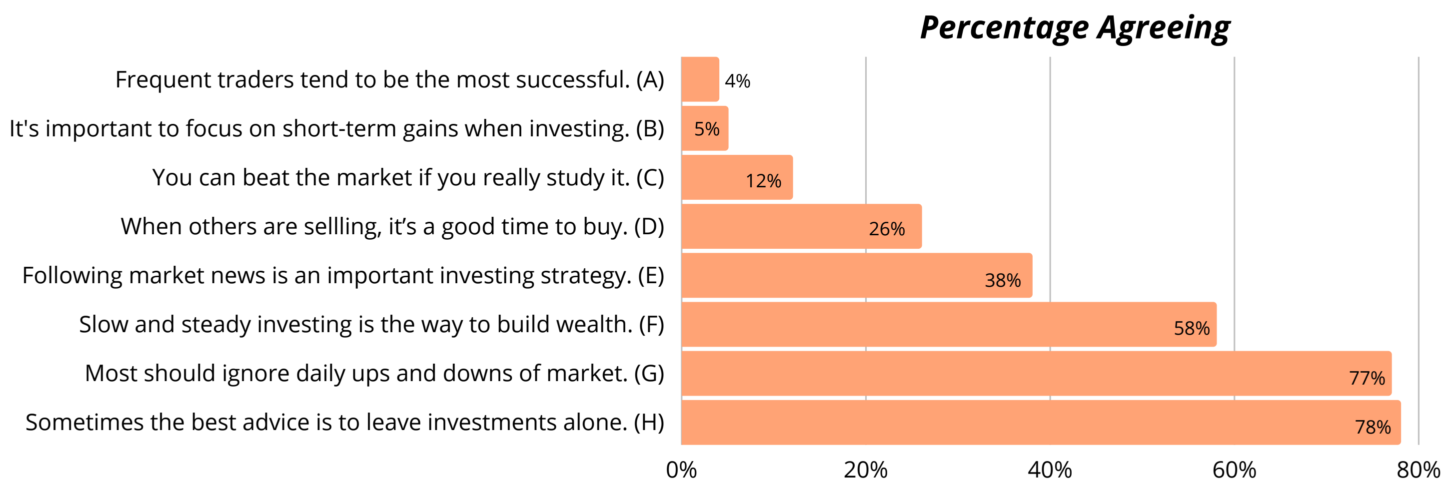
Q1 2021 Client FinPsych Report

Focus Area: *Investing Attitudes*

The Q1 2021 report focuses on investing attitudes with a subsample of nearly 1,600 financial planning clients from the DataPoints FinPsych Database from 2017 to 2020. See Page 4 for detailed insights about the sample.

Over 75% of clients agree with the idea of leaving investments alone and ignoring daily fluctuations in market performance. Nearly 60% of clients believe that wealth is built through a slow and steady investing strategy. Very few clients believe that focusing on short-term gains is important in investing (5%).

Overall, clients appear to agree with investing-related strategies that are beneficial in the long-run and few agree with potentially detrimental investing strategies.

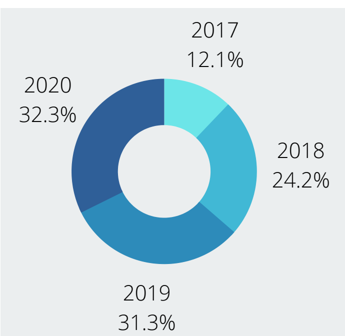


5%
of clients agree that focusing on short-term gains is important.

58%
of clients agree that slow & steady investing leads to building wealth.

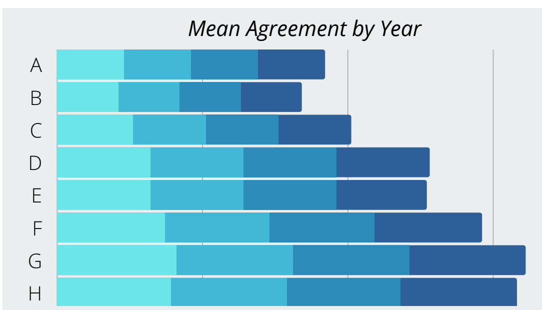
77%
of clients believe most people should ignore daily market fluctuations.

Change Over Time? Attitudes Remained The Same



One might expect differences in attitudes in 2020 compared to the years between 2017 and 2019. Despite the unrest due to COVID-19, **investing attitudes remained stable over time.**

The takeaway? Assessing client perspectives related to investing is relatively stable compared to asking questions related to preferences for risk.

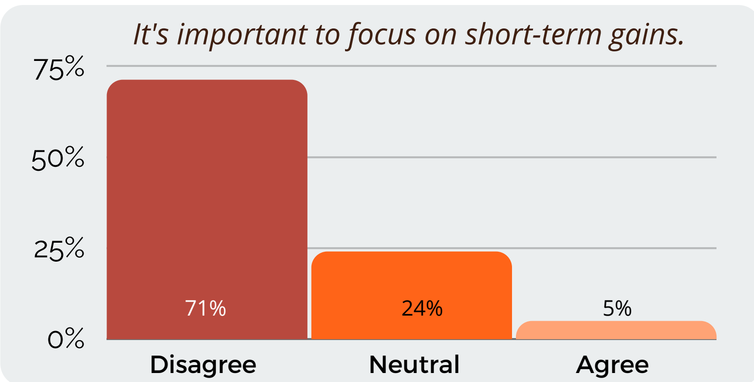


"Neutral" = Opportunity for Guidance?

When we examine how clients agree with investing-related strategies, most clients have a long-term investing outlook. What about clients who report "neutral" when it comes to statements regarding investing-related strategies?

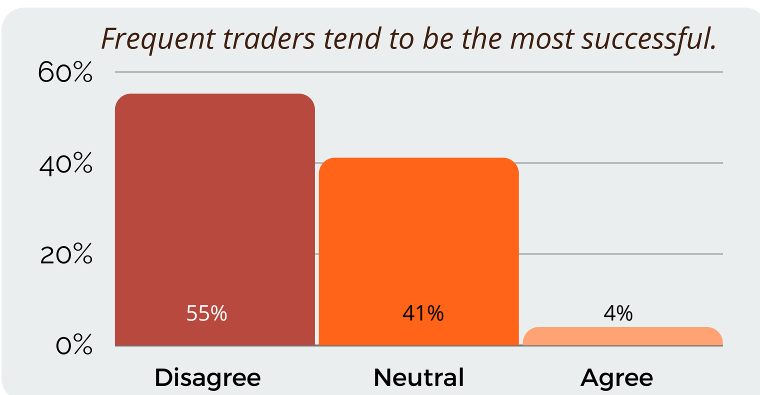
Consider the graphs below. While very few clients reported agreeing with three statements related to short-term investing strategies, a large percentage of them reported being "neutral." While we cannot know why a neutral response was chosen, these data demonstrate that not all clients affirmatively disagree with certain strategies in investing that could be detrimental to long-term success, like focusing on short-term gains.

As a financial planner, coach, or advisor, what workflows, guidance, and resources could you use to help your clients become savvy investors? By way of example, how can advisors add value by helping the 45% of clients who are neutral or agree that frequent trading leads to investing success? Advisors who understand their clients' relative long- or short-term investing outlook can provide ongoing guidance to avoid behavioral pitfalls related to investing, thereby increasing the opportunity for a client to benefit from an ongoing relationship with a financial professional.



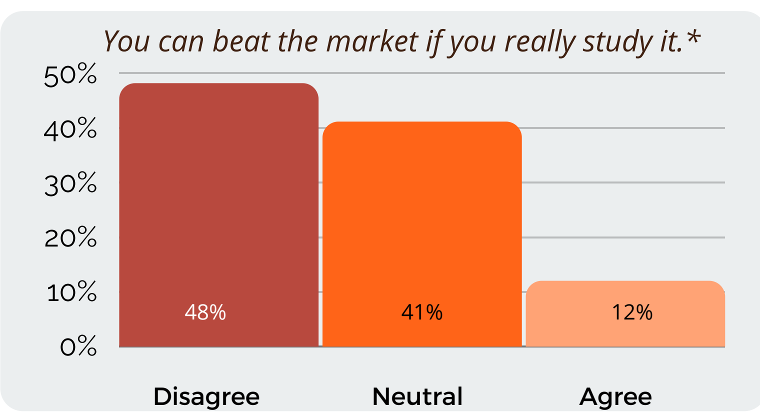
29%

While over 70% disagreed that investors should focus on short-term gains, nearly 30% reported "neutral" or agreed with the statement.



45%

55% of clients disagreed that frequent traders are successful, but 45% reported that they were neutral or agreed with the statement.

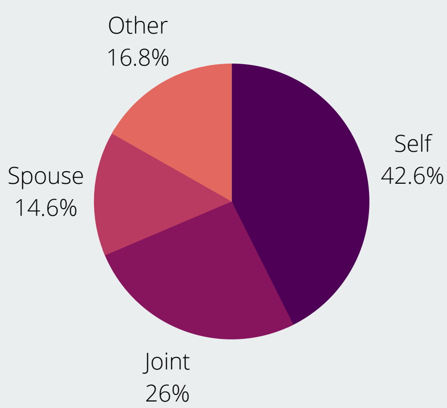


*Sum is greater than 100% due to rounding.

53%

Over half of clients reported being neutral or agreeing that they can beat the market if it is studied.

FinServ: Leaving Spouses (and Women) Behind?



Investing Responsibility in Household

Household Role Matters

In each DataPoints behavioral assessment, we ask clients to report which member(s) of the household has the primary responsibility for investing-related decisions. Over 42% reported being primarily responsible for such decisions, while 26% reported that the responsibility was joint, and 15% reported that the spouse was responsible.

We see key differences in investing attitudes between clients who report managing their investments themselves ("self") and those who report that their spouse manages the investments ("spouse"). These differences represent an opportunity for financial services professionals to differentiate communication, education, and guidance to empower both members of the household to become savvy investors.

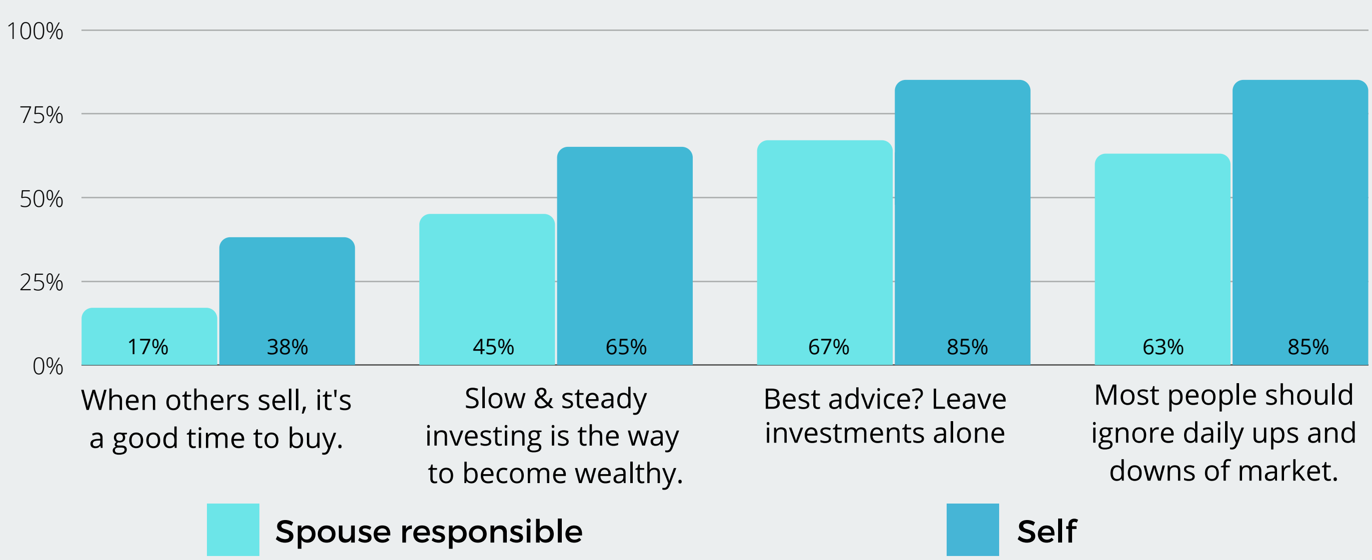
43%

Less than half of clients who report being responsible for investments in households are women.

65%

Of clients who report the spouse manages investments, 65% are women.

Percentage Agreeing by Investing Responsibility in Household



About The Report

Investing attitude data presented in this report represents a subsample of the FinPsych Database data from DataPoints behavioral assessment platform. The results in this report are based on a sample of 1,593 financial planning clients representing 146 financial planning firms in the United States who responded to questions on a behavioral assessment between March 2017 and December 2020.

140+
Financial planning firms

1,593
Financial planning clients

22%
Millionaires in the sample

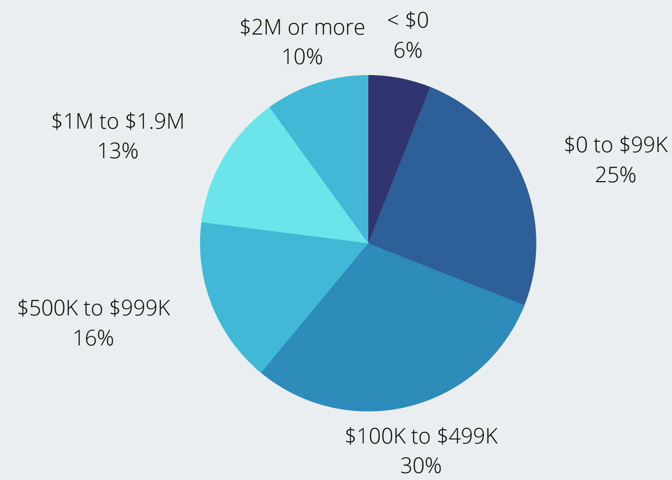
50%
Women

43
Average Age

$170K
Median Income

$300K
Median Net Worth

7%
Mean % of inherited wealth



Net Worth Groups

About The FinPsych Database

The FinPsych Database from DataPoints includes financial psychology data ranging from financial wellness insights to investing-related personality characteristics. With data from tens of thousands of leads, prospects, and clients, the FinPsych Database is the premier source for money mindset research data in financial services. Learn more about the FinPsych Database here.

About DataPoints

At DataPoints, we know client mindset impacts spending, saving, and investing decisions.
We've created a suite of tools for financial professionals to help clients avoid behavioral pitfalls and achieve financial success based on the research that fueled *The Millionaire Next Door*.
Learn more at www.datapoints.com.

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