

The impact of China's delayed retirement policy on household allocation of risky financial assets

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Annotation. The delayed retirement policy extends households' expected income periods and reduces precautionary savings, sparking growing academic interest in its broader implications. However, existing literature lacks theoretical insights into how this policy reshapes households' allocation of risky financial assets. To explore the relationship between delayed retirement policies and households' allocation of risky financial assets, drawing on the life cycle theory, using the data from the China Household Finance Survey (2011, 2013, 2015, and 2017) and a difference-in-differences model, the impact of China's delayed retirement policy announcement on household financial asset allocation was analysed. Results reveal that: (1) within the life cycle theory framework, the policy announcement significantly promotes risky financial asset allocation among households in the formation and rearing stages; (2) the policy encourages households with stronger social networks to increase risky asset investments. Risk aversion amplifies the policy's effect during the formation stage but inhibits it during the rearing stage; (3) the positive impact is more pronounced among urban households, those in eastern China, and highly educated families. This study provides novel insights into implementing progressive delayed retirement policies. Conclusions bridge the theoretical gap regarding how retirement policies shape household risk asset allocation and provide evidence for optimizing policy design through heterogeneity analysis.

Keywords: life cycle theory, delayed retirement policy announcement, household financial asset allocation, family life stages.

JEL classification: D14, G11.

Introduction

Against the backdrop of profound demographic transitions and workforce contraction, China's delayed retirement policy has emerged as a pivotal strategy for addressing the challenges of an aging population while aligning with international practices. From its initial announcement in 2013 to its legislative enactment in 2024, the policy's impact on the allocation of risky household financial assets has gained significant scholarly attention. Within the life cycle theory framework, both the announcement and implementation of this policy have substantially reshaped households' financial decision-making. Studies indicate that extended working hours and increased lifetime income reduced the precautionary

savings for retirement (Demirgüç *et al.*, 2017). It has prompted households to reassess their risk tolerance and investment horizons, leading to adjustments in risky asset allocations across different life stages (Thomas *et al.*, 2018; Dai *et al.*, 2025), which reflects strategic adaptations in wealth accumulation and retirement planning. Consequently, examining how delayed retirement influences risky asset allocation is critical for evaluating policy efficacy, thereby enhancing household financial well-being and optimizing social security systems.

As a far-reaching social policy, the impact of delayed retirement extends beyond macroeconomic development and social stability, directly affecting the core interests of households (Ice, 2023; Hu *et al.*, 2025). As fundamental social units, households' financial asset allocation decisions are influenced by the delayed retirement policy, which concerns not only current well-being but also long-term economic security and quality of life (Etgeton *et al.*, 2023; Dai *et al.*, 2025). Research indicates that Chinese households exhibit low participation in risky financial asset markets (Bi *et al.*, 2023; Munir, 2024), with China Household Finance Survey (CHFS) data reporting this proportion at only 26.1%. This phenomenon raises the main question, i.e., how does the delayed retirement policy affect household allocation behavior toward risky financial assets? To understand the intertemporal financial decision-making in households, the Life Cycle Hypothesis provides a core framework (Horneff *et al.*, 2015; Zhang *et al.*, 2024). Both the theoretical and empirical studies demonstrate that age is a critical determinant of asset allocation (Laibson *et al.*, 2024), typically manifesting as a decline in the proportion of risky assets allocated by households with increasing age. Specifically; the households in the formation stage, extended working horizons moderately enhance risk-taking capacity, thereby increasing allocation to risky financial assets (Etgeton *et al.*, 2023; Munir, 2024); For households in the rearing stage, typically at peak earning capacity with relatively strong risk tolerance, there is greater propensity to increase allocation to risky assets to achieve long-term wealth accumulation goals (Horneff *et al.*, 2015; Crawford *et al.*, 2020); For households in the empty-nest stage, due to declining expected income and rising medical expenses, capital preservation becomes prioritized, leading to reduced allocation to risky assets and a shift toward conservative asset allocation strategies (Thomas *et al.*, 2018; Bi *et al.*, 2023). Although existing literature has laid important theoretical foundations, the differential impact mechanisms of this specific exogenous shock—the delayed retirement policy—on financial behaviors across households at different life cycle stages still require in-depth exploration. There are three main limitations in the existing literature, i.e., first, studies have predominantly focused on macro-level effects or long-term savings, neglecting micro-level financial responses to the precise timing of policy announcements. Second, there is insufficient analysis of life-stage heterogeneity (formation, rearing, and empty-nest) in policy impacts. Third, transmission channels such as social interaction dynamics and risk preference evolution lack rigorous empirical examination.

Nevertheless, despite the life cycle theory providing a foundational framework for household financial behavior, existing research on the empirical examination of the shock effects of the delayed retirement policy exhibits the following shortcomings. First, the current literature predominantly focuses on the macroeconomic effects or long-term savings impacts of the policy, yet rarely addresses the mechanisms through which specific policy announcement timing—particularly the initial announcement—affects micro-level household financial decisions, such as risky asset allocation. Second, there is a lack of empirical analysis on the differential impacts across heterogeneous household life cycle stages (e.g., formation stage, rearing stage, empty-nest stage). Finally, the specific transmission channels (e.g., social interaction, risk aversion) through which the delayed retirement policy influences household decisions on risky financial asset allocation have not been sufficiently empirically explored.

This study makes three contributions to the literature, including a theoretical one, which systematically examines the differential impacts of delayed retirement on risky asset allocation across life stages within the life cycle framework. Methodologically, it utilizes CHFS data from 2011 to 2017 to identify causal effects using difference-in-differences (DID) estimation, while pioneering the integration of social interaction networks and risk aversion as mechanistic variables. Practically, it reveals more substantial policy effects among urban, eastern, and highly educated households, providing actionable evidence for designing tailored financial strategies that consider demographic heterogeneity.

The remaining structure of this study is arranged as follows. Section 1 develops the theoretical hypotheses, Section 2 details the research design, Section 3 presents the empirical results, and Section 4 discusses the additional analyses conducted. The paper concludes by presenting policy recommendations.

1. Theoretical Analysis and Hypothesis Development

As a key institutional reform to address population aging, the delayed retirement policy not only sends signals about adjustments in the future labor market and pension security system but also affects the systematic reconstruction of families' expectations for future economic conditions. From the perspective of household consumption, research has shown that the delayed retirement policy affects households in two main ways. First, it tends to lower current spending, especially on items that promote growth or enjoyment, because it limits the amount of money families can transfer between generations and alters their spending plans over time. This effect is particularly pronounced in families that save a significant amount. Second, the policy helps families feel more secure about their future pensions by easing job shortages and reducing financial strain on the public pension system, which can encourage increased spending. However, this positive effect has certain conditions, and its strength depends on how responsive the household economy is to changes in capital output. This situation is especially noticeable in families that save more money. On the other hand, the delayed retirement policy helps stabilize families' expectations about future pension security by easing labor shortages from demographic changes and reducing financial strain on the public pension system, which, in turn, encourages more spending. However, this promotional effect has certain prerequisites, and its direction and intensity depend on the elasticity of capital output in the household's economy. When elasticity is below a specific threshold, the delayed retirement policy can increase individuals' total lifetime consumption (Jeon et al., 2023). The complexity of this consumption-influencing mechanism lays an important theoretical foundation for understanding the impact of delayed retirement policies on families' broader financial decisions, particularly in terms of asset allocation.

Simultaneously, the impact of the delayed retirement policy on pension wealth presents dual characteristics. At the macro level, the policy enhances the sustainability of the public pension system through the dual mechanism of "increasing revenue and reducing expenditure", which not only extends the contribution period of participants to increase fund income but also shortens the period of pension receipt to reduce expenditure burdens (Tarkpor, 2024). Empirical studies on pension systems in many countries worldwide have shown that a one-year delay in the retirement age can effectively improve the long-term financial health of the fund (Borella et al., 2018). However, such macro-level sustainability gains are often difficult to translate directly into improvements in the welfare of individual residents. Actuarial analyses have shown that for individual residents, there is a "peak age" for maximizing pension wealth (men: 62–64 years; women: 65–67 years). Beyond this critical point, continuing to delay retirement leads to a marginal decline in lifetime net pension wealth (Tian, 2024). Notably, this risk of net loss

reveals significant structural differences among various groups, with low-income groups facing a substantially higher potential loss than high-income groups (Calabrò et al., 2022).

As a core component of household financial assets, fluctuations in the expected value of pension wealth significantly affect households' overall asset allocation strategies, especially in terms of the willingness and proportion of holding risky financial assets. Against the background of accelerating population aging, the delayed retirement policy affects household financial decisions through dual paths: on the one hand, extending pension expectations may strengthen risk aversion and inhibit households' holding of risky assets; on the other hand, improving the stability of income expectations may enhance risk-bearing capacity and promote diversified asset allocation of households (Bi et al., 2023). To understand the impact of this policy on Chinese households, we must base ourselves on localized characteristics: the latest data show that Chinese households have a low participation rate in the financial market, with an insufficient proportion of risky financial assets and highly concentrated allocation, and most households hold a single type of asset (Jiang et al., 2025). This phenomenon stems from a widespread lack of financial literacy, an excessively high proportion of housing assets, and concerns about future income uncertainty (Munir, 2023).

The life-cycle theory framework offers a core analytical perspective for deconstructing the heterogeneity of policy effects within groups. This framework emphasizes that household' risk-bearing capacity changes in proportion to the allocation of human and financial capital (Jeon et al., 2023; Laibson et al., 2024). The delayed retirement policy systematically reconstructs this proportional relationship by altering the time expectations associated with each life-cycle stage (Farnham et al., 2016). For formation-stage households, the delayed retirement policy extends the expectation of working years, enhances the potential for human capital accumulation, and improves the stability and growth space of future income streams, thereby strengthening their willingness to take risks (Jia et al., 2021) and making them more inclined to allocate risky financial assets. For rearing-stage households, the pension savings pressure released by the delayed retirement policy partially offsets the constraints of rigid expenditures, such as children's education, and the released funds may be transferred to risky assets with potentially higher returns (Bai et al., 2025). For empty-nest households, the delayed retirement policy means the extension of the health depreciation period and the approaching of the financial capital consumption period, and the accelerated depreciation of human capital significantly weakens the risk-bearing capacity (Crawford et al., 2020), thus turning to the allocation of more stable assets.

Within the life-cycle framework, social interaction and risk aversion as key moderating variables affect the transmission efficiency and direction of the delayed retirement policy's effect (Lichtenstern, 2021; Crawford, 2020; Yu et al., 2022). First, the announcement of the delayed retirement policy promotes households' allocation of risky financial assets through social interaction; however, this effect exhibits significant life-cycle heterogeneity. Bi et al. (2023), based on an empirical study of Chinese community networks, showed that for every 10% increase in the proportion of risky assets held within an individual's social circle, the probability of entering the market increases by 6.3%. This benefit is achieved by reducing the cost of policy interpretation through the sharing of community experiences, which directly supports the conclusion that families with a high degree of social interaction tend to allocate more to risky assets. For households in the rearing period, if the narratives of relatives, friends, colleagues, and other social contacts around risks such as health expenditures and market fluctuations dominate social content, it may reverse the positive moderating effect of social interaction, leading families to choose conservative asset allocation (Sun et al., 2022; Huang et al., 2024). Second, the direction of the moderating effect of risk aversion on the policy effect changes significantly across different life-cycle

stages. In young families, where human capital accounts for more than half of lifetime wealth, risk aversion traits can be transformed into long-term asset allocation motivation due to the extension of the income accumulation period resulting from the delayed retirement policy. That is, the delayed retirement policy can improve the stability of future income, which can hedge against the precautionary savings motive to a certain extent (Feng et al., 2020; Jia et al., 2021). In older families, the shortened decision-making cycle brought about by the delayed retirement policy increases their liquidity needs. In addition, due to the pressure of rigid expenditures, such as education and housing loans, families with high risk aversion will shift the funds released by the policy to stable asset allocation (Fagereng et al., 2017; Bai et al., 2025), which significantly inhibits their holding of risky assets. Based on the above analysis, the following hypothesis is posited.

Hypothesis H1: *Delayed retirement exerts heterogeneous effects on risky asset allocation across life stages.*

Specifically:

H1a: Significant increase among formation-stage households.

H1b: Significant increase among rearing-stage households.

H1c: Significant decrease among empty-nest households.

2. Methodology

2.1 Sample Selection and Data Sources

This study utilizes data from the CHFS for 2011, 2013, 2015, and 2017. The raw sample underwent the following processing: (1) exclusion of observations with missing values or anomalous data; (2) removal of Shanghai households due to the pilot implementation of delayed retirement since 2011; (3) elimination of individuals aged <16 years and households with nonpositive income or total assets, with logarithmic transformation applied to income variables; and (4) winsorization of continuous variables at the 1% level to mitigate extreme value bias.

2.2 Model Construction

The research theme of this paper is to check the impact of the delayed retirement policy on household allocation to risky financial assets from the perspective of life cycle theory. The delayed retirement policy belongs to an intervention policy, and this study can be regarded as research on the net policy effect of the delayed retirement policy on household financial asset allocation. By introducing the difference-in-differences (DID) model, taking the control group as the reference system for the experimental group, and treating the differences in the control group before and after the policy intervention as pure time effects, the double difference estimator (DID estimator) synthesizes these two differences to evaluate the net effect of the policy. The sample size of this study is 21,600, and it employs the DID model to assess the impact of the initial enactment of the delayed retirement policy on November 12, 2013, on Chinese household financial asset allocation. The specific estimation equation is as follows (1):

$$Y_{it} = \beta_0 + \beta_1 Group_i + \beta_2 Time_t + \beta_3 Effect_i + \beta \times Z_{it} + year_t + province_p + \varepsilon_{itp} \quad (1)$$

Where Y_{it} is an explanatory variable, $Group_i$ is a treatment group dummy variable ($Group_i = 1$ for the experimental group before matching and $Group_i = 0$ for the reference group after matching), $Time_t$ is

a policy change dummy variable ($Time_i = 1$ for the years following policy implementation and $Time_i = 0$ for the years prior to policy implementation), $Effect_i$ is a core explanatory variable ($Effect_i = Group_i \times Time_i$), regression coefficients β_3 denote policy effects, $year_t$ and $province_p$ represent year and province fixed effects, respectively, Z_{it} is a control variable, and ε_{itp} is a random disturbance term.

2.3 Variable Definitions

This study operationalizes household risk exposure using two dependent variables: (1) risk asset participation, a binary indicator (1 = holds stocks, funds, or bonds; 0 = otherwise) derived from CHFS data; and (2) risk asset ratio, calculated as the share of risky financial assets to total financial assets. Asset classification follows Bodie *et al.* (1992) and Raiber *et al.* (2022), distinguishing between: (1) risky assets (equities, derivatives, corporate bonds) characterized by principal volatility; (2) risk-free assets (bank deposits, government bonds) preserving capital; and (3) an independent private loans category.

The core explanatory variable identifies the effects of the delayed retirement policy using a quasi-experimental design. Treatment assignment leverages China's statutory working ages (men: 16-60 years; women: 16-55 years) and CHFS pension records. Households are classified as treated ($Treat_i = 1$) when the retired-to-total labor force $ratio \neq 1$; in control households ($Treat_i = 0$), all eligible members are retired ($ratio = 1$). This approach captures households differentially exposed to policy impacts.

This study examines two critical mediating pathways through which the delayed retirement policy influences household financial behavior. First, social interaction captures the intensity of information sharing within social networks, operationalized using CHFS data on annual monetary gifts to nonrelatives during festivals (e.g., the spring or mid-autumn festival, marked by red envelopes) and life events (e.g., weddings, funerals, and birthdays). Grounded in Wu *et al.*'s (2023) seminal work demonstrating that financial information diffusion functions as both economic and social behavior, households with above-median expenditure (coded 1; others 0) are hypothesized to exhibit an enhanced capacity for interpreting market dynamics under policy shifts. Second, risk aversion reflects behavioral responses to perceived pension wealth risks, measured ordinally (1–3) using CHFS data on investment preferences: high risk/high return, moderate risk/moderate return, or low risk/low return. As, Tian (2024) theorized, risk-averse households prioritize potential pension losses; however, this effect exhibits fundamental life-stage heterogeneity. Young households convert aversion to risk-taking motivation through extended income horizons (Jia *et al.*, 2021), whereas older households amplify their liquidity preferences amid health constraints (Fagereng *et al.*, 2017). These mechanisms elucidate how policy effects are transmitted across heterogeneous households.

To mitigate the omitted variable bias, control variables were selected following Campbell (2006), encompassing demographic characteristics, total household income, and risk attitudes. Detailed definitions of all of the variables are reported in Table 1.

Table 1. Variable Definition

Variable		Definition	
Explained Variable	<i>Risk Asset</i>	Whether risky financial assets are held: yes = 1; no = 0	
	<i>Risk Asset Ratio</i>	Proportion of risky financial assets: risky financial assets / total household financial assets	
Core Explanatory Variable	<i>Group</i>	Treatment group = 1, control group = 0	
	<i>Time</i>	2011 & 2013 = 0; 2015 & 2017 = 1	
Mechanism Analysis Variables	<i>Risk Attitude</i>	Risk aversion level: low = 1; moderate = 2; high = 3	
	<i>Social Interaction</i>	Social interaction (Unit: CNY)	
Individual Control Variables	<i>Gender</i>	Gender of household head: male = 1; female = 0	
	<i>Education</i>	Educational level of household head (above junior high school): yes = 1; no = 0	
	<i>Age</i>	Age of household head	25–35 years
			36–59 years
			Over 60 years
Family Control Variables	<i>Marriage</i>	Marital status of household head: married = 1; unmarried = 0	
	<i>Size</i>	Household size	
	<i>Rurala</i>	Rural hukou: yes = 1; no = 0	
	<i>Region</i>	Region: eastern = 1; central = 2; western = 3	
	<i>Income</i>	Total household income (Unit: Annual/Yuan)	
	<i>TotalAsset</i>	Household financial assets (Unit: Yuan)	

Source: authors' own results.

3. Results Analysis

3.1 Descriptive Statistics

The descriptive statistics in Table 2 reveal that approximately 12.7% of households hold risky financial assets, indicating that Chinese households have a limited allocation to such investments (Chen *et al.*, 2021).

Table 2. Descriptive Statistics

Variable		<i>N</i>	<i>Mean</i>	<i>SD</i>	<i>Min</i>	<i>Max</i>
Explained Variable	<i>Risk Asset</i>	21600	0.127	0.329	0	1
	<i>Risk Asset Ratio</i>	21600	0.048	0.183	0	1
Core Explanatory Variable	<i>Group</i>	21600	0.895	0.496	0	1
	<i>Time</i>	21600	0.497	0.494	0	1
Mediating variables	<i>Risk Attitude</i>	21600	1.309	0.608	1	3
	<i>Social Interaction</i>	21600	3164	6265	0	29,999
Individual Control Variables	<i>Gender</i>	21600	0.521	0.499	0	1
	<i>Education</i>	21600	0.327	0.469	0	1
	<i>Age</i>	25–35	6175	28	8.19	25
		36–59	11010	49	6.50	36
		over 60	4415	78	4.47	60
	<i>Marriage</i>	21600	0.695	0.499	0	1
Family Control Variables	<i>Size</i>	21600	2.722	1.500	1	10
	<i>Rurala</i>	21600	0.317	0.465	0	1
	<i>Region</i>	21600	1.708	0.802	1	3
	<i>Income</i>	21600	23762	44430	0	305,000
	<i>TotalAsset</i>	21600	53142	103650	0	1,000,000

Source: authors' own results.

3.2 Baseline Regression Results

In analyzing Chinese households, the age of the household head serves as a proxy for the household's overall age, forming the basis for constructing a household age indicator. Drawing on Glick's research on family life cycles and adapting it to this study's context, households are categorized into three life stages based on age: formation (25–35 years), rearing (36–59 years), and empty nest (60 years and above).

Table 3. Baseline Analysis Results

Variable	Risk Asset		Risk Ratio	
	(1)	(2)	(3)	(4)
Panel A: Formation Stage				
<i>Did</i>	0.060*** (7.08)	0.053*** (6.18)	0.025*** (4.17)	0.020*** (3.60)
<i>Control</i>	Y	Y	Y	Y
<i>Year</i>	N	Y	N	Y
<i>Province</i>	N	Y	N	Y
<i>N</i>	6175	6175	6175	6175
<i>R</i> ²	0.280	0.186	0.230	0.198
Panel B: Rearing Stage				
<i>Did</i>	0.048*** (6.66)	0.040*** (5.59)	0.026*** (5.83)	0.022*** (5.17)
<i>Control</i>	Y	Y	Y	Y
<i>Year</i>	N	Y	N	Y
<i>Province</i>	N	Y	N	Y
<i>N</i>	11010	11010	11010	11010
<i>R</i> ²	0.360	0.253	0.300	0.289
Panel C: Empty-nest Stage				
<i>Did</i>	0.019 (1.74)	0.011 (0.97)	0.005 (0.91)	0.003 (0.74)
<i>Control</i>	Y	Y	Y	Y
<i>Year</i>	N	Y	N	Y
<i>Province</i>	N	Y	N	Y
<i>N</i>	4415	4415	4415	4415
<i>R</i> ²	0.048	0.002	0.105	0.016

Notes: the values in parentheses report t-values. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: authors' own results.

Table 3 reports the baseline regression results. Columns (1)–(3) present the results excluding two-way fixed effects, while Columns (2) and (4) include year and province fixed effects. The results demonstrate that, regardless of the inclusion of fixed effects, the coefficient of the DID interaction term (*Group × Time*) is significantly positive at the 1% level or higher for households in both the formation and rearing stages. These robust baseline regression results indicate that, during the first two life stages, the delayed retirement policy has a significant and positive influence on households' risky financial asset allocation. Conversely, for households in the empty-nest stage, the policy has no significant impact on risky financial asset allocation.

This pattern arises because extended working hours lead individuals to perceive a greater capacity to bear investment risks and benefit from risky assets. Thus, formation-stage households increase their investments in risky financial assets early, leveraging longer time horizons to mitigate market volatility and capture potentially high returns. In empty-nest households, older individuals tend to exhibit a lower demand for risky financial assets and a stronger preference for risk-free assets as they approach

retirement, prioritizing asset safety and liquidity in their retirement plans. Consequently, the delayed retirement policy has minimal influence on their retirement planning and risky financial asset allocation.

3.3 Robustness Analysis

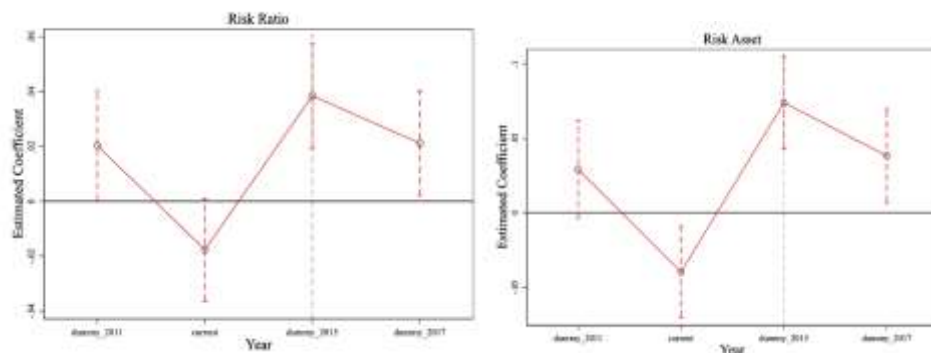
3.3.1 Parallel Trends Test

The validity of the DID design hinges on approximating natural experiment conditions, requiring: (1) quasi-random policy implementation; (2) random assignment of treatment and control groups; and (3) parallel pre-trends in outcome variables between groups. Following Keiser *et al.* (2019), we estimate Equation (2).

$$Y_{itp} = \beta_0 + \sum_{s=2011}^{2017} \beta_{1s} Group_i \times dummy_s + X_{it} + \theta_i + \delta_t + year_t + province_p + \varepsilon_{itp} \quad (2)$$

In the DID Model (1), the variable $Time_t$ is replaced by survey year dummies $\sum_{s=2011}^{2017} dummy_s$ (where s denotes the survey years 2011, 2013, 2015, and 2017). Given the policy announcement date (November 12, 2013), 2013 was used as the reference year, excluding the dummy variable. Other year dummies are multiplied by $Time_t$, while the survey year dummy $\sum_{s=2011}^{2017} dummy_s$ is omitted from the regression

Equation (2) due to perfect multicollinearity with δ_t . The regression results are shown in Figure 1, where dots represent point estimates and vertical lines indicate 95% confidence intervals. Prior to the policy announcement, the coefficients did not differ significantly from zero. Only after 2013 did β_{1s} become statistically significant, confirming the existence of parallel trends.



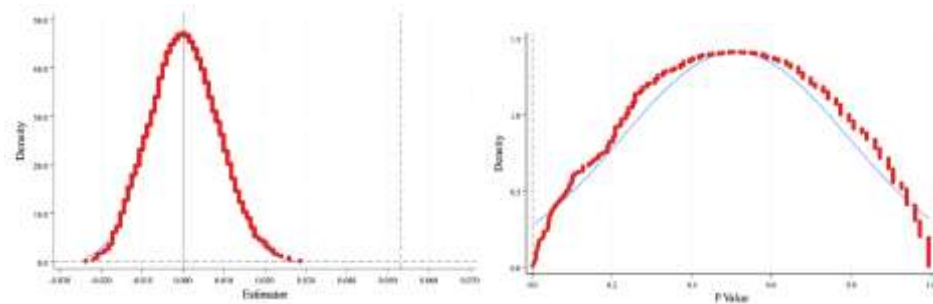
Source: authors' own results.

Figure 1. Results of the Parallel Trend Test

3.3.2 Placebo Test

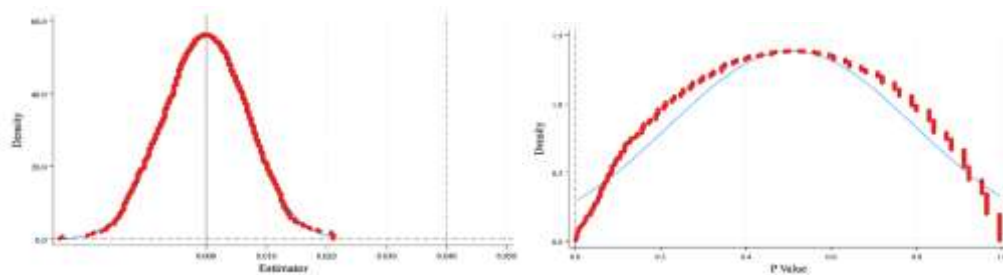
The placebo test is grounded in a counterfactual assumption designed to examine the robustness of research findings by simulating various scenarios to identify potential variations and impacts. To eliminate the confounding effects of unobserved factors, we employed a random sampling approach for placebo testing. Samples were randomly assigned to treatment and control groups, and the effect of the delayed retirement policy announcement, based on life cycle theory, was re-estimated using Equation (1). This procedure was repeated 1,000 times. The distribution of the simulated coefficients and p-values from these 1,000 estimations is plotted in Figures 2–5. The vertical dashed line represents the actual coefficient estimated from the baseline regression. The simulated coefficients cluster around 0, and all 1,000 simulated coefficients are smaller than the actual coefficient, which is statistically significant at

the 1% level. The actual coefficient deviates from the distribution region of the placebo test, confirming that the results are not driven by random factors and further eliminating the influence of unobserved variables on the regression outcomes.



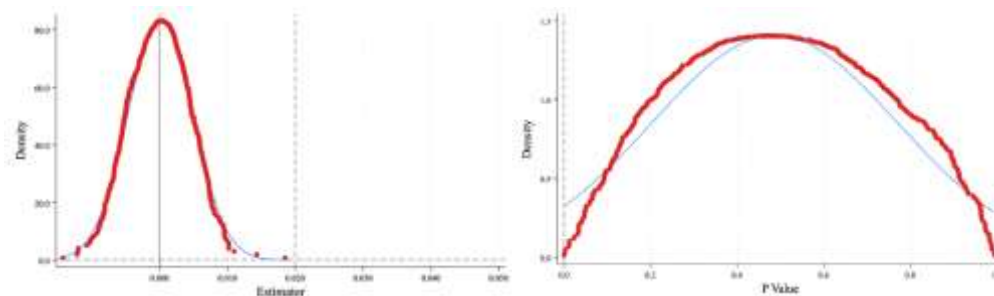
Source: authors' own results.

Figure 2. Placebo Test Results (Formation Stage: Risk Asset)



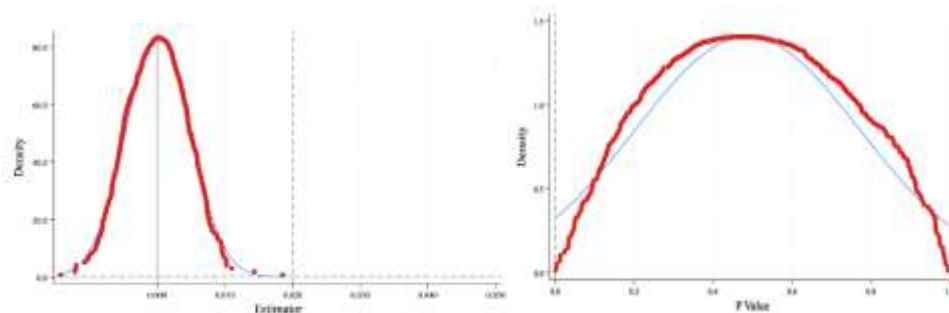
Source: authors' own results.

Figure 3. Placebo Test Results (Formation Stage: Risk Ratio)



Source: authors' own results.

Figure 4. Placebo Test Results (Formation Stage: Risk Ratio)



Source: authors' own results.

Figure 5. Placebo Test Results (Formation Stage: Risk Ratio)

3.3.3 PSM-DID Estimation

Given the potential systematic differences in the delayed retirement policy announcement that may introduce bias in the DID estimates, we conducted robustness checks using the PSM-DID estimation. Following life cycle theory, samples were stratified into formation- and rearing-stage groups based on the age of the household head, with separate matching performed for each cohort. For the formation-stage cohort, 1:1 matching resulted in 3,150 observations after excluding the sample. For the rearing-stage cohort, 1:1 matching resulted in 6,032 observations. Prior to the regression analysis, the propensity score density plots demonstrated closely aligned kernel densities between the treatment and control groups post-matching, confirming the robustness of matching quality and validating the appropriateness of the PSM-DID approach.

Table 4. PSM-DID Estimation Results

Variable	Risk Asset	Risk Ratio
Panel A: Formation Stage		
PSM-DID	0.071*** (6.63)	0.026*** (3.80)
Controls	Y	Y
Year	Y	Y
Province	Y	Y
N	3150	3150
R ²	0.026	0.066
Panel B: Rearing Stage		
PSM-DID	0.045*** (6.48)	0.023*** (5.13)
Controls	Y	Y
Year	Y	Y
Province	Y	Y
N	6032	6032
R ²	0.024	0.218

Notes: the values in parentheses report t-values. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: authors' own results.

Subsequent regression analyses (*Table 4*) reveal that the policy significantly impacts both risky financial asset participation and the proportion of risky assets to total household assets across both life stages. The coefficient estimates remain consistent with the baseline regression results, thereby supporting the original conclusions.

4. Further Analysis

4.1 Heterogeneity Analysis

Building on life cycle theory, we examined heterogeneous effects by stratifying households based on urban-rural, regional, and educational dimensions. The results (*Tables 5 and 6*) indicate three key patterns. First, regarding urban-rural heterogeneity, the delayed retirement policy significantly increases the participation in and allocation of risky financial assets among urban households during both the formation and rearing stages. However, no significant effect is observed in rural areas. This disparity is attributed to the greater reliance of older adults in rural households on children for support and land income, resulting in a weaker awareness and capacity for risk-averse asset allocation (Xu *et al.*, 2022; Xu *et al.*, 2024). Second, regarding regional heterogeneity across eastern, central, and western China, the policy exerts its most pronounced effects on eastern households during the formation stage. For rearing-

stage households, the impacts in the eastern region exceed those in the central region, whereas the western region shows no significant difference. This is likely owing to long-term financial demand-supply mismatches, resistance to digital financial information, and limited investment awareness among western households (Bi *et al.*, 2023), which hinder their ability to adjust asset allocations in response to policy changes. Third, regarding educational heterogeneity, the policy's effect on risky asset allocation is greater for households with higher education levels (those holding a college degree or higher) than those with less education, across both life stages. This is because educated households tend to leverage greater financial literacy and policy sensitivity to proactively hedge against pension shortfall risks. In contrast, households with lower education levels tend to maintain conservative allocations because of financial cognition limitations (Munir, 2025).

Table 5. Heterogeneity Test Results (Dependent Variable: Risk Asset)

Panel A: Formation Stage							
Variable	Urban/Rural Attributes		Regional Distribution			Educational Level	
	Rural	Urban	Eastern	Central	Western	Junior high school or below	Above junior high school
	0.007 (1.54)	0.013* (2.04)	0.021* (2.72)	0.014* (2.30)	0.013* (2.15)	0.008* (2.00)	0.011* (2.55)
Controls	Y	Y	Y	Y	Y	Y	Y
Year	Y	Y	Y	Y	Y	Y	Y
Province	Y	Y	Y	Y	Y	Y	Y
N	1199	4976	3958	1779	438	786	5389
R ²	0.430	0.140	0.236	0.312	0.373	0.429	0.126
Panel B: Rearing Stage							
Variable	Urban/Rural Attributes		Regional Distribution			Educational Level	
	Rural	Urban	Eastern	Central	Western	Junior high school or below	Above junior high school
	0.003 (0.01)	0.024*** (4.24)	0.021** (3.19)	0.019* (2.25)	0.011 (1.11)	0.008* (2.00)	0.032* (2.79)
Controls	Y	Y	Y	Y	Y	Y	Y
Year	Y	Y	Y	Y	Y	Y	Y
Province	Y	Y	Y	Y	Y	Y	Y
N	2386	8624	6939	2943	1128	1376	9634
R ²	0.364	0.440	0.471	0.373	0.563	0.454	0.366

Notes: the values in parentheses report t-values. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: authors' own results.

Table 6. Heterogeneity Test Results (Dependent Variable: Risk Ratio)

Panel A: Formation Stage							
Variable	Urban/Rural Attributes		Regional Distribution			Educational Level	
	Rural	Urban	Eastern	Central	Western	Junior high school or below	Above junior high school
	0.010 (1.53)	0.051*** (4.24)	0.084*** (5.93)	0.032* (2.36)	0.015* (2.13)	0.028*** (3.87)	0.063* (2.12)
Controls	Y	Y	Y	Y	Y	Y	Y
Year	Y	Y	Y	Y	Y	Y	Y
Province	Y	Y	Y	Y	Y	Y	Y
N	1199	4976	3958	1779	438	786	5389
R ²	0.092	0.388	0.151	0.356	0.202	0.362	0.456

Table 6 (continuation). Heterogeneity Test Results (Dependent Variable: Risk Ratio)

Panel B: Rearing Stage							
Variable	Urban/Rural Attributes		Regional Distribution			Educational Level	
	Rural	Urban	Eastern	Central	Western	Junior high school or below	Above junior high school
	0.006 (1.24)	0.038*** (4.09)	0.035** (3.21)	0.029* (2.49)	0.017 (1.32)	0.050*** (7.21)	0.144*** (7.60)
Controls	Y	Y	Y	Y	Y	Y	Y
Year	Y	Y	Y	Y	Y	Y	Y
Province	Y	Y	Y	Y	Y	Y	Y
N	2386	8624	6939	2943	1128	1376	9634
R ²	0.202	0.362	0.140	0.318	0.224	0.365	0.371

Notes: the values in parentheses report t-values. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: authors' own results.

4.2 Mechanism Tests

While prior analyses have established that delayed retirement significantly impacts the allocation of risky financial assets in formation-stage and rearing-stage households, the underlying transmission mechanisms warrant further examination.

4.2.1 Social Interaction

We investigate social interaction as a transmission channel by regressing risky asset participation and risky asset ratio on the interaction term between the DID dummy variable and household social interaction.

Table 7. Results of Moderating Effects (Moderating Variable: Social Interaction)

Variable	Risk Asset	Risk Ratio
Panel A: Formation Stage		
Did	0.159*** (6.18)	0.165*** (3.60)
Did* Social Expenditure	2.50*** (10.69)	1.85*** (4.41)
Variable	Risk Asset	Risk Ratio
Controls	Y	Y
Year	Y	Y
Province	Y	Y
N	6175	6175
R ²	0.154	0.297
Panel B: Rearing Stage		
Did	0.082*** (6.66)	0.117*** (5.83)
Did* Social Expenditure	2.370*** (18.80)	1.923*** (9.29)
Controls	Y	Y
Year	Y	Y
Province	Y	Y
N	11010	11010
R ²	0.197	0.265

Notes: the values in parentheses report t-values. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: authors' own results.

Table 7 reports the positive and significant coefficients for this interaction term across both the formation and rearing stages, indicating that households with stronger social networks increased their investments in risky assets following the policy announcement. Specifically, heightened social interaction builds household social capital (Bardhan *et al.*, 2015), thereby expanding access to financial information and investment opportunities (Stoiko, 2019). This enhanced informational capacity encourages households to reallocate their portfolios to riskier assets in response to policy signals.

4.2.2 Risk Aversion

We further explored the mechanisms through which the delayed retirement policy influences households' allocation of risky financial assets, employing the life cycle theory framework and focusing on investment risk attitudes. Using household participation in risky financial assets and the proportion of household risky financial asset allocation as explanatory variables, and the interaction term between the DID dummy variable and risk aversion as the core explanatory variable, we conducted a regression analysis.

Table 8. Results of Moderating Effects (Moderating Variable: Risk Aversion)

Variable	Risk Asset	Risk Ratio
Panel A: Formation Stage		
<i>Did</i>	0.155*** (5.66)	0.165*** (3.60)
<i>Did*Risk Aversion</i>	0.0149* (1.28)	1.850*** (4.41)
<i>Controls</i>	Y	Y
<i>Year</i>	Y	Y
<i>Province</i>	Y	Y
<i>N</i>	6175	6175
<i>R²</i>	0.241	0.223
Panel B: Rearing Stage		
<i>Did</i>	0.009*** (7.32)	0.117*** (5.83)
<i>Did* Risk Aversion</i>	-0.025*** (-4.52)	-1.923*** (-9.29)
<i>Controls</i>	Y	Y
<i>Year</i>	Y	Y
<i>Province</i>	Y	Y
<i>N</i>	11010	11010
<i>R²</i>	0.588	0.183

Notes: the values in parentheses report t-values. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: authors' own results.

The results in Table 8 show that, during the formation stage, the regression coefficient of the core explanatory variable is positive. This suggests that, in the formation stage, the degree of risk aversion moderates the impact of the delayed retirement policy announcement on households' risky financial assets, exerting a positive influence. Specifically, households in the formation period typically consist of members in the early stages of their careers (Ampudia *et al.*, 2016; Jia *et al.*, 2022). Households with a higher degree of risk aversion tend to avoid risks; however, the delayed retirement policy announcement alerts them to the possibility of a longer career and retirement life cycle (Temsumrit, 2023), prompting a reevaluation of their long-term financial plans. To address the challenges posed by an aging population and the extended period of capital demand, these households may respond more actively to policy signals by moderately increasing their investment in risky financial assets, aiming to achieve higher long-term returns and accumulate more reserves for retirement (Fagereng *et al.*, 2017; Sui *et al.*, 2018).

In the rearing stage, the regression coefficient of the core explanatory variable (interaction term) is negative. This suggests that during the rearing stage, the degree of risk aversion significantly mitigates the impact of the delayed retirement policy announcement on households' allocation of risky financial assets. In other words, the degree of risk aversion weakens the negative impact of the delayed retirement policy announcement on risky household financial assets, thereby exerting an adverse moderating effect. This suggests that, in the child-rearing stage, with the announcement of the delayed retirement policy, the higher the household's risk aversion, the more the policy announcement reduces its willingness to allocate risky financial assets because of factors such as uncertainty in future income expectations and adjustments to retirement plans. Instead, they tend to choose more stable investment options, adopt conservative asset allocation strategies, and reduce their holdings of risky financial assets to ensure fund safety and liquidity. This is because households in the rearing period typically face higher expenditure burdens and stronger liquidity needs (Córdoba *et al.*, 2017). The delayed retirement policy announcement, combined with a higher tendency toward risk aversion, exacerbates concerns about the stability of future income and the uncertainty of adjustments to retirement plans (Temsumrit, 2023). Therefore, following the policy announcement, such households tend to prioritize ensuring fund safety and liquidity, opting for more stable investment options, and reducing their holdings of risky financial assets to avoid potential threats to their current and future financial security posed by market volatility risks (Fagereng *et al.*, 2017).

5. Discussion

This study examined how China's delayed retirement policy influences household allocation of risky financial assets, drawing on the life cycle theory framework.

First, the regression results in Table 3 show that the policy significantly promotes the allocation of risky financial assets in households at the formation and rearing stages (Fagereng *et al.*, 2017; Badarinza *et al.*, 2019; Temsumrit, 2023); however, it has no significant effect on empty-nest households. This conclusion is supported by the PSM-DID results (Table 4), which validate H1a and H1b, but not H1c. The policy extends working horizons and investment cycles (Temsumrit, 2023), thereby enhancing risk-bearing capacity and long-term return expectations (Fagereng *et al.*, 2017; Gomes *et al.*, 2021), which encourages increased holding of risky assets during the formation and rearing stages. Conversely, empty-nest households prioritize conservative allocations that emphasize safety and liquidity (Horneff *et al.*, 2023), with established retirement plans remaining largely unaffected by policy changes (Raju, 2025).

Second, the heterogeneity analyses in Tables 5 and 6 reveal significant disparities in urban-rural, regional, and educational contexts. Policy effects are pronounced in urban households but insignificant in rural areas due to limited financial access, liquidity constraints that inhibit risk-taking (Córdoba *et al.*, 2017), and financial literacy gaps (Lusardi, 2011), which align with Xu *et al.* (2022). The most substantial impacts occur in eastern China, particularly for formation-stage households, which are attributable to the development of financial infrastructure that reduces transaction costs (Bi *et al.*, 2023). Weaker effects in the central and western regions are attributed to financial information barriers (Tang, 2021) and traditional financial cultures (Wu, 2023). Highly educated households exhibit greater policy sensitivity, leveraging superior financial information processing, risk-pricing skills, and execution efficiency (Sivaramakrishnan *et al.*, 2017; Kolsrud *et al.*, 2024).

Third, mechanism tests in Tables 7 and 8 confirm significant moderation by social interaction and risk aversion, with the latter exhibiting stage-dependent oppositional effects. Social interaction amplifies policy effects in both the formation and implementation stages by strengthening information networks

(Bardhan *et al.*, 2015), thereby enhancing policy interpretation and the identification of investment opportunities (Stoiko, 2019). Risk aversion exhibits positive moderation in the formation stage, where highly risk-averse households convert precautionary motives into proactive investments (Laibson *et al.*, 2024), increasing their holdings of risky assets to hedge against future shortfalls (Raju, 2025) amid extended retirement horizons (Temsumrit, 2023). Negative moderation dominates in the rearing stage, as expenditure pressures (Córdoba *et al.*, 2017) and policy-induced anxiety (Temsumrit, 2023) trigger loss aversion (Barberis, 2018), leading to reduced risky holdings to ensure financial security (Laibson *et al.*, 2024).

Conclusions and Implications

Conclusions

Utilizing panel data from the CHFS (2011, 2013, 2015, and 2017), this study explored the impact of China's delayed retirement policy on households' allocation of risky financial assets within the life cycle theory framework, generating three key findings. First, by constructing the basic framework of a DID model, the causal effect of the delayed retirement policy on household allocation to risky financial assets at different stages of the life cycle—namely, the formation stage, the rearing stage, and the empty-nest stage—was analyzed. The following conclusions are obtained: (1) during both the formation stage and the rearing stage, the delayed retirement policy significantly increased households' propensity and proportion of allocation to risky financial assets. These results remain robust across rigorous DID robustness tests, thus validating the reliability of the estimations. (2) Through further analysis of the moderating mechanisms of household social interaction and risk aversion in the influencing mechanisms of the delayed retirement policy on household allocation to risky financial assets across different life cycle stages, the results show that, during both the formation and rearing stages, the delayed retirement policy led households with higher levels of social interaction to be more inclined to increase investment in and allocation to risky financial assets; in the formation stage, the degree of risk aversion amplified the effect of the announcement of the delayed retirement policy on household allocation to risky financial assets, while conversely, in the rearing stage, the degree of risk aversion attenuated the effect of the announcement of the delayed retirement policy on household allocation to risky financial assets. (3) When the life cycle is in the formation or rearing stage, heterogeneity analysis based on urban/rural attributes, geographic distribution, and education level reveals that the promoting effect of the delayed retirement policy is more pronounced for urban households, households in the eastern region, and households with higher levels of education.

Managerial Implications

Based on the above conclusions, the current delayed retirement policy has become a hot topic in Chin. This policy has a specific influence on the financial asset allocation, particularly the allocation to risky financial assets of households at different life cycle stages. Its formal implementation will have profound impacts on household economic behavior, financial markets, labor markets, and the social security system. Therefore, this study proposes the following recommendations.

From the government's perspective, first, improve delayed retirement planning tools. For households at different life cycle stages, develop and promote retirement planning tools tailored to the delayed retirement policy to help households assess their post-retirement financial situations and formulate personalized pension savings and investment plans. Simultaneously, considering the influences of heterogeneity factors such as urban-rural attributes, geographic distribution, education level, and household registration types, formulate differentiated financial policies and provide tailored retirement

planning guidance to different groups, promoting the rational allocation of household financial assets. Second, adjust the existing pension system. By promptly adjusting pension eligibility rules and calculation methods in response to the newly enacted progressive delayed retirement policy in 2024, ensure the fairness and sustainability of the pension system. Continuously optimize the pension system to ensure its sustainability, while providing diversified pension products to meet the retirement needs of households with different risk preferences.

From the household perspective, first, households should timely adjust long-term investment plans according to the enacted progressive delayed retirement policy, appropriately increasing the allocation to risky financial assets to accumulate wealth through extended working lives; second, households should conduct regular risk assessments, adjusting financial asset allocations based on the household's life cycle stage, age, income status, risk tolerance, and retirement plans to ensure household financial security and investment efficiency.

Limitations and Future Directions

However, this study also has limitations, such as the delayed retirement policy being only in the announcement stage during the sample period (2011–2017); it is impossible to truly observe the long-term dynamic adjustment behavior of household risky asset allocation in the short term after the policy's implementation. Furthermore, changes in household decision-making triggered by the delayed retirement policy may also involve other potential channels, such as adjustments in retirement planning expectations and changes in labor supply, as well as broader financial intermediary responses, including innovations in insurance products and changes in credit constraints, which merit deeper exploration in future research.

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KINIJOS PENSINIO AMŽIAUS ATIDĖJIMO POLITIKOS POVEIKIS NAMŲ ŪKIŲ RIZIKINGŲ FINANSINIŲ AKTYVŲ PASKIRSTYMUJ

Yi Liu, Tingting Zhang

Santrauka. Atidėto išėjimo į pensiją politika prailgina namų ūkių laukiamų pajamų laikotarpį ir sumažina atsargų (atsargaus taupymo) poreikį, todėl akademiniuose sluoksniuose vis labiau domimasi platesnėmis šios politikos pasekmėmis. Tačiau esamoje literatūroje trūksta teorinių įžvalgų apie tai, kaip ši politika keičia namų ūkių rizikingų finansinių aktyvų paskirstymą.

Norint ištirti ryšį tarp atidėto išėjimo į pensiją politikos ir namų ūkių rizikingų finansinių aktyvų paskirstymo, remiantis gyvenimo ciklo teorija, buvo panaudoti Kinijos namų ūkių finansų apklausos (angl. *China Household Finance Survey*) duomenys (2011, 2013, 2015 ir 2017 m.) bei skirtumų skirtumo (angl. *difference-in-differences*) modelis. Analizuotas Kinijos atidėto pensinio amžiaus politikos paskelbimo poveikis namų ūkių finansinių aktyvų paskirstymui leido suformuluoti išvadas. Remiantis gyvenimo ciklo teorijos kontekstu, politikos paskelbimas reikšmingai paskatino rizikingų finansinių aktyvų paskirstymą tarp namų ūkių, kurie dar formuojasi ir kuriuose auginami vaikai. Politika skatina stipresnius socialinius tinklus turinčius namų ūkius didinti investicijas į rizikingus aktyvus. Rizikos vengimas stiprina politikos poveikį formavimosi etape, bet slopina jį vaikų auginimo etape. Teigiamas poveikis ryškesnis tarp miesto gyventojų, rytinės Kinijos regionų namų ūkių ir aukštesnį išsilavinimą turinčių šeimų.

Šis tyrimas leidžia pateikti naujų įžvalgų apie laipsniškos atidėto pensinio amžiaus politikos įgyvendinimą. Išvados užpildo teorinę spragą, susijusią su tuo, kaip pensijų politika formuoja namų ūkių rizikingų aktyvų paskirstymą, ir pateikia įrodymų, kaip pasitelkiant heterogeniškumo analizę galima optimizuoti politikos formavimą.

Reikšminiai žodžiai: gyvavimo ciklo teorija; atidėto išėjimo į pensiją politikos paskelbimas; namų ūkio finansinio turto paskirstymas; šeimos gyvenimo etapai.