

# PROFILES OF FIRST-TIME

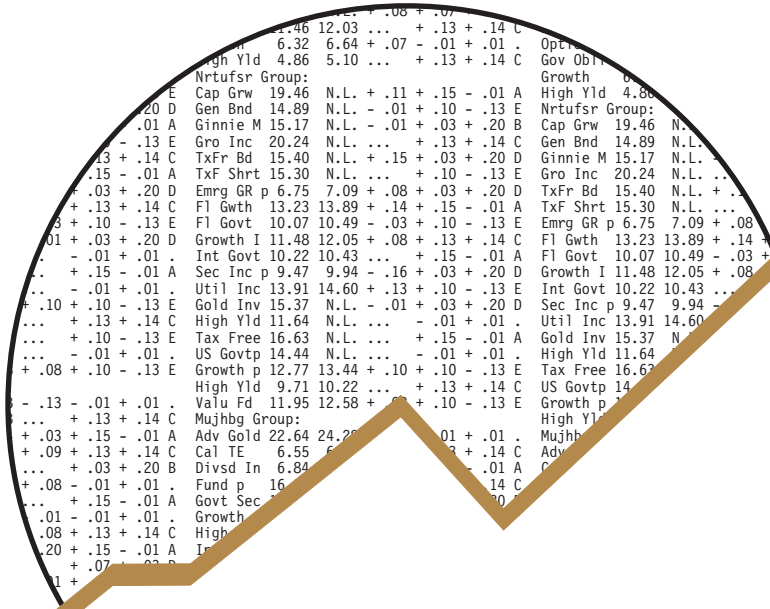


# MUTUAL FUND BUYERS



INVESTMENT  
COMPANY  
INSTITUTE

# PROFILES OF FIRST-TIME

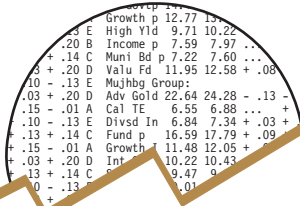


# MUTUAL FUND BUYERS

Research Department  
December 1994







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E High Yld	9.71	10.22	
B Income p	7.59	7.97	
C Muni Bd p	7.22	7.60	
D Valu Fd	11.95	12.58	+ .08
E Adv Gold	22.64	24.28	- .13
A Cal TE	6.55	6.88	...
E Divsd In	6.84	7.34	+ .03
C Fund p	16.59	17.79	+ .09
A Growth	11.48	12.05	...
D Int	10.22	10.43	...
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.03 + .20 D Int	10.22	10.43
.13 + .14 C	9.47	
.10 - .13	9.01	

# INTRODUCTION

## Background

Mutual funds have become a popular investment option among U.S. households in the last decade, and each year a segment of households makes its first mutual fund purchase. ICI research indicates that, as of June 1994, 14 percent of all fund-owning households, or nearly 3.1 million households, bought their first fund since January 1992 (Figure 1).<sup>1</sup> These first-time fund buyers are the focus of this report.

With the assistance of Market Facts and fund industry members, the Investment Company Institute undertook this study to examine the characteristics of first-time buyers and to compare them with those of seasoned shareholders. Specific objectives included:

- to identify the demographic and financial characteristics of first-time fund buyers,
- to determine the characteristics of the initial purchase of first-time buyers,
- to assess first-time buyers' use of mutual fund distribution channels for the initial fund purchase, and
- to examine the investment attitudes of first-time fund buyers.

## Methodology

To meet these objectives, 890 first-time fund buyers and 1,077 seasoned fund buyers were interviewed by telephone in April 1994. First-time buyers were shareholders who purchased their first mutual fund on or after January 1, 1992; seasoned buyers were those who purchased their first mutual fund before 1992. In order to be included, respondents identified themselves as (a) the household's primary or co-financial decisionmaker for savings and

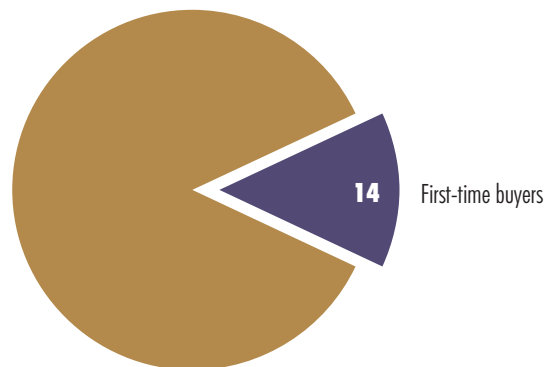
investments, and (b) the decisionmaker who made the initial fund investment. Shareholders who only owned funds that had been purchased through their employer, such as 401(k) plan purchases, were excluded.

All respondents came from Market Facts' Consumer Mail Panel, which is weighted to reflect the U.S. population for selected variables—such as age of head of household and household income—according to their distribution among all households in the latest U.S. population census. A total of 100,000 randomly selected panel members were sent a short questionnaire in the winter of 1993 to determine if they were mutual fund shareholders, and if so, when they made their first fund investment. Roughly two thirds of the panel members returned

FIGURE 1

### First-time Buyers of Mutual Funds\*

(percent of all households owning mutual funds)



\*First-time buyers are defined as households owning mutual funds that made their first purchase since January 1992.  
Note: Data as of June 1994

<sup>1</sup>Households that only own mutual funds through employer-sponsored pension plans, such as 401(k) or 403(b) plans, are not included as fund-owning households.



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the short questionnaire; 2,846 qualified as first-time buyers of funds and 34,143 qualified as seasoned buyers. The samples of first-time and seasoned buyers were randomly drawn from these qualifying populations. The findings from this survey are representative of the first-time and seasoned shareholder populations at approximately plus or minus 3 percent at the 95 percent confidence level.

As is typical with survey research, response rates vary throughout the analysis because some respondents did not answer a particular question. Where appropriate, the number of respondents, or “base,” is provided. Due to rounding to the nearest whole integer, some totals in figures throughout the report may not exactly equal 100 percent.

# EXECUTIVE SUMMARY

## DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS

**1.** First-time buyers are mutual fund shareholders who purchased their first mutual fund between January 1992 and April 1994. The typical first-time buyer, as described by median data, is 46 years old, has a household income of \$44,000, and household financial assets of \$36,000. Most first-time buyers are married, employed, and college graduates.

**2.** Slightly more than half of all first-time buyers say their primary financial goal is saving for retirement. Another 15 percent report their goal is to preserve accumulated assets, and 11 percent indicate they are saving for education. More than three quarters of first-time buyers list mutual funds among the investments used to meet these goals.

**3.** First-time buyers often own investments other than mutual funds. At the time of the survey, 42 percent of first-time buyers owned stocks, 30 percent owned bonds, 25 percent owned annuities, and 32 percent owned certificates of deposit.

FIGURE 2

### Characteristics of First-time Buyers

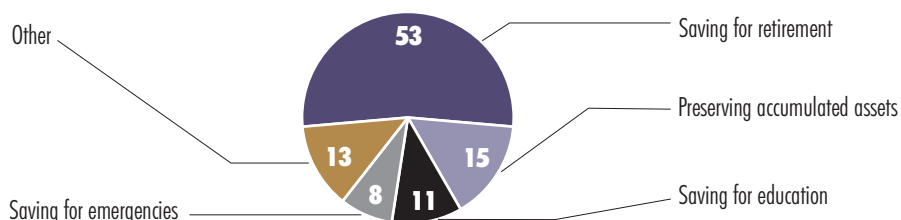
<b>Median</b>	
Age	46
Household income	\$44,000
Household financial assets*	\$36,000
<b>Percent</b>	
Male	45%
Married	62
Employed full- or part-time	73
College degree or post-graduate	50

\*excludes primary residence and assets in employer-sponsored pension plans  
Note: Respondent bases vary.

FIGURE 3

### Primary Financial Goal

(percent of first-time buyers)



Base = 809

FIGURE 4

### Current Ownership of Nonfund Investments

(percent of first-time buyers)



Base = 888

# INITIAL FUND PURCHASE

**4.** Most first-time buyers had other investment experience when they purchased their first fund. Fifty-three percent of first-time buyers owned stocks, bonds, or annuities at the time of their initial fund purchase. Of those who had no previous investment experience when they purchased their first fund, 19 percent currently own stocks, 8 percent own bonds, and 13 percent own annuities.

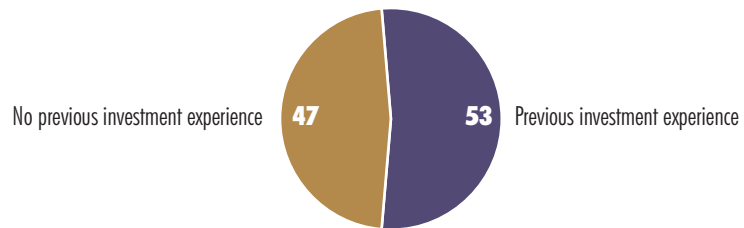
**5.** Two thirds of first-time buyers initially purchased shares in an equity fund. Almost a quarter purchased shares in a bond fund, usually a tax-exempt bond fund. One out of ten purchased shares in a money market fund. Of all first-time buyers, those age 65 and older showed the strongest preference for tax-exempt bond funds while those under age 40 were the most inclined to purchase an equity fund.

**6.** The typical first-time buyer initially invested \$3,400 in mutual funds, but this amount varies by type of fund purchased. At one end of the spectrum, the typical first-time buyer who purchased a money market fund made an initial investment of \$2,100. At the other end of the spectrum, the typical first-time buyer who purchased a taxable bond fund initially invested \$5,500.

FIGURE 5

## Investment Experience at Time of Initial Fund Purchase\*

(percent of first-time buyers)



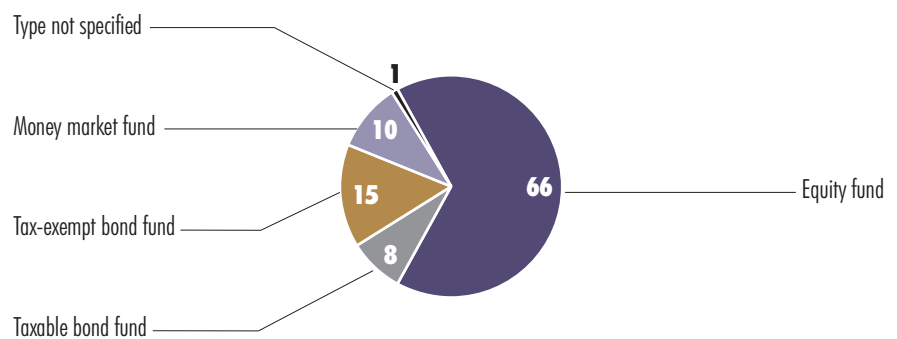
Base = 890

\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment.

FIGURE 6

## Type of Fund Initially Purchased

(percent of first-time buyers)

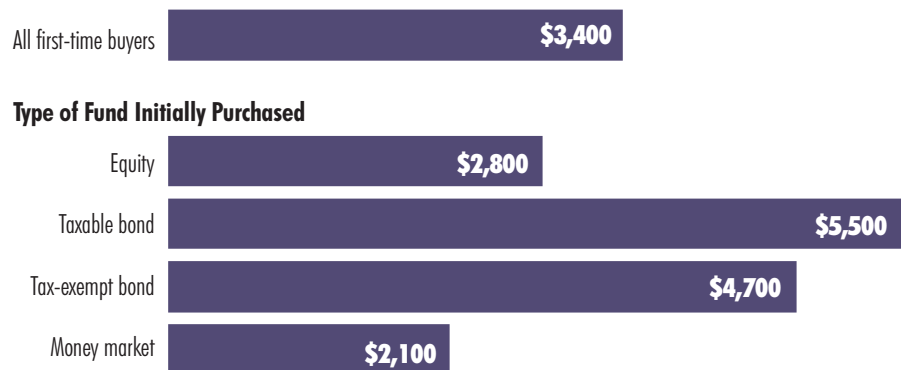


Base = 621

FIGURE 7

## Median Amount of Initial Fund Purchase

(for first-time buyers)



Note: Respondent bases vary.

**7.** Regardless of the type of fund purchased, first-time buyers generally selected a mutual fund rather than another investment because they perceive funds as offering the potential for high returns.

**8.** First-time buyers used all distribution channels for the initial fund purchase, but the most common were the full-service broker and the fund company.

**9.** The choice of distribution channels depended upon the first-time buyer's need for advice, convenience, recommendations, and cost. First-time buyers who used either the sales force or bank channel cited most often their established relationship with their financial advisers as a reason for using these channels. Low cost is the most frequently mentioned reason for first-time buyers who used the direct market channel.

F I G U R E 8

**Reasons for Purchasing a Mutual Fund Rather than Another Investment\***

(three most frequently cited reasons by first-time buyers)

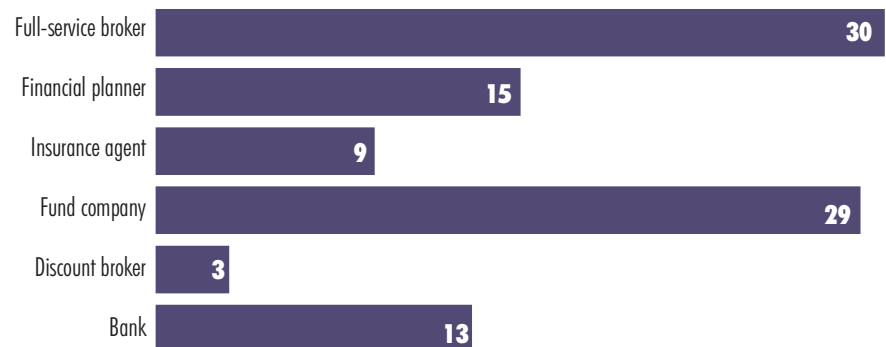
	Type of Fund Initially Purchased		
	Equity	Bond and Income	Money Market
Potential for high returns	1	1	1
Recommendation of friends and family	2	2	2
Diversification	3		3
Tax-exempt income		3	
Base =	404	142	63

\*multiple responses included

F I G U R E 9

**Distribution Channel Used for Initial Fund Purchase**

(percent of first-time buyers)



Base = 868

F I G U R E 10

**Reasons for Using a Particular Distribution Channel for Initial Fund Purchase\***

(three most frequently cited reasons by first-time buyers)

	Sales Force**	Direct Market***	Bank
Established relationship with institution or adviser	1		1
Expertise of adviser	2		2
Recommendations from friends and family	3		
Convenient way to purchase funds		3	3
Able to make own investment decisions		2	
Less costly		1	
Base =	469	269	104

\*multiple responses included

\*\*includes full-service brokers, financial planners, and insurance agents

\*\*\*includes fund companies and discount brokers

# CURRENT MUTUAL FUND OWNERSHIP

**10.** The typical first-time buyer has continued to invest in mutual funds after his or her initial purchase. At the time of the survey, the typical first-time buyer had \$10,000 invested in two mutual funds, representing 28 percent of household financial assets.

**11.** The largest proportion of first-time buyers, 40 percent, currently owns only equity funds. Another 20 percent own only bond funds, and 7 percent own only money market funds. Twenty-eight percent own funds from two different investment objectives, such as equity and money market funds. Only 5 percent own all three types.

**12.** Most first-time buyers say they have a basic understanding of mutual funds. First-time buyers who say they have a comprehensive knowledge of funds typically are males, those under age 40, those with household incomes of \$75,000 or more, those who purchased a long-term fund, and those who used the direct market channel to purchase their first fund.

FIGURE 11

## First-time Buyers' Current Fund Ownership

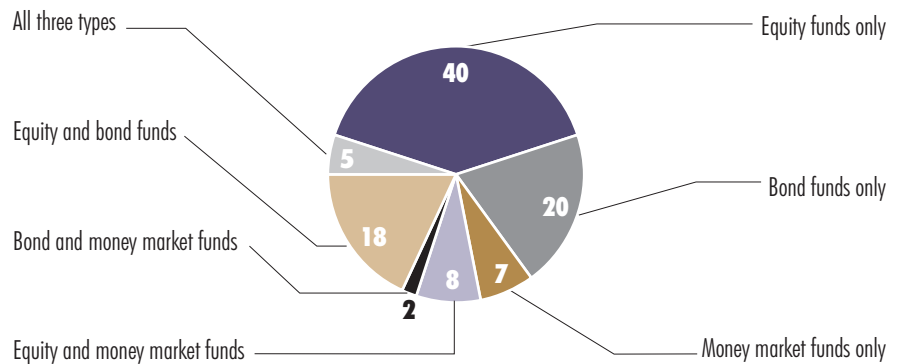
<b>Median</b>		
Mutual fund assets		\$10,000
Percent of financial assets in funds		28%
Number of funds owned		2
<b>Percent owning:*</b>		
Equity funds		69%
Taxable bond funds		26
Tax-exempt bond funds		21
Money market funds		20

Note: Respondent bases vary.  
\*multiple responses included

FIGURE 12

## Combination of Funds Currently Owned

(percent of first-time buyers)

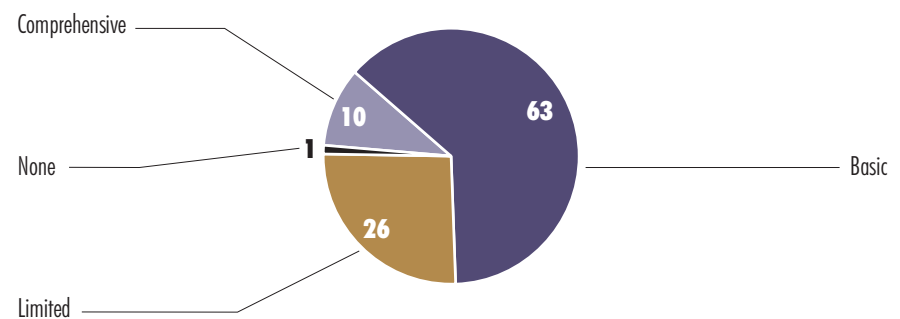


Base = 663

FIGURE 13

## Self-assessed Understanding of Mutual Funds

(percent of first-time buyers)



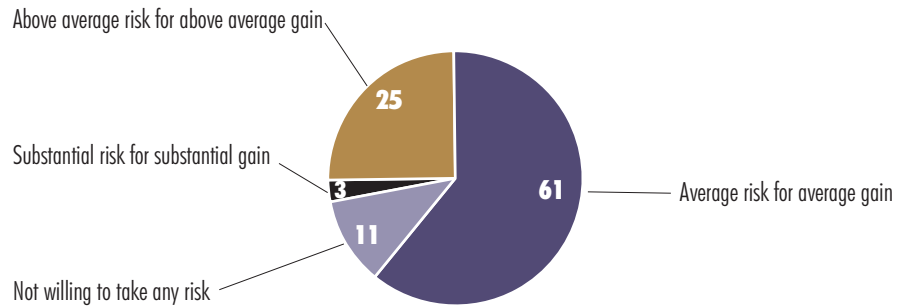
Base = 890

# INVESTMENT ATTITUDES

**13.** Most first-time buyers say they are willing to take average financial risk in order to achieve average financial gain. One quarter are willing to take above-average risk. About one in ten are unwilling to take any financial risk. Risk-averse first-time buyers tend to be female, those age 65 and older, and those with household incomes less than \$40,000.

FIGURE 14

**Willingness to Take Financial Risk**  
(percent of first-time buyers)



Base = 883

**14.** First-time buyers view their mutual fund investments as long term, consistent with the retirement motive for purchasing mutual funds. Most first-time buyers perceive themselves as savers rather than investors. Nevertheless, most do not prefer investments with fixed rates of return. First-time buyers generally do not make investment decisions without advice from others, and more than half are willing to pay a fee for advice.

FIGURE 15

**Attitudes About Investing\***  
(percent of first-time buyers who agree with statement)

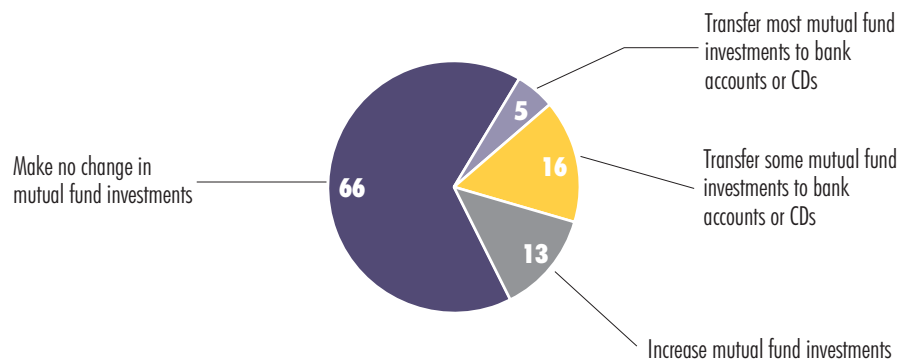
I view my mutual fund investments as savings for the long term.	96%
I am more of a saver than an investor.	69
I am willing to pay a fee to get the financial advice I need.	56
I prefer investments with fixed rates of return.	40
I can make investment decisions without advice from others.	32

\*multiple responses included  
Note: Respondent bases vary.

**15.** If the stock market were to drop 15 percent over a three-month period, two thirds of first-time buyers say they would make no change in their mutual fund investments. More than one in ten would increase their mutual fund investments.

FIGURE 16

**Reaction to a Stock Market Decline of 15 Percent Over a Three-month Period**  
(percent of first-time buyers)



Base = 855



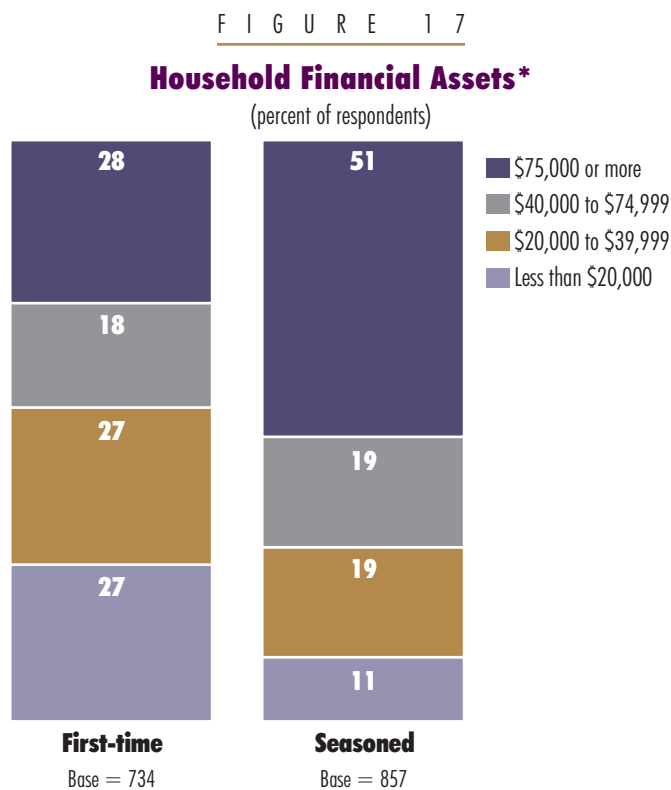
		Growth p	12.77	13.00	
.05	E	High Yld	9.71	10.22	
.20	B	Income p	7.59	7.97	...
.14	C	Munl Bd p	7.22	7.60	...
.03	+	.20 D	Valu Fd	11.95	12.58 + .08
.10	-	.13 E	Mujhbg Group:		
.03	+	.20 D	Adv Gold	22.64	24.28 - .13 -
.15	-	.01 A	Cal TE	6.55	6.88 ... +
.10	-	.13 E	Divsd In	6.84	7.34 + .03 +
.13	+	.14 C	Fund p	16.59	17.79 + .09
.15	-	.01 A	Growth	11.48	12.05 +
.03	+	.20 D	Int	10.22	10.43
.13	+	.14 C		9.47	
.10	-	.13		9.07	

# CHAPTER 1: FIRST-TIME AND SEASONED MUTUAL FUND BUYERS

# DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS

The typical first-time buyer is similar to the seasoned mutual fund buyer in several respects. Both are married, college-educated, employed, and saving primarily for retirement. In addition, both tend to have household incomes of approximately \$45,000.

Nonetheless, the two groups of shareholders differ in some demographic characteristics. More first-time buyers are female and fewer are retired. In addition, first-time buyers are typically in their mid-forties while seasoned buyers tend to be in their mid-fifties. Perhaps because they tend to be younger, first-time buyers generally have lower levels of household financial assets than do their seasoned counterparts. For example, the typical seasoned buyer has household financial assets totaling \$77,000, more than twice the \$36,000 of the typical first-time buyer. Finally, a significantly smaller percentage of first-time buyers hold stocks, bonds, and annuities. However, the ownership pattern of certificates of deposit is similar.



\*excludes primary residence and assets in employer-sponsored pension plans

FIGURE 18

## Characteristics of First-time and Seasoned Buyers

	First-time	Seasoned
<b>Median</b>		
Age	46	54
Household income	\$44,000	\$47,000
Household financial assets*	\$36,000	\$77,000
<b>Percent</b>		
Male	45%	52%
Married	62	60
Widowed	10	13
College degree or post-graduate	50	56
Employed full- or part-time	73	64
Retired from lifetime occupation	21	33
Saving for retirement is primary financial goal	53	50
Currently own:**		
Stocks	42	59
Bonds	30	38
Annuities	25	33
Certificates of deposit	32	34

\*excludes primary residence and assets in employer-sponsored pension plans

\*\*multiple responses included

Note: Respondent bases vary.



# INITIAL FUND PURCHASE

The characteristics of initial investments made by first-time fund buyers closely parallel those of seasoned fund buyers. The typical buyer in each group initially invested about \$3,400. In addition, about two thirds of each group initially purchased shares of an equity fund, about one quarter initially purchased a bond fund, and roughly one in ten bought a money market fund. Finally, the distribution channels used for the first purchase were also similar, except for the use of the full-service broker and bank channels. Thirty percent of first-time buyers made their initial purchase from a full-service broker, compared with 39 percent of seasoned buyers. Thirteen percent of first-time buyers used a bank while only 5 percent of seasoned buyers did.

FIGURE 19

**Amount of Initial Fund Purchase**  
(percent of respondents)

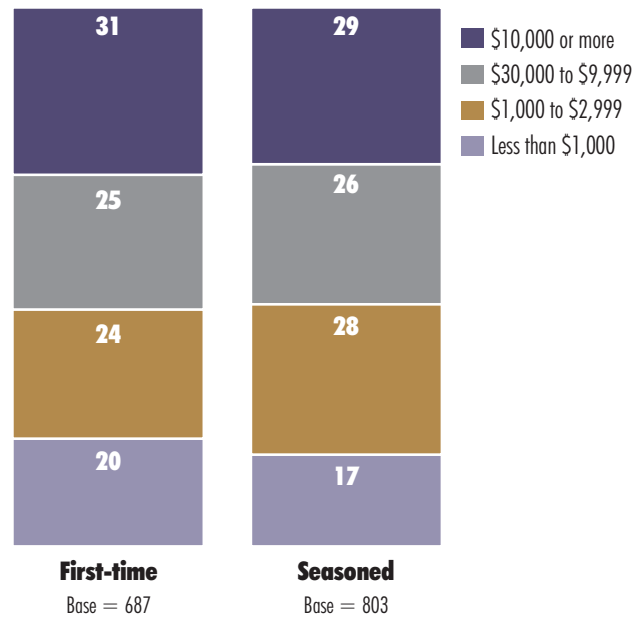


FIGURE 20

**Initial Mutual Fund Purchase**

	First-time	Seasoned
Median purchase amount	\$3,400	\$3,300
<b>Percent</b>		
Type of fund purchased:		
Equity fund	66%	67%
Taxable bond fund	8	9
Tax-exempt bond fund	15	12
Money market fund	10	11
Not specified	1	1
Distribution channel used:		
Sales force (net)	54	60
Full-service broker	30	39
Financial planner	15	13
Insurance agent	9	7
Direct market (net)	32	35
Fund company	29	32
Discount broker	3	3
Bank	13	5

Note: Respondent bases vary.

# CURRENT FUND OWNERSHIP

Reflecting the effect of a person's age on asset accumulation, the typical first-time buyer currently has \$10,000 invested in funds while the typical seasoned buyer has \$21,000. However, the typical buyer in each group currently owns two funds and keeps slightly more than a quarter of total household financial assets invested in mutual funds. The majority of first-time buyers and seasoned buyers still own the first fund they purchased. The typical first-time buyer and the typical seasoned buyer each own at least one equity fund. However, first-time buyers are somewhat less inclined to own bond or money market funds than are seasoned buyers. For example, 20 percent of first-time buyers currently own money market funds while 32 percent of seasoned buyers own them.

About three fifths of fund buyers, whether first-time or seasoned, report having a basic understanding of mutual funds. Only 10 percent of first-time buyers feel they have a comprehensive understanding, well below the 22 percent of seasoned buyers. When compared with seasoned buyers, a higher percentage of first-time buyers indicate having only a limited knowledge of mutual funds.

FIGURE 21

## Number of Funds Currently Owned

(percent of respondents)

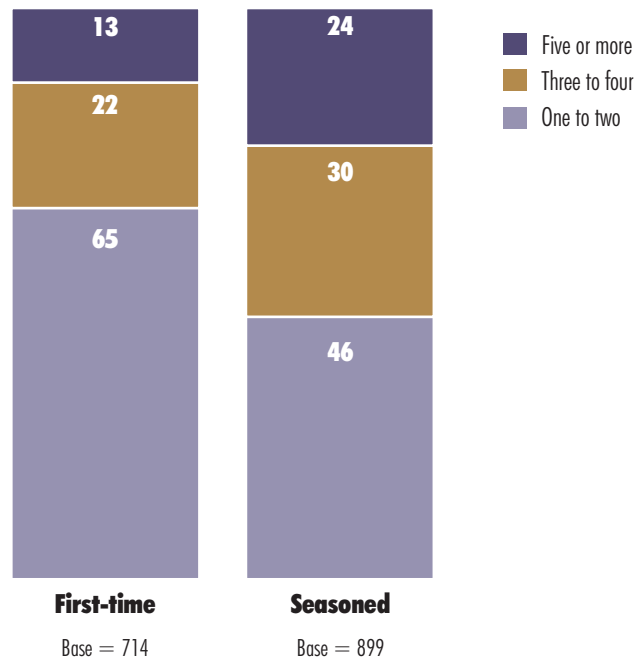


FIGURE 22

## Current Mutual Fund Ownership

	First-time	Seasoned
<b>Median</b>		
Mutual fund assets	\$10,000	\$21,000
Percent of financial assets invested in funds	28%	27%
Number of funds owned	2	2
<b>Percent</b>		
Still own first fund purchased	96%	71%
Currently own:*		
Equity funds	69	71
Taxable bond funds	26	34
Tax-exempt bond funds	21	32
Money market funds	20	32
Self-assessed understanding of mutual funds:		
Comprehensive	10	22
Basic	63	61
Limited	26	16
None	1	1

\*multiple responses included

Note: Respondent bases vary.

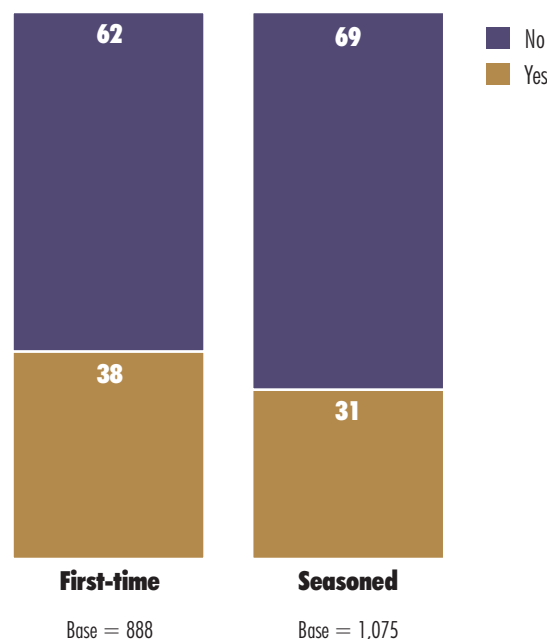
# INVESTMENT ATTITUDES

With only a few minor differences, first-time and seasoned fund buyers report similar investment strategies, use the same information sources, and will accept about the same level of risk. Most fund buyers in both groups enjoy managing their finances, obtain investment advice from others, consider themselves savers as opposed to investors, and prefer investments without fixed rates of return. In addition, both types of buyers typically rely on the business section of their local paper for investment information. Roughly three fifths of first-time and seasoned fund buyers prefer to assume average risk for average return. Only about one tenth of each group are completely risk-averse, and less than 5 percent would accept substantial risk. Finally, both groups appear to be stable, long-term mutual fund shareholders. Two-thirds would hold tight with a 15 percent decline in the stock market; the remainder are roughly split between those who would add to their mutual fund holdings and those who would liquidate some or all of their holdings.

FIGURE 23

## Regular Investment in Mutual Funds\*

(percent of respondents)



\*other than through reinvesting dividends

FIGURE 24

## Investment Attitudes and Behavior

(percent of respondents)

	First-time	Seasoned
Agree with statement:		
I am more of a saver than an investor.	69%	57%
I enjoy managing my finances.	70	69
I prefer investments with fixed rates of return.	40	32
I can make investment decisions without advice from others.	32	40
I am willing to pay a fee to get the financial advice I need.	56	54
Investment information sources used:*		
Business section of local paper	57	64
<i>The Wall Street Journal</i>	24	34
<i>Money</i> magazine	29	34
Willing to take:		
Substantial risk for substantial gain	3	4
Above average risk for above average gain	25	23
Average risk for average gain	61	60
No risk at all	11	13
If stock market declined 15 percent over three months:		
Would transfer some or most of fund investments to bank accounts or CD	21	15
Would leave fund investments as is	66	66
Would increase fund investments	13	19

\*in 12 months preceding survey (April 1993 through March 1994); multiple responses included

Note: Respondent bases vary.



# DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS

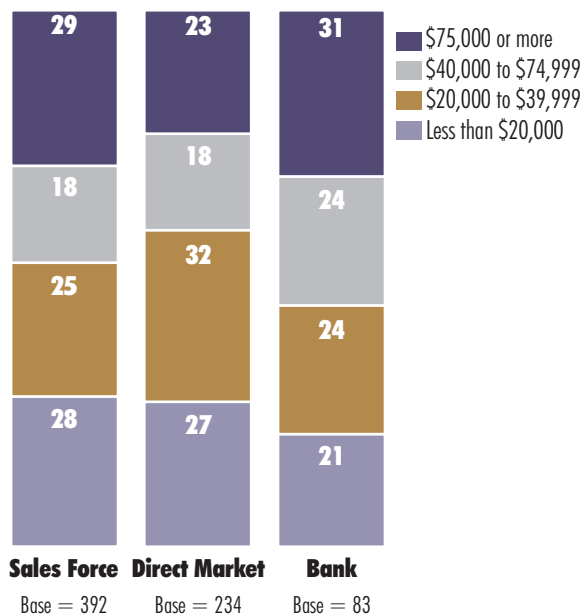
The typical first-time buyer whose initial fund purchase was made through the sales force channel is similar in some ways to the typical first-time buyer who used the direct market channel.<sup>2</sup> Both are in their early to mid-forties, have household incomes of about \$45,000, and household financial assets of about \$34,000. In contrast, the typical first-time buyer who bought through a bank is in his or her late forties, has a household income of \$38,000, and household financial assets of \$48,000.

The majority of first-time buyers who made their initial purchase from a direct marketer are male, while the majority who bought from the bank and sales force channels are female. Although most bank, sales force, and direct market first-time buyers are employed, 30 percent of first-time buyers who used the bank channel are retired, compared with 21 percent of first-time buyers who used the sales force channel and 16 percent who used a direct marketer. Of all first-time buyers, those initially buying from the direct market channel are the most educated. A greater proportion of bank first-time buyers own certificates of deposit. First-time buyers who bought their initial fund from a direct marketer show the greatest propensity to own stock.

FIGURE 2 5

## Household Financial Assets by Distribution Channel Used for Initial Fund Purchase\*

(percent of first-time buyers)



\*excludes primary residence and assets in employer-sponsored pension plans

FIGURE 2 6

## First-time Buyer Characteristics by Distribution Channel Used for Initial Fund Purchase

	Sales Force	Direct Market	Bank
<b>Median</b>			
Age	45	43	49
Household income	\$44,000	\$46,000	\$38,000
Household financial assets*	\$36,000	\$32,000	\$48,000
<b>Percent</b>			
Male	43%	54%	28%
Married	66	60	53
Widowed	9	9	16
College degree or post-graduate	47	57	41
Employed full- or part-time	75	77	61
Retired from lifetime occupation	21	16	30
Saving for retirement is primary financial goal	51	57	51
Currently own:**			
Stocks	41	47	37
Bonds	29	30	28
Annuities	28	19	29
Certificates of deposit	29	33	46

\*excludes primary residence and assets in employer-sponsored pension plans

\*\*multiple responses included

Note: Respondent bases vary

<sup>2</sup>The sales force channel includes full-service brokers, insurance agents, and financial planners. The direct market channel includes fund companies and discount brokers.

# INITIAL FUND PURCHASE

The typical bank first-time buyer made an initial fund investment of \$8,400. This compares with \$2,000 for the typical direct market first-time buyer and \$4,500 for the typical sales force first-time buyer.

Nearly seven in ten first-time buyers who purchased their first fund from either the direct market or sales force channel bought an equity fund. In contrast, first-time buyers who used a bank were more inclined to purchase other types of funds. Slightly more than four in ten bought shares in a bond fund. Another four in ten bank first-time buyers purchased shares in an equity fund, and a little more than one in ten purchased shares in a money market fund.

Reasons for using a specific distribution channel for the initial fund purchase varied from channel to channel. First-time buyers who used the sales force channel cited an established relationship with a financial adviser, the expertise of a financial adviser, and recommendations from friends and family. First-time buyers who bought from a direct marketer mentioned cost, convenience, and their ability to make independent financial decisions. Those initially purchasing from a bank pointed to their established relationship with the bank, convenience, and expertise of financial advisers.

FIGURE 27

## Amount of Initial Fund Purchase by Distribution Channel

(percent of first-time buyers)

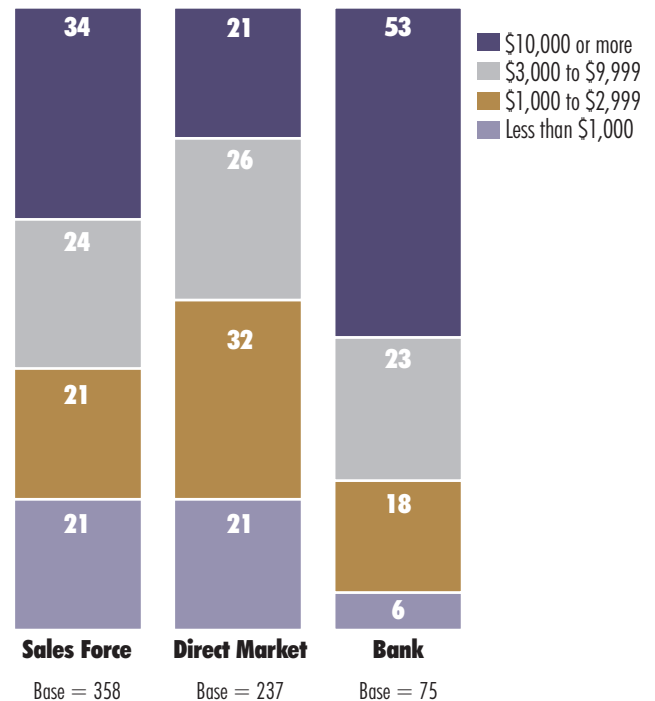


FIGURE 28

## First-time Buyers' Initial Mutual Fund Purchase by Distribution Channel

	Sales Force	Direct Market	Bank
Median purchase amount	\$4,500	\$2,000	\$8,400
<b>Percent</b>			
Type of fund purchased:			
Equity fund	67%	69%	43%
Taxable bond fund	5	10	10
Tax-exempt bond fund	17	10	32
Money market fund	10	10	15
Not specified	1	1	—
Reason for using distribution channel:*			
Established relationship with institution or financial adviser	37	9	42
Expertise of financial adviser	32	9	24
Recommended by friend, family member, or business acquaintance	12	7	2
Only way to conveniently invest in fund	6	16	23
Reputation of institution or financial adviser	6	5	4
Able to make own investment decisions	4	21	4
Less costly	3	30	4

\*multiple responses included  
Note: Respondent bases vary.

# CURRENT FUND OWNERSHIP

The typical first-time buyer who bought from a bank currently keeps 38 percent of household financial assets, or \$18,000, invested in funds. The typical first-time buyer who bought from a sales force has 28 percent, or \$10,000, of household financial assets invested in funds. The typical first-time buyer who bought from a direct marketer keeps 22 percent, or \$7,000, of household financial assets invested in funds. The typical first-time buyer who used the direct market channel currently owns two funds while those who used the sales force and bank channels each own one.

More than 70 percent of first-time buyers who used the sales force or direct market channel currently own equity funds and about 20 percent own tax-exempt bond funds. In contrast, 53 percent of first-time buyers who used the bank channel own equity funds and 31 percent own tax-exempt bond funds.

FIGURE 29

## Number of Funds Currently Owned by Distribution Channel Used for Initial Fund Purchase

(percent of first-time buyers)

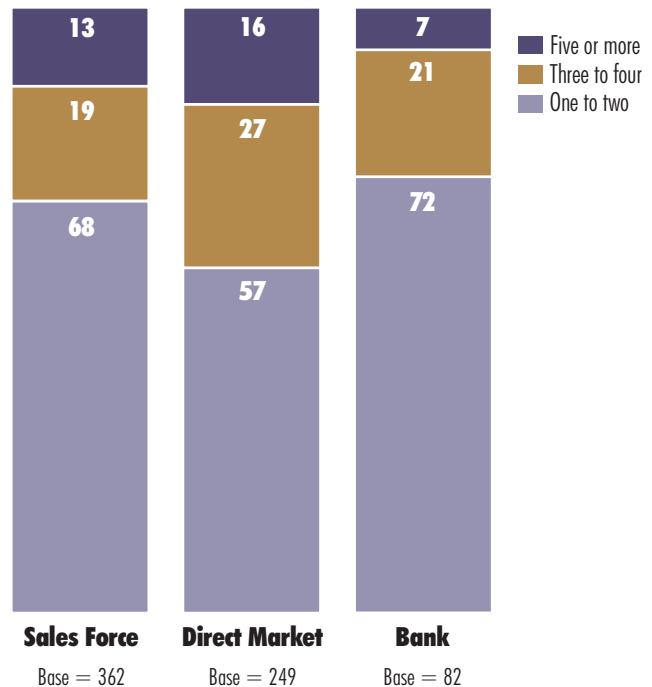


FIGURE 30

## First-time Buyers' Current Mutual Fund Ownership by Distribution Channel Used for Initial Fund Purchase

	Sales Force	Direct Market	Bank
<b>Median</b>			
Mutual fund assets	\$10,000	\$7,000	\$18,000
Percent of financial assets invested in funds	28%	22%	38%
Number of funds owned	1	2	1
<b>Percent</b>			
Still own first fund purchased	96%	98%	98%
Currently own:*			
Equity funds	71	74	53
Taxable bond funds	25	25	29
Tax-exempt bond funds	21	18	31
Money market funds	20	20	17
Self-assessed understanding of mutual funds:			
Comprehensive	8	17	6
Basic	60	68	62
Limited	31	14	30
None	1	1	2

\*multiple responses included  
Note: Respondent bases vary.

# INVESTMENT ATTITUDES

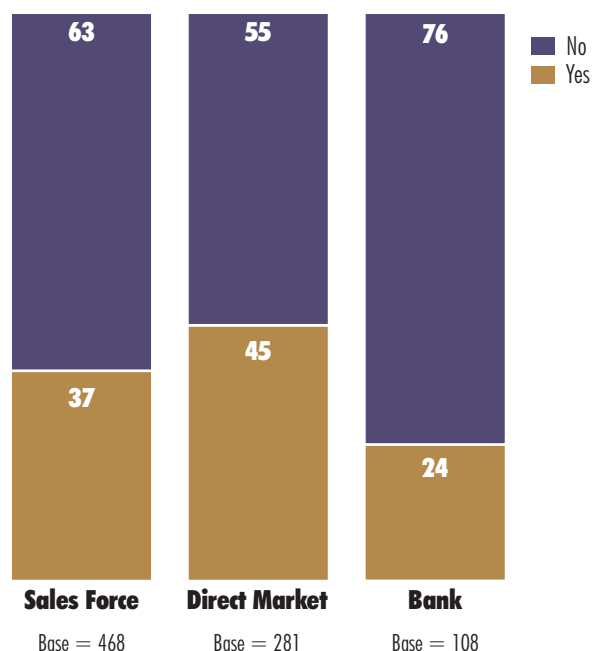
Those who used the direct market channel invest with more independence than other first-time buyers. Half feel they can make investment decisions without advice from others. In addition, they are generally unwilling to pay for advice and rely heavily on newspapers and *Money* magazine for investment information. They also view themselves as investors willing to accept variable rates of return. Finally, although about half say they are willing to take average risk, nearly three out of eight are willing to assume above average risk.

In contrast, first-time buyers who bought from the other two channels reveal a greater need for investment advice, are willing to pay for advice, are less reliant on business periodicals for investment information, and are noticeably more risk-averse. Despite these differences, all three groups of first-time buyers appear to be stable investors. About three fifths to two thirds of each group indicate they would maintain existing mutual fund holdings in the event of a major market correction.

FIGURE 31

## Regular Investment in Mutual Funds by Distribution Channel Used for Initial Fund Purchase\*

(percent of first-time buyers)



\*other than through reinvesting dividends

FIGURE 32

## Investment Attitudes and Behavior by Distribution Channel Used for Initial Fund Purchase

(percent of first-time buyers)

	Sales Force	Direct Market	Bank
Agree with statement:			
I am more of a saver than an investor.	72%	60%	82%
I enjoy managing my finances.	66	80	63
I prefer investments with fixed rates of return.	44	29	52
I can make investment decisions without advice from others.	22	50	27
I am willing to pay a fee to get the financial advice I need.	71	34	50
Investment information sources used:*			
Business section of local paper	55	64	50
<i>The Wall Street Journal</i>	23	31	13
<i>Money</i> magazine	22	48	17
Willing to take:			
Substantial risk for substantial gain	3	4	2
Above average risk for above average gain	20	37	14
Average risk for average gain	65	51	67
No risk at all	12	8	17
If stock market declined 15 percent over three months:			
Would transfer some or most of fund investments to bank accounts or CD	20	19	29
Would leave fund investments as is	68	64	62
Would increase fund investments	13	17	10

\*in 12 months preceding survey (April 1993 through March 1994); multiple responses included  
Note: Respondent bases vary.





# DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS

The typical first-time buyer who initially purchased an equity fund is 40 years old, as is his or her counterpart who purchased a money market fund. The typical first-time buyer who initially purchased a bond fund is 54 years old. Reflecting their age differences, the typical first-time buyers of equity and money market funds have household incomes of approximately \$48,000, whereas the typical purchaser of a bond fund has a household income of \$39,000.

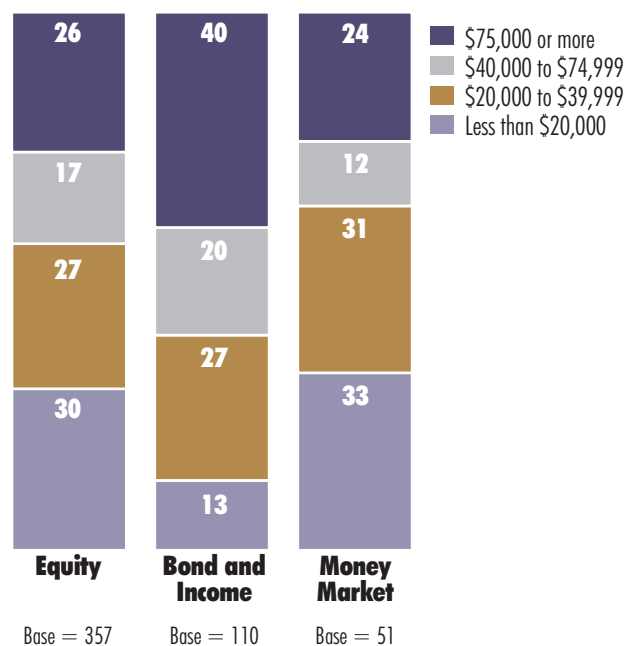
The majority of first-time buyers who bought equity funds are male; women represent the majority of those who purchased bond and money market funds. Of all first-time buyers, widows and retirees make up a greater proportion of those who bought bond funds. First-time buyers who purchased equity funds tend to be better educated than first-time buyers who bought bond and money market funds.

The typical first-time buyer who bought a bond fund has household financial assets totaling \$53,000, compared with \$34,000 for the typical first-time buyer who bought an equity fund, and \$29,000 for the typical first-time buyer who bought a money market fund. First-time buyers who purchased a bond fund are the likeliest of all first-time buyers to currently own annuities and certificates of deposit.

FIGURE 3 3

## Household Financial Assets by Type of Fund Initially Purchased\*

(percent of first-time buyers)



\*excludes primary residence and assets in employer-sponsored pension plans

FIGURE 3 4

## First-time Buyer Characteristics by Type of Fund Initially Purchased

	Equity	Bond and Income	Money Market
<b>Median</b>			
Age	40	54	40
Household income	\$47,000	\$39,000	\$49,000
Household financial assets*	\$34,000	\$53,000	\$29,000
<b>Percent</b>			
Male	58%	41%	39%
Married	63	58	61
Widowed	5	15	5
College degree or post-graduate	61	42	53
Employed full- or part-time	82	61	78
Retired from lifetime occupation	12	35	17
Saving for retirement is primary financial goal	59	46	45
Currently own:**			
Stocks	47	47	42
Bonds	29	35	38
Annuities	24	30	14
Certificates of deposit	28	43	30

\*excludes primary residence and assets in employer-sponsored pension plans

\*\*multiple responses included

Note: Respondent bases vary.

# INITIAL FUND PURCHASE

The typical first-time buyer who purchased a bond fund initially invested \$4,900. In contrast, the typical first-time buyer who bought an equity fund made an initial investment of \$2,800, and the typical first-time buyer who purchased a money market fund initially invested \$2,100. Regardless of the type of fund purchased, the largest share of first-time buyers say they invested in mutual funds because they offer the potential for high investment returns. Tax-exempt income is also a drawing card for first-time buyers who bought a bond fund.

First-time buyers most often initially purchased shares directly from a fund company or from a full-service broker. Of all first-time buyers, those who purchased a bond fund were the likeliest to have made their initial fund purchase through a bank.

FIGURE 3 5

## Amount of Initial Fund Purchase by Type of Fund

(percent of first-time buyers)

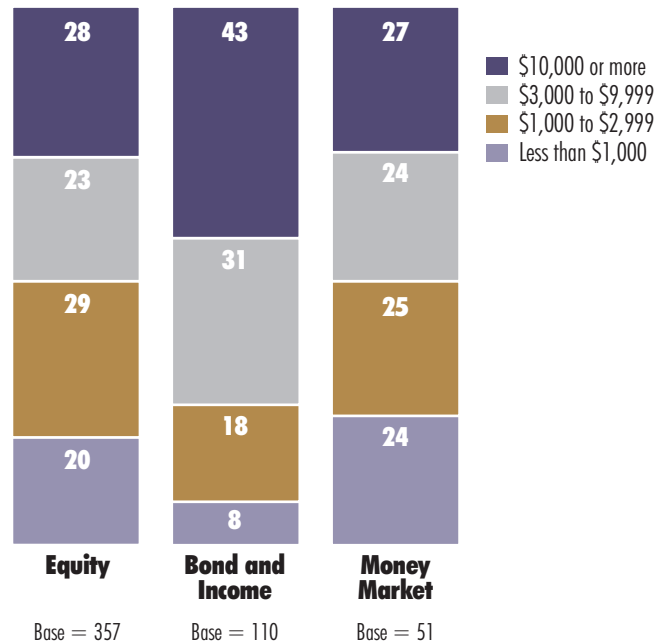


FIGURE 3 6

## First-time Buyers' Initial Fund Purchase by Type of Fund

	Equity	Bond and Income	Money Market
Median purchase amount	\$2,800	\$4,900	\$2,100
<b>Percent</b>			
Reasons for buying fund:*			
Offered potential for high returns	65%	47%	59%
Recommended by financial adviser, friends, or family	11	18	16
Offered diversification and reduction of investment risk	10	8	6
Offered potential for long-term growth	5	1	2
Provided professional management	2	3	5
Wanted tax-exempt investment	—	13	2
Distribution channel used:			
Sales force (net)	52	47	49
Full-service broker	29	34	20
Financial planner	15	7	16
Insurance agent	8	6	13
Direct market (net)	40	33	35
Fund company	37	27	30
Discount broker	3	6	5
Bank	8	20	16

\*multiple responses included  
Note: Respondent bases vary.

# CURRENT MUTUAL FUND OWNERSHIP

The typical first-time buyer who initially bought shares in a bond fund currently has \$16,000 invested in funds, or 30 percent of household financial assets. The typical first-time buyer who initially bought shares in an equity fund currently has \$9,000 invested in funds, or 26 percent of household financial assets. The typical first-time buyer who initially bought shares in a money market fund has \$8,000 invested in funds, or 28 percent of financial assets.

Regardless of the type of fund purchased, virtually all first-time buyers still own that fund, and most have purchased an additional fund. About four in ten first-time buyers who initially purchased bond or money market funds have since purchased equity funds.

FIGURE 37

## Number of Funds Currently Owned by Type of Fund Initially Purchased

(percent of first-time buyers)

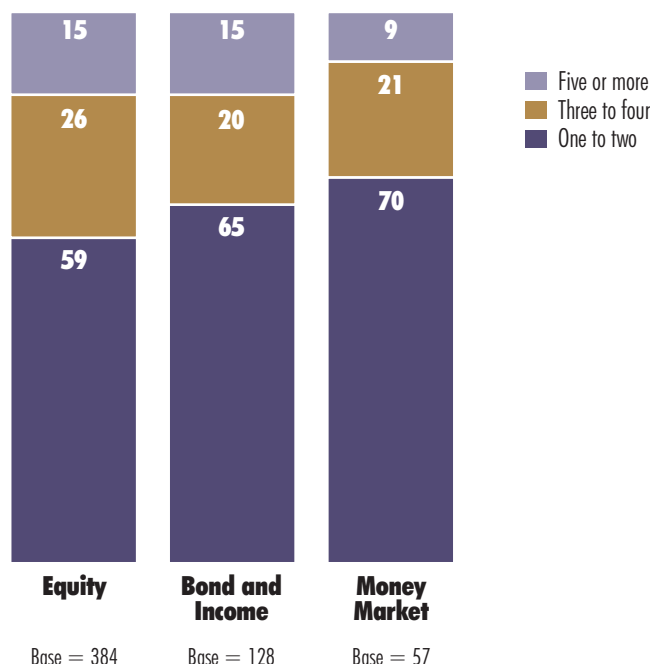


FIGURE 38

## First-time Buyers' Current Mutual Fund Ownership by Type of Fund Initially Purchased

	Equity	Bond and Income	Money Market
<b>Median</b>			
Mutual fund assets	\$9,000	\$16,000	\$8,000
Percent of financial assets invested in funds	26%	30%	28%
Number of funds owned	2	1	1
<b>Percent</b>			
Still own first fund purchased	96%	97%	94%
Currently own:*			
Equity funds	100	38	44
Taxable bond funds	19	49	10
Tax-exempt bond funds	11	71	6
Money market funds	15	10	94
Self-assessed understanding of mutual funds:			
Comprehensive	15	13	8
Basic	68	59	56
Limited	16	27	36
None	1	1	—

\*multiple responses included  
Note: Respondent bases vary.

# INVESTMENT ATTITUDES

The vast majority of first-time buyers who purchased a bond fund think of themselves as savers. Consequently, they show the strongest preference among all first-time buyers for investments with fixed rates of return. Along with first-time buyers who initially purchased shares of an equity fund, those who bought a bond fund are more likely to enjoy managing their finances than are their counterparts who bought shares in a money market fund.

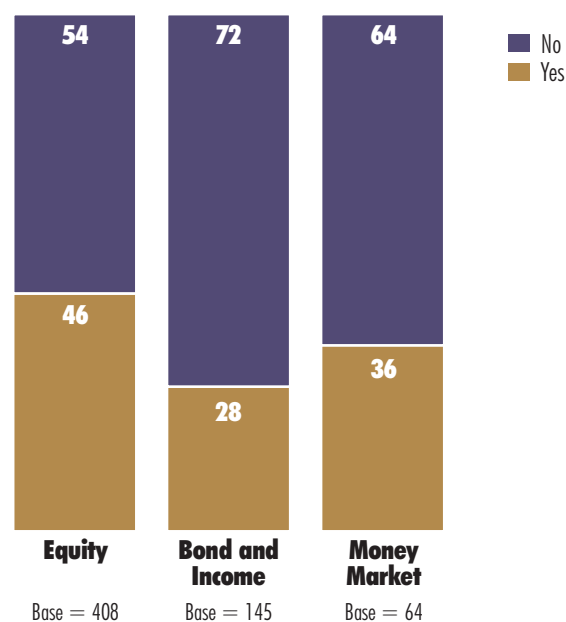
Of all first-time buyers, those who initially purchased shares of an equity fund are the most inclined to regularly invest in funds. These first-time buyers are also the likeliest to say they sought investment information from *The Wall Street Journal* and *Money* magazine during the 12 months preceding the survey.

First-time buyers who purchased a bond fund are the most risk averse of all first-time buyers. Although two thirds say they will assume average risk for average gain, 18 percent of first-time buyers who bought a bond fund say they do not want to take any financial risk, compared with 5 percent for those who purchased shares in an equity fund.

FIGURE 39

## Regular Investment in Mutual Funds by Type of Fund Initially Purchased\*

(percent of first-time buyers)



\*other than through reinvesting dividends

FIGURE 40

## Investment Attitudes and Behavior by Type of Fund Initially Purchased

(percent of first-time buyers)

	Equity	Bond and Income	Money Market
Agree with statement:			
I am more of a saver than an investor.	59%	78%	69%
I enjoy managing my finances.	75	73	64
I prefer investments with fixed rates of return.	28	50	44
I can make investment decisions without advice from others.	35	34	32
I am willing to pay a fee to get the financial advice I need.	55	53	61
Investment information sources used:*			
Business section of local paper	65	63	55
<i>The Wall Street Journal</i>	34	23	20
<i>Money</i> magazine	39	26	30
Willing to take:			
Substantial risk for substantial gain	4	3	3
Above average risk for above average gain	38	13	20
Average risk for average gain	53	66	67
No risk at all	5	18	10
If stock market declined 15 percent over three months:			
Would transfer some or most of fund investments to bank accounts or CD	19	20	33
Would leave fund investments as is	63	70	54
Would increase fund investments	17	9	13

\*in 12 months preceding survey (April 1993 through March 1994); multiple responses included  
Note: Respondent bases vary.



	Growth p	12.77	13.00	
.05	E High Yld	9.71	10.22	
.20	B Income p	7.59	7.97	...
.14	C Munl Bd p	7.22	7.60	...
.03	+ .20 D Valu Fd	11.95	12.58	+ .08
10	- .13 E Mujhbg Group:			
.03	+ .20 D Adv Gold	22.64	24.28	- .13
.15	- .01 A Cal TE	6.55	6.88	...
.10	- .13 E Divsd In	6.84	7.34	+ .03
.13	+ .14 C Fund p	16.59	17.79	+ .09
.15	- .01 A Growth	11.48	12.05	...
.03	+ .20 D Int	10.22	10.43	...
.13	+ .14 C	9.47	9.60	...
.10	- .13	9.01	9.14	...

CHAPTER 4:  
FIRST-TIME MUTUAL  
FUND BUYERS BY  
PREVIOUS INVESTMENT  
EXPERIENCE

# DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS

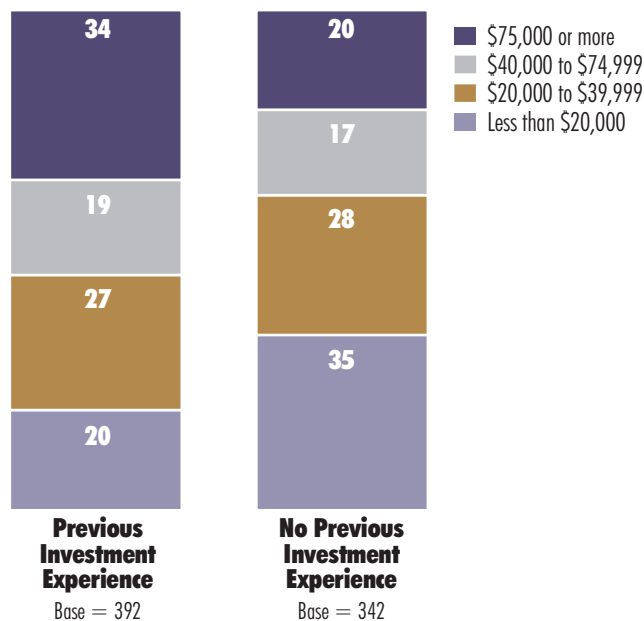
Fifty-three percent of first-time buyers owned stocks, bonds, or annuities at the time they purchased their first fund. These first-time buyers with previous investment experience differ in many significant ways from their counterparts who had no previous investment experience. For example, the typical experienced first-time buyer is 48 years old, five years older than the typical inexperienced first-time buyer. Experienced first-time buyers are also better educated.

Reflecting the older age of the typical experienced first-time buyer, his or her household income and financial assets are significantly greater than those of the typical inexperienced first-time buyer. In addition, more first-time buyers with previous investment experience own stocks and bonds than do first-time buyers without previous investment experience. However, of first-time buyers who did not own stock, bonds, or annuities when they bought their first fund, 19 percent now own stock, 8 percent now own bonds, and 13 percent now own annuities.

FIGURE 4 1

## Household Financial Assets\* by Previous Investment Experience\*\*

(percent of first-time buyers)



\*excludes primary residence and assets in employer-sponsored pension plans  
 \*\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment

FIGURE 4 2

## First-time Buyer Characteristics by Previous Investment Experience\*

	Previous Investment Experience	No Previous Investment Experience
<b>Median</b>		
Age	48	43
Household income	\$46,000	\$40,000
Household financial assets**	\$44,000	\$28,000
<b>Percent</b>		
Male	48%	42%
Married	66	58
Widowed	8	12
College degree or post-graduate	54	44
Employed full- or part-time	71	76
Retired from lifetime occupation	23	18
Saving for retirement is primary financial goal	52	54
Currently own:***		
Stocks	62	19
Bonds	48	8
Annuities	35	13
Certificates of deposit	34	30

\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment.

\*\*excludes primary residence and assets in employer-sponsored pension plans

\*\*\*multiple responses included

Note: Respondent bases vary.

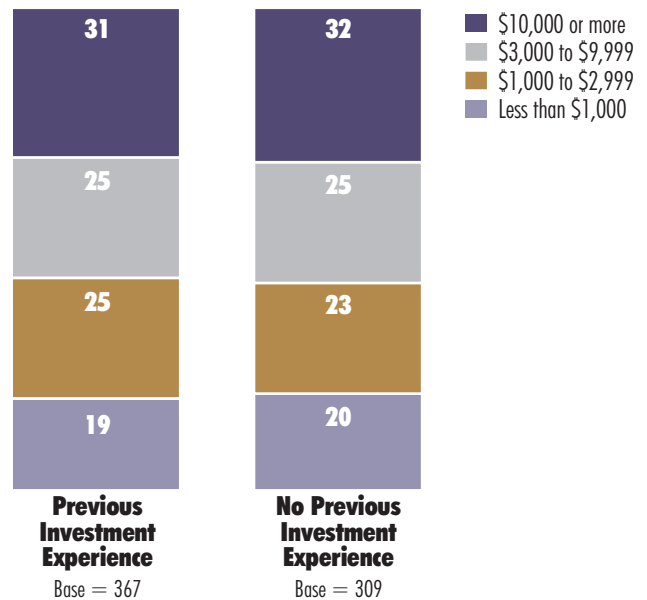
# INITIAL FUND PURCHASE

With only minor exceptions, the characteristics of the initial fund purchases of experienced first-time buyers resemble those of inexperienced first-time buyers. For example, the typical first-time buyer without previous investment experience made an initial fund purchase of \$3,200, only \$300 less than that of the typical first-time buyer with previous investment experience. Likewise, the two groups used the distribution channels in roughly the same proportions. About the only significant difference was the type of fund purchased: more inexperienced first-time buyers purchased an equity fund than did experienced first-time buyers, and more experienced than inexperienced first-time buyers purchased a bond fund.

FIGURE 43

## Amount of Initial Fund Purchase by Previous Investment Experience\*

(percent of first-time buyers)



\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment.

FIGURE 44

## First-time Buyers' Initial Mutual Fund Purchase by Previous Investment Experience\*

	Previous Investment Experience	No Previous Investment Experience
Median purchase amount	\$3,500	\$3,200
<b>Percent</b>		
Type of fund purchased:		
Equity fund	62%	71%
Taxable bond fund	9	7
Tax-exempt bond fund	18	12
Money market fund	11	9
Not specified	—	1
Distribution channel used:		
Sales force (net)	52	57
Full-service broker	30	30
Financial planner	13	16
Insurance agent	8	10
Direct market (net)	35	29
Fund company	30	27
Discount broker	4	2
Bank	12	13

\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment.

Note: Respondent bases vary.



# CURRENT FUND OWNERSHIP

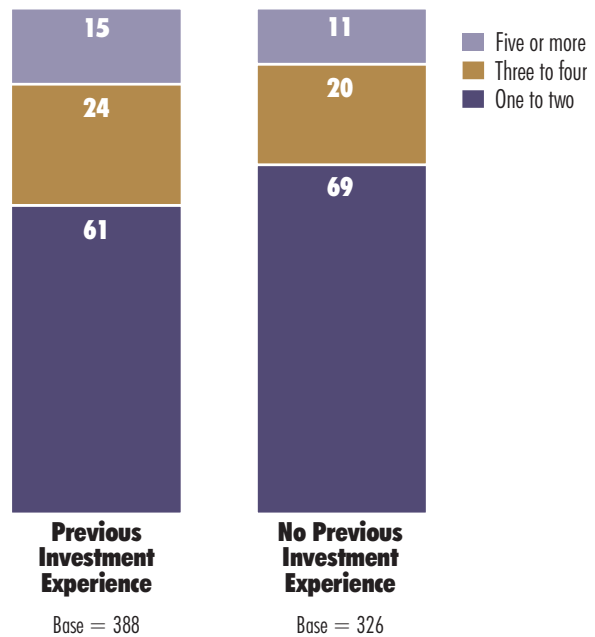
The typical experienced first-time buyer currently has \$10,000 invested in funds, only \$1,000 more than the typical inexperienced first-time buyer. Although the dollar amounts are similar, the typical inexperienced first-time buyer's mutual fund assets represent nearly a third of his or her household financial assets, much greater than the 23 percent that funds represent for the typical experienced first-time buyer. The typical experienced first-time buyer currently owns two mutual funds while the typical inexperienced first-time buyer currently owns one fund.

Virtually all first-time buyers, regardless of their investment experience, still own the first fund they purchased. A comparison of their first fund purchase with their current mutual fund portfolios indicates that some experienced and inexperienced first-time buyers have diversified their fund investments to include bond and money market funds in addition to equity funds.

FIGURE 4 5

## Number of Funds Currently Owned by Previous Investment Experience\*

(percent of first-time buyers)



\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment.

FIGURE 4 6

## First-time Buyers' Current Mutual Fund Ownership by Previous Investment Experience\*

	Previous Investment Experience	No Previous Investment Experience
<b>Median</b>		
Mutual fund assets	\$10,000	\$9,000
Percent of financial assets invested in funds	23%	32%
Number of funds owned	2	1
<b>Percent</b>		
Still own first fund purchased	96%	97%
Currently own:**		
Equity funds	70	68
Taxable bond funds	30	21
Tax-exempt bond funds	25	16
Money market funds	22	17
Self-assessed understanding of mutual funds:		
Comprehensive	11	10
Basic	65	59
Limited	23	29
None	1	2

\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment.

\*\*multiple responses included

Note: Respondent bases vary.

# INVESTMENT ATTITUDES

Experienced and inexperienced first-time buyers have similar attitudes about investing. The majority of those in both groups describe themselves as savers rather than investors and say they enjoy managing their finances. Most seek advice from others when making their investment decisions and do not prefer investments with fixed rates of return.

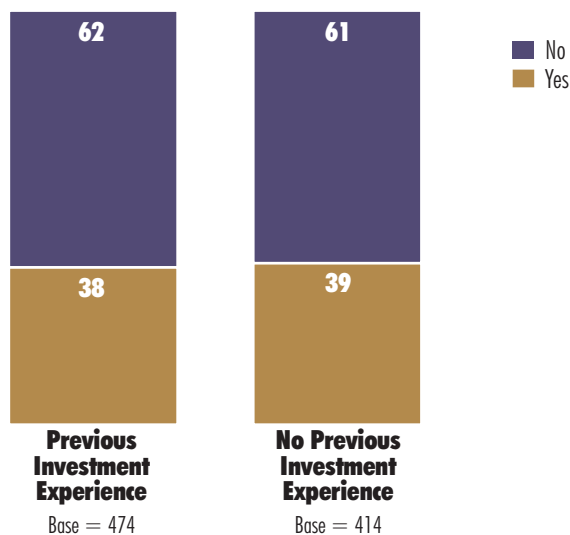
More than half of experienced and inexperienced first-time buyers turned to the business section of their local paper for investment information during the 12 months preceding the survey. Although most first-time buyers did not consult *Money* magazine or *The Wall Street Journal* for investment information during this period, more experienced than inexperienced first-time buyers sought financial data from these two periodicals.

Experienced and inexperienced first-time buyers should react similarly to a decline in the stock market. Approximately two thirds of respondents in both groups say they would maintain their current mutual fund investments in the event of a stock market decline.

FIGURE 47

## Regular Investment\* in Mutual Funds by Previous Investment Experience\*\*

(percent of first-time buyers)



\*other than through reinvesting dividends

\*\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment.

FIGURE 48

## Investment Attitudes and Behavior by Previous Investment Experience\*

(percent of first-time buyers)

	Previous Investment Experience	No Previous Investment Experience
Agree with statement:		
I am more of a saver than an investor.	68%	71%
I enjoy managing my finances.	71	68
I prefer investments with fixed rates of return.	39	41
I can make investment decisions without advice from others.	34	30
I am willing to pay a fee to get the financial advice I need.	55	56
Investment information sources used:**		
Business section of local paper	59	55
<i>The Wall Street Journal</i>	28	20
<i>Money</i> magazine	32	26
Willing to take:		
Substantial risk for substantial gain	3	3
Above average risk for above average gain	27	22
Average risk for average gain	59	63
No risk at all	10	12
If stock market declined 15 percent over three months:		
Would transfer some or most of fund investments to bank accounts or CD	19	22
Would leave fund investments as is	67	65
Would increase fund investments	14	13

\*First-time buyers with previous investment experience owned stocks, bonds, or annuities at the time of their first fund investment.

\*\*in 12 months preceding survey (April 1993 through March 1994); multiple responses included

Note: Respondent bases vary.



		Growth p	12.77	13.00		
.05	E	High Yld	9.71	10.22		
.20	B	Income p	7.59	7.97	...	
.14	C	Munl Bd p	7.22	7.60	...	
.03	+	.20 D	Valu Fd	11.95	12.58 + .08	
10	-	.13 E	Mujhbg Group:			
.03	+	.20 D	Adv Gold	22.64	24.28 - .13 -	
.15	-	.01 A	Cal TE	6.55	6.88 ... +	
.10	-	.13 E	Divsd In	6.84	7.34 + .03 +	
.13	+	.14 C	Fund p	16.59	17.79 + .09	
+	.15	-	.01 A	Growth	11.48	12.05 +
+	.03	+	.20 D	Int	10.22	10.43
.13	+	.14 C		9.47		
.10	-	.13		9.07		

# CHAPTER 5: FIRST-TIME MUTUAL FUND BUYERS BY AGE

# DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS

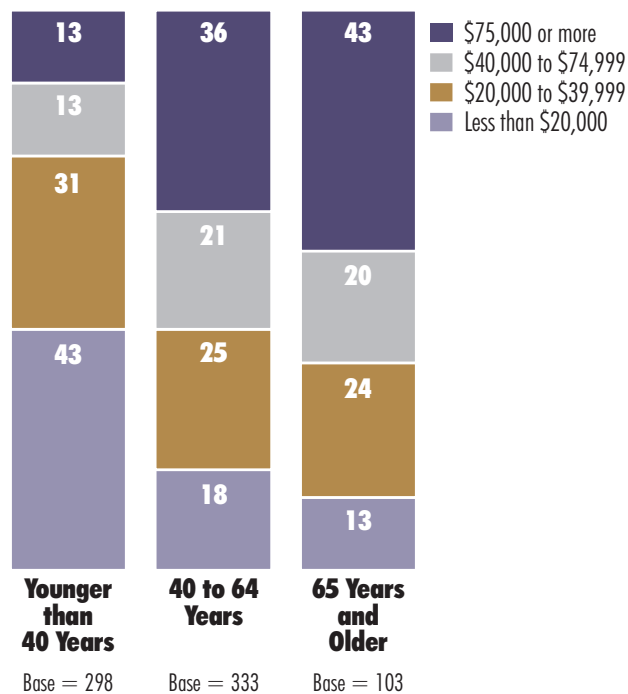
Thirty-seven percent of first-time buyers are under age 40, 47 percent are age 40 to 64, and 16 percent are age 65 and older. First-time buyers under age 65 typically have household incomes of \$47,000, \$19,000 greater than that of typical first-time buyers age 65 and older. Because of their age, first-time buyers under age 40 generally have about half the household financial assets of their counterparts age 40 and older. The typical first-time buyer under age 40 has household financial assets of \$23,000. In contrast, the typical first-time buyer age 40 to 64 has household financial assets of \$51,000, and the typical first-time buyer age 65 and older has household financial assets of \$57,000.

Of all first-time buyers, those age 65 and older are likeliest to be female and widowed. Also, 85 percent of first-time buyers over age 65 are retired and 69 percent do not have a college degree. In contrast, 90 percent of first-time buyers under age 40 are employed and 62 percent have a college degree.

Compared with first-time buyers under age 40 and over age 65, those age 40 to 64 are more frequently saving for retirement. All age groups show an equal propensity to own bonds, but those age 65 and older are the likeliest to own annuities and certificates of deposit.

FIGURE 49

**Household Financial Assets by Age\***  
(percent of first-time buyers)



\*excludes primary residence and assets in employer-sponsored pension plans

FIGURE 50

**First-time Buyer Characteristics by Age**

	Younger than 40 Years	40 to 64 Years	65 Years and Older
<b>Median</b>			
Household income	\$47,000	\$47,000	\$28,000
Household financial assets*	\$23,000	\$51,000	\$57,000
<b>Percent</b>			
Male	51%	43%	36%
Married	67	64	45
Widowed	1	8	36
College degree or post-graduate	62	46	31
Employed full- or part-time	90	80	14
Retired from lifetime occupation	1	15	85
Saving for retirement is primary financial goal	49	67	17
Currently own:**			
Stocks	39	45	41
Bonds	28	31	29
Annuities	14	29	37
Certificates of deposit	18	34	60

\*excludes primary residence and assets in employer-sponsored pension plans

\*\*multiple responses included

Note: Respondent bases vary.

# INITIAL FUND PURCHASE

The typical first-time buyer age 65 and older made an initial fund investment of \$8,500. This compares with an initial fund investment of \$1,900 for the typical first-time buyer under age 40, and \$4,800 for the typical first-time buyer age 40 to 64.

The vast majority of first-time buyers under age 65 initially purchased shares of an equity fund, whereas first-time buyers age 65 and older purchased a wider range of funds. Less than half of these senior first-time buyers initially purchased shares in an equity fund, three in ten bought shares in a tax-exempt bond fund, and about one fifth purchased a taxable bond fund.

First-time buyers under age 65 more often purchased their first fund from the direct market channel than did those age 65 and older. Compared with first-time buyers under age 65, those age 65 and older more often used a full-service broker or a bank for their initial purchase. Twenty-five percent of senior first-time buyers bought their first fund from a bank, compared with 7 percent of those under age 40.

FIGURE 51

## Amount of Initial Fund Purchase by Age

(percent of first-time buyers)

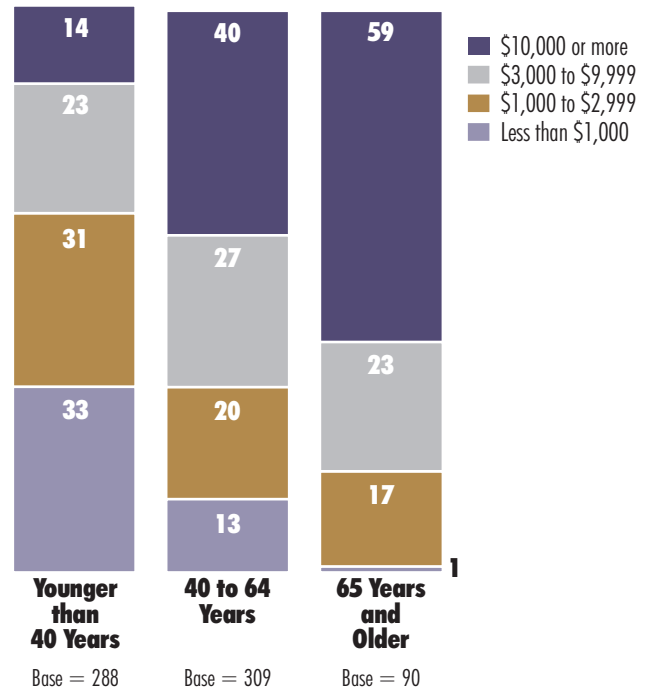


FIGURE 52

## First-time Buyers' Initial Mutual Fund Purchase by Age

	Younger than 40 Years	40 to 64 Years	65 Years and Older
Median purchase amount	\$1,900	\$4,800	\$8,500
<b>Percent</b>			
Type of fund purchased:			
Equity fund	77%	62%	45%
Taxable bond fund	3	9	18
Tax-exempt bond fund	8	18	31
Money market fund	12	10	5
Not specified	—	1	1
Distribution channel used:			
Sales force (net)	55	55	50
Full-service broker	28	29	38
Financial planner	15	16	11
Insurance agent	11	10	2
Direct market (net)	37	31	25
Fund company	33	29	22
Discount broker	4	3	3
Bank	7	13	25

Note: Respondent bases vary.

# CURRENT FUND OWNERSHIP

The typical first-time buyer under age 40 currently has \$5,000 invested in mutual funds, or 22 percent of household financial assets. The typical middle-age first-time buyer currently has \$15,000 invested in funds, or 29 percent of household financial assets. The typical senior first-time buyer has \$19,000 invested in funds, or 33 percent of household financial assets. First-time buyers under age 65 generally own two mutual funds; those age 65 and older typically own one fund.

At least 70 percent of first-time buyers under age 65 currently own an equity fund, compared with only 44 percent of first-time buyers age 65 and older. Along with first-time buyers age 40 to 64, those age 65 and older more frequently own taxable and tax-exempt bonds funds than do younger first-time buyers.

More than 60 percent of first-time buyers under age 65 say they have a basic understanding of mutual funds. Almost half of first-time buyers age 65 and older report having a basic understanding and 42 percent a limited understanding.

FIGURE 5 3

**Number of Funds Currently Owned by Age**  
(percent of first-time buyers)

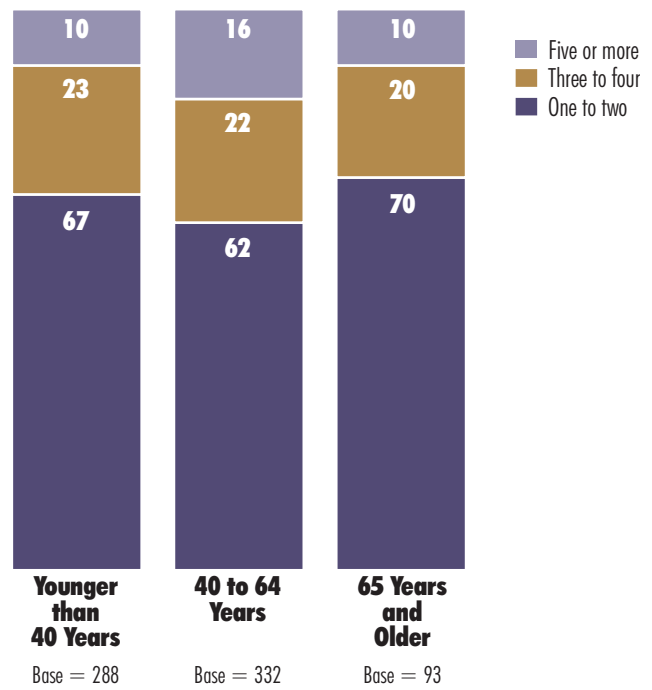


FIGURE 5 4

**First-time Buyers' Current Mutual Fund Ownership by Age**

	Younger than 40 Years	40 to 64 Years	65 Years and Older
<b>Median</b>			
Mutual fund assets	\$5,000	\$15,000	\$19,000
Percent of financial assets invested in funds	22%	29%	33%
Number of funds owned	2	2	1
<b>Percent</b>			
Still own first fund purchased	97%	96%	95%
Currently own:*			
Equity funds	79	70	44
Taxable bond funds	19	30	31
Tax-exempt bond funds	16	22	29
Money market funds	22	18	19
Self-assessed understanding of mutual funds:			
Comprehensive	14	9	6
Basic	69	61	49
Limited	16	28	42
None	—	2	3

\*multiple responses included  
Note: Respondent bases vary.

# INVESTMENT ATTITUDES

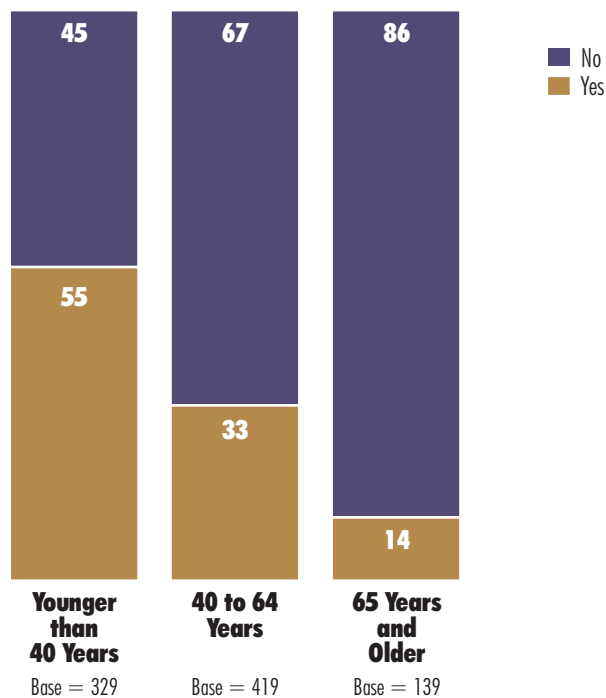
Over half of first-time buyers under age 40 regularly invest in mutual funds while most of their older counterparts do not. Although most first-time buyers describe themselves as savers rather than investors, more first-time buyers age 65 and older describe themselves as savers than do those under age 65. Perhaps reflecting their need for income stability in retirement, 61 percent of first-time buyers age 65 and older say they prefer investments with fixed rates of return, compared with 30 percent of first-time buyers under age 40.

Compared with senior first-time buyers, more of those under age 65 have obtained investment information from their local newspaper, *The Wall Street Journal*, and *Money* magazine during the 12 months preceding the survey.

First-time buyers under age 40 show the greatest willingness to take financial risk, whereas those age 65 and older are the least willing. In fact, 31 percent of the senior group of first-time buyers are unwilling to take any financial risk. Nevertheless, 71 percent of first-time buyers age 65 and older say they would not redeem their mutual fund investments if the stock market dropped 15 percent over a three-month period.

FIGURE 5 5

**Regular Investment in Mutual Funds by Age\***  
(percent of first-time buyers)



\*other than through reinvesting dividends

FIGURE 5 6

**Investment Attitudes and Behavior by Age**

(percent of first-time buyers)

	Younger than 40 Years	40 to 64 Years	65 Years and Older
Agree with statement:			
I am more of a saver than an investor.	61%	70%	85%
I enjoy managing my finances.	78	66	61
I prefer investments with fixed rates of return.	30	42	61
I can make investment decisions without advice from others.	37	26	37
I am willing to pay a fee to get the financial advice I need.	55	57	52
Investment information sources used:*			
Business section of local paper	60	58	50
<i>The Wall Street Journal</i>	28	24	15
<i>Money</i> magazine	34	29	19
Willing to take:			
Substantial risk for substantial gain	5	2	2
Above average risk for above average gain	38	20	6
Average risk for average gain	53	67	61
No risk at all	4	10	31
If stock market declined 15 percent over three months:			
Would transfer some or most of fund investments to bank accounts or CD	19	23	20
Would leave fund investments as is	64	66	71
Would increase fund investments	17	12	9

\*in 12 months preceding survey (April 1993 through March 1994); multiple responses included

Note: Respondent bases vary.





# DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS

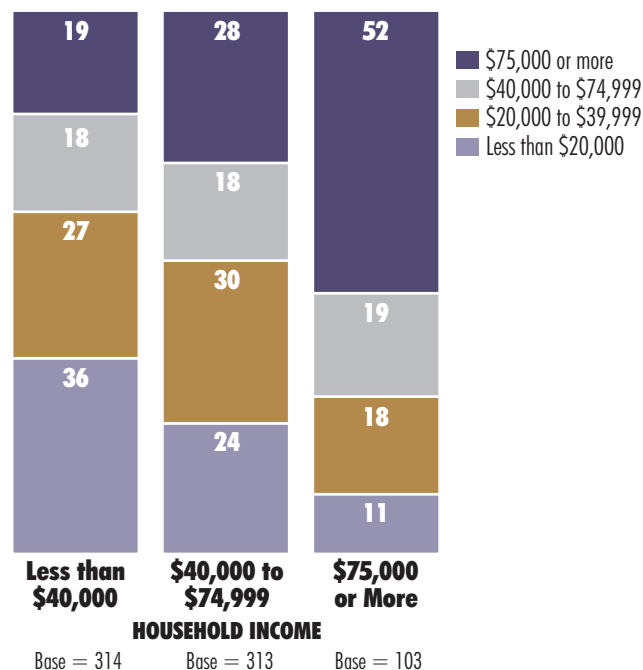
Many first-time buyers have moderate household incomes. Forty-three percent of first-time buyers have household incomes of less than \$40,000, 43 percent have household incomes between \$40,000 and \$75,000, and 14 percent have household incomes that exceed \$75,000.<sup>3</sup>

First-time buyers with household incomes below \$40,000 tend to be in their early fifties, while those with household incomes of \$40,000 or more are usually in their early forties. At least three quarters of first-time buyers with household incomes of \$40,000 or more are married and 50 percent are male. In contrast, 60 percent of first-time buyers with household incomes below \$40,000 are not married and 62 percent are female. Retirees account for a third of first-time buyers with household incomes below \$40,000, but they only account for 10 percent of first-time buyers with household incomes of \$40,000 to \$75,000 and for 12 percent of those with household incomes of \$75,000 or more.

With their relatively large financial portfolios, it is not surprising that first-time buyers with household incomes of \$75,000 or more often own shares of stock and certificates of deposit than do other first-time buyers.

FIGURE 5 7

## Household Financial Assets by Income\* (percent of first-time buyers)



\*excludes primary residence and assets in employer-sponsored plans

FIGURE 5 8

## First-time Buyer Characteristics by Income

	Less than \$40,000	\$40,000 to \$74,999	\$75,000 or More
<b>Median</b>			
Age	50	41	44
Household financial assets*	\$28,000	\$36,000	\$79,000
<b>Percent</b>			
Male	38%	50%	50%
Married	40	77	83
Widowed	19	3	2
College degree or post-graduate	38	54	73
Employed full- or part-time	61	84	86
Retired from lifetime occupation	33	10	12
Saving for retirement is primary financial goal	46	58	62
Currently own:**			
Stocks	37	43	55
Bonds	24	33	35
Annuities	23	26	25
Certificates of deposit	36	25	39

\*excludes primary residence and assets in employer-sponsored pension plans

\*\*multiple responses included

Note: Respondent bases vary.

<sup>3</sup>As in earlier chapters, medians are used to describe the “typical” first-time buyer for a particular segment of the first-time buyer population. This technique is most useful when respondent data are clustered around the median. Because first-time buyers with household incomes of \$40,000 or less include two very different groups—those who are young and employed and those who are old and retired—data about the “typical” first-time buyer with a household income of \$40,000 should be used with caution.

# INITIAL FUND PURCHASE

The typical first-time buyer with a household income of \$75,000 or more made an initial fund investment of \$4,600. In contrast, the typical first-time buyer with a household income between \$40,000 and \$75,000 made an initial fund investment of \$2,300, and the typical first-time buyer with a household income below \$40,000 made an initial fund investment of \$4,000.

The typical first-time buyer in each income group initially purchased shares of an equity fund, in most cases from the sales force channel. More than half of all first-time buyers in each income category bought their first mutual fund from either a full-service broker, financial planner, or insurance agent. Use of a discount broker was strongest among first-time buyers with household incomes of \$75,000 or more. Nevertheless, only 7 percent of first-time buyers in this income group bought their first fund from this source. Similarly, use of the bank channel was strongest among first-time buyers with household incomes below \$40,000, but only 15 percent in this income group bought their first fund from a bank.

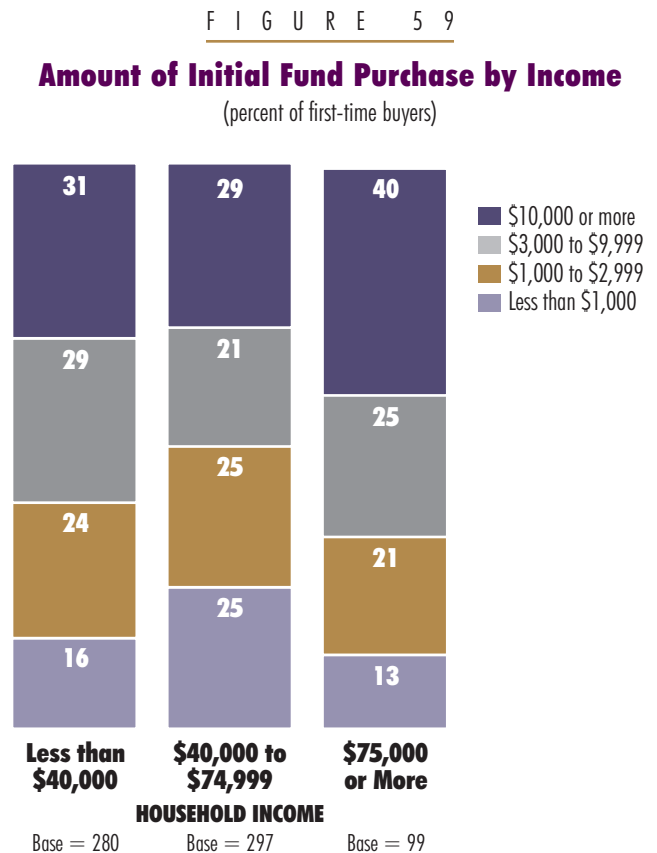


FIGURE 60

**First-time Buyers' Initial Mutual Fund Purchase by Income**

	Less than \$40,000	\$40,000 to \$74,999	\$75,000 or More
Median purchase amount	\$4,000	\$2,300	\$4,600
<b>Percent</b>			
Type of fund purchased:			
Equity fund	60%	72%	68%
Taxable bond fund	11	6	2
Tax-exempt bond fund	18	11	18
Money market fund	9	11	12
Not specified	2	—	—
Distribution channel used:			
Sales force (net)	53	56	53
Full-service broker	29	32	30
Financial planner	15	14	15
Insurance agent	10	10	8
Direct market (net)	31	33	37
Fund company	27	31	30
Discount broker	3	2	7
Bank	15	9	9

Note: Respondent bases vary.

# CURRENT FUND OWNERSHIP

First-time buyers with household incomes of \$75,000 or more typically have \$20,000 of their current household financial assets invested in funds. The typical first-time buyer with a household income between \$40,000 and \$75,000 currently has \$10,000 invested in mutual funds, and the typical first-time buyer with a household income below \$40,000 has \$6,000.

With such a relatively large dollar amount invested in mutual funds, it is noteworthy that first-time buyers with household incomes of \$75,000 or more typically own only two funds. Also noteworthy is that more first-time buyers in the higher income groups own equity funds than do other first-time buyers.

Although the typical first-time buyer has a basic understanding of mutual funds, nearly one in five first-time buyers with incomes of \$75,000 or more say they have a comprehensive understanding of funds. At the same time, more than a third of first-time buyers who have household incomes below \$40,000 say they have a limited understanding of funds.

FIGURE 6 1

## Number of Funds Currently Owned by Income (percent of first-time buyers)

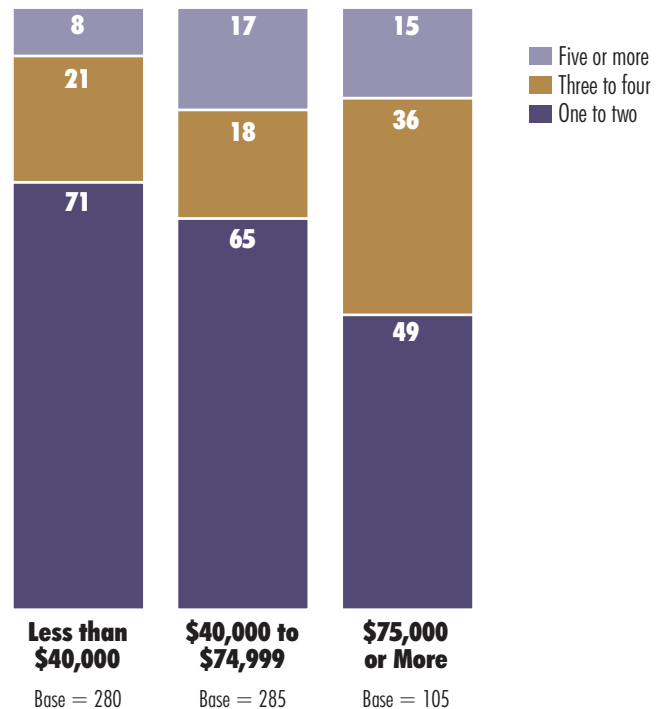


FIGURE 6 2

## First-time Buyers' Current Mutual Fund Ownership by Income

	Less than \$40,000	\$40,000 to \$74,999	\$75,000 or More
<b>Median</b>			
Mutual fund assets	\$6,000	\$10,000	\$20,000
Percent of financial assets invested in funds	21%	28%	25%
Number of funds owned	1	2	2
<b>Percent</b>			
Still own first fund purchased	97%	96%	95%
Currently own:*			
Equity funds	61	76	78
Taxable bond funds	26	26	24
Tax-exempt bond funds	21	18	28
Money market funds	17	21	21
Self-assessed understanding of mutual funds:			
Comprehensive	7	12	19
Basic	56	66	66
Limited	35	21	15
None	2	1	—

\*multiple responses included  
Note: Respondent bases vary.

# INVESTMENT ATTITUDES

Regular investment in mutual funds is strongest among first-time buyers with incomes of \$40,000 or more. Of all first-time buyers, more of those with household incomes below \$40,000 describe themselves as savers and say they prefer investments with fixed rates of return. First-time buyers with household incomes below \$40,000 are also the least likely to enjoy managing their finances.

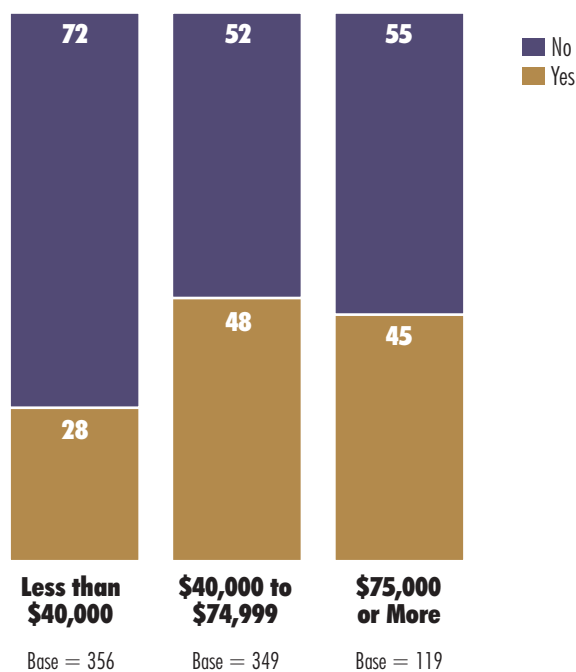
When compared with first-time buyers with household incomes below \$75,000, more of those with household incomes of at least \$75,000 seek investment information from *The Wall Street Journal* and *Money* magazine.

Of all first-time buyers, those with household incomes below \$40,000 are the most risk-averse. Nearly one in five say they are unwilling to take any financial risk. At the same time, first-time buyers with household incomes of \$75,000 or more are the most willing of all first-time buyers; nearly half say they will take at least above average risk in order to achieve above average gain.

FIGURE 6 3

## Regular Investment in Mutual Funds by Income\*

(percent of first-time buyers)



\*other than through reinvesting dividends

FIGURE 6 4

## Investment Attitudes and Behavior by Income

(percent of first-time buyers)

	Less than \$40,000	\$40,000 to \$74,999	\$75,000 or More
Agree with statement:			
I am more of a saver than an investor.	75%	66%	55%
I enjoy managing my finances.	65	74	75
I prefer investments with fixed rates of return.	48	32	32
I can make investment decisions without advice from others.	33	31	32
I am willing to pay a fee in order to get the financial advice I need.	54	56	64
Investment information sources used:*			
Business section of local paper	51	64	63
<i>The Wall Street Journal</i>	17	27	39
<i>Money</i> magazine	22	32	43
Willing to take:			
Substantial risk for substantial gain	3	4	4
Above average risk for above average gain	15	29	45
Average risk for average gain	63	63	47
No risk at all	19	4	3
If stock market declined 15 percent over three months:			
Would transfer some or most of fund investments to bank accounts or CD	23	20	19
Would leave fund investments as is	67	65	63
Would increase fund investments	10	15	18

\*in 12 months preceding survey (April 1993 through March 1994); multiple responses included

Note: Respondent bases vary.



# DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS

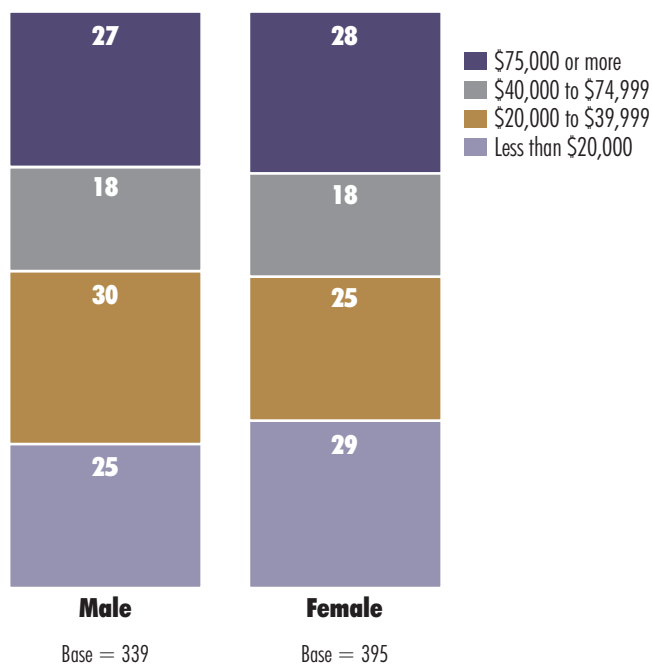
The first-time buyers interviewed for this study are (a) either their household's primary or co-financial decision-maker for savings and investments, and (b) the decision-maker who made the initial fund purchase. The typical male first-time buyer is married, in his early forties, and has a household income of \$48,000. The typical female first-time buyer is also married, but is in her late forties and has a household income of \$41,000. However, 16 percent of female first-time buyers are widowed while just 2 percent of male first-time buyers are widowers.

The typical male first-time buyer has a four-year college degree while his female counterpart does not. Although most male and female first-time buyers are employed, slightly more female than male first-time buyers are retired. The typical male and female first-time buyers each have household financial assets totaling \$36,000. More male than female first-time buyers own stock, while more female than male first-time buyers own certificates of deposit.

FIGURE 6 5

## Household Financial Assets by Gender\*

(percent of first-time buyers)



\*excludes primary residence and assets in employer-sponsored pension plans

FIGURE 6 6

## First-time Buyer Characteristics by Gender

	Male	Female
<b>Median</b>		
Age	43	47
Household income	\$48,000	\$41,000
Household financial assets*	\$36,000	\$36,000
<b>Percent</b>		
Married	65%	60%
Widowed	2	16
College degree or post-graduate	59	42
Employed full- or part-time	80	67
Retired from lifetime occupation	17	23
Saving for retirement is primary financial goal	55	51
Currently own:**		
Stocks	47	38
Bonds	28	31
Annuities	22	27
Certificates of deposit	28	36

\*excludes primary residence and assets in employer-sponsored pension plans

\*\*multiple responses included

Note: Respondent bases vary; male and female respondents are the household financial decisionmaker who actually made the initial fund purchase.

# INITIAL FUND PURCHASE

The typical female first-time buyer made an initial fund investment of \$4,300. The typical male first-time buyer made an initial fund investment of \$2,900. Almost three quarters of male first-time buyers initially purchased shares of an equity fund, 19 percent bought shares in a bond fund, and 8 percent bought shares in a money market fund. In contrast, 57 percent of female first-time buyers purchased shares in an equity fund, 29 percent bought shares in a bond fund, and 13 percent bought shares in a money market fund.

Male and female first-time buyers' use of channels for the initial fund purchase also differs somewhat. More male than female first-time buyers made their initial purchase from a fund company, while more female than male first-time buyers made their initial purchase from a bank. About an equal percentage of male and female first-time buyers used full-service brokers, financial planners, and insurance agents for their initial fund purchase.

FIGURE 67

## Amount of Initial Fund Purchase by Gender

(percent of first-time buyers)

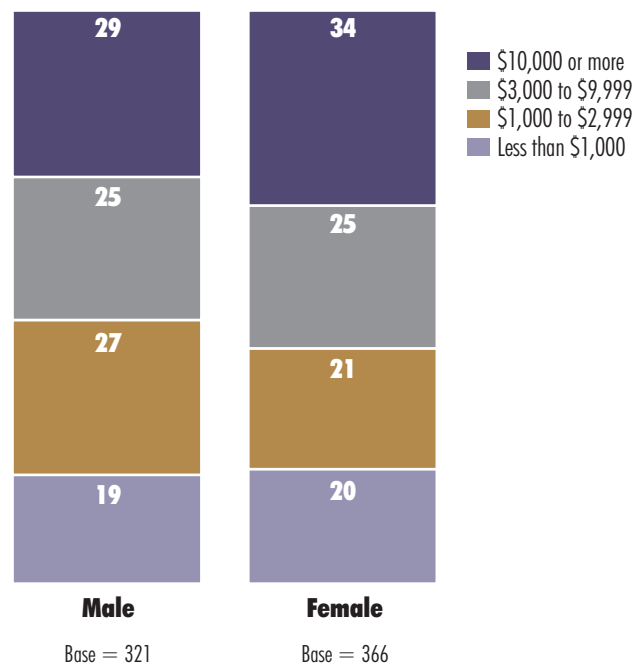


FIGURE 68

## First-time Buyers' Initial Mutual Fund Purchase by Gender

	Male	Female
Median purchase amount	\$2,900	\$4,300
<b>Percent</b>		
Type of fund purchased:		
Equity fund	73%	57%
Taxable bond fund	8	9
Tax-exempt bond fund	11	20
Money market fund	8	13
Not specified	—	1
Distribution channel used:		
Sales force (net)	52	56
Full-service broker	29	31
Financial planner	14	15
Insurance agent	9	10
Direct market (net)	39	27
Fund company	36	24
Discount broker	3	3
Bank	8	17

Note: Respondent bases vary.

# CURRENT FUND OWNERSHIP

The typical male first-time buyer currently has \$8,000 invested in two mutual funds, or 22 percent of his current household financial assets. The typical female first-time buyer currently has \$10,000 invested in one mutual fund, or 28 percent of her household financial assets.

Whether male or female, the typical first-time buyer still owns the first mutual fund purchased. Male and female first-time buyers' current ownership of taxable bond, tax-exempt bond, and money market funds are comparable. Slightly more male first-time buyers own equity funds than do female first-time buyers.

Most male and female first-time buyers say they have a basic understanding of mutual funds. However, one third of female first-time buyers say they have a limited understanding of mutual funds, compared with less than one in five of male first-time buyers. Also noteworthy, 17 percent of male first-time buyers say they have a comprehensive understanding of mutual funds while only 5 percent of female first-time buyers describe themselves this way.

FIGURE 69

**Number of Funds Currently Owned by Gender**  
(percent of first-time buyers)

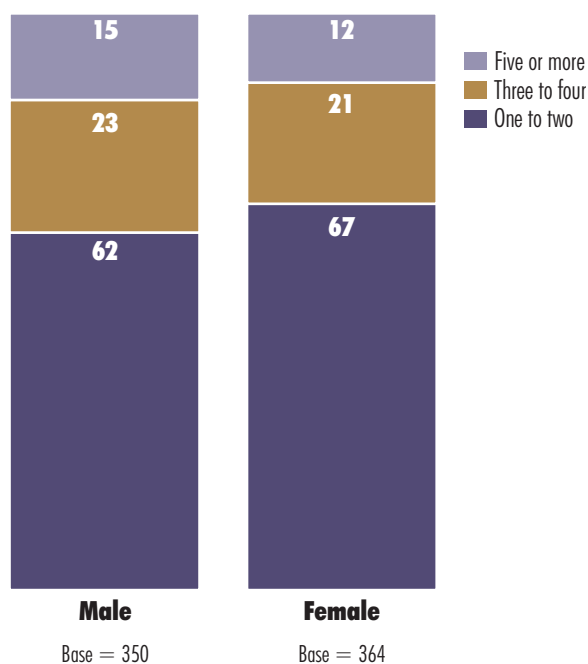


FIGURE 70

**First-time Buyers' Current Mutual Fund Ownership by Gender**

	Male	Female
<b>Median</b>		
Mutual fund assets	\$8,000	\$10,000
Percent of financial assets invested in funds	22%	28%
Number of funds owned	2	1
<b>Percent</b>		
Still own first fund ever purchased	95%	98%
Currently own:*		
Equity funds	79	61
Taxable bond funds	26	26
Tax-exempt bond funds	18	23
Money market funds	19	20
Self-assessed understanding of mutual funds:		
Comprehensive	17	5
Basic	65	60
Limited	17	33
None	1	2

\*multiple responses included  
Note: Respondent bases vary.



# INVESTMENT ATTITUDES AND BEHAVIOR

More female than male first-time buyers describe themselves as savers as opposed to investors and say they prefer investments with fixed rates of return. More male than female first-time buyers say they enjoy managing their finances, regularly invest in mutual funds, and can make independent financial decisions.

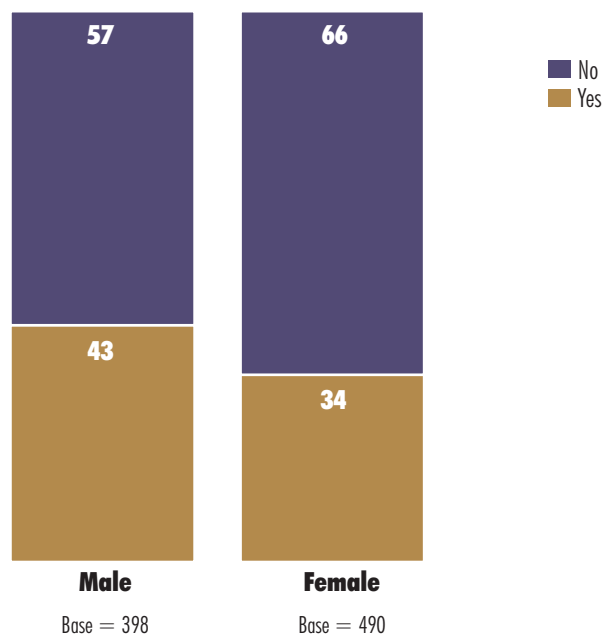
When compared with their female counterparts, more male first-time buyers have obtained investment information from the business section of their local paper, *The Wall Street Journal*, and *Money* magazine during the 12 months preceding the survey.

Female first-time buyers are more risk-averse than their male counterparts. Sixteen percent of female first-time buyers say they do not want to take any financial risk. Because of this aversion, it is not surprising that a quarter of female first-time buyers would move some or most of their fund investments into bank deposits if the stockmarket declined 15 percent over three months. Only 15 percent of male first-time buyers say they would react in this manner.

FIGURE 71

## Regular Investment in Mutual Funds by Gender\*

(percent of first-time buyers)



\*other than through reinvesting dividends

FIGURE 72

## Investment Attitudes and Behavior by Gender

(percent of first-time buyers)

	Male	Female
Agree with statement:		
I am more of a saver than an investor.	61%	76%
I enjoy managing my finances.	76	64
I prefer investments with fixed rates of return.	31	48
I can make investment decisions without advice from others.	39	26
I am willing to pay a fee to get the financial advice I need.	52	59
Investment information sources used:*		
Business section of local paper	64	52
<i>The Wall Street Journal</i>	35	15
<i>Money</i> magazine	35	24
Willing to take:		
Substantial risk for substantial gain	6	2
Above average risk for above average gain	35	16
Average risk for average gain	55	66
No risk at all	4	16
If stock market declined 15 percent over three months:		
Would transfer some or most of fund investments to bank accounts or CD	15	25
Would leave fund investments as is	64	67
Would increase fund investments	21	8

\*in 12 months preceding survey (April 1993 through March 1994); multiple responses included  
Note: Respondent bases vary.



F I G U R E 7 3

**Detailed Demographic Characteristics**

(percent of respondents)

	Seasoned Fund Buyers	All First-time Fund Buyers	First-time Fund Buyers		
			Channel from Which First Fund Was Purchased		
			Sales Force	Direct Market	Bank
<b>Gender</b>					
Male	52	45	43	54	28
Female	48	55	57	46	72
Base =	1,077	890	469	281	109
<b>Age</b>					
Younger than 35 years	11	23	23	29	11
35 to 44 years	18	25	26	24	26
45 to 54 years	23	20	18	21	24
55 to 64 years	21	16	19	15	11
65 years or older	27	16	13	11	27
Base =	1,073	889	468	281	109
Mean	54	47	47	45	53
Median	54	46	45	43	49
<b>Educational Level</b>					
High school or less	18	22	28	13	20
Some college	26	28	25	29	39
Completed 4 years of college	28	29	29	31	28
Some graduate school	7	6	5	7	4
Completed graduate school	21	15	13	19	9
Base =	1,074	890	469	281	109
<b>Marital Status</b>					
Never married	15	18	15	23	17
Married	60	62	66	60	53
Divorced or separated	12	10	9	9	15
Widowed	13	10	9	9	16
Base =	1,077	888	469	279	109
<b>Employment Status</b>					
Employed full-time	54	64	65	68	53
Employed part-time	10	9	10	9	8
Not employed	36	27	26	23	39
Base =	1,077	890	469	281	109
<b>Retirement Status</b>					
Retired from lifetime occupation	33	21	21	16	30
Not retired from lifetime occupation	67	79	79	84	70
Base =	1,077	890	469	281	109
<b>Household Size</b>					
One person	28	25	22	26	30
Two persons	37	34	33	36	34
Three persons	14	17	17	15	21
Four persons	14	16	17	17	12
Five or more persons	7	8	11	5	3
Base =	1,077	890	469	281	109
Mean	2.4	2.5	2.7	2.4	2.2

F I G U R E 7 4

**Detailed Financial Characteristics**

(percent of respondents)

	Seasoned Fund Buyers	All First-time Fund Buyers	First-time Fund Buyers		
			Channel from Which First Fund Was Purchased Sales Force	Direct Market	Bank
<b>Household Income in 1993</b>					
Less than \$30,000	23	24	23	21	32
\$30,000 to \$39,999	16	19	19	19	23
\$40,000 to \$49,999	16	18	19	17	16
\$50,000 to \$74,999	25	24	25	27	17
\$75,000 or more	21	14	14	16	11
Base =	978	825	438	263	96
Mean	\$59,400	\$53,400	\$53,100	\$55,700	\$51,300
Median	\$47,000	\$44,000	\$44,000	\$46,000	\$38,000
<b>Current Household Financial Assets*</b>					
Less than \$20,000	11	27	28	27	21
\$20,000 to \$39,999	19	27	25	32	24
\$40,000 to \$74,999	19	18	18	18	24
\$75,000 to \$99,999	10	9	8	9	8
\$100,000 or more	41	19	21	14	23
Base =	857	734	392	234	83
Mean	\$125,200	\$73,000	\$75,400	\$68,100	\$79,000
Median	\$77,000	\$36,000	\$36,000	\$32,000	\$48,000
<b>Current Household Ownership of Nonfund Investments**</b>					
Stocks	59	42	41	47	37
Bonds	38	30	29	30	28
Annuities	33	25	28	19	29
Certificates of deposit	34	32	29	33	46
Base =	1,073	888	468	280	109
<b>Primary Financial Goal</b>					
Saving for retirement	50	53	51	57	51
Preserving accumulated assets	22	15	16	13	18
Saving for education	7	11	13	9	10
Saving for emergencies	5	8	8	6	7
Other	16	13	12	15	13
Base =	1,072	809	469	281	109
<b>Current Household Ownership of Retirement Accounts**</b>					
IRA	72	56	52	63	55
Keogh	6	3	3	5	2
401(k)	33	36	34	42	26
Company profit-sharing plan	22	24	27	24	16
Base =	1,071	884	465	281	107

\*excludes primary residence and assets in employer-sponsored pension plans

\*\*multiple responses included

F I G U R E 7 5

**Detailed Characteristics of the Initial Fund Purchase**

(percent of respondents)

	Seasoned Fund Buyers	All First-time Fund Buyers	First-time Fund Buyers		
			Channel from Which First Fund Was Purchased		
			Sales Force	Direct Market	Bank
<b>Year of First Fund Purchase</b>					
1994	—	5	4	6	5
1993	—	50	49	48	57
1992	—	45	47	46	39
1991	9	—	—	—	—
1990	11	—	—	—	—
1980 to 1989	56	—	—	—	—
Before 1980	24	—	—	—	—
Base =	1,077	890	469	281	109
<b>Amount of First Fund Purchase</b>					
Less than \$1,000	17	20	21	21	6
\$1,000 to \$1,999	12	13	12	18	7
\$2,000 to \$2,999	16	11	9	14	11
\$3,000 to \$5,999	21	20	19	22	15
\$6,000 to \$9,999	5	5	5	4	8
\$10,000 to \$24,999	21	22	23	15	40
\$25,000 or more	8	10	11	6	13
Base =	803	687	358	237	75
Mean	\$9,100	\$9,400	\$10,900	\$6,400	\$12,200
Median	\$3,300	\$3,400	\$4,500	\$2,000	\$8,400
<b>Type of Fund Initially Purchased</b>					
Equity fund	67	66	67	69	43
Taxable bond fund	9	8	5	10	10
Tax-exempt bond fund	12	15	17	10	32
Money market fund	11	10	10	10	15
Type not specified	1	1	1	1	—
Base =	812	621	308	228	69
<b>Distribution Channel Used for Initial Fund Purchase</b>					
Sales force (net)	60	54	100	—	—
Full-service broker	39	30	56	—	—
Financial planner	13	15	27	—	—
Insurance agent	7	9	17	—	—
Direct market (net)	35	32	—	100	—
Fund company	32	29	—	90	—
Discount broker	3	3	—	10	—
Bank	5	13	—	—	100
Base =	1,041	868	469	281	109

(continued on next page)

F I G U R E 7 5 C O N T I N U E D

**Detailed Characteristics of the Initial Fund Purchase**

(percent of respondents)

	Seasoned Fund Buyers	All First-time Fund Buyers	First-time Fund Buyers		
			Channel from Which First Fund Was Purchased		
			Sales Force	Direct Market	Bank
<b>Reason for Buying a Fund Rather Than Nonfund Investment*</b>					
Offered potential for high returns	43	56	53	63	58
Was recommended by financial adviser	15	11	16	1	12
Offered diversification	11	8	9	8	6
Was recommended by friend or family member	9	7	7	7	9
Offered potential for long-term growth	5	4	4	5	3
Was convenient	5	4	4	4	5
Offered professional management	4	2	2	2	1
Other reasons	10	10	9	11	12
Base =	1,036	876	460	279	108
<b>Reason for Using Distribution Channel*</b>					
Established relationship with institution or financial adviser	NA	NA	37	9	42
Expertise of financial adviser	NA	NA	32	9	24
Recommended by friend, family member, or business acquaintance	NA	NA	12	7	2
Only way to conveniently invest in fund	NA	NA	6	16	23
Reputation of institution or financial adviser	NA	NA	6	5	4
Able to make own investment decisions	NA	NA	4	21	4
Less costly	NA	NA	3	30	4
Other reasons	NA	NA	10	19	11
Base =	NA	NA	469	269	104
<b>Other Savings and Investments Owned at Time of First Fund Purchase*</b>					
Certificates of deposit	46	47	44	47	67
Annuities	14	18	17	17	26
Stocks	42	33	31	39	32
Bonds	23	24	24	25	23

\*multiple responses included

NA=Not applicable. Responses were given based on use of channel.

F I G U R E 7 6

**Detailed Characteristics of Current Fund Ownership**

(percent of respondents)

	Seasoned Fund Buyers	All First-time Fund Buyers	First-time Fund Buyers		
			Channel from Which First Fund Was Purchased		
			Sales Force	Direct Market	Bank
<b>Number of Funds Currently Owned</b>					
One	24	37	37	34	45
Two	22	28	31	23	27
Three to four	30	22	19	27	21
Five or more	24	13	13	16	7
Base =	899	714	362	249	82
Mean	4	3	3	3	2
Median	2	2	1	2	1
<b>Current Amount Invested in Mutual Funds</b>					
\$3,000 or less	9	26	26	29	14
\$3,001 to \$6,000	12	15	15	18	9
\$6,001 to \$10,000	12	15	14	14	19
\$10,001 to \$25,000	21	21	20	20	31
\$25,001 to \$50,000	21	12	12	10	19
More than \$50,000	25	12	15	9	8
Base =	732	606	311	208	70
Mean	\$54,600	\$26,500	\$29,700	\$20,800	\$31,600
Median	\$21,000	\$10,000	\$10,000	\$7,000	\$18,000
<b>Types of Mutual Funds Currently Owned*</b>					
Equity funds	71	69	71	74	53
Taxable bond funds	34	26	25	25	29
Tax-exempt bond funds	32	21	21	18	31
Money market funds	32	20	20	20	17
<b>Combinations of Fund Types Currently Owned</b>					
Equity funds only	27	40	41	47	24
Bond funds only	17	20	20	13	33
Money market funds only	8	7	6	8	11
Equity and money market funds	11	8	9	7	5
Bond and money market funds	5	2	2	2	2
Equity and bond funds	23	18	18	18	23
All three types	9	5	4	5	2
Base =	798	663	353	206	83
<b>Self-assessed Understanding of Mutual Funds</b>					
Comprehensive	22	10	8	17	6
Basic	61	63	60	68	62
Limited	16	26	31	14	30
None	1	1	1	1	2
Base =	1,076	890	469	281	109
<b>Ownership of First Fund Ever Purchased</b>					
Still own	71	96	96	98	98
No longer own	29	4	4	2	2
Base =	1,067	890	469	281	109

\*multiple responses included

F I G U R E 7 7

**Detailed Characteristics of Investment Attitudes**

(percent of respondents who agree)

	Seasoned Fund Buyers	All First-time Fund Buyers	First-time Fund Buyers		
			Channel from Which First Fund Was Purchased		
			Sales Force	Direct Market	Bank
<b>Attitudes About Investing</b>					
I like to meet in person with someone who is going to advise me on my investments.	61	67	80	40	79
I am more of a saver than an investor.	57	69	72	60	82
I am willing to pay a fee to get the financial advice I need.	54	56	71	34	50
I enjoy managing my finances.	69	70	66	80	63
I follow the value of my investments closely.	69	67	64	74	63
I prefer investments that offer tax advantages.	71	74	82	58	80
I can make investment decisions without advice from others.	40	32	22	50	27
I look for companies that charge the lowest fees or commissions.	55	60	51	73	57
I prefer to invest in products that pay a fixed return than in products whose return may vary.	32	40	44	29	52
A diversified portfolio reduces the potential loss from your investments.	95	94	93	96	92
The higher an investment yield or rate of return, the greater the associated risk.	87	89	90	89	86
<b>Attitudes About Mutual Funds</b>					
I view my mutual fund investments as savings for the long term.	95	96	97	96	94
A mutual fund is a good investment for a person like me.	95	97	98	97	94
I prefer to put my money in a bank or savings and loan than in a mutual fund company.	12	18	14	15	36
Mutual fund managers can do a better job of investing than most people can do by themselves.	90	92	95	88	92
If I needed it, I could receive the money I have in mutual funds within two or three days.	72	70	70	72	62
It is easier to get my money from a mutual fund than it is to get it from a bank CD.	62	59	58	64	50
Investing in mutual funds is less risky than most other types of investments.	66	66	71	60	54
Over the long term, a stock mutual fund offers more growth opportunity than a bank account or a CD.	98	97	98	99	92



F I G U R E 7 8

**Detailed Characteristics of Investment Behavior**

(percent of respondents)

	Seasoned Fund Buyers	All First-time Fund Buyers	First-time Fund Buyers		
			Channel from Which First Fund Was Purchased Sales Force	Direct Market	Bank
<b>Willingness to Take Financial Risk</b>					
Will take substantial risk for substantial gain	4	3	3	4	2
Will take above average risk for above average gain	23	25	20	37	14
Will take average risk for average gain	60	61	65	51	67
Not willing to take any risk	13	11	12	8	17
Base =	1,068	883	469	278	107
<b>Regular Investment in Mutual Funds, Other than Through Automatic Reinvestment of Dividends*</b>					
Yes	31	38	37	45	24
No	69	62	63	55	76
Base =	1,075	888	468	281	108
<b>Automatic Investment Is from Bank Account or Paycheck**</b>					
Yes	68	68	71	66	56
No	32	32	29	34	44
Base =	331	337	174	126	25
<b>Type of Fund with Automatic Investment***</b>					
Fund purchased directly by respondent	65	68	77	60	64
Fund purchased through employer-sponsored pension plan	12	7	8	4	7
Both	24	24	16	36	29
Base =	219	225	120	83	14
<b>Investment Information Sources Used:****</b>					
<i>The Wall Street Journal</i>	34	24	23	31	13
<i>USA Today</i>	14	10	10	11	6
Business section of local newspaper	64	57	55	64	50
<i>Money</i> magazine	34	29	22	48	17
Business magazines	34	30	25	44	20
Weekly news magazines	22	19	18	23	13
<b>Use of Mutual Fund Ratings or "Short Lists" When Selecting a Mutual Fund</b>					
Always refer to a rating or list	9	9	5	18	6
Sometimes refer to a rating or list	25	22	20	31	11
Seldom refer to a rating or list	19	17	17	18	18
Never refer to a rating or list	46	52	58	33	65
Base =	1,071	885	467	279	108

(continued on next page)

FIGURE 78 CONTINUED

**Detailed Characteristics of Investment Behavior**

(percent of respondents)

	Seasoned Fund Buyers	All First-time Fund Buyers	First-time Fund Buyers		
			Channel from Which First Fund Was Purchased Sales Force	Direct Market	Bank
<b>Source of Mutual Fund Rating or "Short List"*****</b>					
<i>Morningstar</i>	34	40	40	41	36
<i>CDA</i>	2	5	5	5	—
<i>Value Line</i>	37	30	30	34	7
Magazines and newspapers	24	24	20	29	14
Newsletters and other types of reports	12	9	3	14	7
Base =	351	217	94	107	14
<b>Hypothetical Reaction to a Stock Market Decline of 15 percent Over Three Months</b>					
Would transfer most mutual fund investments to bank accounts or CDs	3	5	5	3	11
Would transfer some mutual fund investments to bank accounts or CDs	12	16	15	16	18
Would increase mutual fund investments	19	13	13	17	10
Would leave mutual fund investments as is	66	66	68	64	62
Base =	1,026	855	450	272	104
<b>Hypothetical Reaction to an Increase in Bank Interest Rates to 8 Percent</b>					
Would transfer most mutual fund investments to bank accounts or CDs	4	7	6	5	15
Would transfer some mutual fund investments to bank accounts or CDs	23	24	23	26	27
Would increase mutual fund investments	7	5	5	7	5
Would leave mutual fund investments as is	66	63	67	62	53
Base =	1,055	875	462	278	104

\*of respondents who invest regularly other than reinvesting of dividends

\*\*of respondents who have invested automatically

\*\*\*of respondents who have invested automatically from paycheck or bank account

\*\*\*\*multiple responses included

\*\*\*\*\*of respondents who use mutual fund ratings or "short lists;" multiple responses included

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