

Consumer Insights: Money & Investing

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New Investors 2022: Entering the Market in Novel and Traditional Ways

Introduction

In 2020, the FINRA Investor Education Foundation and NORC at the University of Chicago surveyed investors in taxable, non-retirement accounts to better understand the influx of new investors entering the market at that time.¹ We return to the topic of new investors almost two years later with the following research aims: (1) gaining insights into how new investors in 2020 have since progressed; and (2) comparing new investors in 2020 to a more recent group of new investors, namely those entering the market in 2021 and 2022. The companion brief titled [*Where Are They Now? Following Up with the New Investors of 2020*](#) focuses on the first aim and summarizes the experiences of the initial cohort of new investors over time.

This brief examines differences between new investors entering the market in 2020 and new investors entering the market in 2021 – 2022. The 2021 – 2022 sample includes investors entering the market through taxable investment accounts as well as investors who entered the market for the first time through the purchase of cryptocurrency. These data allow us to better understand the millions of new investors just entering the market by examining similarities and differences in the following three groups:

2020 New Account Investors (n=318): opened a taxable investment account for the first time in 2020.

2022 New Account Investors (n=213): opened a taxable investment account for the first time in 2021/early 2022.

2022 New Cryptocurrency Investors (n=252): purchased cryptocurrency in 2021/early 2022 for the first time but did not have a taxable investment account.

#1. Consumers continued to enter the markets in large numbers through taxable investment accounts.

In 2020, media attention focused on the substantial increase in investment accounts. Our 2020 study revealed that 3.6 percent of the U.S. adult population opened new, taxable accounts for the first time in that year.

When we conducted the survey again in 2022, we found no meaningful difference in the proportion of investors (4.2 percent²) who opened new taxable brokerage accounts compared to 2020. While stories of new account openings no longer flooded the media in 2022, the influx of new investors did not slow.

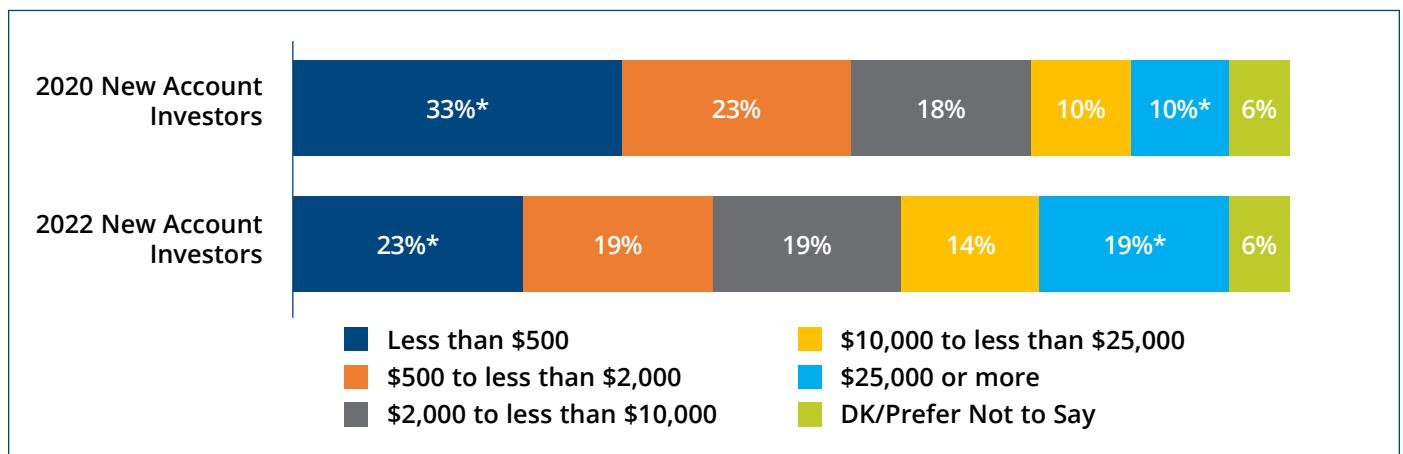
#2. New Account Investors in 2020 and 2022 had similar demographic characteristics.

Our 2020 study found that New Account Investors at that time were more frequently Black (16 percent) and Hispanic/Latino (15 percent) compared to investors who had been in the market prior to 2020 (7 percent and 13 percent, respectively). That trend continued in 2022: 15 percent of 2022 New Account Investors were Black, and 19 percent were Hispanic/Latino. In both 2020 and 2022, the mean age of New Account Investors was 43. There were no meaningful differences in household income for investors entering the market in 2020 compared to 2022.

Beyond demographic characteristics, New Account Investors in 2022 reported levels of willingness to take risk and anticipated holding periods for their investments that were not significantly different from New Account Investors in 2020.

There were, however, some differences between the 2020 and 2022 New Account Investors in terms of account balances. In 2020, almost one-third (32.9 percent) of New Account Investors held less than \$500 in their accounts. This compares to fewer than one-quarter (22.9 percent) of 2022 New Account Investors who held under \$500 in their accounts.

Figure 1. Account Balances of 2020 and 2022 New Account Investors



*Significantly different at p<.05.

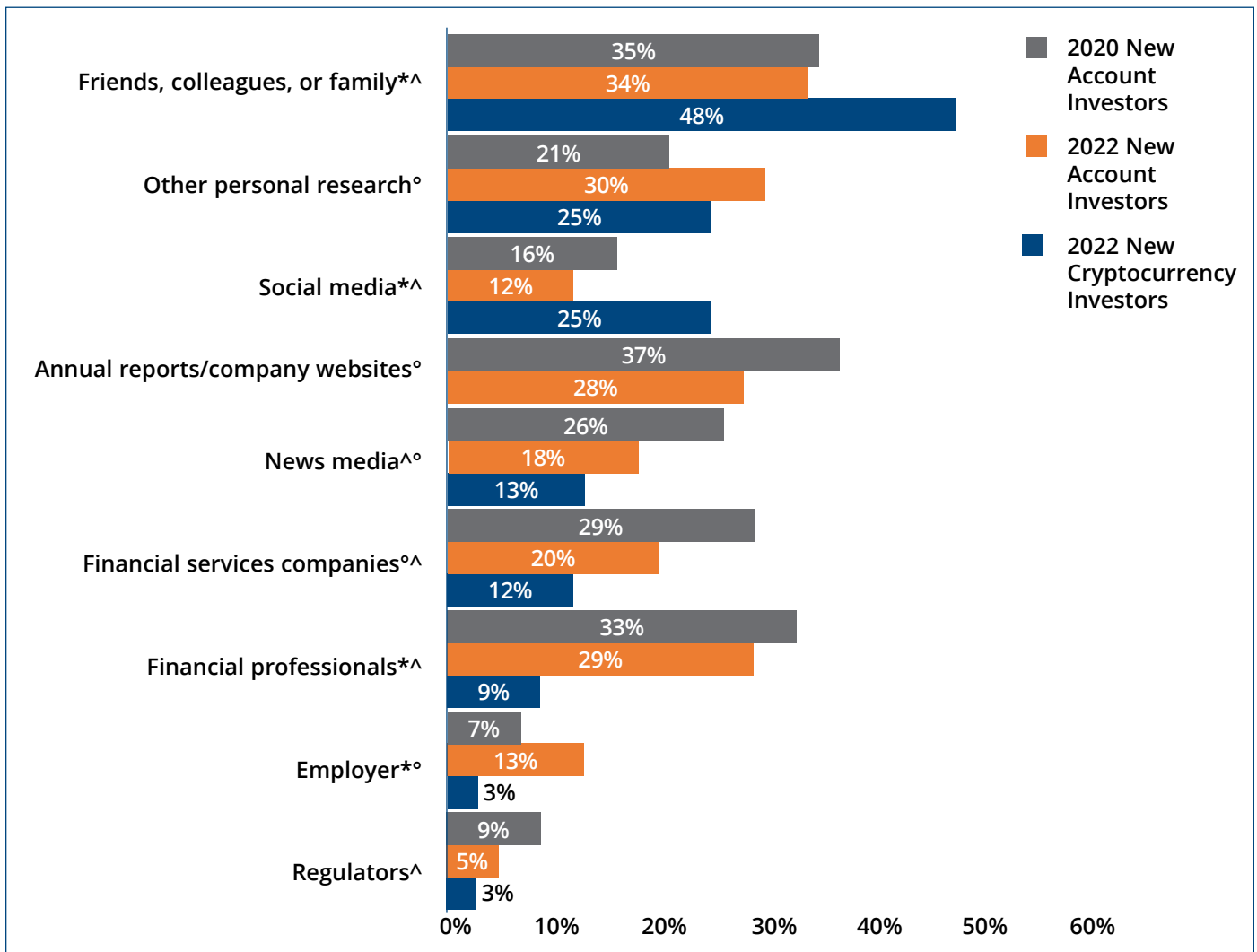
#3. In 2022, just as many people started investing by purchasing cryptocurrency as by opening a new brokerage account.

In addition to the 4.2 percent of the adult population entering the markets for the first time in 2022 through a taxable investment account, another 4.9 percent (who did not have a taxable investment account) started investing through cryptocurrency purchases. Additionally, cryptocurrency holdings were not limited to 2022 New Cryptocurrency Investors; 31.7 percent of 2022 New Account Investors also reported owning cryptocurrency.

2022 New Cryptocurrency Investors were younger (37 years versus 43 years, on average) and less frequently held a four-year college degree (28.5 percent vs. 46.3 percent) than 2022 New Account Investors. However, there were no significant differences in terms of race, ethnicity, and gender between 2022 New Cryptocurrency Investors and 2022 New Account Investors.

By and large, current sources of information investors used when making investment decisions were similar for 2022 New Cryptocurrency Investors, 2020 New Account Investors, and 2022 New Account Investors. That said, though social media was a common source of information for 2022 New Cryptocurrency Investors (cited by 25 percent), it was significantly less so for New Account Investors (cited by 12 percent for 2022 investors and 16 percent for 2020 investors). Further, financial professionals were an important source of information for New Account Investors (cited by 29 percent for 2022 investors and 33 percent for 2020 investors) but not for 2022 New Cryptocurrency Investors (cited by 9 percent).

Figure 2. Sources of Information, by Investor Type



* Significant difference at the $p < .05$ between 2022 New Account Investors and 2022 New Cryptocurrency Investors.

^ Significant difference at the $p < .05$ between 2020 New Account Investors and 2022 New Cryptocurrency Investors.

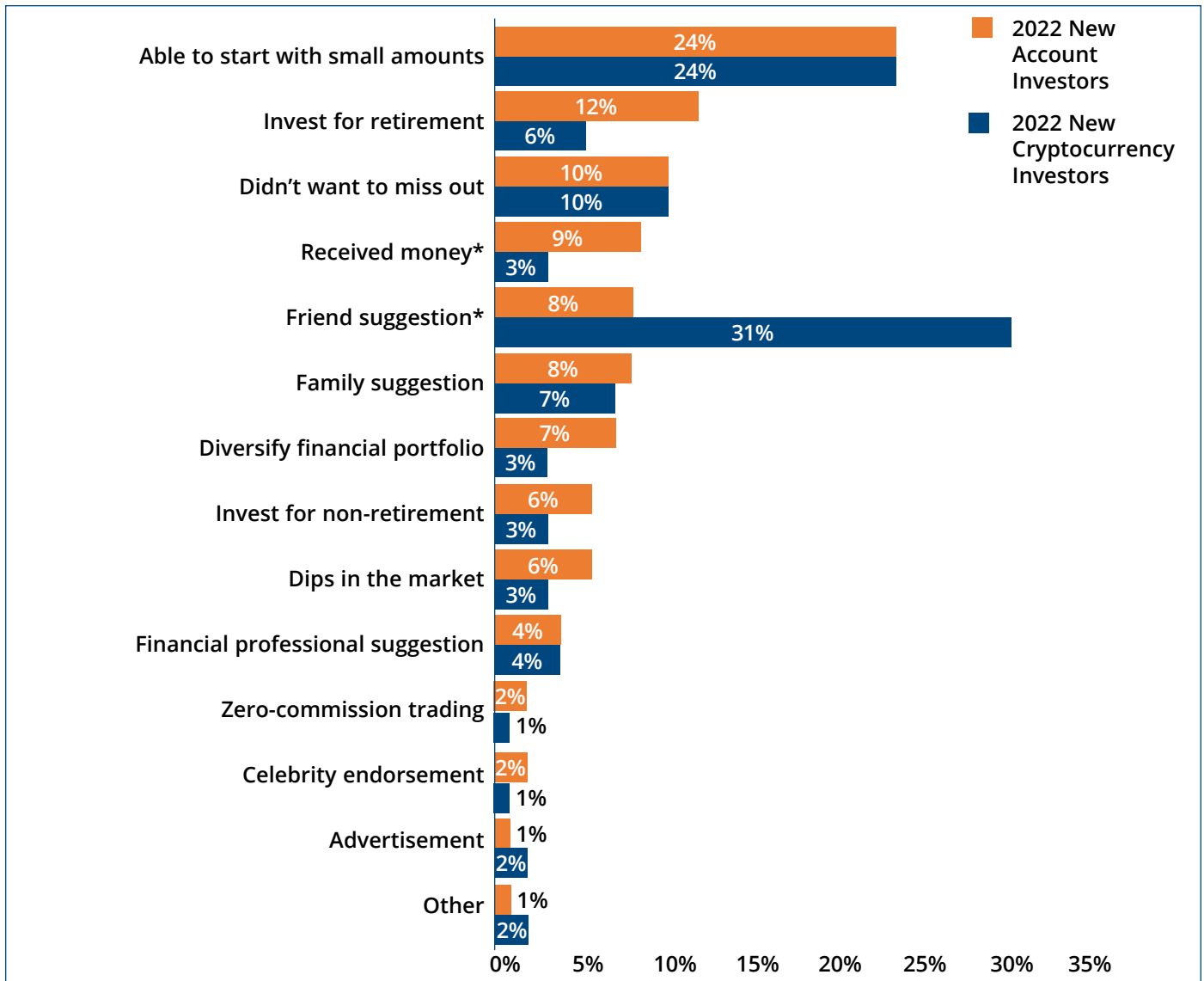
° Significant difference at the $p < .05$ between 2020 New Account Investors and 2022 New Account Investors.

#4. For 2022 New Cryptocurrency Investors, friends made a difference.

When asked why they opened a new investment account or purchased cryptocurrency for the first time, 2022 New Account Investors and 2022 New Cryptocurrency Investors both cited the ability to invest with small amounts as an important driver. They also expressed a consistent level of “fear of missing out” (or FOMO) on a potentially lucrative investment opportunity.

However, there were a few differences between 2022 New Account Investors and 2022 New Cryptocurrency Investors when it comes to reasons they began investing. 2022 New Account Investors more frequently reported receiving funds that they were able to invest as the primary reason they opened their account. 2022 New Cryptocurrency Investors, by contrast, most frequently followed the suggestions of friends, potentially indicating that there is a social element to cryptocurrency investing not evident in equities or bond investing.

Figure 3. Primary Reason for Opening a New Investment Account/Purchasing Cryptocurrency for the First Time

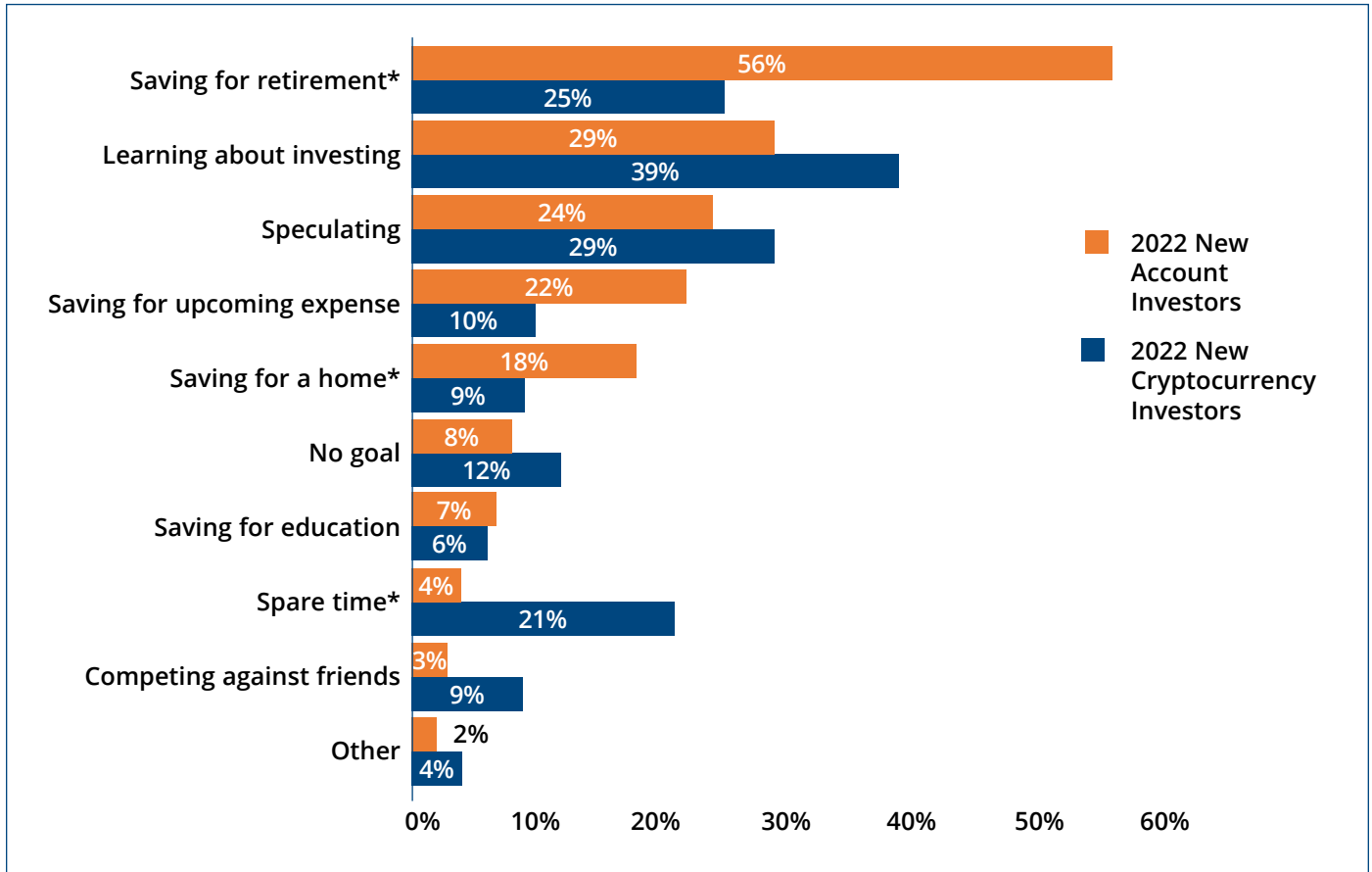


* Significantly different at the p<.05 level.

#5. 2022 New Account Investors more often indicated that they buy and hold for long-term goals, compared to 2022 New Cryptocurrency Investors.

While there are no significant differences in the reported goals of 2020 and 2022 New Account Investors, 2022 New Cryptocurrency Investors appear to be in the market for somewhat different reasons. A majority (55.7 percent) of 2022 New Account Investors reported saving for retirement as a primary goal, compared to only 24.5 percent of 2022 New Cryptocurrency Investors. Interestingly, almost twice as many 2022 New Account Investors (17.8 percent) indicated that saving for a home was a primary goal, compared to 2022 New Cryptocurrency Investors (9.2 percent). The latter, however, indicated more frequently than 2022 New Account Investors that filling up their spare time was a primary goal for their investments (21.4 percent and 3.5 percent, respectively).

Figure 4. Investing Goals for 2022 New Account Investors and 2022 New Cryptocurrency Investors



* Significantly different at the p<.05 level.

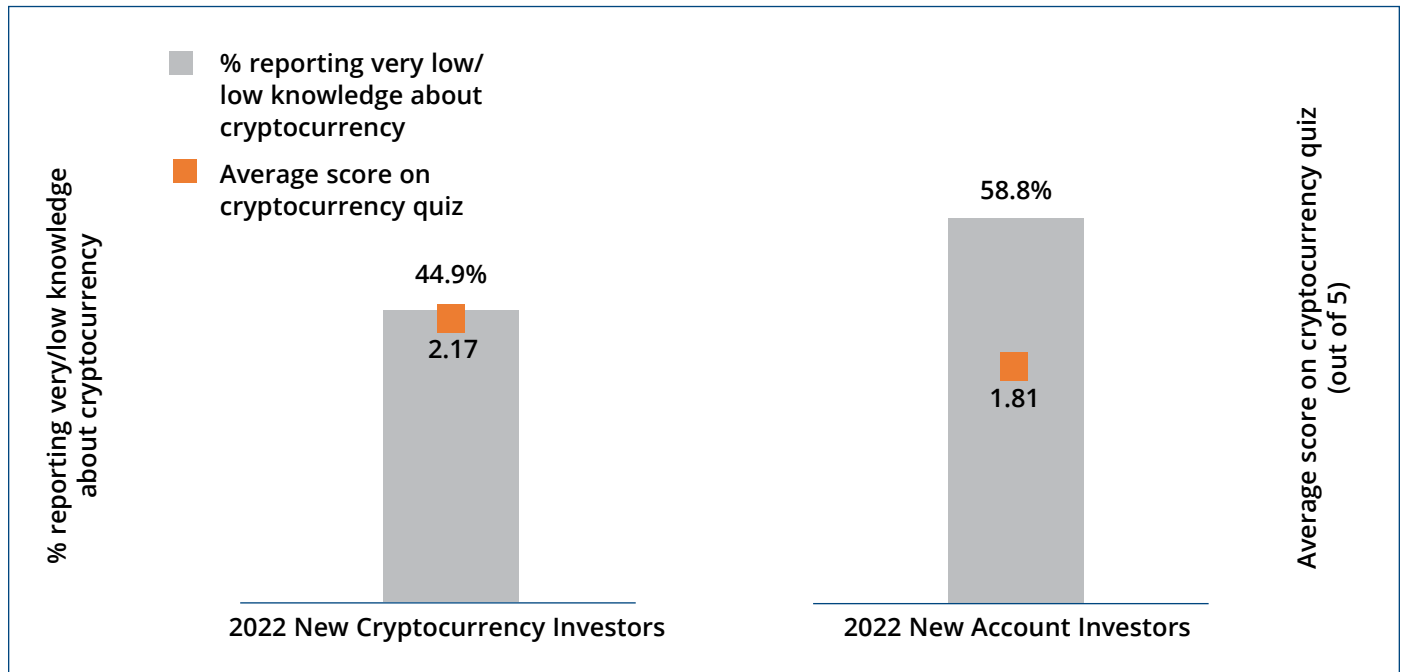
These differences in goals are consistent with stated holding periods. 2022 New Account Investors, the majority of whom indicated saving for retirement as a primary goal, also reported longer holding periods than 2022 New Cryptocurrency Investors. Over a quarter of New Cryptocurrency Investors planned to sell holdings in less than one year (27.9 percent), compared to only 2.5 percent of New Account Investors. Nearly one-in-five New Account Investors (19.2 percent) planned to hold their investments for more than ten years, compared to only 8.4 percent of New Cryptocurrency Investors. When compared to the 2020 New Account Investors, the holding periods of 2022 New Account Investors were consistent.

#6. Cryptocurrency owners think they know more about cryptocurrency than they do.

General investing knowledge, as measured objectively by a five-item quiz, was low for both 2022 New Account Investors and 2022 New Cryptocurrency Investors. On average, 2022 New Account Investors correctly answered 1.57 questions out of five, and 2022 New Cryptocurrency Investors correctly answered 1.33 questions. Cryptocurrency knowledge, again measured objectively using a five-item scale, was also low for both groups: 2.17 for 2022 New Cryptocurrency Investors and 1.81 for 2022 New Account Investors (the difference was not significant).

When asked to subjectively rate their cryptocurrency knowledge, 2022 New Account Investors tended to acknowledge their limited understanding: 58.8 percent indicated they had low or very low overall knowledge about cryptocurrency. 2022 New Cryptocurrency Investors, by comparison, less frequently recognized their knowledge limitations, with less than half (44.9 percent) indicating low or very low subjective knowledge, despite exhibiting low objective knowledge about cryptocurrency.

Figure 5. Objective and Subjective Cryptocurrency Knowledge, by 2022 Investor Type



Differences in % reporting low knowledge statistically significant at $p < .05$.

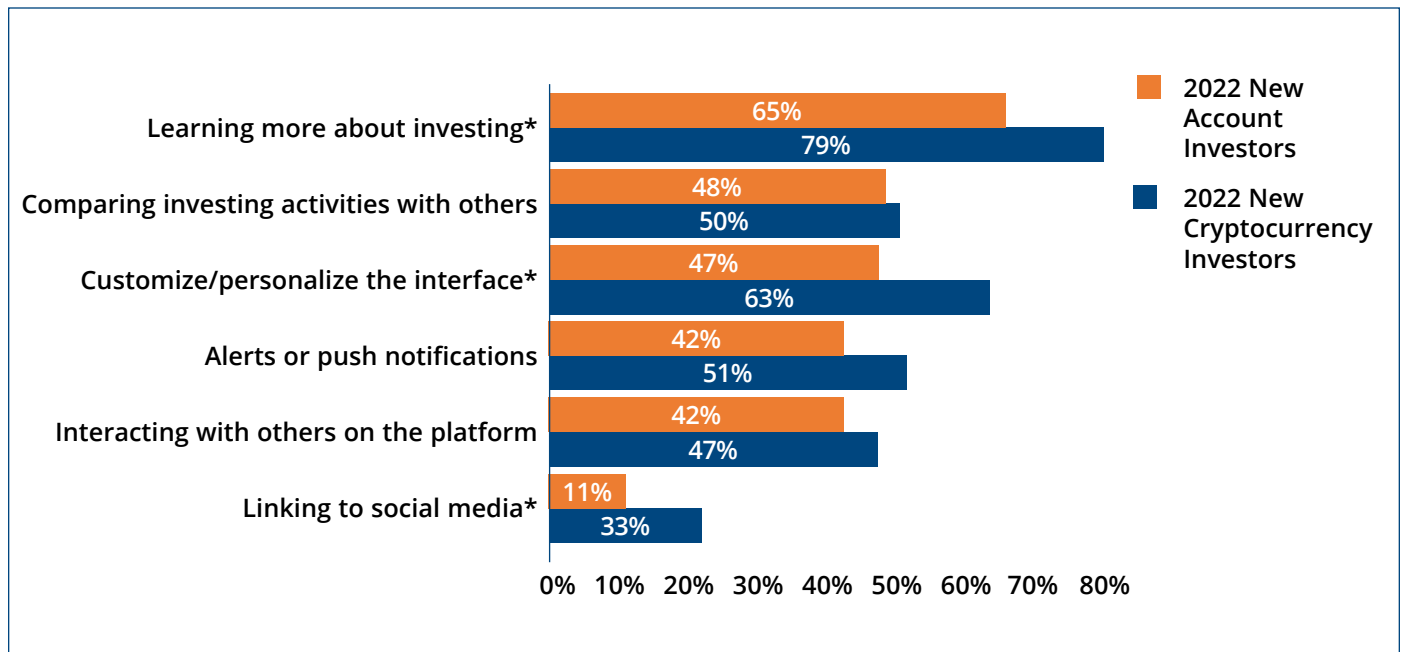
#7. Cryptocurrency ownership may stimulate interest in stock investing.

2022 New Cryptocurrency Investors less frequently reported having a retirement account (44.3 percent compared to 70.6 percent of 2022 New Account Investors). However, over one-third of 2022 New Cryptocurrency Investors (35.7 percent) indicated that investing in cryptocurrency had made them more or much more interested in investing in the stock market. Only 16.3 percent indicated that investing in cryptocurrency made them less interested in stock investing.

#8. 2022 New Cryptocurrency Investors responded more positively to many engagement features of online platforms than 2022 New Account Investors.

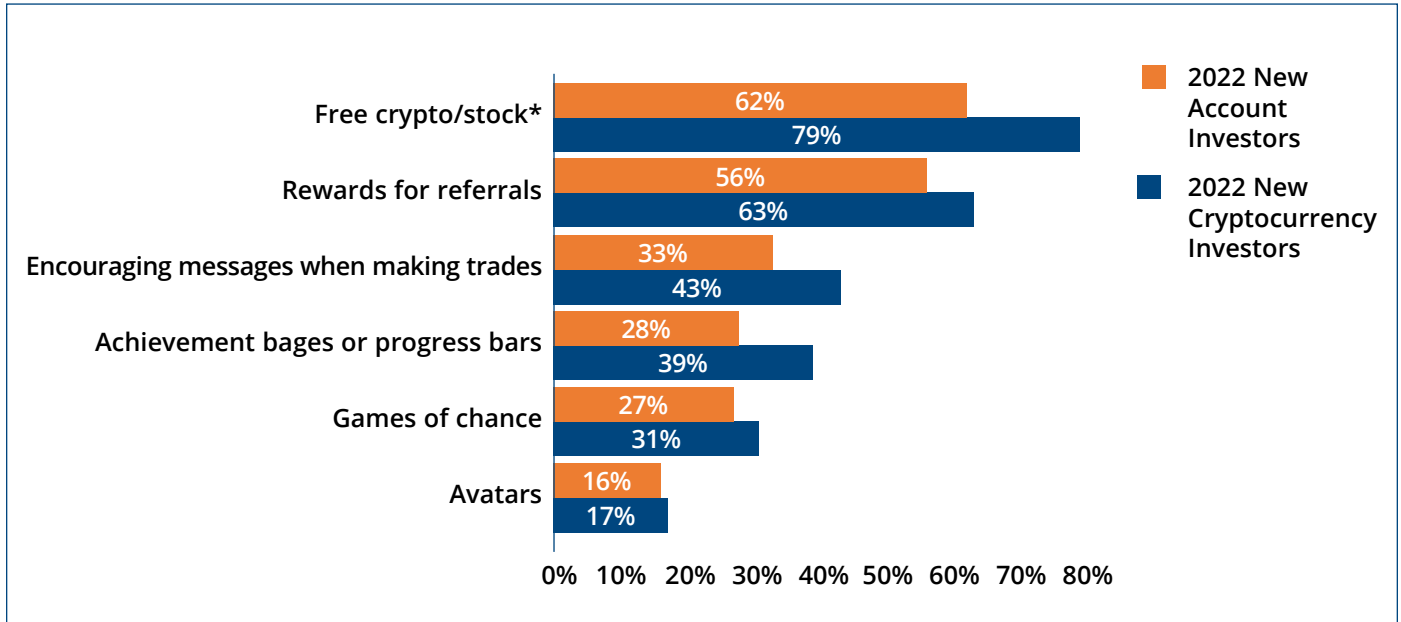
We asked a series of questions related to digital engagement practices to understand what features of online investing platforms were helpful or enhanced the investing experience. In general, 2022 New Cryptocurrency Investors responded more positively to many of the digital engagement features measured, compared to 2022 New Account Investors. There were a few features that appealed to both groups (learning opportunities, free crypto/stock for opening an account, rewards for certain activities), and certain features that appeared less desirable (the ability to select an avatar, linking to social media).

Figure 6a. Proportion of Investors Reporting Digital Engagement Features as Somewhat/Extremely Helpful



*Statistically significant at p<.05. Percentages include investors who indicated the feature was available to them.

Figure 6b. Proportion of Investors Indicating Digital Engagement Features Somewhat/Greatly Enhance Their Investing Experience



*Statistically significant at $p < .05$. Percentages include investors who indicated the feature was available to them.

Conclusion

In 2020, new investors entered the market in such large numbers that mainstream media took note of the phenomenon, with many describing a moment of historic “democratization” of investing. This surge has been attributed to a combination of forces, including new mobile trading platforms, lower barriers to investing (such as the ability to get started with small amounts of money), and various pandemic-related factors. Two years later, our research suggests that the expansion of the investing population continued unabated and was supplemented by new investors entering the markets by purchasing cryptocurrency.

Growth in the number of cryptocurrency investors, in particular, appears to have been fueled by the influence of peers: a nudge from a friend seems often to have resulted in participation in a very high-risk market. While it remains to be seen if exposure to cryptocurrency investing translates into stock market participation down the road, there is evidence to suggest that this may well prove to be the case. The data also indicate that cryptocurrency investors are very much dialed in to various engagement features of digital trading platforms. In all likelihood, these digital features will continue to evolve. Learning about investing (and learning while investing) may very well remain a feature of these platforms. And judging by investors’ low objective knowledge about investing, this has the potential to yield important benefits.

Appendices

Methodology

About the data

This study uses data collected between October 26 and November 13, 2020, and September 9 and September 29, 2022, using the AmeriSpeak® Panel. Funded and operated by NORC at the University of Chicago, AmeriSpeak is a probability-based panel designed to be representative of the U.S. household population. Randomly selected U.S. households are sampled using area probability and address-based sampling, with a known, non-zero probability of selection from the NORC National Sample Frame. These sampled households are then contacted by U.S. mail, telephone, and field interviewers (face to face). The panel provides sample coverage of approximately 97 percent of the U.S. household population. Those excluded from the sample include people with P.O. Box only addresses, some addresses not listed in the USPS Delivery Sequence File, and some newly constructed dwellings. While most AmeriSpeak households participate in surveys by web, non-internet households can participate in AmeriSpeak surveys by telephone. Households without conventional internet access but having web access via smartphones are allowed to participate in AmeriSpeak surveys by web. AmeriSpeak panelists participate in NORC studies or studies conducted by NORC on behalf of governmental agencies, academic researchers, and media and commercial organizations.

The study analyses included 480 U.S. adults ages 18 and older from the original study conducted in 2020, and 465 respondents participated in the 2022 follow-up study. Both studies were fielded in English only and were administered online. Respondents were considered eligible for the studies if they were either the primary decision-maker or shared in the decision-making related to finances in the household and held at least one non-retirement investment account that was opened in the first part of 2020 (for the original study) or had either opened a non-retirement investment account for the first time or purchased cryptocurrency for the first time in 2021 or the first half of 2022. The

screeener completion rate for the original study in 2020 was 30.7 percent, and the survey completion rate was 98.9 percent. The final AAPOR response rate (RR3) for the original study was 5.2 percent, and the margin of error was 3.84 percentage points. For the 2022 study, the screener completion rate was 15.5 percent, and the survey completion rate was 99.1 percent. The final AAPOR response rate (RR3) was 2.4 percent, and the margin of error was 6.75 percentage points. The 2022 study was approximately ten minutes in duration. AmeriSpeak participants self-identified their age, sex, education, and race/Hispanic ethnicity.

Imputation

Fifty-seven observations in the original study were unable to be classified as either New Investors or Experienced Investors due to missing data. To classify these observations, a multiple imputation technique utilizing a random forest model was used to estimate the investor status for these 57 observations. Specifically, the investor group for each respondent was estimated five times using the following independent indicators:

- ▶ Investment knowledge score (range 0–5)
- ▶ Age (60+/18–59)
- ▶ Race (African American/other)
- ▶ Primary reason for opening (non-retirement/other)
- ▶ Primary reason for opening (start with small amounts/other)
- ▶ Have experience in options trading (yes/no)

Final investor group classifications for respondents were obtained by calculating the mode of investor group classifications from the five-model imputation.

A small subset of respondents did not report gender, race, or ethnicity. As these variables are used in weighting, missing values were imputed using a proportional imputation approach. Missing values were assigned a random number between 1 and 0. If that random number is below the population benchmark for male (the same process was used for race and ethnicity), the observation was assigned male; otherwise, the observation was assigned female.

Weighting

Statistical weights for the study-eligible respondents were calculated using panel-base sampling weights to start. The base sampling weights were further adjusted to account for unknown eligibility and nonresponse among eligible housing units. The household-level nonresponse adjusted weights were then post-stratified to external counts for number of households obtained from the Current Population Survey. Then, these household-level post-stratified weights were assigned to each eligible adult in every recruited household. Furthermore, a person-level nonresponse adjustment accounts for nonresponding adults within a recruited household. Finally, panel weights were raked to external population totals associated with age, sex, education, race/Hispanic ethnicity, housing tenure, telephone status, and Census Division. The external population totals were obtained from the Current Population Survey. Study-specific base sampling weights were derived using a combination of the final panel weight and the probability of selection associated with the sampled panel member. The screener nonresponse adjusted weights for the study were adjusted via a raking ratio method to general population age 18 and older population totals associated with the following socio-demographic characteristics: age, sex, education, race/Hispanic ethnicity, and Census Division.

Quizzes

Investing Knowledge Quiz

(Correct Answers in **Bold**)

If you own a call option with a strike price of \$50 on a security that is priced at \$40, and the option is expiring today, which of the following is closest to the value of that option?

- \$10
- **\$0**
- -\$10
- Don't know

The past performance of an investment is a good indicator of future results.

- True
- **False**
- Don't know

If you buy a company's stock...

- **You own part of the company**
- You have lent money to the company
- You are liable for the company's debts
- The company will return your original investment to you with interest
- Don't know

You invest \$500 to buy \$1,000 worth of stock on margin. The value of the stock drops by 50%. You sell it. Approximately how much of your original \$500 investment are you left with in the end?

- \$500
- \$250
- **\$0**
- Don't know

Which is the best definition of “selling short?”

- Selling shares of a stock shortly after buying it
- Selling shares of a stock before it has reached its peak
- Selling shares of a stock at a loss
- **Selling borrowed shares of a stock**
- Don't know

Cryptocurrency Quiz

(Correct Answers in **Bold**)

In the U.S., profits from cryptocurrency investments are:

- **Subject to federal taxes**
- Exempt from all state and federal taxes
- Taxed at a higher rate than profits from stock and bond investments
- Don't know

Compared to a money market fund, cryptocurrency investments generally have:

- **More risk**
- Equal risk
- Less risk
- Don't know

The supply of a cryptocurrency is usually determined by:

- The International Monetary Fund (IMF)
- The Internet Corporation for Assigned Names and Numbers (ICANN)
- **The rules outlined by the developers of the cryptocurrency**
- World gold reserves
- Don't know

Which of the following is true about cryptocurrency?

- **Cryptocurrencies can be exchanged for U.S. dollars**
- In the U.S., cryptocurrency is legal tender for all debts, public and private
- Cryptocurrency is insured by the FDIC up to a value of \$250,000
- All of the above are true
- Don't know

Which of the following makes cryptocurrency transactions susceptible to fraud?

- Cryptocurrency is now the most commonly used form of payment in the U.S.
- Cryptocurrency relies on blockchain technology, which is easy to hack
- Cryptocurrency does not trade on exchanges
- **Cryptocurrency transfers usually cannot be reversed**
- All of the above
- Don't know

About FINRA and the FINRA Foundation

The Financial Industry Regulatory Authority (FINRA) is a not-for-profit organization dedicated to investor protection and market integrity. It regulates one critical part of the securities industry—brokerage firms doing business with the public in the United States. FINRA, overseen by the Securities and Exchange Commission, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit www.FINRA.org.

The FINRA Investor Education Foundation supports innovative research and educational projects that give underserved Americans the knowledge, skills, and tools to make sound financial decisions throughout life. For more information about FINRA Foundation initiatives, visit www.FINRAFoundation.org.

About NORC

NORC at the University of Chicago conducts research and analysis that decision-makers trust. As a nonpartisan research organization and a pioneer in measuring and understanding the world, we have studied almost every aspect of the human experience and every major news event for more than eight decades. Today, we partner with government, corporate, and nonprofit clients around the world to provide the objectivity and expertise necessary to inform the critical decisions facing society. www.norc.org

Endnotes

1. See [Investing 2020: New Accounts and the People Who Opened Them](#).
2. This difference is not statistically significant.