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Where Are They Now?
Following Up With the New Investors of 2020

Introduction

In 2020, the FINRA Investor Education Foundation and NORC at the University of Chicago fielded a survey to better understand the influx of new investors who opened taxable investment accounts for the first time during the early months of the COVID-19 pandemic (New Investors) and how they compared to experienced investors who already held taxable accounts but opened additional accounts during this period (Experienced Investors). Given the economic and societal upheaval that occurred in 2020, this influx of millions of investors was noteworthy. In a follow-up study, we return to those investors almost two years later to understand their investing experiences to date. This longitudinal data gives us unique insight into the changes new investors are experiencing in terms of their investing knowledge, investing goals, information sources and portfolio holdings.

1. Most are still investing.

The majority (78.9 percent) of investors (both New Investors and Experienced Investors) who opened new accounts in early 2020 are still in the market two years later, suggesting that the observed expansion of investors in 2020 was not merely a temporary uptick related to the pandemic or market conditions, but a durable rise in the investing population. Though a greater proportion of Experienced Investors maintained their new accounts (88.6 percent) compared to New Investors (75.2 percent), it is worth noting that a sizable proportion of New Investors did not know if their accounts were still open (15.6 percent, compared to only 4.7 percent of Experienced Investors).

In addition to remaining in the market, we see evidence of investors leaning in to investing by adding funds to their accounts. When asked about account activity, almost half of Experienced Investors (46.1 percent) added funds to their accounts without withdrawing funds at any time during the period under consideration. New Investors more frequently withdrew funds compared to Experienced Investors (31.0 percent vs. 16.3 percent, respectively). There were no meaningful differences in reported account balances in 2020 and 2022.
Figure 1. Contribution and Withdrawal Behavior, by Investor Type

<table>
<thead>
<tr>
<th></th>
<th>New Investors</th>
<th>Experienced Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Added but did not withdraw</td>
<td>39%</td>
<td>46%</td>
</tr>
<tr>
<td>Did not add or withdraw</td>
<td>28%</td>
<td>35%</td>
</tr>
<tr>
<td>Withdrew*</td>
<td>31%</td>
<td>16%</td>
</tr>
</tbody>
</table>

*Significantly different at p<.05.
Note: Missing observations are not represented in Figure 1, so the sum of New Investors and Experienced Investors will not equal 100%.

Many things did not change in the almost two years since these investors opened their accounts. For example, we see no meaningful differences in investors’ willingness to take financial risk, and their goals for their accounts remained consistent. Use of margin and options trading continued to be low; just 5.1 percent of respondents reported trading on margin, and only 11.6 percent reported trading options.

2. Investing knowledge is low but increased slightly since 2020.

Subjective knowledge, wherein investors were asked to rate their overall knowledge of investing, did not significantly increase or decrease since first measured. However, investors’ objective investing knowledge, as measured by a five-item quiz, increased modestly from 2020 (see the Appendix for the quiz questions and answers). On average, investors improved their investing knowledge scores by 6.3 percent—correctly answering 1.71 items in 2022 and 1.61 in 2020. This increase was driven by New Investors, who improved their scores by 9.0 percent, from an average of 1.33 correct answers in 2020 to an average of 1.45 in 2022. Objective investing knowledge did not significantly increase for Experienced Investors, who started with higher levels of knowledge in 2020 (increasing by only 3.0 percent, from 2.30 correct answers in 2020 to 2.37 in 2022). This suggests that New Investors, in particular, may have benefited from “learning by doing.”
Increases in objective knowledge were not limited to investors in any specific demographic group (for example, age, gender or race) or investors with higher or lower account balances, but were instead distributed among all investors. Increased engagement was related to increases in investing knowledge, with score improvements isolated to those trading one or more times per month on average (an increase of 0.16 or 8.6 percent) and those who monitored their accounts more than once per week (an increase of 0.20 or 12.4 percent). Investors holding shares of individual company stock in their accounts had score increases (0.19 or 10.9 percent), as did investors holding exchange traded funds (ETFs) (0.25 or 12.7 percent) and investors who did not hold mutual funds (0.16 or 10.8 percent).

3. Investors who initially cited learning to invest as a goal for opening their new accounts increased their investing knowledge.

In 2020, many investors cited learning about investing as one of the goals for their new accounts (38.3 percent of New Investors; 34.1 percent of Experienced Investors). These investors’ objective knowledge improved 21.5 percent, from a mean score of 1.44 correct responses out of five in 2020 to a score of 1.75 in 2022. Investors who did not list learning about investing as a goal for their account did not experience significant changes in their investing knowledge but had higher levels initially.

Figure 2. Average Objective Investing Knowledge Score for 2020 and 2022, by Investor Type

*Significant increases at the p<.05 level.
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4. More New Investors have begun using financial professionals, and fewer are relying on personal research.

When asked what information sources they use when making investment decisions, New Investors exhibited a shift away from the use of “other personal research” (down almost 10 percentage points compared to 2020) and a greater reliance on financial professionals (up 9.3 percentage points compared to 2020). This shift in the use of financial professionals is substantial: In 2020, information from financial professionals was the sixth most frequently cited source, while in 2022 it was the third most frequently cited information source.

Figure 3. Information Sources Used by New Investors in 2020 and 2022

<table>
<thead>
<tr>
<th>Information Source</th>
<th>2020</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Reports / Company Websites</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Friends / Family</td>
<td>34%</td>
<td>35%</td>
</tr>
<tr>
<td>News Media*</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Other Personal Research*</td>
<td>31%</td>
<td>29%</td>
</tr>
<tr>
<td>Brokerage Firms</td>
<td>31%</td>
<td>26%</td>
</tr>
<tr>
<td>Financial Professionals*</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Social Media</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Employer</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Regulator</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

*Significantly different at the p<.05 level.

5. When it comes to digital engagement, investors strongly prefer platform features that allow them to learn about investing over features that offer entertainment.

New in the 2022 survey was a series of questions related to the digital engagement features of investment platforms. These questions asked whether specific features were either helpful (positive) or unhelpful (negative), or whether they detracted (negative) or enhanced (positive) the investing experience (investors were also given the option to indicate if a specific feature was not available on their platform). In general, investors (both New and Experienced) responded more positively to platform features that allowed them to learn (70 percent found it helpful), customize or personalize the user interface (57 percent found it helpful) and receive free cryptocurrency or stock when opening an account (57 percent indicated that it enhances their experience). Conversely, investors were much less enthusiastic about games of chance offered when using an account (35 percent indicated that it detracts from their experience), the ability to select an avatar (29 percent indicated that it detracts from their experience) and the ability to link the user interface to social media (32 percent found this unhelpful).
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**Figure 4a. Investors’ Positive and Negative Reactions to Specific Digital Engagement Features of Their Investing Platforms**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Finds Unhelpful</th>
<th>Finds Helpful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning more about investing</td>
<td>4%</td>
<td>70%</td>
</tr>
<tr>
<td>Linking to social media</td>
<td>32%</td>
<td>23%</td>
</tr>
<tr>
<td>Customize/personalize the interface</td>
<td>7%</td>
<td>57%</td>
</tr>
<tr>
<td>Alerts or push notifications</td>
<td>12%</td>
<td>48%</td>
</tr>
<tr>
<td>Interacting with others on the platform</td>
<td>12%</td>
<td>43%</td>
</tr>
<tr>
<td>Comparing investing activities with others</td>
<td>12%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Individual bars do not sum to 100 percent because the percentages of respondents who selected the neutral category are not displayed. Percentages include investors who indicate the feature is available to them.

**Figure 4b. Investors’ Positive and Negative Reactions to Specific Digital Engagement Features of Their Investing Platforms**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Detracts from Experiences</th>
<th>Enhances Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rewards for referrals</td>
<td>10%</td>
<td>50%</td>
</tr>
<tr>
<td>Encouraging messages when making trades</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>Free crypto/stock</td>
<td>11%</td>
<td>57%</td>
</tr>
<tr>
<td>Games of chance</td>
<td>35%</td>
<td>25%</td>
</tr>
<tr>
<td>Avatars</td>
<td>29%</td>
<td>15%</td>
</tr>
<tr>
<td>Achievement badges or progress bars</td>
<td>24%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Individual bars do not sum to 100 percent because the percentages of respondents who selected the neutral category are not displayed. Percentages include investors who indicate the feature is available to them.
6. More investors are holding cryptocurrency.

In 2020, 14.1 percent of New Investors and 19.1 percent of Experienced Investors reported holding “alternative investments,” including cryptocurrency, gold or hedge funds. In 2022, we asked about cryptocurrency holdings specifically and found that 28.1 percent of New Investors and 22.0 percent of Experienced Investors reported holding cryptocurrencies in their portfolios. Despite using this narrower approach to examining cryptocurrency holdings, the numbers in 2022 outweigh those in 2020, suggesting a considerable jump in the cryptocurrency holdings of New Investors and Experienced Investors.

There are notable differences between investors who hold and do not hold cryptocurrency as of 2022. Cryptocurrency holders are younger on average (37.9 years old vs. 46.1 years old). Also, Black/African American investors (45.8 percent) and Hispanic/Latino investors (40.3 percent) much more frequently hold cryptocurrencies compared to non-Hispanic white investors (16.9 percent). Male investors more frequently report cryptocurrency holdings (33.6 percent) compared to female investors (14.6 percent).

**Figure 5. Demographic Composition of Investors Holding Cryptocurrencies**

*Significantly different from white at p<.05. **Significantly different from women at p<.05.
Investors who hold cryptocurrency reported lower balances in their investment accounts compared to investors without cryptocurrency holdings; in 2022, over half (59.6 percent) of cryptocurrency investors had investment account balances below $2,000, while only 27.3 percent of investors who do not own cryptocurrency held less than $2,000 in their accounts.

Cryptocurrency owners appear to have a different risk profile compared to other investors. In general, investors owning cryptocurrency are more risk tolerant, with 25.5 percent (compared to 7.4 percent of non-holders) saying they are willing to take substantial financial risk expecting to achieve substantial financial returns.

7. Investors’ knowledge about cryptocurrency is low, but not as low as their knowledge about investing more generally.

Study participants performed slightly better on a five-item quiz measuring cryptocurrency knowledge compared to the general investing knowledge quiz described above (number 2). On average, respondents answered 2.15 cryptocurrency questions correctly. This compares to an average of 1.71 correct responses on the general investing knowledge quiz. As might be expected, those owning cryptocurrency performed better on the cryptocurrency quiz, answering 2.94 questions correctly. Those not owning cryptocurrency answered only 1.93 cryptocurrency quiz questions correctly. Some cryptocurrency quiz questions proved harder than others: Whereas 68.3 percent of investors correctly answered a question on cryptocurrency risk, only 23.2 percent could correctly answer a question on cryptocurrency fraud.

Figure 6. Percent of Cryptocurrency Holders and Non-holders Correctly Answering Quiz Items

* Significantly different at p<.05.
Although study participants did better on the cryptocurrency quiz than the general investing quiz, quiz scores were significantly related. On average, those with scores of zero on the general investing knowledge quiz correctly answered 0.92 cryptocurrency questions. Those who achieved at least an 80 percent (4 out of 5 correct) on the general investing quiz, by contrast, correctly answered an average of 3.74 cryptocurrency questions.

Although investors may objectively know more about cryptocurrency than investing in general (as measured by our quizzes), they subjectively believe they know more about general investing. Only 10.1 percent of study participants indicated they have high or very high knowledge of cryptocurrency, while 19.7 percent indicated they have high or very high knowledge of investing in general. Cryptocurrency holders had higher levels of both objective, as noted above, and subjective cryptocurrency knowledge, with 20.7 percent indicating high levels of knowledge (compared to 6.3 percent of non-cryptocurrency holders).

Conclusion

The COVID-19 pandemic has coincided with (and in some instances contributed to) many profound changes in society and the economy. To be certain, retail investing has changed significantly during these unsettling years. Historically large numbers of investors have entered the market for the first time, the demographics of the investing population have changed significantly, and new platforms, investment products and information sources have entered the mainstream. Two years after our initial study, it appears that New Investors from 2020 are, for the most part, here to stay, despite the substantial market volatility experienced in 2022. For some, knowledge about investing is getting better, though there is still vast room for improvement. Many have added cryptocurrency to their portfolios and demonstrated a willingness to take on substantial investment risks. These New Investors state distinct preferences regarding the investing platforms they use. When investing, they seem more interested in learning than gaming, though they are hardly impervious to the lure of marketing incentives. With experience and modest gains in investing knowledge have come a greater reliance on financial professionals as information sources and a diminished reliance on personal research. Whether or not the pace of change in the retail sector continues unabated remains to be seen, but it does seem likely that the New Investor cohort from 2020 will both shape and be shaped by how America invests.
Appendices

Methodology

About the data
This study uses data collected between October 26 and November 13, 2020, and September 9 and September 29, 2022, using the AmeriSpeak® Panel. Funded and operated by NORC at the University of Chicago, AmeriSpeak is a probability-based panel designed to be representative of the U.S. household population. Randomly selected U.S. households are sampled using area probability and address-based sampling, with a known, non-zero probability of selection from the NORC National Sample Frame. These sampled households are then contacted by U.S. mail, telephone and field interviewers (face to face). The panel provides sample coverage of approximately 97 percent of the U.S. household population. Those excluded from the sample include people with P.O. Box only addresses, some addresses not listed in the USPS Delivery Sequence File and some newly constructed dwellings. While most AmeriSpeak households participate in surveys by web, non-internet households can participate in AmeriSpeak surveys by telephone. Households without conventional internet access but having web access via smartphones are allowed to participate in AmeriSpeak surveys by web. AmeriSpeak panelists participate in NORC studies or studies conducted by NORC on behalf of governmental agencies, academic researchers, and media and commercial organizations. 480 U.S. adults ages 18 and older were included in the study analyses. The study was fielded in English only and was administered online. Respondents were considered eligible for the study if they were either the primary decision-maker or shared in the decision-making related to finances in the household and held at least one non-retirement investment account that was opened in the first part of 2020. The screener completion rate for the original study in 2020 was 30.7 percent, and the survey completion rate was 98.9 percent. The final AAPOR response rate (RR3) for the original study was 5.2 percent, and the margin of error was 3.84 percentage points. Of the 737 respondents who participated in the original study, 480 also completed the follow-up study in 2022 (a 65.1 percent retention rate). The margin of error for the follow-up study is 4.56 percentage points, and the study was ten minutes median duration. AmeriSpeak participants self-identified their age, sex, education and race/Hispanic ethnicity.

Imputation
Fifty-seven observations in the original study were unable to be classified as either New Investors or Experienced Investors due to missing data. To classify these observations, a multiple imputation technique utilizing a random forest model was used to estimate the investor status for these 57 observations. Specifically, the investor group for each respondent was estimated five times using the following independent indicators:

- Investment knowledge score (range 0–5)
- Age (60+/18–59)
- Race (African American/other)
- Primary reason for opening (non-retirement/other)
- Primary reason for opening (start with small amounts/other)
- Have experience in options trading (yes/no)

Final investor group classifications for respondents were obtained by calculating the mode of investor group classifications from the five-model imputation.

A small subset of respondents did not report gender, race or ethnicity. As these variables are used in weighting, missing values were imputed using a proportional imputation approach. Missing values were assigned a random number between 1 and 0. If that random number is below the population benchmark for male (the same process was used for race and ethnicity), the observation was assigned male; otherwise, the observation was assigned female.
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Weighting
Statistical weights for the study-eligible respondents were calculated using panel-base sampling weights to start. The base sampling weights are further adjusted to account for unknown eligibility and nonresponse among eligible housing units. The household-level nonresponse adjusted weights are then post-stratified to external counts for number of households obtained from the Current Population Survey. Then, these household-level post-stratified weights are assigned to each eligible adult in every recruited household. Furthermore, a person-level nonresponse adjustment accounts for nonresponding adults within a recruited household. Finally, panel weights are raked to external population totals associated with age, sex, education, race/Hispanic ethnicity, housing tenure, telephone status and Census Division. The external population totals are obtained from the Current Population Survey. Study-specific base sampling weights are derived using a combination of the final panel weight and the probability of selection associated with the sampled panel member. The screener nonresponse adjusted weights for the study are adjusted via a raking ratio method to general population age 18 and older population totals associated with the following sociodemographic characteristics: age, sex, education, race/Hispanic ethnicity and Census Division.

Quizzes

Investing Knowledge Quiz
(Correct Answers in Bold)
If you own a call option with a strike price of $50 on a security that is priced at $40, and the option is expiring today, which of the following is closest to the value of that option?
- $10
- $0
- -$10
- Don't know

The past performance of an investment is a good indicator of future results.
- True
- False

If you buy a company's stock...
- You own part of the company
- You have lent money to the company
- You are liable for the company's debts
- The company will return your original investment to you with interest
- Don't know

You invest $500 to buy $1,000 worth of stock on margin. The value of the stock drops by 50%. You sell it. Approximately how much of your original $500 investment are you left with in the end?
- $500
- $250
- $0
- Don't know

Which is the best definition of “selling short”?
- Selling shares of a stock shortly after buying it
- Selling shares of a stock before it has reached its peak
- Selling shares of a stock at a loss
- Selling borrowed shares of a stock
- Don't know

Cryptocurrency Quiz
(Correct Answers in Bold)
In the U.S., profits from cryptocurrency investments are:
- Subject to federal taxes
- Exempt from all state and federal taxes
- Taxed at a higher rate than profits from stock and bond investments
- Don't know

Compared to a money market fund, cryptocurrency investments generally have:
- More risk
- Equal risk
- Less risk
• Don't know

The supply of a cryptocurrency is usually determined by:

• The International Monetary Fund (IMF)
• The Internet Corporation for Assigned Names and Numbers (ICANN)
• The rules outlined by the developers of the cryptocurrency
• World gold reserves
• Don't know

Which of the following is true about cryptocurrency?

• Cryptocurrencies can be exchanged for U.S. dollars
• In the U.S., cryptocurrency is legal tender for all debts, public and private
• Cryptocurrency is insured by the FDIC up to a value of $250,000
• All of the above are true
• Don't know

Which of the following makes cryptocurrency transactions susceptible to fraud?

• Cryptocurrency is now the most commonly used form of payment in the U.S.
• Cryptocurrency relies on blockchain technology, which is easy to hack
• Cryptocurrency does not trade on exchanges
• Cryptocurrency transfers usually cannot be reversed
• All of the above
Endnotes

1. Most respondents (76 percent) opened only one account. Those who opened more than one were asked to refer to the most recent account they opened when answering the survey questions. The brief based on this initial study can be found on the FINRA Foundation website.

2. Not a statistically significant difference.

3. Not a statistically significant difference.

4. Not a statistically significant difference.

5. A statistically significant difference at p<.05.

6. Pearson's r=.509; p<.0001.

About FINRA and the FINRA Foundation

The Financial Industry Regulatory Authority (FINRA) is a not-for-profit organization dedicated to investor protection and market integrity. It regulates one critical part of the securities industry—brokerage firms doing business with the public in the United States. FINRA, overseen by the Securities and Exchange Commission, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit www.FINRA.org.

The FINRA Investor Education Foundation supports innovative research and educational projects that give underserved Americans the knowledge, skills and tools to make sound financial decisions throughout life. For more information about FINRA Foundation initiatives, visit www.FINRAFoundation.org.

About NORC

NORC at the University of Chicago is an independent research institution that delivers reliable data and rigorous analysis to guide critical programmatic, business and policy decisions. Since 1941, NORC has conducted groundbreaking studies, created and applied innovative methods and tools, and advanced principles of scientific integrity and collaboration. Today, government, corporate and nonprofit clients around the world partner with NORC to transform increasingly complex information into useful knowledge.

Don't know