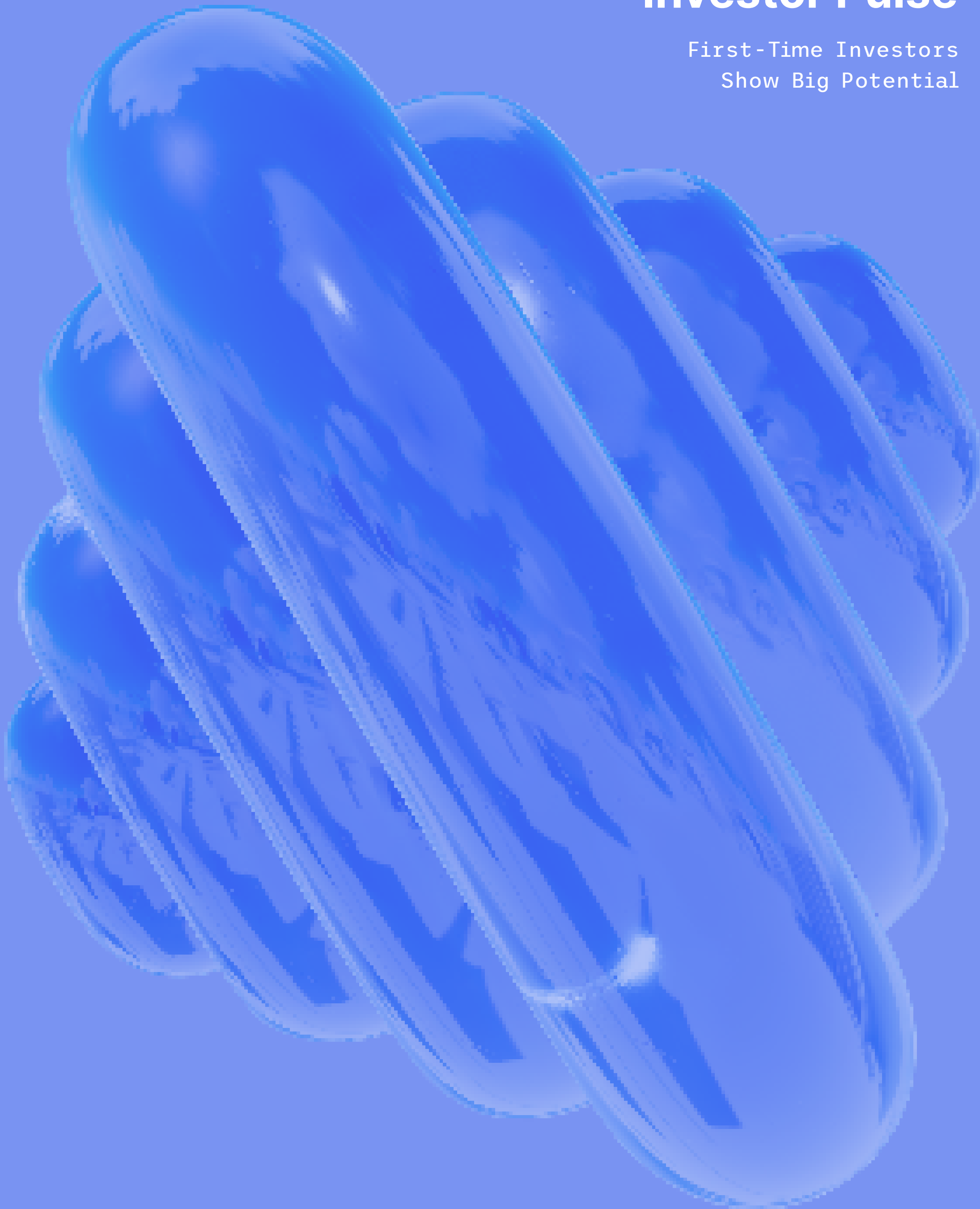
finimize

Finimize Modern Investor Pulse

First-Time Investors
Show Big Potential



June 2024

Q3 2024

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Introduction

At the turn of the year, we suggested 2024 would be a banner year for retail investors. As we reflect on that view six months later, it seems more true than ever.

Retail investors set cash aside in 2023, and they're putting that to work now. That means many may have benefited from stock markets' record highs this year. Plus, the approval of spot bitcoin ETFs has brought about significant gains and opportunities for crypto enthusiasts.

The final puzzle piece is interest rate cuts. The European Central Bank cut rates in June, the Bank of England won't be far behind, and the US Federal Reserve is likely to cut later this year. Those cuts will reduce savers' returns on their cash in savings accounts – and that creates an opportunity for investment platforms to make the case for investing to investors and non-investors alike. Meanwhile, banks may feel forced to act quickly in a bid to hold onto existing savers, given their risk of losing customer deposits.

That said, our Modern Investor Pulse shows that only 15% of our community started investing after engaging with content that a bank produced. Instead, the biggest catalyst was a conversation with an investor-friend, with almost 50% entering the market that way. That stands to reason: last quarter's survey found that only 20% of retail investors believe their investing platforms provide them with all the information they need to make investment decisions.

Our research also revealed that first-time investors often invest significantly more money once their confidence and knowledge develops.

So for both investing platforms and banks, it's not enough to just focus on acquisition. Their long-term success will come down to having a plan for education and retention too.

Happy reading,

Max Rofagha
CEO & Founder

Pulse Highlights

76% of retail investors think global stock markets will be higher in 12 months

43% plan to invest at least $10,000 in the next year

46% of retail investors got started thanks to a conversation with someone who invests

Women slightly more likely than men to make a first investment of **$10,000 or more**

Retail investor trends in

Q3 2024

At the tail-end of last year, we predicted 2024 would be a big year for retail investors. And as we head into the second half of the year, it seems that optimism has been right. Following record-breaking days in the first quarter of this year, the FTSE 100, NASDAQ, and S&P 500 all reached new heights in May and June, along with stock markets in Japan, India, and Europe. Those highs have, as they've done historically, tracked in line with retail investor optimism which has hit its own record high for the third quarter running.

We've seen investors put money into markets throughout this year, but our data shows there's still plenty of cash left to invest and plenty of plans on how to invest it, with tech stocks and ETFs still retail investors' preferred destinations.

The Q3 Modern Investor Pulse dug into how first-time investors get started and what those crucial first steps and few investments look like. Finimize has always understood and centered the power of community, so it was vindicating to see the impact that conversations with trusted, like-minded people have on driving individuals to start investing. That's alongside our data providing further evidence that the influence of social media and "finfluencers" on new investors has waned.

While the investment amounts are understandably smaller among first-timers, what they're buying into is similar to the bets being made by more experienced investors, preferring stocks and ETFs over cryptocurrencies – disproving another unfounded stereotype.

Key figures from the Q3 2024 Modern Investor Pulse

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43% plan to invest at least $10,000 in the next year

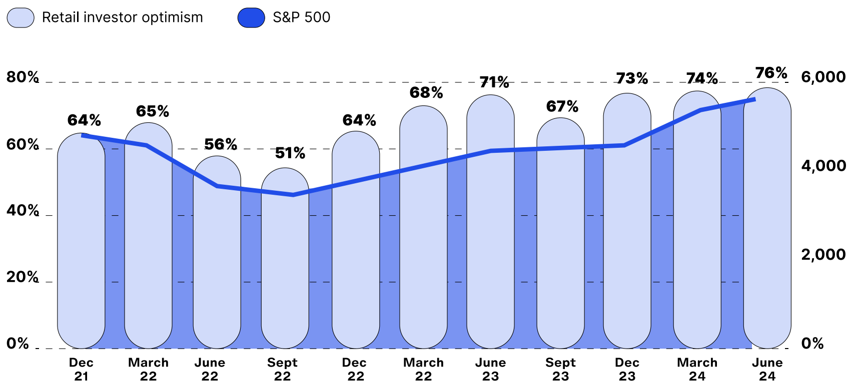
46% of retail investors got started thanks to a conversation with someone who invests

Women slightly more likely than men to make a first investment of **$10,000 or more**

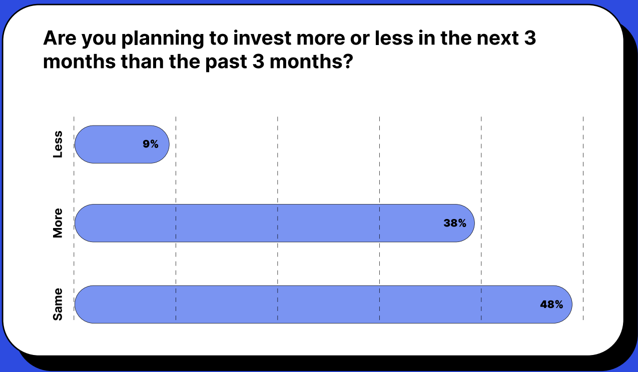
Retail investor optimism is at a record high for the third quarter running

The last two quarters have seen record-breaking levels of investor optimism and this quarter, the record's been broken again. 76% of modern retail investors think global stock markets will be higher a year from now, coinciding with fresh new highs from many of the world's biggest stock market indexes.

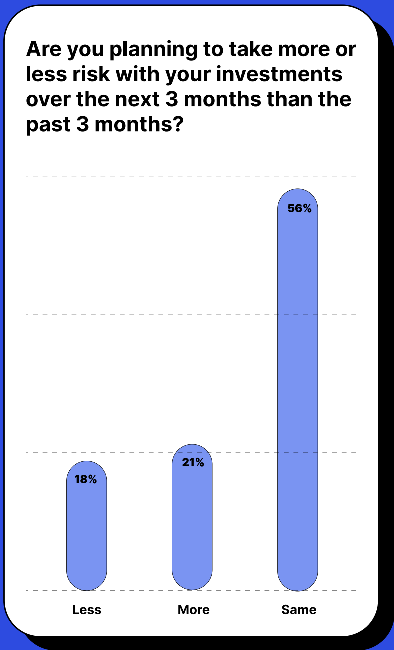
Proportion of respondents who think global stock markets will be higher in 12 months and S&P 500 level



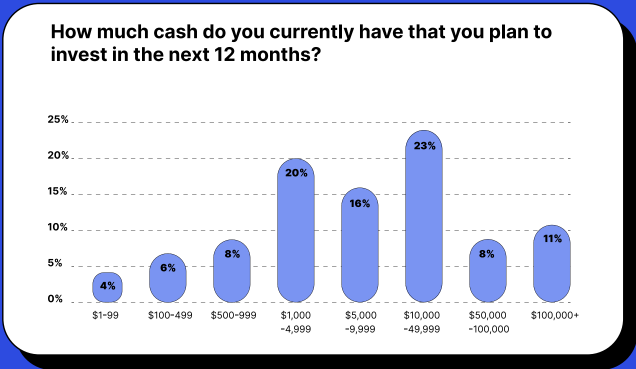
Despite their optimism, investment plans for the next three months remain steady with 48% of retail investors planning to invest the same as the last three months, up 2% from last quarter, while 38% plan to invest more, down from 42%. Only 9% are planning to invest less.



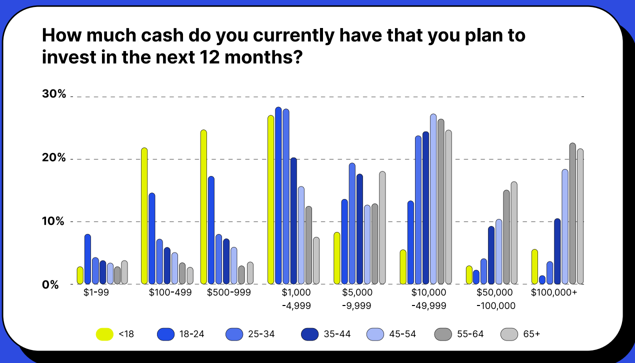
Risk appetite has stayed the same too, with 56% of respondents planning to take the same amount of risk and just 21% keen to take more.



Over 40% are planning to invest at least $10,000



As for modern retail investors' cash holdings, 43% of respondents said they're holding onto at least $10,000 that they plan to invest in the next 12 months. That's down from 48% last quarter. Considering the optimism around the market, that's more likely a sign that money has already been invested rather than a change of plan. 8% are planning to invest between $50,000 and $100,000, with a further 11% planning to invest over $100,000, broadly in line with last quarter's totals.



There's little variation in cash balances between age groups spanning from 35 to 64. As you might expect, older cohorts tend to have bigger cash piles available to invest, with just over 20% of over-55s and over-65s having more than $100,000 on hand. But younger groups continued to demonstrate that they're more affluent than they're often given credit for: nearly 30% of under 25s have between $1,000 and $4,999 in cash that they plan to invest in the next 12 months.

With record levels of optimism, likely spurred by recent and further expected interest rate cuts, retail investor activity is showing no signs of slowing down for the rest of the year.

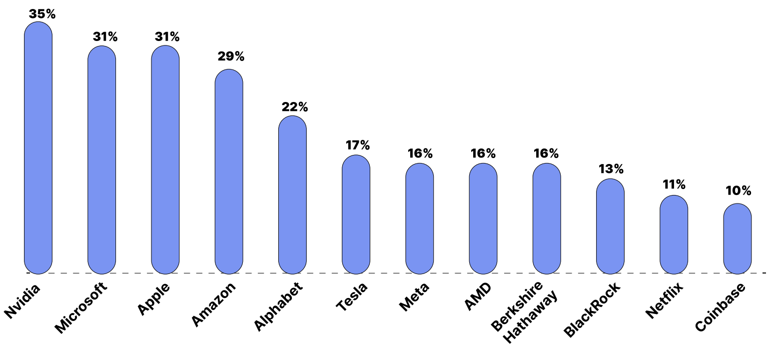
Carl Hazeley, Chief Analyst & VP Content, Finimize

Tech stocks and ETFs are top picks

AI-linked tech continues to surge, pushing global stock markets to new highs, while a rate cut in the eurozone and anticipated cuts in the UK and US have helped stocks continue to be retail investors' top choice, with 65% of survey respondents planning a purchase in the next 6-12 months.

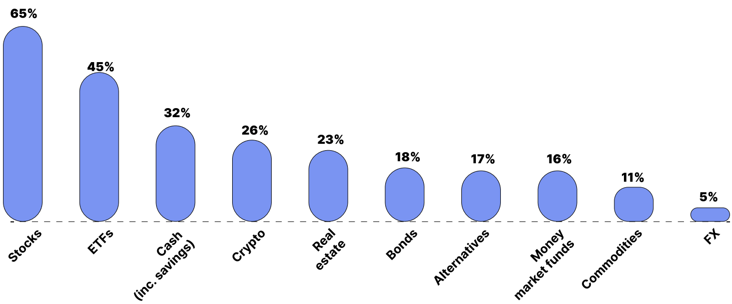
Perhaps unsurprisingly then, the most popular stocks among modern retail investors were those benefiting from the AI megatrend. Nvidia (35%) retained its position as the top pick, followed by Microsoft and Apple (both 33%), Amazon (29%), and Alphabet (22%). Notably Tesla – which has lost around 60% of its value since its 2021 peak and counts an estimated 46% of its investor base as retail – only forms a part of 17% of Pulse respondents' plans.

Which stocks do you plan to invest in over the next 6-12 months?



However, retail investors still aren't putting all their eggs in the tech-stock basket and continue to diversify their portfolios with exchange-traded funds (ETFs), with about half planning to invest this way.

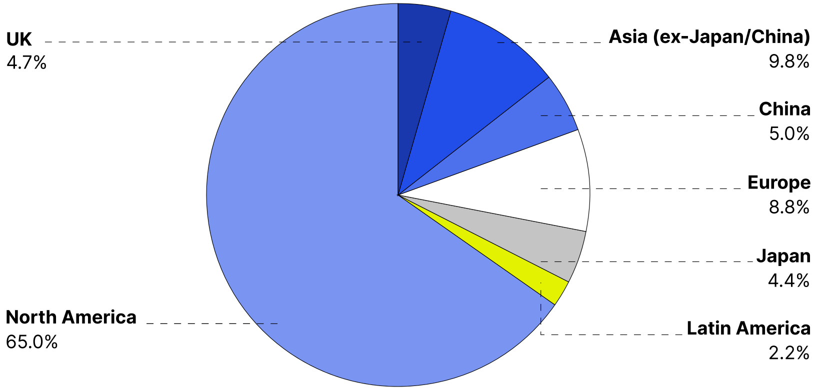
Where do you plan to invest most of your surplus income over the next 6-12 months?



Last quarter's Modern Investor Pulse showed that the number of investors planning to keep money in cash products was on the decline, with anticipated interest rate cuts likely a factor. But despite interest rate cuts in Europe, plans to invest in cash (including savings) have held steady. That could reflect UK and US investors taking a wait-and-see approach to rate cuts after repeated delays thanks to still-high inflation and stronger-than-expected economic data.

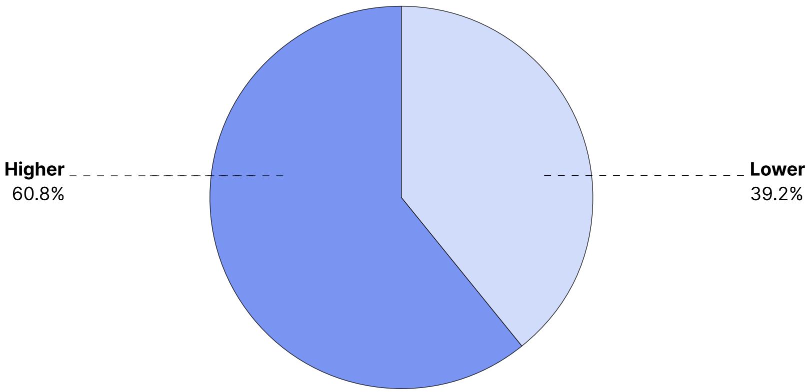
In terms of which regions retail investors feel are most attractive right now, North America is the overwhelming favorite, wooing 65% of respondents. Its popularity makes sense considering the US's importance in global markets and its being the home to several AI winners, whose momentum has shown little sign of slowing down. Asia (excluding Japan and China) was voted top by 10% and Europe by 9%. With stock markets like India hitting highs this year and South Korea showing some momentum thanks to some of its AI-boosted chipmakers, Asia's been rising in relevance for investors.

Which market do you find the most attractive for investment for the rest of the year?

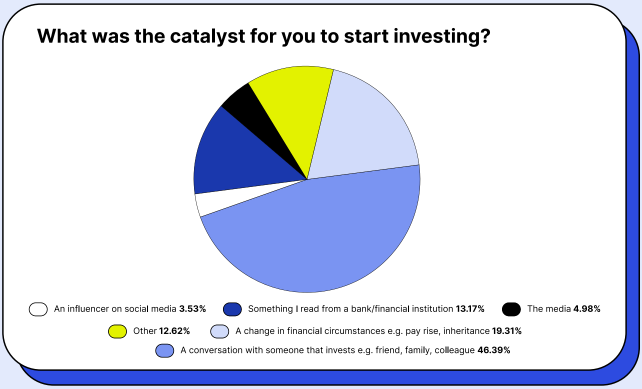


Looking at digital assets, optimism remains almost unchanged from last quarter. The number of people earmarking cash for crypto has stayed steady at 26%, while only 2% fewer respondents (61%) feel bitcoin's price will be higher in 12 months. This lack of movement may be due to a shift in investor focus away from bitcoin and towards ether in anticipation of US regulators' potential approval of spot ETFs for the world's second-biggest cryptocurrency.

Do you think bitcoin will be higher or lower 12 months from now?



First-time investors influenced by socializing over social media



Our Pulse data found that despite the rise of “finfluencers”, robo-advisors, and investment platforms, almost half (46%) of retail investors started investing following a conversation with someone that invests. This was a catalyst for around half of investors across all age groups. The second biggest driver was a change in financial circumstances, which was understandably higher amongst older respondents.

Last quarter’s Pulse revealed that 42% of modern investors are using social media “significantly less” than they used to for investment advice. That trend is also apparent amongst first-time investors, where social media influencers were ranked as the least impactful catalyst (4%). Even among younger investors (under 18s and 18-24 year-olds), less than 10% were encouraged to invest by something they saw on social media.

That points to first-time investors preferring to take advice from sources without a vested interest in the assets they choose – which is similar to how established investors make decisions. The difference is that as investors mature, those impartial parties become trusted media outlets and newsletters rather than friends and family.

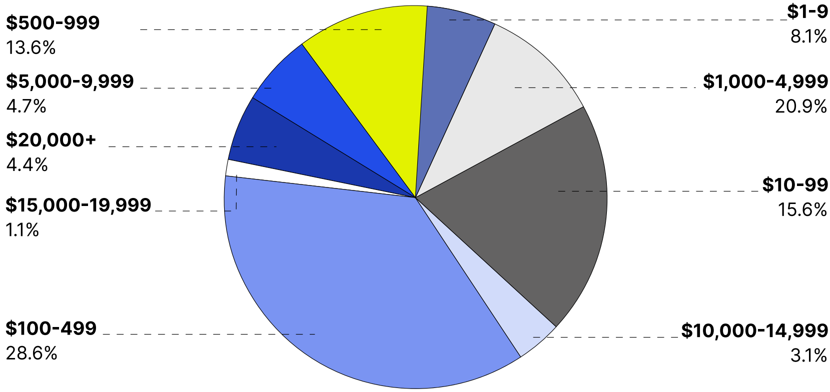
What might stand out for financial services firms is that only 15% of first-time investors were influenced by content produced by a bank or other financial institution. That supports last quarter’s data which showed only 20% of retail investors believe their trading platforms provide them with all the information they need to make investment decisions. The upshot should be clear: financial services firms need to plug the gap and facilitate trust. And with stock markets at record highs and interest rate cuts on the horizon making the case for investing more compelling, now is the time for action.

Investing is a very personal decision that requires a lot of trust. Consumers are tired of being sold to and overwhelmed with advertising. Sometimes, having a conversation with someone with no vested interest in the outcome is the best way to alleviate the fears of getting started. If financial firms facilitate that conversation themselves, they will build trust directly, and benefit from the halo effect it creates.

Max Rothery, VP Community, Finimize

Almost 60% of first-time investors started out with amounts between $10 and $1,000, while one-fifth (21%) took the plunge with initial amounts between $1,000 and $4,999

What was the amount of the first investment you ever made?



There's a clear benefit to investing platforms in acquiring investors early. Almost half (46%) of investors that have been investing for three or more years started investing with less than $500, and over a third (36%) of investors that plan to invest more than $10k this year, started with an investment of less than $500.

Given we know retail investors increase the amounts they invest the longer they're in the market, this highlights the opportunity among smaller, novice investors. They have the potential to grow in size and significance, representing a major growth opportunity for financial institutions.

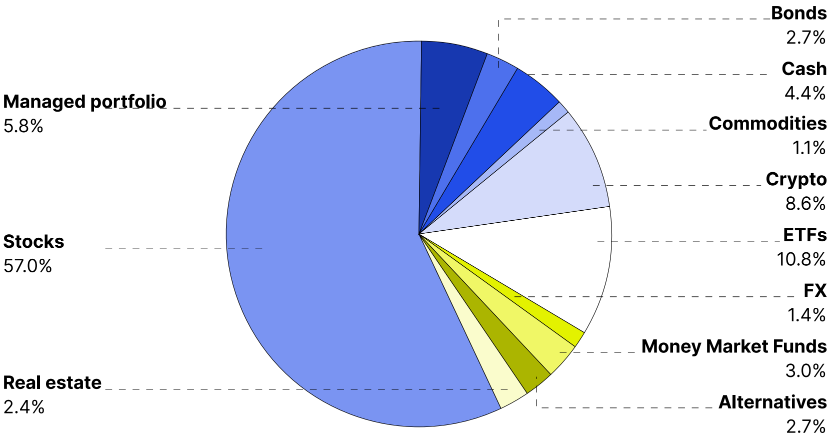
Our data also showed there's a gender divide in first-time investor preferences: while men lean towards stocks, women were more likely than men to buy into ETFs or managed portfolios. Female investors are also more likely to invest $10,000 or more compared to first-time male investors.

Investing firms should remember that acquiring users with potentially large account balances doesn’t have to be a short-term game. Sure, you can aim for those who are already at the higher end. But there’s perhaps an underappreciated opportunity in ‘landing and expanding’ with less experienced investors whose confidence and account balances may grow with time. This applies to female investors too, who are often overlooked but tend to start out in investing with slightly higher amounts than men.

Carl Hazeley, Chief Analyst & VP Content, Finimize

Contrary to popular belief, less than 10% of retail investors made their first investment in cryptocurrencies, challenging the stereotype that new investors gravitate towards high-risk, high-reward assets like crypto.

What was the first investment you ever made?



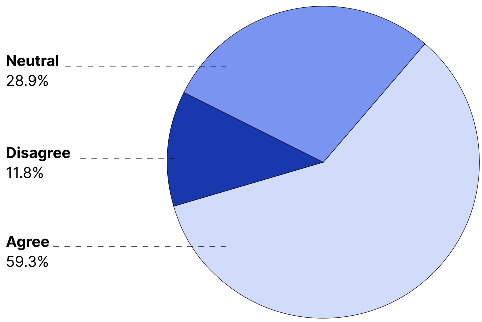
Few new retail investors start by investing in crypto, and social media isn't a significant influence on them. It's conversations that are the key driver to get people started. Our findings highlight the importance of nurturing small, first-time investors through informed dialogue and accessible financial education. Financial institutions and investment platforms that understand and engage with new investors at the beginning of their journeys will be the ones to benefit as they grow.

Max Rofagha, Founder & CEO, Finimize

Values over returns for upcoming elections

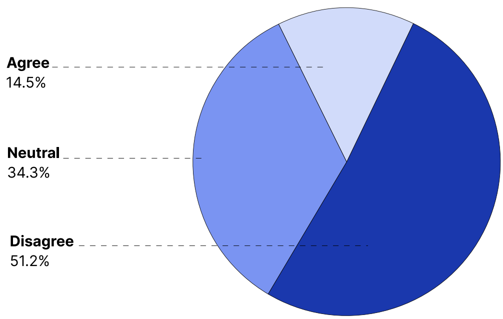
Despite predicting increased market volatility post the UK and US elections (51% of UK-based investors and 42% of US-based investors feel this way), almost 60% of retail investors think their portfolios will increase in value over the next six months – essentially after the votes have been cast.

"I believe the value of my portfolio will go up in the next six months."



Retail investors have again demonstrated they have a long-term time horizon they typically don't get credit for, with only 14% plan to make significant changes to their portfolios before the elections. Indeed, that suggests they are largely shrugging off any potential short-term volatility around the elections, keeping their eyes on the long-term prize.

"I am making significant changes to my portfolio ahead of the elections."



As for where they plan to cast their votes, UK and US investors plan to vote with their values over their returns when it comes to the elections. UK investors are more likely to vote for Labour (37%) over the Conservatives (23%), despite more believing Conservatives will be best for the stock market.

Over in the US, investors are more likely to vote for the Democrats (48%) over the Republicans (34%), despite more believing a Republican win is best for the stock market.

Despite the upcoming elections in the UK and US, the data shows retail investors are taking a long-term approach and remain confident in the resilience of their portfolios. Over half aren't planning to make significant changes before the elections take place (59% UK investors, 51% US) but are optimistic about the value of their portfolios after election season ends.

Carl Hazeley, Chief Analyst & VP Content, Finimize

About the Modern Investor Pulse

The Modern Investor Pulse is a quarterly survey of retail investors in the Finimize community. You can access previous surveys here.

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Data for Q3/2024 collected in June 2024
Number of respondents: 3,091
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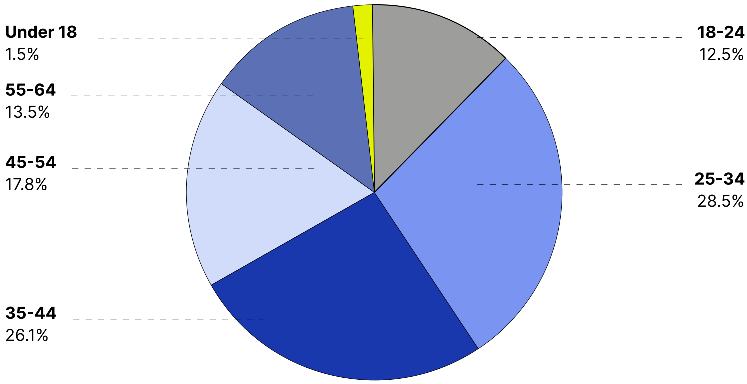
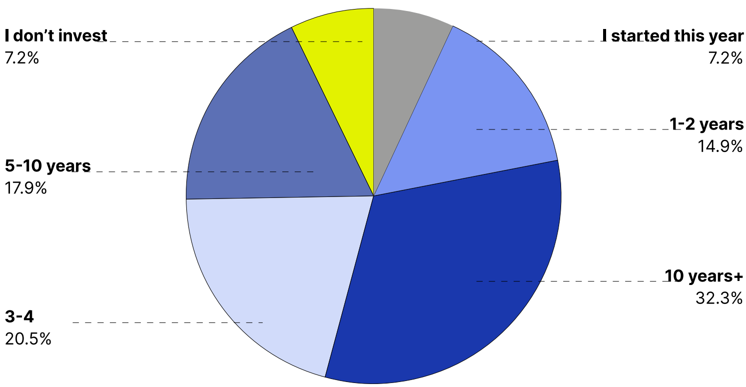
Ages of Q3 2024 respondents



Investing experience Q3 2024 respondents



What is Finimize?

Finimize is an investing insights platform that empowers modern retail investors with daily bite-sized analysis from world-class analysts, and helps financial institutions engage with the modern investor.

Why is Finimize different?

With over one million subscribers to its newsletter and mobile app, Finimize is home to one of the biggest retail investor communities in the world. Over 70,000 attend its member-organized events each year.

Alongside its direct-to-consumer offering, Finimize has partnered with over 300 fintechs and financial institutions to support their efforts to engage with modern retail investors.

Why is it needed?

The retail investor community is set to account for 61% of global AUM by 2030. Some of the biggest global asset management firms in the world are firmly setting their sights on this growing market, with plans to release investment vehicles that specifically target retail investors. Finimize's ability to communicate with this audience is closing the information gap for DIY investors. That's a massive draw for institutions looking for ways to engage and retain their retail investor clients.

About Finimize for Business

Understand, attract, and communicate with modern retail investors better than ever before.

We've helped more than 300 businesses grow their businesses, including startups, scaleups, and long-established financial service firms. To do that, we leverage our insight-driven, community-informed expertise, and produce content designed to grow our partners' reach and help them engage with modern retail investors at scale.

FINIMIZE CONTENT

Jargon-free, unbiased, and actionable financial content that attracts market-leading engagement.

Meet the educational needs of a wide range of retail investors, from beginners to experts, with our content licenses and bespoke content solutions. You can seamlessly integrate the Finimize Content API while retaining maximum flexibility. That means you can give your customers the type of information that actually matters to them, in text and audio formats, thanks to our extensive tagging framework.

FINIMIZE PROMOTE

Multi-channel campaigns that leverage our daily reach into a community of over one million retail and accredited investors.

Connect and grow with one of the biggest and most engaged retail investor communities in the world – an enormous opportunity for financial service firms. Discover a robust range of multi-channel campaigns, tailored around the way modern retail investors learn and access information.

SUMMITS

An opportunity to directly connect with the most engaged members of our million-strong retail investor community.

The Finimize Modern Investor Summit is the world's biggest event of its kind: 20,000 investors joined the two-day summit in December to engage with industry experts like Ray Dalio, Jamie Dimon, Cathie Wood, and Mark Cuban. Choose from a highly impactful range of sponsorship packages to get involved, all designed to help financial services hit their marketing and business goals.

NOTES

Contact

If you have questions, want to dive deeper into this data, or hope to use this analysis to build better connections with retail investors, contact business@finimize.com.