

Focus on Funds: Exchange-Traded Fund Investors Are Different

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Investors in exchange-traded funds (ETFs) tend to be younger, more educated, and more confident market participants, according to a recent paper from ICI and Strategic Business Insights. In the January 11, 2019, edition of *Focus on Funds*, ICI Senior Director of Retirement and Investor Research Sarah Holden examines the key takeaways from this analysis.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: What can we learn about investors and exchange-traded funds [ETFs]? How are ETF-owning households different from other households that invest in mutual funds? A recent research report from ICI breaks down all these differences and sheds new light on just what these investors are like, how they feel about investing, and just how they interact with things like robo-advisers. I got this insight from ICI Senior Director for Retirement and Investor Research Sarah Holden.

Sarah Holden, ICI senior director of retirement and investor research: In a collaborative effort with Strategic Business Insights, we looked at their MacroMonitor survey. And the main goal of the collaborative effort was to gain insight into how ETF households approach saving and investing. Well, as you know, we do a survey every single year of US households, and we often find ETF-owning households as well. So we were able to have our own data to compare to what we saw in the MacroMonitor survey.

Ortbals-Tibbs: So, tell me: how did the two surveys compare?

Holden: We found very similar results in terms of the demographics. ETF households, they tend to be younger, they tend to be higher income, and they also tend to be highly educated. So about two-thirds of ETF households have a college degree or more, compared to only a little over a third of US households overall.

Ortbals-Tibbs: So when you looked at the data around how these ETF-owning households interact with the financial markets, what did you learn there?

Holden: The MacroMonitor asks about not only where they do business, but also how they feel about the whole investment process. We see that the ETF households are willing to work with advisers. They also particularly like working with discount brokers, I think, so they can get to their ETF investments. They're also very comfortable going online. And then interestingly, their attitudes toward investing were very different from retail mutual fund households. Thirty percent of the ETF households said that they enjoy investing,

compared with only 13 percent of retail mutual fund households.

And then they were asked about how qualified they felt making these decisions. Twenty-eight percent of the ETF households had great confidence, compared with only 16 percent of the retail mutual fund households. So we have a very different kind of investor in the ETF investor. They're highly educated, they're young, they're online, they're quite confident in what they're doing, and they're very involved with investing.

Ortbals-Tibbs: How are they interacting with robo-advisers? How does that play into this?

Holden: Nineteen percent of them are aware of the concept of robo-advice, compared with only 5 percent of US households overall and 7 percent of retail mutual fund households. When it comes to usage, though, of robo-advisers, the retail mutual fund households and the ETF households are about the same. But it's only about 10 percent of them are actually using robo-advisers.

Ortbals-Tibbs: So, as ever, this is part of the gold mine of research that you put up under the ICI website.

Holden: This report [is available on our website](#). It contains all that we talked about and a whole lot more in terms of really digging into their attitudes on risk, and on saving and investing, and being online to do all of it.

Additional Resources

- [Report: A Close Look at ETF Households](#)
- [2018 Investment Company Fact Book](#)
- [ICI Statistics](#)
- [ICI's Exchange-Traded Funds Resource Center](#)