Broadridge®

U.S. Investor Study

Investor insights you need to know now

2023

It's easy to make sweeping generalizations about who is investing, and how.

But today's competitive marketplace requires industry players to dig deeper. Products and tools must align with evolving advisor practices, investor preferences, and market needs.

This edition of the Broadridge U.S. Investor Study takes on three big investor trends, shedding light on their nuances and the opportunities they may present.

Democratization on the rise

New investors are entering the market across all age segments.

Investing is not just for the highly educated.

The next wave of investors

Today's investors are extensive users of online platforms.

Investors are now including more products in their portfolios.

Active mutual funds on the decline

AUM in active mutual funds declines across wealth segments.

Fewer than half of all investor households invest primarily in active mutual funds.

Table of Contents

About the study

This study draws on de-identified data covering roughly 90% of all U.S. households who invest in mutual funds, equities, and exchange-traded funds (ETFs) sold through financial intermediaries. The study delivers a unique, evidence-based view of non-workplace investor holdings by reviewing a dataset comprised of tens of millions of investor households and billions of data points on year-end data spanning from 2018 through 2022. For more information, see Investments in the Glossary.

Definitions

Here is how we define the different wealth segments and generations referred to throughout the study. (A full glossary is included on page 18).

The wealth segments
($ in liquid investable assets)

Mass Market:	**<$100K**
Mass Affluent:	**$100K to <$1MM**
High Net Worth 1:	**$1MM to <$5MM**
High Net Worth 2:	**$5MM+**

The generations

Gen Z*	**Born 1997-2012**
Millennial	**Born 1981-1996**
Gen X	**Born 1965-1980**
Baby Boomer	**Born 1946-1964**
Silent Generation	**Born 1928-1945**

*Gen Z is not included in this study

Sections in this study with a light bulb provide added perspective from various proprietary Broadridge internal sources and external surveys conducted with investors and advisors. See **Methodology** and **footnotes** for more detail.

Democratization on the rise

Look who's investing now.

The investor population has changed significantly over the last four years. You might think it's all about Millennials, speculation, and apps. That's simply not true. There is a surge in younger investors — ignore them at your own peril. But the full wave of democratization is bigger and broader, expanding opportunities across generations.

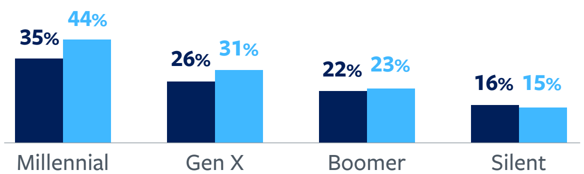
Table of Contents

Mass Market on the upswing

Between 2018 and 2022, there has been an increase in the percentage of Mass Market investor households across Millennial, Gen X, and Boomer generations. This shift is largely due to new investors entering the market.

Percentage of Mass Market households

<$100K in investable assets ■ 2018 ■ 2022

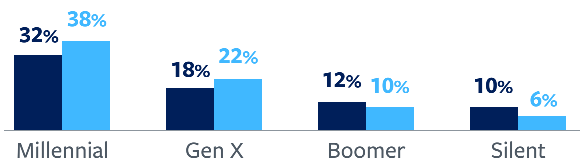


More investors with low assets under management (AUM)

The percentage of investor households with less than $3,500 in AUM rose among Millennials and Gen X generations.

Percentage of investor households with less than $3.5K AUM

■ 2018 ■ 2022

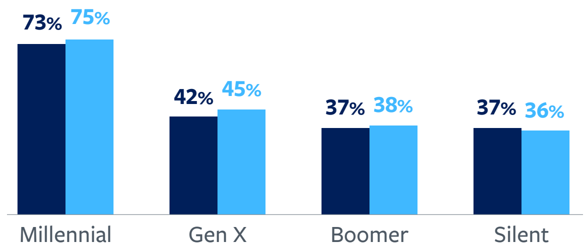


Fewer college graduates

An increasing percentage of investors across almost all generations did not complete college.

Percentage of individual investors who did not complete college

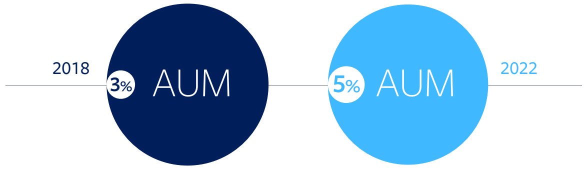
■ 2018 ■ 2022



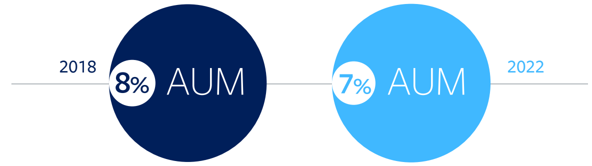
Numbers vs. dollars

While democratization is reshaping the investor population, AUM among Millennial and Mass Market households is still small.

Millennial AUM is growing, but it still accounts for just **5%** of total AUM.



Mass Market households hold just **7%** of total AUM.



The industry challenge: Striking the right balance between focusing on those with AUM today, and the younger investors who will become the wealth holders of tomorrow.

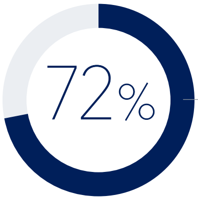
Insight

Two important market forces are poised to impact the distribution of wealth.

Democratization on the rise

Generational wealth transfer

The youngest Boomers turned 58 in 2022, the oldest, 76. Silent Generation investors are age 77 and above. Although we have seen some evidence of the wealth transfer already, the larger proportion of the transfer is yet to occur.



Seventy-two percent of AUM is held by investors age 58 and above.

Evolving retirement legislation

The U.S. government continues its efforts to shore up worker savings. The latest legislation, The SECURE 2.0 Act of 2022 (SECURE 2.0), introduces sweeping measures that could impact current investor trends. The legislation's intent is that:

More Americans will have access to workplace retirement plans.

Workers will put more dollars into those plans.

SECURE 2.0 raises the age at which retirement plan distributions must begin. This could slow the generational wealth transfer — and the flow of dollars from retirement plans into retail investing. With pre-tax dollars taken out of paychecks, the net effect could be a softening — or even a reversal — in the growth of Mass Market non-workplace investing.

Table of Contents

The next wave of investors

Tomorrow is now in view

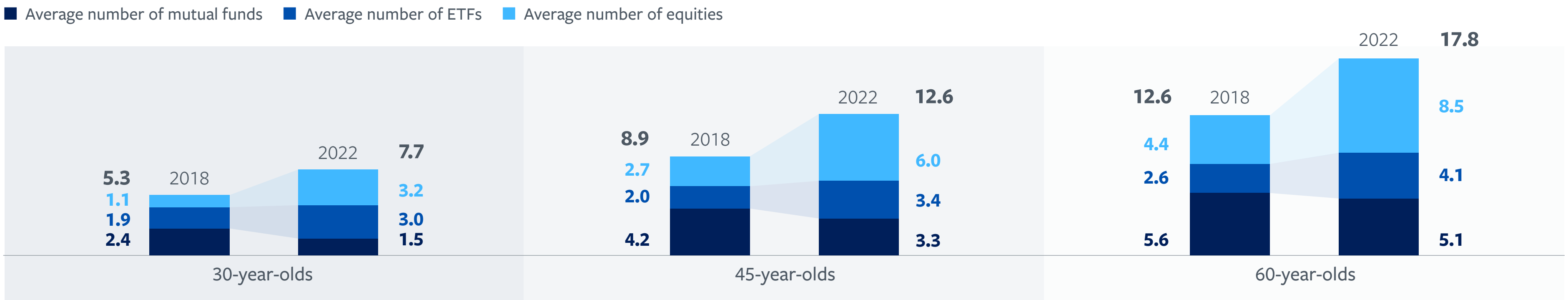
Is targeting younger investors the smart move? How do they differ from older investors? Despite the headlines, not all younger investors are engaging in highly speculative investments. Instead, we see a population that shares many characteristics with its older counterparts.

Table of Contents

More products in portfolios

Investors across age levels hold more investment products today. On average, they hold far more ETFs and equities, yet fewer mutual funds, than they did four years ago.

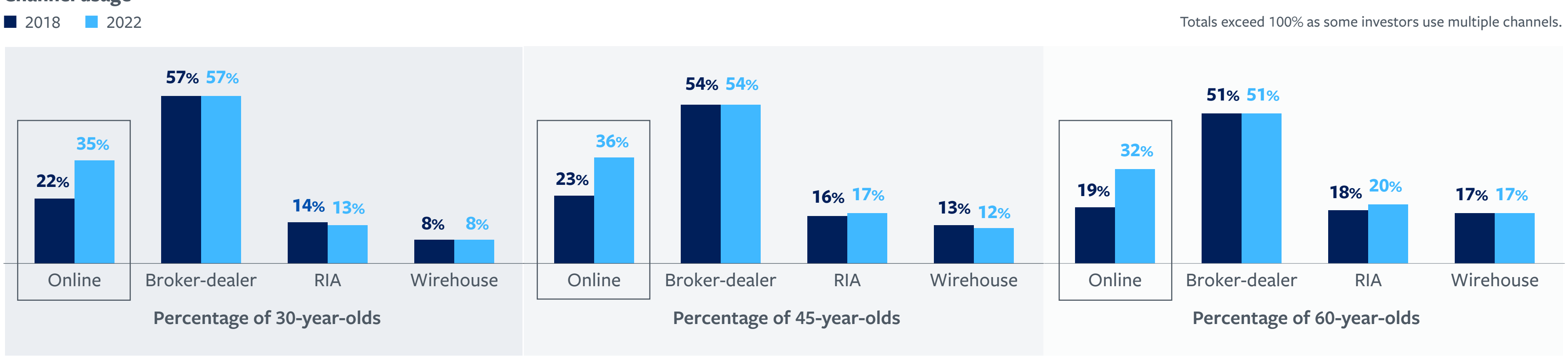
Number of products by investment type



A shift to online self-service

Across age groups, a higher percentage of investors now use the online discount channel. Other channels remain relatively steady.

Channel usage

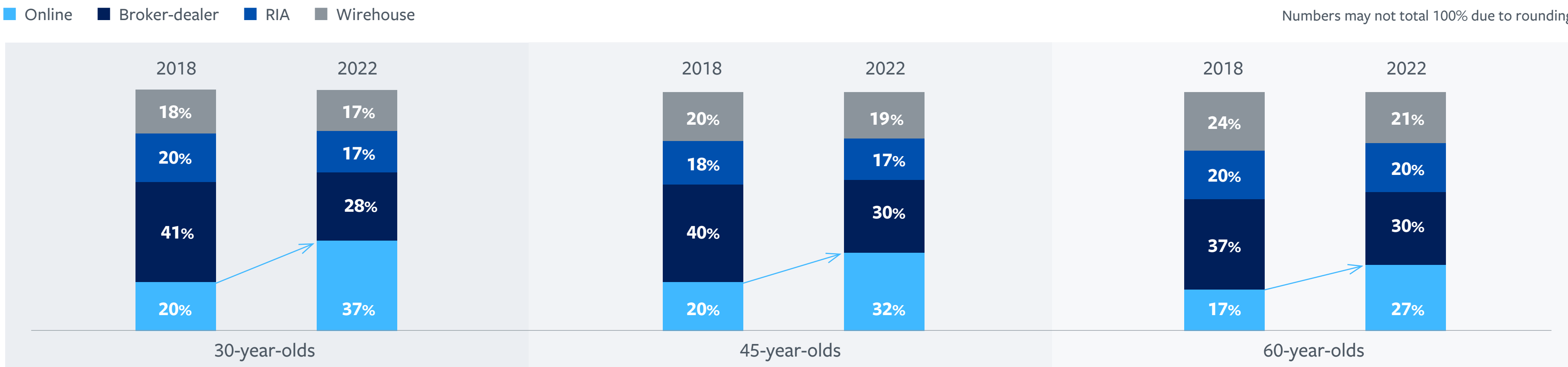


Channel AUM

A significantly higher percentage of AUM is now concentrated in the online discount channel, while broker-dealer, RIA, and wirehouse channels declined.

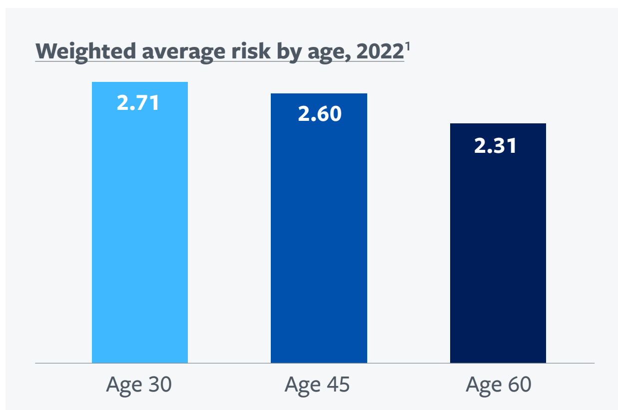
AUM by distribution channel

Numbers may not total 100% due to rounding.



Appetite for risk

Younger investors have more time to amass AUM and live up to their reputation for riskier choices.



Women vs. men: Investment choices

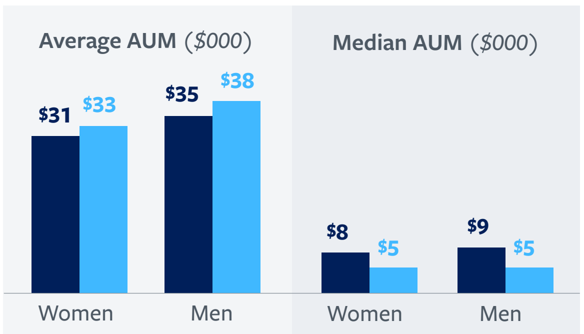
There's plenty of press to indicate that male and female investors are quite different. How does this play out among 30-year-olds? There are differences, but they appear to be narrowing.

Averages and medians

Average AUM remains lower for 30-year-old women, but the median AUM for 30-year-old men and women is now the same.

AUM, 30-year-olds

■ 2018 ■ 2022

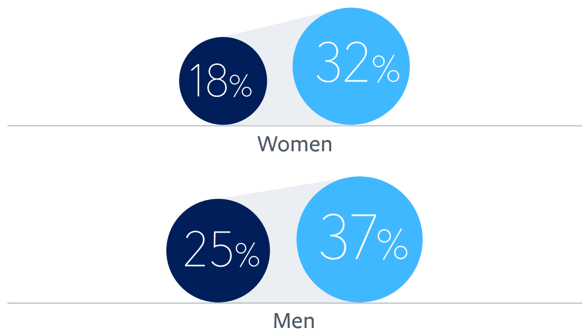


The self-service shift

The percentage of women using the online discount channel nearly doubled over the past four years. Men's usage increased at a slower pace, remaining higher by a smaller margin.

Online channel usage, 30-year-olds *% of individuals*

■ 2018 ■ 2022

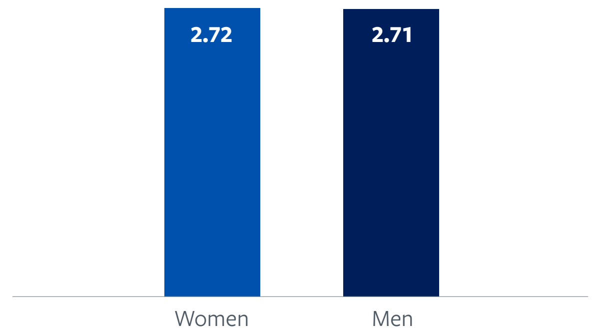


Women and risk

While women are often cited as being more risk averse, among 30-year-olds, 2022 weighted risk scores for men and women are essentially equal.

Weighted average risk, 30-year-olds, 2022[1]

■ Women ■ Men



AUM allocation

In 2018, 30-year-old women and men held most of their AUM in mutual funds. In just four years, both have moved to a more balanced mix of mutual funds, equities, and ETFs.

AUM by product type, 30-year-olds

■ Mutual Funds ■ ETFs ■ Equities

Numbers may not total 100% due to rounding.

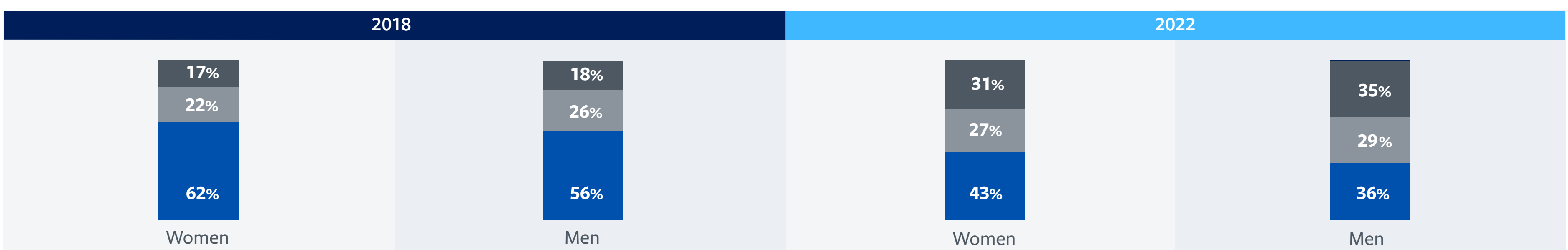


Table of Contents

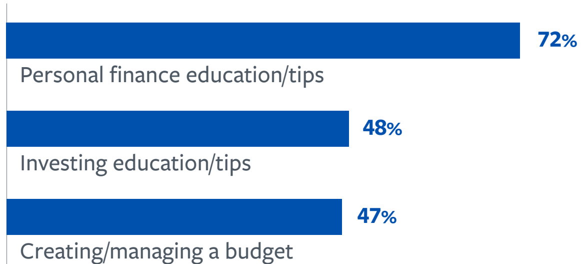
Insight

As more younger investors flock to the online discount channel, it's increasingly important to find ways to engage with them. Other Broadridge research uncovers important trends here.

From apps to advisors

Forty-seven percent of Millennial investors (our 30-year-olds' generation) sought investing insight from apps.

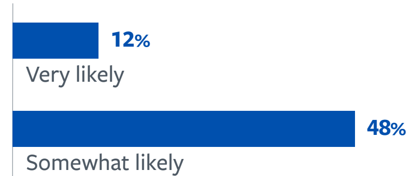
Millennials: Top reasons for using a financial app



Source: Broadridge Investor Survey
(Base: Millennials who use a personal finance app)

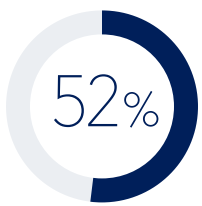
Sixty percent now say they are likely to use a financial advisor in the next two years.

Millennials: Likelihood of using a financial advisor in the next two years



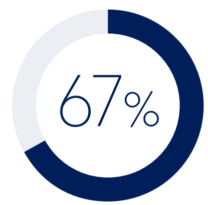
Source: Broadridge Investor Survey
(Base: Does not work with a financial advisor)

The importance of education



Fifty-two percent of advisors say building clients' financial literacy is an important component of their practice. This figure rises to 58% among advisors under age 40.

Source: Broadridge Financial Advisor Survey



Two-thirds of advisors place educational content and sources among the top three most valued resources from asset managers — and 19% rate them most valuable.

Source: Broadridge Financial Advisor Survey

Investor personas

The differences highlighted here in this study are just some of the many that can be found among U.S. investors. Broadridge Investor Intelligence allows you to take a deeper dive into investor differences through 13 distinct personas.

Learn more about how your firm can use Investor Intelligence. →

Table of Contents

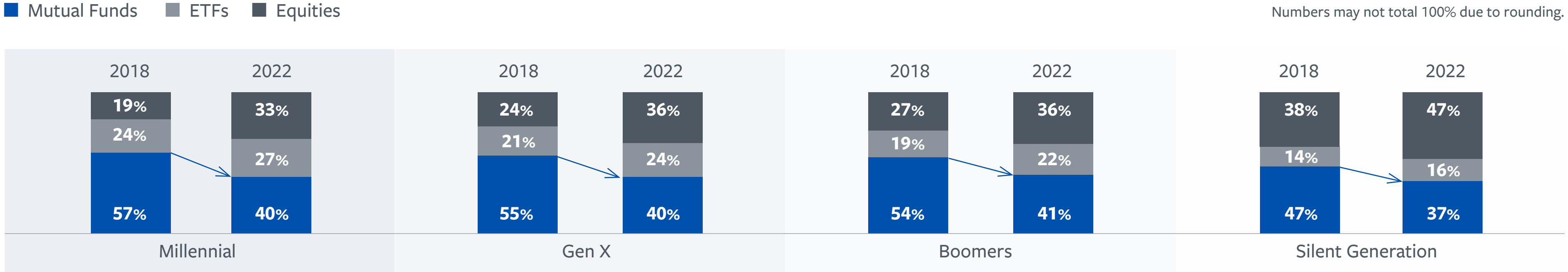
Active mutual funds on the decline

Investors don't care about tradition: AUM is shifting toward equities and ETFs.

Once the mainstay of investor portfolios, mutual funds now command a far smaller percentage of assets.

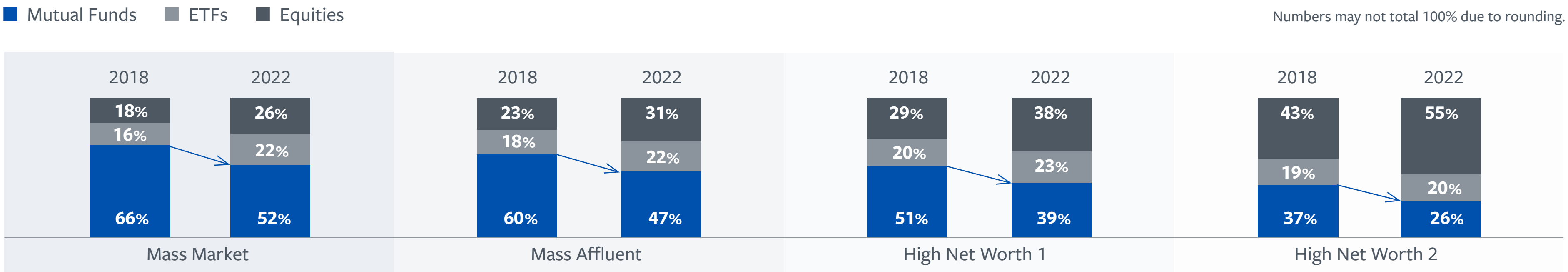
Mutual fund AUM has been declining across every generation. The decline is attributable primarily to investors moving away from active mutual funds.

AUM by product type by generation



By wealth tier, the story is similar. Mutual funds now represent only 26% of the AUM of the wealthiest investors.

AUM by product type by wealth segment



This increase in equities holdings among High Net Worth Investors is likely due to their increased use of separately managed accounts (SMAs). SMAs offer appealing tax management benefits for these wealthier investor segments.

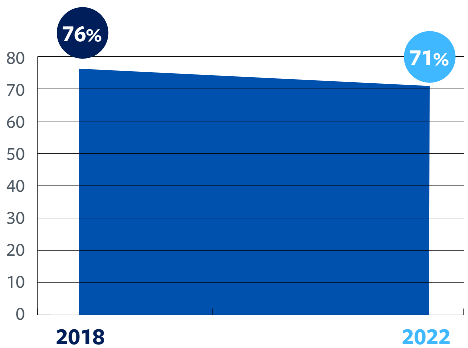
"Active Mutual Fund Investor" defined

The changes in investor portfolios and decline in use of active mutual funds prompted us to take a closer look at investors who hold more than half their AUM in active mutual funds. We refer to these as "Active Mutual Fund Investors."

Active mutual fund usage drops

AUM in active mutual funds is declining as a percentage of AUM in mutual funds overall.

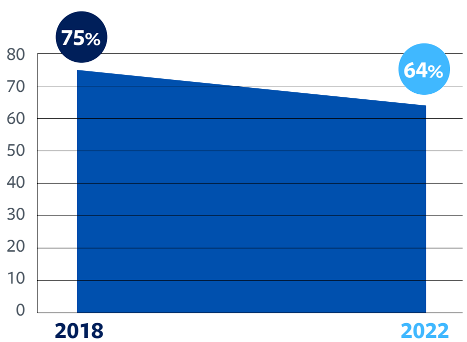
Active mutual fund AUM as a percent of all mutual fund AUM



Source: Broadridge Global Market Intelligence

There has also been a drop in the percentage of households who hold any active mutual funds.

Percent of households holding active mutual funds

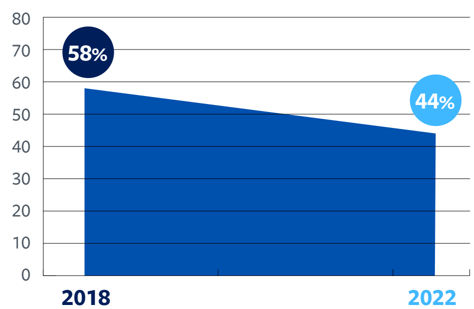


The graph above includes households that have active mutual funds in their portfolio in any proportion.

Active Mutual Fund Investor households decline

The percentage of Active Mutual Fund Investor households dropped 14% over the last four years.

Active Mutual Fund Investor households as a percent of total investor households



Who owns active mutual funds?

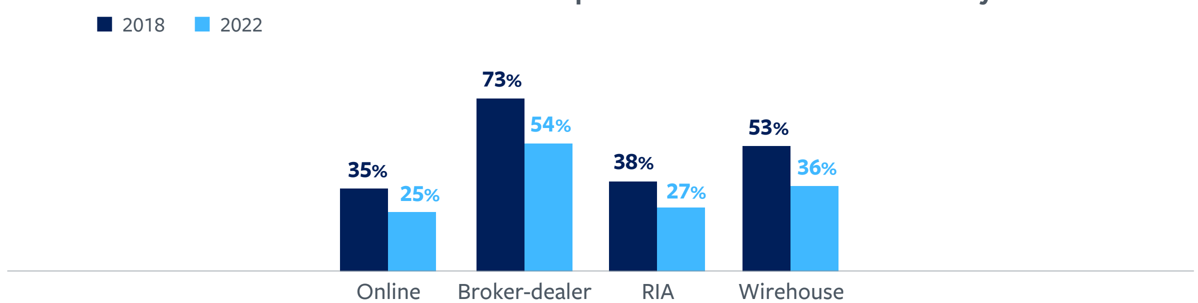
Investors with a majority of their portfolio in active mutual funds are more likely to be lower earners.

63%

of Active Mutual Fund Investor households have household income of less than $100K.

Active Mutual Fund Investors are most likely to use the broker-dealer channel, though every channel has seen a decrease in Active Mutual Fund Investor households between 2018 and 2022.

Active Mutual Fund Investor households as a percent of total investor households by channel



Insight

As asset managers consider what to do about the decline in mutual funds, they may need to rethink approaching 21st-century clientele with 20th-century business models. Personalization is increasingly expected and will be a key disrupter. Five large themes will impact supply and demand for investment advice and products.

Active mutual funds on the decline

A preference for outcomes

Rising rates and aging investors are boosting demand for more holistic portfolios that provide more than solely asset accumulation.

Non-investment objectives

Individuals seek advice tailored to their own tax considerations and social investing preferences.

Mutual fund evolution

The traditional collective scheme's tax inefficiencies and standardized pooled format are spurring interest in new vehicles and delivery mechanisms.

Shifting capital markets

Increasingly diverse methods of raising capital are creating opportunities for individual investment across both private and public markets.

Industry concentration

Large distributors are placing more business with fewer asset managers while simultaneously competing with them across a wider array of advice services.

For more on how these five secular trends are forcing U.S. mutual fund providers to compete more aggressively, look for our new white paper, coming soon:
U.S. Advisor-sold Asset Management: This Time, It's Personal

See what's next

Unparalleled insight

The unique Broadridge vantage into U.S. investor households made this study possible. As we move through 2023, you can expect new waves of findings issued more frequently to help you stay abreast of shifts and trends in the investor universe.

Count on Broadridge

Discover why so many asset managers put their trust in us to help them grow revenue, manage expense, and adhere to regulations. From proven technology and workflows to support for leading digital innovations, we can help you execute with confidence.

Learn more about this analysis, request additional insight, and discover how Broadridge is helping clients succeed every day.

Visit Broadridge.com/InvestorTrends, call +1 866 359 0456 or contact your Broadridge Account Representative.

Unparalleled capabilities and insight

Turn to Broadridge for the data and tools that drive success:

- Global and regional asset growth projections
- Market share trends
- Brand perception
- Product usage
- Client and customer segmentation
- Revenue and expense analyses
- Multijurisdictional tax allocation
- Dividend repatriation
- Benchmarking and board reporting
- And more

New sources of investor insight

Know and target investors more effectively with these latest solutions:

Investor Intelligence uncovers new ways for asset managers to expand fund market share by helping them understand investor demographics.

InvestorView enriches targeted marketing for wealth firms with deep segmentation of their customer base.

Assets Under Management
Used to denote dollar amount of assets or investments owned by investors in U.S. equities, open-end mutual funds (excluding money markets), closed-end funds, or exchange-traded funds (ETFs). All figures are in USD.

Distribution Channels
- Broker-dealer is comprised primarily of independent (IBD), regional, and bank broker-dealers. IBD advisors typically operate as independent contractors, while advisors at banks and regionals primarily operate as employees.
- Online includes mutual fund and ETF assets purchased by individual investors through a self-service trading platform.
- RIA (Registered Investment Advisor) is largely comprised of fee-only advisors who advise clients on their investments and manage their portfolios, typically for a percentage based on AUM. There are SEC-registered RIAs (over $100M AUM) and state-registered RIAs (under $100M AUM).
- Wirehouse encompasses four of the largest wealth management firms in the U.S. These firms have their own fund families, focus on fee-based business, and provide highly structured environments for their advisors.

Generational Segments
Commonly accepted cohorts segmenting investors by age:
- Gen Z: Born 1997–2012
- Millennial: Born 1981–1996
- Gen X: Born 1965–1980
- Baby Boomer (“Boomer”): Born 1946–1964
- Silent Generation: Born 1928–1945

Household
A home with one or more investors.

Investments
ETFs, open-end mutual funds (excluding money markets), closed-end mutual funds, money market mutual funds, U.S. equities in taxable accounts, and IRAs purchased through intermediaries, including broker-dealers, online, RIAs, and wirehouse channels. Directly held shares with fund and ETF issuers are not included in the study, nor are shares purchased through workplace investing plans, such as defined contribution plans.

Investor
An individual with a share ownership position in open-end/closed-end mutual funds, ETFs, or U.S. equities traded on U.S. stock exchanges. Broadridge references to investors pertain only to comparisons in this study among retail investors who use financial intermediaries (broker-dealers, online, RIAs, wirehouses), not against the U.S. general population.

Liquid Investable Assets
Liquid investable assets are those typically held by investors at financial institutions, such as cash, certificates of deposit, money markets, mutual funds, ETFs, stocks, and bonds.

Wealth
Wealth represents an estimate of a household’s total liquid investable assets. Because this study is focused on individual investor holdings through intermediaries, this sample does not include:
- Institutional investors, such as pension funds, hedge funds, or endowments and foundations.
- Retirement plans, such as 401(k) and defined benefit plans.
- 529 college savings plans.
- Bank deposits (checking, savings, CDs, money markets).
- Directly held mutual fund shares, fixed income, money market funds.
- Real assets, such as real estate, art, automobiles, jewelry, and privately held businesses.

Wealth Segments
Commonly accepted cohorts segmenting investors by wealth (as defined above) per household.
- Mass Market: Under $100,000 in liquid investable assets
- Mass Affluent: $100,000 to less than $1,000,000 in liquid investable assets
- High Net Worth 1 (HNW1): $1,000,000 to less than $5,000,000 in liquid investable assets
- High Net Worth 2 (HNW2): $5,000,000 or more in liquid investable assets

The study

To create this study, Broadridge analyzed de-identified share ownership data derived from Broadridge's proprietary business processes consisting of tens of millions of retail investor households and billions of data points to achieve a unique level of insight into holdings invested through financial intermediaries (broker-dealers, online, RIAs, wirehouses). Broadridge analyzed exchange-traded funds (ETFs), closed-end funds, open-end mutual funds, and U.S. equities held in taxable accounts and IRAs for the years ending 2018, 2019, 2020, 2021, and 2022.

The surveys

This study also highlights findings from the following surveys, both conducted by 8 Acre Perspective, an independent marketing research firm:

Investor Survey

An online quantitative survey administered twice annually to 1,000 end-retail U.S. investors with the following target profile:

- Age 25+, primary or shared decision-makers for household decisions about money
- Had $25K+ in household income and $10K+ in investable assets (not including workplace plans)
- They invest outside of workplace plans (annuities, ETFs, individual equities and/or mutual funds).

Advisor Survey

An online quantitative survey administered twice annually to 400 U.S. financial advisors with the following target profile:

- Registered financial advisor (i.e. sell, recommend, or manage investments for a fee or commission)
- Wirehouse, Regional, Independent, or RIA channel
- $10 million+ AUM
- 20%+ of AUM is in mutual funds and/or ETFs

Footnotes

[1] Risk Score Overall: Calculated taking a weighted average of all Morningstar risk ratings within a household. Morningstar risk ratings only for open-end mutual funds, ETFs and closed-end funds (does not cover equities). Morningstar Risk Score Overall is an annualized measure of a fund's downside volatility over a three-, five-, or ten-year period. This is a component of the Morningstar Risk-Adjusted Return. Morningstar Risk is displayed in decimal format and is calculated only for those investments with at least three years performance history. A high number indicates higher risk and a low number indicates lower risk.

Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with $5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive digital transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. $9 trillion of equities, fixed income and other securities globally.

Broadridge.com

Broadridge®

AM-00593-EB-230410-USInvStudy

Table of Contents

Ready for Next