

LIFE CYCLE STAGES AND DISTRIBUTION OF LIQUID ASSET INVESTMENT IN KOREAN HOUSEHOLDS. Kim, Y. J., Department of Consumer Studies & Human Development, Ewha Womans University, Seoul 135-240, Korea

The purpose of this study are to investigate the distribution and amount of liquid asset investment by life cycle stage, and to identify the factors contributing to the amount of safe investment, moderate/risk investment and risky investment.

The investment planning process is initiated with the identification of a household's goals. That is, Investment goals are likely to change as the household passes through different stages of life cycle. As a general rule, many household truly appreciate the power of diversification and the value of using asset allocation model in the construction of an investment portfolio.

The data in this study were drawn from 1994 Korean Households Panel Study(KHPS). Total sample was 2,964 married couples. Family life cycle stage consisted of Accumulation stage(less than 35 age), Acceleration stage(35-55 age), Preservation stage(over 55 age). For this study, Frequency, Percentile, Mean value were employed. GLM and Tobit method was used. Dependent variable is the distribution of liquid asset amount(safe investment: saving, moderate/risk investment: sum of bond and insurance, risky investment: sum of stock, gyet and personal loan). Independent variables are consisted of two groups: family-related/demographic factor, financial related factors. The result of GLM procedure suggests that the mean value of saving amount as safe investment in Accumulation stage are lower than the other stage. On the meanwhile, the moderate/risk and risky investment amount in Preservation stage are statistically lower than Accumulation stage and Acceleration stage. Although the factors affecting to the amount of various investment are somewhat different, the occupation of household head, education, life cycle stage, annual total income variables are commonly significant. The finding and Conclusion as follows. Total amount of liquid asset investment by life cycle stage indicated reverse U shape. The portfolio of Preservation stage households composed 80% over of safe investment, and only 6% of risky investment out of total liquid asset amount. This means that the older age seeking extremely risk averse investment attitude to generate stable current income after regular sources of earned income are exhausted. And the investment attitude of Acceleration stage in Korea are not willing to take risks. This result indicated that many middle years seeking for safe rather than profit different to Asset Allocation Model Theory. Through these result, the diversity of investment by life cycle stage suggested that targeted financial planning is essential. The effect of different variables to absolute amount of three investment indicates needs to establish the special strategy fitting to overall life span. So, financial planning and counseling program must included various portfolio strategy to help client(household) has stable liquid asset ownership.