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Investors Tend to be Middle-aged with Moderate Income and Assets, Have Long-term Financial Goals, 'Buy-and-Hold' Portfolio Strategy

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New York, October 21, 1999 - An estimated 49.2 million US households, or 48.2 percent, own equities either in mutual funds or individually. Thirty-two percent own equities through employer-sponsored retirement plans and 36 percent own equities outside such plans, according to a report released today by the Securities Industry Association (SIA) and the Investment Company Institute (ICI).

"Equity owners are seasoned investors with long-term investment goals," said Matthew P. Fink, president of the Investment Company Institute. "Investors are demonstrating that they understand the key elements of investing and the importance of saving for retirement."

"Wall Street has come to Main Street," said Marc E. Lackritz, president of the Securities Industry Association. "Nearly one-in-two households own equities today and the vast majority of these investors have a 'buy-and-hold' investment strategy."

A total of 4,842 interviews were conducted in January and February 1999 with decisionmakers most knowledgeable about investments in equity-owning households. Boston Research Group conducted the survey for ICI and SIA.

Among the survey's findings:

Equity owners tend to be middle-aged with moderate income and assets. The typical equity owner is 47 years old, has household income of $60,000, and household financial assets of $85,000. Most equity owners are married, employed, and college graduates. Eighty percent are covered by employer-sponsored retirement plans, and 53 percent have Individual Retirement Accounts (IRAs).

Individual stock investors and mutual fund shareholders usually own more than one stock or fund. Fifty-nine percent of individual stock investors own stock in three or more companies; 63 percent of stock mutual fund shareholders own three or more stock mutual funds.

In most equity-owning households, investment decisions are a shared responsibility. Fifty-four percent of equity-owning households have co-decisionmakers.

Use of Internet to conduct equity transactions is still in its infancy. Only 11 percent of equity buyers or sellers executed a trade over the Internet in 1998. Internet transactors tend to be high-volume traders. For example, the median number of individual stock transactions conducted by Internet transactors was 10, whereas the median number of individual stock transactions undertaken by those using conventional trading methods was one.

Most equity owners are seasoned investors. Fifty-four percent purchased their first equity before 1990, and 28 percent made their first purchase between 1990 and 1995. Only 18 percent made their first equity investment after 1995.

Nearly half of all equity owners are Baby Boomers. Nineteen percent of equity owners are members of Generation X (age 19 to 35 at the time of the survey), 48 percent are Baby Boomers (age 36 to 54), 28 percent are from the Silent Generation (age 55 to 74) and 5 percent are members of the GI generation (age 75 or older).

Generation X equity owners typically allocate a larger portion of their financial portfolios to equities than do older generations. Generation X equity owners have a more aggressive investment approach than older generations. They hold 80 percent of their household assets in equities, compared with 57 percent for the Baby Boom Generation equity investors; 43 percent for the Silent Generation equity investors and 37 percent for the GI Generation equity investors.

The majority of equity owners seek investment advice from financial services professionals. Although 64 percent said they rely on professional financial advisers when making equity purchases and sales decisions, 75 percent of investors closely follow the value of their investments.

Investors’ first equity purchase was usually a stock mutual fund. Fifty-nine percent of equity owners initially bought a stock mutual fund, 31 percent purchased individual stock, and 10 percent bought both.

Most investors reinvest the proceeds from their individual stock and stock mutual fund sales.

- Eighty-six percent of individual stock sellers reinvested some or all proceeds from their most recent individual stock sale. Seventy-six percent of these investors used the proceeds to reinvest in other individual stocks, 22 percent in stock mutual funds, and the remaining 22 percent in another type of investment.
- Seventy-four percent of stock mutual fund sellers reinvested some or all of their stock mutual fund sale proceeds. Seventy-five percent of these investors used proceeds to reinvest in other stock mutual funds, 34 percent in individual stocks, and 19 percent in other types of investments.
