



# Adapting to the next generation of ETP investors

How social media  
and emerging themes are  
shaping the future investor  
March 2022

### About the research:

Between October 12 to October 22, 2021, Nasdaq, in partnership with Morning Consult, conducted an online poll targeting a sample of 2,000 retail investors. The data was 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.

The retail investment market has become a more powerful segment shaping market activity. But the growth in this market is far from uniform as younger investors turn to a broader array of channels for information. This study highlights the differences between generations and exposes the risk of using a one-size-fits-all approach when appealing to retail investors.

## Summary: Young retail investors bring social media and emerging assets to the forefront

The retail investment market has become a more powerful segment shaping market activity. The pandemic contributed to a spike in U.S. retail stock trading activity, heightening trading volumes. While activity has eased, it remains elevated.<sup>1</sup>

The shift in the retail market is marked by younger investors who are seeking investment information on new channels – social media, podcasts and online discussion boards – which in turn has fueled interest in emerging assets. Gen X and baby boomers continue to be an important client base, but the emerging influence of Gen Z and the growing earning power of Gen Y are introducing new opportunities in a highly competitive market.

Issuers, financial advisors and investment firms must innovate and adapt to respond to changing needs of investors. The firms that understand how the market is shifting will be in the best position to break through the clutter and attract new clients.

### How is the retail investor market changing? Our key findings:

1. The need for financial expertise is consistent across all generations – but younger investors are broadening their research channels to include social media and online discussion boards.

2. A significant segment of retail investors is looking for effective ways to add digital assets, such as fintech and cryptocurrency, and real estate to their portfolios.

3. Many investors are either currently investing in ETPs or are interested in doing so in the future. However, they can benefit from additional education or tools to help them make informed decisions.

<sup>1</sup>Retail stock trading still above pre-pandemic levels in US – S&P Global Market Intelligence, January 19, 2022

## A generational shift – a snapshot of who they are

From the baby boomers to the Gen Alphas, the financial outlook of each generation has been shaped by transformations in technology, world events and the global economy. Here are some of the demographic factors to keep in mind as you read this report.

### Gen Z

1997-2012



**Financial outlook:**

Gen Z is just starting to enter their mid-20s. They've finished their education and are entering the workforce.



**Information sources:**

- Highly diversified, seeking investment insights from financial advisors and traditional news to podcasts and social media.
- Online discussion boards are their most popular platform.

### Gen Y

1981-1996

**Financial outlook:**

Gen Y is about to turn 40. With their work experience, they're entering their peak earning years.

**Information sources:**

- Diversified, with a higher preference for financial publications and family and friends.
- Digital and social media platforms factor into investment decisions.

### Gen X

1965-1980

**Financial outlook:**

Gen X is still working and earning good incomes but will start thinking about retiring in the next 10 years. They'll need to start drawing an income from their assets.

**Information sources:**

- Greater reliance on financial advisors and financial publications.
- Broader use of traditional media (TV and newspapers) vs. younger generations.
- Social media and other digital platforms less likely to factor into investment decisions.

### Boomers

1946-1964

**Financial outlook:**

Baby boomers are focused on managing their retirement without outliving their savings.

**Information sources:**

- Strongest dependence on financial advisors and, to a lesser extent, financial publications.
- Social media and other digital platforms unlikely to factor into investment decisions.

## Gen Alpha (born between 2012 and 2025) will be turning 20 in the next 10 years. What will their investing future look like?

Surrounded by smart technology and virtual learning platforms, these digital natives have lived through the turbulence of a global pandemic. What resources will they turn to for investment advice?

## Where investors are finding their financial information

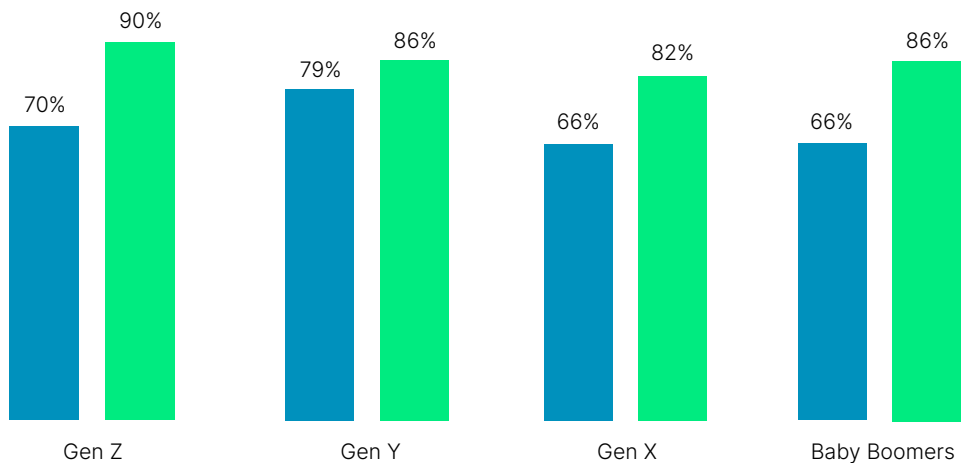
When retail investors are looking for credible sources of information about investments, financial advisors top the list. While that's true across all age groups, the similarities between generations end there. Younger investors, for instance, have demonstrated that they are willing to augment what they learn from financial advisors and traditional media by using other sources, including social media.

### Financial advisors – a consistent first choice

Across generations, financial advisors were ranked higher than any other resource, based on the likelihood of being used and trustworthiness.

Do you use and trust financial advisors?

- I am likely to use a financial advisor
- I trust financial advisors

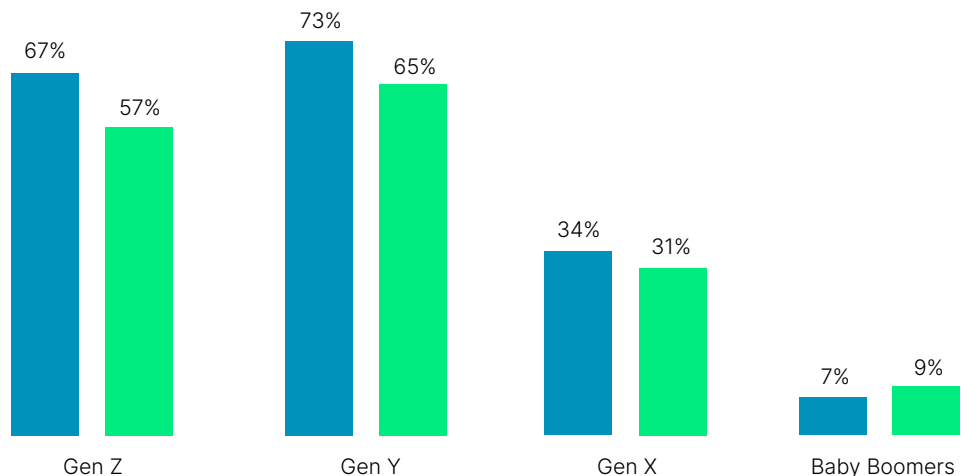


### A deeper look at social media – a generational divide

Social media is another channel competing for investors' attention. However, there is a stark generational divide over whether social media is likely to be used or trusted.

Do you use and trust social media?

- I am likely to use social media
- I trust social media



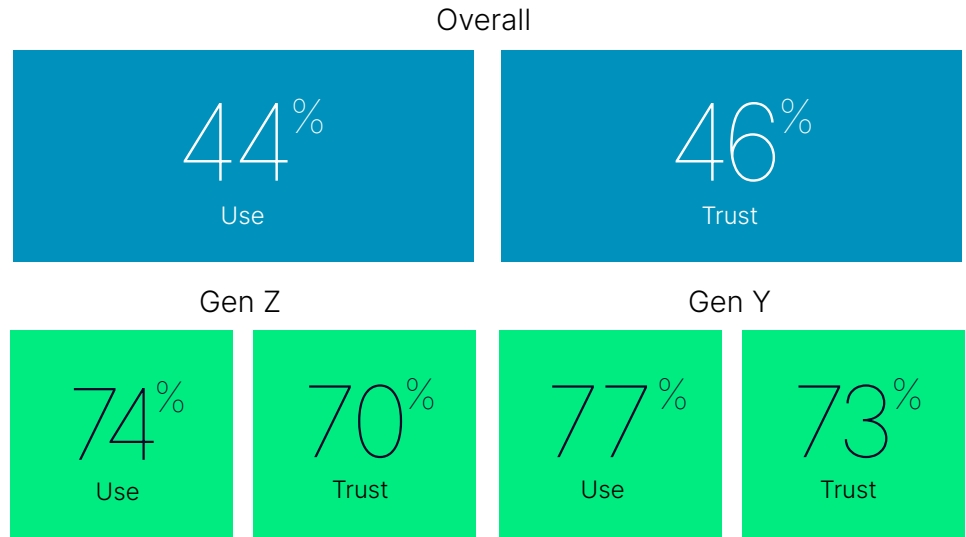
What podcasts are retail investors listening to? We asked respondents to specify which podcasts they've heard about ETP investment opportunities.

- Motley Fool
- Bloomberg
- ETF of the Week with Tom Lydon
- Joe Rogan
- Mad Money
- We Study Billionaires

NOTE: This is for information purposes only; this is not an endorsement or validation of their accuracy.

### Online discussion boards – a key channel for younger investors

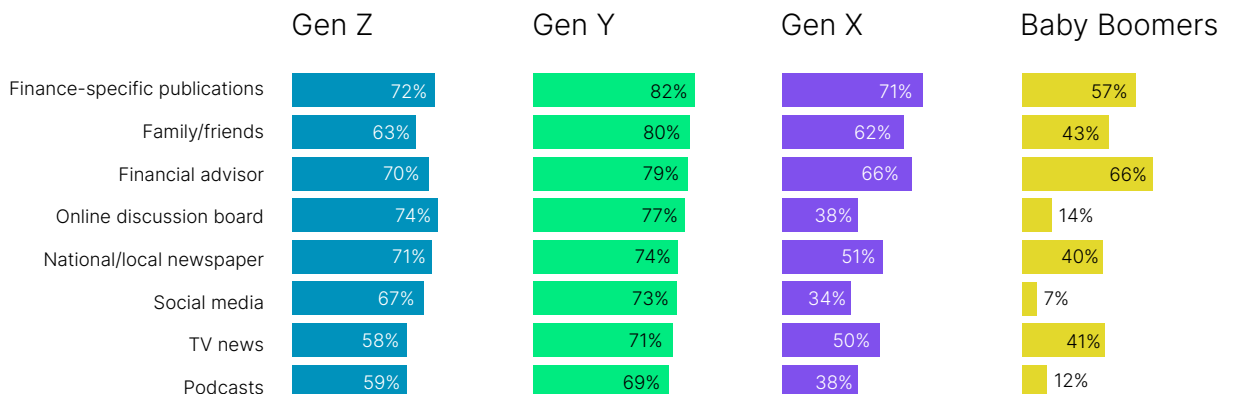
Online discussion boards are another information source that ETP issuers and advisors may want to pay more attention to. Overall, online discussion boards may score low in terms of use and trust, but those figures mask the relevance of these channels to younger retail investors.



### How many different resources are used?

When looking at the big picture, it's clear that the generational divide is not just about what they use, but how many different sources they turn to when making investment decisions.

- Gen Z and Gen Y audiences are willing and comfortable with using a variety of sources, from financial advisors to media publications to social media and podcasts. These sources are all part of the information ecosystem they draw on when doing their research.
- Gen X and baby boomers, on the other hand, rely heavily on traditional sources like financial advisors and finance publications, but their use of social media and other digital platforms is quite low.



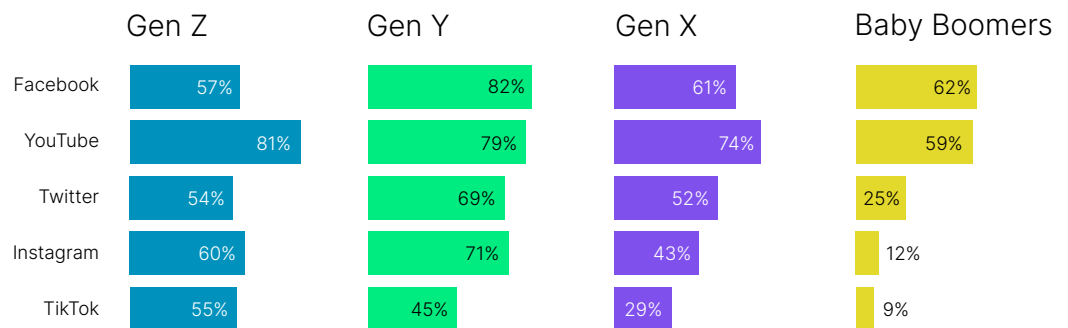
## YouTube and Facebook dominate the social media habits of investors

Overall, social media ranked lower than other sources of information when making investment decisions, but it is an important platform for Gen Z and Gen Y investors.

YouTube and Facebook were the most popular social media platforms. TikTok was the lowest ranked platform comparatively, but it is still used substantially by younger investors.

### Social media platforms – younger generations use them all

Just as the younger generations use a variety of information resources when making an investment decision, they also use a variety of social media platforms compared to the older generations who rely heavily on YouTube and Facebook.



### On social media, financial experts provide the most useful content

Regardless of the medium, retail investors are looking for high-quality information that they can trust. Given the high regard investors across all generations have for financial advisors, it may not be surprising that content generated by financial experts is seen as the most useful regardless of the channel.

Whether it's YouTube or Facebook, financial experts provide the most useful content.



### The next most useful source of social media content indicated a generational divide:

- **54%** of Gen X and **56%** of baby boomers said their brokerage firms provided useful social media content.
- **55%** of Gen Z and **65%** of Gen Y said social media influencers provided useful content.

## What's important to investors when choosing an ETP?

### What content are ETP investors looking for

When they come across an ETP advertisement, retail investors are looking to learn about the ETP itself, along with the issuer and the sponsor. They are less concerned about what the ad looked like.

#### The following are the most important considerations:

- **81%** – the description of the ETP
- **79%** – the reputation of the ETP issuer
- **78%** – the reputation of the ETP sponsor

#### What ranked the lowest as far as considerations were the ads themselves:

- **49%** – the length of the ad
- **46%** – visual aspects of the ad (colors, fonts)

In other words, having the right content in the ad is more important than focusing on the look and feel of the ad.

### What do investors want to know about your ETP investment?

Making retail investors aware of different ETP investments is one thing; getting them to invest is another. Before retail investors commit their savings to an ETP they will often look for information on performance and the objectives of the product.

- **80%** consider expected and historic performance/returns
- **77%** consider sales price and investment objective

#### They also want to make comparisons.

- **57%** want to compare the ETP to an index
- **58%** want to compare the ETP to other similar products

**Many investors are looking at more sophisticated performance and risk factors; however, there is also a significant number who aren't.**

	Important	Don't know/ no opinion	Not important
Standard deviation	58%	29%	13%
Tracking error	55%	32%	13%
Sharpe ratio	48%	40%	12%

## Technology and real estate popular with ETP investors

Despite the rapid and accelerating expansion of the ETP market, there is still a lot of room for growth. While 57% of investors report they hold an ETP or have done so in the past, another 29% who haven't explored these investments say they may do so in the future.

### What types of ETPs are investors interested in?

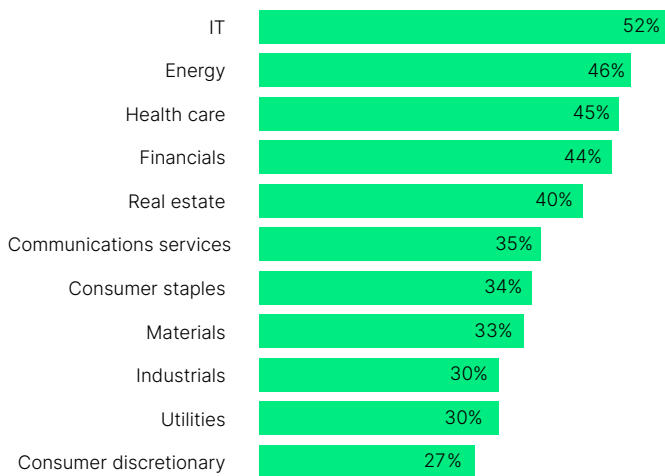
**They were fairly evenly split when asked their preference between three common types of ETPs:**

- **45%** are interested in index-based ETPs
- **40%** are interested in sector-based ETPs
- **38%** are interested in commodity-based ETPs

About a third of the respondents (29%) didn't know or had no opinion about their preferences.

### What sectors are popular?

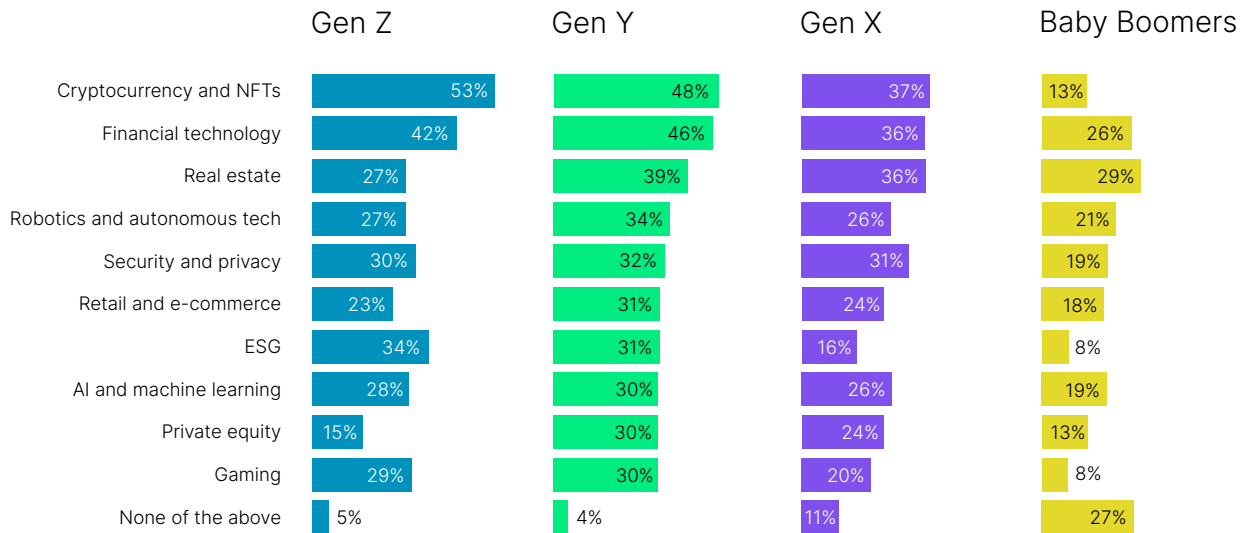
**Investors chose the following as the themes they are most interested in:**



Note, these sectors represent a snapshot of investor views and may be influenced by near-term market trends.

## Technology and alternative assets are piquing interest with younger investors

The younger the investor, the more interested they are in areas that focus on technology. Gen Y especially are interested in a wider variety of emerging themes such as private equity and real estate.



### In terms of alternative asset classes, there was high interest in cryptocurrency and private real estate:

- **47%** are currently investing in crypto assets (including cryptocurrencies, NFTs and decentralized finance transactions)
- **39%** are currently investing in private real estate

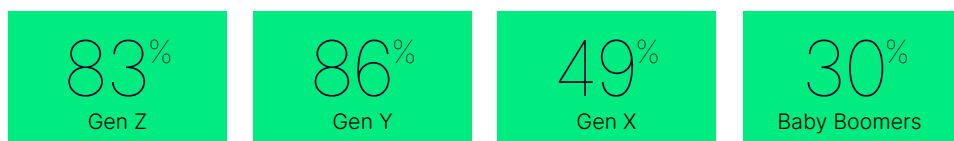
For future opportunities, one-third said they aren't currently invested in private real estate but would like to invest in the future. This was followed by venture capital (26%) and private equity (25%).

## A deeper look at options – younger generations want to trade options

While options weren't as popular an investment vehicle for investors overall, interest from younger investors could shift that mindset. Overall, 39% of investors currently invest in options or have done so in the past, while another 34% say they will consider them in the future.

Gen Y and Gen Z make up the largest proportion of those investors.

### Expressed an interest in trading options for ETPs:



Not surprisingly, those that trade at least daily were the most interested in trading options for ETPs at 91% compared to weekly traders at 80%. This aligns with the findings that younger investors are making more frequent trades than older investors.



#### FACT:

Robinhood users who skew toward younger investors are more likely than Fidelity users to be interested in trading options for ETPs (80% vs. 64%).

## Young investors drive cryptocurrency popularity

Cryptocurrencies and non-fungible tokens (NFTs) have exploded in popularity, especially with younger generations. Not surprisingly, social media has helped to fuel their interest.

### The impact of social media consumption

There would seem to be a correlation between those who use social media to make investment decisions and those who express the most interest in ETPs that focus on cryptocurrency and NFTs.

	Uses social media for investment research	Interested in cryptocurrency and NFTs
Gen Z	67%	53%
Gen Y	73%	48%
Gen X	34%	37%
Baby Boomers	7%	13%

### Making the investment

#### Cryptocurrency is currently part of many investors' portfolios:

- **47%** currently invest in cryptocurrencies or did so in the past.
- **22%** never invested in cryptocurrencies but would consider them in the future.

By comparison, the asset ranks lower than stocks, mutual funds, but higher than options and individual bonds.

#### Individual stocks

**91%** currently invest in individual stocks or did so in the past.

**Only 7%** have never invested but may consider them in the future.

#### Mutual funds

**73%** currently invest in mutual funds or did so in the past.

**19%** have never invested but may consider them in the future.

#### Options

**39%** currently invest in options or did so in the past.

**34%** have never invested but may consider them in the future.

#### Individual bonds

**42%** currently invest in individual bonds or did so in the past.

**30%** have never invested but may consider them in the future.

## Our view: Empowering the next generation of ETP retail investors

A generational shift is underway in how younger retail investors use digital and social media to do their own research and help them make informed decisions. Yet, they continue to look to the advice of financial experts and advisors to help them make their investment decisions.

The role of financial advice, education and guidance has never been more important as investors look toward emerging ETP themes, such as fintech and cryptocurrency. Platforms that invest in the right marketing strategies with useful educational content will position themselves for sustainable, loyal clients for the long term.

### Here's how you can put this research into action:

1.  
Focus your educational content on assets, such as ETPs, fintech, cryptocurrency and real estate.
2.  
Put financial experts front and center – whether in-house or third-party – in your marketing content.
3.  
Make sure you're capitalizing on all channels, including Facebook, YouTube and online communities (e.g., Reddit) to share ETP opportunities.

### Want a deeper dive?

Reach out to us to discover more about Nasdaq ETPs and our retail study findings → [DL-ETPteam@nasdaq.com](mailto:DL-ETPteam@nasdaq.com) or visit: [nasdaq.com/solutions/nasdaq-etf-listings](https://nasdaq.com/solutions/nasdaq-etf-listings)

