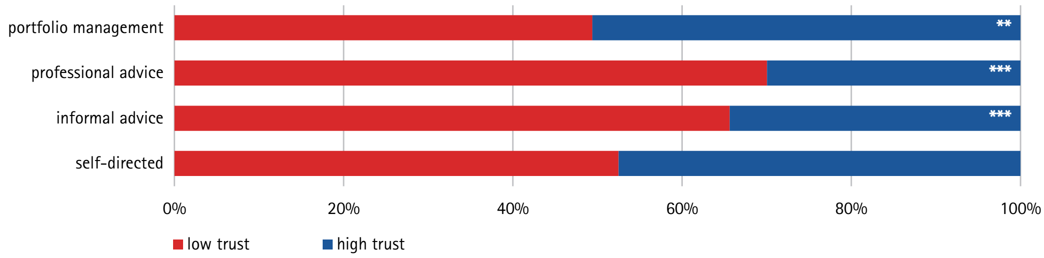
Fig. 4.7 – Investment habits by attitudes towards financial planning



Figures refer to the sample distribution of investment habits by respondents' attitude towards financial planning and to correspondent pairwise correlations (highlighted when significant). 'Self-directed' includes investors making decisions on their own, 'professional advice' includes investors making decisions after receiving advice from an expert, 'portfolio management' includes investors delegating their financial decisions to an expert, 'informal advice' includes investors making decisions with family/friends/colleagues. As for pairwise correlations, *** indicates 1% significance level, ** indicates 5% significance level, * indicates 10% significance level; negative correlation is reported in brackets. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Trust in financial system results to be positively associated to all investment habits but the propensity to make decisions on one's own.

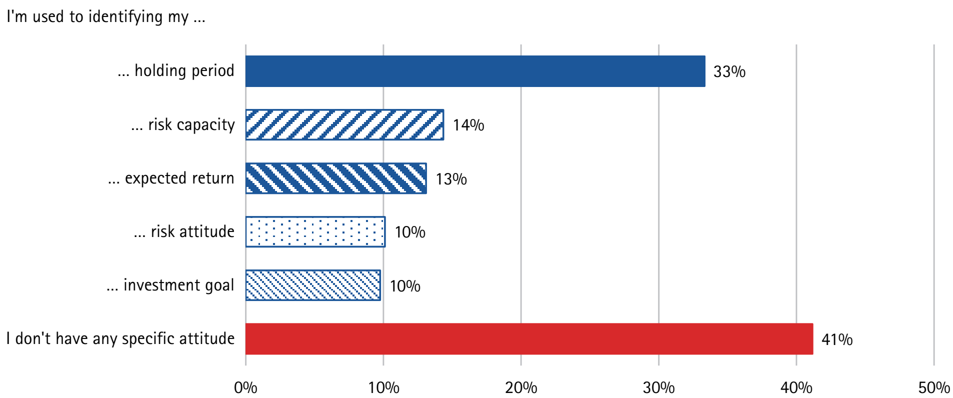
Fig. 4.8 – Investment habits by trust in financial intermediaries



Figures refer to the distribution of investors' investment habits by trust in financial intermediaries and to correspondent pairwise correlations (highlighted when significant). 'Self-directed' includes investors making decisions on their own, 'professional advice' includes investors making decisions after receiving advice from an expert, 'portfolio management' includes investors delegating their financial decisions to an expert, 'informal advice' includes investors making decisions with family/friends/colleagues. As for pairwise correlations, *** indicates 1% significance level, ** indicates 5% significance level, * indicates 10% significance level; negative correlation is reported in brackets. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Investors keep lacking the correct understanding of a structured decision making process, given that 41% of them do not consider any of the building blocks of an investment choice, while three-quarters of the remaining respondents refer only to one out of five items (mainly the holding period).

Fig. 4.9 – Attitudes towards investment decision making and investment habits



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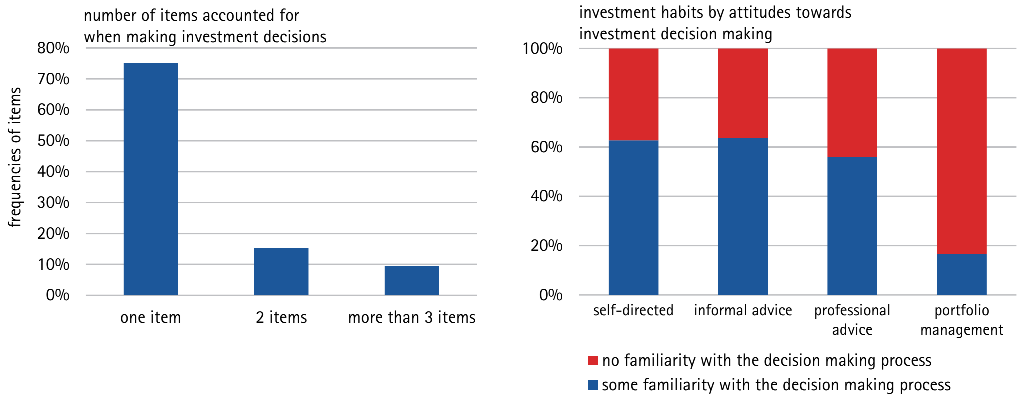
Neglecting all the relevant items is more likely among individuals delegating decisions to an expert.

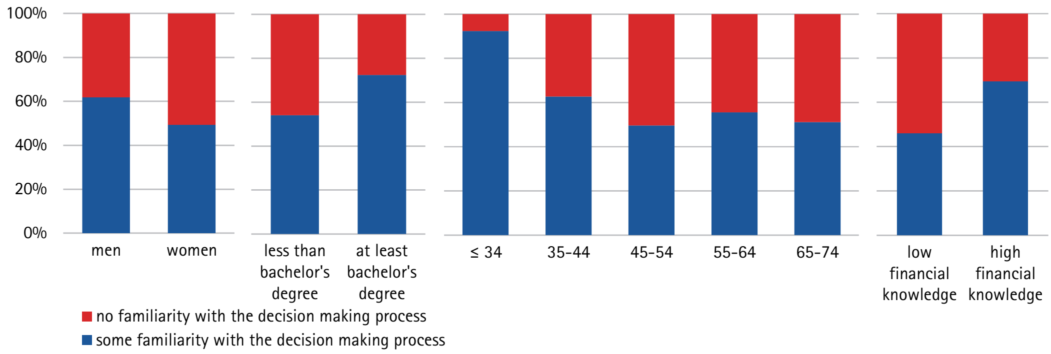
cont. Fig. 4.9 – Attitudes towards investment decision making and investment habits



Figures refer to the subsample of investors; apart from the last item, multiple answers are allowed. The second figure refers to the subsample of investors identifying at least one of the building blocks of the investment decision process. 'Self-directed' includes investors making decisions on their own, 'informal advice' includes investors making decisions with family/friends/colleagues, 'professional advice' includes investors making decisions after receiving advice from an expert, 'portfolio management' includes investors delegating their financial decisions to an expert, 'some familiarity with the decision making process' includes investors identifying at least one of the building blocks of the investment decision process. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The proportion of investors displaying some familiarity with the decision making process is higher among men, younger, more educated and financially literate as well as ...

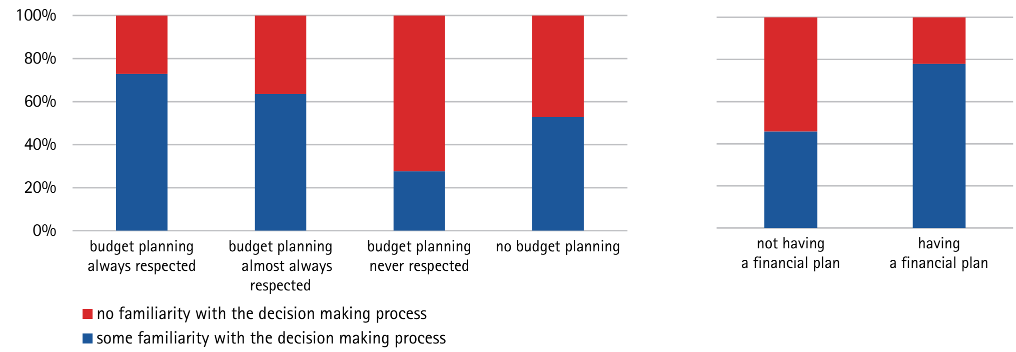
Fig. 4.10 – Investment decision making by some socio-demographic characteristics and actual financial knowledge



Figures refer to the subsample of investors. 'Some familiarity with the decision making process' includes investors identifying at least one of the building blocks of the investment decision process. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

... among individuals used to financial control (as proxied by proper budgeting of expenses and financial planning).

Fig. 4.11 – Investment decision making by attitudes towards budgeting and planning



Figures refer to the subsample of investors and report the breakdown of their answers to the following questions: 'Which of the following best describes your attitudes towards budget planning?' (see Fig. 3.1); 'Which of the following best describes your attitudes towards financial planning?' (see Fig. 3.6). 'Some familiarity with the decision making process' includes respondents identifying at least one of the building blocks of the investment decision process. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Inclination towards negative self-assessment of investment capabilities records the highest percentage among those lacking any acquaintance with the correct investment choice process

Fig. 4.12 – Attitude towards decision making process and self-assessment of investment capabilities

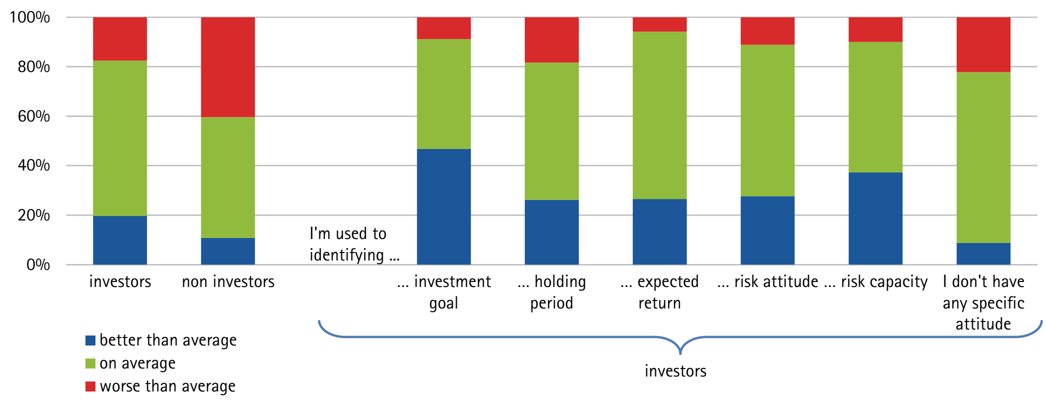
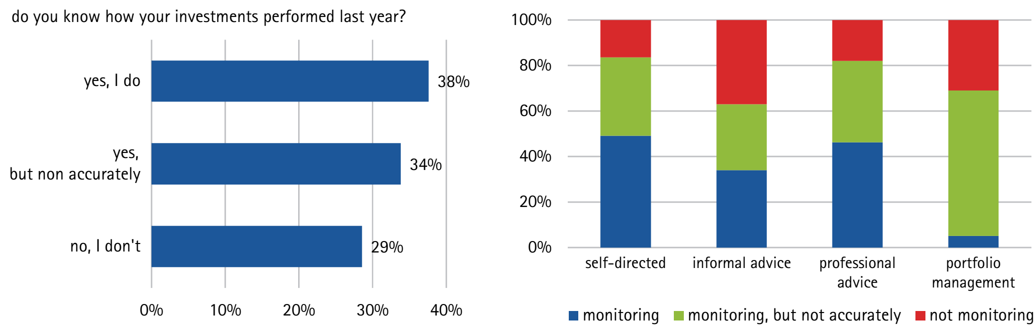


Figure refers to the breakdown of respondents' answers to the following question: 'Which of the following best describes your habits in financial investment choices?' (see Fig. 4.9) by respondents' self-ratings as 'better than average' (or 'slightly better than average'), 'on average' and 'slightly worse than average' (or 'worse than average') in making good investment decisions (see Fig. 3.22). Figure the right hand side refers to the subsample of investors. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

About one-third of respondents do not monitor the performance of their investments, especially if they rely on informal advice, ...

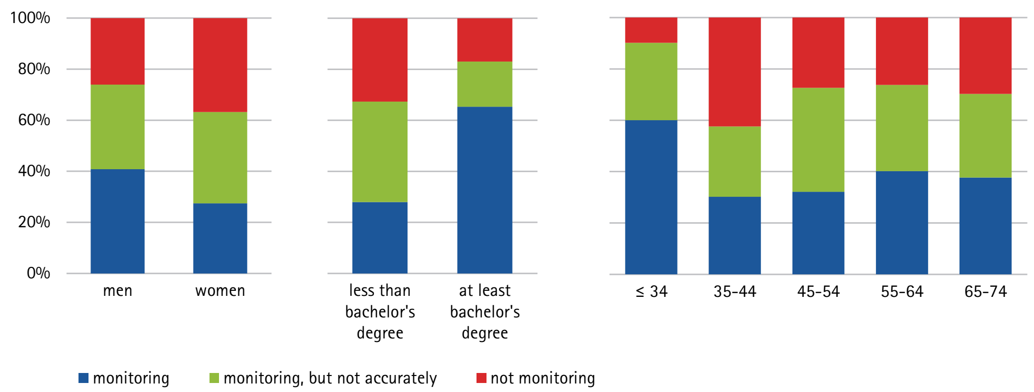
Fig. 4.13 – Investment performance monitoring and investment habits



Figures refer to the subsample of investors. In the figure on the right hand side, 'self-directed' includes investors making decisions on their own, 'informal advice' includes investors making decisions with family/friends/colleagues, 'professional advice' includes investors making decisions after receiving advice from an expert, 'portfolio management' includes investors delegating their financial decisions to an expert. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

... are women, low educated and middle-aged.

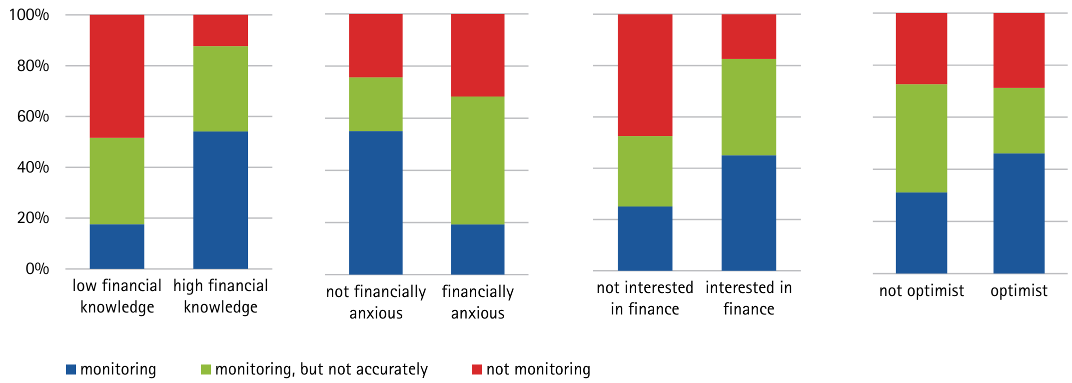
Fig. 4.14 – Investment performance monitoring by some socio-demographic characteristics



Figures refer to the subsample of investors and to the breakdown of their answers to the following question: 'Do you know how your investments performed last year?' (see Fig. 4.13). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Higher levels of financial knowledge as well as interest in financial matters and attitude towards optimism are positively associated with the propensity to monitor one's investments. The contrary holds for the disposition towards financial anxiety.

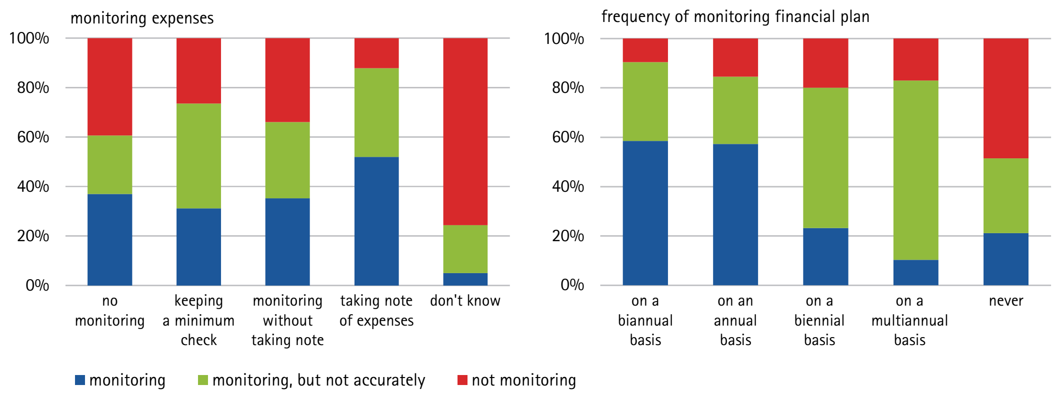
Fig. 4.15 – Investment performance monitoring by personal traits



Figures refer to the subsample of investors and to the breakdown of their answers to the following question: 'Do you know how your investments performed last year?' (see Fig. 4.13). For more details about the financial knowledge indicator, the financial anxiety indicator, the financial interest indicator and the optimism indicator see Methodological notes. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Monitoring one's own choices can be regarded as a cross-cutting approach between various dimensions of economic decisions, as put forward by the positive association between checking investment performances and (properly) monitoring expenses and financial planning.

Fig. 4.16 – Investment performance monitoring by attitudes towards monitoring spending and financial plan

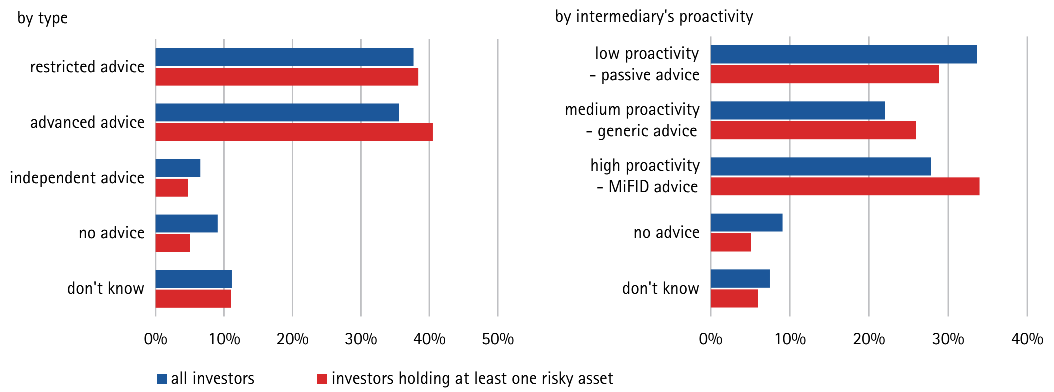


Figures refer to the subsample of investors and to the breakdown of their answers to the following questions: 'Do you know how your investments performed last year?' (see Fig. 4.13) by attitude towards budget monitoring and financial plan monitoring (see Fig. 3.1 and Fig. 3.6). Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The demand for financial advice

Retail investors mainly receive passive or generic advice, with only one-third of the advisees getting personalized recommendations.

Fig. 5.1 – Dissemination of advisory services among investors

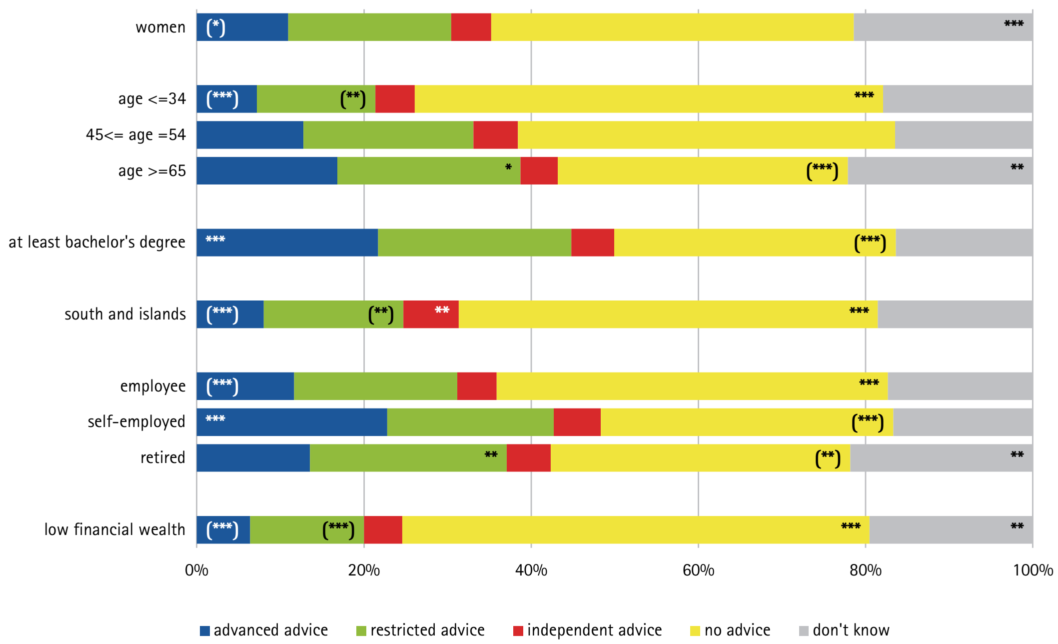


Figures refer to the subsample of investors. 'Restricted advice' means advice based on a limited selection of products and/or providers. 'Advanced advice' means advice based on a sufficient range of sufficiently diverse financial instruments available on the market and providing the client with a periodic assessment of the suitability of the financial instruments recommended. 'Independent advice' means advice based on a sufficient range of sufficiently diverse financial instruments available on the market, and remunerated exclusively by the investor to whom the service is rendered. 'High proactivity – MiFID advice' refers to households declaring to have received a personal recommendation in respect of one or more transactions relating to financial instruments by their advisor in the last 12 months. 'Medium proactivity – generic advice' refers to households declaring to have been contacted by their advisor in the last 12 months without receiving any personal recommendation. 'Low proactivity – passive advice' refers to households declaring to have not been contacted by their advisor in the last 12 months. Stocks, bonds, funds, portfolio management and derivatives are classified as risky assets. Source: calculations on GfK Eurisko data – Multifinanziaria Retail Market Survey.

Receiving advanced rather than restricted advice as well as receiving a customised service (i.e. MiFID versus generic or passive advice) are positively correlated with self-employment status, higher levels of education and residence in the North, while younger, residents in the South, employees and less wealthy investors seem to be less likely to benefit from any type of professional support at all.

Fig. 5.2 – Advisory services by some socio-demographic characteristics

type of advisory services



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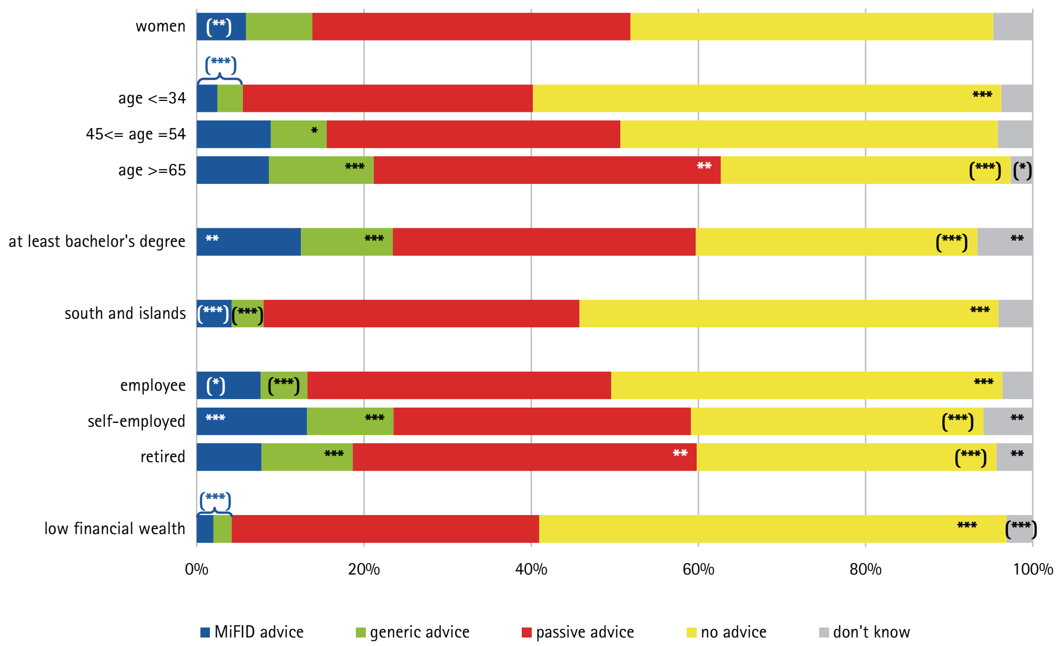
cont. Fig. 5.2 – Advisory services by some socio-demographic characteristics

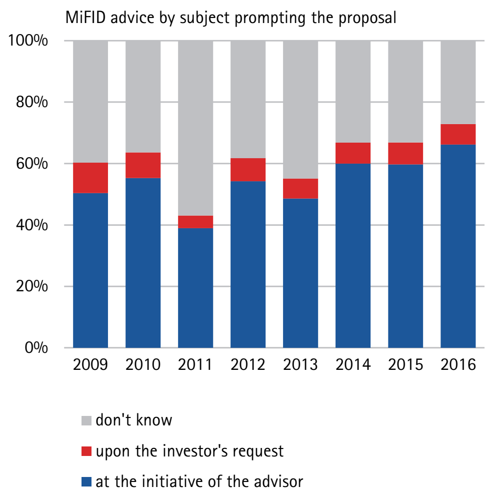
intermediary's proactivity



Figures refer to the sample distribution of advisory services by the selected demographic characteristics and to correspondent pairwise correlations (highlighted when significant). As for pairwise correlations, *** indicates 1% significance level, ** indicates 5% significance level, * indicates 10% significance level; negative correlation is reported in brackets. For details about advice services classification see Fig. 5.1 and Methodological notes. The group 'low financial wealth' includes households with a financial wealth up to 10,000€. Source: calculations on GfK Eurisko data – Multifinanziaria Retail Market Survey.

The proportion of investors receiving recommendations at the initiative of the investment firm has kept increasing over time, while the advisor's low proactivity seems to be more frequently correlated with the provision of restricted advice.

Fig. 5.3 – Advisory services by degree of personalisation and intermediary's proactivity



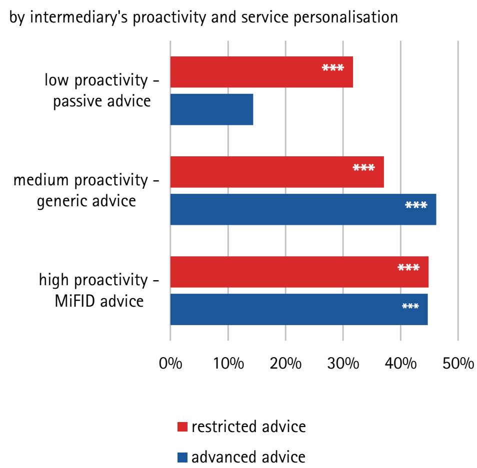


Figure on the left hand side refers to the subsample of MiFID advisees. For details about advice services classification see Fig. 5.1 and Methodological notes. Figure on the right hand side refers to the sample distribution of advisory services by degree of personalisation and level of intermediary's proactivity and to correspondent pairwise correlations (highlighted when significant). As for pairwise correlations, *** indicates 1% significance level, ** indicates 5% significance level, * indicates 10% significance level; negative correlation is reported in brackets. Source: calculations on GfK Eurisko data – Multifinanziaria Retail Market Survey.

Long term financial planning and capital protection are the most frequent investment goals triggering the demand for financial advice.

Fig. 5.4 – Reasons for asking for financial advice

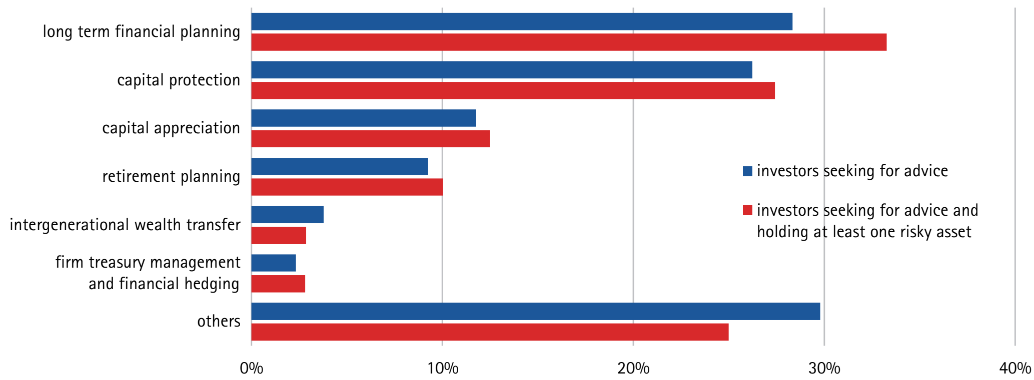


Figure refers to the following question: 'Why do you ask for financial advice?' (multiple answers allowed) and to the subsample of investors who seek for financial advice or delegate their financial decisions to an expert. Stocks, bonds, funds, portfolio management and derivatives are classified as risky assets. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Lack of trust is a key deterrent to seeking advice, followed by cost and the belief that no help is needed because investing in simple products or small amounts of money.

Fig. 5.5 – Factors preventing from seeking for financial advice

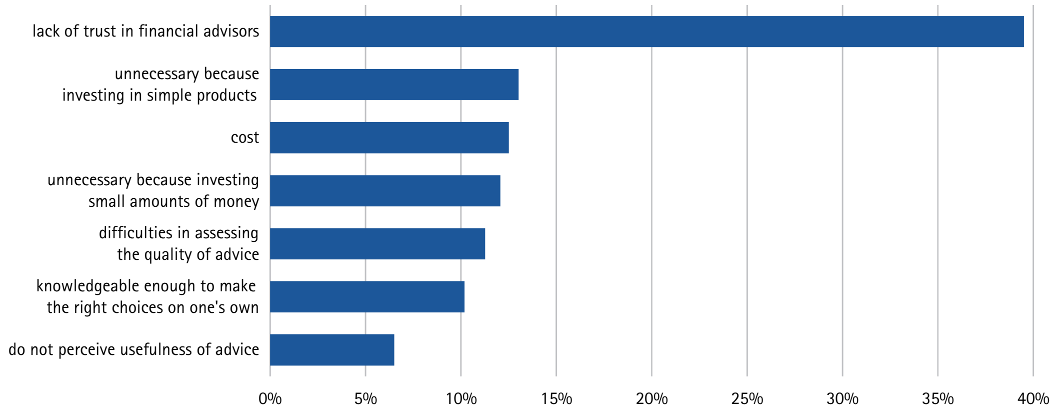


Figure refers to the following question: 'Which factors prevent you from seeking for financial advice?' (multiple answers allowed) and to the subsample of investors who do not demand for financial advice or do not delegate their financial decisions to an expert. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Consistently with the deterrents to seeking advice, confidence along with the recommendation from the investment firm are valued the most when it comes to choose the advisor. Competences are judged as relevant by less than one-fifth of the advisees.

Fig. 5.6 – Factors influencing the choice of financial advisors

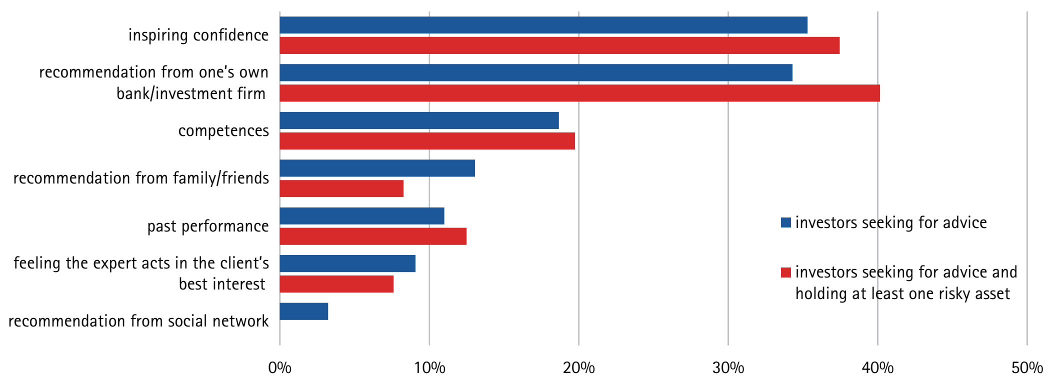


Figure refers to the following question: 'Which factors have influenced the choice of your financial advisor?' (multiple answers allowed) and to the subsample of investors who seek for financial advice or delegate their financial decisions to an expert. Stocks, bonds, funds, portfolio management and derivatives are classified as risky assets. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Empathetic skills keep being important also when defining what to expect from professionals, as availability and reliability are the most frequently reported items after performance. Holders of risky assets, however, pay on average more attention also to the suitability of the recommendation received and help in understanding the risk taken.

Fig. 5.7 – Outcomes expected from financial advisors

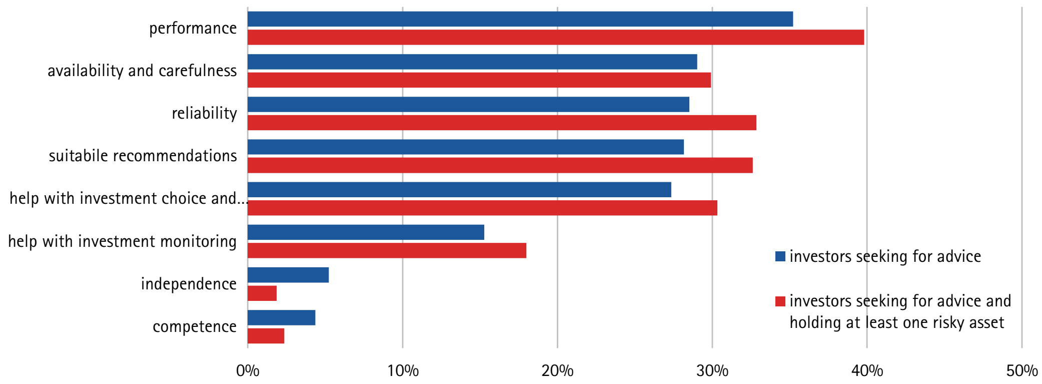
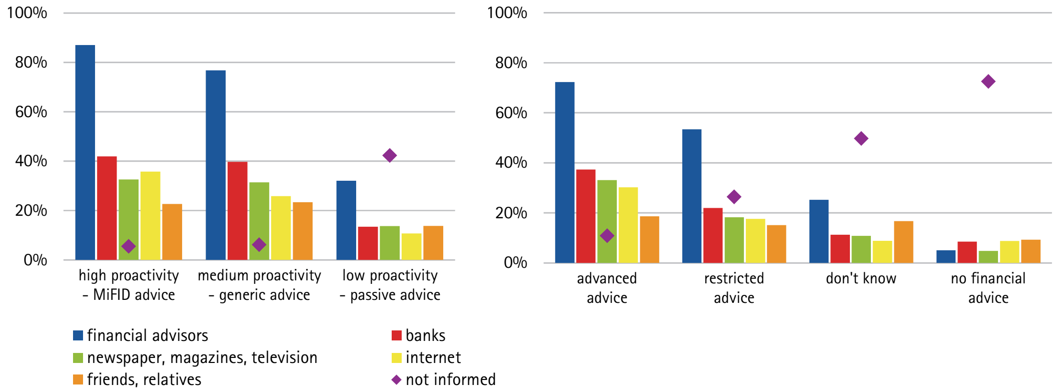


Figure refers to the following question: 'What do you expect from your financial advisor?' (multiple answers allowed) and to the subsample of investors who seek for financial advice or delegate their financial decisions to an expert. Stocks, bonds, funds, portfolio management and derivatives are classified as risky assets. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Not surprisingly, the propensity to seek for financial information is far higher among investors relying on the help of a professional expert and receiving a more sophisticated advice.

Fig. 5.8 – Financial information channels



Figures refer to the subsample of investors and to the following question: 'Which sources of financial information do you use?' (multiple answers allowed). For details about advice services classification see Fig. 5.1 and Methodological notes. Source: calculations on GfK Eurisko data – Multifinanziaria Retail Market Survey.

The likelihood of holding risky assets rises with the degree of customisation of the advice service as well as with the range of financial instruments that may be recommended.

Fig. 5.9 – Participation in financial markets by type of advisory services and level of intermediary's proactivity

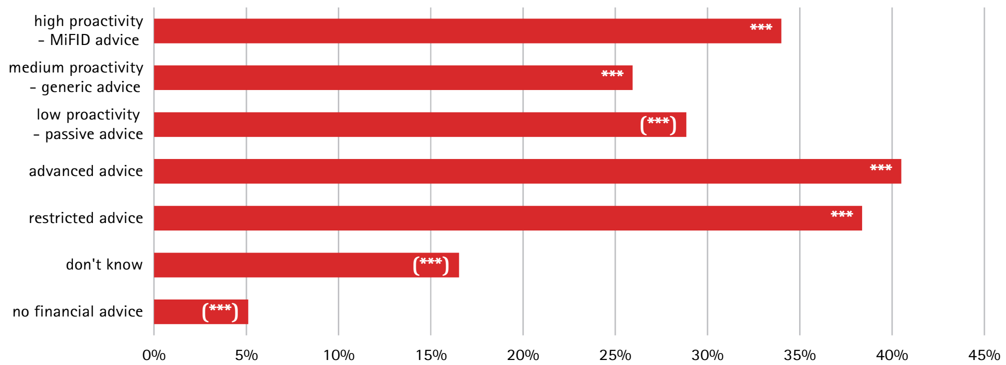


Figure reports the sample distribution of investors holding at least one risky asset by type of advisory services and level of intermediary's proactivity and the correspondent pairwise correlations (highlighted when significant). As for pairwise correlations, *** indicates 1% significance level, ** indicates 5% significance level, * indicates 10% significance level; negative correlation is reported in brackets. For details about advice services classification see Fig. 5.1 and Methodological notes. Stocks, bonds, funds, portfolio management and derivatives are classified as risky assets. Source: calculations on GfK Eurisko data – Multifinanziaria Retail Market Survey.

More than 40% of the interviewees receiving professional help are not able to indicate how their advisors are compensated, while 37% report that the service is free.

Fig. 5.10 – Type of fee charged by the financial advisor

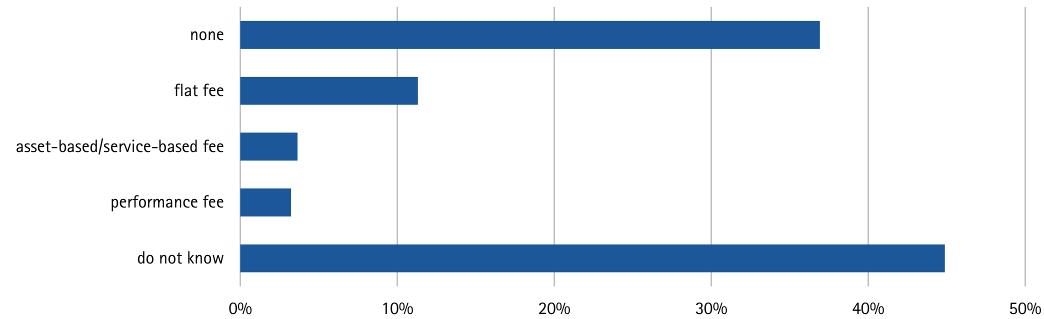
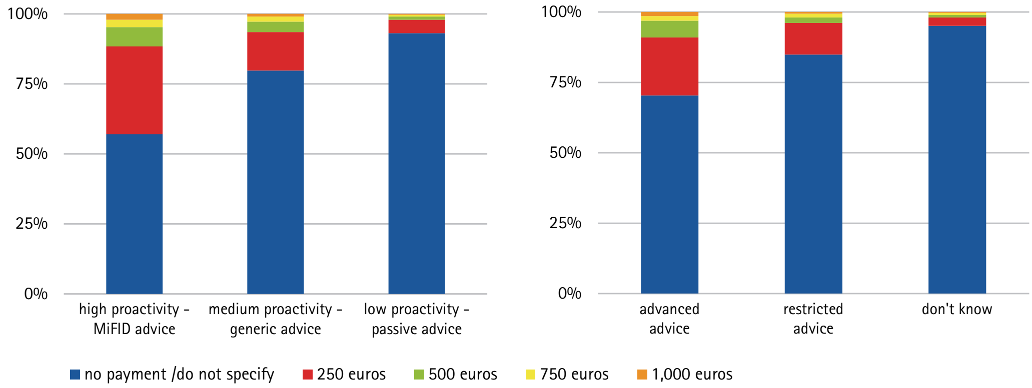


Figure refers to the following question: 'How is your financial advisor compensated?' and to the subsample of investors who seek for financial advice or delegate their financial decisions to an expert. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

The low level of awareness about the cost of advice is coupled with the low willingness to pay for it, ...

Fig. 5.11 – Willingness to pay for financial advice services

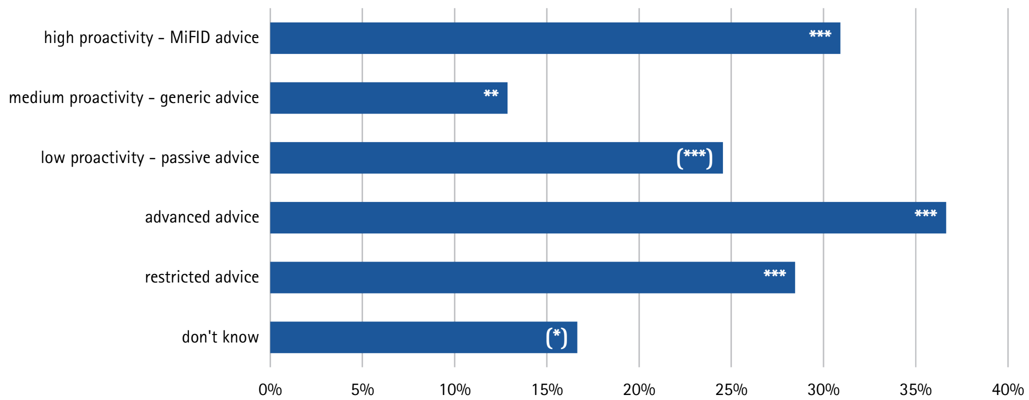


Figures refer to the following question: 'Would you be interested in using financial advice service at a fixed cost?' and to the subsample of investors who seek for financial advice or delegate their financial decisions to an expert. For details about advice services classification see Fig. 5.1 and Methodological notes. Source: calculations on GfK Eurisko data – Multifinanziaria Retail Market Survey.

... which however rises for investors receiving a tailored-cut/advanced service as well as for more educated individuals.

Fig. 5.12 – Willingness to pay for financial advice by type of service and some socio-demographic characteristics

by type of advisory services and level of intermediary's proactivity

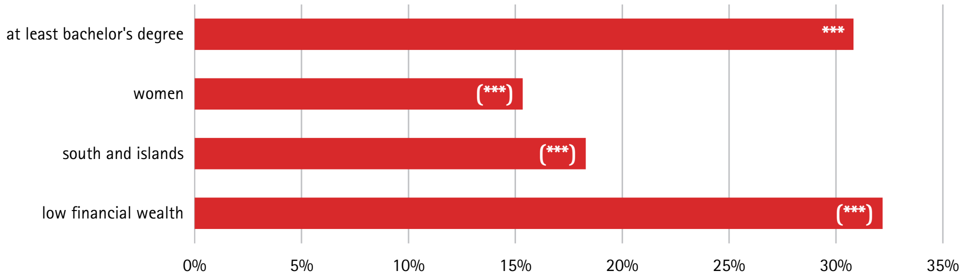


- Cont. -

Vice versa, being woman, resident in the South of Italy and less wealthy is negatively associated with the willingness to compensate the financial expert.

cont. Fig. 5.12 – Willingness to pay for financial advice by type of service and some socio-demographic characteristics

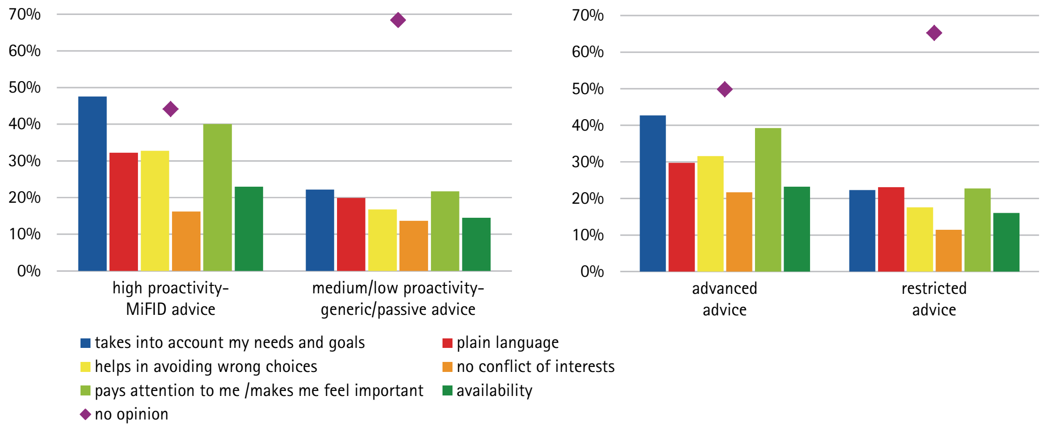
by some socio-demographic characteristics



Figures refer to the following question: 'Would you be interested in using financial advice service at a fixed cost?', the answers being: '250 euros; 500 euros; 750 euros; 1,000 euros, none', and to the subsample of investors willing to pay at least 250 euros. Figures report the sample distribution of willingness to pay for financial advice by type of service and some socio-demographic characteristics and correspondent pairwise correlations (highlighted when significant). The group 'low financial wealth' includes households with a financial wealth up to 10,000€. For details about advice services classification see Fig. 5.1 and Methodological notes. Source: calculations on GfK Eurisko data – Multifinanziaria Retail Market Survey.

The proportion of respondents unable to identify valuable features in their financial advisors ranges between 40% and about 70%, reaching its lowest for MiFID and advanced advisees.

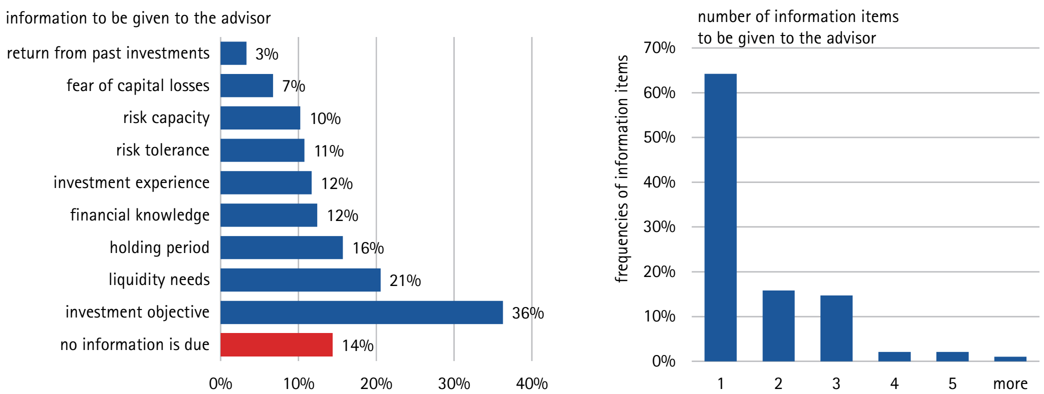
Fig. 5.13 – Most valued features in financial advisors



Figures refer to the subsample of advisees and to the following question: 'Which features are valuable in financial advisors?' (multiple answers allowed). For details about advice services classification see Fig. 5.1 and Methodological notes. Source: calculations on GfK Eurisko data - Multifinanziaria Retail Market Survey.

The relationship between the information provided to the advisor and the quality (in terms of suitability) of the recommendation received is not sufficiently understood yet, as the proportion of respondents inclined to act accordingly is never higher than 36%, whereas 14% states that no detail needs to be disclosed.

Fig. 5.14 – Household consideration on information to be given to the advisor



Figures refer to the following question: 'Do you give complete and true information to the intermediary that is offering you financial advice?' (multiple answers allowed) and to the subsample of investors who make their financial decisions after receiving advice from an expert or delegate their financial decisions to an expert. Source: calculations on GfK Eurisko data – Observatory on 'The approach to finance and investments of Italian households'.

Focus: attitude towards financial information

More than 40% of the investors report to read information about financial products, either on their own (25%) or with the support of family and friends (10%) or with the help of their advisors. Among the remaining, 28% doesn't read anything either because reliant on financial experts or because of information overload, whereas 29% doesn't answer.

Fig. 6.1 – Attitudes towards financial information

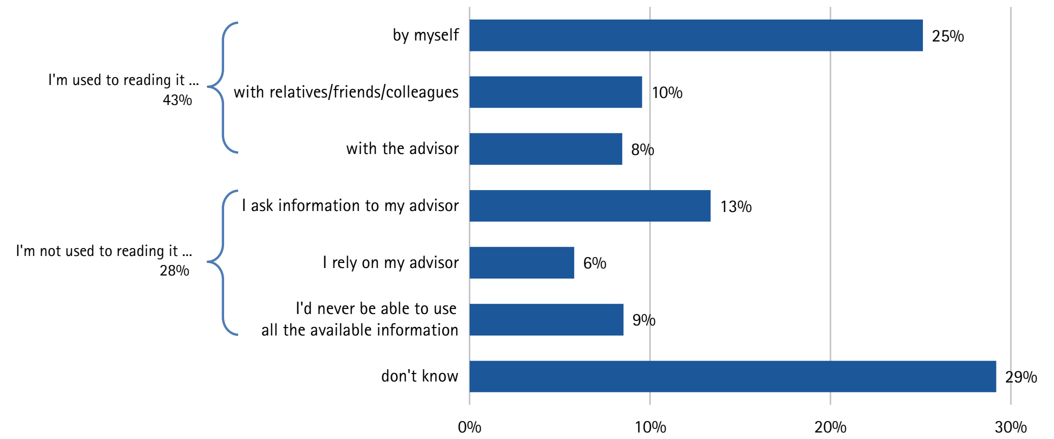
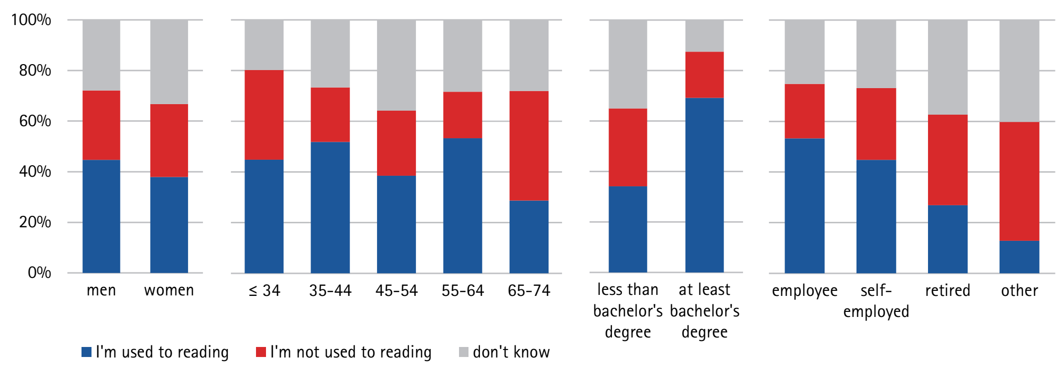


Figure refers to the subsample of investors. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Willingness to go over financial information is less pronounced for women, older, less educated and unemployed people, as well as for ...

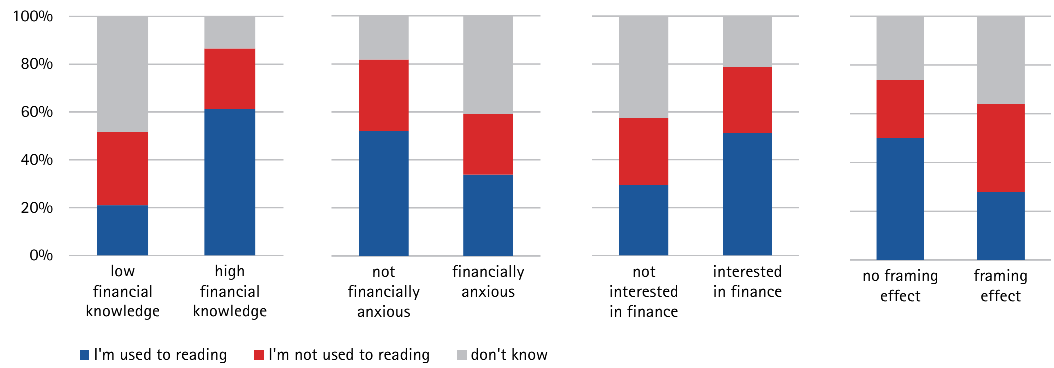
Fig. 6.2 – Attitudes towards financial information by some socio-demographic characteristics



Figures refer to the subsample of investors and to the breakdown of their reported attitude towards financial information by the selected socio-demographic characteristics. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

... respondents with low levels of financial knowledge, individuals inclined to financial anxiety and not interested in financial issues. Interviewees exposed to framing effect (i.e. prone to change their risk preferences depending on the way information is presented) are less likely to read financial documents too.

Fig. 6.3 – Attitudes towards financial information by financial knowledge and some personal traits



Figures refer to the to the subsample of investors and to the breakdown of reported attitudes towards financial information by the selected personal traits. For more details about financial knowledge, financial anxiety and financial interest indicators see Methodological notes. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

6. Focus: attitude towards financial information

Among investment styles, choosing by relying on professional advice and delegating decisions to an expert record the highest proportions of individuals not willing to read financial information.

Fig. 6.4 – Attitudes towards financial information by investment habits

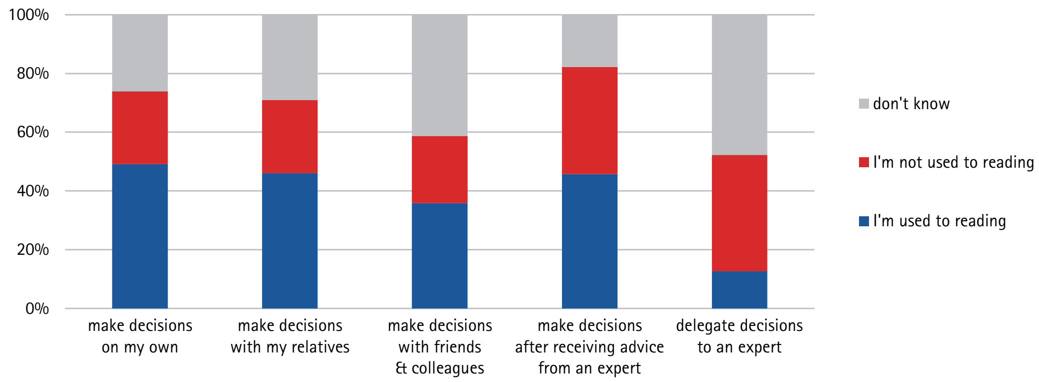


Figure refers to the subsample of investors and to the breakdown of reported attitudes towards financial information by investment habits. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

About half of respondents are not willing to invest in the recommended product if they don't understand the available financial information. Among those investing in any case (27%), trust and familiarity with the intermediary are the main factors triggering the decision to purchase the financial product.

Fig. 6.5 – Understanding of financial information and willingness to invest

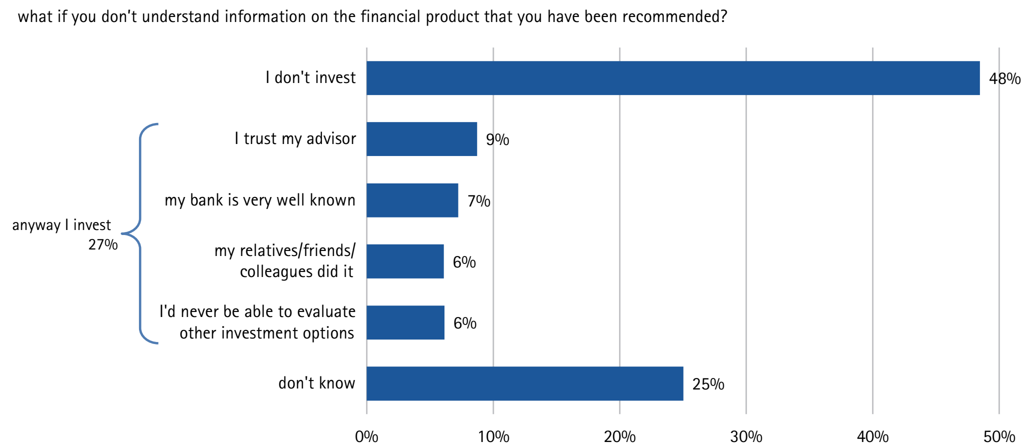


Figure refers to the subsample of investors. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Reported willingness to invest in spite of not having understood the characteristics of the recommended product is higher among women, the older and less educated individuals, who also record the highest rate of 'don't know' answers along with middle-aged groups and men.

Fig. 6.6 – Willingness to invest conditional on understanding of financial information by some socio-demographic characteristics

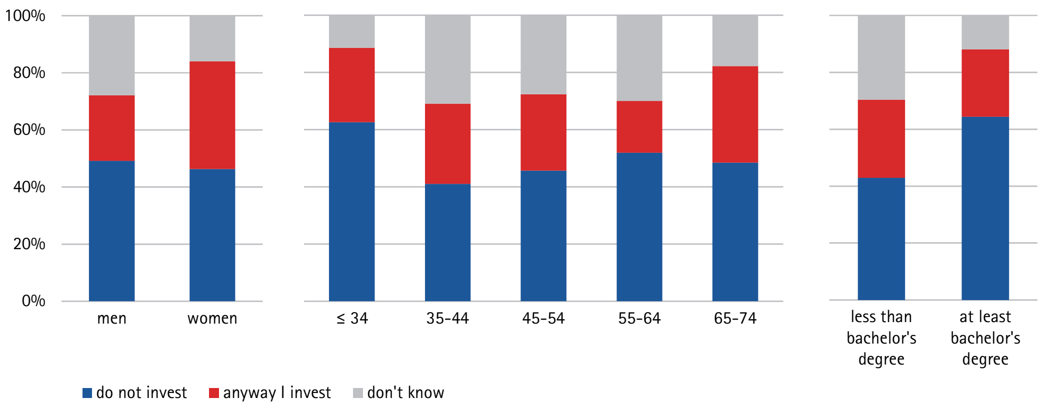


Figure refers to the subsample of investors and to the breakdown of their reported willingness to invest conditional on understanding financial information by the selected socio-demographic characteristics. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Inclination to invest regardless of the understanding of financial information declines with financial knowledge and interest in financial matters as well as among respondents not prone to financial anxiety and to framing effect.

Fig. 6.7 – Willingness to invest conditional on understanding of financial information by financial knowledge and some personal traits

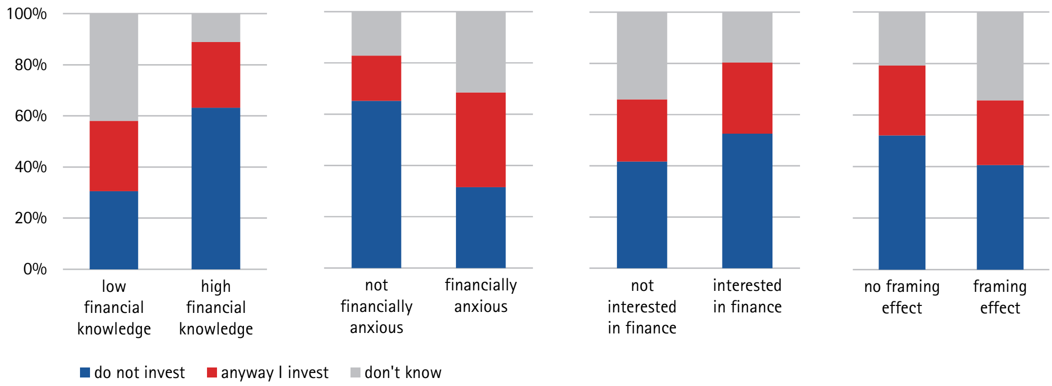


Figure refers to the subsample of investors and to the breakdown of their reported willingness to invest conditional on understanding financial information by the selected personal traits. For more details about the financial knowledge indicator, the financial anxiety indicator and the financial interest indicator see Methodological notes. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

The proportion of individuals who would invest regardless of the understanding of the product is higher among those making decisions with friends/colleagues or relying on a financial expert (either an advisor or a portfolio manager).

Fig. 6.8 – Willingness to invest conditional on understanding of financial information by investments habits

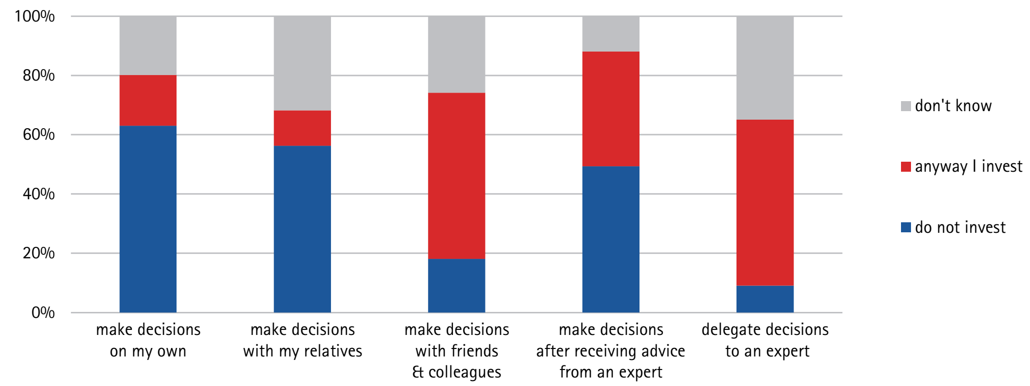


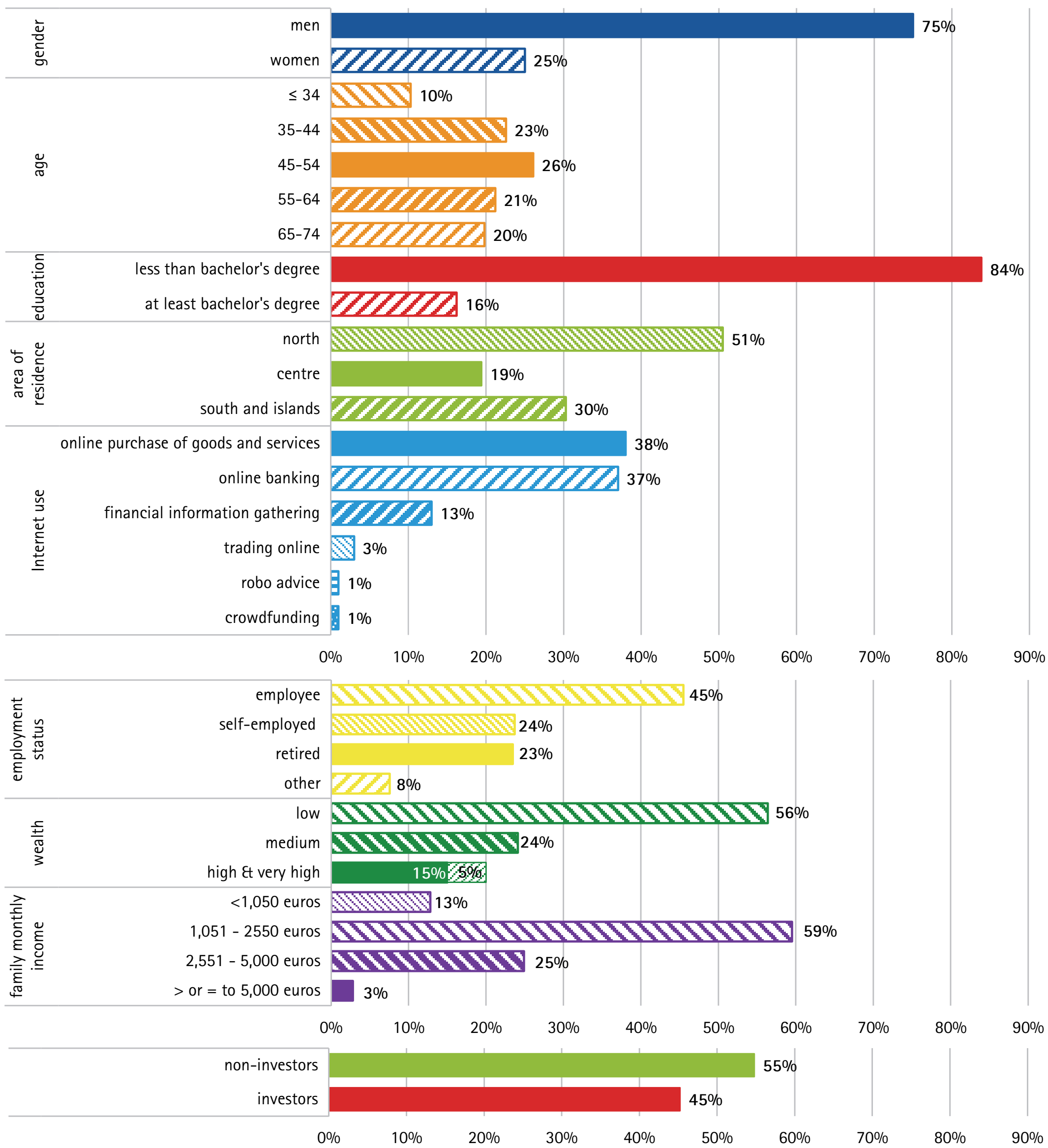
Figure refers to the subsample of investors and to the breakdown of their reported willingness to invest conditional on understanding financial information by investment habits. Source: calculations on GfK Eurisko data - Observatory on 'The approach to finance and investments of Italian households'.

Methodological notes

About the data

The Report is based on the Multifinanziaria Retail Market Survey, gathering data from a sample of 2,500 Italian households, and on the Observatory on 'The approach to finance and investment of Italian households', collecting data from about 1,000 households. Both Surveys, conducted by GfK Eurisko, provide information on respondents' investment habits and choices, socio-demographic characteristics, financial situation, level of financial knowledge and behavioural attitudes. 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. Bank employees, insurance company employees and financial advisors are not included.

The sample



As for 'employment status', the group 'other' includes housewives, students and unemployed. Financial wealth categories are defined as follows: 'low' up to 10,000€; 'medium' from 10,000 to 50,000€; 'high and very high' greater than 50,000€. 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. The sample breakdown by internet use does not sum up to 100% because multiple answers are allowed. Source: calculations on GfK Eurisko – Observatory on 'The approach to finance and investments of Italian households'.

About financial knowledge indicators

The Observatory on 'The approach to finance and investment of Italian households' captures a number of dimensions of literacy (i.e. understanding of basic notions and familiarity with advanced concepts) through the following questions. Q1: 'Imagine you won € 1.000 in the lottery, but you have to wait one year to have the money. If inflation is 2% per year, after one year, how much would you be able to buy? More than today; exactly the same; less than today; do not know; refuse to answer'. Q2: 'Suppose you had € 100 in a savings account and the interest rate was 2% per year. After one year, how much do you think you would have in the account if you left the money to grow? More than € 102; exactly € 102; less than € 102; do not know; refuse to answer. Q3: 'Please tell me whether this statement is true or false: «Buying a single company's stock usually provides a safer return than a stock mutual fund». True; false; do not know; refuse to answer'. Q4: 'When an investment offers a high rate of return probably it is: more risky than other investments; as risky as other investments; less risky than other investments; do not know; refuse to answer'. Q5: 'What is the liquidity risk connected with a financial product? The risk that you cannot sell your products quickly or that you have to sell it receiving less than you paid it; the risk that the issuer fails to make required payments (capital and/or coupons); the risk that the value of your product moves in the opposite direction with respect to the market; the risk that the value of your product varies due to the overall performance of the financial markets; do not know; refuse to answer'. Q6: 'What is the credit risk connected with a financial product? The risk that you cannot sell your products quickly or that you have to sell it receiving less than you paid it; the risk that the issuer fails to make required payments (capital and/or coupons); the risk that the value of your product moves in the opposite direction with respect to the market; the risk that the value of your product varies due to the overall performance of the financial markets; do not know; refuse to answer'. Q7: 'What is the market risk connected with a financial product? The risk that you cannot sell your products quickly or that you have to sell it receiving less than you paid it; the risk that the issuer fails to make required payments (capital and/or coupons); the risk that the value of your product moves in the opposite direction with respect to the market; the risk that the value of your product varies due to the overall performance of financial markets; do not know; refuse to answer' (see Fig. 2.1). Answers to the reported questions are combined into three alternative indicators characterised by an increasing degree of sophistication (see Consob Working Paper no. 83, 2016). The first ('sample average' indicator) accounts only for the number of correct answers and is a dummy equal to 1 when the number of correct answers is higher than the sample median. The second ('weighted average' indicator) considers also the easiness of questions, by weighing more those recording lower sample frequencies of correct answers, and is a dummy equal to 1 when the weighted average of correct answers is higher than the sample median. The third ('factor' indicator) simultaneously uses the information content of correct, wrong and 'don't know' answers and is a dummy equal to 1 when the first principal component of correct, wrong and 'don't know' answers, rescaled by the easiness of questions, is higher than the sample median. Depending on the indicator used, the percentage of (relatively) low-literate respondents ranges from 55% (weighted average and factor indicators) to about 70% (sample average indicator). The three indicators do not take into account 32 individuals who always answered 'don't' know'. On the basis of statistical and informative robustness considerations, the third indicator is used as a measure of individuals' financial knowledge throughout the Report.

About the perceived financial knowledge indicator

The Observatory on 'The approach to finance and investment of Italian households' captures individuals' perception of their own financial knowledge by proposing again the seven financial knowledge questions reported in the previous box (see also Fig. 2.5) and by asking whether the notions herein mentioned are either 'heard and understood' or 'heard but bot understood' or 'never heard'. The perceived financial knowledge indicator simultaneously uses the information content of such answers (see Fig. 2.3). The indicator is a dummy equal to 1 when the score calculated on first principal components of 'heard and understood', 'heard but not understood' and 'never heard', rescaled by the easiness of questions, is higher than the sample median. The indicator does not take into account 32 individuals who always answered 'don't' know'.

About upward mismatch indicators

The upward mismatch indicators gauge the discrepancy between perceived and actual knowledge of: inflation (Q1); risk/return relationship (Q2); simple interest (Q3); diversification (Q4); liquidity risk (Q5); credit risk (Q6); market risk (Q7) but answering wrongly to the relative questions (see also Fig. 2.5). Two alternative indicators are computed. The first ('count' indicator) considers how many times respondents declared to have 'heard and understood' the meaning of the financial concepts recalled in questions Q1 – Q7 while answering incorrectly to such questions (so called *mismatch*) and is a dummy equal to 1 when the number of mismatches is higher than the sample median. The second ('PCA' indicator) simultaneously uses the information content of all the mismatches across questions from Q1 to Q7 and is a dummy equal to 1 when the score calculated on first principal components of original variables is higher than the sample median. Depending on the indicator used, the percentage of respondents with a (relatively) higher attitude towards upward mismatch ranges from 44% (count indicators) to 50% (PCA indicator). The two indicators do not take into account 32 individuals who always answered 'don't' know'. On the basis of statistical and informative robustness considerations, the second indicator is used as a measure of individuals' attitude towards upward mismatch throughout the Report.

About optimism indicators

The Observatory on 'The approach to finance and investment of Italian households' captures attitude towards optimism by asking respondents to state their opinion, according to a 5-point Likert type scale (from 1 - 'strongly agree' to 5 - 'strongly disagree'), on the following eight statements: 'In uncertain times, I usually expect the best; If something can go wrong for me, it will; I'm always optimistic about my future; I expect a positive performance of the Italian stock market by the end of the year; I hardly ever expect things to go my way; Overall, I expect more good things to happen to me than bad; The Italian government will have enough money to pay public pensions; I rarely count on good things happening to me' (see Fig. 2.7). Answers to the reported question are combined into three alternative indicators characterised by an increasing degree of sophistication. The first ('count' indicator) considers how many times individuals agree or strongly agree with each statement and is a dummy equal to 1 when the number of 'agree' or 'strongly agree' answers is higher than the sample median. The second ('score' indicator) accounts for the sum of scores (from 1 – 'I strongly agree' to 5 – 'I strongly disagree') assigned to each statement and is a dummy equal to 1 when the total score is lower than the sample median. The third ('PCA' indicator) simultaneously uses the information content of responses and is a dummy equal to 1 when the score calculated on first principal components of original variables is lower than the sample median. Depending on the indicator used, the percentage of respondents showing attitude towards optimism ranges from 41% (count indicator) to 45% (score indicator). The three indicators do not take into account 32 individuals who always answered 'don't' know'. On the basis of statistical and informative robustness considerations, the third indicator is used as a measure of individuals' attitude towards optimism throughout the Report.

For references about optimism measurement, see Carver, C.S., Scheier, M.F. and Segerstrom, S.C. (2010), Optimism. Clinical Psychology Review, 30.

About financial anxiety indicators

The Observatory on 'The approach to finance and investment of Italian households' captures a number of individuals' emotional status toward their personal finance, in order to gauge the so called financial anxiety (see Fig. 2.8). In details, respondents are asked to state their opinion according to a 5-point Likert type scale (from 1 - 'strongly agree' to 5 - 'strongly disagree') on the following nine statements: 'I find monitoring my bank or credit card accounts very boring (*boredom*); I prefer not to think about the state of my personal finance (*avoidance*); thinking about my personal finances can make me feel guilty (*guiltiness*); There's little point in saving money, because you could lose it all through no fault on your own (*helplessness*); I get myself into situations where I do not know where I'm going to get the money to 'bail' myself out (*hopelessness*); I would rather someone else who I trusted kept my finance organized (*unburdening*); Thinking about my personal finances can make me feel anxious (*anxiety*); Discussing my finances can make my heart race or make me feel stressed (*stress*); I don't make a big effort to understand my finances (*disengagement*)'. Answers to the reported questions are combined into three alternative indicators characterised by an increasing degree of sophistication. The first ('count' indicator) considers how many times individuals agree or strongly agree with each statement and is a dummy equal to 1 when the number of 'agree' or 'strongly agree' answers is higher than the sample median. The second ('score' indicator) accounts for the sum of scores (from 1 – 'I strongly agree' to 5 – 'I strongly disagree') assigned to each statement and is a dummy equal to 1 when the total score is lower than the sample median. The third ('PCA' indicator) simultaneously uses the information content of responses and is a dummy equal to 1 when the score calculated on first principal components of original variables is lower than the sample median. Depending on the indicator used, the percentage of respondents prone to financial anxiety ranges from 44% (count indicator) to 51% (PCA indicator). The three indicators do not take into account 32 individuals who always answered 'don't' know'. On the basis of statistical and informative robustness considerations, the third indicator is used as a measure of individuals' financial anxiety throughout the Report.

For references about financial anxiety, see Burchell B. (2003), Identifying, describing and understanding Financial Aversion: Financial phobes, University of Cambridge; Grable, J., Heo, W. and Rabbani A., (2015), Financial Anxiety, Physiological Arousal, and Planning Intention, Journal of Financial Therapy, Volume 5, Issue 2; Shapiro, G.K. and Burchell B. (2012), Measuring Financial Anxiety, Journal of Neuroscience, Psychology, and Economics.

About financial interest indicators

The Observatory on 'The approach to finance and investment of Italian households' captures a number of different cognitive and emotional attitudes towards financial matters in order to gauge the so called financial interest (see Fig. 2.10). In details, respondents are asked to state their opinion on eight statements concerning 'learning and deepening financial matters', according to a 5-point Likert type scale (from 1 - 'strongly agree' to 5 - 'strongly disagree'), the statements to be evaluated being: 'learning and deepening financial matters…: interest me; arouse me; are interesting but hard to understand; are useful to choose the financial expert suitable for me; are useful to manage my personal finances; are useful to make investment decisions on my own; are boring; do not interest me at all'. Answers to the reported question are combined into three alternative indicators of financial interest characterised by an increasing degree of sophistication. The first ('count' indicator) considers how many times individuals agree or strongly agree with each statement and is a dummy equal to 1 when the number of 'agree' or 'strongly agree' answers is higher than the sample median. The second ('score' indicator) accounts for the sum of scores (from 1 – 'I strongly agree' to 5 – 'I strongly disagree') assigned to each statement and is a dummy equal to 1 when the total score is lower than the sample median. The third ('PCA' indicator) simultaneously uses the information content of responses and is a dummy equal to 1 when the first principal component of original variables is lower than the sample median. Depending on the indicator used, the percentage of interested respondents ranges from 39% (count indicator) to about 50% (PCA indicator). On the basis of statistical and informative robustness, the third indicator is used as a measure of individuals' interest in financial matters throughout the Report.

For references about interest in financial matters, see Burchell B. (2003), Identifying, describing and understanding Financial Aversion: Financial phobes, University of Cambridge; Grable, J., Heo, W. and Rabbani A., (2015), Financial Anxiety, Physiological Arousal, and Planning Intention, Journal of Financial Therapy, Volume 5, Issue 2; Ryan R.M. and Deci E. (2000), Intrinsic and extrinsic motivation: classic definition and new direction, Contemporary educational Psychology, 25.

About financial advice definitions

In this Report, financial advice services are classified by considering either the type of service provided or the frequency of interaction between the advisor and the client. As for the type of service, advice is defined as 'independent' pursuant to MiFID II definition, i.e. when the advisor takes into consideration a sufficient range of sufficiently diverse financial instruments available on the market, and is remunerated exclusively by the investor to whom the service is rendered. Advice is classified as 'restricted' when the recommendation is based on a limited range of financial instruments and as 'advanced' when the professional considers a wide range of products and provides the client with a periodic suitability assessment.

As for the type of relation, 'high proactivity – MiFID advice' refers to services used by households declaring to have received a personal recommendation in respect of one or more transactions relating to financial instruments by their advisor in the last 12 months. 'Medium proactivity – generic advice' refers to households declaring to have been contacted by their advisor in the last 12 months without receiving any personal recommendations. 'Low proactivity – passive advice' refers to households declaring to have not been contacted by their advisor in the last 12 months.