



ETPs: Unlocking Investor Potential For Every Generation

Retail Investor Survey
June 2023

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About the research:

Between November 21 to November 28, 2022, Nasdaq, in partnership with Morning Consult, conducted an online poll targeting a sample of 2,000 retail investors. The data were weighted to approximate a target sample of retail investors based on age, ethnicity, gender, educational attainment, and region. Results from the full sample have a margin of error of plus or minus 2 percentage points.

Amidst individualized media landscapes and overall economic uncertainty, it may be difficult to both evaluate and best serve the needs of a vast retail investor market. This study attempts to do just that, examining those and other factors shaping financial activity to understand what appeals to key segments of the retail investor community.

Executive Summary

For ETP issuers, financial advisors, and asset managers, understanding generational tendencies and unlocking shifts in attitudes is key for developing innovative products that create economic growth and prosperity for investors.

Our survey showed notable differences in investment preferences across generations. From economic concerns and investment themes to use of financial advisors and social media resources, individuals of different age groups have unique needs that should be considered when offering investment products and services. Key takeaways emerged noticeably by age, with each general demographic providing key shifts in goals and concerns to their investments compared to older and younger counterparts. Their top economic concerns, interest in investment themes, and use of financial resources will shape their investment decisions and needs in coming years. With these insights, ETP issuers, financial advisors and asset managers can unlock the potential of each investor segment and personalize outreach strategy accordingly.

The results of this research marked significant observational differences and needs of investors by age demographic.

Gen Z

1997-2012

Millennials

1981-1996

Gen X

1965-1980

Boomers

1946-1964

- The youngest and still emerging group of investors
- Finishing education and entering the workforce.
- The “Smartphone Generation” may be the most diverse, coming of age during the Covid-19 pandemic

- Entering prime earning years
- Potentially purchasing homes and/or starting families.
- The “Post 9/11 Generation” was entering the workforce during the Global Financial Crisis

- Ranging from peak earning years to early retirement
- The “MTV Generation” or “Latchkey Kid Generation” saw the fall of the Berlin Wall

- Focus on making retirement savings last.
- Key events shaping this generation include the Vietnam War, Civil Rights Movement, and the Kennedy Assassination



Key Financial Concerns

While all generations expressed concern over inflation and recession risks, beyond that, key areas of concern begin to deviate based largely on life stage.

- Housing supply/demand
- National debt
- Student loan debt
- Unemployment

- Interest rates
- Housing
- Tax rates
- Unemployment

- Interest rates
- Tax rates
- National debt

- Tax rates
- Interest rates



Investment Approach

Differences in investment approach are likely a factor of time horizon and themes that resonate with each generation.

- 71% are investing more or much more aggressively than last year
- Top trading platforms include Fidelity, Coinbase, Stash, and WeBull
- 83% say they're at least somewhat familiar with ETFs
- Investment interests include autonomous technology, financial technology, and real estate

- 50% are investing more or much more aggressively than last year
- Top trading platforms include Fidelity and Coinbase
- 82% say they're at least somewhat familiar with ETFs
- Investment interests include technology, financial technology, and digital assets

- 20% are investing more or much more aggressively than last year. 44% are unchanged.
- Top trading platforms include Fidelity, Coinbase, Schwab, and Robinhood.
- 64% say they're at least somewhat familiar with ETFs
- Investment interests include real estate and financial technology

- 57% are keeping their investment approach the same. 34% are taking a more conservative approach compared to last year.
- Top trading platforms include Fidelity, Vanguard, Schwab, and TD Ameritrade.
- 45% say they're at least somewhat familiar with ETFs
- Investment interests include financial technology and real estate



Key Sources of Investment Information

Financial advisors and finance-specific publications topped the list for all age groups, with younger investors showing a greater appetite to consult multiple sources after that.

- Family/Friends
- National news publications
- Social media

- Family/Friends
- Online discussion boards
- National news publications

- Family/Friends
- TV news
- National news publications

- National news publications
- Family/Friends
- TV news



Content Preferences

Adapting content to each audience has never been more important. Younger investors favor a shorter, more “at a glance” style content while older investors are comfortable with longer formats.

- Short articles
- Infographics

- Short articles
- Infographics

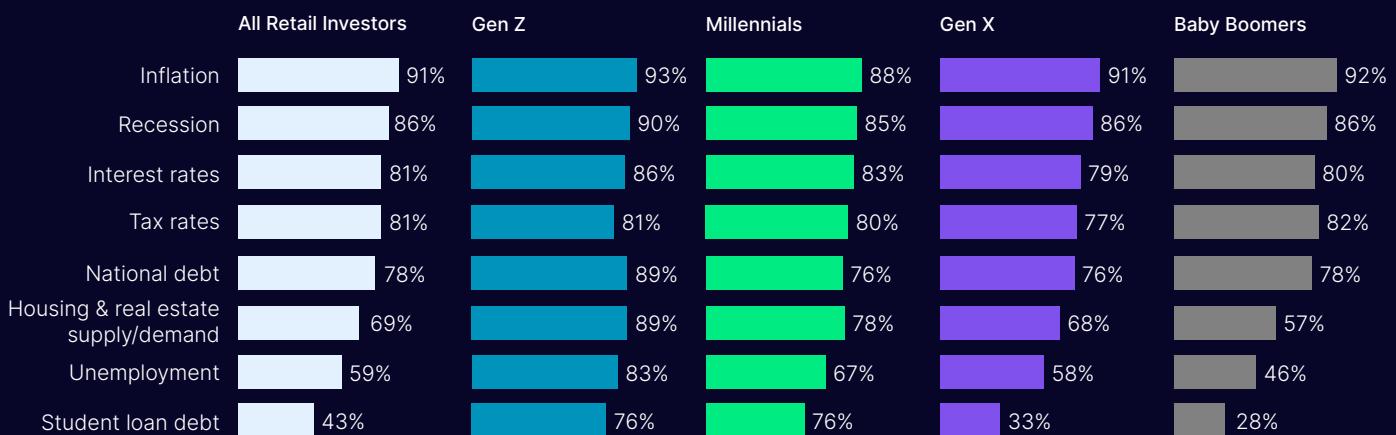
- Short OR longer articles
- Videos

- Short OR longer articles
- Videos /webinars

Similar economic concerns, different responses

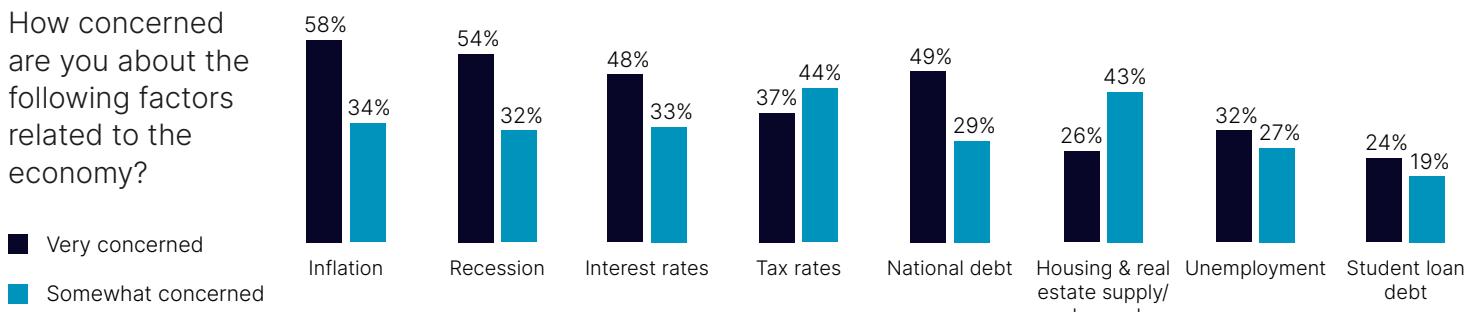
Respondents overall expressed fears around **inflation and recession**, with 92% and 86% respectively saying they were “somewhat” or “very” concerned. Rising interest rates were also a universal worry with 81% expressing concern.

Beyond those accordant responses, however, generational differences appear, which largely align with life stages. As younger investors may be planning to purchase a home or pay down student loans, their key concerns stand apart from older investors with worries around tax rates.



Over three-quarters of Gen Z investors indicate concern with housing supply/demand, unemployment, and student loan debt, but these concerns diminish over time. Housing was a concern for 89% of Gen Z, 78% of Millennials, and 58% of Gen X. A similar trend appears for unemployment and, to an even greater degree, for student loan debt.

How concerned are you about the following factors related to the economy?



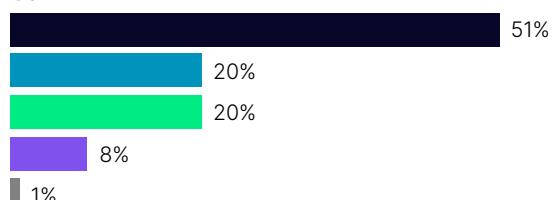
Relative to this time last year, how is the current economic landscape affecting your investment strategy?

- I am investing much more aggressively
- I am investing somewhat more aggressively
- My investment strategy has not changed
- I am investing somewhat more conservatively
- I am investing much more conservatively

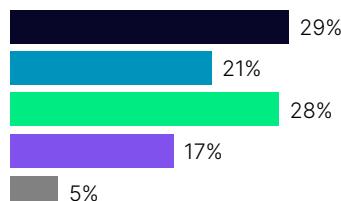
Where their differences are more striking is in the response to those concerns in terms of their investment approach. For older investors, who have a shorter time horizon to recoup potential market losses, there is a cautious approach with 57% of investors **leaving their risk level unchanged** and another 34% taking a more conservative stance. In contrast, younger investors, particularly those 45 and under, are more likely to see growth opportunities in choppier markets with 50% of Millennials and 71% of Gen Z investors **taking a more aggressive investment approach compared to last year**.

This sentiment is important to recognize as it may contradict industry assumptions that all investors seek safety during times of market turmoil.

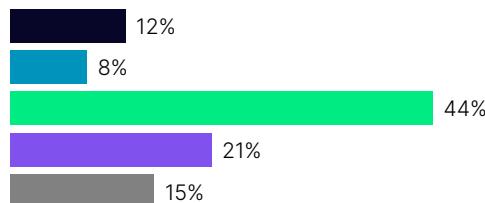
Gen Z



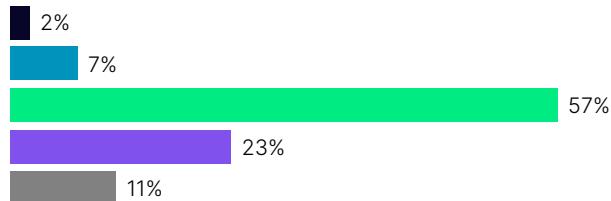
Millennials



Gen X



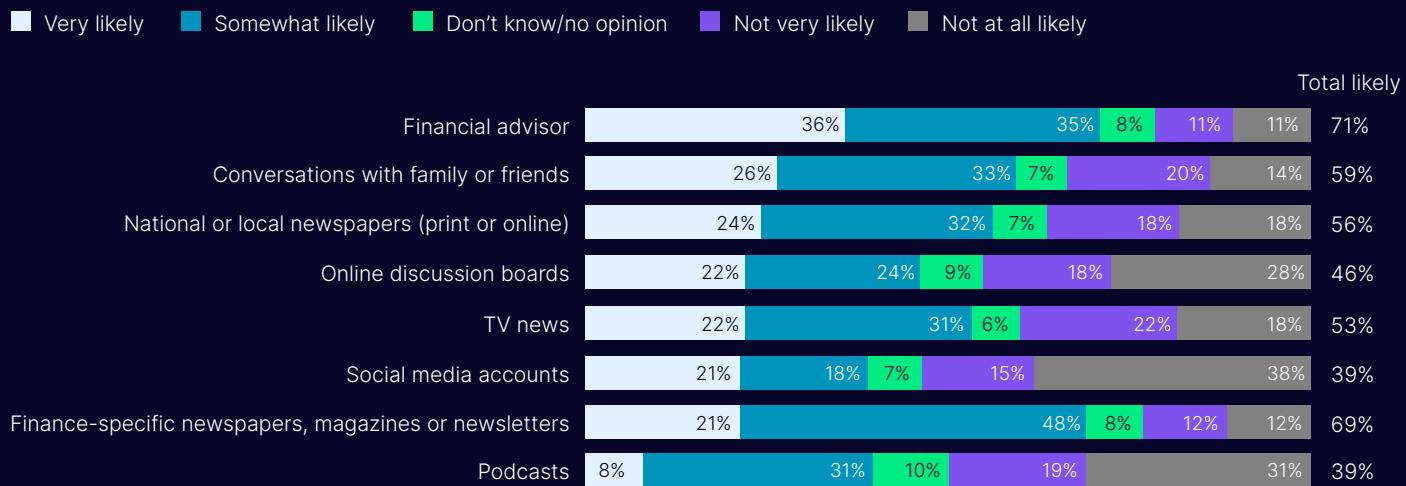
Baby Boomers



The what, when, and how of investor education

Investors still see value in professional financial advice, with 71% saying they're "somewhat" or "very" likely to **use a financial advisor as an information source** for investment decisions. Additionally family/friends and financial publications top the list overall.

How likely are you to use the following information sources as a resource for making investment decisions?



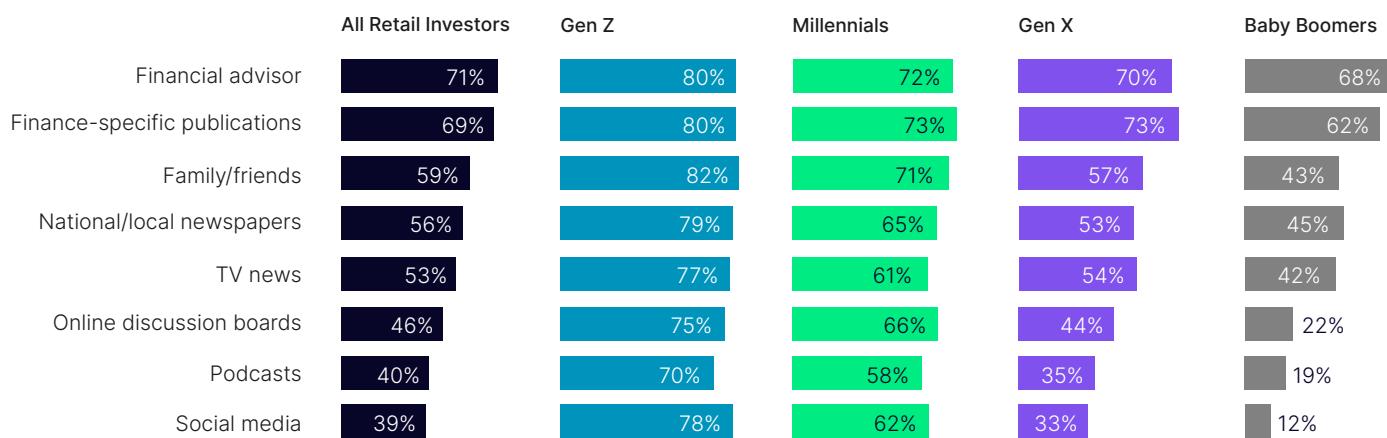
Deep dive: financial advisors as an entrenched resource

Of all the information sources cited, **financial advisors rated highest on trust**, with 61% saying they're "very trustworthy" and another 36% saying they're "somewhat trustworthy." Meanwhile, 41% and 40% of respondents found social media and family/friends, respectively, to be "very trustworthy."

The presence of a financial advisor shapes the profile and behavior of a retail investor, particularly when it comes to ETF investments: those who have one are far more likely to invest in ETFs than those who don't. **Those who have one are far more likely to invest large sums in ETFs, too.** Among those who use financial advisors, 53% currently invest in ETFs, and 41% currently have \$250k or more invested in ETFs. In contrast, among those who do not use financial advisors, just 34% currently invest in ETFs, and only 8% currently have \$250k or more invested in ETFs.

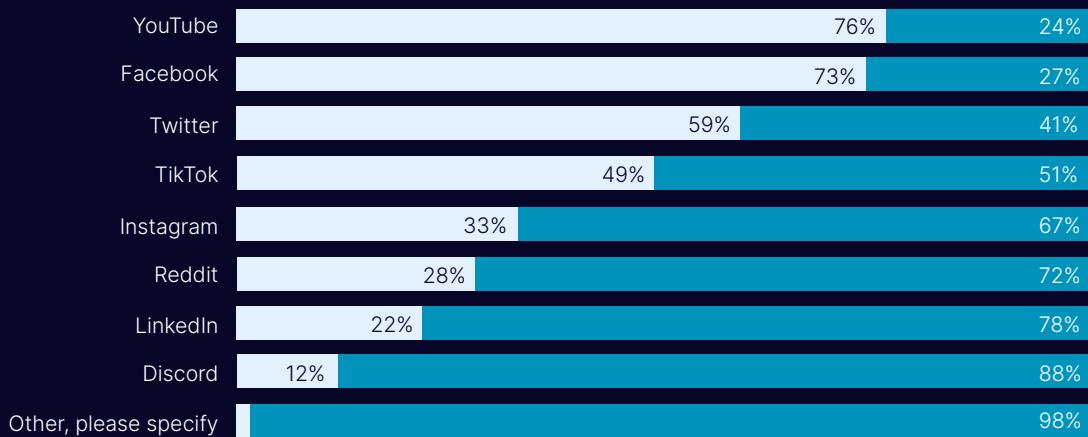
When looking at generational differences, younger investors seem to be open to information from many different sources, ranging from a professional advisor to traditional news and social media. There's a clear generational divide when it comes to newer platforms like **online discussion boards, podcasts, and social platforms** with Millennials and Gen Z favoring these outlets at nearly twice the rate of the Gen X counterparts.

How concerned are you about the following factors related to the economy?



You indicated that you are likely to use social media accounts as a resource for making investment decisions. What specific social media sites or applications are you using? Please select all that apply.

Selected Not Selected



Spotlight on Social

Among the subset of investors who said they used social media as a source for investment decisions, **YouTube, Facebook, and Twitter** are the dominant platforms with TikTok, Instagram, and Reddit coming in next. However, the rise of TikTok can't be ignored, with a 9% increase compared to last year overall. The greatest increases in usage occurred among Gen Z investors with a 13% increase and Baby Boomers with a whopping 14% increase among social media users.

Within the context of social platforms, investors are still selective about who they listen to, **seeking qualified content creators like finance experts and stock exchanges**, particularly among investors with higher income levels. While 76% of investors earning under \$50,000 cited financial experts' social accounts as a resource, 91% of respondents earning over \$100,000 rely of them.

Social media influencers ranked among the lowest for social media content across all income levels and age groups.

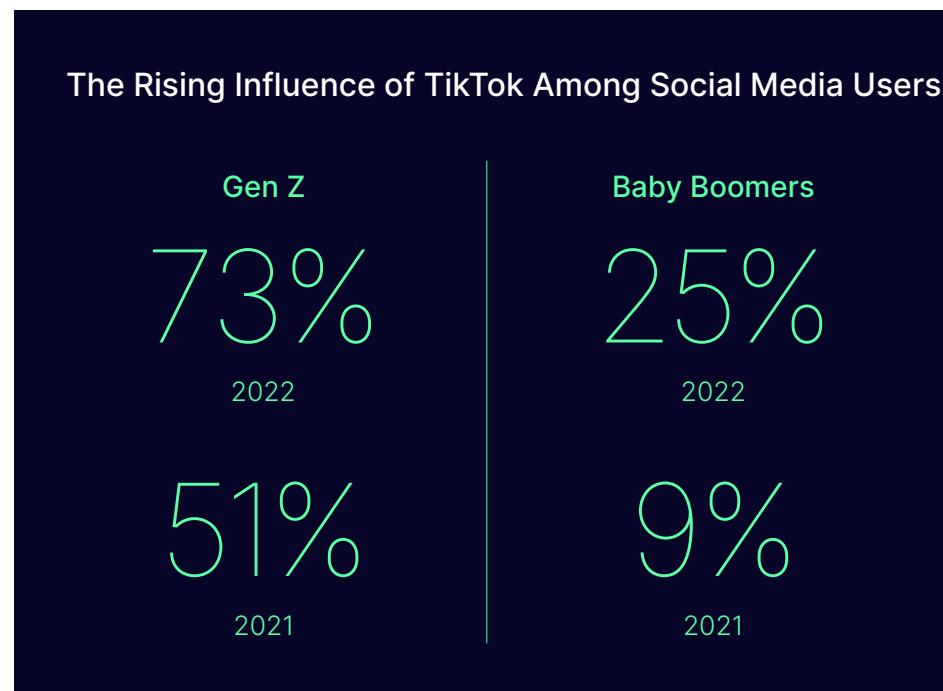
From TikTok to tick tock, the window to reach investors with new ideas is short

Overall, 40% of investors say they **spend less than a day researching an investment** before placing a buy or sell order. 64% spend no more than a week. Of particular note, 24% of Baby Boomers say they don't spend any time at all researching investments. This could be that they feel their prior investment experience has provided all the information they need, or it could be that they work with a financial professional who conducts research on their behalf.

In addition, investors are looking for shorter, more "at a glance" content to learn about new investment ideas. **Short-form articles are a favorite with investors across all income levels and age groups.** Both Gen Z and Millennials **favor infographics over videos** with Gen X at only a 2% point spread between the two. Webinars and live events were at the bottom of the list for all age groups.

However, when asked which formats best convey information, the story changes a bit. Respondents said that, **aside from a conversation with a financial advisor, webinars and videos do the best job of conveying the information** with just over 50% saying that one does so "very" or "somewhat" well. Blog posts and infographics garnered 42% and 40% respectively.

So, while the quality of content and ability to articulate key concepts is critical, keeping in mind the investor's willingness to devote time to absorbing the information is paramount.

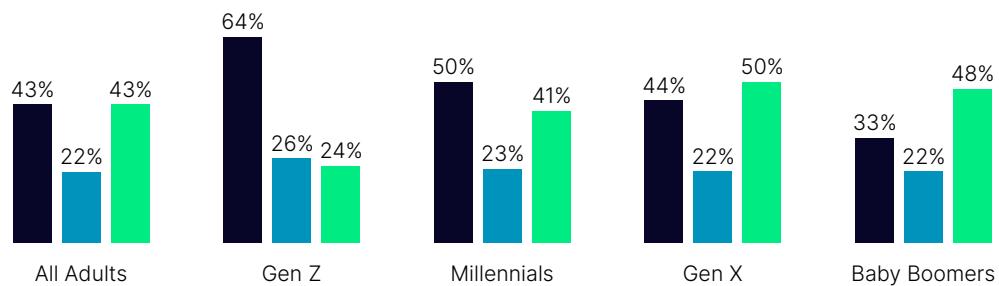


Active vs passive? The debate is still alive and well

Overall, 43% of respondents indicated that they are interested in passive ETFs (an ETF that tracks an index like the Nasdaq-100®, with no active buying or selling and holdings disclosed daily). In terms of actively managed ETFs, (a portfolio manager actively buys and sells) an identical 43% indicated interest in fully-transparent active and 22% were interested in semi-transparent active. So, comparing active (without differentiating transparency) vs. passive indicates a meaningful **preference for active management**. However, that preference is strongly weighted toward older investors. A breakdown of age groups reveals that while 70% of Baby Boomers are interested in actively managed strategies (either fully or semi-transparent), the trend away from active is significant with only 50% of Gen Z expressing interest.

ETF Management Strategies Most Interesting to ETF Investors by Age Demographic

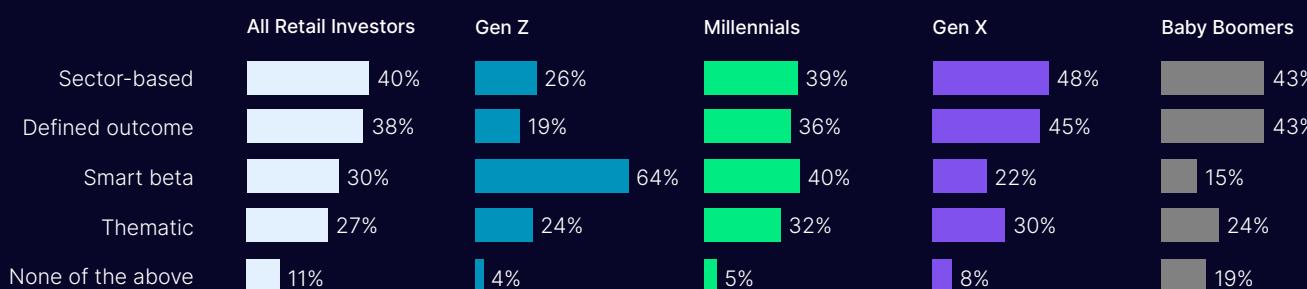
- Passive
- Semi-transparent active
- Fully-transparent active



A song of sectors, themes, and betas

When it comes to categories of ETFs, **sector-based and defined outcome ETFs garner the greatest interest with smart beta and thematics following fairly close behind**. When looking across generations, Gen Z and Millennial investors are considering smart beta ETFs at a much higher rate than their older counterparts, with 64% and 40% respectively expressing interest. Despite the proliferation of thematic ETFs, only 27% of investors overall indicated interest in the approach. When considering income levels, **investor interest in sector-based, defined outcome, and thematic categories grew as income increased**, while we see the opposite trend in smart beta strategies.

Which of the following ETF categories are of interest to you, as an investor? Please select all that apply.



What about ESG?

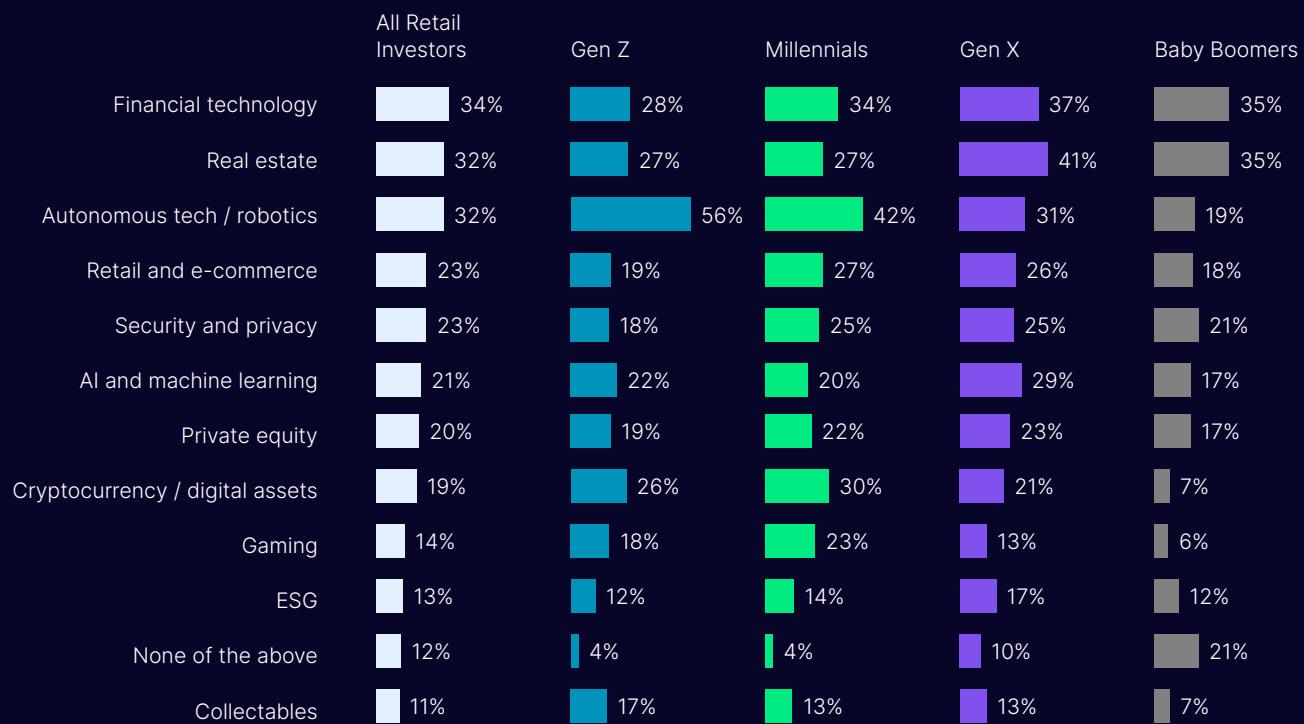
In 2021, 34% of Gen Z investors polled indicated they were most interested in ESG as an ETF investment theme. However, in 2022, this interest waned to 12%, indicating a significant lack of importance as an investment theme for Gen Z investors in just a one-year time frame. Millennials have a 14% interest level in ESG ETFs, down from 31% in 2021. However, interest in ESG has remained steady for Gen X investors, and slightly higher for Baby Boomers. This may indicate that younger investors are still in a learning phase and may be more likely to be swept up in shifting trends, while more experienced investors are slower to change, but more steady once they do.

Changing resonance of ETF investment themes among younger retail investors

Retail investors as a whole remained most interested in **financial technology and real estate** for ETF investment themes. This is more consistent across income levels than generations, though Gen Z and Millennial investors' highest interests **shifted from "cryptocurrency / digital assets" and "ESG" in 2021 towards "robotics and autonomous technology"** in 2022. Cryptocurrency / digital assets' drop was less severe for later generations, while interest in ESG remained steady for Gen X investors and rose 4% for Baby Boomers. Autonomous tech and robotics was the third most interesting theme overall, but declined slightly for Baby Boomers.

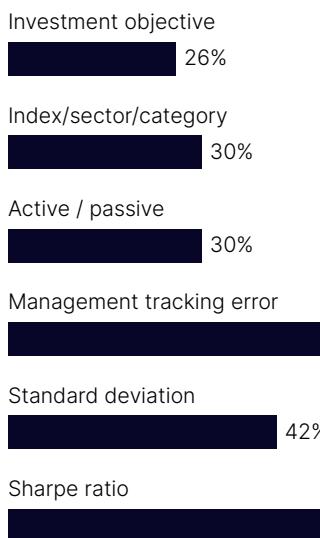
This survey was in market beginning the last week of November 2022, after the fall of firms like Three Arrows, Voyager Digital, and Celsius Network, as well as on the heels of the collapse of FTX. In spite of that timing, digital assets were still a strong area of interest among Gen Z and Millennial investors, outpacing AI, gaming, and ESG.

Which of the following ETF investment themes are you most interested in as an investor?



When you are thinking about investing in an ETF, how important to you are each of the following considerations?

■ Don't Know / Not Important



If you know, you know

Many investors are feeling confident about their familiarity with ETFs. Overall, **64% of respondents indicated they were "somewhat" or "very" familiar with ETFs**. That number is actually highest among Gen Z investors with 83% saying they are "somewhat" or "very" familiar and 82% of Millennials saying the same. Gen X came in at 64%, with Baby Boomers at 45%. Notably, only 10% of Baby Boomers indicated they feel "very familiar" with ETFs. Overall, familiarity did not vary by more than a few percentage points across all income levels.

However, when presented with a series of data points that investors might use to determine if they should invest in a fund, some gaps in understanding emerge. While investors agreed that things like performance history, future performance expectations, and expense ratio were "somewhat" or "very" important, a number of critical, but **more advanced metrics, were met with less awareness**. In addition, while we mentioned earlier that investors favored sector-based strategies or themes like autonomous technology, when asked how important things like sector or category are to their decision-making process, a significant segment responded with "not important" or "don't know."

This may indicate that **investors are focused on recognizable trends, cost, and performance, but lack a deeper understanding of terminology that describes potential drivers of performance or other characteristics**.

Conclusion

The results of this survey provide some staunch standouts for each age demographic when it comes to certain aspects such as economic attitudes and risk appetite, ETF investment theme interest, and social media use.

- 1 Many investors are seeking growth opportunities. While older investors, often considered a primary audience, may be seeking capital preservation, that goal isn't representative of the entire investment community.
- 2 When being introduced to new investment ideas, investors strongly favor short form content over more in-depth pieces, even if a longer-form piece would convey the information better.
- 3 Investors face significant educational gaps when probing beyond performance expectations and cost.
- 4 While younger investors have increasing interest in passive and smart beta strategies, there is still strong interest in active when looking at both fully- and semi-transparent opportunities.
- 5 Key investment themes center around technology and real estate, with an enduring interest in digital assets, particularly among younger investors.

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