How Retail Investing Platforms Can Create a More Inclusive Investing Environment
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Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx, and women-led households disproportionately experience financial insecurity due in large part to longstanding, systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth's work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 1.5 million people to accumulate more than $6 billion in savings. Commonwealth understands that broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.

Public.com is an investing platform that allows people to invest in stocks, ETFs, crypto, art, NFTs, collectibles, and more — all in one place. The platform helps people be better investors with access to custom company metrics, live shows about the markets, and insights from a community of millions of investors, creators, and analysts.

BlackRock announced a $50 million philanthropic commitment to help millions of people living on low to moderate incomes gain access to and increase usage of proven savings strategies and tools — ultimately helping them establish an important safety net. The size and scale of the savings problem requires the knowledge and expertise of established industry experts that are recognized leaders in savings research and interventions on an individual and corporate level. Led by its Social Impact team, BlackRock is partnering with innovative industry experts Common Cents Lab, Commonwealth, and the Financial Health Network to give the initiative a comprehensive and multilayered approach to address the savings crisis. Learn more at www.savingsproject.org.
Executive Summary

Participation in capital markets remains one of the primary channels for long-term wealth building in the United States. Understanding racial and gender disparities in the use and accessibility of investing opportunities is therefore an important part of broader efforts to close racial wealth gaps. Investing platforms play a key role in making investing more widely accessible by introducing new investors to the opportunities available and providing them with access to information they need to succeed.

This report provides insights into how platforms can do this more effectively, presenting the results of Commonwealth’s recent pilot investigating barriers to investing for women of color. For this research, we partnered with retail investing platform Public.com to understand the experiences and behaviors of a group of women—predominantly women of color—with little to no investing experience as they invested using seed funds distributed by Commonwealth.

This pilot tested a number of barrier-reducing interventions designed to make investing a more positive, empowering, and accessible experience. Participants were provided with various means of gaining actionable knowledge and social support embedded in their investing journey, including community groups, mentors, and timely educational content. We also sought a deeper understanding of the needs, desires, and subjective experience of this group through surveys and in-depth interviews as they navigated their investing journeys.

This work provides evidence for the benefits of three key features that investing platforms can incorporate to create a more inclusive and accessible investing environment.

1. **Seed funding can provide a win-win for both new investors and platforms**

   A lack of resources remains a fundamental barrier to participation in capital markets, but even those who have the means to begin investing are often hesitant to get started without understanding risk levels or how to navigate investment opportunities. Seed funding provides new investors with an opportunity to gain hands-on experience without feeling they have to take a risk with their own money in order to obtain the knowledge and confidence they need to build wealth through investment. While 80% of participants agreed that they would not have been able to start investing without the seed funding, by the end of the pilot, 88% said that they “plan to continue investing in the future after this pilot ends.” Additionally, 82% said they planned to contribute more funds to their investing account using their own money. This suggests a key opportunity for platforms to reach a broader customer base by helping them get started.

82% of participants said they planned to contribute more funds to their investing account using their own money.
2. Building opportunities for community into platforms increases comfort and belonging

Community and social networks, both online and off, have a large influence on the investing experience and on perceptions of who investing is “for.” Participants consistently reported that being able to talk with other new investors participating in the pilot on the Public.com platform made them feel more comfortable and less overwhelmed. These online community groups were rated by participants as the most useful source of actionable investing knowledge during the pilot. We also found that in-app social engagement was a significant predictor of portfolio diversification, indicating that a more community-centric social investing experience can have a positive impact on investing behavior.

“I like the communication with real people—‘should I hold, should I stay’—people have real questions and are experimenting and learning...It becomes more of a conversation than feeling like you’re behind by not knowing.”

3. Embedding learning opportunities directly into the investing experience makes knowledge more actionable

When it comes to new investors, emphasis is often placed on providing “investor education” through formal modules offered outside of investing platforms. In this research, we found that opportunities to learn through hands-on experience and channels embedded in the platform were key to building comfort and actionable knowledge of investing. In-app learning opportunities were rated as the second most useful source of actionable investing knowledge.

“There’s always tips in the group chat that I am able to utilize. I feel like I’ve learned way more than I initially expected. At first I thought you should get rid of anything in the red immediately, but sometimes you just need to be patient.”

Feedback from the women participating in this research made it clear that it was a positive experience that changed the way they thought about investing and about their wealth-building options. Two-thirds of participants agreed that this experience made them feel more in control of their financial journey and more
optimistic about their financial future. A similar percentage also reported that participating in the pilot made them more likely to talk about investing with people around them and encourage friends and family to invest. These results suggest a positive feedback loop in which making investing more accessible to women of color not only benefits them as individuals, but also contributes to social environments in which others around them are more likely to see investing as a wealth-building pathway available to them.

This research provides promising evidence that a thoughtful and human-centered approach to the design of investing platforms can contribute to making investing a more inclusive and accessible wealth-building path for all Americans.

“This research provides promising evidence that a thoughtful and human-centered approach to the design of investing platforms can contribute to making investing a more inclusive and accessible wealth-building path for all Americans.”
Persistent racial and gender wealth gaps remain a major obstacle to financial opportunity for households living on low to moderate incomes (LMI) in the United States. The median Black family in the U.S. has $24,100 in wealth, just one-eighth the wealth of the median white family ($188,200). Single Black women under the age of 35 have a median wealth of just $101, compared with $1,550 for single Black men and $22,640 for single white men in the same age bracket.

Participation in capital markets is one of the primary opportunities for long-term wealth building in the U.S. today. However, significant racial and gender disparities remain in both taxable (retail) and retirement investing. Data and analysis from the FINRA Investor Education Foundation's National Financial Capability Study show that Black and Latinx households are significantly more likely to possess neither taxable nor retirement investment accounts than other groups.

Respondents Owning No Taxable or Retirement Investment Accounts, By Race* and Ethnicity (2018)

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>African American</td>
<td>46%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>44%</td>
</tr>
<tr>
<td>White</td>
<td>31%</td>
</tr>
<tr>
<td>Asian American</td>
<td>30%</td>
</tr>
</tbody>
</table>

*Category names as identified by the FINRA Investor Education Foundation's National Financial Capability Study.
The primary driver of these racial differences in investing is that Black and Latinx households disproportionately fall into lower income and wealth brackets. One essential step in ameliorating racial and gender wealth disparities is developing a deeper understanding of the barriers to participation in capital markets faced by millions of households living on LMI and how these barriers can be overcome to ensure more equitable access to building wealth through investing.

In 2021, Commonwealth partnered with the Aspen Institute Financial Security Program and the NASDAQ Foundation to publish *A Framework for Inclusive Investing*. This report provided a guide to understanding the barriers to participation in capital markets faced by women of color in four key areas:

1. **RESOURCES**: The most fundamental barrier to capital market participation is a lack of resources. Basic financial security that allows households to build savings is the essential first step to building wealth.

2. **ACTIONABLE KNOWLEDGE**: Even people with enough funds to invest may be unable to take advantage of opportunities without access to the kind of knowledge that allows them to feel comfortable making investing decisions.

3. **MARKET ACCESS**: Individuals who want to invest need access to products that meet their needs and capabilities as new and low-capital investors.

4. **INVESTOR IDENTITY**: Those with resources, knowledge, and market access must also be able to see themselves—and be seen by others—as investors in order to reinforce the idea of investing as a long-term wealth-building opportunity.

Building on this research, Commonwealth partnered with retail investing platform Public.com to further investigate these barriers by observing, surveying, and interviewing a group of women—predominantly women of color—with little to no investing experience as they began investing through the Public.com platform.

The objective of this work was to provide insight into how investing platforms can make design choices that improve accessibility for women of color by meeting them where they are and facilitating their growth as investors. In developing these insights, we focused on understanding how these women experience barriers to investing and how the platforms can help reduce those barriers for this group. This report provides an overview of the results of this research.
Commonwealth partnered with Public.com to study the behavior and attitudes of 241 women (84% Black or Latina) with little to no investing experience as they invested $250 in seed money through the platform from July 2021 to February 2022. In addition to investing this seed money provided by Commonwealth in the form of funds deposited to their Public.com accounts, participants had the option to link their own bank accounts or debit cards and add additional money to their portfolio. It was made clear, however, that adding their own funds was not required to participate in this pilot. This approach is rooted in our commitment to minimizing financial risk to individuals participating in our research on building wealth—an endeavor that inherently contains some level of risk.

The pilot was designed to provide opportunities for participants to overcome the barriers identified in the previous section:

- **Resources** in the form of seed funding
- **Actionable knowledge** embedded in the investing experience through community groups, in-app educational content, and access to experienced investing mentors
- **Market access** through an easy-to-use product designed for small-scale retail investors

*Investor identity* is a more challenging concept to articulate and measure, so in this project we sought to lay the groundwork for future research into the role of identity through in-depth interviews and by examining the relationship between social networks and investing attitudes. (See Appendix: Research Questions and Participant Recruitment for more information)

“I am not afraid to take a chance on stock purchases. I have resources to talk to other like-minded individuals about stock and what that looks like. Reading up on stocks and how they function in the world.”
Participant Profiles

**RACE**
Out of the 241 women who participated in the pilot:

- 67% Black
- 18% Latina
- 6% White
- 2% Asian

*8% identified as Other

**AGE**
85% of participants were between the ages of 25 and 54, with 35-44 as the largest age group at 37%.

**INVESTING EXPERIENCE**
A majority of participants had no investing experience (57%) outside of contributing to 401(k)s or other retirement accounts, while an additional 35% had some retail investing experience (8% were not sure).

- 57% No investing experience
- 35% Some retail investing experience

**EMPLOYMENT**
The average household size was 2.5 people and a majority (65%) of participant households had a single income earner.

- 55% Worked at only one full-time job
- 13% Worked at both a full-time job and a part-time job
- 7% Worked at one part-time job

The rest of the sample worked multiple part-time jobs or other mixed arrangements.
INCOME & FINANCIAL WELL-BEING
Household income was fairly evenly distributed across our target income range of $30,000 to $80,000:

- 9% Less than $30,000
- 17% $30,000-$39,999
- 17% $40,000-$49,999
- 17% $50,000-$59,999
- 15% $60,000-$69,999
- 15% $70,000-$79,999
- 12% $80,000 or more

Percentages are rounded to the nearest %

MEDIUM HIGH
Using the CFPB’s Financial Well-Being scale, the mean score for our sample was 52 out of 100, which is rated as Medium High financial well-being and is not far from the national average score of 54.

43% agreed that they were financially secure when defined as “being able to pay all monthly bills without worry and having the means to handle a financial shock.”

SAVINGS
89% had money in savings, and only 3% of participants reported that they experienced significant volatility in income.

DISTRIBUTION OF SAVINGS

- 11% $0
- 43% $1-$2,500
- 13% $2,501-$5,000
- 12% $5,001-$10,000
- 10% $10,001-$20,000
- 4% $20,001-$30,000
- 3% $30,001-$40,000
- 2% $40,000 or more
- 2% Not sure

Percentages are rounded to the nearest %
Hands-on experience quickly increases investing knowledge and comfort

The first key question guiding this research was whether direct experience with investing, aided by educational resources, would have a significant impact on participants’ feelings of comfort and self-reported knowledge of investing during the seven-month pilot period. To measure these factors, surveys administered to participants at the beginning, middle, and end of the pilot period asked them to evaluate their level of comfort making investing decisions as well as their own level of investing knowledge.

The results demonstrate clearly that allowing participants to learn by doing through hands-on investing experience had a large impact on both comfort and self-reported knowledge of investing.

At the beginning of the pilot, 25% of respondents agreed or strongly agreed that they were “comfortable making investing decisions.” By the end, this had increased to 65%.

This increase in comfort was greatest during the first half of the pilot, indicating that even relatively brief hands-on experience over the course of a few months has a significant positive impact.

To evaluate investing knowledge, participants were asked to rate themselves as having either a lot, some, a little bit, or no investing knowledge. The gains in self-evaluated knowledge occurred consistently across the pilot period, suggesting that there are benefits to accessing knowledge resources over at least the first seven months of these investing journeys.
Sources of actionable knowledge embedded in the platform were the most useful to participants

One of the primary barriers to investing identified in earlier Commonwealth research is a lack of access to actionable knowledge that allows inexperienced investors to feel confident and comfortable with the investing process. In this pilot, we provided participants with access to different sources of actionable knowledge in order to learn more about which sources were most valuable in their learning process. The three main sources of actionable knowledge participants had access to through the platform were:

1. Assigned community groups of fellow participants;
2. Educational content; and
3. An experienced investing mentor who could directly address their questions and share helpful information through community group chats.

Educational content included introductory and investing 101 guides, content on investing and stress management, and live sessions where experts discussed market conditions. While everyone had access to community groups and educational content, mentors were provided to approximately half of the participants.

Overall, a majority of participants reported that the ability to talk with others on the platform (including both peers and mentors) made them feel more comfortable with investing (67%) and more confident in their ability to invest effectively (59%). When asked to evaluate whether they gained confidence or useful investing knowledge from the three sources just described, about two thirds of the sample reported that each of the sources had increased their confidence (only those who had mentors were asked about mentorship).
We also asked participants to select the sources of investing knowledge they found to be most useful during this pilot from a broader list (each respondent was able to select up to three sources). The results reinforce the importance of embedding learning opportunities directly in the investing experience. Online groups (including participant community groups) and educational content provided through Public.com led the list of most useful information sources by a significant margin. Social media in third place highlights the fact that social sources of knowledge are key for this group of investors. Note that not everyone had access to a mentor through this pilot. When looking only at those who did have a mentor, the mentor is ranked as the third most useful source of knowledge behind online groups and educational content.

These findings strongly suggest that having access to actionable knowledge embedded in the investing experience is an important barrier-reducing intervention that allowed participants to approach investing as a hands-on learning experience rather than an intimidating task that requires prior education. The next step beyond this insight is to look more closely at the behavior of these new investors to better understand the kinds of knowledge that might be most useful for ensuring that they have a positive experience and make informed investment choices.
Participants maintained under-diversified portfolios and focused primarily on stocks

One key measure of effective investing is diversification. Dividing one’s capital between multiple investments is a fundamental strategy for reducing portfolio risk by ensuring that the entire portfolio does not depend on the success of a small number of stocks or other assets. During this pilot, we received transaction data for pilot participants from Public.com that allowed us to track the diversification of their stock portfolios over time.

To measure diversification, we used an index that took into account both the number of different stocks and the proportion of each in the portfolio to generate a score between 0 and 1, with scores above .85 representing at least a basic level of stock diversification.*

Overall, the average diversification rating for participant portfolios at the end of the pilot was .77. When low-engagement participants who only purchased one stock (giving them a diversification score of 0) are not counted, the average rises marginally to .81. These scores are roughly equivalent to a portfolio that is equally spread across five different stocks. These scores suggest that while participants were able to gain significant investing knowledge during the pilot, the importance of diversification is something that warrants greater emphasis as a risk reduction strategy.

In addition to analyzing stock diversification, at the end of the pilot we asked participants about the different types of investing assets they owned in and outside of Public (not including retirement accounts). The chart below shows that picking individual stocks is the most common behavior for this group, despite the higher risk inherent in this strategy. More diversified and lower-risk ETFs and mutual funds were held by a minority of participants, with a larger minority choosing to invest some of their funds in relatively more volatile cryptocurrencies.

Assets owned by participants at end of pilot:

includes assets owned outside of Public.com

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<th>Assets</th>
<th>Percentage</th>
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<tr>
<td>STOCKS</td>
<td>78%</td>
</tr>
<tr>
<td>MUTUAL FUNDS</td>
<td>33%</td>
</tr>
<tr>
<td>CRYPTOCURRENCIES</td>
<td>25%</td>
</tr>
<tr>
<td>ETFs</td>
<td>21%</td>
</tr>
<tr>
<td>BONDS</td>
<td>13%</td>
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*Stock Diversification Index

The most basic measure of portfolio diversity is the number of different assets owned. However, this does not take into account the relative distribution of assets in the portfolio. In other words, a raw count would not recognize that a portfolio in which 95% of the value lies in one asset is not diversified even if the remaining 5% is made up of many different assets. To account for both the number of different stocks and their distribution while keeping our diversification index simple, we opted for a version of the Herfindahl-Hirschman Index (HHI) which accounts for the number of assets and the proportion of the portfolio each asset represents, generating a rating between 0 and 1, with scores closer to 1 representing greater diversification.

$$HHI = 1 - \sum_{i=1}^{N} W_i^2$$

$W_i$ = the proportion of portfolio value invested in security $i$  
$N$ = the number of securities in the portfolio
Positive effects of online and offline social engagement

While the term “social” has come to hold various meanings and connotations in the era of “social media” and “social networks,” here we simply refer to social as the matter-of-fact interaction and engagement between people both online and offline.

One of the key insights that emerged from our observations and conversations with participants is that social interaction, especially in the form of belonging and community, played an important role in how they perceived and engaged with investing. Social engagement in the form of comments, posts, and reactions on the platform increased over the course of the pilot. During the final three months, over 75% of participants had some social engagement. In addition to finding that online social channels are among the most useful sources of actionable investing knowledge, we also found that social engagement was associated with greater portfolio diversification, indicating that a more social investing experience can have a positive impact on investing behavior. We measured social engagement using the total number of comments, posts, and reactions users submitted on the platform.

Users with no engagement had an average diversification score of .30, significantly lower than users with some engagement (.75) and high engagement (.93).

Each of these group differences is statistically significant. While this data cannot establish a causal relationship between in-app social engagement, especially in the form of belonging and community, and portfolio diversification, there appears to be a significant correlation that warrants further research.

While online social engagement is important, offline social connections with one’s friends, family, and local community may also play a significant role in breaking down barriers to investing. These local social influences play an important role in shaping individual identities and perceptions of group membership. When the predominant image of an “investor” in American society remains a wealthy white man, seeing people around them talking about and participating in capital markets may play an important role in developing women’s identities as investors and making them feel like investing is for them as well. These benefits may also extend beyond investing to other positive financial behaviors. Research suggests that children across all racial groups who receive investing messaging from their parents report better overall financial management, higher financial optimism, and lower financial stress as young adults.

Looking at the baseline survey for this group, we found a positive and statistically significant relationship between likelihood that participants had prior investing experience and the number of people participants knew in real life who invested. We also found a statistically significant relationship between participants’ comfort with making investing decisions at the start of the pilot and the number of people they felt they could turn to for investing advice. Both analyses controlled for financial well-being, debt levels, and age.

This data on the influence of offline relationships is complemented by results from the endline survey.
These results suggest a positive feedback loop in which making investing more accessible to women of color not only benefits them as individuals, but also contributes to community environments in which others around them are more likely to see investing as a wealth-building path available to them.
Reported barriers to investing aligned with interventions

Commonwealth’s earlier research on barriers to capital market participation identified resources, actionable knowledge, market access, and investor identity as significant barriers to investing for women of color today. Our pilot with Public.com was designed to test methods for helping participants overcome these barriers by providing seed funding (resources), learning opportunities (actionable knowledge), an accessible platform (market access), and a community that turned investing into an experience with peers at a similar level of experience (investor identity). It also provided us with an opportunity to learn more about how these women perceived barriers to investing in their own lives.

In the endline survey, participants who agreed that the pilot had helped them overcome barriers to investing (80% of the sample) were asked to describe these barriers in an open-ended response. Responses could be consistently grouped into six categories (some responses fell into more than one category):

- **41%** Providing an opportunity to try investing without risk
- **31%** Gaining knowledge and understanding
- **27%** Building confidence and overcoming fears
- **10%** Providing community support
- **8%** Providing an accessible platform
- **5%** Changing their perceptions about investing

The frequency with which participants cited the opportunity to invest without risking their own money highlights both the importance of resources as a barrier and the fact that in many cases the barrier is not just about having resources, but about being willing or able to risk those resources in order to build wealth. The opportunity to gain hands-on experience without risk put participants in a better position to judge the risks and opportunities available to them when investing their own money. This change is reflected in many of the responses grouped together under “building confidence and overcoming fears,” as one of the most frequently cited fears was losing money due to not understanding risks.

Overall, the barriers participants cited in these responses aligned closely with the pilot interventions: seed funding, embedded opportunities for learning, and a greater feeling of community support. They indicate that progress can be made addressing these barriers through platforms that seek to address them in their design choices.
How Retail Investing Platforms Can Create a More Inclusive Investing Environment

**PERSONAS**

**CURIOUS SANDRA**

Age: 35  
Single and no dependents  
Stable job and income

Curious Sandra is motivated and excited to invest to build long-term wealth. Ever since she was given the opportunity to invest, she spends time researching companies, funds, and investing strategies that fit with her goals. She recently adjusted her living expenses to increase her retirement contributions.

Sandra likes talking to people on the investing platform, has read a book about investing, uses resources on the app, and watches videos online about strategies when she needs additional information to make a decision.

For her, it is important to invest in a way that is aligned with her values.

She talks to people in her social circles—family and friends—about investing, to the point where they call her “investing promoter.” She feels strongly that other people should learn about the opportunities to build wealth through investing.

Her experience investing has encouraged her to take actions for her family members and friends, which includes offering them resources, guidance, and support if they are interested in investing, regardless of the investing tool.

**Barriers that platforms can help overcome:**
- Access to actionable knowledge
- Community support

**BUSY LAURA**

Age: 45  
Single parent  
Stable job and income

Busy Laura is motivated and excited to invest for the financial possibilities, but time is a constraint and she needs to feel like she understands the basics before she can lock up savings in investing, so information needs to be bite-sized.

She constantly looks for easy ways to learn, but feels like she needs a dictionary for the jargon too.

Having help and guidance along the way would be extremely beneficial given her time constraints around researching what and how to do it.

When she tried investing, she went for companies that she knew, but believes there must be a better strategy.

Ideally, she would set it and forget it, and still feel confident about her decision.

She doesn't really have much time to engage in social media, forums, or research. When possible, she talks to family and friends about her new habits and learns from them too. She believes this is important for her and her daughter’s future, and that there must be an easier and better way to engage without needing to check the app or the stock market all the time.

She hopes her daughter is able to start building wealth sooner than she did.

**Barriers that platforms can help overcome:**
- Platform design for speed/convenience
- Actionable knowledge
- Access to low-risk investment options
Plans to Continue Investing

Providing participants with seed funding to get started was an important step in overcoming financial barriers to investing, with 80% of participants agreeing that: “Without the $250 in seed money, I would not have been able to start investing.”

In addition to confirming that resources remain a fundamental barrier to investing for women of color in this income range ($30,000 to $80,000 household income), we also wanted to investigate whether overcoming this initial barrier and giving participants the opportunity to develop greater knowledge of and comfort with investing through direct experience led to longer-term changes in their plans to use investing as a wealth-building tool.

Survey results support the idea that, for this group, receiving resources to overcome initial barriers to investing leads to a longer-term desire to invest using their own funds.

In this way, seed funding can be understood as a way of “priming the pump” for new investors, allowing them to experiment with and learn about investing in a low-risk environment in a way that makes them feel more comfortable with the idea of investing their own funds. In addition to this increase in comfort, survey results indicated that the experience of investing also had an impact on participants’ broader feelings about their financial future. At the end of the pilot, two-thirds of participants reported that investing through Public.com had made them feel more optimistic about their financial future and more in control of their financial journey.

At the end of the pilot,

88% of the participants agreed or strongly agreed that they “plan to continue investing in the future after this pilot ends.”

82% said they planned to contribute more funds to their investing account using their own money in the future.
During the pilot period, 31% of participants deposited their own money into their investing account. Within this group, the average monthly deposit ranged from $78 to $150. There was also a statistically significant relationship between participants rating of educational content and the likelihood that they deposited funds. Each one-point increase in educational content rating was associated with a 2x greater likelihood of depositing funds. In other words, the more highly participants rated the educational opportunities available through the pilot, the more likely they were to invest their own money.

Although a causal relationship cannot be established with this data, these initial results suggest that there is a positive relationship between receiving effective, action-oriented educational content embedded in the investing experience and willingness to invest.

“I was not comfortable investing because I didn’t know how it worked and what the risks were. Also, I didn’t know how... to choose a company to invest in. I now feel more comfortable in choosing my investing options.”
Recommendations

This research provides retail investing platforms with actionable guidance for designing a more inclusive and accessible financial system that provides opportunities for wealth building to women of color living on low to moderate incomes. The results reinforce the importance of access to resources, hands-on education, and community support. Based on these findings, we recommend three areas of focus for platforms seeking to reduce barriers to investing for women of color: seed funding to provide opportunities get started and learn with low risk; in-platform community engagement to facilitate comfort and access to actionable knowledge; and in-platform learning opportunities to complement hands-on experience with timely content.

Seed funding can provide a win-win for both new investors and platforms

Resources remain a fundamental barrier to wider participation in capital markets, but our research indicates that seed funding may provide an important entry point for many who might consider investing but do not feel confident enough to commit their own funds before they have any experience. Seed funding gave participants the opportunity to learn without taking significant monetary risk, and this opportunity to learn through experience increased their willingness to contribute their own funds to their investing portfolio. Platforms may find that even a small amount of seed funding can have a significant impact on broadening their customer base by providing people who would not normally consider investing the opportunity to develop actionable knowledge before risking their own money.

Building opportunities for community engagement into platforms increases feelings of comfort and belonging

Perceptions of who is a typical investor and the level of resources necessary to participate in capital markets remain significant barriers to participation for women of color. By creating a community investing experience that allows them to see that others like them are both participating and making progress learning about investing, they are able to see investing as something that is for everyone, including beginners and people without large amounts of capital. In addition to these benefits, this research suggests that community engagement is a key learning channel for new investors and was rated by participants as more useful than any other source.

Embedding learning opportunities directly into the investing experience makes actionable knowledge more accessible

Learning by doing provides an effective alternative to treating investor education as a prerequisite for participation. Giving users the opportunity to learn while doing makes investing more accessible to many who might not normally be willing or able to access separate investor education programs or initiatives. By building access to actionable knowledge directly into the platform through free content and community groups dedicated to learning and sharing, investing can be transformed from an intimidating undertaking to an educational and social opportunity to build wealth.
Conclusion

This pilot in partnership with Public.com provided a valuable opportunity to learn more about the design choices that investing platforms can make to ensure that women of color—and underserved populations in general—are better able to build wealth through capital markets. This work makes it clear that resources remain a fundamental barrier to getting started. Providing first-time investors with a small amount of seed funding may be a key step in getting them to the level of knowledge, comfort, and risk-tolerance necessary to commit to building wealth through investing. It also provides strong preliminary evidence that embedding both learning and community-centric opportunities into the investing experience is a key barrier-reducing strategy that allows new investors to learn by doing and feel like they belong. While there is much more to be learned about the process of breaking down barriers to investing, these insights suggest that real progress is possible when we attempt to understand and ameliorate these barriers.

Future Directions

This research provides promising insights into concrete steps that investing platforms can take to create a more inclusive, accessible, and positive experience for women of color interested in building wealth through capital markets. It illustrates how this is not just a matter of economic justice, but also good business practice. There is a large untapped market of Americans looking to build wealth through investing but who face barriers to realizing that aim. More thoughtful and inclusive design choices can play an important role in reducing the effects of these barriers.

At the same time, this work remains relatively new and requires further validation. To that end, Commonwealth will continue researching barriers to investing using multiple investing platforms and significantly larger research samples over the next two years. In addition to deepening our understanding of how to facilitate participation in capital markets for those who have been historically excluded, this research will include a greater focus on the nature and significance of investor identity as a factor influencing participation.
Research Questions

Our research was guided by four primary questions:

**TO WHAT EXTENT DOES SEED FUNDING MAKE INVESTING MORE ACCESSIBLE AND ESTABLISH LONGER-TERM INVESTING HABITS?**
Providing seed funding is the most direct method to overcome resource barriers to investing. We wanted to learn more about how participants perceived the impact of seed funding both in terms of resource access and being able to try investing without having to take a risk. We also investigated the degree to which participants who received seed funding went on to deposit additional funds to their portfolio.

**HOW DO PARTICIPANTS GAIN AND USE ACTIONABLE INVESTING KNOWLEDGE?**
Our interest in how participants gained actionable investing knowledge included the most useful sources of knowledge, the effects of this knowledge on investing behavior, and the ways in which learning can be embedded in the investing experience rather than being seen as a prerequisite for getting started.

All pilot participants had access to educational content about investing provided directly through the Public.com platform, as well as a community group of other participants through which they could discuss investing and ask questions with other women who had similar levels of investing experience. Additionally, half of the participants had access to an investing mentor with significant experience who shared information with community groups and made themselves available to answer questions.

**HOW DOES EMBEDDING SOCIAL OPPORTUNITIES IN THE INVESTING EXPERIENCE AFFECT COMFORT AND KNOWLEDGE ACCESS?**
Earlier Commonwealth research indicates that getting started as an investor can be intimidating for women of color, so we were interested in understanding the impact of the community groups mentioned above on comfort and feelings of belonging, in addition to being sources of actionable knowledge. We also asked participants about their offline relationships to better understand how having people to talk to about investing in real life impacted investing attitudes and behaviors. A deeper understanding of the social dimension of investing can contribute to a clearer picture of how investor identity develops and its role in reinforcing wealth-building behaviors.

**WHAT ARE THE MOST SIGNIFICANT BARRIERS TO INVESTING REPORTED BY WOMEN OF COLOR AND HOW DO THEY EXPERIENCE THEM?**
Our fourth objective was to better understand the barriers to building wealth through investing that women of color living on low to moderate incomes face. This includes financial barriers, lifestyle barriers, product design barriers, and psychological barriers around feelings of comfort, capability, and belonging. This pilot offered various paths to overcoming these barriers such as providing seed funding, a community of peers, and educational resources to better understand which of these were most helpful for participants on their investing journeys. We also explored the subjective experience of these barriers from participants’ perspective.
Participant Recruitment

Pilot participants were recruited through partnerships with four grassroots, community-based organizations located across the country: MassINC, Neighborhood Allies, Shared Harvest, and Union Capital Boston. Each organization recruited a set of potential participants and provided their contact information to Commonwealth. We screened and selected participants based on a few key criteria, including:

- Identifying as a woman
- Identifying as Black, Latina, or as racially mixed
- Annual household income between $30,000-$80,000
- Being interested in investing but with little to no experience
- Feeling financially secure

Participants were randomly assigned to one of two community groups that they accessed through the Public.com platform and could use to chat with group members. One of these groups was designated as the mentor group within which members were given access to one of four smaller subgroups where mentors shared information and answered questions from group members.