

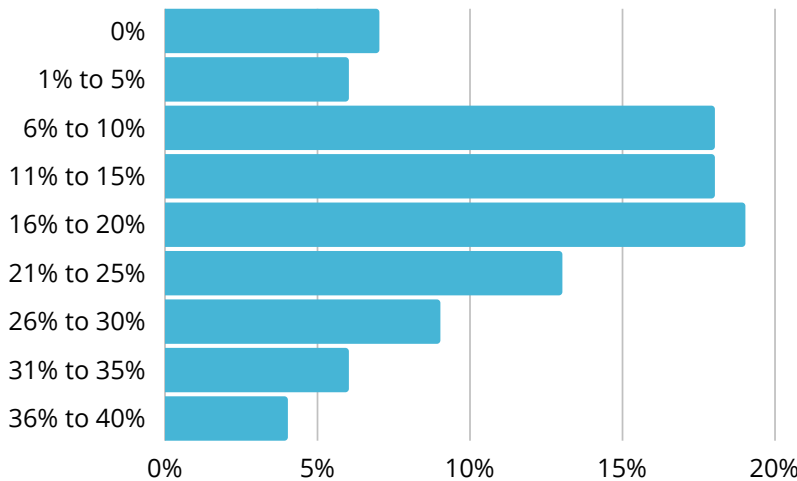
# Q2 2021 Client FinPsych Report

## Focus Area: Investing Preference, Knowledge, & Confidence

The Q2 2021 report focuses on investing-related knowledge and experience with a sample of over 2,600 financial planning clients representing over 150 firms from the DataPoints FinPsych Database from 2018 to 2021. See Page 4 for sample details.

The results demonstrate that **not all clients have the confidence and knowledge to take on considerable risk in their portfolios**. Just less than a third of clients report preferring a risky portfolio to one that is balanced or safe. These findings are consistent over the years 2018 to 2021. Furthermore, just 20% of clients report being more knowledgeable than others about the historical ups and downs of the stock market. The takeaway for financial services? **Add value to clients through education and guidance around the value of risk and investing in general.**

What's the **maximum amount of loss** you could experience in your net worth without feeling a need to take an action with your investments?



Sample size: 2,637 financial planning clients

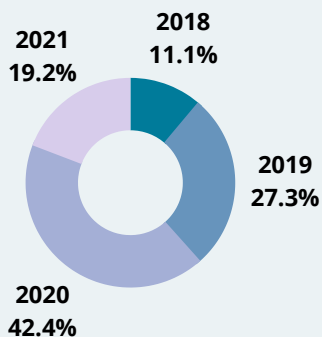
20%

One in five clients reports knowing more than others about the history of the stock market.

31%

Over 30% of clients reported preferring an investment strategy with risk compared to a balanced or safe portfolio.

### Risk Preference Differences By Year? Not Quite

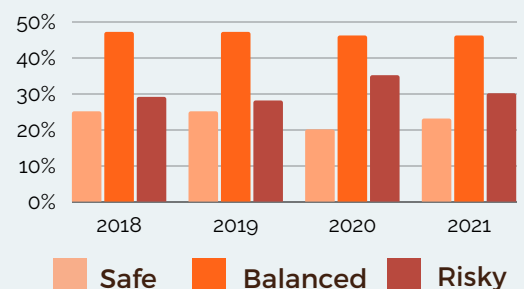


Just like in our Q1 2021 investing attitudes report, we found that risk preferences stayed generally stable over time, even in the midst of the 2020 COVID crisis.

**The takeaway? Average risk preference scores appear to be stable over time, even in the face of a global pandemic.**

\*Sum is greater than 100% due to rounding.

Preferred Investment Strategy?



# Adding Behavioral Value Through Enhancing Investor Confidence & Knowledge

## 35%

More than one-third of clients reported knowing less than most others about the history of the stock market.

## 18%

Just under 1/5 of clients described themselves as a financial novice or "unsure" when it comes to their financial knowledge

## 26%

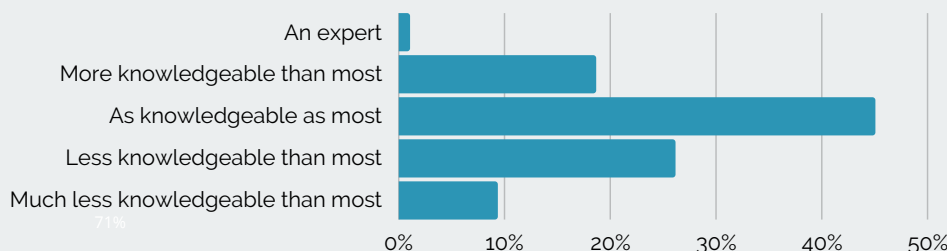
Over one-fourth of clients reported being uncomfortable when the market value of their investments had dropped.

### How do clients view themselves when it comes to their investing-related knowledge and experience? Where can advisors add value through behavioral guidance?

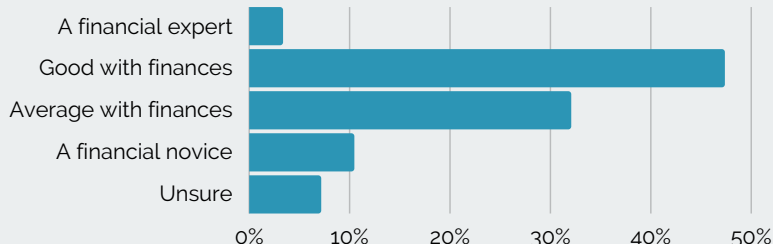
Most clients (45%) report being as knowledgeable as most people (i.e., average) when it comes to the history of the stock market. But, **more than one-third of clients report being less knowledgeable than others when it comes to stock market history.** Nearly 20% of clients reported being a financial novice or unsure about their general financial expertise.

Finally, we continue to see areas for advisors to add value to their clients from a behavioral perspective, as over a quarter of clients reported being uncomfortable while their investments dropped in value.

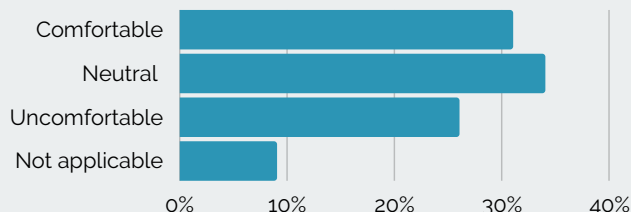
When it comes to the history of the stock market, I am:



Others would describe me as:



How comfortable have you been in the past with decreases in the market value of your investments?



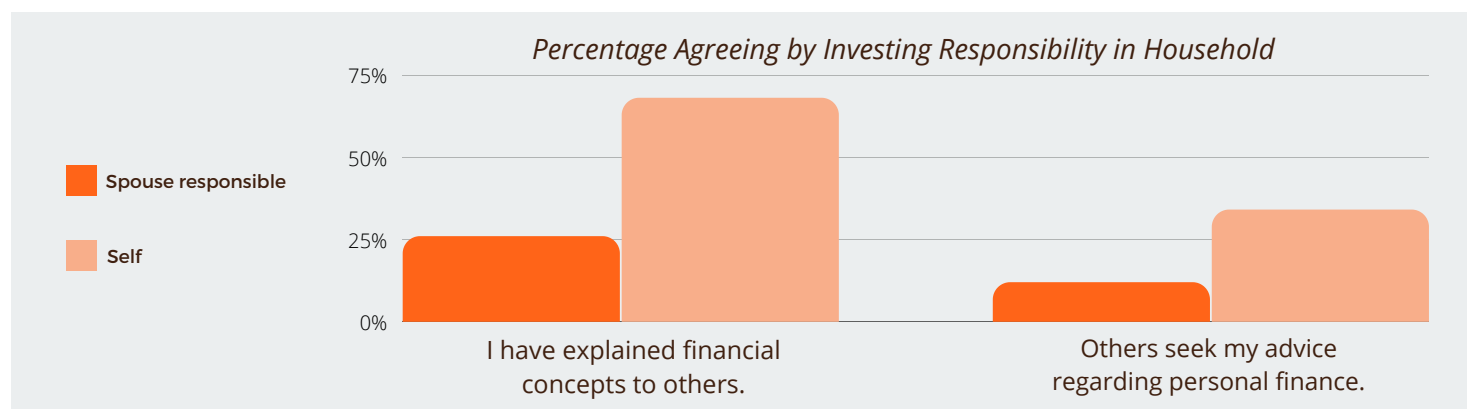
### Action Items for Behavioral Advisors

- Identify clients' investing related confidence & knowledge
- Use results from assessing confidence and knowledge to help clients who score low to improve
- Implement a clear method for educating clients who have little or no investing experience
- Use ongoing client communication to help clients build efficacy and comfort in investing.

## 9%

Nearly one out of ten clients have not experienced a significant decrease in the value of their investments.

# A Continued Call to Empower Spouses: Knowledge by Role in Household



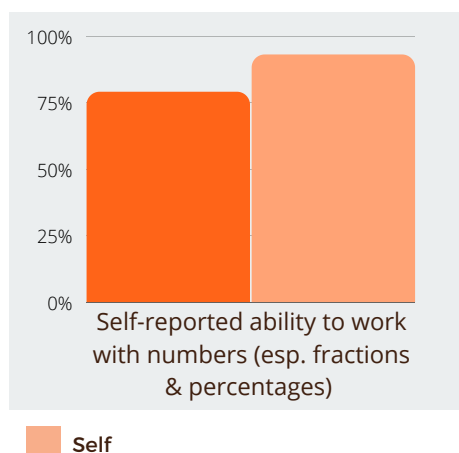
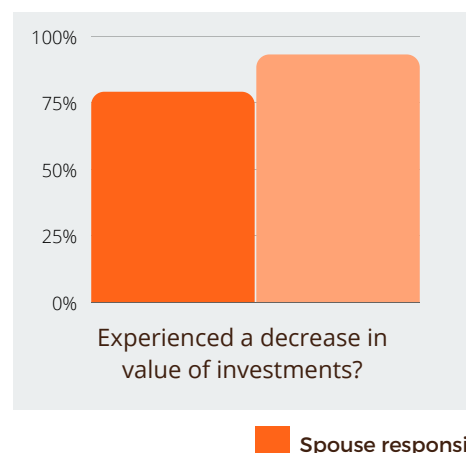
## Household Role Matters (Again!)

As in our Q1 report on investing attitudes, there are key behavioral differences between clients with primary responsibility compared to those clients without any responsibility for investing decisions.

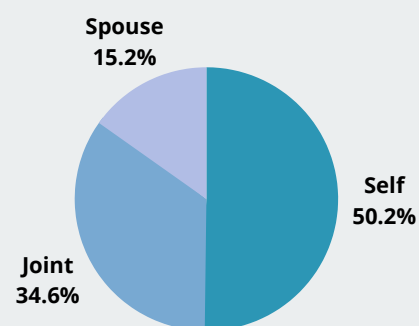
Compared to those clients with no responsibility for investment-related decisions, **clients with primary investing responsibility:**

- Are twice as likely to explain financial concepts to others and have been asked for advice nearly twice as much as spouse-responsible clients,
- Have higher levels of self-reported numeracy (ability to work with numbers, especially fractions and percentages) than clients who report their spouses are responsible,
- Have more experience with investment-related losses than clients who are not responsible for investments.

More often than not, clients who report not having any investing-related responsibility are women. Advisors who are committed to empowering all clients can consider ways to guide each member of the household to building investing knowledge and confidence.



## Investing Responsibility in Household?



Of clients who report the spouse manages investments,

**81%**  
are women.

## Action Items for Behavioral Advisors

- Assess your client's openness to build investing knowledge
- Use structured questions to learn more about each client's investing-related experience
- Identify areas where clients can enhance investment-related confidence & knowledge
- Monitor ongoing progress by assessing confidence & knowledge each year

## About the Report

The data presented in this report represent results from a subsample of the FinPsych Database from the DataPoints behavioral assessment platform. The results in this report are based on a sample of 2,637 financial planning clients representing 157 financial planning firms in the United States who responded to questions on the Investor Profile assessment between February 2018 and May 2021.

# 150+

Financial planning firms

# 2,637

Financial planning clients

# 40%

Millionaires in the sample

# 50%

Women

# 48

Average Age

# \$170K

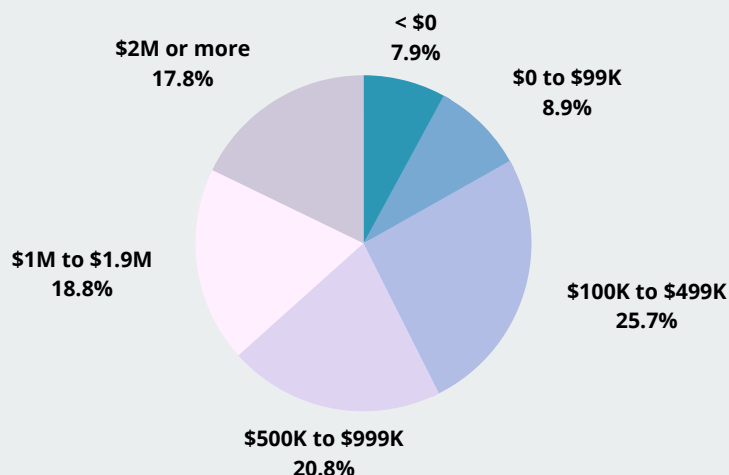
Median Income

# \$600K

Median Net Worth

# 13%

Mean % of inherited wealth



Net Worth Groups

## About the FinPsych Database

The DataPoints FinPsych Database 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](http://www.datapoints.com).