



commonwealth

A Time Like No Other:

Lessons from the Investor
Spike of 2020-2022

DECEMBER 2023

Acknowledgments

Thank you to Commonwealth team members Emily Bergman, Justin Flattery, Katya Hernandez, Elizabeth Kalu, Andy Thomas, and Gosia Tomaszewska for their contributions to and review of this report.

Thank you to Commonwealth's communications and design team including Paula Grieco, Allison Perri Newman, Remi Ural, and Teresa Willand.



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 2 million people to save nearly \$8 billion. 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.



This report is made possible through the support of The Prudential Foundation.

The Prudential Foundation is committed to accelerating economic mobility for communities in the U.S. and around the world. It collaborates with nonprofit organizations that help strengthen neighborhoods, address barriers to economic equality, and create new paths to financial security. Established in 1978, The Prudential Foundation has contributed more than \$1 billion to increase economic mobility in communities globally, and supports Prudential Financial's purpose of making lives better by solving the financial challenges of our changing world.

Table of Contents

Executive Summary

1

Introduction

3

National Survey Findings

6

Key Insights

21

Areas of Opportunity

26

Conclusion

29

Executive Summary

In recent times, the financial industry has witnessed a gradual shift towards implementing innovative solutions to [make investing more accessible and inclusive for a broader range of individuals](#). Several factors contributed to shaping the investing landscape, including the introduction of fractional shares, market volatility, and elimination of trading fees by financial institutions. These initiatives collectively allowed investors to buy portions of shares, making high-priced stocks accessible to those with limited funds, and reduced investing costs by encouraging more frequent trades. Together, these measures established the foundation for a more inclusive investment atmosphere, which saw a surge in retail investing during the pandemic.

The outbreak of the COVID-19 pandemic in March 2020 brought a myriad of challenges worldwide, impacting various aspects of life, including the global economy. Amidst the backdrop of economic uncertainty and market turbulence stemming from the onset of the pandemic, there was a [remarkable upswing observed in retail capital market investing](#), marked notably by increased participation from women, and Black and Latinx communities. This sudden surge represented a significant shift in the demographics of investors—[young, Black, and Latinx](#)—and signaled a growing interest and engagement in financial markets by historically underrepresented groups.

Furthermore, the environment during the pandemic was ripe for potential investors who had been contemplating entering the market but had not taken the leap before. This was facilitated by a combination of factors that together reshaped the investment landscape, including:

- **Increased Free Time:** Lockdowns and remote work arrangements provided individuals with more time, leading to heightened interest in exploring new activities, including investing.
- **Easy Access to Information:** Social media accelerated access to a wealth of financial information and educational resources, empowering individuals to make informed investment decisions.
- **Lower Barriers to Entry:** Fractional shares and commission-free trading made it easier for people with limited funds to invest in the market, reducing the financial threshold for entry.
- **Market Volatility:** The heightened volatility during the pandemic captured the attention of potential investors, as they saw the potential for significant gains.
- **Financial Insecurity:** Economic uncertainty prompted individuals to seek alternative avenues for wealth accumulation, with investing being one such avenue.
- **Online Communities:** Social media platforms and online forums allowed individuals to connect, share insights, and collectively engage in investing, fostering a sense of community and support.

We partnered with The Prudential Foundation to understand the key factors that motivated new investors' decisions to begin investing, and whether they now perceive investing as a viable wealth-building opportunity. This report provides insights into the experiences, motivations, and behaviors of new investors, with secondary data and comparisons to long-term investors.

Additionally, the study sought to gather insights on the needs and aspirations of new investors, with the goal of guiding service providers in the investing industry on how to effectively meet their needs and enhance their chances of success.

Areas of Opportunity

The findings in this study serve as a strong foundation for investing platforms to better understand and cater to the needs and aspirations of new investors, thereby increasing their chances of success. Seven key areas of opportunity have been identified for platforms to offer solutions:



SOCIAL INVESTING AND COMMUNITY ENGAGEMENT

Encouraging collaboration and networking among investors can foster a supportive environment and empower individuals to make informed decisions



SMALL INVESTING AMOUNTS AND FRACTIONAL SHARES

Allowing investors to start with minimal amounts and access fractional shares enables more inclusive participation in the market



SEED FUNDING

Offering support and resources to help new investors build their initial investment capital can boost their confidence and commitment



USER EXPERIENCE

Streamlining the investing process and providing user-friendly interfaces will enhance accessibility and engagement for all investors



CONNECTING SAVINGS AND INVESTMENTS

Introducing seamless integration between savings and investment accounts can encourage consistent and disciplined investment practices



INVESTING CONTENT

Providing educational and informative content tailored to the needs of diverse investors can empower them with knowledge and confidence



INCLUSIVE DESIGN AND ENGAGEMENT

Creating platforms with a focus on inclusivity, diversity, and cultural sensitivity will ensure a welcoming experience for all investors

By focusing on these areas, investing platforms can effectively cater to the unique requirements of new investors, particularly those from underrepresented communities, and pave the way for their long-term success in the financial market.

Introduction

Investing in capital markets is one of the [pivotal avenues to wealth building in the United States](#). However, wealth disparities rooted in systemic racism and gender discrimination have created hurdles for individuals living on low and moderate incomes (LMI), with the [most significant impact on Black, Latinx, and women-led households](#).

Despite these barriers, new investment platforms have recently started to address some of the limitations to investing, including cost of entry, systemic exclusion based on race, income, gender, and unfavorable regulatory practices. The innovative nature of these new platforms enabled the development of user-friendly investing applications and the implementation of fee elimination for trading, both of which garnered substantial popularity between 2020 to 2022.

In March 2020, the emergence of the COVID-19 pandemic led to numerous limitations for societies worldwide, affecting different facets of life, including the global economy. During this period of economic uncertainty and market instability caused by the pandemic, there was a noteworthy surge in retail capital market investing. Notably, more women, as well as Black and Latinx communities, showed increased participation in this investment trend.

Through a nationwide original research study, in-depth interviews, and analysis, Commonwealth strove to understand the needs, wants, aspirations, and motivations of new investors, including their views about using investing as a viable opportunity for building wealth.

The outcomes of this research shaped our recommendations for enhancing access to investing. Furthermore, our study was centered around the following primary research objectives:

- **Investing Experience:** Research the new investor to understand their experience with investing, why they began investing during the pandemic, and the conditions that influenced them to begin investing during this time
- **Investor Needs:** Gather insights from the new investor experience to provide guidance on how providers can best meet new investors' needs and aspirations and increase their likelihood of success

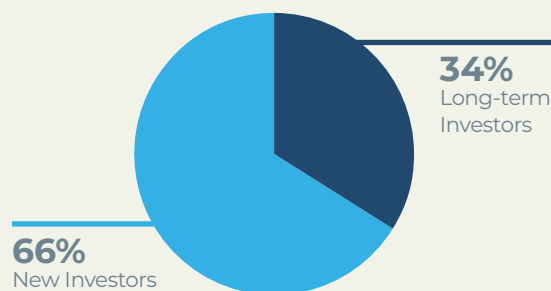


Survey Sample Demographics

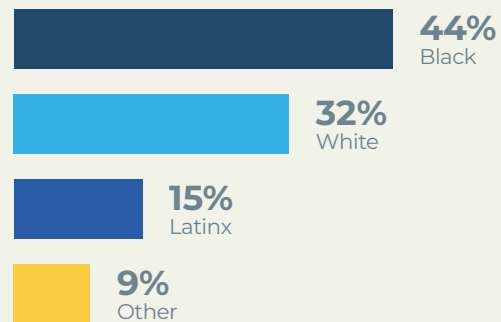
A total of 1,014 individuals participated in the national survey comprising both new investors (who started investing for the first time in 2020, 2021, or 2022) and long-term investors (who started investing in 2019 or previous years). An additional 15 new investors (comprising 10 women and 5 men; Black and/or Latinx) were part of the in-depth interviews. The survey also aimed to maintain an equal distribution of gender, income, and age across the respondent pool with oversampling for Black and Latinx respondents.

GENERAL

The respondents were categorized based on the year they started investing, with 34% of the surveyed population starting investing from 2019 and before (long-term investors) while 66% began their investing journey from 2020 to 2022 (new investors).



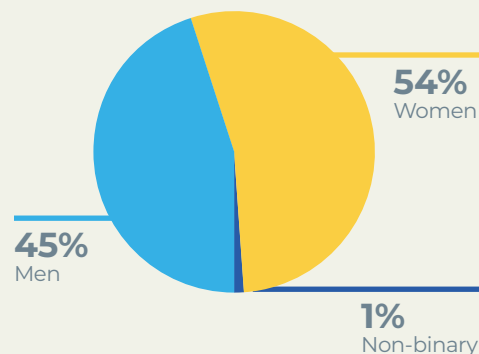
RACE



The high percentage of Black respondents of this sample is due to oversampling. We oversampled both Black and Latinx new investors in order to better understand their experiences as they typically represent a small portion of the total investing population.

GENDER

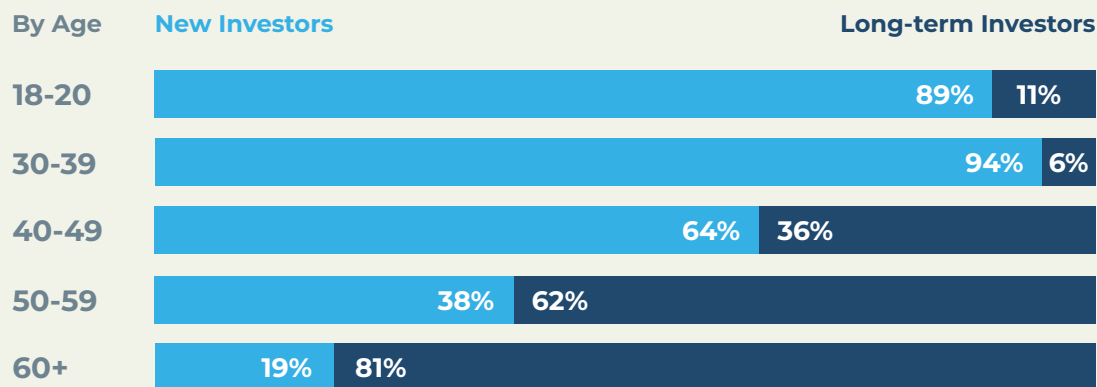
The survey had a nearly equal gender distribution, with new investors being 45% men, 54% women, and 1% non-binary.



AGE

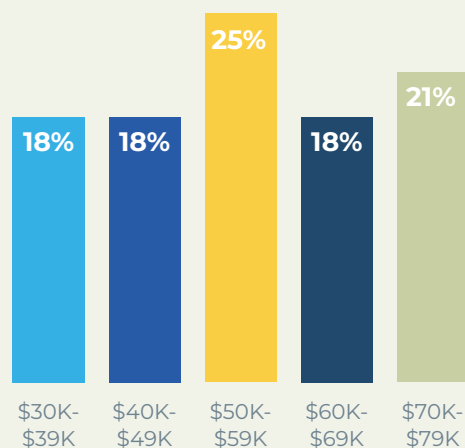
Among new investors, 45% fall within the age range of 18-29. This is a significant difference from the 11% of long-term investors who were 18-29 years old, which could indicate that a significant portion of young individuals are entering the investment sphere.

Data from FINRA Foundation in 2020 also shows new investors tend to be younger, however this finding can also be partially explained by the fact that older investors have more time to start investing earlier. This data provides insights into the age distribution of new investors, showcasing the diverse demographic landscape.



INCOME AND FINANCIAL WELL-BEING

Among new investors, the distribution of household income reveals some variations.



These findings illustrate the diverse financial backgrounds of investors, both overall and among new participants. Understanding the distribution of household income can provide valuable insights for investment platforms and financial institutions to tailor their offerings and services to the specific needs and goals of investors across different income ranges.

National Survey Findings

Investor Experience

The national survey and in-depth interviews uncovered motivations and key events that enabled people living on low and moderate incomes to become new investors.

Motivations

COMMUNITY

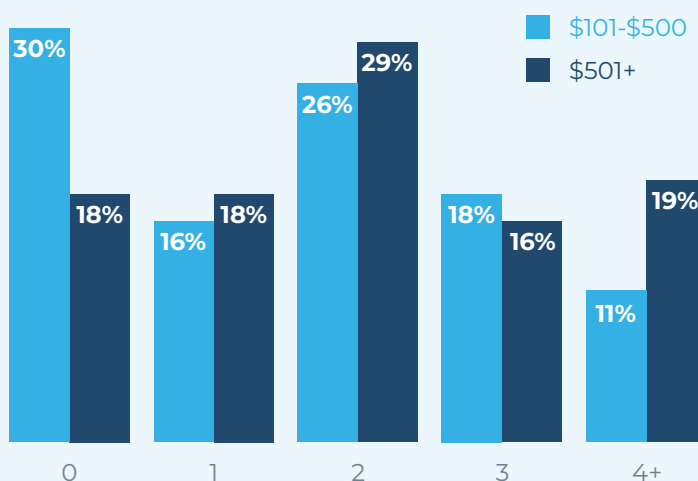
The top motivation for new investors was related to their social environment: more than 1 in 3 new investors stated that their top motivation to start investing was encouragement from another person in their social circle.

One new investor explained how her sister soothed her anxieties when she first began investing: “My sister, she helps me make decisions because I’m just like, oh my gosh, should we jump in on this? And my sister’s like, let’s just do it—stop your overthinking.”

A common theme found throughout the research was new investors crediting a trusted friend or family member in both motivating them to open investment accounts and also encouraging them to continue investing. On average, participants who invest reported a higher number of friends who also invest compared to participants who do not invest. In other words, the more people who invest that those earning LMI know, the likelier they are to also invest. Further, those who invest more than \$500 per year had, on average, a higher number of investors in their social circle compared to those who invested less per year.



Average Yearly Investment Amount by the Amount of Investors in Social Circle





Many new Black and Latinx investors expressed that they had to rely on new knowledge from their peers since many of them were first generation investors or grew up with the idea that investing was risky. One new investor describes her family's attitude toward investing: "The people... in my family are a bit older and are already skeptical of banks. Like my grandmother's convinced every time she goes to the bank they're robbing her. So I think... she would be like, no, I'm not [investing]."

TRUST

Other new investors still struggled with the idea of investing being linked to gambling or concerns about being scammed. One new investor shared her experiences: "I have a fear of losing money I worked hard for. Growing up in the U.S. and Ghana, I saw a lot of ponzi schemes." The fear of being scammed may come from the [historic precedence of the financial industry pushing predatory products to communities of color, including, most recently, new investors who are Black losing money after investing in cryptocurrencies](#).

These findings suggest that many new investors living on LMI, especially investors who are Black and Latinx, have ingrained biases against investing to overcome when they begin investing, and one of the most efficient ways to overcome this is to see others in their peer groups invest successfully.

Despite Black and Latinx new investors' concerns about scams and predatory financial products, cryptocurrencies were still listed as a top motivator for new investors. Nearly 1 in 5 survey respondents listed the value of Bitcoin rising as the top reason they started to invest. In 2021, Black Americans were more likely than their white counterparts [to own crypto](#), and a [2022 survey](#) found that Black investors were more than twice as likely as white investors to say cryptocurrency was their first investment (11% of Black investors compared to 4% of white investors), likely due to Black investors being heavily marketed to by cryptocurrency enthusiasts, [despite the lack of evidence that crypto outperforms other investing options](#).

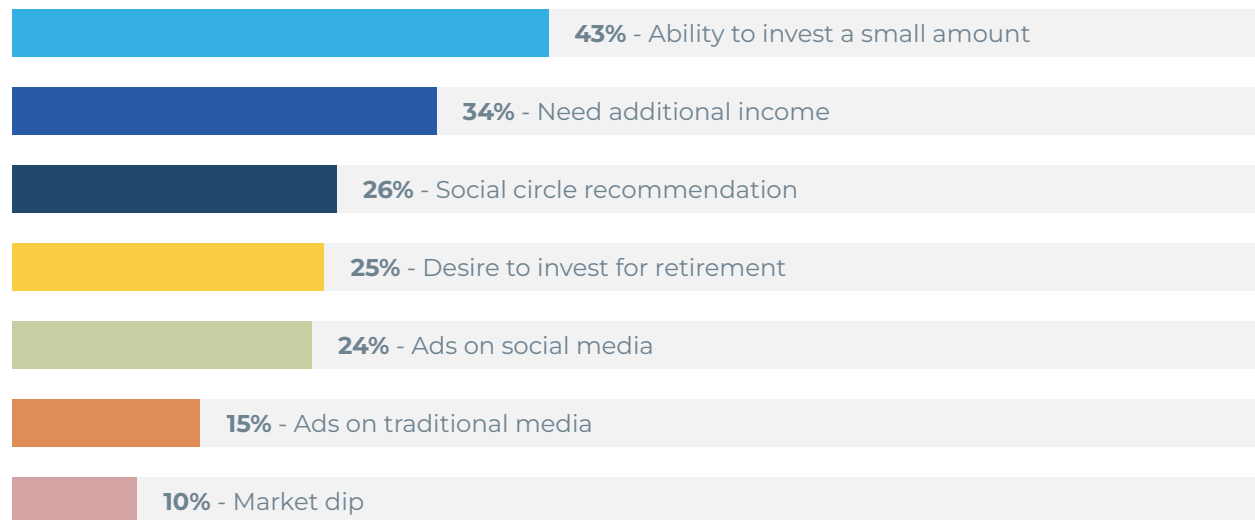
Using cryptocurrencies as a point of entry for Black investors could be problematic if expectations of the volatility of crypto are not realistic. An [Atlantic article](#) cited concerns that many Black crypto investors had begun investing in crypto after the value had begun to fall. Our research suggests, however, that crypto may have been the gateway for new Black and Latinx investors living on LMI, and then after educating themselves, many diversified their investment portfolios. Our survey found gender differences in cryptocurrency investments, with men significantly more likely to have reported starting to invest in crypto (45%) than women (35%), suggesting that crypto is a more attractive investment—or more marketed toward—men than for women.

STARTING SMALL

We also asked survey respondents about some key motivators that got them started on their investing journey. New investors noted that being able to invest a small amount of money when first starting out was important to them, with 43% of new investors stating that having the ability to invest with a small amount of money motivated them to invest for the first time, and 34% of new investors said a need for additional income motivated them to invest.

Additionally, women respondents were significantly more likely to report having the ability to invest a small amount of money (47%) as a motivation for starting to invest during COVID, compared to men (37%). This supports our previous pilot which showed that [80% of women agreed to the importance of seed funding as an important entry point for them to begin their investing journey and gain hands-on experience.](#)

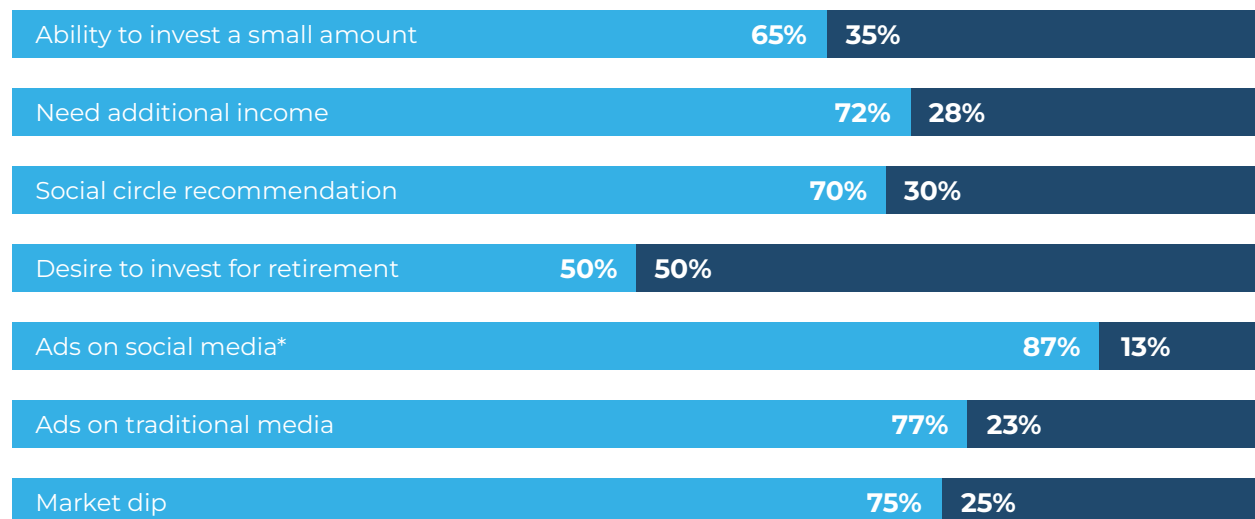
Motivations for New Investors to Start Investing



Motivations Selected by New and Long-term Investors

New Investors

Long-term Investors



*Significant difference $p < 0.001$

Furthermore, findings from our in-depth interviews support these results. One woman shared her logic when deciding how risky it was for her to start investing: “I wouldn’t be hurt if all of it [her investments] went away. Like, that’s the kind of ideology that I was going for. If I would be hurt, then I wouldn’t invest that much money.”

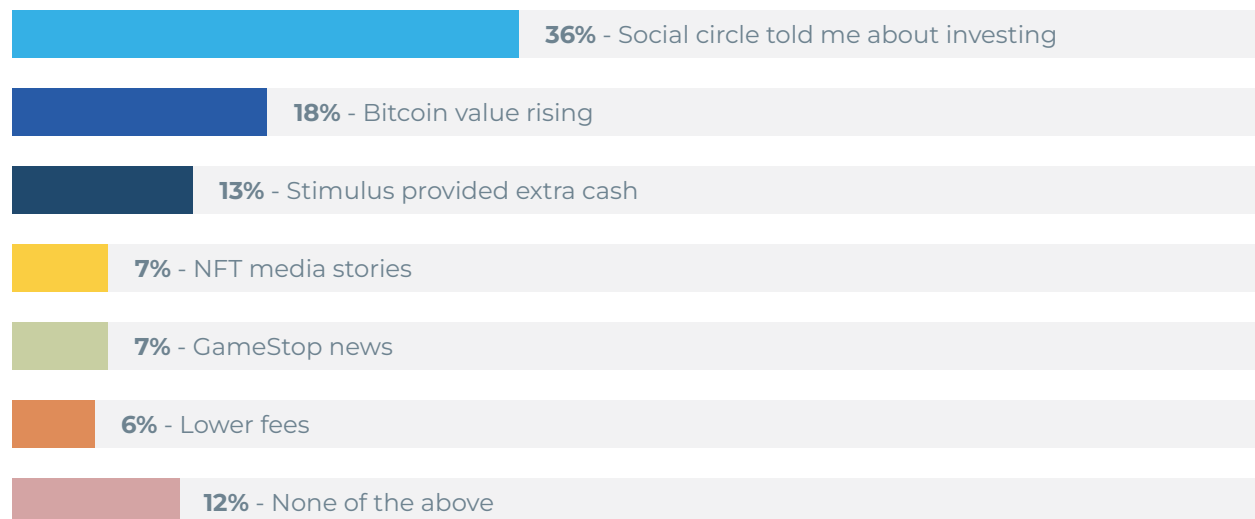
Another woman expressed wanting to invest, but needing to start small due to her financial situation: “I just opened [an] account and be like, okay, well, let me see what that does because I was a stay-at-home mom. So let me just put \$5, \$10 in there.”

Being able to start out investing small amounts of money allowed for new investors to not feel like they were taking on exorbitant amounts of risk, and helped them overcome some of their concerns about investing.

Events

We asked new investors about the events that had the largest impact on their decision to start their investing journey. The top three events selected by participants were “social circle,” “rising value of bitcoin,” and “COVID stimulus checks.”

Largest Impact on New Investors’ Decision to Invest



GENERATIONAL DIVIDES

Interestingly, among new investors, those who selected “none of the above” when asked why they began investing as opposed to the other options were about a decade older, on average, compared to people who selected one of the investing event options. This suggests a difference in motivations between generations, and future research will be needed to understand what motivates older individuals to start investing. Our survey also found that new investors were significantly more likely to report seeing ads on social media (24%) as a motivation for starting to invest than long-term investors (7%). This could be based on the younger age of new investors being [more likely to use social media](#) or the fact older long-term investors started investing before social media was popularized.

Investing Goals

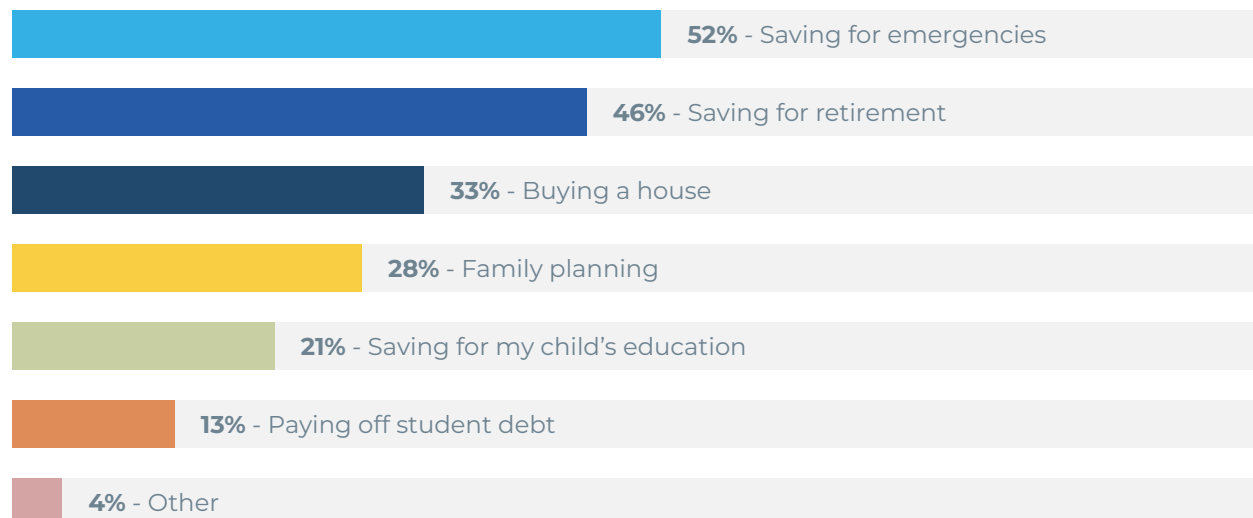
EMERGENCY SAVINGS

Our research uncovered different goals for new investors, with over half of respondents (52%) stating they started investing in order to save money for emergencies. One man explained that he was trying to make enough money to prepare for his newborn child. Others expressed interest in saving enough for a move, to buy a car, or for a down payment on a house. This investing goal may be due to the circumstances surrounding their personal experiences during the pandemic. Our previous research shows certain behaviors that were common to people who had emergency savings during the pandemic, compared to those who did not. For example, the [usage of credit cards as emergency savings was common during COVID-19](#), and more [people dug into their emergency savings to meet their needs](#).

RETIREMENT AND WEALTH BUILDING

Less than half of respondents (46%) said their investing goals included saving for retirement. People who endorsed retirement as a goal for starting investing during the pandemic were slightly older, on average, compared to people who did not have retirement as their goal to start investing (people in their 30s compared to people in their 20s), and this difference was statistically significant. The survey found that men are significantly more likely to report saving for retirement as an investing goal (55%) than women (39%); women reported paying off student debt more than men (18% to 8%).

Top Investing Goals for New Investors



Among the 15 investors in our in-depth interview, a significant portion had specific goals in mind for their investments. Four investors were primarily focused on building personal wealth, while an equal number mentioned retirement as a key investment objective. Three investors expressed a desire to build generational wealth for their children. Additionally, five investors aimed to enhance their investing skills, possibly indicating a desire for long-term success in the investment field. Lastly, three investors intended to utilize their investments to supplement their existing income.

One woman discussed her hopes for her investments in the future: "So hopefully there's a future there ... that could be something that could grow on and maybe long-term, eventually it would be applied. So it could be a future asset for me and my family."

Others had vague goals but knew that investing was an important path to building wealth: “Didn’t really have a goal, the main goal was to make money. I didn’t understand how it worked at first, but I knew that it was relatively safe and I could make money over the long term.”

New investors start investing for a range of reasons, and it is important to identify what their specific goals are in order to offer relevant information and guidance. It is difficult to find a “one-size-fits-all” approach to new investors. Through our [research](#), we identified the importance of providing easily accessible and relevant information for investors at different levels of their investing experiences. On average, new investors reported a confidence level of 3.5/5 that investing would help them reach their financial goals.

DIFFERENCES BETWEEN GENDERS

Also on average, women were less likely to report that investing would help them make money as compared to men, and this difference was statistically significant. This showed up in the interviews when women expressed never fully being able to trust the amount of money that’s been invested. One woman explained how she invests without counting on her investments: “I always tell myself that anything I put in the stock market could be gone tomorrow. My father-in-law, that happened to him back in 2008 when one of the crashes happened. So my thought process is if I put the \$12,000 in my passive income portfolio then I just block it out of my head and, you know, I can kiss it goodbye tomorrow.”

New investors who are women living on LMI may have different goals than men, and we found differences in goals for investing among age groups as well. Women are less likely to trust that their investments will make them more money, although the new investors living on LMI generally felt investing was a key pathway to wealth building. It is important to fully understand the goals of investors living on LMI in order to cater to this customer base in ways that will support them in meeting those goals, i.e., emergency savings paired with long-term wealth building.



Investor Identity

Although the new investors who participated in this study were actively investing and many had been for years, there was a split consensus on whether or not they considered themselves investors. Of the 15 participants interviewed, 12 people did consider themselves to be investors; however, many people cited arbitrary goals to reach before considering themselves investors. For example, one man stated, “To consider yourself an investor, 80% of the time you need to be investing.” He went on to say, “If I had a portfolio of at least \$5,000, I would consider myself a part-time investor.” When asked if she considered herself an investor, one woman spoke about other landmarks she needed to reach, saying, “maybe when I have one mil[lion] in stocks. Maybe if I take an accounting course. I may never feel 100% confident, no experience or knowledge in the field.” Whether feelings of not being an investor are linked to [impostor syndrome](#) or something else, these findings suggest that there is no one way to “be an investor,” and many new investors have varying ideas of what it could look like to be an investor.

According to our survey, a majority had the goal of saving for an emergency (52%) through investing, and 46% had the goal of saving for retirement. In order to meet these goals, new investors most often added funds to their investing accounts monthly (40%) or weekly (24%).

During our research, we also found those who considered themselves investors felt like they needed to justify why they felt they were investors. One woman stated, “maybe not an expert investor but [I] still consider myself an investor.” Another woman went back and forth about the investing views she had of herself, explaining: “I mean, I don’t know. Maybe that term just has such a fancy name to it. And even my dad who invests a lot of money—if he were here right now, I can’t speak for him, but I don’t think he would even consider himself an investor. I think it’s like a big word. I don’t know. I mean, I invest. Am I an investor? I don’t know. I mean, I do, so I guess I am, but I don’t look at myself as that. I think that’s just such a big word. So I don’t know. I don’t know how to answer that question. Maybe not. Maybe not. Yeah, no.”

Investing Behavior

ACTIONABLE KNOWLEDGE

The research found that new investors are looking for explanation and guidance, but are overwhelmed by complicated investing lingo and information overload, which lead them to delay taking action. The 15 in-depth interviews we conducted revealed where new investors looked for actionable information in the face of information overload. Out of those interviews, five people stated they get their investing information from YouTube, and 12 people looked to finance content creators across different platforms, including YouTube, Reddit, Instagram, and podcasters. Furthermore, 37% of respondents rely on friends and family for investing information, while 34% seek information from investing-related websites. Additionally, 29% of new investors utilize video sharing sites, and 26% turn to social media platforms for investment-related information. Interestingly, 69% of respondents express satisfaction with the investing information they receive.

The research revealed that a considerable portion of new investors relied on their social circles, investing websites, video sharing platforms, and social media for investment information. However, some respondents reported that not all information was credible, emphasizing the need to create investing resources that can support new investors on their journey. One new investor explained it like this: “Google is more reliable than social media. I know someone else who was investing around the same time, but didn’t want to get a financial advisor and ended up getting scammed for \$7,000. If you are using Instagram, people can be so convincing and you can lose everything.”



One new investor explained their experiences looking for resources when they began investing: “And so I began to watch a lot of those videos on YouTube, almost to the point where I got overwhelmed with information, you know. But, that was the biggest thing that I did next, was just start looking stuff up on Google and YouTube and stuff.”

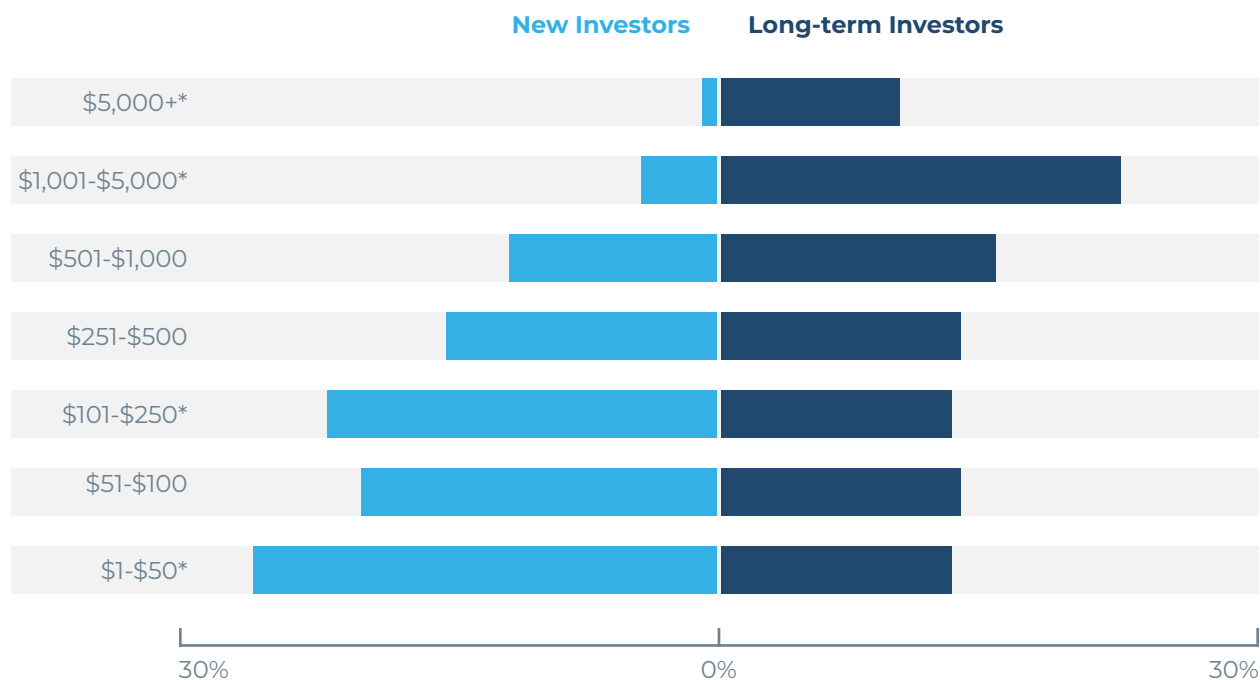
Another new investor echoed the idea of going online to search for investing content: “At times, I will just search up maybe random questions I have. Like, how do you use this or just ... stock information. I know there’s some blogs or personal websites where they just specifically talk about investor stuff. So I’ll look into that. But, you know, I also know in the back of my head, well, this may just be this person’s experience and it may not be, you know, the truth or 100% guaranteed for each person, so, sometimes I Google it, but not all the time.”

While internet searches play a significant role in helping new investors access actionable knowledge when they begin their investing journey, there’s a need for discernment, critically evaluating information, and complementing it with thorough research and analysis to make informed investment decisions. A key obstacle to investment, as highlighted in previous Commonwealth [research](#), is the limited availability of practical information, which prevents novice investors from gaining the necessary assurance and ease in navigating the investment procedure. This suggests a need for service providers to embed actionable knowledge through in-app educational content, and access to experienced investing mentors.

INVESTMENT AMOUNTS

Regarding investor behavior, we also found in the survey that there were significant differences between new investors and long-term investors when it came to their initial investment amounts. New investors were significantly more likely to start investing with \$1-\$50 and less likely to start investing with over \$1,001 when compared to long-term investors. This adds additional supporting evidence that the ability to invest a small amount of money or purchase fractional shares was a major motivator for new investors.

Initial Investment Amounts



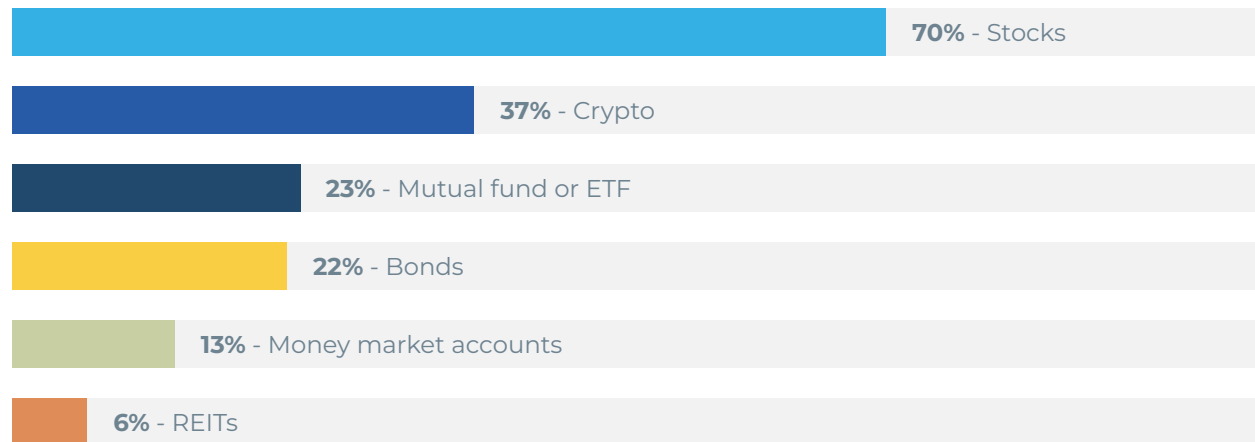
*Significant difference $p < 0.001$

Instruments and Platforms

Instruments

Our research reflected that the majority of new investors held individual stocks as their primary investment in non-retirement accounts, making it the most popular choice. Following closely behind, cryptocurrency was also a commonly held investment (see chart).

New Investors Product Usage



New investors, aiming to achieve their objectives, diversified their investments across various major categories, with stocks and crypto remaining the top preferences. Some of the primary goals for starting their investing journey varied, including saving for emergencies, buying a house, saving for retirement, family planning, and saving for their child's education.

Comparing Investments Based on Goals

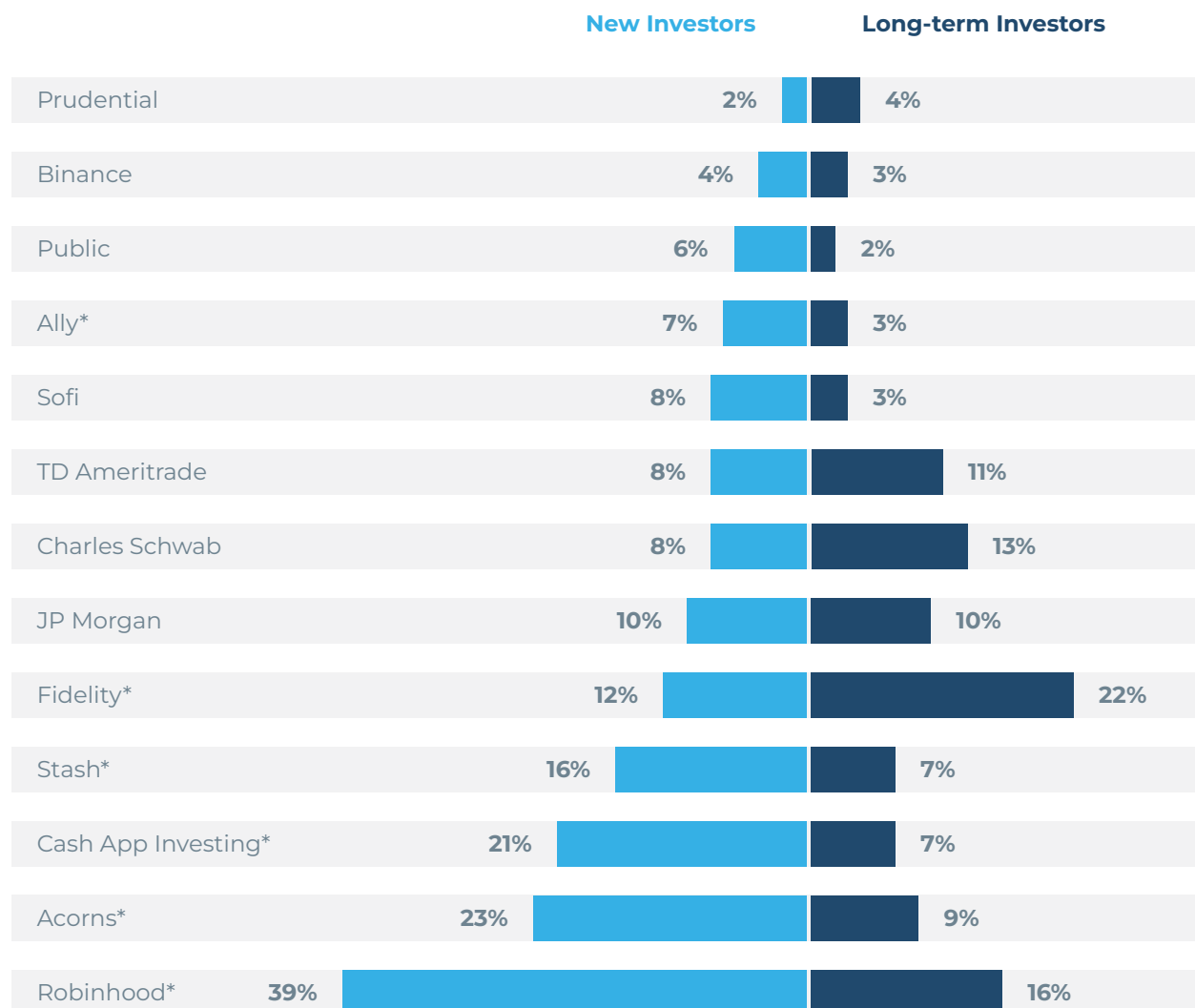
	Bonds	Stocks	Mutual Funds	REITs	Money Market Accounts	Crypto
Saving for retirement	22%	71%	30%	4%	12%	44%
Buying a house	20%	76%	21%	5%	9%	47%
Family planning	27%	71%	26%	8%	17%	44%
Saving for my child/ children's education	20%	70%	30%	6%	13%	39%
Saving for emergencies	20%	75%	23%	4%	8%	46%
Paying off student debt	25%	70%	19%	3%	9%	47%

Despite the interests in mostly stocks and crypto, some new investors who were interviewed, expressed interest in expanding into other instruments once they felt knowledgeable and financially able enough to do so. Five participants mentioned the desire to invest in mutual funds or ETFs. Five of the participants also expressed their desire to invest in real estate.

Platforms

As for the platforms that new investors are using, the vast majority of new investors reported using Robinhood to invest, followed closely by Cash App investing and Acorns. These app-based platforms may be less intimidating to new users and more accessible for a diverse audience than a traditional brokerage like Fidelity or Charles Schwab, which were the top two platforms for long-term investors.

Investing Platform Currently Using

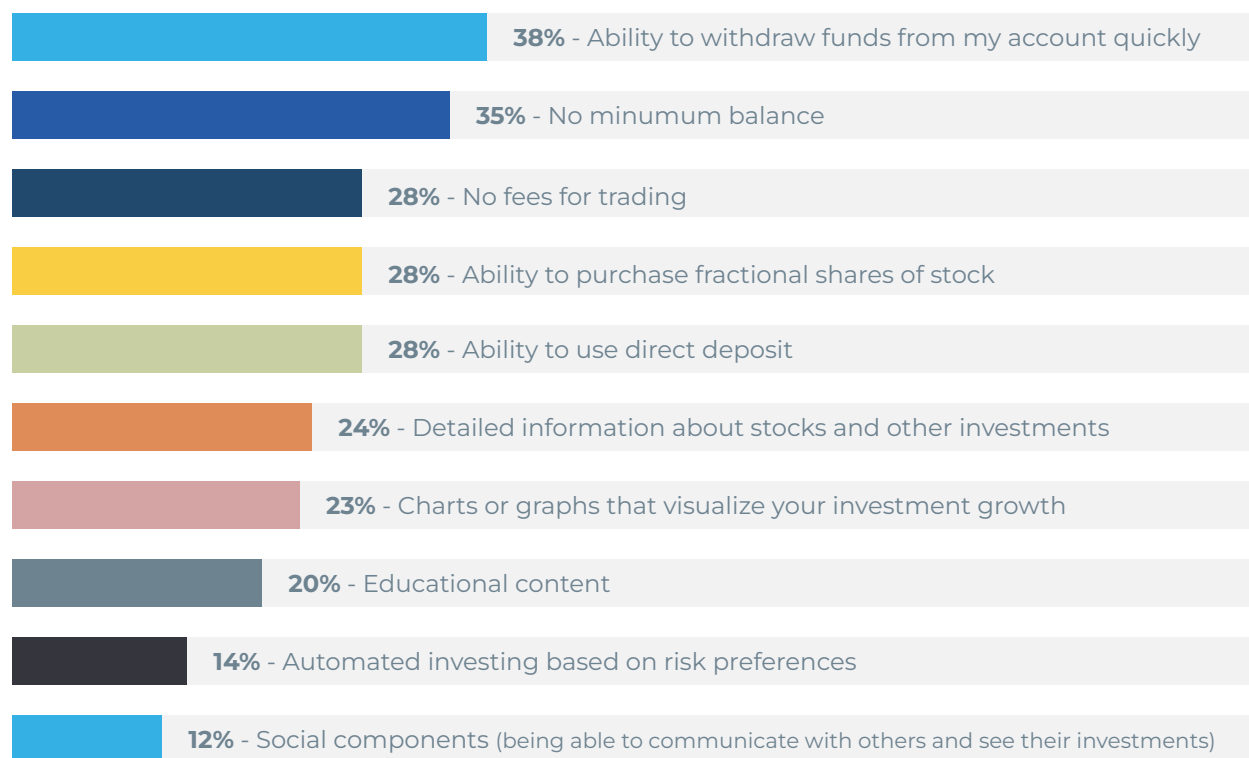


*Significant difference between new and long-term investors

When asked about the product features in the platforms they've used, participants identified their top three features as:

- Having the ability to withdraw money quickly;
- No minimum balance requirements; and
- No fees on trading.

New Investors' Preferred Features of Current Investing Platform





Based on these features, it's clear that investors (both new and long-term) are focused primarily on the direct financial benefits that a platform offers. This is in line with [previous Commonwealth research where we created a framework for inclusive investing](#) detailing the main barriers to investing. In this work, we found that the preliminary barrier for investors was access to resources. Therefore, investors picking features that best support their ability to maintain resources is consistent with overcoming the main barrier holding others back. [Consistent with our research on intentionally designing products that meet the needs of users](#), new investors expressed that user experience was the main reason for choosing their investing platforms. Our research and real-world field testing shows that there is an opportunity for product designers to provide positive experiences for underserved customers and increase engagement through human-centered, inclusive design. The majority of retail investing apps that have been released in the last decade are particularly focused on accessibility compared to the older designs from traditional brokerages. Additionally, a majority of them have low or no commission fees on trading, which is clearly relevant to the decision-making of new investors when choosing a platform.

Barriers to Investing

Survey respondents mentioned several limitations they encountered during their investing journey. These barriers include perceived risk, financial constraints, limited access to information, high stress levels, concerns about data security, and a lack of trust in investing platforms.

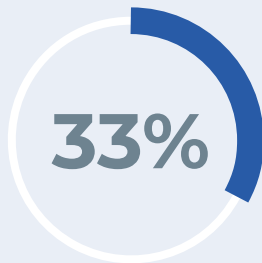
The top barriers recognized include:



INVESTING IS TOO RISKY

Many individuals perceive investing as inherently risky, leading to apprehension and hesitancy when considering investment opportunities.

One respondent shared: "I noticed that the more interesting stocks were more expensive. And at the time of the pandemic, money was very tight for everyone, so it was, kind of, risky to just start throwing hundreds of dollars at Amazon and things like that."

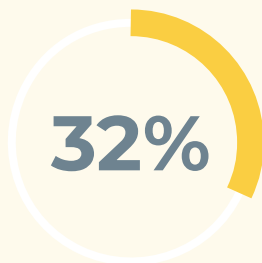


INSUFFICIENT FUNDS

Limited financial resources pose a significant obstacle for [women and people of color who may have lower income levels](#) or face systemic economic disparities, making it difficult to allocate funds for investments.

One investor explained her financial situation: “The capital to even start investing was a big barrier because... having to meet monthly bills, and, I just have this small amount of money, but I want to invest too. And so I can’t really lock anything down for a long time because I still got to pay bills every month too.”

Another investor simply stated: “I can’t really afford extra money being taken out of my paycheck.”



LACK OF PUBLIC INFORMATION

Inadequate access to comprehensive and easily understandable information about investing creates a knowledge gap, hindering informed decision-making. This reinforces the fact that new investors need sources of financial information designed for their needs and relevant to their unique circumstances. In addition, [incorporating learning opportunities into the investing experience helps users to learn by doing](#).

One investor explained her frustrations with a lack of information further: “I’m trying to figure out what a Roth IRA is and how to like, when you’re taking money from your retirement accounts or you want to open up a CD, like, what is that? When I hear the word CD, I think an actual CD, not like some financial thing, like all this language. There’s so much language and no one’s sitting there trying to explain it.”

Another explained it like this: “The lack of knowledge in the education of where to start, how much to invest and then where to go from there, do I have to sit and watch it every day? Am I going to lose money?”


22%

HIGH STRESS

The complexity and uncertainty associated with investing can induce stress and anxiety, particularly among individuals with less investing experience.

One investor shared her stresses with investing: “So it seems very scary and very unattainable because you don’t understand what you’re doing. I don’t know about anybody else, but I know I don’t have a lot of money to put into the ether and hope for the best. For anything I’m doing when it comes to my finances, I want to fully understand it before I fully throw my finances behind it.”

Another participant shared her stressed outside of investing: “The barriers that I faced was just life itself. Like, you know, just every day going to work, coming home, dealing with stuff, paying bills, school loans, I have a lot.


21%

WORRIES OF DATA SECURITY

Concerns regarding the protection of personal and financial data can deter potential investors, especially in an era marked by frequent data breaches and privacy issues.

One investor shared concerns about a popular retail investing app: “I did hear something about [platform], where they said that, I don’t know if they stole money or pulled money from someone or a couple people when they were investing into a particular stock. I found that to be a little bit sketchy. And I remember at some point, I thought [about] pulling most of my money out, but at the time, it wasn’t, like, a huge stock.”

Another explained concerns when reading platform reviews: “There were so many bad reviews, so once I first got the app, I didn’t know enough. And I was kind of scared because I would hear, like, a lot of bad views.”

**22%**

LACK OF TRUST IN INVESTING PLATFORMS

Some people harbor a lack of trust in investing platforms, which may be rooted in historical biases, perceived biases, or a lack of representation in the industry.

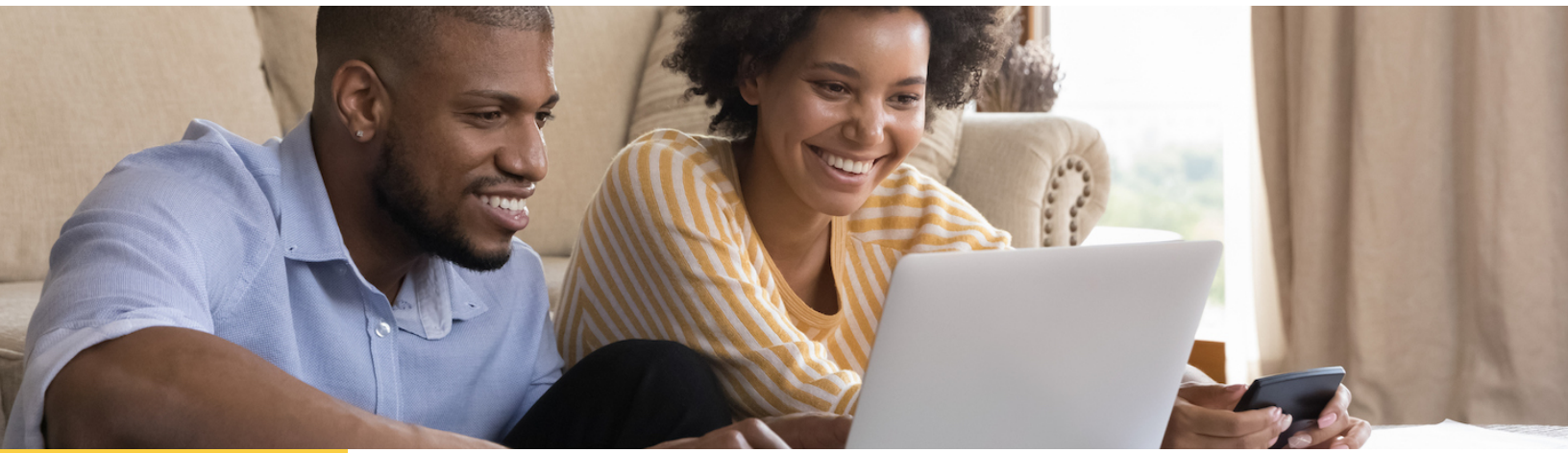
One participant explained her lack of trust: “Where the money was going, how it was getting there, what would happen to it, why [does] it go up and down each day, what are the factors that affect it? It’s like, I know it goes up and down everyday, but what are the exact factors that affect it and, like, what do all those men on the trading floor do? Like, I have no idea. They could be sitting there just doing a crossword puzzle. I have no clue.”

One participant explained: “Like I’d want to have full transparency, full faith, than what I’m investing in. And I’ve kind of like putting my money behind companies that represent the same type of ideals as myself.”

Another participant stated: “It just seems kinda woo-y or fiction-y, I don’t know. It’s like a different world. I know I’ve got to get with the times, right, but I don’t understand it quite yet.”

We examined whether each of these barriers differed by gender and race. There was a statistically significant difference in trust such that women were more likely to report lack of trust compared to men. Of new investors, 31% of women indicated a lack of trust in investing platforms as a barrier they have faced, compared to 18% of men. The significant relationship between gender and lack of trust in investing platforms emphasizes the need for greater inclusivity, transparency, and representation within the investment industry. There were no other statistically significant differences when comparing barriers by race and gender.





Key Insights

A number of key insights relevant to investors' experiences emerged from this survey, including:

THE INFLUENCE OF SOCIAL CONNECTIONS AND ENGAGEMENTS IS CRUCIAL IN SHAPING THE DECISION TO START AND SUSTAIN INVESTMENT ACTIVITIES.

New investors mentioned that their family, friends, and colleagues had the largest impact on their decision to start investing. Many new Black and Latinx investors mentioned that they relied on information from their peers during their investing journey. This highlights the importance of peer support and shared experiences in empowering and guiding individuals from these communities towards successful investing.



"I have a friend who is the one that coached me through all the investing apps. He taught me everything there is to know and there was no stupid question with him... He's also Latino. I felt comfortable with him. He's around my age, and anything I would ask, he was like, 'Oh, I got you.'"

- Survey Respondent

THE OPPORTUNITY TO INVEST SMALL AMOUNTS OF MONEY EMERGED AS A SIGNIFICANT MOTIVATING FACTOR FOR INVESTORS.

In our study, 43% of new investors reported that having the ability to invest with a small amount of money motivated them to invest for the first time. Also, 60% of respondents said the ability to invest small amounts had the biggest influence on their decision to use their current investing platform. Furthermore, fractional shares played a crucial role in reducing the entry barrier for investors with limited capital, as they were able to invest in portions of a stock rather than having to buy a full share.

“If there was a fee, I would not do it. I don’t want to pay something to do it. This was something I was doing more of as a learning concept, in an experiment. **If there was a fee, as soon as anything has a fee in life, I’m immediately like, ‘I don’t want to deal with it.’**”

- Survey Respondent



SEED FUNDING ACTS AS A CATALYST FOR BROADER MARKET PARTICIPATION BY PROVIDING INDIVIDUALS WITH THE OPPORTUNITY TO GAIN PRACTICAL KNOWLEDGE BEFORE INVESTING THEIR OWN FUNDS.

Our study showed that insufficient funds was a major barrier to investing, especially for Black, Latinx and women investors who may have lower income levels or face systemic economic disparities, making it difficult to allocate funds for investments. During the pandemic, stimulus checks provided relief for people living in the U.S., reducing financial hardships. For some new investors, these checks presented an opportunity to embark on their investing journey, gaining practical knowledge through hands-on experience. Therefore, seed funding has the potential to attract a broader range of individuals who may have been previously excluded from investing due to financial constraints.



“I saw a lot of different sign-up offers that gave an opportunity to deposit a certain amount and you get a certain amount of free shares. So, I was like, “why don’t I just try some of these out, and see which apps work the best, and try to take advantage of the opportunity”—especially when we got free money from the government. I was like, okay, I’ll pay off my bills with a certain chunk, and **take advantage of this time** where stuff is dropping, and now all these brokerages got rid of commissions. So it was like, oh, this seems like **now it’s accessible to try out**, as opposed to thinking I’m going to lose half of my money on it anyway. I’m just going to stay away from it until I have more money.”

- Survey Respondent

THE KNOWLEDGE GAP IS A LIMITING FACTOR FOR NEW INVESTORS IN THEIR PURSUIT OF INVESTING.

Many new investors seek explanations and guidance, but they often feel overwhelmed by complex jargon and an overload of information. As a result, they may delay taking action in their investment journey or resort to resources that may not be valuable to their current journey.

When asked about resources used to start investing, one respondent said:

“So I would mainly say this was the beginning—YouTube and the library. Just Googling really. Because there was no one in my life that I could talk to. And it’s [investing] also kind of a taboo I feel to speak about. I don’t really hear it in regular conversation. Maybe it’s the people I’m around. But, I’m sure if I was in higher class circles like the golf course maybe it would be a more common space, conversation topic. **But amongst teachers and my circles, there is not a lot of stock conversation.**”

- Survey Respondent

**When discussing the lack of communication and shared knowledge:**

“It seems like such a club you’re invited to. Like, you could join, **but all the secrets are behind the club, so you don’t know about it and no one is sitting there just willing to explain it.**”

- Survey Respondent

USER EXPERIENCE WAS DIRECTLY CONNECTED TO RETENTION ON INVESTING PLATFORMS.

Respondents mentioned specific features on platforms that made their investing experience easy. The majority (71%) expressed their satisfaction with the easy user interface and overall user experience. A significant portion of new investors (51%) appreciated platforms' low fees, which allowed them to invest without incurring excessive costs. Furthermore, the availability of reliable customer service was another notable feature, with 32% of new investors valuing the platform's prompt and helpful support in addressing their queries and concerns.

"So if I look at [my retail investing app], **the best thing is the user interface**. It makes it very aesthetically pleasing and easy to pick stocks, pick through options, and everything."

- Survey Respondent



Areas of Opportunity

The findings of this study offer insights into the investing experience of new investors, ranging from their motivations, behaviors, barriers, and the resources that were valuable to them. Furthermore, these insights provide a firm foundation that investing platforms can leverage to meet the needs and aspirations of new investors, while increasing their likelihood of success. Expanding on these results, we propose seven areas of opportunity for platforms to provide solutions that address the pain points of new investors, particularly Black and Latinx investors.



SOCIAL INVESTING AND COMMUNITY ENGAGEMENT

New investors are highly influenced by people in their social circles—family, friends, and coworkers. Integrating community engagement opportunities into investing platforms enhances feelings of comfort and inclusion, and accelerates access to investing resources. For Black and Latinx investors, this means accessibility to everyone regardless of their level of capital or investor status. [Our research reinforces the notion that incorporating social activities into investing](#) (such as community groups and financial advisors), establishes valuable interactions amongst new and long-term investors, while laying a solid foundation for them to gain practical knowledge.

SMALL INVESTING AMOUNTS AND FRACTIONAL SHARES

A significant factor that motivated many new investors to start investing during the pandemic was the opportunity to invest small amounts of money. This accessibility has presented a fresh perspective on wealth-building possibilities for first-time investors. In addition, traditional investing platforms may find that having a two-pronged approach of no account minimums and offering fractional shares will allow a new wave of investors who previously felt excluded to build a diversified portfolio of stocks, develop investor identity, and enable a broader range of individuals to participate. [The importance of fractional shares lies in the fact that they lower the barrier to entry for investors who may not have sufficient capital to buy a full share of a particular stock.](#)





SEED FUNDING

Seed funding has proven to serve as a [catalyst for broader market participation](#) by offering individuals the chance to develop actionable knowledge before investing their own funds. During the pandemic, stimulus checks served as an avenue to substantially reduce hardship for people living in the U.S. For some new investors, this was an opportunity to start their investing journey while learning through hands-on experience, enabling them to develop a deeper understanding of investment concepts, strategies, and risk management. Moreover, seed funding has the potential to attract a wider range of individuals who may have previously been excluded from investing due to financial constraints.

USER EXPERIENCE

In this study, 71% of respondents said that the main reason they stayed on certain apps was because of the easy user experience—from the interface, features, to the ease of entry. To ensure inclusivity in investing, it is crucial for platforms to understand the needs and desires of new investors. Adopting a human-centered design methodology not only enhances the user experience but also facilitates the provision of accessible resources that empower first-time investors with actionable knowledge.

Additionally, [adopting a human-centered design approach](#) enables investment platforms to become more user-friendly and intuitive, thereby removing barriers and enhancing accessibility for all individuals, including those with limited financial means. This focus on usability ultimately encourages greater engagement, confidence, and informed decision-making among novice investors.



CONNECTING SAVINGS AND INVESTMENTS

With 46% of individuals who discontinued investing having to liquidate their investments due to emergencies, it becomes evident that lacking sufficient savings can undermine investment stability. Promoting the significance of savings in conjunction with investing encourages individuals to adopt a holistic approach to their financial well-being.

When asked if she felt financially secure during the pandemic, one of the respondents in an interview said, “Yes, had savings, lost my job during pandemic, but I didn’t feel the impact because of the cushion.”

Incorporating a savings feature to an investing platform, will enable new investors to strike a balance between short-term liquidity needs and long-term investment growth. By [emphasizing the need for savings as a foundation for financial security](#), individuals can position themselves more confidently as investors, knowing that they have a solid financial base to rely on during times of uncertainty.

INVESTING CONTENT & ACTIONABLE KNOWLEDGE

Based on the information gathered, there seem to be two directions providers could take to disseminate information to new investors.

- **Create digital content that is curated for new investors living on LMI on social media**

Meeting investors where they are at can make adoption of provider's content as a primary source of actionable information more likely; however, the financial information space on social media is highly saturated so it would take some effort to create engaging, useful, and effective content.

- **Increase advisory efforts**

By having advisors interact with potential investors more, providers would be able to provide information most effectively while building trust and confidence that can translate into investors taking action. This, of course, would require more individual labor, so finding influencers or another model for kickstarting one-on-one conversations would make this route more cost effective.



INCLUSIVE DESIGN AND ENGAGEMENT

For wealth to be possible for everyone, it is vital for financial providers to design products, platforms, and initiatives with their target audience in mind. Through [our research](#), we have discovered that engaging the target audience in design and testing creates an avenue to learn about their lived experiences, make products that are inclusive, and create opportunities for people traditionally left out of the financial system.

Conclusion

Building wealth through investing has become a crucial avenue for long-term financial security in America. However, it is imperative to acknowledge the existing disparities, while working towards ensuring that this pathway is open and accessible to all individuals. Despite the enduring influence of social and economic inequalities on the investing landscape, events during the COVID-19 pandemic period revealed promising signs of interest amongst new investors, and a corresponding response from some investing platforms.

The findings of this study shed light on the experiences of new investors during the COVID-19 pandemic, encompassing their motivations, behaviors, encountered barriers, and the resources that proved valuable to them. The significant influence of social circles, including family, friends, and coworkers, on the investment decisions of new investors, emerges as a powerful strategy to foster feelings of comfort, inclusion, and expedite access to vital investing resources. By embracing these findings, investing platforms can create an environment that nurtures a sense of belonging, facilitates collaborative learning, and empowers individuals to embark on their investment journeys with confidence.

Furthermore, reducing barriers to entry through a combination of low fees, fractional shares, seed funding, excellent user experience, and investing resources play a crucial role in ensuring accessibility for new investors. This level of accessibility promotes financial inclusivity, empowers investors to diversify their portfolios, and expands opportunities for individuals from various socioeconomic backgrounds to participate in the stock market and pursue their short and long term financial goals.

Commonwealth continues to conduct research to understand the experiences of investors living on LMI. Check our website for [new research](#) or sign up for [our newsletter](#).





commonwealth

BUILDCOMMONWEALTH.ORG

22 BATTERYMARCH ST., SUITE 501

BOSTON, MA 02109