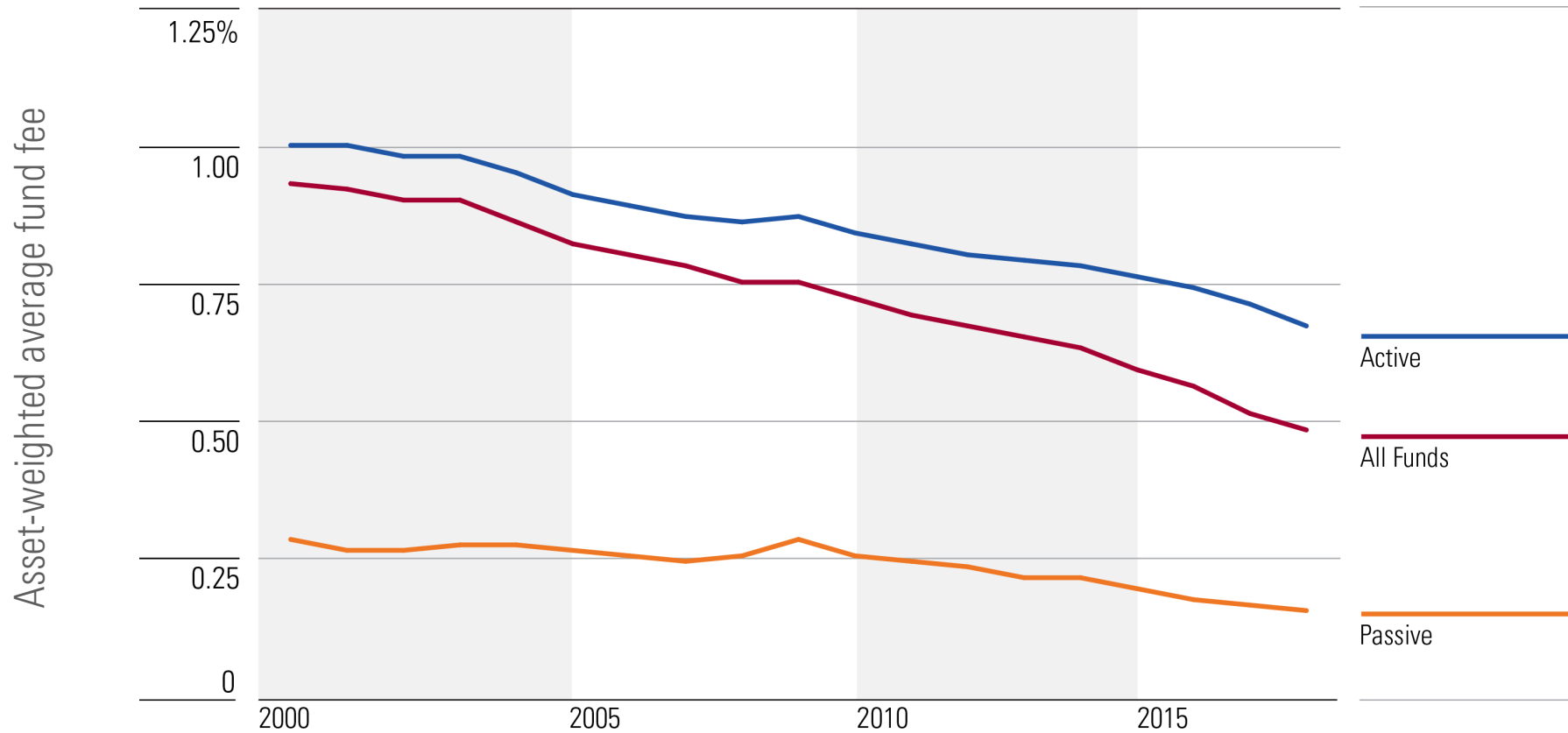


Why people don't invest



Steve Wendel, PhD
Head of Behavioral Science
November 14, 2019

It's a great time to be an investor

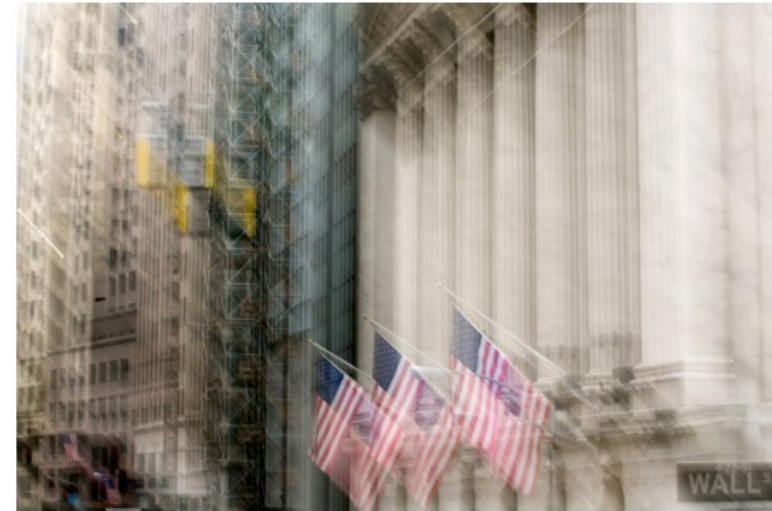


This Stock Market Rally Has Everything, Except Investors

Companies keep buying huge quantities of their own shares, propelling prices higher even as pensions, mutual funds and individuals sit on their hands.



We All Have a Stake in the Stock Market, Right? Guess Again



Wall Street's volatility is merely a spectator event for most Americans, whose wealth is not held in stocks. Sam Hodgson for The New York Times

By Patricia Cohen

Feb. 8, 2018



Take a deep breath and relax.

The [riotous market swings](#) that have whipped up frothy peaks of anxiety over the last week — bringing the major indexes down [more than 10 percent](#) from their high — have virtually no impact on the income or wealth of most families. The reason: They own little or no stock.

A whopping 84 percent of all stocks owned by Americans belong to the wealthiest 10 percent of households. And that includes everyone's stakes in pension plans, 401(k)'s and individual retirement accounts, as well as trust funds, mutual funds and

The Samsons



The Samsons

Defaulted in, cashed out at last job change

Not sure of their plan

Not accumulating enough to make a major difference

Investing, but not invested

The Ramirez Family



The Ramirez Family

Doing ok, but never seem to have enough money to invest

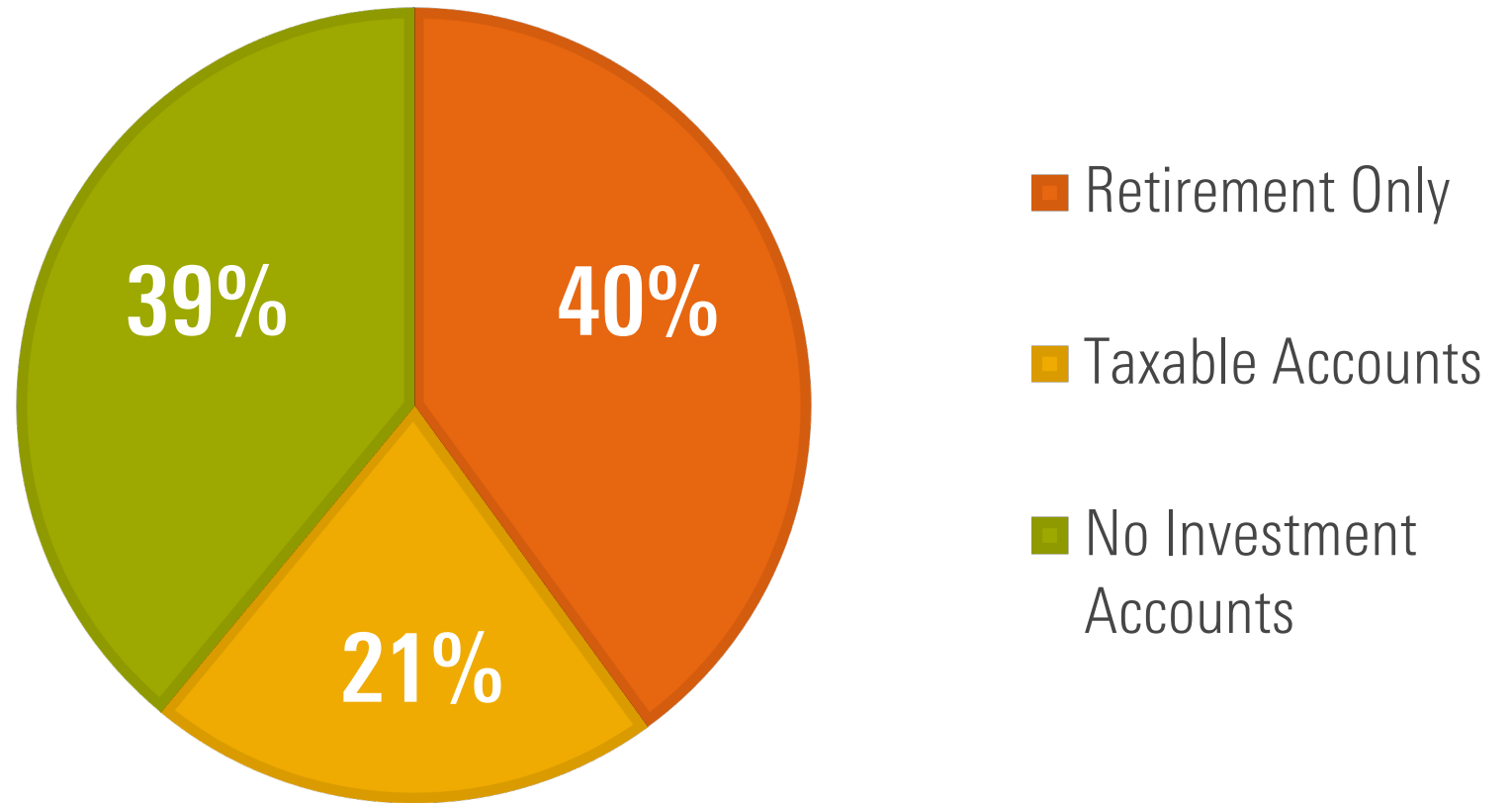
Not sure what to do

Have other priorities

**What can we do
to help them?**



Among working households, how many invest?



Simple stereotypes don't help. Many younger families and lower middle income families are investors...

1/4 of all investing households are under 37 years old

Over **1/3** of working investing households earn less than the median income of \$52,700.

~26% identify as being something other than of European descent
(only slightly less than the US population as a whole)

Why don't people invest?

Among Non-Investors:

- ▶ 64% find information about *investing difficult to understand*
- ▶ 60% say *they don't have enough money* to start investing
- ▶ 47% *are too worried* about their financial situation today to think about the future
- ▶ 31% *are afraid of losing* everything

*BlackRock, Investor Pulse Survey (2019). N among US residents: 4000
Morningstar Whitepaper, Slaying the Jabberwock (In Development)*

A photograph of a family of four sitting together on a couch. A woman with long brown hair is smiling, holding a young girl with curly hair. A man is sitting next to her, holding a young boy. They are all smiling and looking at each other. The background is a living room with a bookshelf and a potted plant.

“Investing is difficult to understand”



“Investing is difficult to understand”

What’s going on?

There's a significant gender divide as well

- ▶ 55% of US women say that investing is not for 'people like me' [Blackrock]
- ▶ 52% of women, compared to 68% of men, feel confident when it comes to managing investments [ML]
- ▶ While wealthier individuals generally feel more confident here, the gender gap persists: 15% for those earning over 250k [ML]

BlackRock, Investor Pulse Survey (2019).

<https://www.blackrock.com/corporate/insights/investor-pulse>

Merrill Lynch, Women & Financial Wellness: Beyond the Bottom Line

<https://www.ml.com/women-financial-wellness-age-wave.html>



“Investing is difficult to understand”

What can we do?



In Our **Businesses**
In Our **Personal Lives**
And Collectively As An **Industry**

Slay the Jabberwock

"It seems very pretty," she said when she had finished it, "but it's rather hard to understand!"

(You see she didn't like to confess, even to herself, that she couldn't make it out at all.)

"Somehow it seems to fill my head with ideas—only I don't exactly know what they are!"



Talk to everyone in the room (and online)



The Importance of Diversity in Asset Management

MARCH 19, 2019



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[The Importance of Tracking and Reporting](#)

[How to Track and Report](#)

[Knight Foundation](#)

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The Importance of Tracking and Reporting

For a field that lives and dies by the numbers—the data—we at the Diverse Asset Managers Initiative have been struck by the relative absence of tracking and reporting of a crucial dataset: who is managing the assets.

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Will you take the pledge?



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MORNINGSTAR®

Even when you're not in business mode

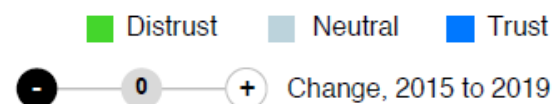


Recognize that the Perception of Risk Matters

- ▶ Americans generally believe the stock market is more risky than it is.
- ▶ Among those with money to invest, there is a negative relationship between subjective assessment of risk and the act of investing.
- ▶ Among those with little to invest, there is no such statistical relationship (but largely because there is little to invest)

FINANCIAL SERVICES REMAINS LEAST TRUSTED

Trust in each sector, and change from 2015 to 2019



Industry	2015	2016	2017	2018	2019	5yr. Trend
Technology	74	75	76	75	78	+4
Automotive	67	61	66	62	69	+2
Entertainment	64	65	65	63	68	+4
Food and beverage	64	65	68	64	68	+4
Telecommunications	60	61	64	64	67	+7
Consumer packaged goods	61	62	64	61	65	+4
Energy	57	59	63	63	65	+8
Financial services	49	53	55	55	57	+8

2019 Edelman Trust Barometer. TRU_IND. Please indicate how much you trust businesses in each of the following industries to do what is right. Again, please use the same nine-point scale where one means that you "do not trust them at all" and nine means that you "trust them a great deal". 9-point scale; top 4 box, trust. Industries shown to half of the sample. General population, 23-market average.

Our stand matters.



The screenshot displays the official website of the U.S. Securities and Exchange Commission (SEC). At the top, the SEC logo is on the left, the text "U.S. SECURITIES AND EXCHANGE COMMISSION" is in the center, and a search bar with the text "Search SEC.gov" is on the right. Below the header is a dark blue navigation bar with white text links: ABOUT, DIVISIONS & OFFICES, ENFORCEMENT, REGULATION, EDUCATION, FILINGS, and NEWS. The main content area features a left sidebar with a "Newsroom" section containing links to Press Releases, Public Statements, Speeches, Testimony, Spotlight Topics, Media Kit, Press Contacts, Events, and Webcasts. The central part of the page is titled "Press Release" and contains a large headline: "SEC Adopts Rules and Interpretations to Enhance Protections and Preserve Choice for Retail Investors in Their Relationships With Financial Professionals". Below the headline, it says "FOR IMMEDIATE RELEASE" and "2019-89". The body text begins with "Washington D.C., June 5, 2019 — The Securities and Exchange Commission today voted to adopt a package of rulemakings and interpretations designed to enhance the quality and transparency of retail investors' relationships with investment advisers and broker-dealers, bringing the legal requirements and mandated disclosures in line with reasonable investor expectations, while preserving access (in terms of choice and cost) to a variety of investment services and products. Specifically, these actions include new Regulation Best Interest, the new Form CRS Relationship Summary, and two separate interpretations under the Investment Advisers Act of 1940." To the right of the main text is a "Related Materials" section with a bulleted list of links: "Final Rule - Regulation Best Interest", "Final Rule - Form CRS Relationship Summary and Form ADV Amendments", "Commission Interpretation - Standard of Conduct for Investment Advisers", and "Commission Interpretation - Broker-Dealer Exclusion". Social media sharing icons for print, Facebook, Twitter, email, and a plus sign are located above the related materials section.

U.S. SECURITIES AND EXCHANGE COMMISSION

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2019-89

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Related Materials

- Final Rule - Regulation Best Interest
- Final Rule - Form CRS Relationship Summary and Form ADV Amendments
- Commission Interpretation - Standard of Conduct for Investment Advisers
- Commission Interpretation - Broker-Dealer Exclusion

A photograph of a family of three—a mother, a father, and a young child—playing on a light-colored floor. The mother is on the left, smiling and looking at the child. The father is on the right, wearing glasses and also smiling. The child is in the center, wearing a yellow and white striped shirt, and is crawling or playing with a toy. The image is dimmed, and the text "We don't have enough money to start investing" is overlaid in white.

“We don’t have enough money to start investing”

A photograph of a family of three (mother, father, and child) playing on the floor. The mother is on the left, smiling and looking at the child. The father is on the right, wearing glasses and smiling. The child is in the center, crawling. The image is dimmed and has text overlaid.

“We don’t have enough money to start investing”

What’s going on?

It's not a lack of value

Even among millennials, the value of investing is clear:

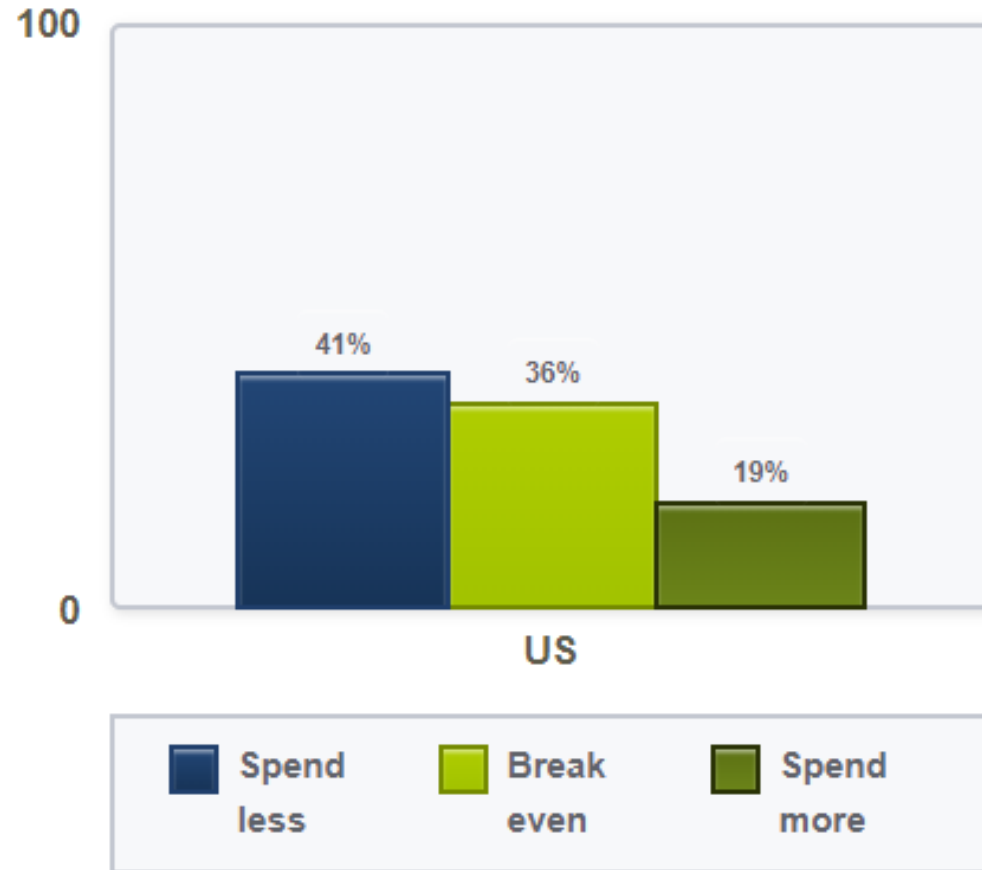
- ▶ 84% of those aged 25-37 believe their financial outlook would improve if they started investing

But, 58% said they are too worried about their financial situation today to think about the future

BlackRock, Investor Pulse Survey (2019)

<https://www.blackrock.com/corporate/insights/investor-pulse#barrier-information>

2018 Spending vs Saving



Only 41% of American households spend less than they earn

46% lack a rainy day fund

23% have overdue medical bills

44 million borrowers owe 1.5 trillion in student loan debt

Finances

Across all income groups, except the highest, families live paycheck to paycheck. Yet, across those same groups, some families successfully save. Income and cost of living obviously matter — but it's not a simple equation.

Why do some save and invest and not others?

**Often the biggest
behavioral obstacle
is attention.**



A photograph of a family of three (mother, father, and child) playing on the floor. The mother is on the left, the father is on the right, and the child is in the center. They are all smiling and looking at each other. The image is dimmed to allow text to be overlaid.

“We don’t have enough money to start investing”

What can we do?

A photograph of a family of three—a mother, a father, and a young child—playing on a light-colored floor. The mother is on the left, smiling and looking down at the child. The father is on the right, wearing glasses and also smiling. The child is in the center, wearing a yellow and white striped shirt, and is crawling or playing with a toy. The image is dimmed, and white text is overlaid in the center.

In Our **Businesses**
In Our **Personal Lives**
And Collectively As An **Industry**

Well, we should avoid this...



Well, we should avoid this...

Look everyone!
A High Net Worth Investor!



In Our Businesses

Where can we take the long view?

Can junior staff help?

Are there smaller services — like helping people setup a savings plan — for smaller fees?

Save More Tomorrow™

Using Behavioral Economics to Increase Employee Saving.

By Richard H. Thaler and Shlomo Benartzi



**Help family
members and
prospects find the
money to save for
the future**

Using administrative data from a major US recordkeeper,
we found that there was

“no statistical relationship between when people get raises
and when they change their contribution rates.”

VOLUNTEERS

"Pro bono raises us up. It shows who we are. It shows the public that we not only work for pay, but we work for the good of the people, for the good of our communities."

—Clare Stenstrom, CFP® and Pro Bono Volunteer

QDIAs matter.
Default rates matter.
MEPs matter.

We know this stuff.
We can make the path easier
for those who don't.



Employers Explore Repaying Student Loan Debt

It's a valuable benefit—but is it fair?

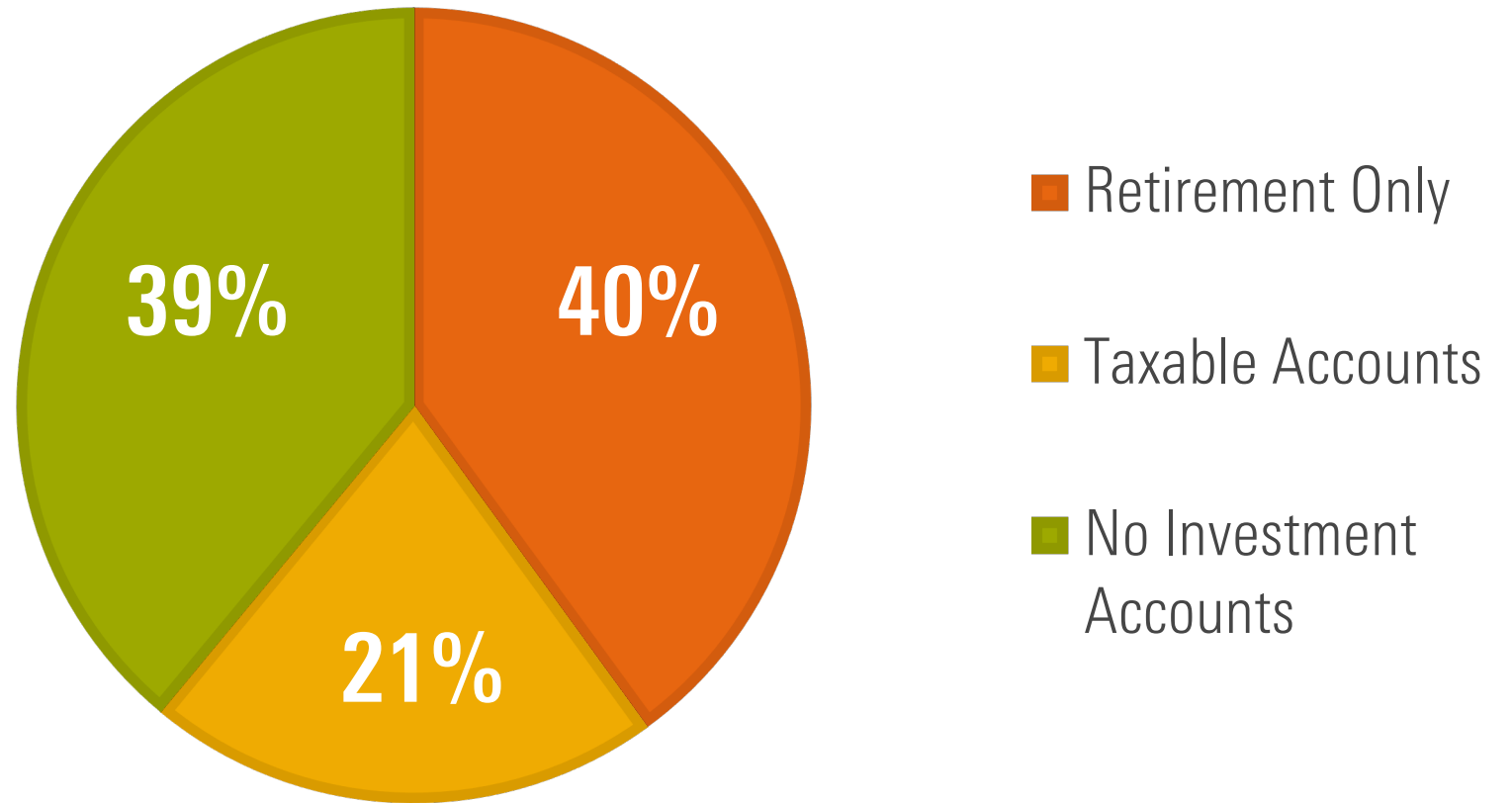
By Arlene S. Hirsch, M.A., LCPC | July 30, 2018

The competition to attract and retain talent is fierce. The unemployment rate is at a near-historic low, and companies are offering sign-on bonuses, flexible hours and a range of other perks to fill even entry-level jobs. Yet one benefit that job hunters and young employees say they want isn't being embraced: employer repayment of student loan

A dark, atmospheric landscape photograph. A dirt road winds from the bottom center towards the horizon. On either side of the road are fields with sparse vegetation and some small puddles. In the background, a range of mountains with patches of snow or light-colored rock rises against a dark sky. The overall tone is somber and contemplative.

Where we've been

Among working households, how many invest?



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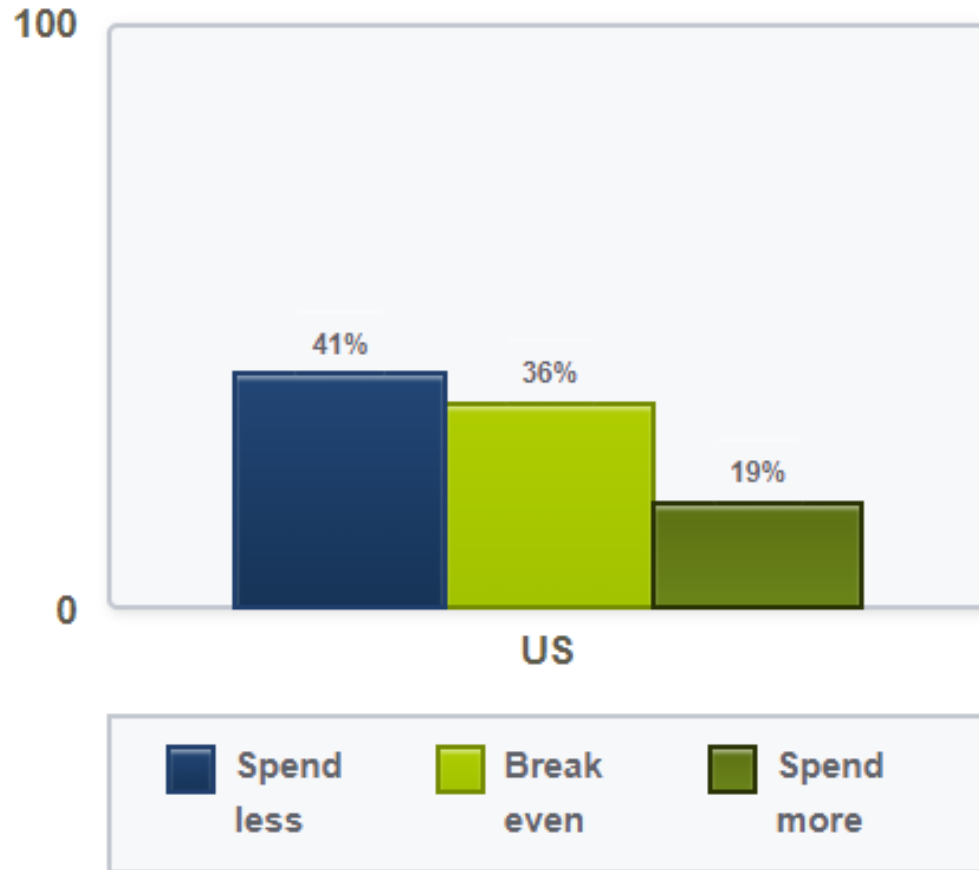
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Questions?

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