



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

Research project on Stockholding in Europe

“Stockholding in France”

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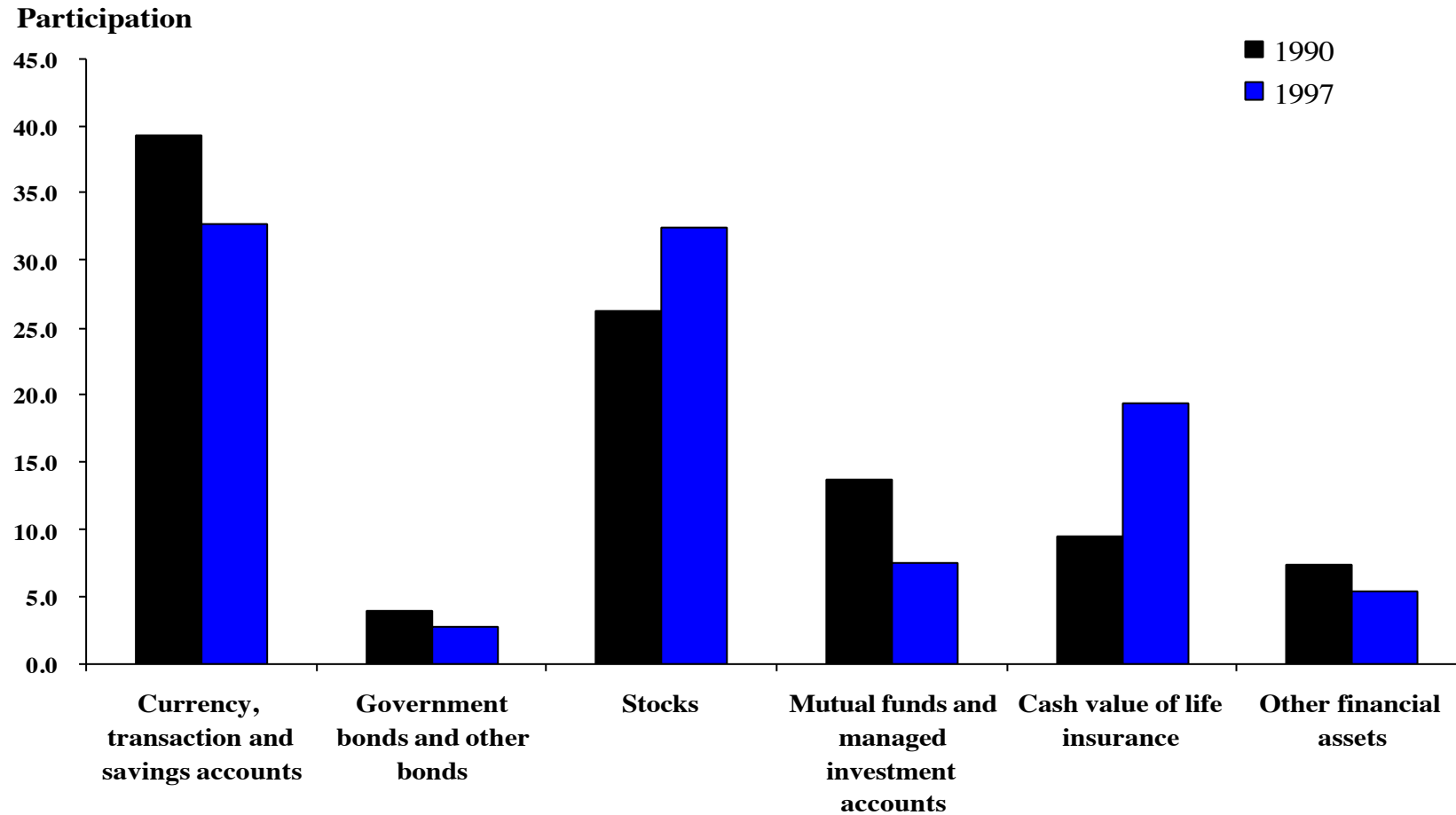
Outline

- Macroeconomic trends
 - Main developments
- Microeconomic picture
 - Stockownership data
 - Stock market participation
 - Who are the stockholders?
 - The wealth-portfolio and the age-portfolio profiles
 - Future work

Macroeconomic trends

- Significant changes in portfolio strategy
 - decreased liquid assets holding (safe assets)
 - increased direct stockholding
 - marked decreased indirect stockholding through mutual funds
 - increased importance of life insurance

Households' portfolio



Macroeconomic trends

- Increase in value and higher return on equities and mutual funds (stock exchange index has doubled)
- Privatization of state-owned firms (especially France Telecom in 1997...)
- Diminished expectations of pension benefits
- More taxes on capital gains and investment incomes
- Product innovation (PEP in 1990, PEA in 1992)

The microeconomic data

- Patrimoine 97 INSEE survey
- Run periodically (1986, 1992, 1997, 2003)
- Information about:
 - socio-economic and demographic situation of each member of the household
 - intergenerational transfers
- Financial assets (27) are reported with amount.

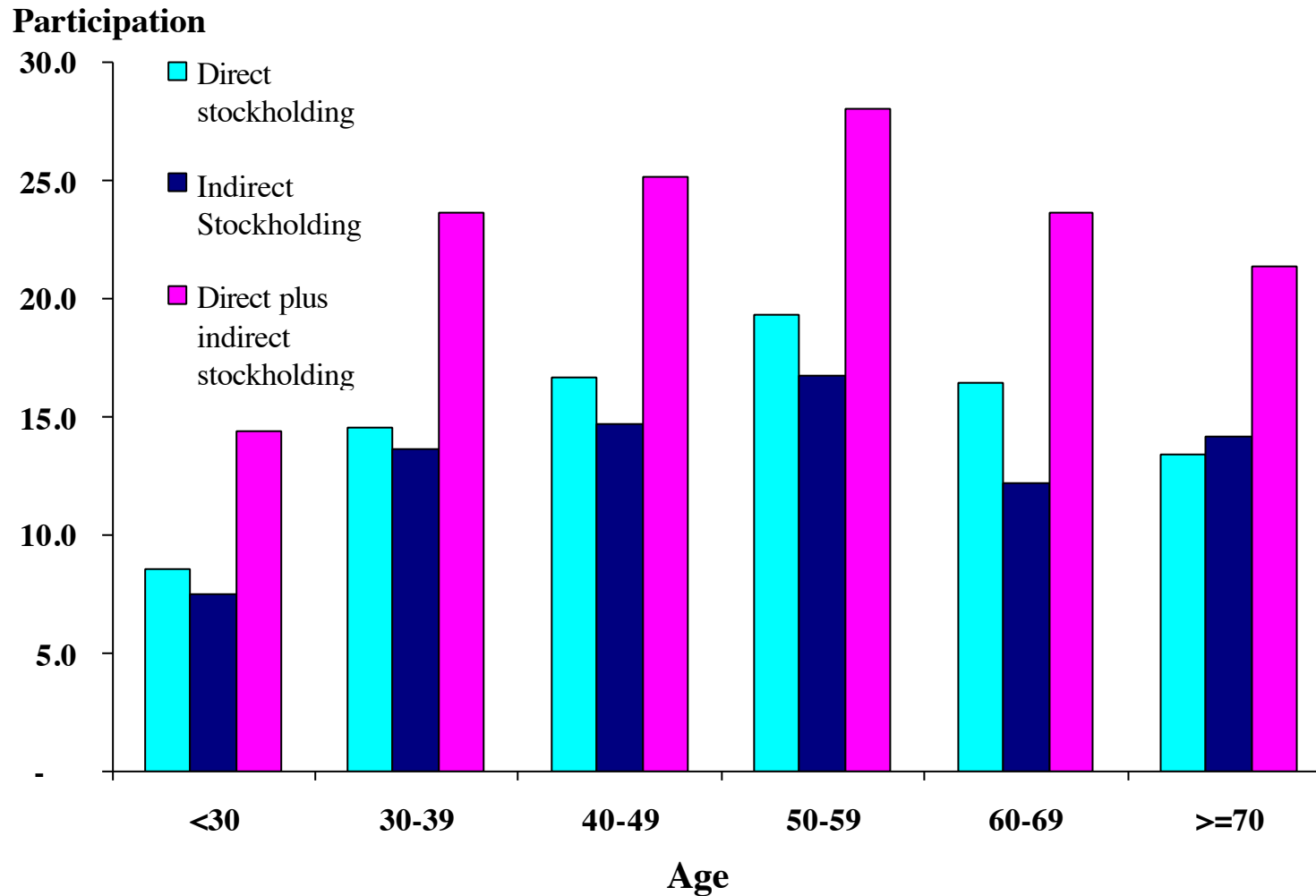
Stock market participation in 1997

- Direct stockholding: 15 percent
- Indirect stockholding (mutual funds): 13.5 percent
- Upper bound of stockownership: 23 percent
- Participation has increased (9.1% in 1992 for direct stockholding).

Age and stockownership

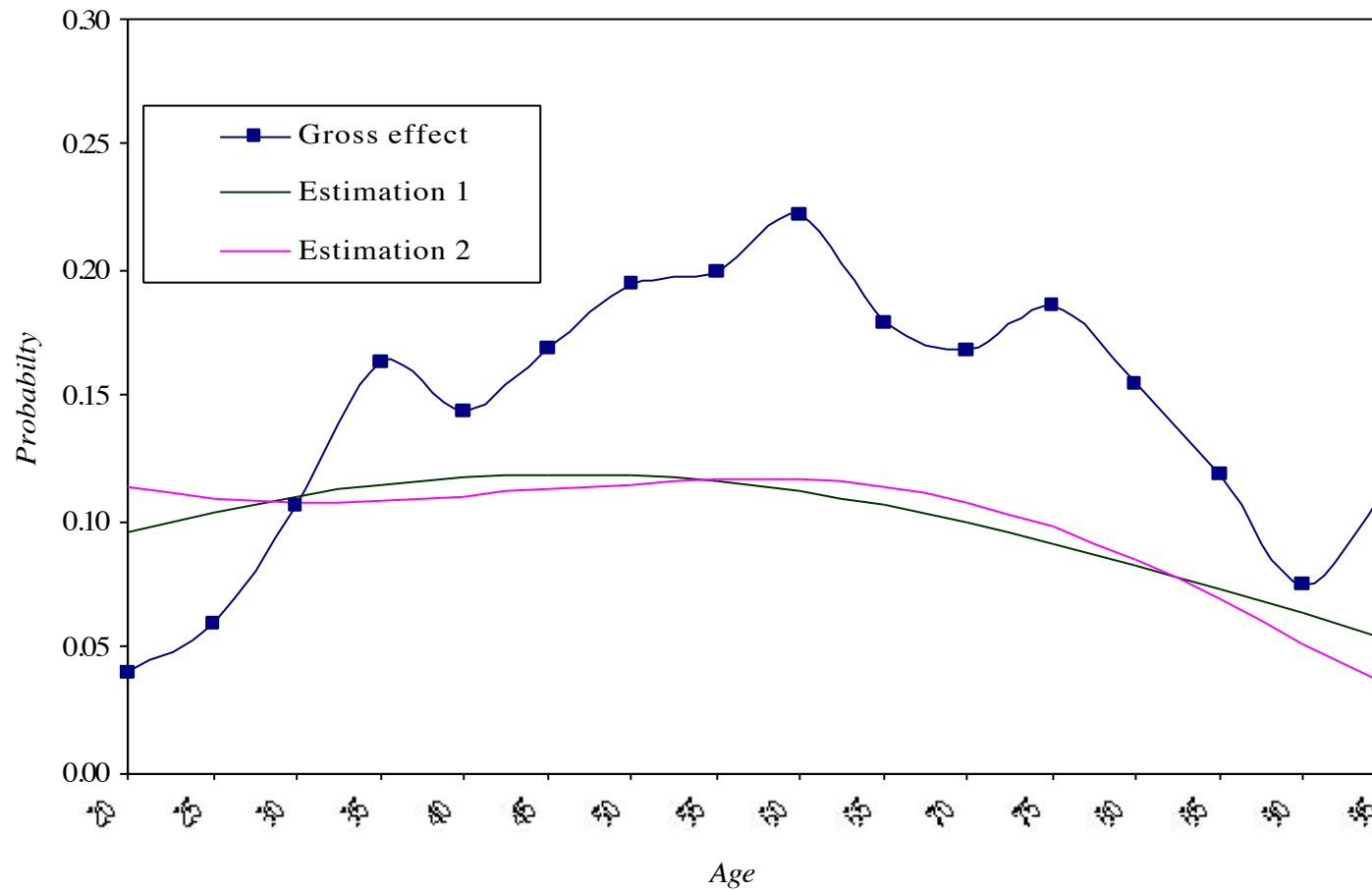
- Profile of participation is hump-shaped
- It peaks around age 60
- At peak:
 - direct stockholding = 19% (4 p. above average)
 - ind. stockholding = 17% (4 p. above average)

Stockholding and age



The age profile of stockownership

Figure 1
Direct stockholding by age

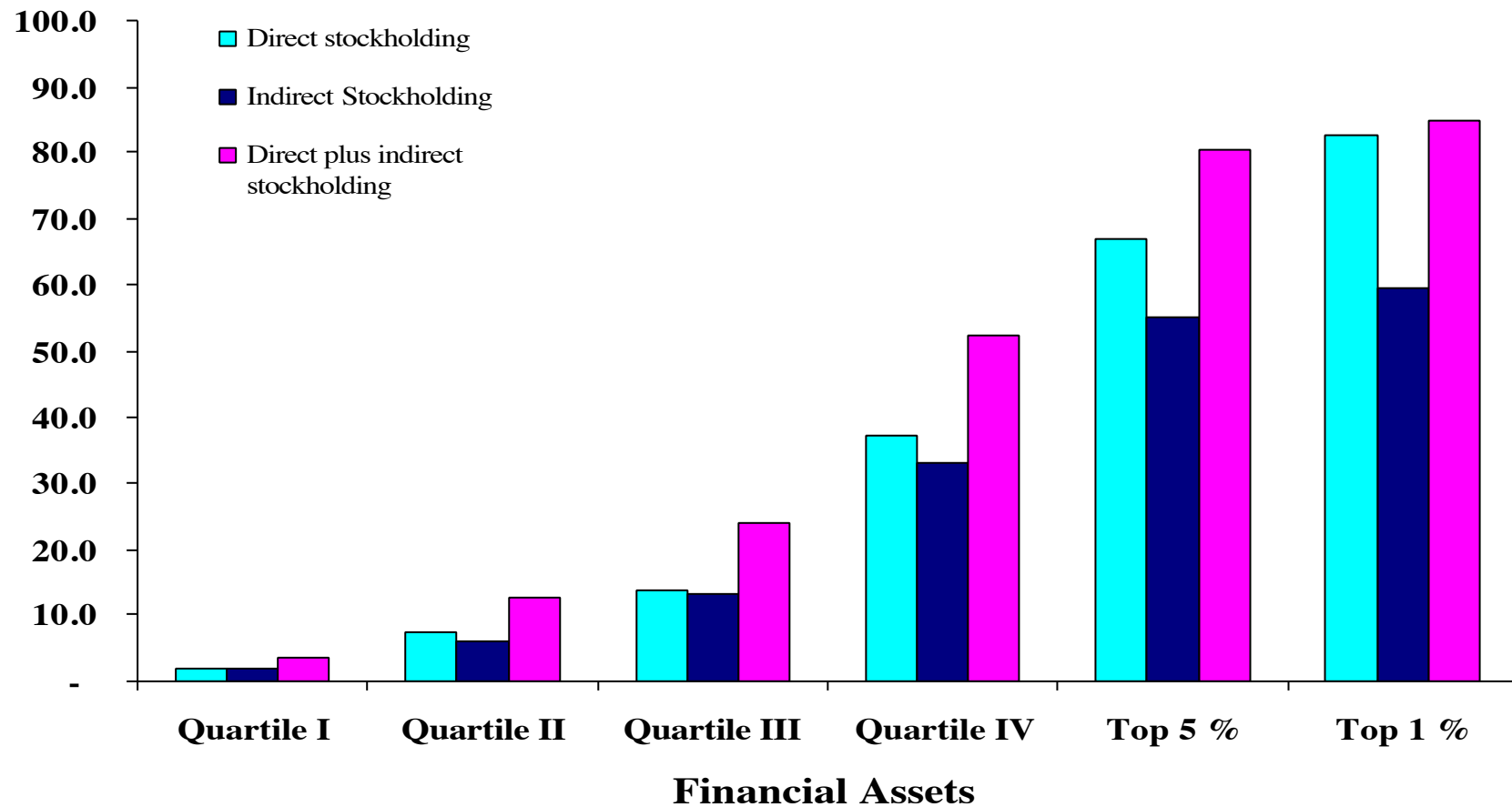


Financial wealth and stockownership

- Below median financial wealth less than 10% of French households invest directly in stocks. In the III quartile less around 14% have stocks
- Participation is much higher in the IV quartile of financial wealth (37%)
- Even higher in top 5 and 1% of the financial wealth distribution (67 and 83%)
- For indirect stockholding, participation also increases, but at a lower rate (33% in IV quartile, 55% in top 5 and 60% in top 1%)

Financial wealth and stockownership

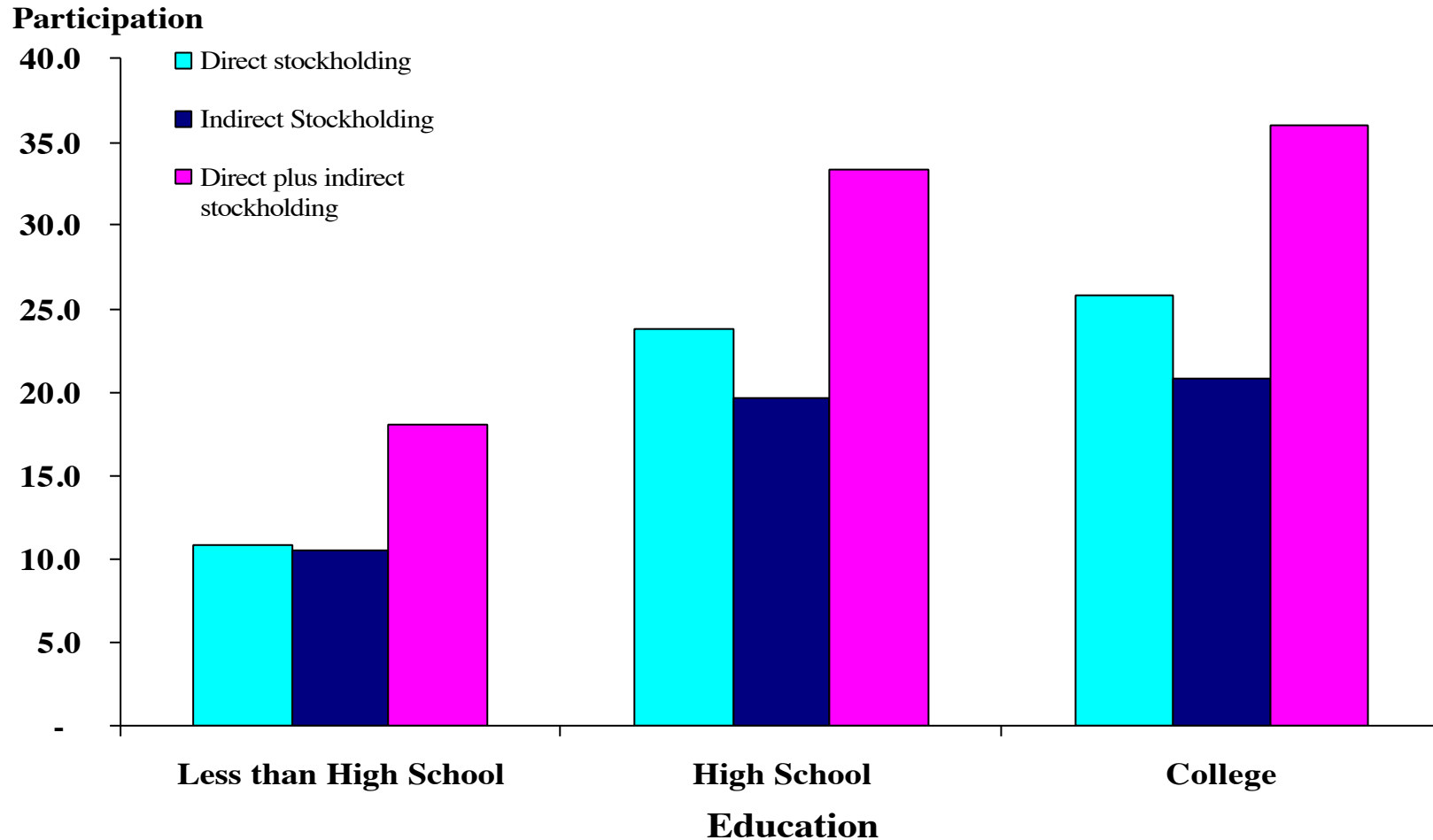
Participation



Education and stockownership

- Stockownership depends strongly of the level of education of households
- Participation for direct stockholding is less than 11% for households with less than High school education and around 26% for households with college education

Education and stockownership



Who holds stock?

- Main tracts:
 - Individuals just before retirement, with high financial wealth, with high income and high education
- Other features:
 - More likely to be married, male, 2 to 4 household members, with two income recipient, self-employed or with a high-risk occupation

How do stockholders manage their portfolio ?

- **Types of stocks**
 - 80% invest in stocks of listed companies and 9% in stocks of non listed companies
 - 21% invest in stocks of their employer
- **Use of financial advisors and frequency of trades**
 - 38% of stockholders hold their portfolio without management and 24.5% manage their portfolio personally
 - 23% follow their financial advisor to trade and 15% entrust their financial advisor with managing of portfolio

Next part of the project

- Econometric analysis of portfolio according to recent models of portfolio choice :
 - information and transaction costs
 - future income risk
 - credit constraints
 - measure of individual risk aversion