

Research on the Return and Risk of Financial Investment

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ABSTRACT. *With the rapid development of China's overall economy and the enhancement of people's awareness of investment and financial management, the financial investment market has ushered in new development opportunities. In order to regulate the financial investment market, the state has issued favorable economic system regulation policies, and strengthened efforts to rectify the surging financial investment platform. Investment income is bound to be accompanied by risks. On the one hand, it comes from the uncertainty of investment and financial management itself, and on the other hand, it comes from the new investment and financing platform with different advantages and disadvantages. Investors need to make clear the relationship between financial investment income and risk, conduct investment behavior cautiously, and conduct risk assessment before investment, so as to truly obtain income through financial investment.*

KEYWORDS: *Financial investment, Risk analysis, Investment income*

1. Introduction

Financial investment is an economic activity for the purpose of obtaining expected income. The main body carries out investment and financial management by purchasing securities such as stocks, which indirectly concentrates idle social funds and has an important impact on the total amount of social capital. Financial investment products have the characteristics of high flexibility, strong liquidity and low access threshold, so they are loved by the majority of individual investors and become the most popular investment mode at present. However, any investment behavior is associated with risk. The income of financial investment is directly linked with the price fluctuation of securities. Therefore, investors need to be cautious in investment behavior and balance the relationship between return and risk.

2. The Relationship between Financial Investment Income and Risk.

The income of financial investment refers to the net profit obtained by investors by purchasing investment products. The amount of this amount is directly related to

many factors, including the holding time of investment products, the rate of return, the overall economic environment, changes in government policies, etc. These factors are uncertain for investment behavior and may become the source of financial investment risk. Usually, high risk means high return. The income and risk of financial investment are accompanied by each other. No investor can obtain the financial investment income without taking the risk at all. Different types of investment products also have different expected returns due to different degrees of uncertainty. Therefore, investors should evaluate the risk of the corresponding investment project before deciding to make financial investment behavior, and try to avoid “eggs in the same basket” to enhance the risk, so as to avoid the risk at the source.

3. Current Situation of China's Financial Investment Market.

The financial investment market in the new era presents new characteristics and trends. First of all, with the rapid and steady development of the national economy, the level of people's family income has been greatly improved, and more and more individual investors have entered the financial investment market. However, most investors know little about the basic knowledge of financial investment and do not have enough thinking and awareness of risk prevention and control. Their investment tends to be blind and speculative and vulnerable to the impact of investment risks. At the same time, with the rapid development of science and technology, the financial investment platform has shifted from offline to online. Due to the lack of investment knowledge, many investors are very easy to be attracted by some platforms that can be operated easily, and conduct investment without selectivity. Because the relevant regulatory policies in China are not perfect, many financial investment and financing platforms are not compliant, and there are even a large number of illegal fraud, which seriously affects the safety of investors' investment assets. In addition, Chinese investors have low awareness of legal issues related to investment, which further promotes the development of such high-risk investment platform. In addition, China's individual investors have no clear ideas on how to avoid investment risks. China's financial investment market is still in the stage of development, lack of good operation experience, compared with foreign financial markets, there is still a lot of room for improvement in investor education.

4. Strategy of Avoiding Investment Risk and Increasing Financial Investment Income

4.1 Strengthen the Learning of Financial Investment Knowledge and Identify Risks in the Analysis.

Many investors only pay attention to the income and ignore the existence of risk in financial investment. No matter what kind of investment platform they choose and what kind of investment products to invest in, investors must be clear that the financial investment income and risk are positively related. As a basis, investors

must have corresponding psychological preparation and enter the financial investment market with a good investment mentality. It is not easy to achieve successful financial investment. Many investors mistake “speculation” as “investment”. If you don't have the knowledge of financial investment and the ability to analyze and predict the investment risks, the investment assets will be like a boat abandoned in the sea, unable to withstand the impact of any storm. Of course, investors should not give up their investment behavior because they are afraid of risks. Instead, they should try to reduce the investment risks and obtain economic benefits by strengthening the learning of financial investment knowledge and the simulation practice of risk aversion methods. On the one hand, investors need to master the information of investment products, the characteristics of investment products types, the basic forms of current investment market, and basic financial investment terms, so as to cultivate their ability to analyze and compare financial investment products. Although in the specific investment behavior, investors can use the help of financial consultant to optimize the investment performance, but only when the investor himself clearly knows the rationality of the current investment asset allocation, can they obtain better investment returns. Especially when investors have strong investment ability, they can choose the investment portfolio which can bring better returns, so as to further reduce the investment risk by diversifying investment. This is not only a kind of wisdom of financial investment, but also an effective means to steadily increase the income of financial investment. On the other hand, under the background of the new era, investors need to realize that the investment and financing platform will bring great uncertainty, which is easy to cause significant investment risks and asset losses. Therefore, investors need to fully understand the credibility and professionalism of the investment platform, and should not blindly believe the beautiful blueprint of some investment and financial organizations. At present, there will never be an ultra-low-risk but ultra-high-yield portfolio in the financial market, which can only be fabricated by criminals in order to defraud investors of their money. Investors need to learn and analyze the process to improve the ability to identify risks, so as to avoid the possibility of risk at the source, and truly realize the maximization of investment returns.

4.2 Refuse to Follow the Crowd Mentality and Make Investment Choice According to the Data Analysis

Financial investment behavior is different for each individual investor. There are differences in the amount of capital that can be invested by the main body, and the judgment of the expected return is also different. When choosing investment methods, investors should not blindly follow the crowd and arbitrarily choose the most popular investment products or portfolio. Investors need to understand that each investor's perception of investment risk is also different. Although some high-risk investment products seem attractive with high returns, they may not be suitable for financial investment entities with small amount of investment. Each investor's situation is different, when choosing investment products, they need to combine their own needs and actual situation to make a decision. This requires the use of quantifiable data analysis to calculate the investment amount and the

feasibility of investment choice of investors themselves, so as to facilitate investors to conduct further comparison. For example, investors can determine their total disposable investment through calculation. Usually, in order to avoid major investment risks, investors should reserve the capital to ensure the normal operation of life as the stock, and use the additional amount of capital as the capital to invest in the investment market to obtain income. For the amount of cost of living, investors can choose to save or other stable financial management methods to manage. With the guarantee of this part of capital stock, investors can reduce their sensitivity to investment risk when they make financial investment, so they can choose relatively high-yield portfolio. At the same time, the investment experience of investors can also provide reference information for investors to adjust the investment amount. By quantifying the past investment behavior and investment performance, investors can summarize the experience and lessons, and find the investment law in practice, so as to help investors better carry out the next step of investment planning. When choosing financial investment products and portfolio, investors can analyze the yield, net asset ratio, variance, standard deviation and other quantitative indicators of different investment products, and choose the most suitable investment allocation according to their own needs. Through the quantitative analysis method, investors can effectively predict the development trend of the financial market, analyze the potential financial products and the price fluctuation trend of the products from a rational and objective perspective, so as to further obtain a more accurate expected amount of income. The quantitative prediction in advance can help investors identify the key risk points, and at the same time, increase the amount of return as much as possible through reasonable allocation. This process of calculation and analysis is also a process of reducing uncertainty. If the investors master the forecast data in advance, they can form the investment strategy planning under the premise of “knowing in mind”, so as to form a plan to avoid the risk before the risk comes, and enhance the ability of the investment portfolio to resist the investment risk.

4.3 Find the Optimal Investment Proportion to Minimize the Portfolio Risk.

Although there is no risk-free investment mode, investors can reduce the risk to a relatively small value through reasonable allocation. Since the return on investment refers to the net profit obtained by investors, when the investment risk is reduced to a small value, the investment return can be regarded as a relatively stable considerable income. The original risk diversification thinking is to add as many investment products as possible into a portfolio, that is, “put eggs in as many baskets as possible”. However, the total amount of investment available for individual investors is limited, that is to say, the number of investment products that can be ultimately selected is limited. Moreover, due to the limited liquidity of investment market information, it is difficult for investors to locate the uncertainty in the investment process through their own ability. Therefore, the idea of modern portfolio came into being.

Modern portfolio theory emphasizes that investment should find the optimal investment proportion, which is to balance the relationship between risk and asset

return reasonably, and to make the sum of investment risks in portfolio reach a minimum through reasonable allocation of investment products. In this theory, risk and return are regarded as two indispensable parameters to describe a reasonable investment goal, which actually increases the proportion of risk concept in investment cognition. When investors allocate portfolio, they are not choosing what kind of investment products to leave behind, but choose the matching portfolio of return and risk purposefully. The purpose of investors' investment is to maximize the return under a given expected risk level, or to minimize the risk under a given return level.

In the investment behavior, the risk sensitivity of investors is known, and the investment principal can also be calculated. The number of such indicators is relatively stable in a short period of time, and there will be no huge changes. In order to balance risk and return in the long run, the most important thing is to quantify the optimal portfolio. But it is worth noting that the optimal portfolio is a dynamic concept. With the rapid change of financial investment market, the uncertainty factors are likely to change the current optimal portfolio into "sub optimal" or "not optimal". This requires investors to respond to investment changes with dynamic thinking. They should regularly check the suitability of the portfolio with the actual situation, and compare and analyze the performance of the portfolio, so as to optimize the allocation of funds in the portfolio. At the same time, investors need to be sensitive to the financial investment market and external policy environment and other factors, be able to accurately perceive the risks that affect the performance of their portfolio, and complete the risk aversion before the fundamental changes in the specific market.

4.4 To Improve the Supervision System of Financial Investment, Investors Should Improve Their Legal Consciousness.

The smooth development of economic activities is inseparable from the protection function of legal system. At present, the development of China's financial investment market is still in the rising stage, and a relatively mature overall market system has not yet been formed. Investors' awareness of legal rights protection and the level of basic investment knowledge need to be improved. Individual investors can improve their financial investment skills through learning and practical operation, but fundamentally, the government still needs to use policies and laws to create a fair, transparent and healthy investment environment, reduce the possibility of risks from the perspective of the whole society, and safeguard the legitimate rights and interests of investors.

Deepening the reform of supervision system and strengthening the construction of financial investment laws and regulations are to effectively prevent the occurrence of financial risks and avoid the huge impact of systematic and non-systematic financial risks on the economy. In recent years, the national financial conference has repeatedly emphasized the importance of improving the financial investment supervision system, and strengthened the inspection of the investment market. In addition, financial investment gradually realizes comprehensive

informatization, and more and more investment platforms enter the mobile terminals of individual investors, which makes the acquisition of financial investment information and the realization of investment actions break the constraints of time and space, thus increasing the possibility of investors facing investment risks. The government needs to effectively supervise the online investment platform, help the stable operation of the financial system, and ensure that individual investors can obtain the due income in financial investment, so as to promote the centralized activation of social idle funds. Individual investors should also enhance their legal awareness in the process of investment, and be aware of the characteristics of non-conforming investment platforms. In case of fraud by financial investment institutions or economic losses caused by omission, investors should have self-protection awareness and relevant legal knowledge. Only by combining individual rights protection with government supervision can the financial investment market develop towards a more standardized, efficient and perfect direction.

At the same time, the government needs to reasonably guide the development of Internet financial enterprises and promote the optimization and transformation of traditional financial investment market. We should make good use of the advantages of information technology, break the dominant position of financial investment institutions in the financial market, help individual investors better and faster access to investment information, so as to evaluate and avoid investment risks in advance.

5. Conclusion

Investors enter the financial investment market in order to obtain income and improve income level. Therefore, they must consciously avoid risks when investing. They should not blindly and impulsively choose investment methods and investment platforms to avoid major property losses. Investors need to make it clear that high returns are accompanied by high risks. Investors need to have the most basic investment knowledge and legal awareness, and can't separate the return and risk. Only when the relationship between financial investment income and risk is clear before the occurrence of investment behavior, and the skills of reducing investment risk can we really realize the acquisition of investment income. This can also promote the standardization process of the overall financial investment market.

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