



Enhancing Investor Knowledge

SEC Investor Advisory Committee
Meeting of December 7, 2023

Gerri Walsh, SVP, FINRA & President, FINRA Foundation

December 7, 2023

AGENDA

- 01 | About Us
- 02 | Research on Investors
- 03 | What Works in Financial Education
- 04 | What's Next
- 05 | Resources

1 | About Us

2 | Research on Investors

Recent Data Collections

2020 New Accounts

With NORC, examined people who opened new taxable investment accounts in 2020

2020

2020 Revisited

With NORC, re-examined 480 of the 2020 New Investors (longitudinal)

2022

Gen Z Investors

With CFA Institute, surveyed 2,872 people aged 18–25 in 4 countries

2022

2021 NFCS Investor Study

Survey of 2,824 U.S. adults who have investments outside of retirement accounts

2021

2022 New Investors

With NORC, examined people who opened taxable accounts for the first time in 2021–22 plus those who opened only crypto accounts

2022

2024 NFCS Investor Study

Survey construction under consideration; will be launched summer 2024

2024

What We Know About Newer Investors

They were younger in 2020 ...

22% + 40%

New Investors
Ages 18-29

New Investors
Ages 30-44

6% + 23%

Holdover
Account Owners
Ages 18-29

Holdover
Account Owners
Ages 30-44

... a trend that continued in 2021 and 2022

What Else We Know About Newer Investors

2022 New Investors (Securities)

- More diverse
- Top 3 Goals include:
 - **Saving for retirement (56%)**
 - Learn about investing (29%)
 - Speculating (24%)
- Info sources:
 - Friends & family (34%)
 - Other personal research (30%)
 - Financial professionals (29%)

2022 New Crypto-only Investors

- Even younger
- Top 3 goals include:
 - **Learn about investing (39%)**
 - Speculating (29%)
 - Saving for retirement (25%)
- Info sources:
 - Friends & family (48%)
 - Social media (25%)
 - Other personal research (25%)

Generation Z

- Nearly 6 in 10 (56%) Gen Zs invest in securities or crypto assets
 - 19% of whom invest only in crypto assets
- Sources they **use** = social media (48%), internet search (47%), parents (45%)
Sources they **trust** = parents (27%), financial pros (24%), internet (18%)
 - Social media trust is much lower (12%), just below influencers/pundits (15%)
- Ability to start small (67%) and curiosity (65%) were most cited as drivers to investing
 - Nearly half (45%) were motivated based on a promotional incentive, such as cash, crypto or stock
- Investors much more likely than non-investors to have financial education

3 | What Works

Investor Knowledge:

- **Experience Helps Knowledge**
 - 2020 new investors who opened accounts to learn generally saw their knowledge scores rise when retested in 2022
 - 2009 Learning Point Associates evaluation of The Stock Market Game™ (impacts on financial knowledge & math skills)
- **Emotion Hinders Optimal Behavior**
 - Focus on ways to disrupt impulse
 - Find ways to be where investors are at those
 - Further examine role of digital engagement practices

Financial Education More Broadly

- Meta-analysis confirms impact
- Quality & quantity matter
- Connection with numeracy & math skills

FINRA Investor Education FOUNDATION | **NEFE** National Endowment for Financial Education

Insights

March 2022

What's Inside

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What is Considered Financial Education in the Literature?	2
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This issue brief summarizes the findings from a paper titled "Financial education affects financial knowledge and downstream behaviors," recently published in the *Journal of Financial Economics*. The corresponding author for this issue brief and the full paper is Annamaria Lusardi: (alusardi@gwu.edu).

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Insights: Financial Capability

June 2023

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Summary
Do financial education programs examine this question using past decade, which saw a rapid examining data from 76 financial 33 countries covering over 16 improves both financial knowledge financial education is cost-effective costs are deemed "low." The on financial behaviors is deemed knowledge is considered "large financial behaviors we studied credit and insurance).
The effects of the financial education comparable to interventions in Comparing our findings to a our findings suggest that financial effective in improving financial found.

Background
The implementation of nation design of financial education worldwide. Many of the large Economic Co-operation and Development China—have implemented policies financial inclusion and financial policies seek to reach more than number of countries joining the

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Gauging the State of Financial Capability in the U.S.

FINRA Foundation National Financial Capability Study (NFCS)

Adults in the United States must grapple with a bewildering variety of financial decisions—ranging from choosing a bank and managing debt to planning for retirement and purchasing insurance. This complex set of challenges requires a combination of skills, judgment, and resources. Even the simplest of these decisions require at least some basic financial knowledge and competency, while the more complicated decisions are challenging even for experts.

Explore the 2021 NFCS Through Interactive Web Visualizations

Delve into the 2021 NFCS highlights. [Learn more >>](#)

See how financial capability varies by U.S. state. [Read more >>](#)

What We “Don’t Know” About Financial Literacy

- While the number of correct answers has dropped from 2009 to 2021...
- ... for nearly all groups, selecting “don’t know” was the biggest driver of the decline

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Insights: Financial Capability

August 2022

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Trends in Overall Financial	

Why Is Measured Financial Literacy Declining and What Does It Mean? Maybe We Just “Don’t Know.”

Summary

This research brief examines trends in financial knowledge among U.S. adults across a 12-year period, from 2009 to 2021, using the FINRA Investor Education Foundation’s National Financial Capability Study. We focus on changes in overall financial literacy, specific areas of financial knowledge, and people’s likelihood to report they “don’t know” as a response option in

<https://finrafoundation.org/sites/finrafoundation/files/Why-Is-Measured-Financial-Literacy-Declining.pdf> (August 2022)

4 | What's Next

Ways the SEC Can Help



Continue innovative, tailored outreach strategies

Conduct or collaborate on retail-investor centered research



Champion the cause for consumer financial wellness

5 | Resources

FINRAFoundation.org/research-center

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Building a Financially Capable America Through Education and Research

The **People** We Help

The **Knowledge** We Gain & Share

The **Networks** We Strengthen

- 87 studies, issue briefs or academic papers supported and/or coauthored by Foundation staff
- Topics include:
 - Financial Capability & Inclusion
 - Retail Investing
 - Consumer Financial Fraud
 - Aging & Financial Decision Making
 - Evaluation Studies

Selected Research on Retail Investors

[**New Investors 2022: Entering the Market in Novel and Traditional Ways**](#) (4/24/2023)

Researchers from NORC at the University of Chicago and the Foundation examined differences between investors entering the market in 2020 and new investors entering the market in 2021–2022, including those investing through the purchase of cryptocurrency.

[**Where Are They Now? Following Up With the New Investors of 2020**](#) (3/27/2023)

In follow up to a 2020 study of new investors, researchers from the Foundation and NORC at the University of Chicago returned to those investors in 2022 to gain insights into their investing experiences, as well as changes in knowledge, goals, holdings, and more.

[**Investors in the U.S.: The Changing Landscape, an NFCS Report**](#) (12/15/2022)

The Foundation's 2021 NFCS Investor Survey found that a substantial proportion of investors joined the market relatively recently, revealing a new generation of younger and less experienced investors.

[**Investing 2020: New Accounts and the People Who Opened Them**](#) (02/02/2021)

NORC and Foundation researchers examine the characteristics, motivations, influences, behaviors, attitudes and perceptions of investors who entered the financial markets in 2020 amid the COVID-19 pandemic.

Research on What Works

[Financial Education Matters: Testing the Effectiveness of Financial Education Across 76 Randomized Experiments](#) (04/04/2022) Researchers used a meta-analysis to review financial education randomized experiments and found that financial education improves both financial knowledge and financial behavior.

[Can Educational Interventions Reduce Susceptibility to Financial Fraud?](#) (03/10/2021) The Foundation and USC's Center for Economic and Social Research (CESR) experimentally examined the effectiveness of short, online educational interventions in reducing susceptibility to fraud.

[The Stability & Predictive Power of Financial Literacy: Evidence From Longitudinal Data](#) (10/29/2020) Using data from NFCS surveys administered to the American Life Panel, researchers from GWU and USC found financial literacy is a strong indicator of positive financial outcomes for the future.

[State Financial Education Mandates: It's All in the Implementation](#) (01/2015) If a rigorous financial education program is carefully implemented, it can improve the credit scores and lower the probability of delinquency for young adults.

[Randomized Controlled Trial Evaluation of The Stock Market Game™](#) (07/2009) With a Foundation grant, Learning Point Associates ran a randomized controlled trial (RCT) to examine the causal impact of the Stock Market Game on math achievement and investing knowledge.

Food for Thought



Many Gen Zs do not yet invest, largely due to income constraints and the challenge of meeting expenses, as well as a lack of education and knowledge about financial topics and limited familial influence.

–Gen Z and Investing: Social Media, Crypto, FOMO, and Family