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ETF-Owning Households Tend to Be Younger, Confident, and Self-Reliant, Embracing Stock Investing

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Washington, DC; September 28, 2018—Households that own exchange-traded funds (ETFs) tend to be younger than households that hold mutual funds outside of retirement accounts, according to a new joint report released today by the Investment Company Institute (ICI) and Strategic Business Insights (SBI). SBI's MacroMonitor, a comprehensive research program that surveys US households about their financial needs, found that 21 percent of ETF households were headed by a person younger than 40 years old, compared with 15 percent of retail mutual fund households. Only 36 percent of ETF households were headed by someone aged 60 or older, compared with 52 percent of retail mutual fund households.

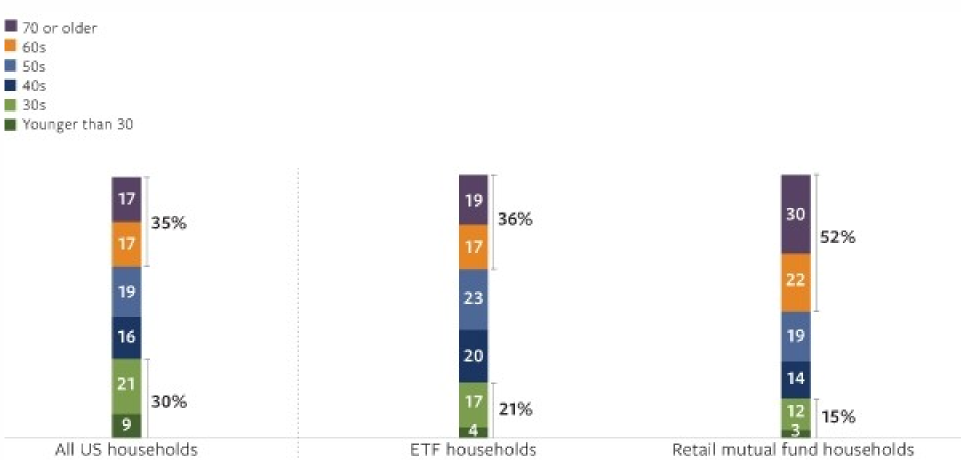
The report defines ETF households as those currently owning ETFs outside of retirement accounts or those that had purchased an ETF in the past two years. Retail mutual fund households are defined as households that do not own ETFs, but own stock or bond mutual funds outside of retirement plans at work or individual retirement accounts (IRAs).

The report, "A Close Look at ETF Households," finds that 34 percent of ETF households had children living in the home, compared with 26 percent of retail mutual fund households. Nine percent of ETF households were younger, single with no children, and not retired, compared with only 4 percent of retail mutual fund households. Reflecting their older ages, 38 percent of retail mutual fund households were retired (with no children), compared with 24 percent of ETF households.

"The use of ETFs has grown significantly in the 25 years since they were introduced, and they continue to be a popular way to access stock investing," said Sarah Holden, ICI senior director of retirement and investor research. "This growth reflects ETF households' willingness to take financial risks, and 30 percent of ETF households indicate they enjoy learning about different investment opportunities."

ETF Households Tend to Be Younger Than Retail Mutual Fund Households

Percentage of US households by ownership status and age of head of household



Note: Age is based on the age of the head of household who is the primary financial decisionmaker for the household. SBI's MacroMonitor Survey was conducted online from June to August 2016. Components may not add to the total because of rounding.

Source: SBI's MacroMonitor

The new report also shows that ETF households are more confident about investing, are self-reliant when making investment decisions, and are comfortable doing so using the internet. According to the MacroMonitor Survey, the primary financial decisionmakers in 28 percent of ETF households mostly agreed that they felt qualified to make their own investment decisions, compared with 16 percent of those in retail mutual fund households. Thirty-seven percent of ETF households mostly agreed that they felt comfortable doing financial business online.

"ETF households are self-assured and self-reliant when making their financial decisions," said Larry Cohen, director of SBI's consumer financial decisions group. "Thirty-two percent of ETF households used the internet to research their own financial decisions and 23 percent indicated they have become more knowledgeable about savings and investments over the past several years. Combined, this helps them feel more qualified and secure when making their investment choices, often investing in stocks."

Other findings in the study include:

ETF households express willingness to take financial risks. The MacroMonitor found that 83 percent of ETF households expressed willingness to take at least average financial risk, compared with 78 percent of retail mutual fund households and 58 percent of all US households. Thirty-seven percent were willing to take high or very high risk for the chance of earning comparable returns, compared with 28 percent of retail mutual fund households, and 19 percent of all US households.

ETF households are more aware of robo-advisers than other households. Nineteen percent of ETF households were aware of the concept of robo-advisers (an algorithm-driven service that provides financial advice or investment management with limited human interaction), compared with 7 percent of retail mutual fund households and 5 percent of all US households. Eleven percent of ETF households currently use robo-advisers, and 6 percent indicated they were likely to use robo-advisers in the future.

ETF households tend to be more highly educated. The primary financial decisionmaker in 66 percent of ETF households had a college degree or more, compared with 56 percent in retail mutual fund households and 34 percent in all US households. ETF households also tended to have higher incomes, though households across all income groups reported ETF ownership.

The study is based on the MacroMonitor, the largest continuously fielded, comprehensive research program on US consumers' financial needs. Since 1978, the MacroMonitor has provided reliable, validated, single-source research about US economic households' financial needs, attitudes, behaviors, channel use, demographics, ethnicity, and trends. The MacroMonitor measures all financial areas: transactions, credit, assets, retirement, insurance, information, advice, intermediaries, and institutions. Access to the MacroMonitor deliverables and supporting services are available through subscription and consulting assignment.

The full results of the report are posted on each organization's website, www.ici.org and www.strategicbusinessinsights.com/cfd.