



The retail investor boom

January 2021



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Britain is in the midst of a retail investor boom.

First time investors are taking to equities, perhaps like never before. Wealth managers and investment platforms have seen account openings and assets under management leap during the coronavirus pandemic.



An estimate of more than 400,000 new retail investment platform account openings – some £20 billion worth of business, occurred in 2020.

The principal beneficiaries were Hargreaves Lansdown, AJ Bell, IG and Interactive Investors. Between March 23, when the FTSE 100 hit a low of 4999, and December 3, it rose 1500 points.

That is a £440 billion rise in shareholder value. Since then, markets have kept going – a £500 billion boom. At the time of writing, the FTSE 100 is at 6667. But who are the new generation of investors?

Findoutnow.co.uk set out to discover, by asking over 10,000 unique panel respondents insightful questions.

Corporates, policy makers and regulators are behind the curve.

First time investors have a higher risk appetite than established investors and are an important source of growth capital for companies. But they may be attracted to unsuitable, speculative investments.



According to the Primary Bid platform, retail investors subscribed to an astonishing 57 capital raises in the last year, with the highest demand for healthcare issues. ShareSoc claims that during March and April, 20% of the trading volume in the FTSE All Share index came from retail shareholders – of which 60% were buy orders.

However, retail investors are often an afterthought in capital raises with the

regulatory environment an impediment to wider participation.

The new generation of investors' risk appetite can veer into speculation. They are more likely to get investment ideas from social media and to buy individual shares rather than funds which provide diversification. A new phenomenon is so-called "meme investing" following fashionable ideas promoted on social media.

Key findings

- Younger people make up the bulk of the new investors
- The newcomers are twice as likely as established investors to have been furloughed
- The most common reason for not investing is lack of knowledge, rather than lack of money
- Investors have a slight pessimistic outlook on UK's economy post-Brexit.

Retail investors profile at-a-glance

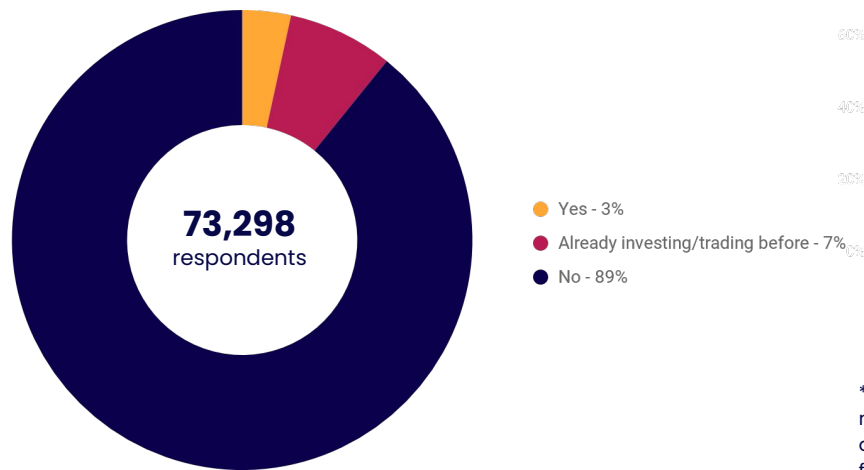
In the UK, the proportion of new investors, established investors and non-investors is 4.8%, 7.7% and 87.5% respectively.

	New investors	Established investors	Control Group
Male	59%	70%	49%
Average Age	37	48	47
Married	26%	46%	40%
Home owner without mortgage	13%	34%	23%
Twitter use for news source	14%	12%	9%

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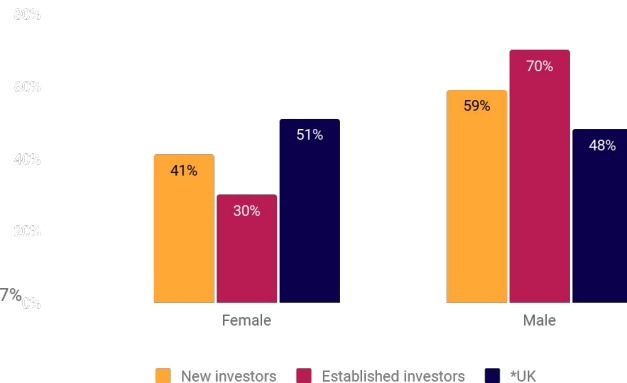
We asked our panel:

Have you started investing/trading in the financial markets since the pandemic?



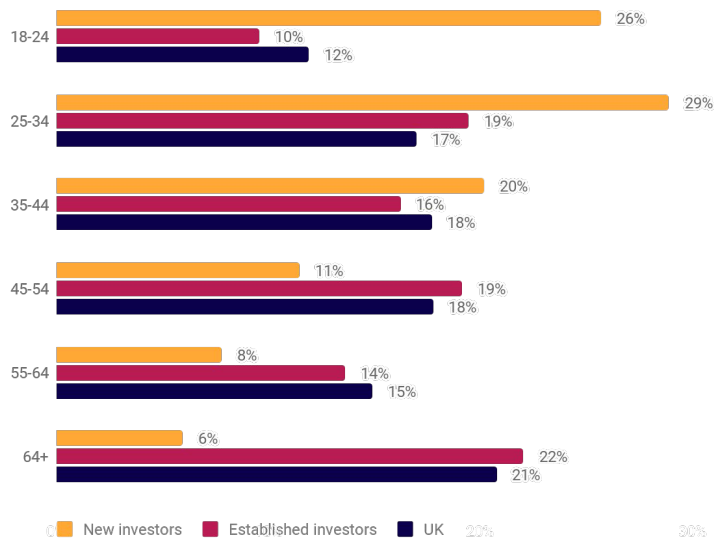
What is your gender?

Investors are predominantly male, but with a slight rise in new female investors.



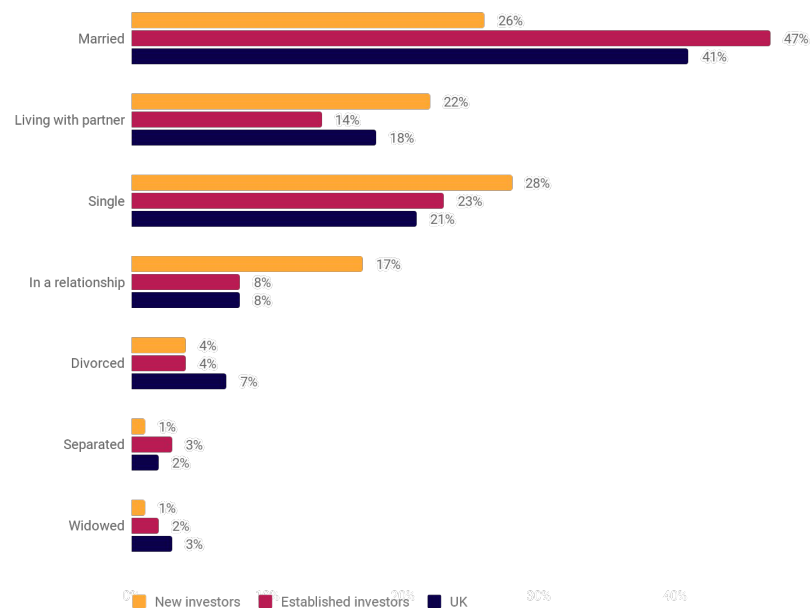
*To account for the natural skew in the raw data, chart data is adjusted to be nationally representative with respect to age, gender, socio-economic group and UK region. The UK segment is a control group that serves as a benchmark for comparison and is representative of the UK population.

What year were you born?



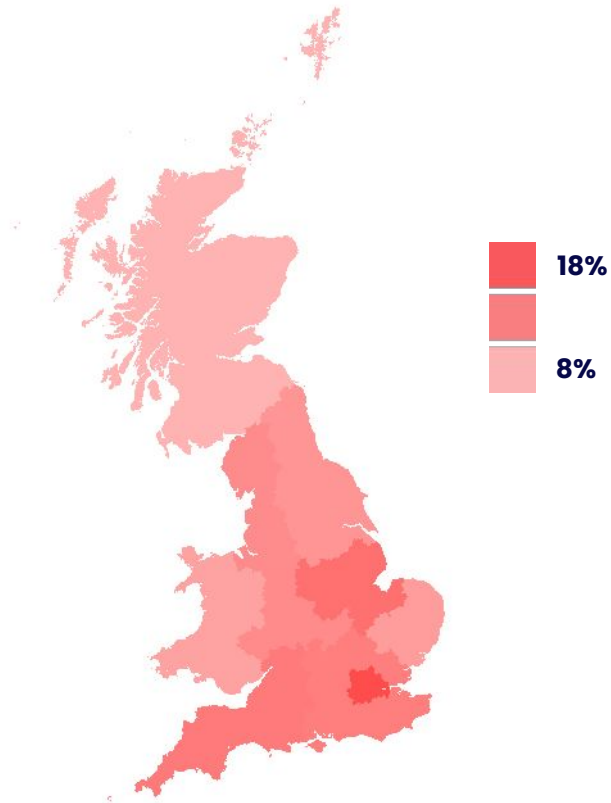
New investors are young, with a large skew towards <44 of age compared to established investors.

What is your current relationship status?



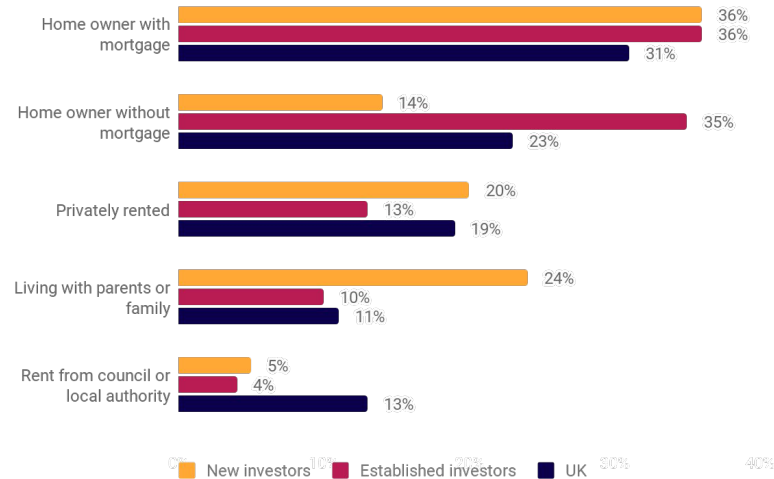
Established investors are more likely to be married.

Investor profile | Geographical distribution



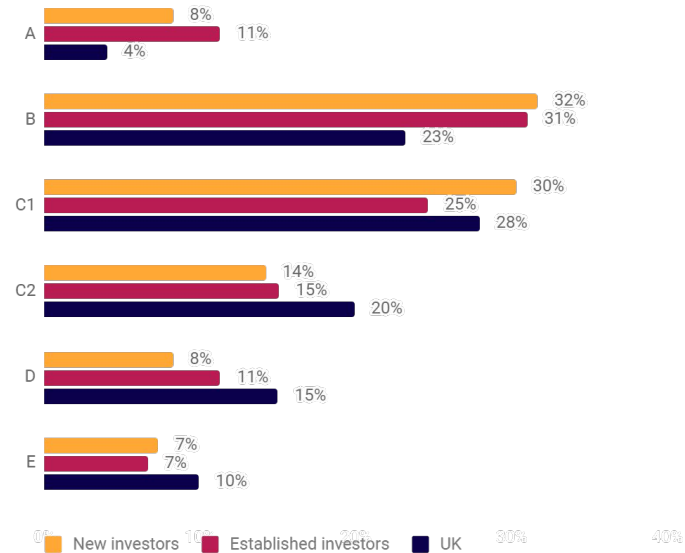
London has the highest percentage of investors per capita, established or otherwise.

Which of the following best describes your living arrangements?



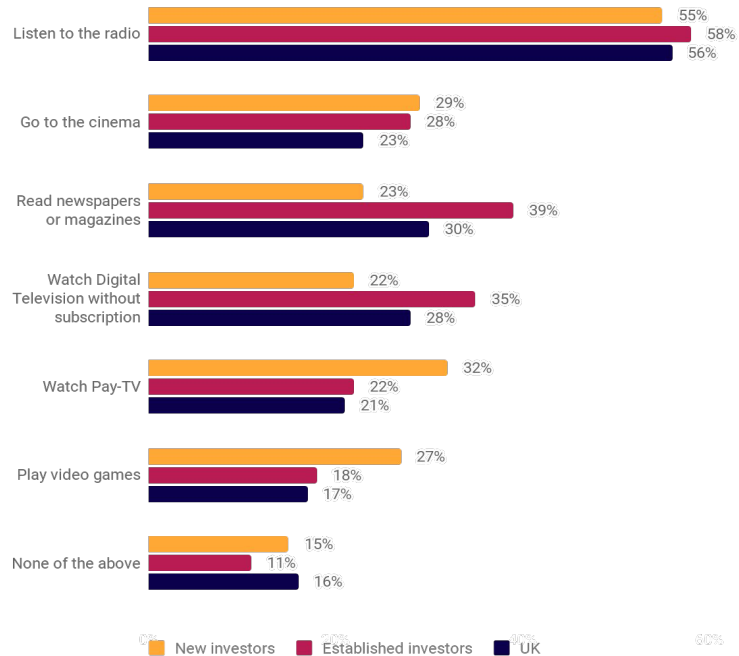
Established investors are more likely to be homeowners without mortgages

What kind of job does/did the main income earner in your household/family unit do?



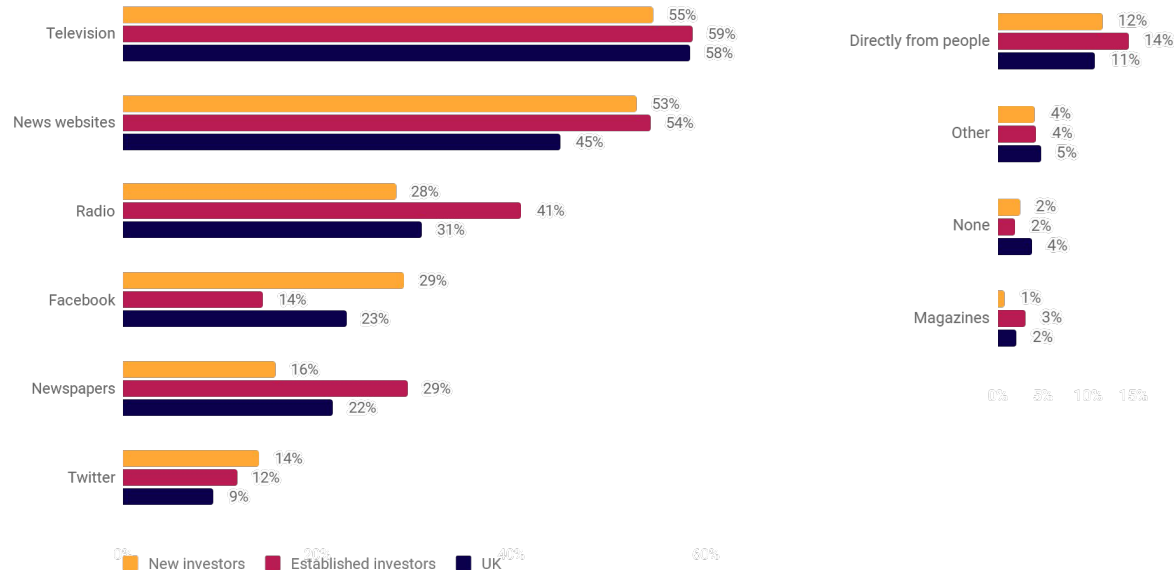
SEG are inferred from responses which include skilled worker, manager, etc. Unsurprisingly, a higher concentration of investors is observed in the higher socioeconomic groups

Which of the following activities do you participate in regularly (not online)?



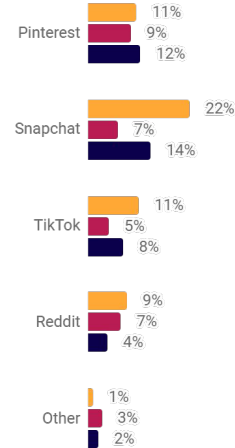
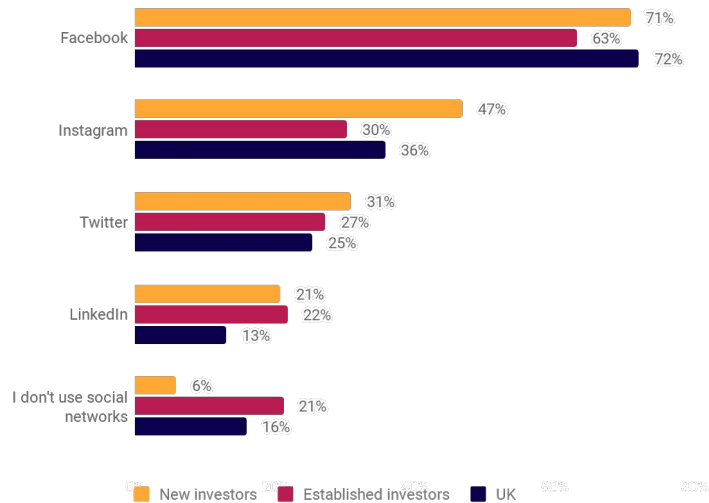
Established investors are more likely to watch TV and read newspapers/magazines, whereas new investors like playing video games and watching pay-TV.

Where do you get your news?



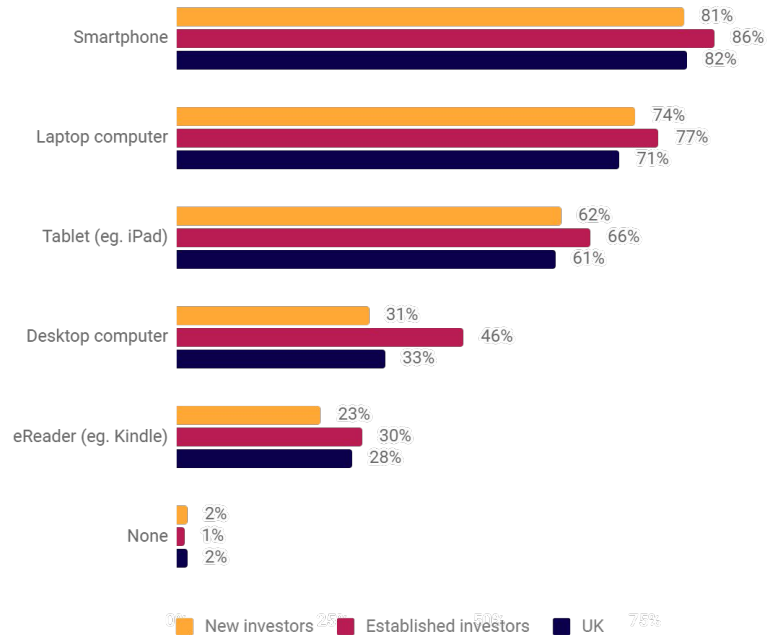
Established investors source their news from traditional sources such as TV and newspaper, whereas new investors source theirs from Facebook and Twitter.

Which social networks do you use regularly? Please tick all that apply.



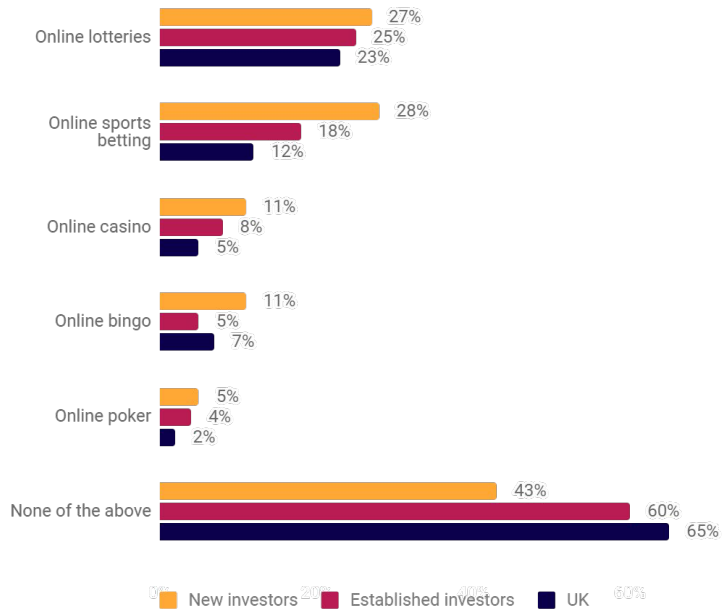
Investors tend to be Facebook and Twitter users; New investors are keen on Instagram, established investors dislike social networks.

Which of the following devices do you own? (tick all that apply)



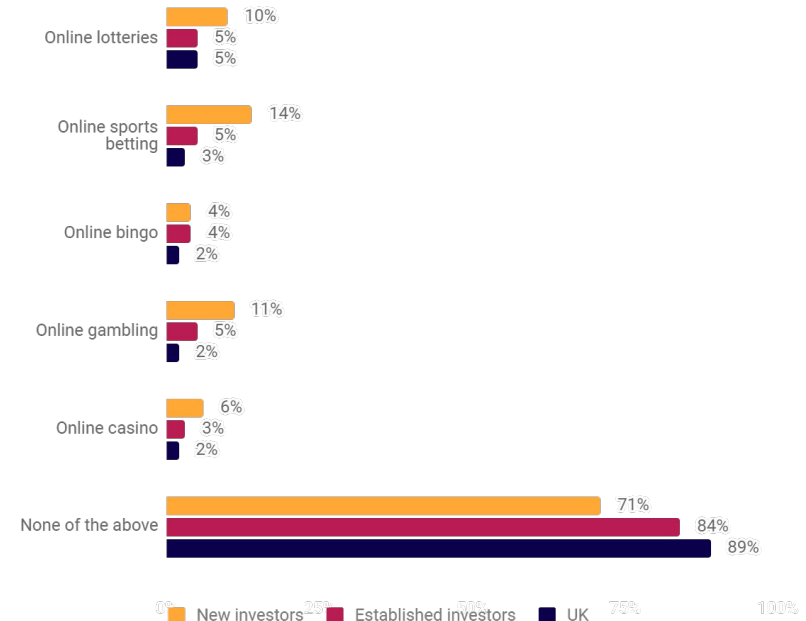
Established investors are more likely to own all devices listed, especially desktop PCs.

Do you participate in any of the following forms of online gambling?



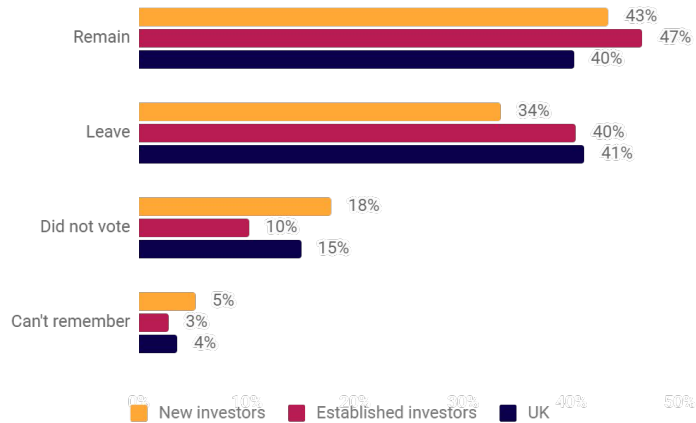
New investors have a higher tendency of being involved in many online gambling activities.

Have you opened new account(s) on any of the following online gambling platforms since the pandemic?



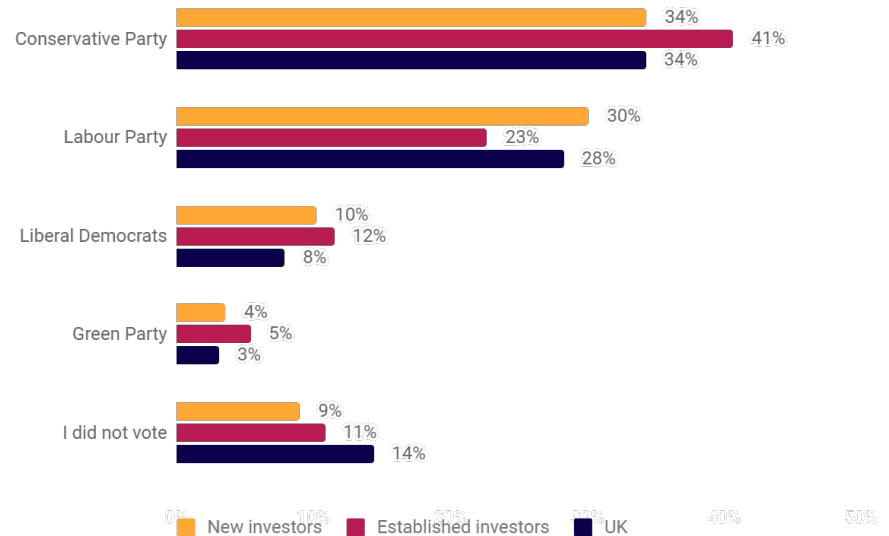
New investors have also more likely to have opened accounts to gamble online during the pandemic.

How did you vote in the 2016 EU Referendum?



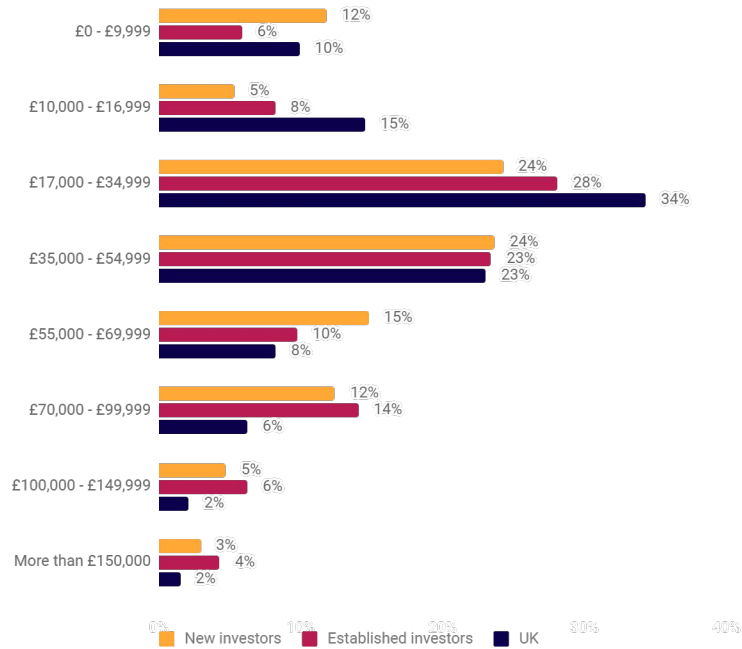
Investors were more likely to vote “remain” in the EU Referendum.

Who did you vote for in the December 2019 UK General Election?

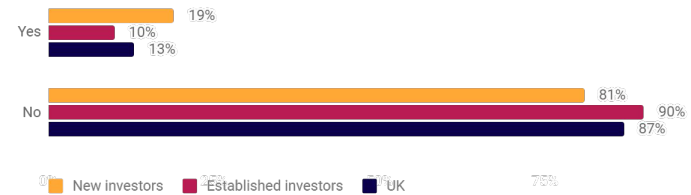


New investors are more likely to have supported Labour in the 2019 General Election.

What is your current household income?



Are you currently furloughed?

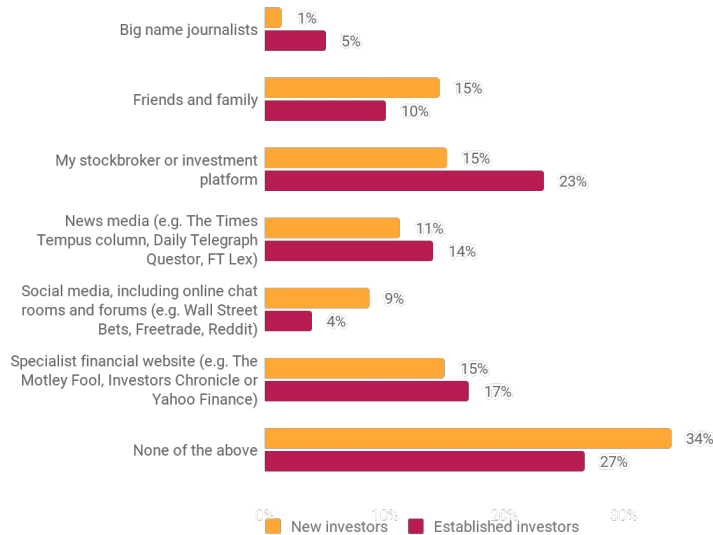


New investors are twice as likely to be furloughed than established investors.

Investing interest positively correlates with household income.

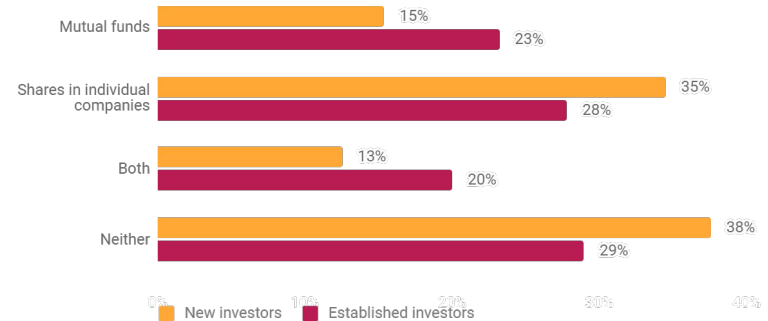
Investor profile | People with invested assets

Which of the following do you get your investment ideas from? (Tick all that apply)



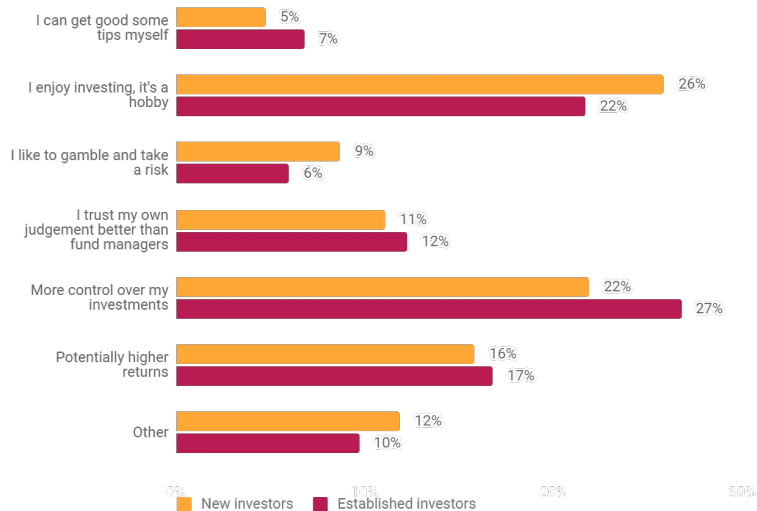
New investors have the tendency to get investment ideas from social media and friends & family.

Which of the following do you buy? (Tick all that apply)



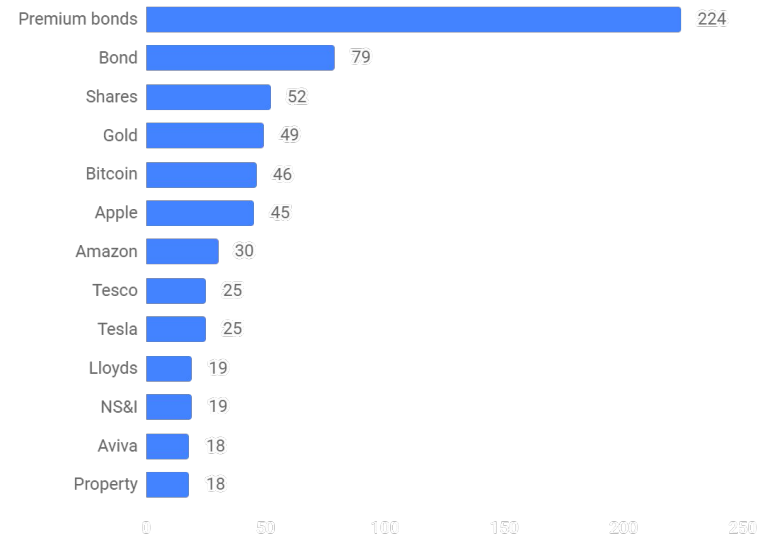
They also seem to have a higher risk tolerance and seek exposure to individual stock shares; and are also more likely to invest in asset classes other than stock shares and mutual funds.

If you buy shares in individual companies instead of a mutual fund run by a professional fund manager, why? (Tick all that apply)



New investors are more likely to view investing as a hobby.

What are your favourite companies or assets (e.g. commodities, bonds) that you are currently invested in? (Free text question)

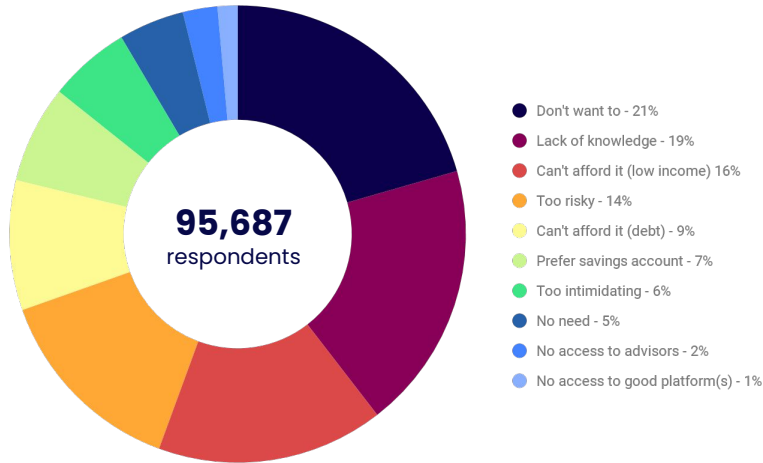


The above chart displays the number of occurrences for the top responses for this free text question. Premium bonds are our panel's favourite financial asset to invest in by a large margin.

Non investors

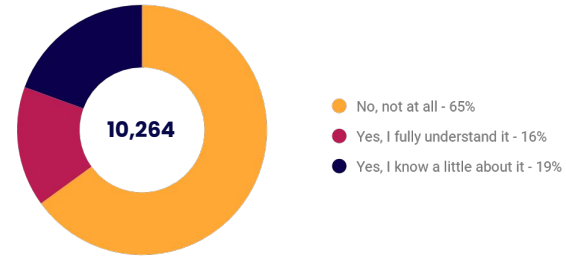
We asked our panel:

Why are you not investing/trading in the financial markets? (Tick all that apply)

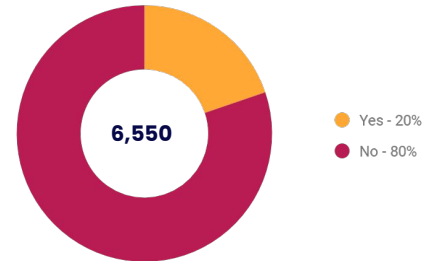


“Don't want to” and “Lack of knowledge” with 21% and 19% votes respectively are the leading reasons for people to not invest.

Are you aware of the compound effect in investing?



Are you investing for your child(ren)?

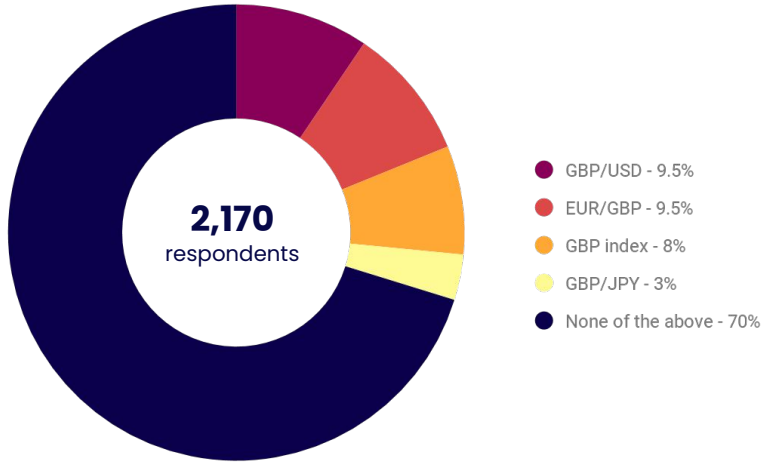


Only about 16% claim to fully understand the compound effect, and only about 20% of parents are investing for their child(ren).

Economic sentiment & currency trading

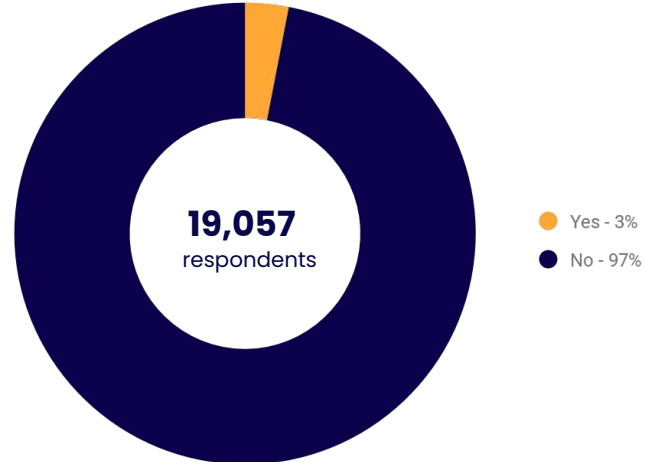
Which of the following currency pairs/index do you trade?

Established and new investor targeted



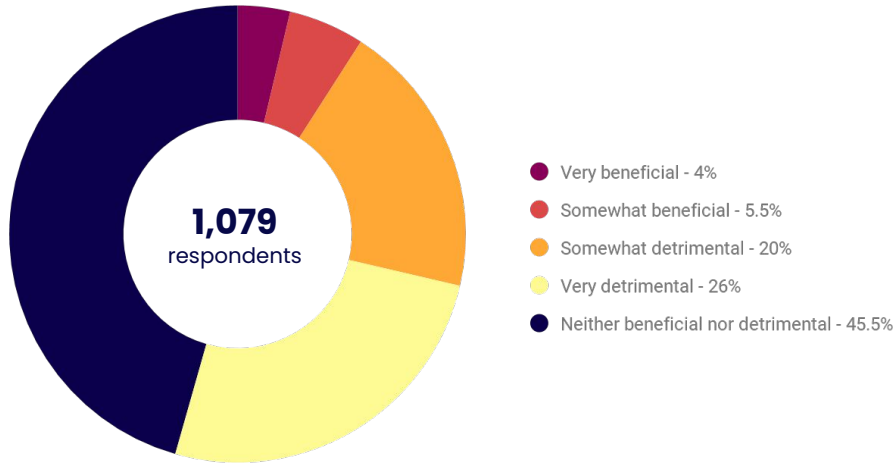
Almost 75% of investors do not trade GBP related currency products. Of those who do, GBP/JPY is the least popular currency pair for the major GBP currency pairs.

Do you own any cryptocurrencies (Bitcoin, etherium, etc)?

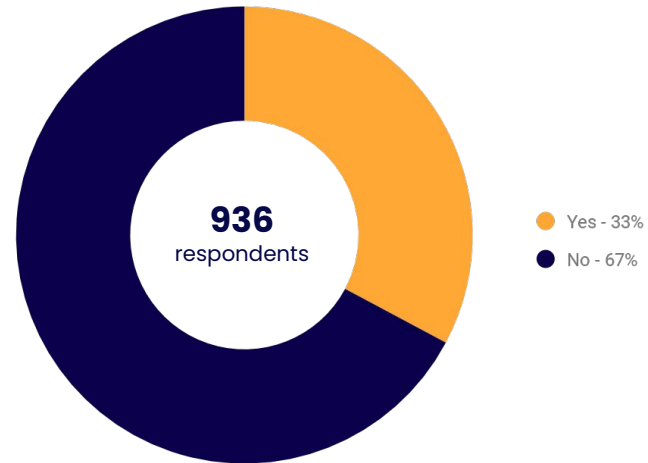


Only under 3% of our panel own any cryptocurrencies.

If the Bank of England reduces interest rate to negative, do you think it would be beneficial / detrimental to your investment portfolio?



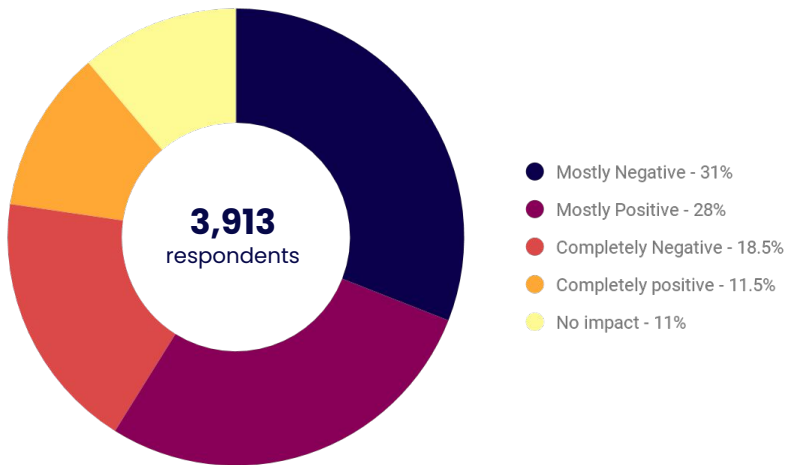
Would you restructure your investment portfolio if the interest rate is reduced to negative?



Almost half of investors think negative interest rates would be detrimental to their portfolios, but only 1/3 of investors would restructure their portfolios if negative interest rates were to be introduced.

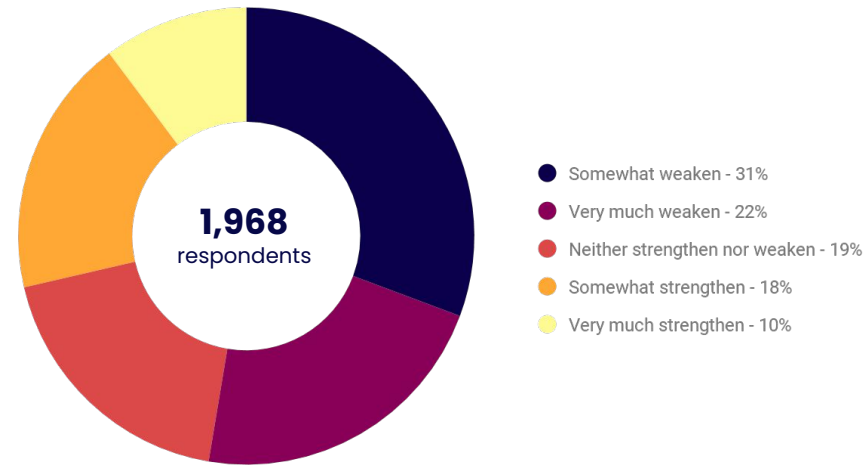
Economic sentiment & currency trading

Do you think Brexit will have a positive or negative effect on Britain's economic situation long term?



Do you think Brexit will strengthen/weaken the pound?

Established and new investor targeted



The economic outlook is pessimistic overall, with a 44:56 positive to negative ratio for the UK's economic outlook after Brexit, and a 35:65 strengthen to weaken ratio for the pound's outlook.

What does all that show?

To see the full findings or for a demonstration of how Findoutnow works, get in touch at ask@findoutnow.co.uk

The data suggests that investing newcomers are comparatively younger and are more likely to be furloughed and less likely to own a mortgage free home than established investors. There is a strong increase in younger people investing who are either renting, privately or from the council, or living at home with their parents.

The majority of investors are male although there has been a slight increase in the number of female new investors.

These younger investors are more likely than their older peers to source news from social media channels, although they have not discarded more traditional forms of media.

Younger investors are turning to more niche outlets or to family or friends for investment ideas. Twice as many younger investors use social media and join online chat rooms and forums than established investors, whilst established investors are more likely to rely on their stockbroker or investment platform.

New investors cite enjoyment as a factor for investing. They are also more likely to take a risk; they have a higher tendency to take part in online lotteries and online sports betting than their more established peers.

Of those who don't invest, over 50% of respondents said they either did not want to, had a lack of knowledge or couldn't afford to.

What does all that show?

Cont'd.

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Most of our panel respondents admit they do not fully understand the compound effect of interest and the vast majority of parents are not investing for their children.

Only a minority of investors are actively involved in currency trading and less than 3% own any cryptocurrency assets, despite the extraordinary boom in bitcoin and other such alternative currencies.

When asked about the potential introduction of negative interest rates, almost half think it would be detrimental to their investment portfolios, but only a third plan to restructure their portfolios in this scenario.

What has transpired from our respondents, is that the number of new investors taking an active interest in investing is substantially on the rise and that they are searching for new sources of information and are willing to take greater risks than their established peers.

The opportunity for the industry is clear. For companies seeking to raise money, there may never have been a better time.



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