

# When the golden eggs run out

*Economist*, 2008.12.6

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2008.12

# A disaster for savers

This years have been a disaster for savers

- stockmarkets
- corporate bonds and commercial property
- commodities, hedge funds and private equity
- savings account
- houses

## Damage varies from person

- Pooled portfolio (資產組合)
- The Investment Company Institute, the national association of American mutual funds, says the value of assets in such funds was \$9.6 trillion at the end of October, \$2.4 trillion less than at the end of 2007

## Wealthy and workers

- Very wealth can cope
- One class of investors will be especially badly hit: workers in **defined-contribution pension scheme** (退休金)
- Defined-contribution plans (called 401(k) in the U.S.) are more exposed to equities (and hence risk)
- Workers will be discouraged from saving?

# Household savings

- For the past ten years, American households save little (chart 2)
- Savings ratio is difficult to calculate, however
- **Capital gains** from financial assets are excluded
- For the past ten years, capital gains “can be as important ... in determining the future consumption possibilities of households”

## Capital gains and savings

- Capital gains might be the reason for the households to save less
- Now they have learnt the awful truth, they may decide to save a lot more, **making the recession even worse than expected**
- When workers are worried about the future, they tends to save more
- The same tends to be true when their existing wealth, including their houses, falls in value