

Study on the Innovation Path of Pension Financial Products in China Under the Aging Population Background

Jin Hu, Xiaofeng Yu

Liaoning University of International Business and Economics, Dalian, Liaoning, China

Abstract: *With the rapid development of social and economic construction, the problem of population aging has become more prominent and gradually become one of the hot social issues. Based on the background of population aging, this article conducts an in-depth analysis of the current situation and innovative development paths of China's pension financial products. At present, there are problems such as an imbalance in supply and demand structure, single asset allocation, insufficient guarantee mechanism, and weak elderly-friendly attributes in China's pension financial products. In combination with the demand for high-quality development of pension financial products, effective countermeasures are proposed for the existing problems. It provides practical references for building a pension financial product system suitable for Chinese society.*

Keywords: Population aging Pension finance Product innovation.

1. INTRODUCTION

With the rapid advancement of the process of global economic integration, the issue of population aging in China has drawn high attention from society. Pension financial products provide an important guarantee for alleviating the pension problem. In December 2024, the People's Bank of China and other departments jointly issued the "Guiding Opinions on Financial Support for Chinese-style Elderly Care to Serve the High-Quality Development of the Silver Economy", which pointed out the direction for the development of elderly care financial products in China. The "Guiding Opinions" put forward the connotation and significant meaning of pension finance, and respectively pointed out the development path for the innovation of pension financial products in the new era from aspects such as precisely matching pension financial products and services, opening up financing channels for the silver market, promoting the wealth reserve of pension finance, and further enhancing the pension financial rights and interests of the elderly group.

Therefore, this paper, by sorting out the classification and characteristics of pension financial products, makes up for the deficiency of "emphasizing macro mechanisms while neglecting micro-design of products" in current research, and enriches the theoretical system of financial product innovation in the context of an aging population. At the practical level, in response to the current issues such as the imbalance in the supply structure of elderly care financial products, the single asset allocation, and the insufficient elderly-friendly attributes, feasible innovative paths are proposed to provide guidance for financial institutions to develop products that meet market demands. At the same time, it offers decision-making references for regulatory authorities to improve the regulation of the elderly care financial market, ultimately contributing to the realization of the social security goal of "ensuring the elderly are well cared for".

2. ANALYSIS OF THE CURRENT SITUATION AND PROBLEMS OF CHINA'S PENSION FINANCIAL PRODUCTS

2.1 Classification and Market Pattern of Pension Financial Products

At present, China's pension financial products are mainly divided into personal pension products and commercial pension products. Among them, personal pension products enjoy tax benefits and can be purchased through personal pension accounts, which is the core of the market. According to the risk-return characteristics, they can be further classified into four types of products: savings, wealth management, insurance, and funds. As of December 2024, the personal pension product directory includes a total of 942 products, and the proportion of various products shows significant differences (see Figure 1). Savings products ranked first with a share of 49.5%, fund products accounted for 30.2%, insurance products accounted for 17.5%, and wealth management products had the

lowest share, only 2.8% [3].

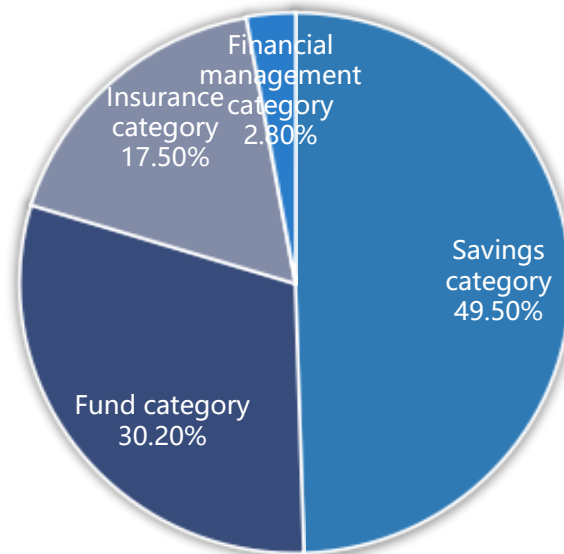


Figure 1: Distribution of various types of pension financial products

According to the actual purchase data of the pension financial market, Ping An Securities' data shows that in 2024, the overall purchase of residents' personal pension products exceeded 58.2 billion yuan, among which the data of pension savings products was 400 billion yuan, accounting for as high as 69.7%. Secondly, the overall data of fund-based pension products, pension insurance products, and wealth management products are 70 billion yuan, 65 billion yuan, and 47 billion yuan respectively, accounting for 12.0%, 11.2%, and 8.1% respectively. Through the overall data, it can be seen that among the current pension financial products in China, savings products dominate, while other wealth management products have different market shares [4]. It provides a broad market space for the diversified and innovative development of elderly care financial products.

Table 1: Purchase Contents of Personal Pension Financial Products

Product Type	Product proportion	Purchase amount	Proportion of purchase
Savings products	49.5%	400 billion yuan	69.7%
Fund product	30.2%	70 billion yuan	12.0%
Insurance products	17.5%	65 billion yuan	11.2%
Financial products	2.8%	47 billion yuan	8.1%

2.2 Existing Problems in the Development of Pension Financial Products

2.2.1 Imbalance in supply and demand structure

From the perspective of the market demand side of pension financial products, the market demand shows the characteristics of "youthfulness and diversification". Relevant research results show that among investors who have opened personal pension accounts, those under the age of 40 account for as high as 79.37%. This group has a strong demand for risk-return balanced wealth management and fund products [5]. Among the investors who have already contributed, the proportions of those who have purchased fund and wealth management products are 27.9% and 27.72% respectively. Moreover, the deposit amounts are mainly concentrated in the range of 200 to 1,000 yuan and 1,000 to 5,000 yuan with a preference for a "small and diversified" investment model [6]. Data from the supply institutions of pension financial products show that the product structure shows a tendency of "emphasizing savings over financial management". Among savings products, commercial bank deposit savings products account for 91%, and the issuance proportion of state-owned commercial banks is approximately 59%. All wealth management products are issued by state-owned bank wealth management companies, with zero participation from private and local financial institutions. Among insurance products, the "old Seven" insurance companies account for 40% of the issuance, indicating a high market concentration. This supply structure leads to a mismatch where the supply of products with high demand is insufficient and the demand for products with excessive supply is limited, which restricts the release of market vitality.

2.2.2 Single asset allocation

Although the personal pension product pool has included new varieties such as government bonds, specific pension savings, and index funds, with 85 new equity index funds (including 78 broad-based index funds and 7 dividend index funds) added, there are still obvious limitations in asset allocation: First, savings products do not participate in the capital market and only focus on low-risk fixed income; Second, wealth management products are mainly of medium and low risk (R2), accounting for 84.6%. The assets are concentrated in standardized assets such as money market instruments and bonds, lacking long-term equity investments. Thirdly, fund products mainly allocate to equity funds, bond funds and hybrid funds, with very little allocation to overseas equity markets, fixed income markets and alternative assets such as crude oil, gold and commodities. The thinking of large-scale asset allocation is lacking. Compared with global pension funds, China's pension financial products have not yet introduced financial derivatives such as commodity futures and hedge funds. Risks are concentrated in the domestic single market, and there is a lack of an effective risk hedging mechanism, making it difficult to meet the "cross-cycle" demands of long-term pension investment [7].

2.2.3 Insufficient product satisfaction

There is a significant gap between consumers' satisfaction with pension financial products and their demand dimensions. According to the "White Paper on China's Pension Financial Products Research", the ranking of consumers' demands for the importance of products is clear. Among them, "the product's return level", "the stability of product returns", and "the flexibility of product deposit and withdrawal" rank in the top three, while the attention paid to dimensions such as "product fee satisfaction", "the convenience of product transactions", and "the degree of product adaptation for the elderly" is relatively low. However, in the actual supply of services, these "low-attention" dimensions have instead become the weak points in satisfaction. For instance, ABC Wealth Management has the lowest satisfaction score in terms of "flexibility of product deposit and withdrawal", while CCB Wealth Management has a relatively high complaint rate regarding "product fees" [8]. Moreover, most of its products have problems such as complex operation processes and unclear information disclosure in terms of "degree of adaptation for the elderly", which cannot meet the usage habits of the elderly group.

2.2.4 Weak elderly-friendly attributes

In recent years, the integration of elderly care finance with health services and elderly care services has gradually advanced. For instance, Taiping Life Insurance has launched the elderly care service brands "Lexiangjia", "Lexiangyou" and "Lexiangju", and China Life Insurance has built an "online + offline" health service platform. However, the overall depth of integration is insufficient, and the elderly-friendly attributes are still not obvious. First, the operation process is complex. Most products rely on online platforms, and the elderly find it difficult to operate independently due to technical barriers. Second, the product pricing is relatively high. The annual premium for some insurance products exceeds 10,000 yuan, which is beyond the affordability of middle and low-income elderly groups [9]. Thirdly, there is poor group adaptability. No exclusive products have been designed for special groups such as rural elderly people and disabled elderly people. For instance, rural areas lack convenient offline service outlets, and disabled elderly people lack integrated products that combine elderly care and financial security.

3. INNOVATIVE PATHS FOR PENSION FINANCIAL PRODUCTS UNDER THE BACKGROUND OF POPULATION AGING

3.1 Innovation in Product Design System

3.1.1 Product Stratification Based on Risk Preference

The core of pension financial products lies in catering to the risk tolerance and living needs of different groups and avoiding homogeneous design. In actual operation, a stratified and classified product matrix can be built based on the differences in age, income and life scenarios of the customer group. In the face of the realistic challenge of population aging, the design of pension financial products should conform to the actual preferences of different market customer groups. Personalized design of different types of new products should be carried out to stratify them, so as to meet the pension financial needs of different customer groups. First, for the conservative group mainly composed of the elderly, based on their consumption preferences, innovative "savings + insurance" pension financial combination products can be designed [10]. On the basis of savings products, additional

accidental medical and long-term care insurance responsibilities can be added to enhance the risk protection capacity. Second, design personalized pension financial products for middle-aged people with pension plans, launch wealth management pension financial products, allocate 30% to 50% of equity assets, and enhance returns through a combination of broad-based indices and dividend indices. The third category is investment-oriented pension financial products designed for young people. Fund-based wealth management products have been developed, and gold ETFs and commodity funds have been introduced to increase the proportion of major asset allocation and meet the demand for long-term returns.

3.1.2 Product Classification Based on Group Characteristics

The elderly care group in our country is not only concentrated among urban residents, but also needs to pay attention to the elderly care financial demands of rural groups. For rural elderly people, small regular savings and innovative products for county-level elderly care services can be designed. Offline services can be provided through rural credit cooperative outlets. The deposit amount can be flexibly set at 50 to 200 yuan per month. After maturity, it can be exchanged for bed fees in elderly care institutions or home care services [11]. Second, for disabled elderly people, financial elderly care products of the long-term care insurance type will be launched. The insurance compensation will be placed in a trust account, and the trust company will pay the fees to the elderly care institutions as agreed to ensure that the funds are used for their designated purposes. Third, for flexible employees, a series of flexible deposit and withdrawal fund products are designed, allowing for quarterly or annual deposits. During unemployment, contributions can be suspended, and after retirement, withdrawals can be made monthly or in a lump sum, among other combined withdrawal methods, to adapt to their unstable income characteristics.

3.2 Service Integration and Innovation

3.2.1 Build an integrated service platform

In the process of high-quality and innovative development of China's pension financial products, it is not only necessary to focus on the adaptability and profitability of the products themselves, but also to consider from the perspective of users and further enhance the service integration and innovation of financial products. For customer experience, the service features of financial products are the key to enhancing product purchases. Financial institutions should join hands with elderly care service institutions and medical institutions to build a comprehensive service platform. First, the online platform integrates multiple functions such as product purchase, pension inquiry, health monitoring, and elderly care appointment. Elderly people can check the product benefits through smart terminals and make one-click appointments for home physical examinations and home care services. Second, offline platforms set up elderly care financial service stations based on bank branches and community elderly care service centers, equipped with professional advisors to provide product consultation. At the same time, they offer basic health services such as blood pressure measurement and chronic disease management, achieving seamless integration of financial services and life services.

3.2.2 Innovate service payment models

According to the research data, the main purchasing power of China's elderly care financial products is concentrated among the middle-aged and elderly groups. Therefore, the innovative design of elderly care financial products should attach importance to the innovation of service payment models. It is possible to link the returns of financial products with elderly care services for different customer groups. One approach is to offer discounts on elderly care services to customers who hold elderly care financial products for a long time. If you hold China Life Insurance products for 5 years or more, you can enjoy an 80% discount on the bed fees of cooperative elderly care institutions. Second, introduce service redemption type products. For instance, after customers purchase financial products, they can redeem part of the earnings for services such as home care hours and rehabilitation equipment rental, achieving the dual goals of asset appreciation and service acquisition. Thirdly, for high-net-worth clients, private banking and customized elderly care services are provided. Based on the clients' health conditions and elderly care needs, an integrated solution including trust, insurance, and the right to live in elderly care communities is customized.

3.3 Regulatory and Market Mechanism Innovation

3.3.1 Improve the regulatory system

Innovation in pension finance needs to strike a balance between encouraging exploration and preventing risks. At the same time, it is necessary to cultivate diverse market entities and enhance the pension financial literacy of the general public to lay a solid foundation for the development of the industry. On the one hand, establish a hierarchical approval system, implement a filing system for low-risk savings products and an approval system for high-risk fund products, and improve the approval efficiency. On the other hand, a risk reserve fund for pension financial products should be established, requiring financial institutions to set aside a reserve fund of 1% to 3% of the product scale to deal with the risk of product default. Finally, it is necessary to strengthen the supervision of information disclosure, requiring products to regularly disclose the proportion of asset allocation, the distribution of income, and information on service cooperation institutions to enhance transparency.

3.3.2 Cultivate diversified market entities

Market innovation of elderly care financial products requires the cultivation of diversified market entities to enhance market vitality, drive new elderly care models, and continuously innovate market mechanisms based on the demands of market entities. First, encourage private financial institutions to participate in the development of pension financial products and offer tax incentives to innovative products launched by private banks and insurance technology companies. Second, introduce foreign pension financial institutions and draw on their experience in product design and risk control, such as cooperating with international pension management companies to develop cross-border pension fund products; Third, support local financial institutions in deeply cultivating regional markets. For instance, rural credit cooperatives and city commercial banks should develop characteristic products based on the needs of local elderly people to fill market gaps.

Financial institutions and local governments can enhance both offline and online publicity to improve the financial and pension literacy of the general public. Regular promotional activities on elderly care finance can be carried out in communities and rural areas. Consultation desks can be set up in community squares to teach the elderly how to operate mobile apps through simulated experiences. In rural areas, staff members will carry brochures and popularize the concept of long-term investment in plain language.

4. CONCLUSION

With the further acceleration of population aging, the silver economy has ushered in new development opportunities. The design of elderly care financial products should have an innovative consciousness, expand the customer base of the elderly care market, and strengthen the innovation of financial asset allocation, financial product services, and regulatory and market mechanisms in parallel. Under the premise of continuously improving the adaptability of elderly care finance, the returns and services of elderly care finance should be enhanced. Only in this way can we more diversely meet the needs of customers and thereby promote the high-quality development of China's elderly care finance industry. In the future, it is necessary to further enhance the integration of financial technology and elderly care finance, promote product innovation towards precision, intelligence and humanization, and provide more powerful financial support for addressing population aging.

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