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Study on the Path to Enhance Financial Demand for Elderly Care Services in Chinese Families from the Perspective of Intergenerational Wealth Transfer

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Abstract

With the accelerating aging of the population and the rise of pension finance to a national strategy, effectively improving the financial demand for family-based elderly care services has become a crucial issue that urgently needs to be addressed. This paper, from the perspective of intergenerational wealth transfer, comprehensively utilizes intergenerational transfer theory and, based on the 2022-2023 China Inter-Sectoral Financial Flow Matrix (SBYS) data, systematically analyzes the financial asset and liability structure and intergenerational capital flow characteristics of the household sector. Combining existing micro-level empirical research findings, it explores the impact mechanism and improvement path of intergenerational wealth transfer on the financial demand for elderly care services. The study finds that intergenerational transfer of family wealth profoundly influences the income level, employment decisions, and savings behavior of the next generation through channels such as human capital investment, direct gifts, and inheritance, thereby shaping the family's demand for pension financial products. Macroeconomic capital flow data shows that household financial investment continues to expand, with the proportion of pension reserve assets, mainly deposits and insurance reserves, increasing. However, intergenerational capital flows are still dominated by indirect financial intermediaries, and direct intergenerational transfer tools need further development. Based on this, this paper proposes multiple approaches, including improving the pension system, innovating intergenerational wealth transfer financial products, promoting the inclusiveness of digital finance, and strengthening social network support, to promote a positive interaction between intergenerational wealth transfer and the financial needs of elderly care services.

Keywords

Intergenerational Wealth Transfer; Elderly Care Financial Services; Family Finance; Social Accounting Matrix; Improvement Path.

1. Introduction

The 2023 Central Financial Work Conference listed pension finance as a key national financial task for the first time, marking its elevation from conceptual exploration to a national strategy. Against the backdrop of accelerating population aging and the rapid development of the silver economy, building a multi-tiered pension finance system, including pension service finance, has become a crucial path to alleviate social pressure on elderly care and revitalize new economic drivers.[1] Simultaneously, the scale of Chinese household wealth accumulation continues to expand; according to data from the People's Bank of China, total household wealth in my country exceeded 600 trillion yuan in 2023.[2] However, a structural imbalance remains between the rapid accumulation of household wealth and the supply of intergenerational wealth transfer tools, and the traditional "reverse support" model of elder care is insufficient

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to meet the asset allocation needs of modern families. How to enhance families' demand for pension service finance from the perspective of intergenerational wealth transfer, and achieve the smooth transmission of intergenerational wealth and the optimal allocation of pension resources, has become a common focus of academic research and policymaking.[3]

Based on a review of relevant theories on intergenerational wealth transfer and pension finance, this paper uses data from the 2022-2023 China Inter-Sectoral Financial Flow Matrix (SBYS) to characterize the financial asset and liability status of households and the characteristics of intergenerational capital flows. Combined with existing micro-level empirical research, it analyzes the mechanism by which intergenerational wealth transfer influences the demand for pension services, and explores feasible paths to increase demand, aiming to provide a reference for building a family-based pension financial support system with Chinese characteristics.[4]

2. Literature Review and Theoretical Foundation

2.1. The Theoretical Connotation of Intergenerational Wealth Transfer

Intergenerational wealth transfer refers to the process of transferring wealth from parents to children, including direct transfers (such as gifts and inheritances) and indirect transfers (such as human capital investment). Fei Xiaotong's (1983) "feedback model" reveals the two-way support characteristic of intergenerational relationships in China-parents raise children, and children support their parents; this "reverse support" mechanism is the ethical basis for family-based elder care.[5] Becker's (1974) altruistic model argues that family members allocate resources based on maximizing overall utility;[6] while exchange theory emphasizes the reciprocity principle of intergenerational transfer (Cox, 1987). Xu Zhi et al. (2021) further point out that intergenerational income elasticity (IGE) is negatively correlated with household savings rates; parents increase human capital investment and bequests to enhance their children's social status, thereby pushing up savings rates.[7] This indicates that the motivation for intergenerational transfer is an important perspective for understanding household savings and elder care financial needs.[8]

2.2. The Concept and Function of Elderly Care Service Finance

Pension finance refers to financial activities undertaken to meet the retirement needs of society's members, encompassing three parts: pension finance, pension industry finance, and pension service finance (Dong Keyong & Zhang Dong, 2017).[9] Among these, pension service finance focuses on the asset management needs of the elderly, covering financial products and services such as retirement savings, insurance, trusts, and reverse mortgages.[10] Its core function is to transform family wealth into sustainable retirement resources through market-based financial instruments, compensating for the inadequacy of public pensions and family support.[11]

2.3. The Relationship between Intergenerational Transfer and Elderly Care Service Finance

Existing research has revealed the intrinsic connection between the two from multiple dimensions. Huang Qian et al. (2025) found that family wealth affects the employment and wages of offspring through human capital investment and direct wealth transfer, exhibiting an inverted U-shaped characteristic: moderate wealth promotes employment, while excessive wealth may inhibit labor enthusiasm.[12] Yin Zhichao et al. (2024) showed that digital inclusive finance increases family income by promoting entrepreneurship and non-agricultural employment, but also increases income volatility, with higher returns per unit of volatility, providing a risk-adjusted return basis for families to allocate pension financial products. Zhang Tianlai (2025), based on the new rural pension insurance policy, showed that public pension funds "crowd in" economic support for intergenerational downward mobility, but "crowd out"

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the willingness of grandparents to provide care, indicating that public policies can change the allocation of resources within families, thereby affecting the demand for market-based elderly care services. Wei Hongyao et al. (2016) analyzed children's support behavior from three dimensions: intergenerational exchange, filial piety culture, and structural constraints, pointing out that parents' recent support, filial piety concepts, and residential distance significantly affect children's support investment, providing a micro-foundation for understanding the substitution relationship between family elderly care and financial needs.

In summary, intergenerational wealth transfer profoundly impacts families' demand for retirement financial products by altering their income, savings, consumption, and risk attitudes. However, existing research largely focuses on micro-level mechanisms, lacking a macro-level characterization of capital flows and path integration. This paper aims to systematically explore pathways to enhance families' financial demand for retirement services from the perspective of intergenerational wealth transfer, using macro-level flow of funds data.

3. Macroeconomic Capital Flow Analysis based on Social Accounting Matrix

Financial transactions 2023 S-BY-S (Billions of yuan)		Financial liabilities						Deposit							Gross liabilities
		Non-financial business	Financial institution	Government	Resident	External	Subtotal	Deposit	Flow error of actual flow	Adjusted savings	Changes in international reserves	Financial flow error	Subtotal	
Financial investment	Non-financial business	23069.4	103580.25	5543.59	59467.58	6838.12	198499	229062.	0	229062.4	0	56511.2	285573.6	484072.6
	Financial institution	47935.9	215228.84	11519.00	123567.37	14208.88	412460	41111.3	0	41111.3	0	−16939.9	24171.4	436631.4
	Government	12386.3	55613.74	2976.44	31929.01	3671.48	106577	5682.8	0	5682.8	0	−48442.1	−42759.3	63817.7
	Resident	6523.87	29291.70	1567.69	16816.98	1933.77	56134	276073	0	276073.1	0	4566.6	280639.7	336773.7
	External	5265.44	23641.46	1265.29	13573.06	1560.75	45305	−29963	0	−29963.8	6723	2132.7	−27831.1	24196.9
	Subtotal	95181	427356	22872	245354	28213	818976	528688	0	528688.9	6723	−2171.5	526517.4	1352215.4
Real investment	Total capital formation	338229	2552.4	63517.5	115494.3	0	519793.2							
	Net capital transfer expenditure	−10299	0	10319.5	0	−20.1	0							
	Gains and losses from the disposal of other non-financial assets	56966	0	−32891.3	−24074.6	0	0.1							
	Change in international reserves	0	6723	0	0	0	6723							
	Financial flow error	3996	0	0	0	−3996	0							
	Subtotal	388891.	9275.4	40945.7	91419.7	−4016.1	1345492							
Total investment, gross investment		484072	436631.4	63817.7	336773.7	24196.9	1352215							

Figure 1. Financial transaction 2022 S-BY-S

Financial transactions 2023 S-BY-S (Billions of yuan)		Financial liabilities						Deposit							Gross liabilities
		Non-financial business	Financial institution	Government	Resident	External	Subtotal	Deposit	Flow error of actual flow	Adjusted savings	Changes in international reserves	Financial flow error	Subtotal	
Financial investment	Non-financial business	19770	115785.88	10180.43	52267.96	4145.43	202150	246213	0	246213	0	51907	298121.61	500271.61
	Financial institution	46033	269598.67	23704.35	121702.0	9652.31	470691	41341	0	41341.93	0	−148594	−107252.2	363438.77
	Government	12825.1	75111.04	6604.11	33906.56	2689.16	131136	−11332	0	−11332.7	0	−4273	−15606.46	115529.54
	Resident	5083.75	29773.27	2617.80	13440.22	1065.96	51981	274770	0	274770.0	0	−145225	129544.75	181525.75
	External	3295.96	19302.99	1697.21	8713.74	691.10	33701	−18492	0	−18492.4	1129	28.44	−18463.99	16366.01
	Subtotal	87009	509573	44804	230031	18244	889661	533629	0	533629.4	1129	−169.25	533460.23	1424250.2
Real investment	Total capital formation	326953	5806.77	89983.38	109586.5	0	532330.2							
	Net capital transfer expenditure	−10554.37	0	10575.49	0	−21.12	0.00							
	Gains and losses from the disposal of other non-financial assets	49886.1	0	−29833.34	−20052.76	0	0							
	Change in international reserves	0	1129	0	0	0	1129							
	Financial flow error	2082	0	0	0	−2082	0							
	Subtotal	368367	6935.77	70725.53	89533.76	−2103.12	1423120.							
Total investment, gross investment		455376	516508.77	115529.53	319564.7	16140.88	1424249.							

Figure 2. Financial transaction 2023 S-BY-S

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The financial flow statements in the social accounting matrix can characterize financial transactions between institutional sectors, revealing the flow of funds and the asset and liability structure of sectors. This paper uses the 2022 and 2023 China Sector × Sector Financial Flow Statements (SBYS) to analyze the financial asset and liability status of the household sector (households).

3.1. Characteristics of Household Financial Asset Allocation

According to the 2022 SBYS table, total household financial investments amounted to RMB 24,535.4 billion, primarily allocated to: deposits of RMB 18,887.1 billion (76.98%), insurance reserves of RMB 3,167.3 billion (12.91%), currency of RMB 1,223.2 billion (4.99%), and securities of RMB 1,054.4 billion (4.30%). In 2023, total household financial investments slightly decreased to RMB 23,003.1 billion, including RMB 17,413.7 billion (75.72%), insurance reserves of RMB 3,684.6 billion (16.02%), currency of RMB 733.7 billion (3.19%), and securities of RMB 1,108.5 billion (4.82%). It is evident that deposits remain the main component of household financial assets, but the proportion of insurance reserves rose from 12.91% to 16.02%, reflecting an increased emphasis on long-term retirement security among households; the proportion of securities investment increased slightly, indicating a stronger risk appetite and diversified investment awareness among households.

3.2. Household Sector Liabilities and Net Financial Investment

On the liabilities side, household financial liabilities mainly consist of loans, amounting to 5.042 trillion yuan in 2022 and 4.7419 trillion yuan in 2023. Net financial investment (financial assets minus liabilities) was 19.4934 trillion yuan in 2022 and 18.2612 trillion yuan in 2023, showing a slight decrease but remaining at a high level. Net financial investment is the net amount of funds provided by the household sector to other sectors, mainly flowing to financial institutions through deposits and insurance. Financial institutions then allocate these funds to enterprises, governments, and other sectors through loans and securities investments. This process indicates that the household sector is the main supplier of funds to the entire society, with its savings being transformed into investments through financial intermediaries, a significant portion of which ultimately serves the elderly care industry and related infrastructure construction.

3.3. Macroeconomic Manifestations of Intergenerational Capital Flows

While the SBYS table does not directly record intergenerational transfers (such as gifts and inheritances), high net financial investment by households implicitly provides the macroeconomic basis for intergenerational wealth accumulation. Households accumulate wealth through savings, which will be passed on to their children in the form of inheritance or gifts. In 2022 and 2023, adjusted household savings were RMB 27,607.3 billion and RMB 27,477 billion respectively, maintaining a high proportion of disposable income. According to the research of Xu Zhi et al. (2021), increased intergenerational income mobility incentivizes parents to increase savings to enhance the human capital of their children, which to some extent explains the high savings rate among Chinese households. From the perspective of capital flows, household savings are transformed into corporate investment and government public expenditures through the financial system, objectively creating a better employment and income environment for children, thus constituting indirect intergenerational transfer.

3.4. Implications of Inter-departmental Capital Flows

Financial institutions are the core intermediaries connecting households with other sectors. In 2022, households' investments in financial institutions (deposits + insurance + securities) reached 23,108.8 billion yuan, accounting for 94.2% of their total financial investments; in 2023, this figure reached 22,206.8 billion yuan, accounting for 96.5%. Meanwhile, loans and

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investments by financial institutions in non-financial enterprises are their main channels for fund utilization. This pattern, dominated by indirect financing, means that household retirement savings primarily support the real economy indirectly through financial intermediaries, rather than being directly used for retirement consumption or purchasing retirement services. Developing direct retirement financial products (such as reverse mortgages, retirement trusts, and long-term care insurance) can help more accurately connect household savings with the supply of retirement services, improving the effectiveness of retirement financial demand.

4. Mechanisms by Which Intergenerational Wealth Transfer Influences the Financial Demand for Elderly Care Services

Based on a combination of macroeconomic data and microeconomic empirical evidence, intergenerational wealth transfer influences the financial demand for family elder care services through the following mechanisms:

4.1. The Effect of Human Capital Investment

Family wealth enhances the human capital of future generations through investment in education, thereby increasing their lifetime income and retirement capabilities. Huang et al. (2025) found that the impact of family wealth on children's wages follows an inverted U-shape, with moderate wealth promoting income growth. This means that parents' investment in their children's education can indirectly reduce children's dependence on their parents for retirement support, allowing them to instead plan their own retirement through market-based retirement financial products. Furthermore, as children's income increases, they are more likely to purchase commercial retirement insurance or provide retirement funds for their parents.

4.2. Motivations for Savings and Bequests

As intergenerational income mobility increases, parents are more likely to increase savings and bequests to secure their children's social status (Xu et al., 2021). A significant portion of these savings exists in the form of retirement financial assets, such as retirement savings deposits, retirement insurance, and retirement target funds. When parents anticipate transferring wealth to their children in the future, they will pay more attention to preserving and increasing the value of their wealth, thus increasing the demand for retirement financial products.

4.3. Substitution and Complementarity of Informal Insurance

Informal insurance mechanisms such as social networks and family mutual aid can, to some extent, replace formal pension insurance. Research by Yin Zhichao et al. (2025) shows that social networks significantly reduce the poverty vulnerability of rural families by alleviating liquidity constraints and sharing risks. However, against the backdrop of deepening aging, the stability of informal insurance is insufficient, necessitating supplementation with formal pension financial products. Intergenerational wealth transfer can serve as a "bridge," incentivizing families to convert some of their social network resources into the purchase of commercial pension insurance, thereby upgrading the risk-sharing mechanism.

4.4. The Regulatory Role of Public Policy

Public pension schemes such as the New Rural Pension Insurance (NRP) are changing the intergenerational support model within families by increasing the income of the elderly. Zhang Tianlai (2025) found that the NRP "crowds in" downward economic support but "crowds out" time for grandparental care. This suggests that public policy can release family resources for elderly care, making them more inclined to use market-based elderly care services, thereby increasing the demand for financial services related to elderly care. The development of digital

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finance, by reducing transaction costs and improving financial accessibility, makes it easier for families to allocate elderly care financial products (Yin Zhichao et al., 2024).

5. Pathways to Enhance Financial Demand for Family-Based Elderly Care Services

Based on the above analysis, this paper proposes the following improvement path:

5.1. Institutional Innovation: Improving the Legal Framework for Pensions and Wealth Transfer

The government should further improve the basic old-age insurance system, raise pension levels, and enhance income security for the elderly. At the same time, it should accelerate research on inheritance tax and gift tax systems, guide families to rationally plan intergenerational wealth transfer, and encourage the orderly inheritance of wealth through financial instruments such as family trusts and insurance trusts, thereby effectively linking intergenerational wealth with retirement needs.

5.2. Product Innovation: Developing Intergenerational Pension Financial Products

Financial institutions should develop retirement financial products that embody intergenerational responsibility, such as joint retirement insurance for parents and children, reverse mortgage loans, and savings-type insurance with long-term care coverage. These products can meet the retirement needs of the elderly while also considering the inheritance expectations of their children, thus increasing family participation. According to SBYS data, the proportion of family insurance reserves is rising, indicating that insurance products already have a certain market foundation and should be further expanded.

5.3. Digital Empowerment: Enhancing the Accessibility and Suitability of Elderly Care Financial Services

Accelerating the construction of digital infrastructure in rural and remote areas will reduce the digital divide and enable more families to participate in the pension finance market through mobile payments, online financial management, and digital insurance. Digital inclusive finance has proven to increase household income by promoting employment and entrepreneurship (Yin Zhichao et al., 2024). As income increases, families' pension savings capacity will be enhanced. Digital pension planning tools should be introduced to help families allocate assets according to life cycle and intergenerational goals.

5.4. Community and Social Network Support: Leveraging the Supplementary Role of Informal Insurance

Communities are encouraged to establish mutual aid organizations for the elderly, leveraging the role of social networks in information dissemination and risk sharing. The government can support community-based financial education for the elderly through service procurement and tax incentives, improving residents' financial literacy and enabling them to better understand and utilize elderly financial products. Simultaneously, policies such as village-based assistance programs should focus on cultivating family asset accumulation capabilities, providing a material foundation for elderly financial needs (Wu Weixing et al., 2024).

5.5. Strengthen Financial Literacy and Retirement Planning Education

Integrating retirement finance knowledge into the national education system and community training will enhance families' understanding of the effects of compound interest, risk diversification, and long-term planning, guiding them to save and invest for retirement from an intergenerational perspective. Improved financial literacy has been proven to promote family

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asset diversification (He Weijing, 2025), contributing to the release of retirement finance demand.

6. Conclusion and Recommendations

This paper analyzes the influencing mechanisms and improvement paths of family financial demand for elderly care services from the perspective of intergenerational wealth transfer, combining macro-level capital flow table data and micro-level empirical research. The main conclusions are as follows: First, intergenerational transfer of family wealth significantly influences family demand for elderly care financial products through channels such as human capital investment, savings and inheritance, informal insurance substitution, and policy adjustments. Second, macro-level capital flow data shows that the net financial investment of the household sector is substantial, but funds mainly flow to financial institutions indirectly through deposits and insurance, while the development of financial products directly linked to elderly care services is insufficient. Third, improving the demand for elderly care financial services requires coordinated efforts from multiple dimensions, including institutional mechanisms, products, technology, and community education.

Based on this, it is recommended that government departments improve the pension system and the legal framework for wealth transfer; financial institutions innovate intergenerational financial products for elderly care; accelerate the popularization of digital finance and improve service accessibility; and strengthen community support networks and financial literacy education to form a social ecosystem for elderly care finance. Through these pathways, a positive interaction between intergenerational wealth transfer and the financial needs of elderly care services can be achieved, providing strong support for actively addressing population aging and promoting common prosperity.

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