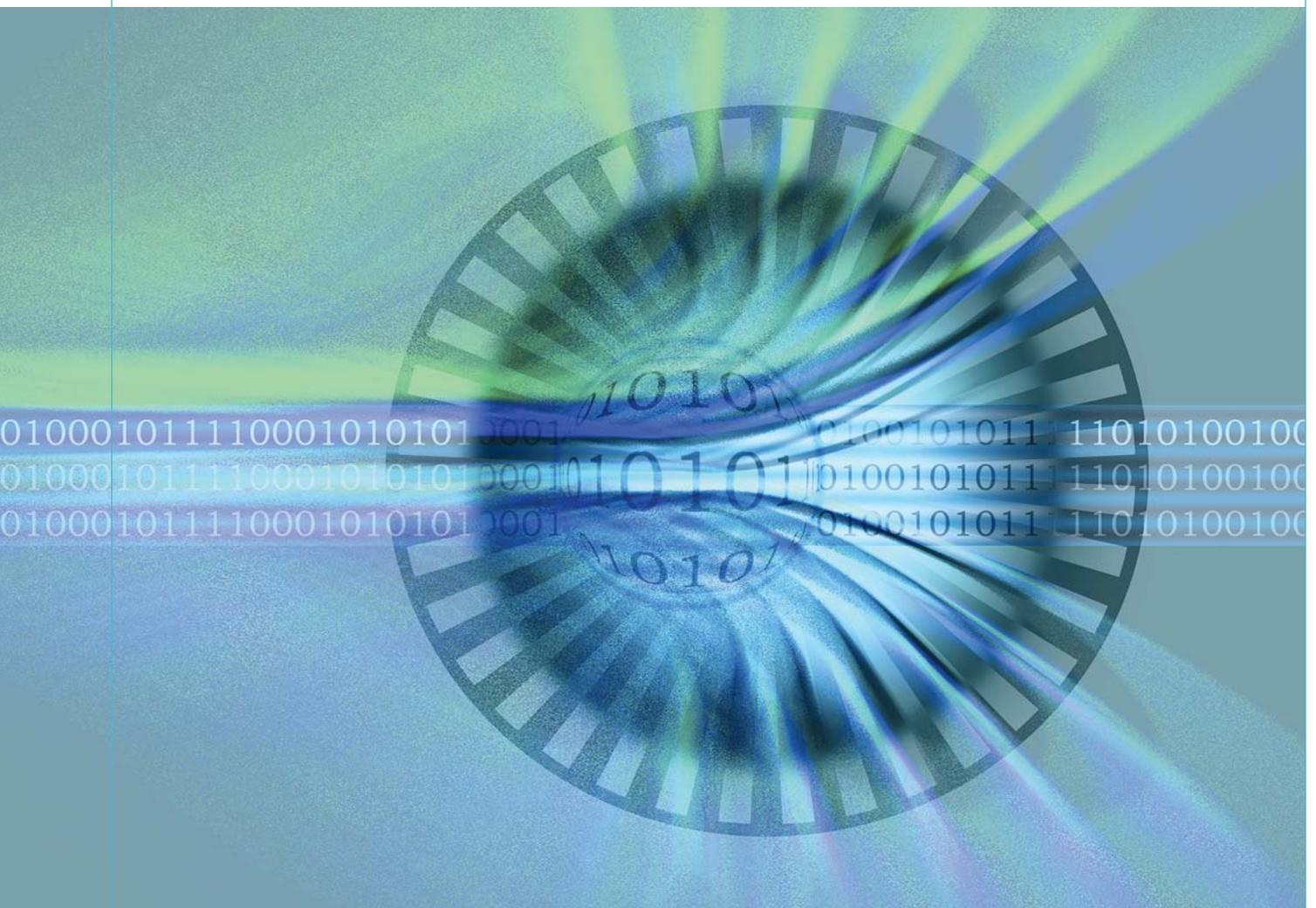
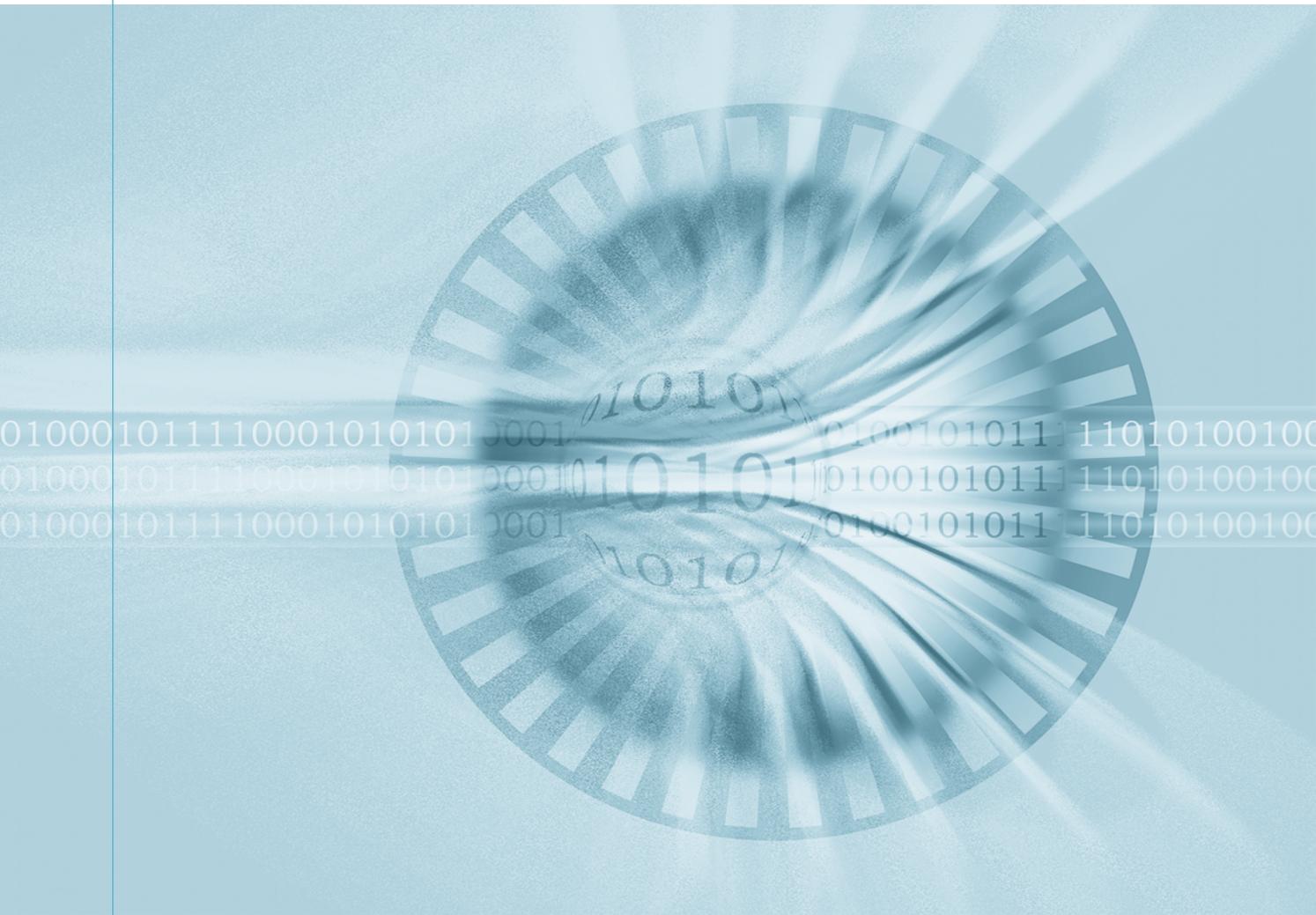


# Understanding Investor Preferences for Mutual Fund Information





# Understanding Investor Preferences for Mutual Fund Information



Sandra West, ICI Director of Investor Research, and Victoria Leonard-Chambers, ICI Assistant Director of Investor Research, prepared this report.

Copyright © 2006 by the Investment Company Institute

The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.

# Table of Contents

<b>List of Figures.</b> . . . . .	iv
<b>Executive Summary.</b> . . . . .	1
<b>CHAPTER 1 Investors' Mutual Fund Information Needs.</b> . . . . .	9
Pre-Purchase Information Needs . . . . .	9
Post-Purchase Information Needs . . . . .	13
Advisers as a Source of Mutual Fund Information . . . . .	16
<b>CHAPTER 2 Investors' Opinions About the Format of Mutual Fund Information</b> . . . . .	21
Assessment of Mutual Fund Prospectuses and Shareholder Reports . . . . .	21
Preferences for the Format of Mutual Fund Information. . . . .	29
<b>CHAPTER 3 Investors' Use of the Internet for Financial Information</b> . . . . .	33
Use of the Internet for Financial Purposes . . . . .	33
The Internet as a Source of Mutual Fund Information . . . . .	40
<b>APPENDIX Survey Methodology.</b> . . . . .	45
Research Design . . . . .	45
Questionnaire Design . . . . .	46
Sampling Tolerances. . . . .	47



# List of Figures

## Executive Summary

Figure 1	Shareholders Typically Review a Range of Information Before and After Purchasing a Fund . . . . .	3
Figure 2	Advisers Are an Important Source of Fund Information . . . . .	4
Figure 3	Shareholders Prefer Concise Summaries With Graphics . . . . .	5
Figure 4	Most Shareholders Think Mutual Fund Prospectuses, Shareholder Reports Contain Too Much Information . . . . .	6
Figure 5	Frequency of Internet Use Influences Shareholders' Preferences for Obtaining Mutual Fund Information . . . . .	7

## CHAPTER 1 Investors' Mutual Fund Information Needs

Figure 6	Shareholders Review a Wide Range of Information Before Purchasing Mutual Fund Shares . . . . .	10
Figure 7	Most Shareholders Consult Advisers for Mutual Fund Information Before Purchasing Shares . . . . .	12
Figure 8	Shareholders Most Often Monitor Fund Performance, Account Balance . . . . .	14
Figure 9	Shareholders Most Often Use Account Statements, Advisers to Monitor Fund Investments . . . . .	15
Figure 10	All Types of Shareholders Consult Advisers for Fund Information . . . . .	17
Figure 11	Most Shareholders Who Obtain Fund Information from Advisers Are Involved in Investment Decisionmaking . . . . .	18
Figure 12	Fund Review Process Varies Little Between Shareholders Who Obtain Fund Information from Advisers and Those Who Do Not . . . . .	19
Figure 13	Shareholders Prefer to Obtain Fund Information In-Person from Advisers . . . . .	20

## CHAPTER 2 Investors' Opinions About the Format of Mutual Fund Information

Figure 14	Use of Mutual Fund Prospectuses, Shareholder Reports Is Low . . . . .	22
Figure 15	Many Shareholders Consider Fund Prospectuses, Shareholder Reports Difficult to Understand . . . . .	23
Figure 16	Shareholders' Education Is Linked to Comprehension of Fund Prospectuses . . . . .	24
Figure 17	Overall Readership of Fund Prospectuses, Shareholder Reports Is Limited . . . . .	25

- Figure 18 Readership of the Prospectus Is Limited Among All Types of Shareholders . . . 26
- Figure 19 Shareholders Categorize Some Required Fund Disclosure as Information They Need to Know When Making Purchase Decisions. . . . . 28
- Figure 20 Shareholders Prefer Mutual Fund Information in Summaries . . . . . 29
- Figure 21 Shareholders Prefer Concise Summaries With Graphics . . . . . 30

**CHAPTER 3 Investors' Use of the Internet for Financial Information**

- Figure 22 Shareholders Use the Internet Frequently. . . . . 34
- Figure 23 Internet Use Is Greater Among Owners of Direct-Marketed Funds, Younger Shareholders . . . . . 35
- Figure 24 Shareholders Age 60 or Older Who Use the Internet Typically Are College Educated, Owners of Direct-Marketed Funds. . . . . 36
- Figure 25 No Interest, Lack of Access Are Main Reasons for Not Using the Internet . . . 37
- Figure 26 Shareholders Who Go Online Use the Internet to Gather Financial Information . . . . . 38
- Figure 27 For Many Shareholders, the Internet Is a Key Source of Investment Information . . . . . 39
- Figure 28 Shareholder Groups Who Frequently Use the Internet Are More Likely to Prefer Online Access to Fund Information . . . . . 41
- Figure 29 Some Shareholders Already Access Fund Prospectuses and Shareholder Reports Online. . . . . 42
- Figure 30 Shareholders Who Access Fund Documents Online Often Print Them . . . . . 43
- Figure 31 Regardless of Internet Use, Shareholders Agree "Getting Investment Information Online Is the Wave of the Future" . . . . . 44

**APPENDIX Survey Methodology**

- Figure 32 Statistical Reliability for Determining Accuracy of Observed Percentages by Sample Size and Percent of Responses . . . . . 47

# Executive Summary

The Investment Company Institute (ICI)<sup>1</sup> regularly conducts research to promote understanding of mutual funds, fund investing, and fund investors. As part of its investor research program, the Institute undertook a comprehensive study in February 2006 to identify the information needs of mutual fund investors and the sources from which they obtain that information. The Institute engaged GfK NOP, an independent research firm, to conduct in-home interviews with 737 randomly selected fund owners who had purchased shares in stock, bond, or hybrid mutual funds outside workplace retirement plans in the preceding five years.<sup>2</sup>

The following are key findings from the research:

- » **Investors consider a wide range of information before purchasing mutual fund shares.** They most frequently review or ask questions about a fund's fees and expenses and its historical performance.
- » **Shareholders consult a variety of sources for mutual fund information before and after purchasing shares, and one of these sources is usually a professional financial adviser.** Shareholders primarily turn to advisers for assistance in understanding and interpreting fund information.

---

<sup>1</sup> The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI members include 8,719 open-end investment companies (mutual funds), 653 closed-end investment companies, 211 exchange-traded funds, and five sponsors of unit investment trusts. Mutual fund members of ICI have total assets of approximately \$9.225 trillion (representing 98 percent of all assets of U.S. mutual funds); these funds serve approximately 89.5 million shareholders in more than 52.6 million households.

<sup>2</sup> A preliminary summary of key findings from the survey was published in May 2006 ([www.ici.org/pdf/rpt\\_o6\\_inv\\_prefs\\_summary.pdf](http://www.ici.org/pdf/rpt_o6_inv_prefs_summary.pdf)). To qualify for the survey, investors had to have purchased outside retirement plans at work shares in a stock, bond, or hybrid fund that they did not own prior to 2001. This definition excludes from the study investors who only added money to long-term funds purchased outside retirement plans at work prior to 2001 as well as investors who solely own funds inside retirement plans at work. The survey's margin of error for the total sample is  $\pm 3.6$  percentage points at the 95 percent confidence level.

- » **Shareholders look for concise investment information and, where possible, graphic presentations.** Most shareholders do not consult fund prospectuses or annual reports—documents that contain specific information required by the U.S. Securities and Exchange Commission (SEC). They find these documents too long and difficult to understand.
- » **Overall, shareholders embrace the Internet.** Regardless of their age, a majority of recent fund investors regularly go online and use the Internet for a variety of financial purposes. Shareholders today use the Internet to manage their finances, gather investment information, and monitor their fund portfolios. Consequently, the Internet has great potential for more effectively communicating mutual fund information to investors.

## Investors' Mutual Fund Information Needs

Investors usually review a wide range of information before purchasing fund shares outside workplace retirement plans. Most often, investors want to know about a fund's fees and expenses as well as its historical performance prior to purchasing shares (Figure 1). In contrast, investors rarely review or ask questions about a fund's portfolio manager, board of directors, or proxy voting policies.

FIGURE 1

**Shareholders Typically Review a Range of Information Before and After Purchasing a Fund**

Percent of recent fund investors, 2006

Information Reviewed Before a Purchase <sup>1</sup>	Information Reviewed After a Purchase <sup>1</sup>
<ul style="list-style-type: none"> <li>1 Fees and expenses<sup>2</sup> (74 percent)</li> <li>2 Historical performance<sup>2</sup> (69 percent)</li> <li>3 Fund risks<sup>2</sup> (61 percent)</li> <li>4 Price per share (58 percent)</li> <li>5 Types of securities held by fund<sup>2</sup> (57 percent)</li> <li>6 Minimum investment (57 percent)</li> <li>7 Performance compared with index<sup>2,4</sup> (55 percent)</li> <li>8 Sales charge, if any<sup>2</sup> (52 percent)</li> <li>9 Tax consequences<sup>2</sup> (47 percent)</li> <li>10 Dividend and distribution information (47 percent)</li> <li>11 Company offering the fund (45 percent)</li> <li>12 Investment objectives<sup>2</sup> (40 percent)</li> <li>13 How to buy and sell fund shares (39 percent)</li> <li>14 Fund services (37 percent)</li> <li>15 Fund's rating from a rating service (35 percent)</li> <li>16 Portfolio turnover rate (34 percent)</li> <li>17 Portfolio manager (25 percent)</li> <li>18 Board of directors (15 percent)</li> <li>19 Proxy voting policies (15 percent)</li> </ul> <p>Mean number of items considered = 9 Median number of items considered = 8</p>	<ul style="list-style-type: none"> <li>1 Performance<sup>4</sup> (76 percent)</li> <li>2 Account balance (73 percent)</li> <li>3 Price per share<sup>3</sup> (60 percent)</li> <li>4 Fees and expenses (55 percent)</li> <li>5 Portfolio holdings<sup>3</sup> (41 percent)</li> <li>6 Economic factors affecting fund performance<sup>4</sup> (37 percent)</li> <li>7 Fund's ranking among similar funds (35 percent)</li> <li>8 Developments concerning fund management<sup>4</sup> (21 percent)</li> </ul> <p>Mean number of items monitored = 4 Median number of items monitored = 4</p>
<p><sup>1</sup> Multiple responses are included.  <sup>2</sup> These items must be included in the beginning of the prospectus in the Risk/Return Summary.  <sup>3</sup> These items must be included in semiannual and annual reports.  <sup>4</sup> These items must be included in annual reports.</p>	

**NOTE:** The confidence interval for these estimates is  $\pm 3.6$  percentage points at the 95 percent confidence level.

**SOURCE:** Investment Company Institute

In addition to considering a variety of information about a fund before buying shares, investors also review a range of information when monitoring their fund investments. Recent fund investors typically track fund performance, the value of their mutual fund holdings, fund fees and expenses, and the price per share of the funds they own.

Shareholders rely heavily on professional financial advisers for fund information both before and after purchasing fund shares. Nearly three-quarters of investors turned to professional financial advisers for fund information before making their most recent share purchases (Figure 2).

When monitoring their fund investments, recent fund investors most often consult account statements and advisers for information. Professional financial advisers are a predominant source of fund information because most shareholders own funds through advisers and want their advisers to review and discuss the information with them. Ninety percent of recent fund investors who prefer to obtain fund information in-person from an adviser indicate it is because they want the financial professional to explain the information to them.

Fund company and other websites are another way that many shareholders access fund information. About half of all recent fund investors have visited websites for fund information, either before purchasing shares or when tracking their fund investments.

FIGURE 2

**Advisers Are an Important Source of Fund Information**

Percent of recent fund investors, 2006

Sources Consulted Before a Purchase <sup>1</sup>	Sources Consulted After a Purchase <sup>1</sup>
1 Professional financial advisers (73 percent)	1 Account statements (77 percent)
2 Fund company or other websites (46 percent)	2 Professional financial advisers (63 percent)
3 Friends, family, or business associates (40 percent)	3 Fund company or other websites (50 percent)
4 Mutual fund prospectuses (34 percent)	4 Print or television media (36 percent)
5 Print or television media (33 percent)	5 Mutual fund shareholder reports <sup>2</sup> (33 percent)
6 Mutual fund shareholder reports <sup>2</sup> (30 percent)	6 Mutual fund prospectuses (30 percent)
7 Fund company literature (25 percent)	7 Friends, family, or business associates (29 percent)
8 Mutual fund rating services (20 percent)	8 Mutual fund company literature (17 percent)
9 Fund company telephone representatives (14 percent)	9 Mutual fund rating services (16 percent)
Mean number of sources = 3 Median number of sources = 3	Mean number of sources = 4 Median number of sources = 3

<sup>1</sup> Multiple responses are included.

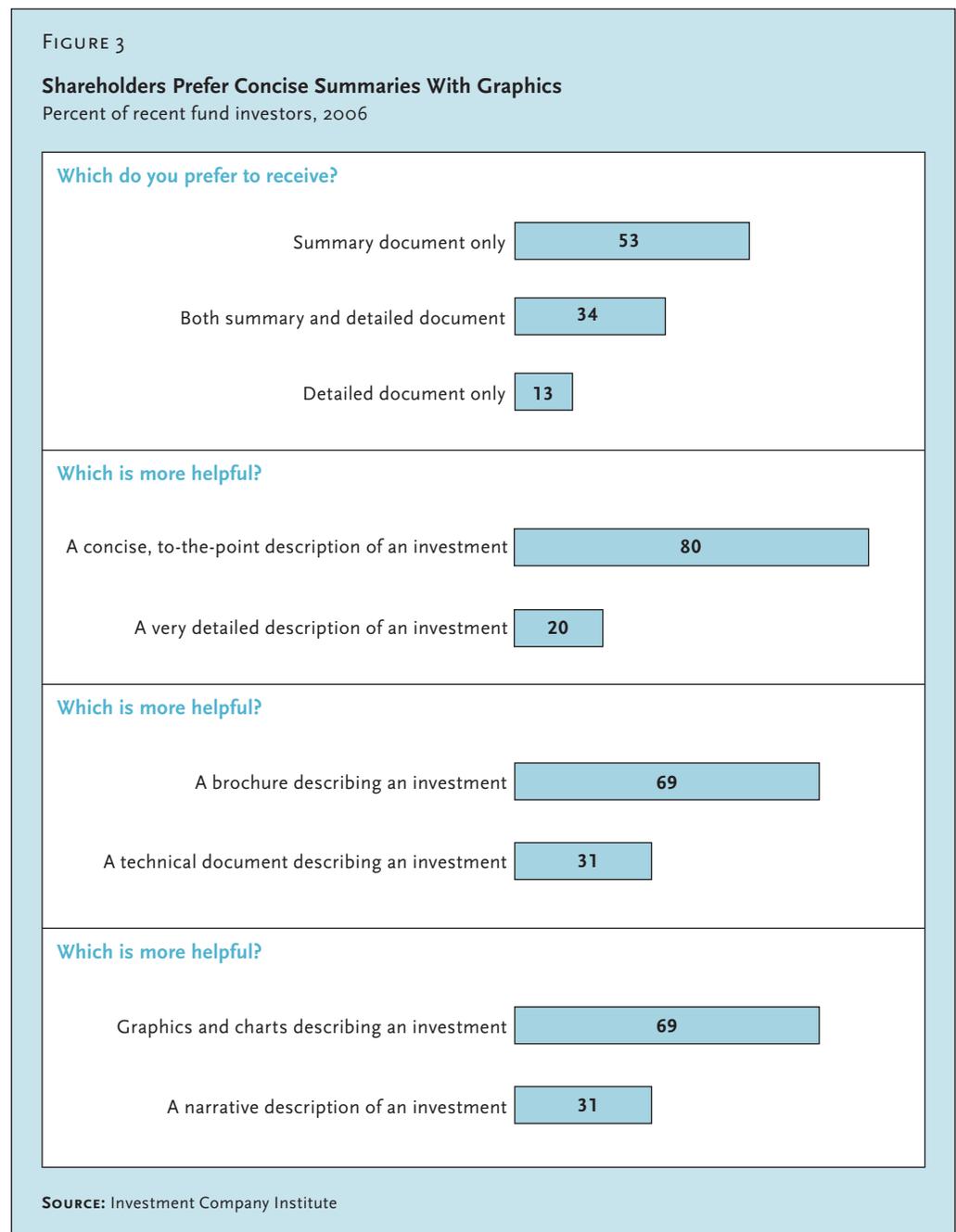
<sup>2</sup> Mutual fund shareholder reports are also referred to as mutual fund annual and semiannual reports.

**NOTE:** The confidence interval for these estimates is ± 3.6 percentage points at the 95 percent confidence level.

**SOURCE:** Investment Company Institute

## Investors' Opinions About the Format of Mutual Fund Information

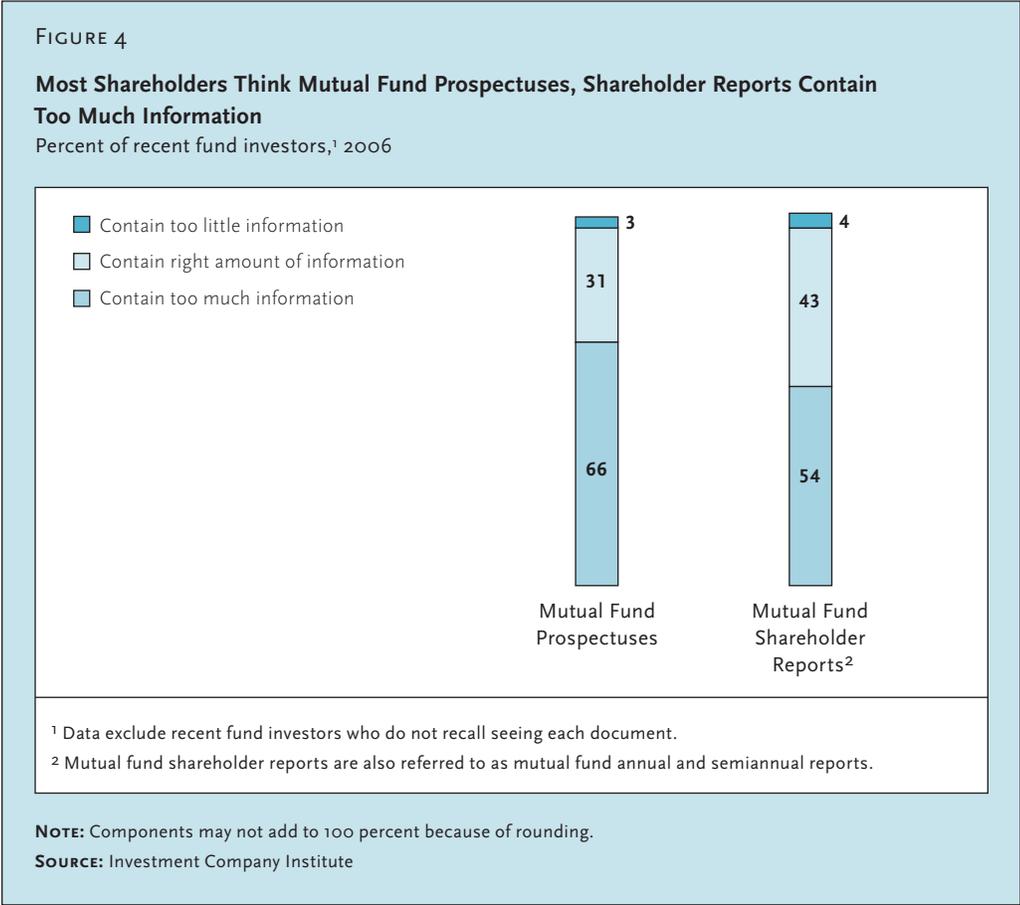
Shareholders have distinct opinions about the format of investment information. The vast majority of recent fund investors prefer summaries and graphic presentations of investment information. For example, eight out of 10 recent fund investors say concise descriptions of investments are more helpful than very detailed descriptions. More than two-thirds think investment descriptions that use graphics and charts are more helpful than investment descriptions that use narratives (Figure 3).



Given shareholders' preferences for concise investment information, only a relatively small percentage of investors refer to mutual fund prospectuses or shareholder reports in their current formats. About a third of all recent fund investors consulted these documents before purchasing shares, and a similar proportion use them to monitor their fund investments.

In general, shareholders find mutual fund prospectuses and shareholder reports too long and difficult to understand. Two-thirds of recent fund investors think fund prospectuses contain too much information, and more than half feel the same way about shareholder reports (Figure 4). About half of recent fund investors find these documents difficult to understand in their current formats.

As a result, shareholders' overall readership of mutual fund prospectuses and shareholder reports is very low. About half of recent fund investors say they either do not read or read very little of these documents. In fact, nearly one in five recent fund investors admit they usually discard the prospectuses they receive without reading them.



## Investors' Use of the Internet for Financial Information

The vast majority of recent fund investors use the Internet, regardless of their age or the sources through which they own funds. Half of recent fund investors go online at least once a day and more than three-quarters go online at least once a week.

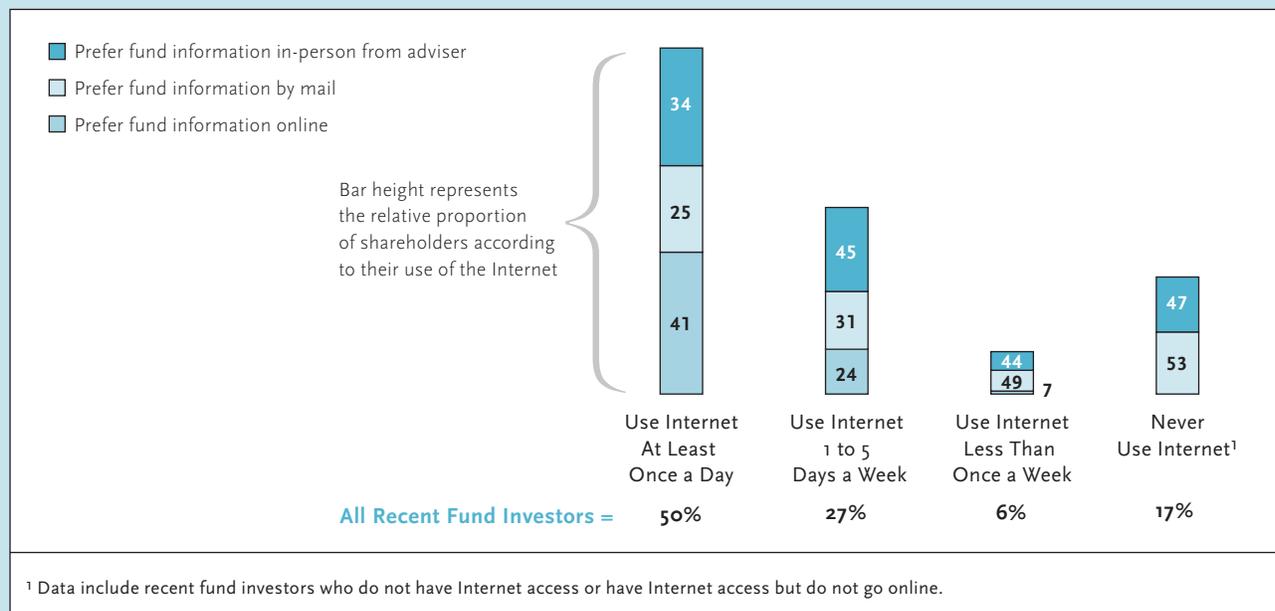
The Internet has become central to many shareholders' management of their finances. Nearly all recent fund investors who use the Internet go online for financial purposes, such as to check their bank or investment accounts, obtain investment information, or monitor their fund investments. Most indicate that the Internet saves them time finding investment information, and about half indicate their use of the Internet for financial purposes has increased over the past 12 months.

The Internet has proven particularly effective in communicating mutual fund information to investors. Already, about three in 10 recent fund investors prefer to obtain mutual fund information online rather than by mail or in-person from an adviser. Investors' preference for online access to fund information is closely linked to their frequency of Internet use. Recent fund investors who use the Internet every day are the shareholder group most likely to prefer online access to fund information (Figure 5). As the Internet becomes an even more commonplace and accepted mode of communication, the share of investors who prefer online access to mutual fund information will likely increase.

FIGURE 5

### Frequency of Internet Use Influences Shareholders' Preferences for Obtaining Mutual Fund Information

Percent of recent fund investors, 2006



SOURCE: Investment Company Institute



# Investors' Mutual Fund Information Needs

## CHAPTER SUMMARY

For most shareholders, investing in funds is an ongoing process that begins with a pre-purchase review of a wide range of fund information and continues with the monitoring of fund investments. Shareholders usually turn to professional financial advisers for information before purchasing shares, and a majority consider advisers to be their most important source of pre-purchase information. Advisers are a main source of fund information because most shareholders own funds through advisers, and they turn to advisers to explain fund information to them. Shareholders typically use account statements and advisers to track the performance and value of their funds. Many shareholders also visit fund company or other websites for fund information before making share purchases, or to monitor the funds in which they have investments.

## Pre-Purchase Information Needs

### *Investors Consider a Wide Range of Information Before Purchasing Mutual Fund Shares*

A wealth of information from a variety of sources is available to investors considering the purchase of mutual fund shares. Analyses of fund costs, performance, volatility, and other characteristics are available from sources such as professional financial advisers, fund rating services, the media, financial websites, and, of course, mutual fund companies themselves. The U.S. Securities and Exchange Commission requires fund companies to provide certain information in a prospectus to prospective investors.<sup>3</sup>

---

<sup>3</sup> Investors purchasing fund shares from professional financial advisers can receive the prospectus with the confirmation statement that verifies the purchase of fund shares.

Shareholders evaluate many different aspects of a fund before purchasing shares. On average, recent fund investors considered nine distinct items of information about a fund before purchasing shares, five of which they indicate were very important to making the final decision to invest in a fund (Figure 6). The fund information that recent fund investors most frequently

FIGURE 6

**Shareholders Review a Wide Range of Information Before Purchasing Mutual Fund Shares**

Percent of recent fund investors, 2006

	Information Considered Before Most Recent Fund Purchase	Information Considered "Very Important" to Final Decision to Invest in Fund
<b>Items Reviewed or Asked Questions About<sup>1</sup></b>		
The fund's fees and expenses <sup>2</sup>	74	47
The fund's historical performance <sup>2</sup>	69	50
The risks associated with investing in the fund <sup>2</sup>	61	45
The fund's price per share [or net asset value]	58	42
The types of securities in which the fund invests <sup>2</sup>	57	35
The minimum investment required to invest in the fund	57	31
The fund's performance compared with the performance of an index <sup>2</sup>	55	39
The fund's sales charge, if any <sup>2</sup>	52	27
The tax consequences of investing in the fund <sup>2</sup>	47	28
Information about the fund's dividends and distributions	47	25
Information about the company offering the fund	45	24
The fund's investment objective <sup>2</sup>	40	23
How to buy and sell fund shares	39	21
The services offered by the fund	37	19
The fund's rating from a mutual fund rating service	35	19
The fund's portfolio turnover rate	34	17
Information about the fund's portfolio manager	25	11
Information about the fund's board of directors	15	5
The fund's proxy voting policies	15	5
<b>Total Number of Items Considered</b>		
Mean	9	NA
Median	8	NA
<b>Number of Items Considered "Very Important"</b>		
Mean	NA	5
Median	NA	4
NA = Not applicable		
<sup>1</sup> Multiple responses are included.		
<sup>2</sup> These items must be included in the beginning of the prospectus in the Risk/Return Summary.		

**NOTE:** The confidence interval for these estimates is  $\pm 3.6$  percentage points at the 95 percent confidence level.

**SOURCE:** Investment Company Institute

reviewed is required in the Risk/Return Summary that must appear at the beginning of every mutual fund prospectus. This summary highlights the fund's investment objectives, strategies, risks, performance, and fees.

Nearly three-quarters of recent fund investors wanted to know about a fund's fees and expenses prior to purchasing shares, and more than two-thirds reviewed or asked questions about its historical performance. Roughly half of all recent fund buyers indicate these two items were very important to making the final decision to invest in a fund. Other fund information that more than half of recent fund investors examined prior to purchasing shares includes: the risks of investing in a fund, its price per share, the types of securities in which the fund invests, minimum investment requirements, and a comparison of the fund's performance against an index.

Previous ICI research has found that shareholders review a range of information before purchasing fund shares. In a May 1996 Institute study, shareholders considered, on average, six different items of information about a fund before making their most recent purchases.<sup>4</sup> As in the current study, the three most frequently mentioned items in the 1996 study were information about the fund's past performance, risk, and fees and expenses.

While most shareholders want to know about a fund's fees and expenses, historical performance, and level of risk, they rarely review or ask questions about a fund's portfolio manager, board of directors, or proxy voting policies before buying shares. One-quarter of recent fund investors reviewed or asked questions about the fund's portfolio manager. Fifteen percent considered information about the fund's board of directors, and the same percentage reviewed the fund's proxy voting policies prior to purchasing fund shares; only 5 percent of recent fund investors indicate each of these two items were very important to making the final decision to invest in a fund.

---

<sup>4</sup> See *The Profile Prospectus: An Assessment by Mutual Fund Shareholders, Volume 1: Institute Research*, May 1996, p. 22 ([www.ici.org/pdf/rpt\\_profprspctus.pdf](http://www.ici.org/pdf/rpt_profprspctus.pdf)); to be referenced as *ICI May 1996* in the remainder of this publication. See also *Understanding Shareholders' Use of Information and Advisers*, Spring 1997, p. 21 ([www.ici.org/pdf/rpt\\_undstnd\\_share.pdf](http://www.ici.org/pdf/rpt_undstnd_share.pdf)); to be referenced as *ICI Spring 1997* in the remainder of this publication.

FIGURE 7

**Most Shareholders Consult Advisers for Mutual Fund Information Before Purchasing Shares**

Percent of recent fund investors who consulted each source before most recent purchase, 2006

	All Recent Fund Investors	Sources Through Which Funds Are Currently Owned Outside Defined Contribution Retirement Plans		
		Professional Financial Advisers Only <sup>3</sup>	Direct Sources Only <sup>4</sup>	Both Professional Financial Advisers and Direct Sources <sup>3,4</sup>
<b>Information Sources Consulted Before Most Recent Purchase<sup>1</sup></b>				
Professional financial advisers	73	85	53	70
Fund company or other websites	46	31	63	64
Friends, family, or business associates	40	37	50	42
Mutual fund prospectuses	34	31	41	36
Print or television media	33	31	39	36
Mutual fund shareholder reports <sup>2</sup>	30	24	35	38
Fund company literature	25	19	34	29
Mutual fund rating services	20	12	25	34
Fund company telephone representatives	14	6	17	27
<b>Number of Sources Consulted Before Most Recent Purchase</b>				
One	17	24	10	6
Two	21	27	11	19
Three	25	23	29	26
Four	15	12	23	14
Five or more	21	14	27	34
Mean number of sources	3	3	4	4
Median number of sources	3	3	3	3
<sup>1</sup> Multiple responses are included. <sup>2</sup> Mutual fund shareholder reports are also referred to as mutual fund annual and semiannual reports. <sup>3</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. <sup>4</sup> Direct sources include fund companies and discount brokers.				

**NOTE:** The confidence interval for the estimates for all recent fund investors is  $\pm 3.6$  percentage points at the 95 percent confidence level.

**SOURCE:** Investment Company Institute

## ***Shareholders Typically Consult Three Sources Before Buying Fund Shares***

Shareholders generally rely on several information sources when making mutual fund investment decisions and, on average, consult three before purchasing fund shares.

Shareholders' most common source of pre-purchase fund information is professional financial advisers. ICI research indicates that most shareholders who own funds outside workplace retirement plans hold fund shares purchased through professional financial advisers—such as full-service brokers, independent financial planners, bank representatives, and insurance agents—who provide investment advice and are compensated by investors for their services.<sup>5</sup> Consistent with shareholders' fund ownership patterns, nearly three-quarters of recent fund investors turned to professional financial advisers for information before making their most recent share purchases (Figure 7).

Many investors—particularly those owning direct-marketed funds<sup>6</sup>—visit mutual fund company or other websites for information before buying fund shares. Nearly half of all recent fund investors visited websites for information before making their most recent purchases. Among recent fund investors owning direct-marketed funds, more than 60 percent visited websites for information before buying shares.

Some investors turn to family members or acquaintances for information before purchasing shares in a fund. Four in 10 shareholders consulted friends, family, or business associates for fund information before buying their most recent shares, while about one-third turned to prospectuses, shareholder reports, or the media. One-quarter or less obtained fund information from mutual fund rating services, fund company telephone representatives, or fund company literature.

## **Post-Purchase Information Needs**

### ***Shareholders Most Often Monitor Fund Performance, Account Balance***

Mutual funds do not have guaranteed returns. A fund's value can increase or decrease in response to fluctuations in stock, bond, and other securities prices. As a result, virtually all recent fund investors monitor their fund investments.

---

<sup>5</sup> See "Ownership of Mutual Funds Through Professional Financial Advisers," *Fundamentals*, Vol. 14, No. 3, April 2005, p. 2 ([www.ici.org/pdf/fm-v14n3.pdf](http://www.ici.org/pdf/fm-v14n3.pdf)).

<sup>6</sup> Direct-marketed funds are mutual funds whose shares may be purchased directly from a fund company or through a discount broker instead of through financial advisers.

FIGURE 8

**Shareholders Most Often Monitor Fund Performance, Account Balance**

Percent of shareholders who monitor each item for fund investments,<sup>1</sup> 2006

Fund performance <sup>2</sup>	76
Account balance	73
Price per share <sup>3</sup>	60
Fees and expenses <sup>3</sup>	55
Portfolio holdings <sup>3</sup>	41
Economic factors affecting the fund's performance <sup>2</sup>	37
Fund's overall ranking among similar funds	35
Developments concerning management of the fund <sup>2</sup>	21
Mean number of items monitored	4
Median number of items monitored	4

<sup>1</sup> Multiple responses are included.

<sup>2</sup> These items must be included in annual reports.

<sup>3</sup> These items must be included in semiannual and annual reports.

**NOTE:** The confidence interval for these estimates is  $\pm 3.6$  percentage points at the 95 percent confidence level.

**SOURCE:** Investment Company Institute

On average, recent fund investors monitor four separate pieces of information about their fund investments (Figure 8). More than three-quarters monitor the performance of the funds they own, and a similar proportion monitor their fund account balances. A majority of recent fund investors also track the fund's price per share and its fees and expenses.

***Shareholders Usually Rely on Account Statements, Advisers to Monitor Fund Investments***

Recent fund investors typically rely on four sources to gather the fund information they monitor. One of these sources is usually the mutual fund or brokerage account statement, which generally is provided to investors at least quarterly. Altogether, more than three-quarters of recent fund investors use their account statements to monitor their fund investments (Figure 9).

FIGURE 9

**Shareholders Most Often Use Account Statements, Advisers to Monitor Fund Investments**

Percent of recent fund investors, 2006

	Sources Through Which Funds Are Currently Owned Outside Defined Contribution Retirement Plans			
	All Recent Fund Investors	Professional Financial Advisers Only <sup>3</sup>	Direct Sources Only <sup>4</sup>	Both Professional Financial Advisers and Direct Sources <sup>3,4</sup>
<b>Sources Used to Monitor Fund Investments<sup>1</sup></b>				
Account statements	77	74	86	76
Professional financial advisers	63	75	49	56
Fund company or other websites	50	17	52	58
Print or television media	36	31	46	43
Mutual fund shareholder reports <sup>2</sup>	33	28	41	39
Mutual fund prospectuses	30	26	40	32
Friends, family, or business associates	29	29	33	27
Mutual fund company literature	17	9	19	30
Mutual fund rating services	16	10	24	21
<b>Number of Sources Used to Monitor Fund Investments</b>				
One	12	15	5	8
Two	24	32	17	12
Three	22	23	22	25
Four	16	12	16	24
Five or more	26	18	40	32
Mean number of sources	4	3	4	4
Median number of sources	3	3	4	4
<sup>1</sup> Multiple responses are included. <sup>2</sup> Mutual fund shareholder reports are also referred to as mutual fund annual and semiannual reports. <sup>3</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. <sup>4</sup> Direct sources include fund companies and discount brokers.				

**NOTE:** The confidence interval for the estimates for all recent fund investors is  $\pm 3.6$  percentage points at the 95 percent confidence level.

**SOURCE:** Investment Company Institute

In addition to account statements, many shareholders rely on professional financial advisers or visit websites to track the funds they own. Nearly two-thirds of recent fund investors depend on their advisers to monitor their fund investments, and half visit fund company or other websites to follow the funds they own. Shareholders owning direct-marketed funds are the most likely to use websites to monitor their fund investments. More than half of recent fund investors who own direct-marketed funds say they visit fund company or other websites to monitor their fund investments, compared with about one in five of those who solely own funds purchased through professional financial advisers.

## Advisers as a Source of Mutual Fund Information

More than eight in 10 mutual fund shareholders who hold funds outside workplace retirement plans own fund shares through professional financial advisers. Consequently, professional financial advisers are a main source of mutual fund information, both before and after investors purchase fund shares. Nearly three-quarters of recent fund investors obtained information from advisers before purchasing shares. Six in 10 selected advisers as their most important source of pre-purchase fund information (Figure 10).

Investors of all types rely on professional financial advisers for mutual fund information. A majority of recent fund investors in all age, education, and household financial asset categories obtained information from advisers prior to making their most recent fund purchases. For example, 73 percent of recent fund investors with household financial assets below \$75,000 obtained fund information from advisers before purchasing their most recent shares, as did 79 percent of recent fund investors with household financial assets of \$200,000 or more.

Reliance on advisers for fund information is not limited to those owning funds *through* advisers. More than half of investors who solely own direct-marketed funds obtained fund information from professional financial advisers before purchasing their most recent shares. Forty percent of these investors indicate advisers were their most important source of pre-purchase fund information.

FIGURE 10

**All Types of Shareholders Consult Advisers for Fund Information**

Percent of recent fund investors, 2006

	Obtained Fund Information from Professional Financial Advisers Before Most Recent Purchase	Identified Professional Financial Advisers as Most Important Source for Pre-Purchase Information
<b>All Recent Fund Investors</b>	73	60
<b>Age of Recent Fund Investor</b>		
Less than 35 years	62	46
36 to 59 years	74	65
60 years or older	77	56
<b>Education of Recent Fund Investor</b>		
Some college or less	73	64
Four-year college degree	74	61
Graduate degree	71	54
<b>Household Financial Assets</b>		
Less than \$75,000	73	62
\$75,000 to \$199,999	74	61
\$200,000 or more	79	53
<b>Sources Through Which Funds Are Currently Owned Outside Defined Contribution Retirement Plans</b>		
Professional financial advisers only <sup>1</sup>	85	74
Direct sources only <sup>2</sup>	53	40
Both professional financial advisers and direct sources <sup>1,2</sup>	70	40
<sup>1</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. <sup>2</sup> Direct sources include fund companies and discount brokers.		

SOURCE: Investment Company Institute

Most shareholders who obtain fund information from advisers describe themselves as involved in managing their investment portfolios. Nearly half indicate that their adviser relationships are collaborative ones in which they and their advisers make investment decisions together, and two in 10 indicate that they, the investor, take the lead in investment decisionmaking (Figure 11).

Shareholders who obtain fund information from advisers and those who do not appear to have similar fund review processes. On average, both groups considered nine discrete items about a fund before purchasing shares (Figure 12). With one exception—the tax consequences of investing in the fund—the same items were evaluated by a majority of each group.

In addition, shareholders who obtain fund information from advisers and those who do not both tend to rely on multiple sources for fund information. On average, each group consulted three sources for fund information before purchasing their most recent shares. Among recent fund investors who obtained fund information from advisers, about four in 10 also visited fund company or other websites for fund information, more than a third obtained fund information from family members or acquaintances, and a third consulted prospectuses. Recent fund investors who did not obtain fund information from advisers typically turned to fund company or other websites for fund information; media sources, such as newspapers, magazines, investment newsletters, and television; and friends and family members.

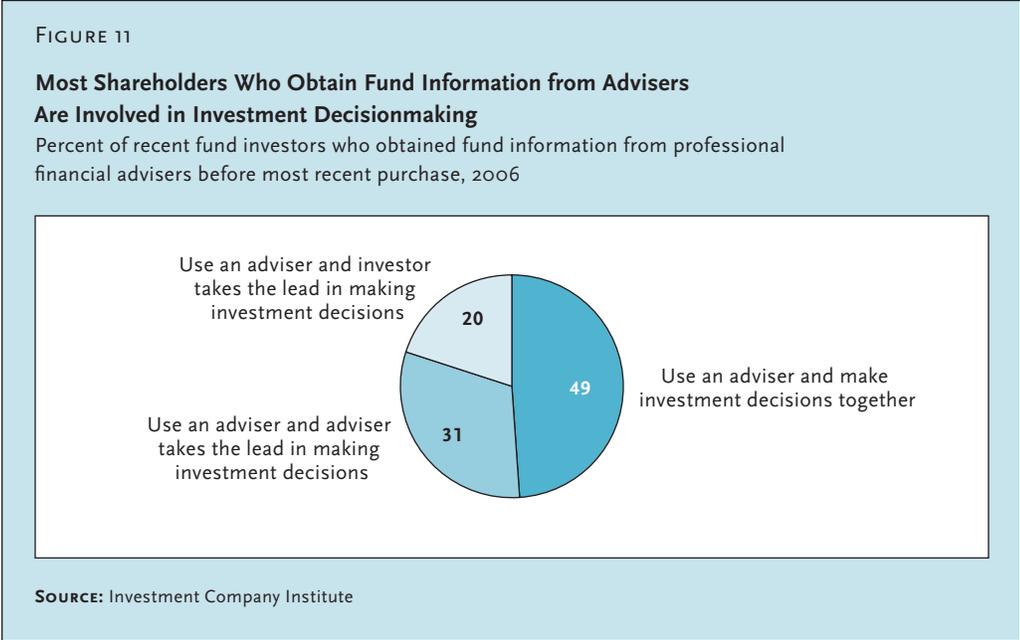


FIGURE 12

### Fund Review Process Varies Little Between Shareholders Who Obtain Fund Information from Advisers and Those Who Do Not

Percent of recent fund investors,<sup>1</sup> 2006

	Obtained Fund Information from Professional Financial Advisers Before Purchasing Shares	Did Not Obtain Fund Information from Professional Financial Advisers Before Purchasing Shares
<b>Percent of All Recent Fund Investors</b>	73	27
<b>Fund Information Reviewed Before Most Recent Purchase</b>		
The fund's fees and expenses <sup>2</sup>	74	77
The historical performance of the fund <sup>2</sup>	68	74
The risks associated with investing in the fund <sup>2</sup>	61	61
The types of securities in which the fund invests <sup>2</sup>	57	58
The fund's price per share [or net asset value]	57	60
The minimum investment required to invest in the fund	55	64
The fund's performance compared with the performance of an index <sup>2</sup>	53	61
The fund's sales charge, if any <sup>2</sup>	51	55
The tax consequences of investing in the fund <sup>2</sup>	51	39
Information about the fund's dividends and distributions	48	45
Information about the company offering the fund	47	43
The fund's investment objective <sup>2</sup>	42	37
How to buy and sell fund shares	38	25
The services offered by the fund	37	37
The fund's rating from a service like Morningstar or Lipper	35	49
The fund's portfolio turnover rate	34	39
Information about the fund's portfolio manager	27	23
Information about the fund's board of directors	17	10
The fund's proxy voting policies	17	10
Mean number of items considered	9	9
Median number of items considered	8	8
<b>Sources of Fund Information Consulted Before Most Recent Purchase</b>		
Professional financial advisers	100	0
Fund company or other websites	39	63
Friends, family, or business associates	36	52
Mutual fund prospectuses	33	39
Mutual fund shareholder reports <sup>3</sup>	29	33
Print or television media	26	54
Fund company literature	20	38
Mutual fund rating services	18	26
Fund company telephone representatives	10	24
Mean number of sources	3	3
Median number of sources	3	3

<sup>1</sup> Multiple responses are included.

<sup>2</sup> These items must be included in the beginning of the prospectus in the Risk/Return Summary.

<sup>3</sup> Mutual fund shareholder reports are also referred to as mutual fund annual and semiannual reports.

**SOURCE:** Investment Company Institute

Shareholder preferences for obtaining fund information further illustrate the importance of advisers as a source of this information. When asked whether they prefer to receive fund information in-person from professional financial advisers, by mail, or by accessing the Internet, four in 10 recent fund investors say they prefer to receive mutual fund information in-person from advisers (Figure 13). More than 70 percent of recent fund investors who prefer to get fund information in-person from advisers solely own funds through advisers.

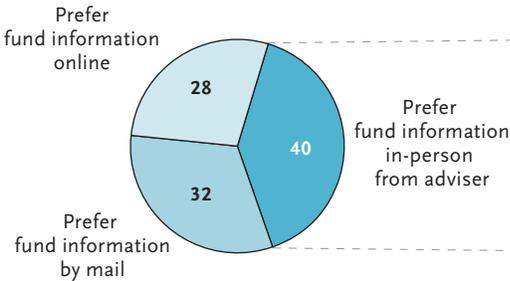
Overwhelmingly, shareholders want to receive fund information in-person from advisers because they want someone with a professional financial background to discuss the information with them. Nine in 10 recent fund investors who prefer to obtain fund information from advisers say they chose this source for this reason.

FIGURE 13

**Shareholders Prefer to Obtain Fund Information In-Person from Advisers**

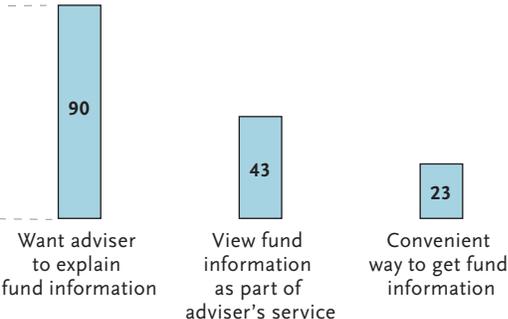
**Preferred Method for Obtaining Fund Information**

(percent of recent fund investors, 2006)



**Reasons for Preferring Fund Information In-Person from Advisers**

(percent of recent fund investors who prefer to obtain fund information in-person from advisers,<sup>1</sup> 2006)



<sup>1</sup> Multiple responses are included.

SOURCE: Investment Company Institute

# Investors' Opinions About the Format of Mutual Fund Information

## CHAPTER SUMMARY

Most shareholders do not consult mutual fund prospectuses or shareholder reports for information—either before purchasing fund shares or when monitoring their fund investments. Shareholders generally find these documents too long and difficult to understand. Instead, shareholders prefer summaries or graphic presentations of investment information.

## Assessment of Mutual Fund Prospectuses and Shareholder Reports

Mutual fund companies are required by law to issue prospectuses and annual and semiannual shareholder reports to investors. Each of these documents must include certain information specified by the U.S. Securities and Exchange Commission.<sup>7</sup> The prospectus, which describes a mutual fund to prospective investors and generally is sent annually to all shareholders, must include information about the fund's investment objectives; the risks associated with investing in the fund; who manages the fund; the fees and expenses of the fund; and how to purchase, redeem, or exchange fund shares. Both the annual and semiannual shareholder reports must include the fund's financial statements, as well as information about the expenses shareholders incur when investing in the fund and the fund's portfolio holdings. In addition, annual reports must include the fund's directors and officers and a discussion of the fund's performance over the most recent fiscal year.

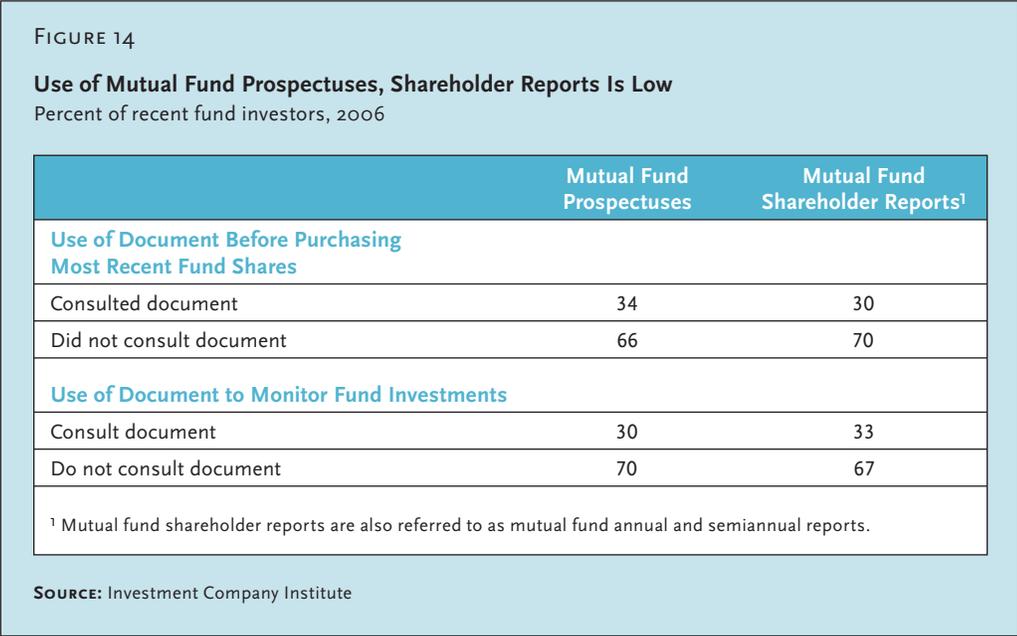
---

<sup>7</sup> Form N-1A, the registration form that open-end investment companies must file with the U.S. Securities and Exchange Commission, specifies the information that mutual funds must include in prospectuses and shareholder reports.

### Few Shareholders Consult Mutual Fund Prospectuses or Shareholder Reports

Shareholders typically do not consult mutual fund prospectuses or shareholder reports for mutual fund information. About one-third of recent fund investors say they obtained information from mutual fund prospectuses before purchasing their most recent fund shares, and 30 percent say they consulted shareholder reports (Figure 14). Similarly, most shareholders do not use these documents to monitor their fund investments.

Shareholders’ nominal use of mutual fund prospectuses and shareholder reports is evident in other ICI research. A 1997 ICI study of shareholders’ use of fund information and professional financial advisers found that less than half of shareholders consulted mutual fund prospectuses or shareholder reports before purchasing their most recent fund shares.<sup>8</sup> In ICI’s Spring 1996 study of shareholders’ assessment of risk disclosure methods, less than one-third of shareholders indicated they referred to prospectuses to assess fund risks.<sup>9</sup>



<sup>8</sup> See *ICI Spring 1997*, p. 22.

<sup>9</sup> See *Shareholder Assessment of Risk Disclosure Methods*, Spring 1996, p. 15 ([www.ici.org/pdf/rpt\\_riskdiscl.pdf](http://www.ici.org/pdf/rpt_riskdiscl.pdf)); to be referenced as *ICI Spring 1996* in the remainder of this publication.

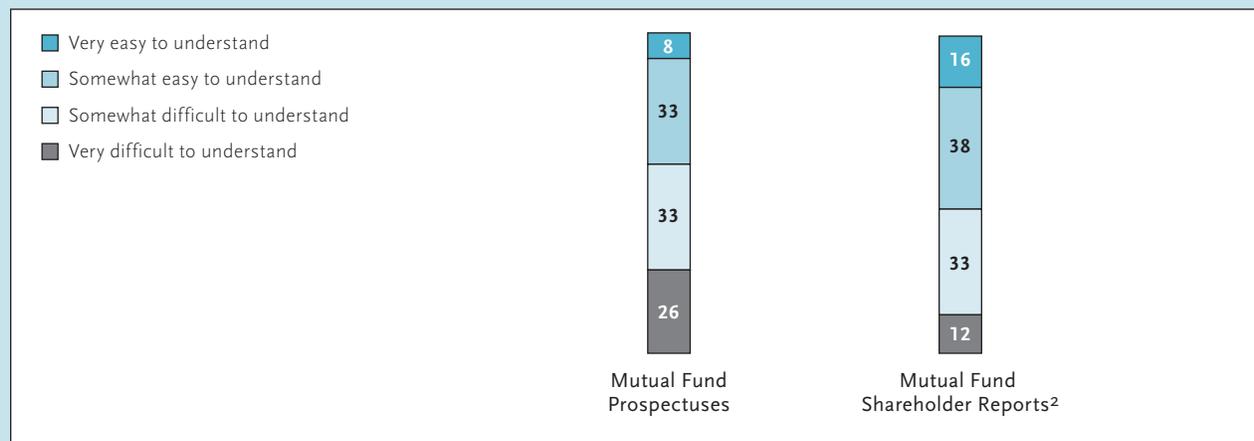
## Mutual Fund Prospectuses, Shareholder Reports Difficult to Understand

Many shareholders find mutual fund prospectuses and shareholder reports difficult to understand, and most indicate that these documents contain too much information. Specifically, 59 percent of recent fund investors describe mutual fund prospectuses as very or somewhat difficult to understand (Figure 15), and two-thirds say prospectuses contain too much information (see Figure 4 on page 6).

FIGURE 15

### Many Shareholders Consider Fund Prospectuses, Shareholder Reports Difficult to Understand

Percent of recent fund investors,<sup>1</sup> 2006



<sup>1</sup> Data exclude recent fund investors who do not recall seeing each document.

<sup>2</sup> Mutual fund shareholder reports are also referred to as mutual fund annual and semiannual reports.

**NOTE:** Components may not add to 100 percent because of rounding.

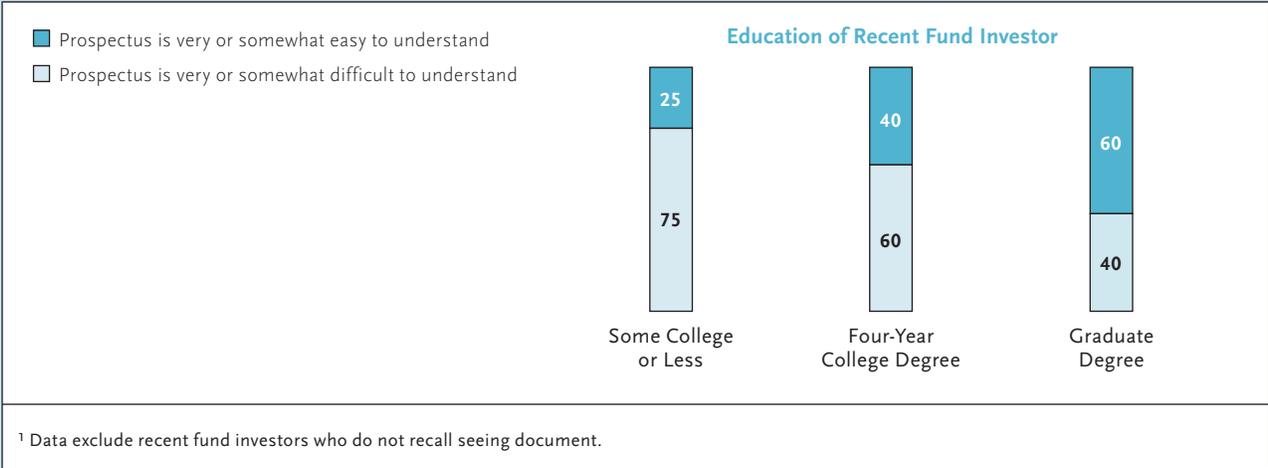
**SOURCE:** Investment Company Institute

ICI research identifies a link between shareholders' level of education and their assessments of mutual fund prospectuses and shareholder reports. Shareholders with higher levels of education are more likely than those with lower levels of education to describe these documents as easy to understand and containing the right amount of information. For example, 60 percent of recent fund investors who have completed graduate school think prospectuses are easy to understand, compared with 25 percent of recent fund investors who do not have four-year college degrees (Figure 16). Nationally, about three in four adults<sup>10</sup> and about two in five decisionmakers in mutual fund-owning households<sup>11</sup> do not have four-year college degrees.

FIGURE 16

**Shareholders' Education Is Linked to Comprehension of Fund Prospectuses**

Percent of recent fund investors,<sup>1</sup> 2006



SOURCE: Investment Company Institute

<sup>10</sup> See U.S. Census Bureau, Current Population Reports, P20-550, *Educational Attainment in the United States: 2003*, June 2004 ([www.census.gov/prod/2004pubs/p20-550.pdf](http://www.census.gov/prod/2004pubs/p20-550.pdf)).

<sup>11</sup> See *Profile of Mutual Fund Shareholders*, Fall 2004, p. 101 ([www.ici.org/pdf/rpt\\_profile04.pdf](http://www.ici.org/pdf/rpt_profile04.pdf)).

Overall readership of mutual fund prospectuses and shareholder reports reflects many investors' opinions that these documents are too long and difficult to understand. About half of all recent fund investors say they generally do not read or read very little of the mutual fund prospectuses or shareholder reports they receive (Figure 17).

Previous ICI research also found that readership of mutual fund prospectuses and shareholder reports is quite low. In ICI's May 1996 profile prospectus research, 39 percent of shareholders acknowledged that they usually skim or do not read the prospectuses; only 15 percent said they typically read prospectuses cover-to-cover.<sup>12</sup>

FIGURE 17

**Overall Readership of Fund Prospectuses, Shareholder Reports Is Limited**

Percent of recent fund investors,<sup>1</sup> 2006

	Mutual Fund Prospectuses	Mutual Fund Shareholder Reports <sup>2</sup>
Read all	8	10
Read most	17	17
Read some	23	24
Read very little or do not read	52	49
Read very little	22	26
Do not read but save it	12	11
Do not read and throw it away	18	12

<sup>1</sup> Data exclude recent fund investors who do not recall seeing each document.  
<sup>2</sup> Mutual fund shareholder reports are also referred to as mutual fund annual and semiannual reports.

**SOURCE:** Investment Company Institute

<sup>12</sup> See *ICI May 1996*, p. 26.

Although some shareholder groups are more likely than others to read prospectuses, sizeable percentages of recent fund investors in all age, education, and household income categories report limited readership of this document (Figure 18). For example, 46 percent of recent fund investors who have completed graduate school say they generally do not read or read very little of the prospectuses they receive.

FIGURE 18

**Readership of the Prospectus Is Limited Among All Types of Shareholders**

Percent of recent fund investors,<sup>1</sup> 2006

	Generally Read All or Most of Prospectus	Generally Read Some of Prospectus	Generally Do Not Read or Read Very Little of Prospectus	Total
<b>Age of Recent Fund Investor</b>				
35 years or younger	26	15	62	100
35 to 59 years	15	22	49	100
60 years or older	23	26	51	100
<b>Education of Recent Fund Investor</b>				
Some college or less	16	26	59	100
Four-year college degree	25	23	51	100
Graduate degree	37	18	46	100
<b>Household Income</b>				
Less than \$50,000	10	30	60	100
\$50,000 to \$99,999	33	23	44	100
\$100,000 or more	32	15	53	100
<b>Sources Through Which Funds Are Currently Owned Outside Defined Contribution Retirement Plans</b>				
Professional financial advisers only <sup>2</sup>	21	24	55	100
Direct sources only <sup>3</sup>	35	23	42	100
Both professional financial advisers and direct sources <sup>2,3</sup>	25	20	55	100
<b>Level of Agreement With Statement "When Choosing a Mutual Fund Investment, I Tend to Do My Own Research."</b>				
Strongly or somewhat agree	35	21	44	100
Strongly or somewhat disagree	11	25	64	100
<b>Level of Agreement With Statement "I Know More About Mutual Fund Investing Than Most People I Know."</b>				
Strongly or somewhat agree	33	23	44	100
Strongly or somewhat disagree	15	23	62	100

<sup>1</sup> Data exclude recent fund investors who do not recall seeing each document.

<sup>2</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

<sup>3</sup> Direct sources include fund companies and discount brokers.

**NOTE:** Components may not add to 100 percent because of rounding.

**SOURCE:** Investment Company Institute

Prospectus readership is also low among shareholders owning direct-marketed funds and shareholders who describe themselves as self-reliant investors. Of recent fund investors who only own direct-marketed funds, 42 percent admit that they do not read or read very little of the prospectuses they receive. Forty-four percent of recent fund investors who tend to conduct their own investment research say they generally do not read or read very little of the prospectuses they receive.

## SHAREHOLDERS VIEW SOME REQUIRED FUND DISCLOSURE AS KEY TO MAKING PURCHASE DECISIONS

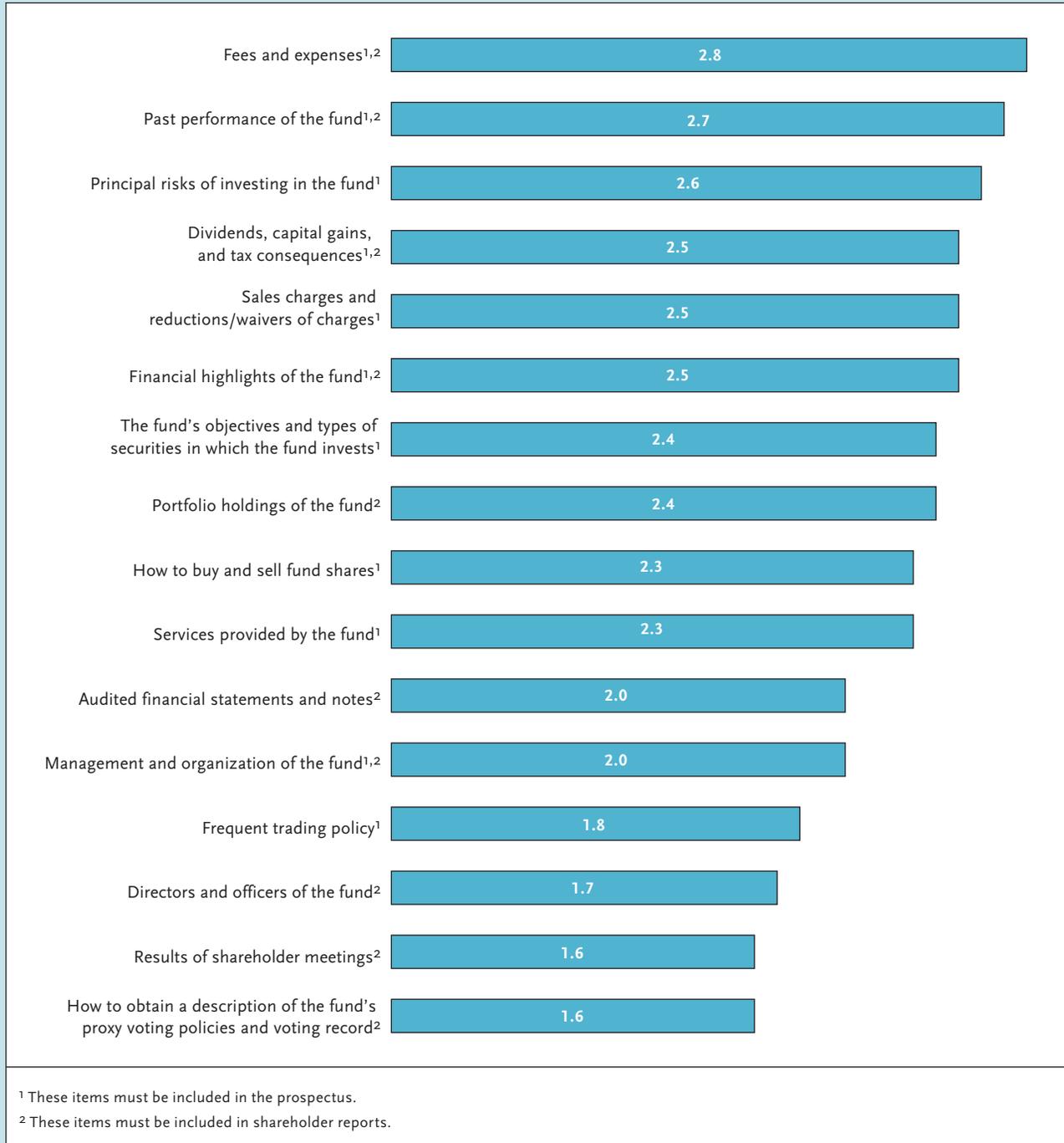
As part of the survey, recent fund investors were asked to sort a set of 16 cards containing disclosure that the SEC requires to be included in mutual fund prospectuses and shareholder reports. They were instructed to sort the information into three categories: information they would need to know before purchasing fund shares, information that would be nice but not necessary to know, and information they would not need to know before purchasing fund shares. A mean score was then calculated for each item of information, with a score of 3 representing information shareholders say they need to know, 2 representing information that is nice but not necessary to know, and 1 representing information that shareholders say they do not need to know.

The results of this hypothetical exercise closely mirror recent fund investors' actual behavior. For example, the required disclosure with the greatest mean scores included fund fees and expenses, past performance, and the principal risks of investing in the fund (Figure 19). Shareholders cited these same items as information they reviewed prior to making their most recent fund purchases. The required disclosure with the lowest mean scores included information about fund proxy voting policies, results of shareholder meetings, and directors and officers of the fund. Shareholders typically did not review these items prior to making their most recent fund purchases.

FIGURE 19

**Shareholders Categorize Some Required Fund Disclosure as Information They Need to Know When Making Purchase Decisions**

Mean score in which 3 equals information shareholders say is necessary to know before making a fund purchase, 2 equals information shareholders say is nice but not necessary to know, and 1 equals information shareholders say they do not need to know before purchasing fund shares.



SOURCE: Investment Company Institute

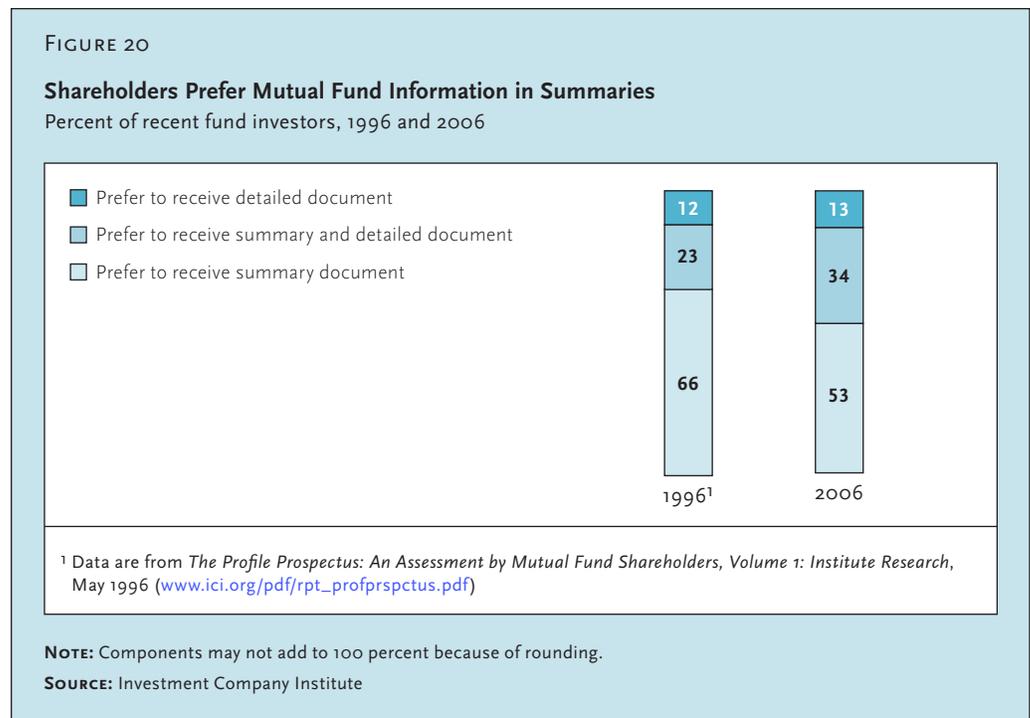
## Preferences for the Format of Mutual Fund Information

Creating easily understood communications is important to all businesses and organizations. In general, effective communications are written with their audience in mind, present information clearly, and are visually appealing. Shareholders' preferences with regard to the presentation of mutual fund information reflect these basic principles.

### *Shareholders Prefer Concise Summaries*

Shareholders prefer mutual fund information in a summary format. Nearly nine in 10 recent fund investors say they prefer a summary of the information they want to know before buying fund shares, either alone or along with a detailed document (Figure 20). Just 13 percent prefer to receive only a detailed document.

ICI's May 1996 study recorded similar findings.<sup>13</sup> In this earlier research, after viewing a prototype of a concise summary document, called a "profile" prospectus, nearly 90 percent of recent fund investors preferred to receive the profile, either by itself or along with a full prospectus. Most fund investors in the 1996 study indicated that the concise fund document provided them with the right amount of information, and would be more helpful than the full prospectus when making investment decisions.



<sup>13</sup> See *ICI May 1996*, p. 5.

Shareholders also prefer short, to-the-point investment descriptions over lengthy ones. A large majority of recent fund investors in the 2006 survey indicate that concise descriptions of investments are more helpful than very detailed descriptions, including a majority of investors who typically read all or most of the prospectuses they receive (Figure 21).

Similarly, a majority of recent fund investors—especially those who generally do not read the prospectuses they receive—indicate that brochures describing investments are more helpful than technical documents describing investments. Among the recent investors who generally read all or most of the prospectuses they receive, half indicate brochures are more helpful and half indicate technical documents are more helpful.

**FIGURE 21**  
**Shareholders Prefer Concise Summaries With Graphics**  
 Percent of recent fund investors, 2006

	All Recent Fund Investors	Overall Readership of Mutual Fund Prospectuses		
		Read All or Most of Prospectuses Received	Read Some of Prospectuses Received	Do Not Read or Read Very Little of Prospectuses Received
<b>Which is more helpful?</b>				
A concise, to-the-point description of an investment	80	69	82	89
A very detailed description of an investment	20	31	18	11
<b>Which is more helpful?</b>				
A brochure describing an investment	69	50	74	77
A technical document describing an investment	31	50	26	23
<b>Which is more helpful?</b>				
Graphics and charts describing an investment	69	61	67	73
A narrative description of an investment	31	39	33	27

**SOURCE:** Investment Company Institute

## *Shareholders Prefer Graphic Presentations*

Shareholders prefer graphics and charts to narrative descriptions. More than two-thirds of recent fund investors say financial documents that use graphics and charts to describe investments are more helpful than financial documents that have narrative descriptions of investments. The preference for graphics and charts is especially strong among shareholders who generally do not read or read very little of the prospectuses they receive. Among this group, nearly three-quarters say financial documents that use graphics and charts are more helpful than those that have narrative descriptions of investments.

The Spring 1996 ICI study of shareholders' assessment of risk disclosure methods also found that shareholders prefer graphic presentations to describe investments. In that study, shareholders selected a graphic presentation as the method they most preferred for portraying a fund's level of risk. Shareholders indicated that a graphic presentation—in that instance, a bar chart of a fund's annual total return—simplified risk disclosure, was something they could use without further study, and provided the right amount of technical information.<sup>14</sup>

---

<sup>14</sup> See *ICI Spring 1996*, p. 4.



# Investors' Use of the Internet for Financial Information

## CHAPTER SUMMARY

A large majority of recent fund investors use the Internet. Most recent fund investors who go online use the Internet for a variety of financial purposes, including to obtain investment information. The advent of the Internet has affected shareholders' preferences for obtaining mutual fund information. Today, about three in 10 recent fund investors prefer to obtain mutual fund information online rather than by mail or in-person from professional financial advisers. Investors who prefer online access to fund information tend to be individuals more likely to use the Internet every day: younger investors and investors owning direct-marketed funds.

## Use of the Internet for Financial Purposes

Internet access in the United States has grown dramatically in recent years. Today, four out of five American adults have Internet access at home, work, or some other location, compared with less than one-quarter about a decade ago.<sup>15</sup>

Similar to Americans nationwide, a substantial majority of recent fund investors use the Internet (Figure 22). Half of all recent fund investors go online at least once a day and more than three-quarters go online at least once a week, findings also observed in other recent ICI research. A June 2005 ICI study found that about 60 percent of all mutual fund shareholders go online at least once a day, and that 80 percent go online at least once a week.<sup>16</sup>

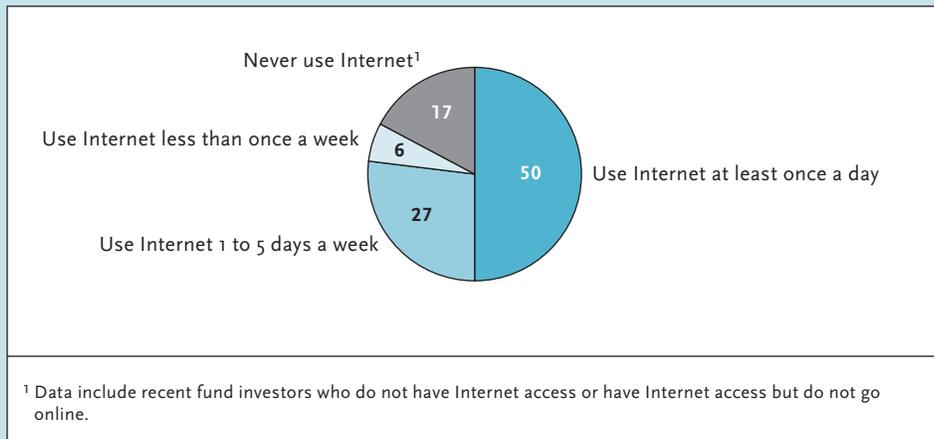
<sup>15</sup> See Mediamark Research, Inc., as cited in the U.S. Census Bureau's *Statistical Abstract of the United States: 1997–2005*, and [www.mediamark.com](http://www.mediamark.com).

<sup>16</sup> See "Mutual Fund Shareholders' Use of the Internet, 2005," *Fundamentals*, Vol. 15, No. 2, February 2006, p. 4 ([www.ici.org/pdf/fm-v15n2.pdf](http://www.ici.org/pdf/fm-v15n2.pdf)); to be referenced as *ICI February 2006* in the remainder of this publication. For comparative purposes, the data presented in the *Fundamentals* has been rebased to represent the Internet use of all mutual fund shareholders, not just those with Internet access.

FIGURE 22

**Shareholders Use the Internet Frequently**

Percent of recent fund investors, 2006



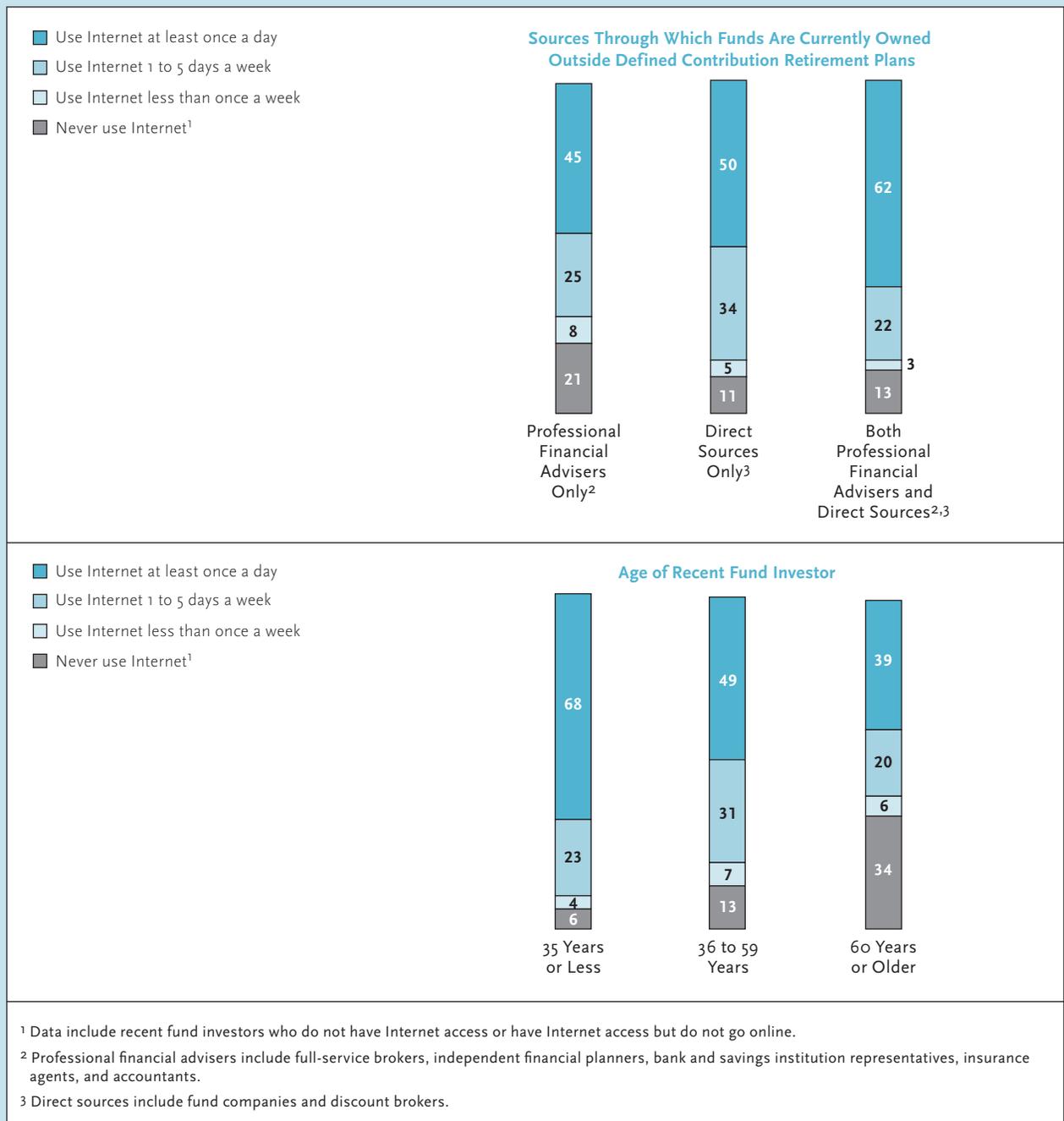
SOURCE: Investment Company Institute

Although a majority of recent fund investors use the Internet, some shareholder segments go online more often. This increased frequency is particularly evident when recent fund investors are categorized according to the sources through which they own funds and their age. Shareholders of direct-marketed funds go online more often than shareholders who own funds purchased from professional financial advisers, and younger fund owners are far more likely than older fund owners to use the Internet every day (Figure 23).

FIGURE 23

**Internet Use Is Greater Among Owners of Direct-Marketed Funds, Younger Shareholders**

Percent of recent fund investors, 2006



**NOTE:** Components may not add to 100 percent because of rounding.

**SOURCE:** Investment Company Institute

## Two-Thirds of Recent Fund Investors Age 60 or Older Go Online

Although recent fund investors age 60 or older do not go online as often as their younger counterparts, about two-thirds of senior recent fund investors currently use the Internet. More than half of these older, online shareholders own direct-marketed funds (Figure 24). They also tend to be college-educated and view themselves as knowledgeable investors. Older shareholders who use the Internet, on average, have higher household incomes and greater household financial assets than senior shareholders not online.

In contrast, older recent fund investors who are not online primarily own funds purchased from professional financial advisers. More than half do not have college degrees and most feel they know less about mutual funds than most of their acquaintances. They generally are older and are more likely to be retired than senior recent fund investors who do go online.

FIGURE 24

### Shareholders Age 60 or Older Who Use the Internet Typically Are College Educated, Owners of Direct-Marketed Funds

	Age 60 or Older and Use the Internet	Age 60 or Older and Do Not Use the Internet
<b>Median</b>		
Age	65	70
Household income	\$95,000	\$67,800
Household financial assets	\$302,500	\$160,800
<b>Percent</b>		
Four-year college or postgraduate degree	73	49
Retired from lifetime occupation	63	85
Sources through which funds are currently owned outside defined contribution retirement plans:		
Professional financial advisers only <sup>1</sup>	43	64
Direct sources only <sup>2</sup>	19	14
Both professional financial advisers and direct sources <sup>1,2</sup>	38	21
Strongly or somewhat agree with statement:		
Getting investment information online is the wave of the future.	89	48
I know more about mutual fund investing than most people I know.	74	31
<sup>1</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.		
<sup>2</sup> Direct sources include fund companies and discount brokers.		

**NOTE:** Components may not add to 100 percent because of rounding.

**SOURCE:** Investment Company Institute

Altogether, about one-fifth of recent fund investors currently do not use the Internet. Regardless of their age, these recent fund investors most often indicate that they have no interest in using the Internet or do not have access to a personal computer (Figure 25). Other reasons they cite are that they do not know how to use the Internet or do not think personal information on the Internet is secure.

FIGURE 25

**No Interest, Lack of Access Are Main Reasons for Not Using the Internet**

Percent of recent fund investors who never use the Internet,<sup>1</sup> 2006

	All Recent Fund Investors Who Do Not Use the Internet	Age of Recent Fund Investor	
		Less than 60 Years	60 Years or Older
Have no interest in using the Internet	40	40	43
Have no access to a computer	37	38	36
Do not know how to use the Internet	30	26	34
Do not feel personal information is secure on the Internet	29	35	24
Do not trust the information on the Internet	15	20	11
Have no time to use the Internet	9	12	6
<sup>1</sup> Multiple responses are included.			

SOURCE: Investment Company Institute

## Shareholders of All Ages Use the Internet to Gather Financial Information

Increasingly, the Internet is helping shareholders of all ages manage their finances and track their mutual fund portfolios. More than eight out of 10 recent fund investors who use the Internet go online to get financial information,<sup>17</sup> including six in 10 who go online to monitor their fund investments (Figure 26). Nearly half of recent fund investors who go online indicate their use of the Internet for financial purposes has increased over the past 12 months.

FIGURE 26

### Shareholders Who Go Online Use the Internet to Gather Financial Information

Percent of recent fund investors who use the Internet, 2006

	All Recent Fund Investors Who Use the Internet	Age of Recent Fund Investor	
		Less than Age 60	Age 60 or Older
<b>Uses of the Internet During Past 12 Months<sup>1</sup></b>			
Access email	84	86	77
Gather financial information (total)	85	86	83
Check bank or investment account balance	72	72	69
Monitor fund investments	60	59	63
Obtain investment information	58	58	52
Visit fund company websites	37	34	46
Contact a professional financial adviser	19	19	19
Buy or sell investments	26	27	24
<b>Change in Internet Use for Financial Purposes During Past 12 Months</b>			
Increased	45	46	43
Decreased	3	2	5
Stayed the same	52	52	52
<b>Strongly or Somewhat Agree With Statements About the Internet<sup>1</sup></b>			
Online investment information is up-to-date.	84	84	85
Information on fund company websites is reliable.	83	83	85
The Internet saves me time finding investment information.	71	73	63
The Internet plays a major role in managing my finances.	67	70	57
<sup>1</sup> Multiple responses are included.			

SOURCE: Investment Company Institute

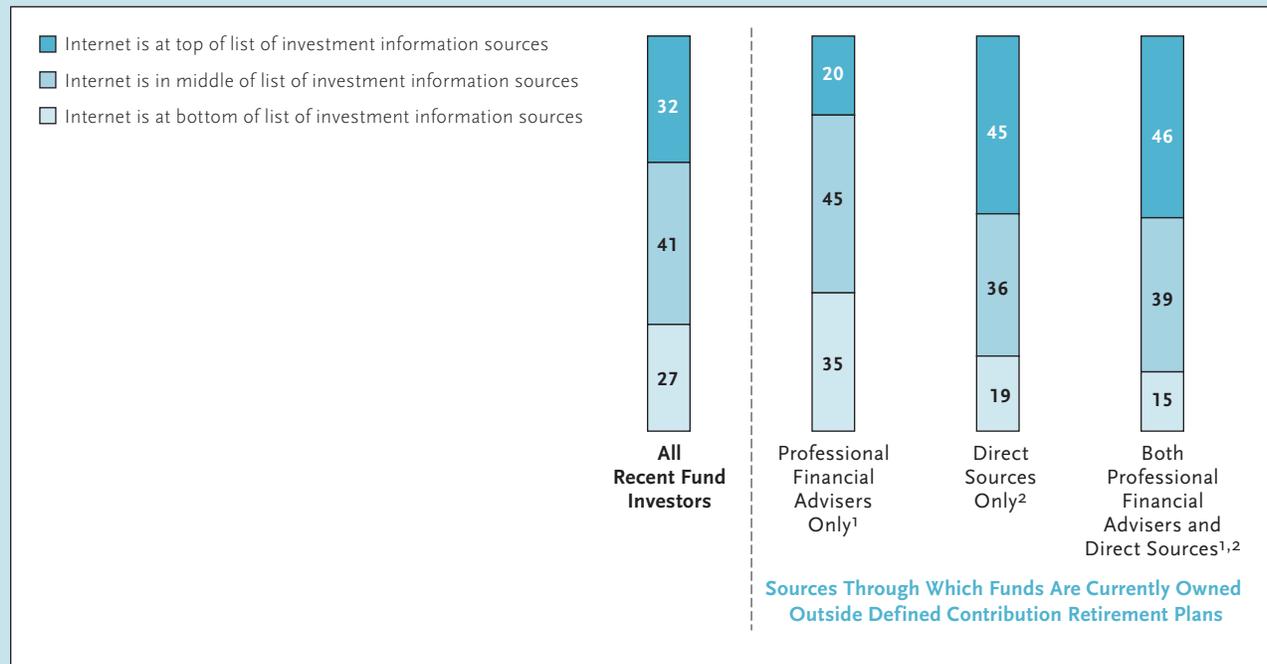
<sup>17</sup> In ICI's June 2005 survey, 59 percent of all mutual fund shareholders who went online in the 12 months preceding the survey used the Internet to obtain investment information. See *ICI February 2006*, p. 5.

The Internet also helps fund owners of all ages streamline their investment research. More than seven in 10 recent fund investors who go online indicate that using the Internet to find investment information saves them time, and 84 percent say the Internet provides them with access to up-to-date investment information. Most recent fund investors who go online place the Internet at the top or in the middle of their lists of ways to obtain investment information, including those owning funds through professional financial advisers (Figure 27).

FIGURE 27

**For Many Shareholders, the Internet Is a Key Source of Investment Information**

Percent of recent fund investors who use the Internet, 2006



<sup>1</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

<sup>2</sup> Direct sources include fund companies and discount brokers.

SOURCE: Investment Company Institute

## The Internet as a Source of Mutual Fund Information

In a remarkably short period, the Internet has transformed and accelerated the collection and distribution of information. For many, the Internet is now the preferred communications medium for sending and receiving information.

The Internet's effect on individuals' communication preferences is particularly evident with regard to how shareholders want to obtain mutual fund information. Although Internet use began to accelerate only during the past few years, today about three in 10 recent fund investors prefer to have online access to the information they want before buying fund shares.

### *Preference for Online Fund Information Linked to Internet Use*

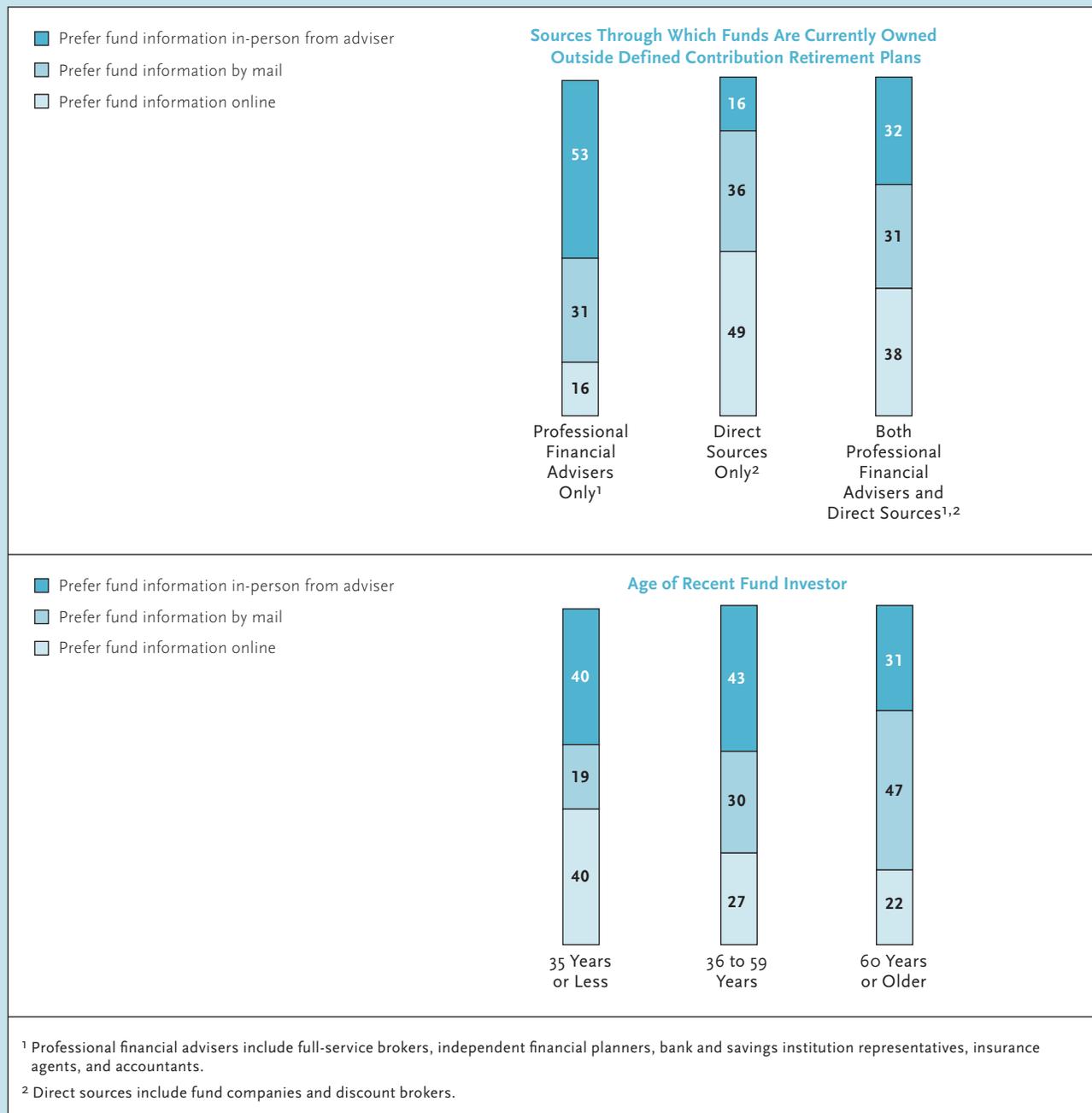
Investor preference for online access to mutual fund information correlates with their frequency of Internet use. Recent fund investors who use the Internet every day are the shareholder group most likely to prefer online access to the fund information they want to know before purchasing shares (see Figure 5 on page 7). Recent fund investors who never use the Internet prefer to obtain mutual fund information through more traditional methods: by mail or in-person from professional financial advisers.

The preference for online access to mutual fund information is also more pronounced among investor groups that tend to use the Internet more frequently, such as younger investors and those owning direct-marketed funds. For example, 40 percent of recent fund investors age 35 or younger prefer online access to the mutual fund information they want to know before buying fund shares, compared with 22 percent of those age 60 or older (Figure 28).

FIGURE 28

**Shareholder Groups Who Frequently Use the Internet Are More Likely to Prefer Online Access to Fund Information**

Percent of recent fund investors, 2006



**NOTE:** Components may not add to 100 percent because of rounding.

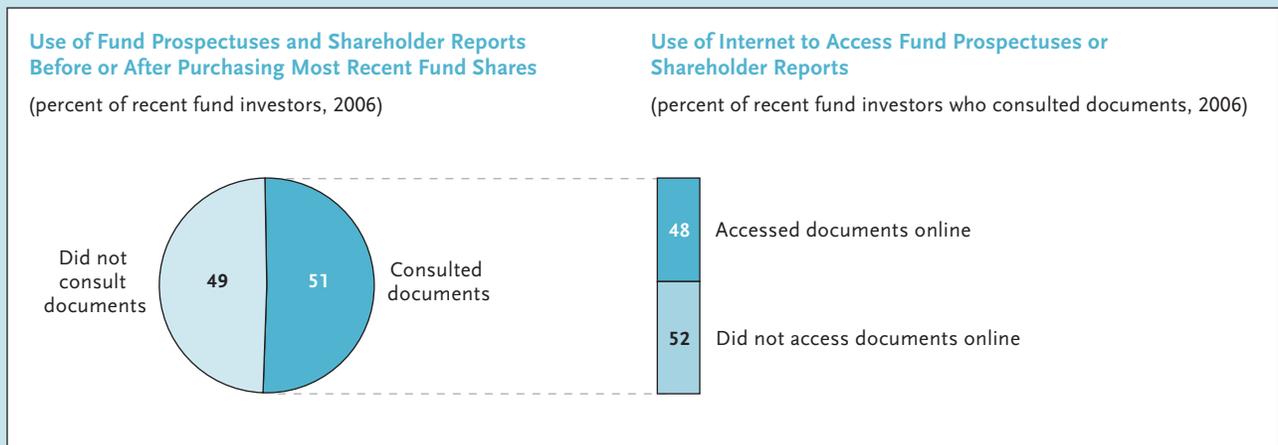
**SOURCE:** Investment Company Institute

## Some Shareholders Already Access Fund Prospectuses and Shareholder Reports Online

Some shareholders are already using the Internet to access mutual fund prospectuses and shareholder reports. Nearly half of all investors who consulted mutual fund prospectuses or shareholder reports before or after purchasing their most recent shares went online to access these documents (Figure 29). The recent fund investors who have used the Internet to access fund prospectuses or shareholder reports tend to be investors who go online every day, younger investors, and investors holding direct-marketed funds.

FIGURE 29

### Some Shareholders Already Access Fund Prospectuses and Shareholder Reports Online

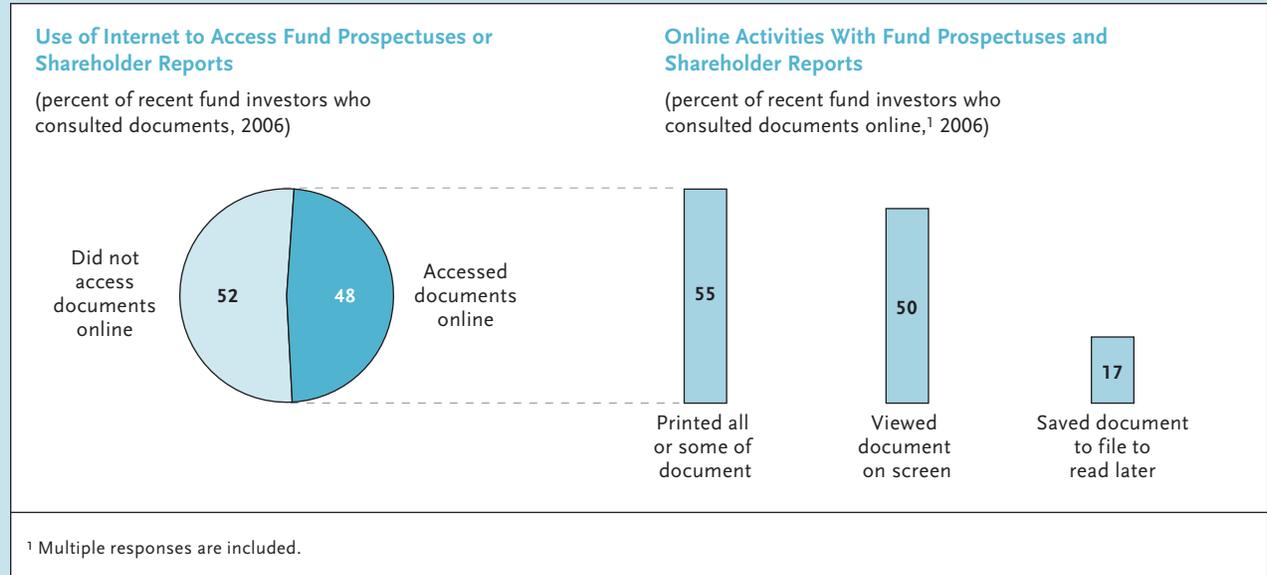


SOURCE: Investment Company Institute

Investors who access fund prospectuses and shareholder reports online may have the option of viewing the documents on the screen, printing them, or saving them to a file. More than half of recent fund investors who have accessed fund prospectuses or shareholder reports online printed information from the documents, half viewed them on the screen, and about one in five saved the documents to a file (Figure 30).

FIGURE 30

### Shareholders Who Access Fund Documents Online Often Print Them



SOURCE: Investment Company Institute

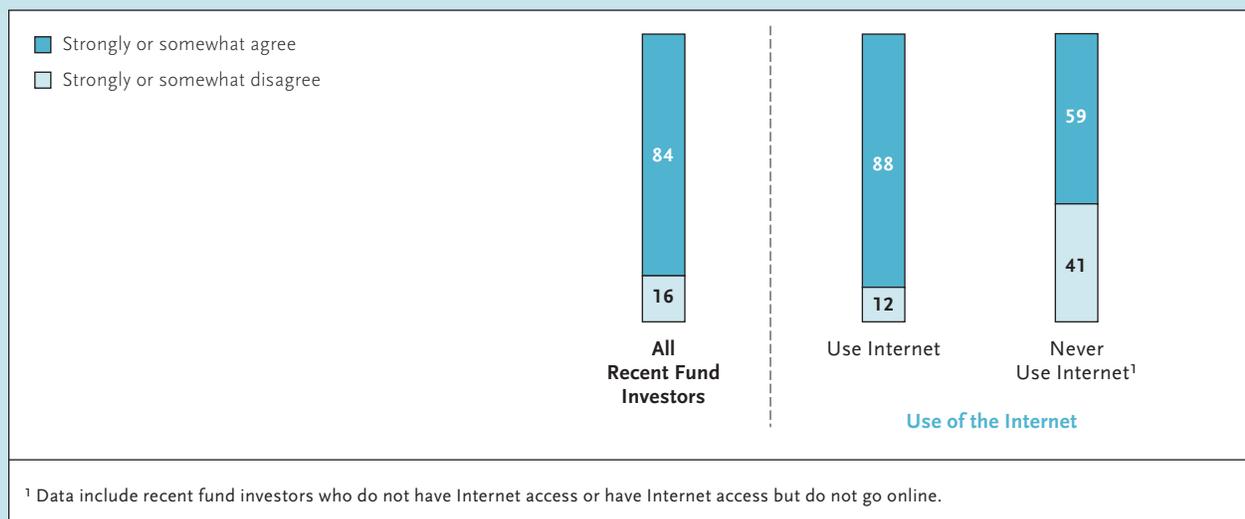
## Accessing Investment Information Online Is the Wave of the Future

Recent fund investors recognize that the Internet has become an important tool for communicating investment information. Regardless of their age or current use of the Internet, the majority of all recent fund investors believe obtaining investment information online is the wave of the future (Figure 31). In fact, nearly 60 percent of recent fund investors who never use the Internet agree with this statement.

FIGURE 31

### Regardless of Internet Use, Shareholders Agree “Getting Investment Information Online Is the Wave of the Future”

Percent of recent fund investors, by level of agreement with statement, 2006



<sup>1</sup> Data include recent fund investors who do not have Internet access or have Internet access but do not go online.

SOURCE: Investment Company Institute

# Survey Methodology

## Research Design

The Institute's survey, conducted by GfK NOP,<sup>18</sup> involved in-person, in-home interviews with 737 randomly selected households that currently own long-term mutual funds outside workplace retirement plans, and had purchased shares in stock, bond, or hybrid mutual funds outside these plans since January 1, 2001. Restricting survey participants to "recent" buyers ensured that survey participants were familiar with mutual funds and able to recall the details of their most recent fund purchases.

The in-home interviews were completed between February 1, 2006 and March 31, 2006.<sup>19</sup> All interviews were conducted with individuals who were either primary or co-decisionmakers for household saving and investing. On average, interviews took about 25 minutes to complete.

GfK NOP's national sample for in-home interviewing includes 100 primary sampling units (PSUs), each of which represents a county. For this study, two secondary sampling units (SSUs) within each PSU were randomly selected for inclusion in the sample. An interviewer was assigned to each PSU and given a computer-generated map of each of the defined areas, including randomly selected starting points. From the starting point, each interviewer followed a pre-specified travel path until he or she completed the number of assigned interviews.<sup>20</sup>

---

<sup>18</sup> GfK NOP is a full-service research firm headquartered in New York.

<sup>19</sup> GfK NOP's in-home interviewing staff comprises more than 600 interviewers who are dispersed throughout the contiguous 48 states and live in or near the sample areas that form the NOP National Probability Sample. Many of GfK NOP's interviewers have served as U.S. Census Bureau interviewers. Before recruiting respondents for the Institute survey, GfK NOP trained all interviewers. Interviewers with procedural questions were able to contact GfK NOP staff via a toll-free number.

<sup>20</sup> Several interviewers exceeded their quota for this study: the total number of interviews completed was 737 rather than the anticipated 700. GfK NOP determined that 700 interviews were sufficient to represent the population of recent fund investors within an acceptable margin of error.

The sample was weighted using an iterative proportional fitting algorithm and the results reported reflect that weighting. The application of weights to the raw data forced the distribution of the sample to reflect target distributions for certain variables. In setting the target distributions, weights for shareholder age, education, region, and household income were developed from existing ICI data of fund owner characteristics. The weighting corrected for differential responses across respondent subgroups and other random effects.

## Questionnaire Design

The survey included eight modules. The first module contained questions on shareholders' attitudes about mutual fund investing and their use of the Internet. The second and third modules asked about the information that shareholders want to know before and after purchasing fund shares, and the sources from which they obtain that information. The fourth module contained questions about shareholders' use and assessment of mutual fund prospectuses and shareholder reports, while the fifth module had questions about the characteristics of effective financial documents.

The sixth module of the survey included a card-sort exercise. Shareholders were asked to sort 16 cards containing the disclosure that must be included in mutual fund prospectuses and shareholder reports. Shareholders were instructed to sort the cards into three categories: information they need to know before buying fund, information that is nice but not necessary to know, and information they do not need to know. Shareholders were then asked how and in what format they would most prefer to obtain the information they had categorized as necessary to know, or as nice but not necessary to know. The remaining two modules of the survey collected fund ownership and demographic information. The survey was pre-tested several times to ensure that questions and exhibits were worded in a manner that shareholders could understand.

## Sampling Tolerances

The use of sample surveys is standard practice for deriving estimates about a total population. Estimates derived through sample surveys are subject to sampling error. As the sample size increases, the level of potential sampling error generally decreases. The findings in this report based on the full sample represent the total population of recent buyers of mutual funds with an overall sampling error of  $\pm 3.6$  percentage points at the 95 percent confidence level. The following table shows the approximate sampling error for estimates of proportions computed for the sample as a whole and for various sub-samples. Because of rounding to the whole integer, some totals in figures throughout the report may not equal exactly 100 percent.

FIGURE 32

**Statistical Reliability for Determining Accuracy of Observed Percentages by Sample Size and Percent of Responses**  
Sampling errors at the 95 percent confidence level

Sample Size	Observed Percentages				
	10 percent or 90 percent	20 percent or 80 percent	30 percent or 70 percent	40 percent or 60 percent	50 percent
750	2.1	2.9	3.3	3.5	3.6
600	2.4	3.2	3.7	3.9	4.0
500	2.6	3.5	4.0	4.3	4.4
350	3.1	4.2	4.8	5.1	5.2
300	3.4	4.5	5.2	5.5	5.7
250	3.7	5.0	5.7	6.1	6.2
150	4.8	6.4	7.3	7.8	8.0

This table shows that if, for example, the sample size is 750 and if 10 percent of the respondents provide the same answer to a question and 90 percent provide the other answer, then a 95 percent confidence interval for responses for the first answer is 10 percent  $\pm$  2.1 percent and a 95 percent interval for responses for the second answer is 90 percent  $\pm$  2.1 percent.





1401 H Street, NW, Suite 1200  
Washington, DC 20005-2148  
202/326-5800

[www.ici.org](http://www.ici.org)