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## PECULIARITIES OF HOUSEHOLD USE OF FINANCIAL INSTRUMENTS

*The article focuses on studying the use of financial instruments by households in the modern economy. Its purpose is to analyze the available tools for financial management, such as banking products, investment instruments, insurance programs, retirement savings and financial technologies, including mobile applications, cryptocurrencies, and digital platforms.*

*The article emphasizes the importance of managing household resources as independent economic entities. It establishes that the efficiency of financial management depends on income levels, expenditure stability, and savings availability. Key banking products such as deposits and loans remain essential for safeguarding funds and financing immediate needs. Investment tools, including stocks, bonds, real estate, and government securities, enable households to grow their capital but require knowledge and willingness to take risks.*

*Risk management through insurance programs is a crucial part of financial strategy, providing financial security in unforeseen circumstances such as illness, loss of work capacity, or property damage. Future planning involves accumulative retirement funds and insurance programs that help households build financial reserves to ensure a comfortable standard of living in retirement.*

*The study highlights that the development of financial technologies creates new opportunities for household financial management. It underscores the importance of financial literacy, which significantly influences households' ability to effectively use tools and make informed financial decisions. The article notes that financial literacy is a key factor in households making informed decisions about using financial instruments, while a lack of knowledge can lead to mistakes such as excessive credit use or unreasonable investments, thereby increasing financial risks.*

**Keywords:** household, financial instruments, household income, household expenses, savings, financial literacy, insurance, deposits, stocks, bonds

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**Statement of the Problem in General Terms and Its Relevance to Significant Scientific or Practical Challenges.** Households are crucial economic entities whose activities significantly impact financial stability and socio-economic development. In the context of globalization and rapidly evolving financial markets, the use of financial instruments by households has become a pressing research topic.

The core issue is that despite the variety of financial instruments available to households, their effective use remains limited due to low financial literacy, restricted access to information, and low trust in financial institutions. This hampers households' ability to save, engage in investment activities, manage risks, and achieve financial security.

This problem holds significant scientific relevance as it requires an in-depth analysis of household behavior in financial markets and an assessment of the factors influencing their choice of financial instruments. Practically, addressing this problem can lead to recommendations for improving financial literacy, enhancing financial products and services, and fostering greater economic stability and societal well-being.

Researching the features of household financial instrument use aims to address critical tasks, such as ensuring access to financial services, encouraging savings, optimizing personal financial management, and supporting sustainable economic development.

**Analysis of Recent Studies and Publications Addressing the Problem.** Household finance is a relevant research topic for many scholars who focus on key aspects of financial resource management, the specifics of household financial decision-making (Шулюк, 2015), household financial stability (Сидорчук, 2023), and modern trends in household finance (Швайко, 2020).

Many studies explore the relationships between income levels, expenditure structures, and households' capacity for savings. Researchers such as O. Mital (Мітал, 2017) and others indicate that income growth contributes to increased savings, which can later transform into investments.

Recent studies in household finance highlight the importance of a comprehensive approach to examining their financial behavior and use of financial instruments. Other scholars, such as T. Kizyma (Кізима, Т., Лободіна та Кізима, А., 2023), have analyzed instruments like domestic government bonds, which provide a safe investment option for household savings. These studies also emphasize the need to improve financial literacy for the effective utilization of financial tools.

Among the main challenges, various researchers note the population's lack of awareness about available financial products such as investment tools, insurance, and savings programs. This issue is particularly significant in the context of increasing digitalization in the financial sector, which requires new skills for interacting with electronic services.

These studies form a foundation for further analysis and improvement of household financial behavior, as well as the development of tools that promote financial stability and growth.

**The Aim of the Article.** The article aims to study the peculiarities of household financial instrument use in the modern economic environment. It seeks to analyze the variety of financial instruments available to households.

**Presentation of the Main Research Material.** In today's rapidly changing economy and financial markets, effective management of household resources has become a key factor in ensuring well-being. One of the critical aspects of such management is the use of various financial instruments that help families not only save and preserve funds but also invest them, mitigate risks, and plan for the future. The usage of these instruments depends on different factors, such as income levels, financial literacy, market accessibility, and economic conditions.

A household operates as an independent entity making decisions about sources of income and its allocation. The standard of living for its members depends significantly on the size of household income. Household income reduction can be attributed to inflation, which lowers the purchasing power of money; higher tax rates or the introduction of new taxes; and increased interest rates on loans if the household has debt obligations, among other factors (Швайко, 2020).

Household income and expenditures directly influence their savings levels. Income is the primary determinant of the household's capacity to save. Higher income provides greater savings potential, assuming expenses remain constant. Households with stable incomes tend to save more, as they have fewer unpredictable expenses to cover.

Expenditure structure determines how much a household can set aside as savings. High spending on basic needs (food, housing, utilities) reduces the possibility of saving. Excessive consumption or financing lifestyles through credit can reduce savings.

By its nature, savings are funds temporarily (for a longer or shorter period of time) withdrawn from the economic turnover of households: their owners do not intend to convert these funds into consumer goods for a certain period. All of this creates the possibility of

transforming savings into investments, even regardless of the initial motive that guided the owner when they chose not to use part of their income for current consumption (Мітал, 2017).

The usage of financial instruments by households is influenced by numerous internal (income, needs, demographics) and external (economic conditions, financial systems, government policies) factors.

Financial instruments serve as tools for managing finances, preserving and growing capital, and ensuring the financial security of families. Their choice depends on financial goals, income levels, risk tolerance, and other factors. Below are the primary financial instruments used by households:

Bank products remain the most popular financial instruments among households, including current accounts, deposits, and loans.

Deposits are a traditional tool for saving funds. They provide guarantees of capital preservation, although their profitability may be lower compared to other investments. Despite this, households often choose deposits due to their reliability and low risk, especially in unstable economic conditions.

Loans help address urgent needs or make large purchases (housing, cars, education). Households often turn to banks for mortgages or consumer loans. However, poor debt management can lead to financial problems, making it crucial to carefully assess one's solvency before taking on loans.

Households with some savings and a desire to grow them also utilize appropriate instruments. The main types of investments include stocks, bonds, and real estate.

Stocks provide an opportunity to earn high returns due to the increase in a company's value; however, they are associated with a high level of risk. To use this instrument effectively, households need to have certain knowledge about the securities market.

Bonds are a more conservative instrument compared to stocks. They provide a stable income in the form of fixed interest payments.

For individuals, experts consider corporate bonds and domestic government bonds to be the most suitable in the current economic conditions (Кізима, 2018). In recent years, domestic government bonds have become a rather attractive investment tool (primarily among the middle class). These are securities denominated in hryvnias, dollars, and euros. Bondholders receive so-called «coupon payments» – a sort of equivalent to interest on bank deposits. However, unlike deposits, these securities must be purchased through intermediaries (Кізима, Т., Лободіна та Кізима, А., 2023).

In general, bonds of government enterprises or governments are usually considered reliable, so households seeking safe investments often turn to them.

Real estate is a traditional tool for long-term investments. The purchase of residential or commercial property for subsequent rental ensures a steady income; however, real estate investments require significant initial capital and come with associated risks. It should be noted that during times of war, it is essential to carefully assess the risks related to real estate investments, considering the possibility of damage, asset loss, and an unstable security situation.

One of the key aspects of household financial strategy is risk management. Insurance products allow households to protect their financial interests in case of unforeseen circumstances, such as health loss, property damage, or loss of working capacity.

Health insurance helps cover medical expenses, reducing the financial burden in case of illness.

Life insurance guarantees financial support for the family in case of the death of the primary breadwinner.

Property insurance protects against risks related to damage or loss of real estate, which is especially relevant for homeowners in the current war conditions.

Insurance is an important tool for financial protection; however, many households underestimate its significance, which can lead to significant financial losses in the event of unpredictable situations.

Managing a household's future often involves planning for retirement savings. In Ukraine, the pension system includes mandatory social insurance, but this may not be enough to ensure a comfortable standard of living after retirement.

One of the tools for accumulating retirement savings that allows citizens to independently build a financial foundation for their future pension is private pension funds. Their feature is that they operate on the principle of voluntary contributions, which are invested to generate income. This provides participants with the opportunity to accumulate funds, which will be paid out as an additional pension.

The structure of pension contracts as of 30.06.2024:

with individual depositors – 91.0 thousand;

with individual entrepreneurs – 0.1 thousand;

with legal entity depositors – 6.6 thousand (Національна комісія з цінних паперів та фондового ринку, 2024).

Insurance savings programs are also an important financial planning tool, combining the opportunity to accumulate capital and life protection. Their significance lies in providing financial stability both during active working years and after retirement. The main feature of such programs is the presence of insurance coverage, which guarantees payment in the event of an insured incident (such as a serious illness or loss of working capacity). Additionally, they allow for gradual accumulation of funds through regular contributions, which can be invested by insurance companies to generate profit. This makes such programs an attractive choice for those seeking to ensure financial security for themselves and their families, while also earning additional income from investments.

The funds invested in this way form (Баранова, 2015):

a long-term investment instrument for households;

potential additional income and stable payments of accumulated pension contributions in the future;

strategic and long-term investment resources for the country's economy.

With the development of financial technologies, households gain access to new tools for managing finances. Among them are:

mobile banking apps and digital wallets that simplify the control of expenses, payments, and savings;

investment platforms that allow investing in securities without the need for intermediaries like banks or brokerage firms;

cryptocurrencies, which are also becoming a popular tool among households seeking high returns, although they come with significant risks due to market instability.

One of the main factors that affects the effectiveness of financial tool usage by households is the level of financial literacy. Households with basic financial management knowledge adapt better to market changes and make informed decisions regarding savings, investments, and insurance. Insufficient financial literacy can lead to poor decisions, such as excessive use of credit or unsuccessful investments, increasing financial risks.

**Conclusions and prospects for further research.** Financial tools play a crucial role in ensuring the stability and development of households. Studying the process of financial tool usage by households is an essential part of financial theory and practice, as effective household financial management directly impacts the economic stability of a country. The research showed that households have the opportunity to use various financial tools, including deposits, insurance programs, investment products, and retirement funds, to ensure financial security and accumulation. Proper use of these tools allows not only for saving and increasing funds but also

for protecting oneself from risks and ensuring the future. At the same time, an important factor remains the level of financial literacy, access to financial services, and socio-economic conditions.

Thus, households' decisions regarding the use of financial tools are determined by a multifactorial approach. Their strategy depends on income, availability of financial products, risk level, government policy, etc.

The prospects for further research in the context of household financial tool usage include a detailed analysis of the impact of economic crises, especially war and political instability, on the choice and effectiveness of these tools. It is particularly important to examine how changes in the macroeconomic situation, fluctuations in exchange rates, inflation, and instability in financial markets affect household financial strategies, their ability to adapt to changes, and their search for new ways to accumulate and protect capital. Specifically, it would be useful to study which tools gain popularity in high-risk conditions, whether traditional deposits, real estate, or new alternatives such as cryptocurrencies. Such research would provide recommendations for managing financial resources in conditions of economic and political instability and help forecast changes in household behavior on financial markets.

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### **ОСОБЛИВОСТІ ВИКОРИСТАННЯ ФІНАНСОВИХ ІНСТРУМЕНТІВ ДОМОГОСПОДАРСТВАМИ**

Стаття присвячена дослідженню використання фінансових інструментів домогосподарствами в умовах сучасної економіки. Її метою є аналіз доступних інструментів для управління фінансами, таких як банківські продукти, інвестиційні інструменти, страхові програми, пенсійні накопичення та фінансові технології, зокрема мобільні додатки, криптовалюти та цифрові платформи.

У статті підкреслюється важливість управління ресурсами домогосподарств як самостійними економічними суб'єктами. Встановлено, що ефективність управління фінансами залежить від рівня доходів, стабільності витрат та наявності заощаджень. Основними банківськими продуктами залишаються депозити та кредити, які сприяють збереженню коштів і фінансуванню нагальних потреб. Інвестиційні інструменти, такі як акції, облігації, нерухомість і державні цінні папери, дозволяють домогосподарствам примножувати капітал, але вимагають знань і готовності до ризиків.

Важливою складовою фінансової стратегії є управління ризиками за допомогою страхових програм, що забезпечують фінансову безпеку в непередбачуваних ситуаціях, таких як хвороби, втрата працездатності чи пошкодження майна. Планування майбутнього включає накопичувальні пенсійні фонди та страхові програми, які

допомагають формувати фінансовий резерв для забезпечення комфортного рівня життя на пенсії. Так, недержавні пенсійні фонди відіграють важливу роль у формуванні додаткових джерел доходів після виходу на пенсію, тоді як страхові накопичувальні програми дозволяють поєднувати фінансовий захист із можливістю інвестування.

Встановлено, що розвиток фінансових технологій створює нові можливості для управління фінансами домогосподарств. Зокрема, мобільні додатки та цифрові платформи сприяють легшому доступу до ринків і спрощують інвестиційну діяльність. Однак популярність таких інновацій, як криптовалюти, супроводжується високими ризиками через їх нестабільність.

В статті підкреслюється важливість фінансової грамотності, яка впливає на здатність домогосподарств ефективно використовувати інструменти та приймати зважені фінансові рішення. Зазначено, що рівень фінансової грамотності є ключовим фактором у прийнятті домогосподарствами обґрунтованих рішень щодо використання фінансових інструментів, а недостатні знання можуть призводити до помилкових рішень, таких як надмірне використання кредитів або необґрунтовані інвестиції, що збільшують фінансові ризики.

Ефективне використання фінансових інструментів домогосподарствами є важливим для економічної стабільності країни. Водночас традиційні інструменти зазнають викликів через інфляцію, економічну нестабільність та сучасні ризики.

**Ключові слова:** домогосподарство, фінансові інструменти, доходи домогосподарств, витрати домогосподарств, заощадження, фінансова грамотність, страхування, депозит, акції, облігації.