REPORT 121

Australian investors: at a glance

April 2008

About this report

This report summarises the findings of research conducted for ASIC by Roy Morgan Research about Australian investors, including who invests and what motivates or influences them when they are considering investing.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Acknowledgements

ASIC would like to thank the many Australians who gave up their time to participate in this research and tell us about their investment experiences and opinions. The information they provided was very valuable and will help ASIC help investors now and into the future.

Contents

Executive summary

About the research project

In late 2006, ASIC commissioned Roy Morgan Research to conduct focus groups and interviews with almost 50 Australian investors. This was followed by a phone survey of more than 1,200 investors in 2007.

The purpose of the research project was to:

- help ASIC communicate more effectively with investors about issues that affect them
- inform ASIC policy and other core business activities relating to investors
- give context to ASIC research about people who have invested in financial frauds and scams.

The research covered:

- investors with shares, investment property, managed investments, self-managed super funds (SMSFs) and other direct investments (including investments such as debentures and bonds)
- a capped number of investors with lower-level investments such as term deposits, voluntary superannuation contributions and high interest savings accounts.

Table 1 summarises some key findings of the research project.

Table 1: Snapshot of some key findings

Most investors do not see themselves as investors (Page 13)	12% of investors never review the performance of their investments (Page 17)
36% of investors consult a professional as the first step in deciding about an investment (Page 30)	Only 7% of investors could correctly state the official interest rate (Page 20)
Investors who said what they *would do* expressed much higher use of professional advisers (28%) than investors who said what they *actually did* (15%) (Page 31)	Daily newspapers were the main source of investment information for investors with shares (33%) and debentures and bonds (22%) (Page 31)
16% of investors relied solely on their own judgment the last time they invested (Page 31)	Half of investors who use the media when investing use it to identify investment opportunities (Page 31)
37% of investors don't have a long-term financial goal or a plan to reach it (Page 28)	Only 12% of investors have ever paid for investing seminars, training courses, or software (Page 20)

Who are investors?

Investors are a large and diverse population, but they are more likely to be:

- home owners (48%) or paying off a home (36%)
- employed (69%)
- married/defacto (68%)
- aged over 50 (47%).

Level of engagement in investing

The research revealed relatively low levels of investment activity and interest among many investors:

- Around half of the investors (49%) had only one type of investment (e.g. shares only). The mean number of investment types was 2.19.
- Most investors did not see themselves as investors. Rather they felt they were simply ‘saving for their future/retirement’. Most felt an investor was someone who invested on a full-time basis or had much more money than they did.
- Investors often came to invest due to external, life-stage pressures such as divorce, inheritance, redundancy or retirement, rather than a proactive desire to become an investor.
- The frequency by which people reviewed their investments varied widely, with the most likely frequency being annually (32%), and 12% admitting they never review their investments.
- Less than half of the investors (47%) said they had a long-term financial goal and a plan to reach that goal and many (37%) had neither a plan or a goal.
- Only 12% of investors had ever paid for investing seminars (8%), training courses (6%) or software (3%).
- 28% of investors were able to name ASIC as the ‘corporate watchdog’.
- Some investors did not read formal disclosure documents and those who did read them did not necessarily read or understand all of the material. Barriers to reading disclosure material included complexity, jargon, time required to read and document length.

Making investment decisions

Decisions were informed by a wide range of factors, which varied both from investor to investor and from decision to decision. Returns and risk appeared to be the most consistently important factors. Most investors said they made decisions cautiously, after a number of steps, with the most common first steps being:

- ‘doing further research’ (38%), and
- ‘consulting a professional’ (36%).

Information and advice sources that investors drew on when making decisions included:

- 'people' sources (e.g. professional advisers, family and friends, financial institutions), and
- 'media' sources (e.g. daily newspapers, financial magazines, the internet).

However, a large minority (16%) relied solely on their own judgment the last time they made an investment decision.

Common decision-making barriers included:

- information and choice overload
- fear of uncertainty
- time pressures
- affordability
- not knowing enough about investing, and
- not knowing who or what to trust (including not knowing *how to evaluate* who or what to trust).

Understanding and applying investment concepts

Most investors had heard of the term diversification (78%). However, some had difficulty applying the concept (e.g. 36% said investing 100% of your money in Government bonds was good diversification), and very few stated it as a reason for making an investment decision or as a potential protection against fraud and scams.

Only half of the investors were able to correctly select from a multiple choice list the 'reasonable' rate of return to expect from a fixed interest product over a ten-year period (51%). Even fewer investors could do this for other asset classes (46% for shares and 35% for property and growth super).

Only 7% of investors knew the current official interest rate.

Exposure to risky investments and scams

Half (51%) of the investors using media (i.e. the internet, magazines, newspapers, TV or radio) as an information source when investing have used or would use media to identify investment opportunities.

Almost half of investors showed interest in a hypothetical investment advertisement offering 'Fixed returns of 9.75% p.a. All loans are secured by registered mortgages over real property…' and 21% of them were interested because they believed it 'sounds safe'.

16% of investors were 'very interested' in an offer promising to 'Pay off a 20-year home loan in less than five years. No outlay by you ever'.

Most investors had been exposed to, or knew someone who had been exposed to, fraud or scams but few had reported fraud or scams. Reasons for not reporting fraud or scams included not knowing who to report it to and a belief that the fraud or scam was 'too obvious' and unlikely to catch investors.

'At risk' investors

There was no single, consistent 'at risk' group in this research. The findings indicated that demographics were not the only determinant of poor or good decisions (and sometimes not a driving factor at all), nor was investment experience a consistent protection against poor decisions.

Roy Morgan Research developed six investor 'segments' according to investors' estimated exposure to knowledge risks and behaviour risks: see Appendix 1. They found that three of those six segments were particularly 'at risk'. However, the demographic characteristics across those three segments covered a wide spectrum.

Table 2 summarises the key areas of risk for certain types of investments, and for women and men.

Table 2: Areas of potential risk

Type of investment	Women	Men
• Property investors tended to believe property was inherently 'safe'. • Other direct investment investors relied heavily on daily newspapers and their own judgment.[1] • SMSF investors were the most likely to choose the least diversified option in a diversification scenario. They also had the most trouble calculating adviser fees and were more than twice as likely as all other investors to be unable to give a tip about avoiding fraud/scams.	• Women were generally more likely to be at risk of under-investment: – women were more likely to have investment portfolios valued below $20,000 (59% compared to 41%), and much less likely to have portfolios of $500,000 or more (30% compared to 70%) – high interest savings accounts were the only investment type that women were more likely to hold than men – single mothers were among those least likely to hold investments.	• Men were over-represented among those attracted to risky investment offers. • Men were over-represented in the segment that was characterised by high confidence and risk comfort but relatively low investment knowledge (Segment 6).

[1] While this is not necessarily a problem in and of itself, combined with the finding that many investors have difficulty making investment decisions, it might indicate greater potential for people to make decisions without an appreciation of the full range of risks involved.

A About the research project

Key points

A research project was commissioned by ASIC and conducted by Roy Morgan Research between November 2006 and June 2007.

With more ordinary Australians becoming investors in the past 20 years, ASIC hoped to gain an understanding of the Australian investor population, including who invests and what motivates or influences them when they are considering investing.

The research was conducted in three stages: preliminary research (desk research/profiling), qualitative research (focus groups and interviews) and quantitative research (phone survey).

Aim of the research

The findings summarised in this report are a result of a research project commissioned by ASIC and conducted by Roy Morgan Research between November 2006 and June 2007.

In commissioning this research, ASIC aimed to obtain an accurate and in-depth understanding of the Australian investor population, including who they are, how they make decisions and evaluate investment opportunities, and the ways in which they are potentially at risk of making poor investment decisions.

The purpose of the research was to:

- help ASIC communicate more effectively with investors by developing strategies to:
  - target education/warnings
  - prevent/minimise investor detriment
  - manage investor expectations
- inform ASIC policy and other core business activities relating to investors
- give context to ASIC's ongoing research about people who have invested in financial frauds and scams.

Why this research is important

The importance of this research is underpinned by an anticipated growth in the number of relatively inexperienced investors in the Australian market. The total value of superannuation savings in Australia has reached $1.2 trillion according to the Australian Prudential Regulation Authority (APRA), with a quarter of that figure in SMSFs.[2]

[2] 'Quarterly Superannuation Performance' statistics, September 2007.

Most of the baby boomer generation is likely to retire within the next decade. A large proportion of these retirees will be withdrawing their retirement funds from the relative safety of superannuation investments into new investment opportunities, either as managed funds, directly held investments, or super-based pensions and annuities. 'Choice of Fund' superannuation legislation introduced in July 2005 (allowing competition for previously protected superannuation funds) is likely to further increase the number of relatively inexperienced investors making important financial decisions in the market.

More ordinary Australians have become share owners in the past 20 years with the privatisation of such government organisations as Qantas, Commonwealth Bank and Telstra and demutualisation of companies such as AMP. This, coupled with many years of high returns and growth in many asset classes, has increased the number and diversity of investors in the market.

The current environment of high participation rates and diverse investor experience levels provides greater opportunities for unscrupulous investment issuers and advisers, including at the most extreme end perpetrators of financial frauds and scams.

Even without these environmental factors, local and international behavioural finance/economic research suggests that there are innate shortfalls in the way all people process investment decisions, regardless of their level of experience. These cognitive and emotional biases are exacerbated by complex information and choices.

In this setting, investors increasingly need access to timely, authoritative and trustworthy sources of simple investment information and help. ASIC plays an important and active role in providing simple, free and unbiased investor information through our consumer website FIDO (www.fido.gov.au), consumer/ investor brochures and outreach initiatives. However, we seek to continuously improve the information provided to consumers to ensure that it is relevant and, where possible, tailored to the diverse needs of Australian investors. This research will help us direct meaningful education initiatives to investors at the time they need it (i.e. when they are making investment decisions).

As outlined in a recent consultation paper, we are also conducting further targeted investor research with investors in unlisted, unrated debentures.[3]

[3] Consultation Paper 89 *Unlisted, unrated debentures—improving disclosure for retail investors* (CP 89) published July 2007: see www.asic.gov.au/CP.

Methodology

Figure 1 illustrates how the research project was structured. Table 3 summarises each stage of the process.

This project was designed as a robust piece of research. However, in any research project, there are a number of potential sources of sampling and non-sampling error. Every effort was made to minimise these errors and the 95% confidence intervals for the Stage 3 sample size of 1,217 are sufficiently small to allow practical conclusions from the data.

Figure 1: Project outline

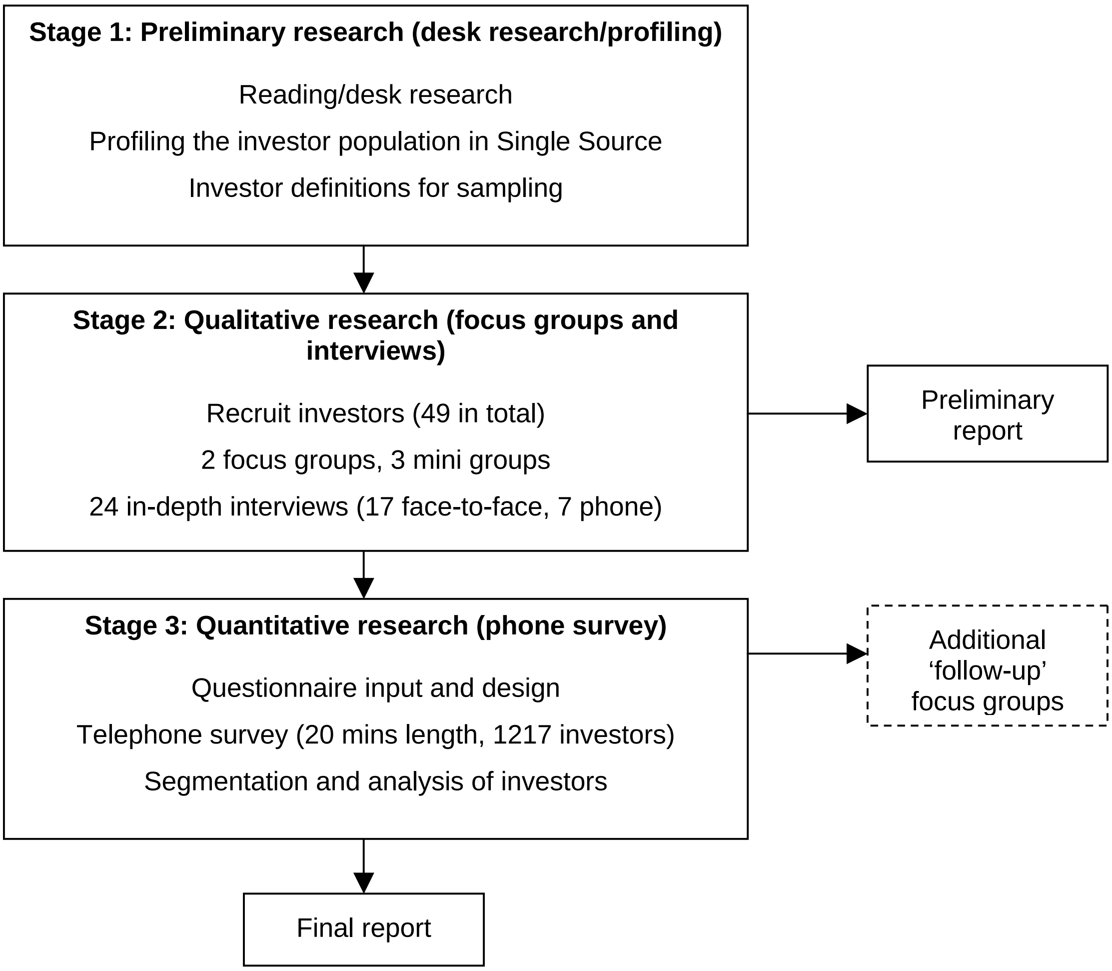


Table 3: Summary of each stage

	Objective(s)	What/who was involved
Stage 1: Preliminary research	• Gain a broad understanding of the Australian investor population to inform design decisions about subsequent stages of the research (e.g. sampling requirements)	Research involving two key sources: • Roy Morgan Research's Single Source database, which contains the results of a continuous survey of Australians conducted every weekend, comprising over 55,000 respondents annually • Publicly-available information about financial literacy, investment behaviour and general behavioural finance/economics theory.
Stage 2: Qualitative research	• Understand different types of investors' investment behaviour, motivations, attitudes and decision drivers • Understand the language used by different types of investors to describe their products, financial behaviour and motivations • Provide input to the questionnaire design for Stage 3	Focus groups, mini groups and interviews (face-to-face and over the phone) with 49 investors from Roy Morgan's Single Source database, including: • investors in Melbourne, Sydney, Brisbane, Perth, Gold Coast, Ballarat and Gosford • individuals and couples • people with shares (both active and passive investors),[4] managed investments, investment property, SMSFs, and other direct investments,[5] and 'novice' investors[6] with shares or managed investments.
Stage 3: Quantitative research	• Build on and quantify the findings in the earlier stages, including findings about people's investment decision-making • Test knowledge of key investing concepts (e.g. diversification and risk/returns) • Gauge responses to hypothetical risky advertisements • Segment the investor population	A 20-minute computer aided telephone interview (CATI) with 1217 investors drawn from Roy Morgan Research's Single Source database including: • people with shares (both active and passive investors), managed investments, investment property, SMSFs and other direct investments • a 'capped' number of people with 'lower-level' investment exposure (i.e. term deposits, high interest savings accounts and/or extra, voluntary contributions to superannuation). The sample was split into two decision-making streams: • 'actual' investors (i.e. people who told us about the last investment decision they'd actually made) [7] • 'hypothetical' investors (i.e. people who had made their last investment less recently and were given a hypothetical scenario). In the hypothetical scenario, investors had inherited \$100,000, and were asked how they would invest the money and why.

[4] In Stage 2 (qualitative), 'active' and 'passive' referred to the level of use of advisers (e.g. financial advisers, stockbrokers) when making investment decisions rather than the way in which shares were acquired, which was the criteria for 'active' and 'passive' in Stage 3 (qualitative). In Stage 2, the 'active' shares group also included a sub-sample of investors making frequent trades.
[5] Other direct investments includes products such as derivatives, bonds, warrants, short-term securities, debentures, notes, futures and contracts for difference (CFDs).
[6] 'Novice' investors were those who had bought the investment product they were recruited to talk about for the first time in the last 12 months.
[7] These investors had made an investment in their investment category the past year (past five years for property to reflect the longer term time frame).

B Profile of investors

Key points

For this project, an ‘investor’ was initially defined as a person with income available to contribute to an investment, outside of their own home or business and outside of the compulsory 9% superannuation contribution.

Most people who took part in the research did not see themselves as ‘investors’. They saw an ‘investor’ as someone who lived off their investments, who constantly monitored their portfolio and traded regularly.

While investors covered a wide demographic spectrum, they tended to be older, employed home owners (or they were paying off a home) who were married or in a defacto relationship.

Most investors held 1–2 investment products (the most common being direct shares, extra super contributions, term deposits and investment property) with a total portfolio value of $100,000 or less.

How investors were defined

Stage 1 involved preliminary desk research to determine who would be considered an ‘investor’ for the purposes of the research project. Before starting this research, the initial frame was that investors would be defined as people with income available to contribute to an investment, outside of their own home or business and also outside of the compulsory 9% superannuation contribution. Beyond these exclusions, no other types of investments were initially ruled in or out of scope.

Table 4 summarises the ‘in scope’ and ‘out of scope’ investments developed over the various stages of this research.

Table 4: Investor scope by research stage

Investment type	Stage 1: Preliminary	Stage 2: Qualitative	Stage 3: Quantitative
Direct property investments (investment property)	Yes, excluding own home	Yes, excluding own home	Yes, excluding own home
Direct shares/securities investments (shares)	Yes	Yes	Yes
Equity in business only	No	No	No
High interest savings accounts only	No	No	Yes, but capped sample quota

Investment type	Stage 1: Preliminary	Stage 2: Qualitative	Stage 3: Quantitative
Home owners with no other investments	No, but measured	No	No
Managed investments[8]	Yes	Yes	Yes
Other direct investments[9]	Yes	Yes	Yes
Non-contributing/compulsory work superannuation only[10]	No, but measured	No	No
Personal superannuation only[11]	Yes	No	No
Self-managed super funds (SMSFs)	Yes	Yes	Yes
Superannuation (extra/voluntary contributions) only	Yes	No	Yes, but capped sample quota
Term deposits only	No, but measured	No	Yes, but capped sample quota

How investors defined themselves

One of the more intriguing findings from Stage 2 (qualitative) was that many people who had investments did not see themselves as investors. This applied not only to investors with small holdings, but also to several investors who held multiple investment products with relatively higher net wealth.

An 'investor' was perceived as someone who lived off their investments, who constantly monitored their portfolio and traded regularly. So simply saving up for their retirement or future did not equate to being an investor in their eyes:

> *'I consider an investor like a professional type person, whereas we're just the Mum and Dad at home just trying to look after our future.' (Male, investment property focus group, Melb)*
>
> *'I would say no [to seeing myself as an investor]…most of ours are longer term investments, properties and shares inside our super fund. I certainly don't trade them actively.' (Female, SMSF in-depth interview, 35–39, I>$50K, Syd)*

[8] Managed investments included funds or trusts managed on the investor's behalf by fund managers, including master trusts, wrap accounts and cash management trusts, but excluding all superannuation products and pensions/annuities.
[9] Other direct investments included derivatives, bonds, warrants, short-term securities, debentures, notes, futures and contracts for difference (CFDs).
[10] This refers to 'super guarantee' payments, also known as 'employer contributions'.
[11] In the Single Source database, personal super is where a person has funds in a superannuation fund that is not linked to their work and is not a SMSF. An example of this is where someone has several super accounts due to the fact they have changed jobs. Personal superannuation was later omitted because it did not necessarily indicate that the person had made an active choice about where the funds were placed.

> *'No, I'm not that serious about it…an investor continually checks share prices.' (Male, managed investment in-depth interview, 55–59, I<$50K, regional Qld)*

Some also believed that the value of their investments was not sufficient to qualify them as an investor and others felt that their investor status was a low priority when compared against other aspects of their social and personal identity (e.g. 'employee', 'family man').

A reluctance to see themselves as investors was coupled with a marked sense of caution in their approach to investing (as reported by investors and observed by the researchers). This caution appeared to be the result of several factors:

- Overall, investor self-confidence was generally medium to low among the investors in Stage 2 (qualitative), despite varying levels of experience and some investors having financial backgrounds.
- Some older investors seemed to attribute their caution to having had little when they were younger and/or having savings values particular to their generation:

  > *'I am what a lot of people now call "frugals"…I came into the workforce where there was no superannuation at all…so you saved. My philosophy is based on the fact that you gotta look after yourself, therefore when you start thinking of investments, you're not going to take on risky stuff.' (Male, shares (passive) in-depth interview, 65+, I<$50K, Melb)*

- Some investors had adverse experiences with investments:

  > *'Initially I tended to act on impulse which has backfired. Nowadays I tend to do more charting, track analysis sort of things.' (Male, novice investor: shares focus group, Melb)*

  > *'I lost a lot of dollars in Pyramid, so I am risk averse.' (Male, novice investor: managed investments focus group, Melb)*

Demographic profile of investors

While investors in this research covered a wide demographic spectrum, they tended to be:

- home owners (48%) or paying off home (36%)
- employed (69%) (19% were retired)
- married or defacto (68%)
- older (47% aged 50+), though those aged between 35 and 64 accounted for 60% of all investment holdings.

Investors' socio-economic spread, while again diverse, leaned toward the higher end, with just over half (54%) of investors in the top two socio-economic quintiles (AB and C). Under a third (30%) of investors were in the bottom two socio-economic quintiles (E and FG) and 16% were in the middle quintile (D).[12]

Half of the investors were professionals/managers (22%) or white-collar workers (28%) and 42% of investors had diplomas/degrees. Among those least likely to have investments were those whose highest level of education was primary school (1%), single parents (5%), young couples with no children (7%) and young singles (8%).

Investment products owned

Table 5 shows the most commonly-owned investment products for:

- the Australian population as a whole (based on analysis of the Single Source database in Stage 1), and
- the investors surveyed in Stage 3 (quantitative).

Table 5: Most commonly-owned investment products[13]

Product owned	Australian population (aged 18+)	Investor population (aged 18+)
Direct shares[14]	24%	51%
High-interest savings accounts	NA	24%
Extra super contributions	11%	23%
Term deposits	10%	21%
Investment property	10%	19%
Self-managed super funds	4%	12%
Other direct investments[15]	5%	11%
Managed investments	6%	9%

Of the investors in Stage 3, almost half (49%) had only one investment product at the time they were interviewed, with a further 36% having two investment products. The mean number of investment products owned was 2.19, with only 14% of investors having three or more investment products.

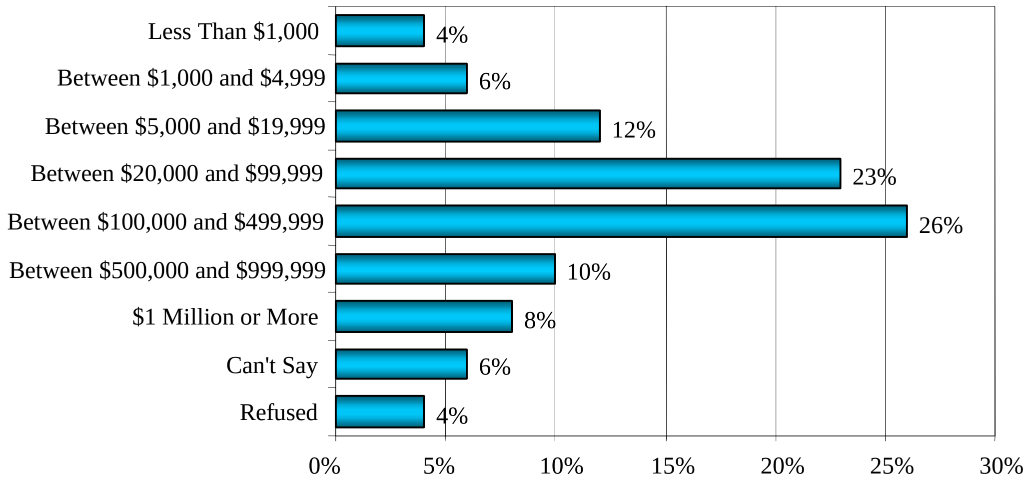
[12] Socio-economic quintiles are a means by which the population is segmented into five class brackets based on a combination of a person's education, income and occupation: see 'Key terms'.
[13] Base for Australian population: n=53,307. Base for investor population in Stage 3: n=1217.
[14] A third (33%) of share owners acquired their shares passively, while almost two-thirds (63%) of share owners acquired the shares actively.
[15] The most commonly-owned other direct investment was debentures (39%), followed by bonds (21%), short-term securities (9%) and options (9%).

Total value of the investment portfolio

In Stage 3 (quantitative), investors were asked to estimate the current total value of their investments, excluding their current home.[16] The mean value of investment portfolios across all investors was $321,500.

The most common portfolio value bracket in this research was $100,000 to $499,999 (26%), followed by those with between $20,000 and $99,999 (23%). At the low value end, 22% had investment portfolios below $20,000 and, at the high end, 18% had investment portfolios of $500,000 and above.

Figure 2: Approximate value of total investment portfolio (excluding own home)[17]



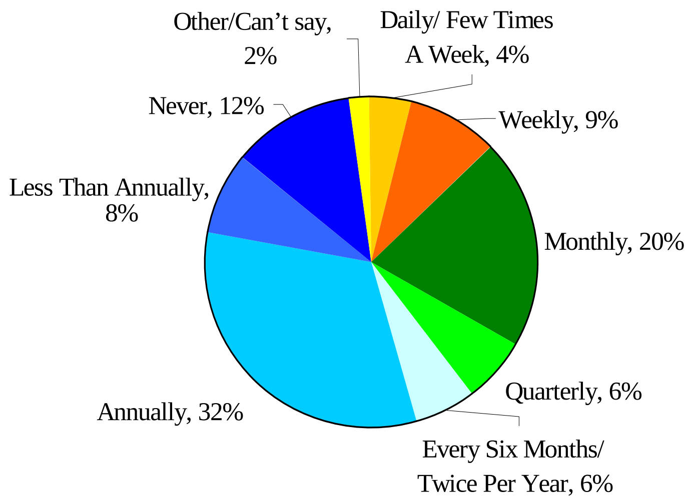
Frequency of review

The frequency with which investors review their investment's performance may give an indication of how involved the investor is with their portfolio.

Most investors in this survey reviewed their investments annually (32%). A further 20% reviewed their investments monthly and 13% weekly or more often. Of the remaining investors, 8% reviewed their portfolios less often than annually, while 12% of investors said they never reviewed their investments. Women and those in lower socio-economic quintiles were among those most likely to review their investments infrequently or never.

[16] The question was 'And what is the approximate value of your total investment portfolio (excluding your own home)?' The question implicitly includes superannuation but it is possible that some investors might not have considered superannuation, or might not have known the value of their superannuation.
[17] Base: Total investors, n=1217. Includes multiple investment product holdings.

Figure 3: How often investors reviewed their investments[18]



[18] Base: Total investors, n=1217. Does not include multiple investment product holdings (i.e. refers only to one investment product per respondent).

C Investor awareness/literacy

Key points

The most common concern for investors was the state of the economy (e.g. potential for an economic crash or 'overheated' market).

While investors regularly accessed 'free' information sources (e.g. newspaper and magazine articles), few had paid for seminars, software or training courses about investing.

Investment advertising held some appeal for some investors.

Most investors had been exposed to frauds and/or scams.

Investors had relatively low levels of awareness of investor protection.

Concerns about investing

In Stage 3 (quantitative) we asked investors the open question 'What concerns do you have about investing money today?' Some investors had no concerns (13%):

> *'I don't have any concerns at all. If you invest in share market sometime it will go up sometimes it will down…so [I'm] prepared to take the risk.' (Male, managed investments CATI interview, 65+)*

Others had no concerns now but believed they might in the future if there was a downturn:

> *'Personally I don't have any—but it depends on the economy not going wrong.' (Male, managed investments CATI interview, 60–64)*

However, most people did have concerns, and some had several concerns. Table 6 summarises the most common concerns raised by investors in Stage 3.

Table 6: What investors are concerned about[19]

Area of concern	% of total investors concerned	Most concerned (by product owned)	Least concerned (by product owned)
Possibility of a crash/ State of the economy/ Market's overheated	12%	Managed investments (17%), SMSFs (16%)	High interest savings accounts (3%)
Insecurity/Instability/ Can't see the future/ Uncertainty/Complexity[20]	>9%	Other direct investments (16%)	Term deposits (2%)
Scams and frauds/ Who to trust[21]	>9%	Term deposits (16%)	NA
Having enough money to invest	8%	Extra super contributions (15%)	SMSFs (2%)
Losing everything/ Losing your money	8%	High interest savings accounts (15%), Other direct investments (14%)	Term deposits (0%)
Getting good returns	7%	High interest savings accounts (10%), Shares (9%)	Extra super contributions (1%), Other direct investments (2%)
Interest rates/Interest rates going up	6%	Investment property (8%)	Managed investments (1%), SMSFs (3%)
Knowing where to invest/ Not knowing enough about investing[22]	>5%	Term deposits (9%)	NA

Understanding of investment concepts

A key investor education message from ASIC and others is that, if something sounds 'too good to be true', then it probably isn't true. However, the effectiveness of this message relies on investors having a sound understanding of what is 'reasonable' (e.g. what is a reasonable return). ASIC wanted to test this understanding to adjust and improve its core education messages.

As part of the phone survey in Stage 3 (quantitative), we asked investors some specific questions about certain investment topics such as returns, risk and

[19] Note this is a summary of the most common concerns, not the full list of concerns.
[20] Under a similar category 'Safety and security' (6%), those with SMSFs were most concerned (16%) and those with high interest savings accounts least concerned (1%).
[21] Only the 'Scams and frauds' component of this category is shown in the table. Under 'Not knowing who to trust/Can't trust anyone' (3%), those with term deposits were most concerned (9%) and those with SMSFs and other direct investments were least concerned (1% each).
[22] Only the 'Knowing where to invest' component of this category is shown in the table.

diversification. These questions were not exhaustive and, of course, other factors can influence an investor's answers beyond knowledge itself.[23]

There was no strong demographic pattern in this part of the research—each question drew mixed demographic results. Table 7 summarises the key findings.

Table 7: Summary of correct answers to investor awareness questions

Investment topic	% of total investors who answered correctly
Choosing the 'reasonable' rates of return to be be expected for four common asset classes (fixed interest, shares, property and growth super) over 10 years[24]	Fixed interest (51%), Shares (47%), Property (35%), Growth-oriented super (35%)[25]
Knowing the current official interest rate (unprompted)	7%
Being aware of the term 'diversification'	(78%) (Some investors had trouble recognising or applying the concept in subsequent questions)

Exposure to education and training

In Stage 3 (quantitative), investors were asked if they had ever paid for seminars, software or training courses relating to investing and investments. This topic was examined only briefly so that ASIC could explore the:

- level of interest in investor education (i.e. their appetite to learn more about investing through paid training, seminars and investment tools)
- potential exposure to risks from suspect wealth creation seminars and trading software programs.

While investors referred to a wide range of 'free' information sources that they regularly accessed (e.g. newspaper and magazine articles) in response to other questions in Stage 2 and Stage 3, only 12% of investors said they had paid for seminars, software or training courses about investing. The key findings on this topic are summarised in Table 8 and Table 9.

[23] An example is the strong economic growth experienced in recent years.
[24] The rates in the question were sourced from ASIC's risk and return calculator, which is based on advice ASIC has obtained from licensed actuaries.
[25] 'Growth-oriented' means it invests 70–80% in shares or property.

Table 8: Who is most interested in seminars, software or training courses[26]

Investors most likely to have paid for seminars, software or training courses	% have paid for seminars, software or training courses
Those with high value investment portfolios:	
• $1 million or more	28%
• $500,000–$999,999	17%
Those with:	
• SMSFs	25%
• other direct investments	20%
• investment property	18%
Those who are:	
• professionals/managers	23%
• skilled workers	17%
Those with higher incomes:	
• $80,000 or more	23%
• $50,000–$79,999	16%
Younger investors:	
• young singles (20%)	20%
• 18–24 year olds (18%)	18%
Those in the highest socio-economic quintile (AB)	18%
Males	15%

Table 9: Top reasons for attending investment seminars[27]

Reasons for attending investment seminars	% of investors giving this reason
Opportunity to learn more about investing	40%
Opportunity to learn about new investment opportunities	24%
Advertising materials	5%
Reputation of the company	5%
Convenient time/place for me	5%
It was free	4%
A friend recommended it to me/invited me along	4%
Quality of the speakers	4%

[26] In Table 8, base for total investors, n=1217.
[27] In Table 9, base for total investors, n=1217.

Reasons for attending investment seminars	% of investors giving this reason
Family/relatives recommended it to me/invited me along	4%
Curiosity	3%
To plan my future/retirement	2%
Promise of financial freedom	2%
Promise of high returns	2%
Promise of high earnings for little work	2%

Reactions to advertised offers

While advertising was not a specific focus of Stage 2 (qualitative), the findings from this stage revealed that investment advertising held some appeal for some investors.

During Stage 3 (quantitative), we used a phone survey to test investors' interest in a range of hypothetical investment offers. The purpose of this survey was to:

- identify and understand the types of claims and features that attract or repel investors exposed to advertised investment offers
- identify the characteristics of investors who might be vulnerable to risky propositions.

We developed four hypothetical advertisements for 'suspect' investments and one control advertisement.[28] Investors were read the advertisements over the phone in a random order and asked to indicate how interested they would be in each investment, and their reasons for interest or lack of interest.[29]

Table 10 summarises the advertisements used. Table 11 summarises the overall level of interest in each offer.

Table 10: Investment advertisements used in phone survey

Property secured notes	Outstanding investment. Fixed returns of 9.75% p.a. All loans are secured by registered mortgages over real property. Holds a First Ranking floating charge over all assets of the company. Relax and watch your money grow.
Pay off home loan	Interest rates affecting your lifestyle? Pay off a 20-year home loan in less than five years. No outlay by you ever.

[28] The control advertisement was similar to some of the other advertisements but with some subtle differences (i.e. it qualified that the quoted return was a 'targeted' return and that the offer applied only if the product was held to maturity).
[29] Stage 3 (qualitative) was undertaken after the failure of the Westpoint property group and before the failure of Fincorp and Australian Capital Reserve. As with all surveys, the answers provided were influenced by timing and context.

Contact John	Investment opportunity. Earn 13% p.a. Contact John on this number. Minimum investment $15,000 for 3 years.
Stock market analysing system	Investment opportunity. 20% interest paid monthly. Plus ongoing shareholding. Our client is an agent for an Internet-based Stock Market Analysing System. They are raising $150,000. With over 2 million share traders in Australia, this system has huge potential. It is anticipated that the investor will earn between $10,000 and $15,000 p.a. from dividends.
Capital guaranteed (control)	We're offering a capital-guaranteed investment with targeted returns of 12% if you hold the product to maturity.

Table 11: Response to investment advertisements[30]

	Not interested			Interested		
	Not at all interested	Not very interested	TOTAL	Somewhat interested	Very interested	TOTAL
Property secured notes	31%	21%	**54%**	38%	9%	**46%**
Pay off home loan	47%	14%	**63%**	21%	16%	**37%**
Contact John	66%	19%	**86%**	12%	2%	**14%**
Stock market analysing system	54%	20%	**76%**	18%	6%	**24%**
Capital guaranteed (control)	30%	22%	**54%**	40%	5%	**46%**

The 'property secured notes' and 'capital guaranteed (control)' offers attracted the highest degree of interest. Two key claims in these offers that attracted potential investors were 'registered mortgages over real property' and 'capital-guaranteed' respectively. These findings support one of the main themes to emerge from the research—property is perceived as a secure investment and capital guaranteed investments are perceived as carrying minimum risks.

Among those who expressed interest in any of the advertisements, the most common reasons given overall were 'good rates of return', 'sounds attractive' and 'secure/backed by property'. The most common reasons given for a lack of interest in, or rejection of, these advertisements were 'too good to be true', 'sounds unappealing/dodgy/suspect' and 'high risk/risky'. Some respondents felt there was not enough information available to say whether or not they were interested.

Attraction to the advertisements was spread across a wide demographic range. However, males were more attracted to all the advertisements than females and the 35–39 age group was the most interested age group overall.

[30] Base: Total investors, n=1217. Total figures are impacted by rounding.

Other demographic groups showing relatively high interest included those with education at HSC/Year 12 or university degree level, those with incomes of $50,000–$80,000, those in AB and C socio-economic quintiles and white-collar workers.

Experience of scams and frauds

Exposure to and reporting of scams and frauds

In Stage 2 (qualitative), investors were asked about their experiences with fraud or scams and how they would report fraud or scams. Most people had been approached by a scam:

> *'Oh absolutely, I get 10,000 scams a day to buy shares in the US or something.' (Male, investment property focus group, Syd)*

A few had been directly involved in a fraud or scam:

> *'We did have some peach trees too and that fund fell through…they did something illegal when we weren't party to it…' (Female, investment property focus group, Syd)*

Table 12 summarises further findings from this part of the research.

Table 12: Key findings about exposure to and reporting of scams and frauds

Types of scams investors were familiar with	Reasons investors might be *less* likely to report scams or fraud	Reasons investors might be *more* likely to report scams or fraud
• Seminar scams that 'promised the world' • Unsolicited phone calls from overseas 'stockbrokers' • Unsolicited offers to buy investors' shares • Nigerian letter-style scams • Tax minimisation schemes • Some property-related scams • Other (e.g. email scams, fake lottery offers, pyramid or telemarketing schemes)	• Scam is already well known (e.g. Nigerian letters) • Too much trouble to report it • Not sure who to contact	• Scam could potentially trick others • Process for reporting is easy, seamless and doesn't involve being passed around to multiple people • Can be done either through a 1800 number (similar to the crime stoppers concept) or an email address

Tips to avoid fraud

In Stage 3 (quantitative), investors were asked the open question, 'If you could give one investment tip to a first-time investor about avoiding fraud or scams, what would it be?' Investors provided a long list of tips.

Overall, the top three recommendations given by investors were:

- deal with reputable or well known companies/people (18%)

- do lots of research (18%)
- check out what you are investing in (17%).

Interestingly these were areas in which many investors had earlier revealed they struggle with themselves (e.g. knowing where to find reliable and unbiased information and how to evaluate investment propositions and advice sources).

Awareness of investor protection

While not a primary focus in this research, Stage 2 (qualitative) and Stage 3 (quantitative) together included questions to assess the:

- unprompted awareness of ASIC as Australia's 'corporate watchdog'
- general understanding of investor protection
- use of disclosure documents when investing.

Awareness of ASIC

In Stage 3 (quantitative), investors were asked the open question, 'Who is Australia's corporate watchdog?' Twenty-eight percent of investors correctly identified ASIC as Australia's corporate watchdog. Table 13 summarises the findings based on demographic groups.

Table 13: Ability to correctly identify ASIC as the 'corporate watchdog'

More likely	Less likely
• Investors with 6 or more investment products (52%) • Investors with higher incomes (48% of investors earning $80,000 or more a year) • Investors in the highest socio-economic quintile (AB) (44%) • Investors in professional or managerial roles (43%) • SMSF investors (41%) • Young couples (38%) • 50–64 year olds (35%) • Investors with a diploma or degree (34%) • Males (34%)	• Under 25 years of age (0%) • Investors with an investment portfolio below $20,000 (14%) • Investors occupied as 'skilled workers' and 'other workers (including semi/unskilled people)' (both with 17%) • Investors in the lowest socio-economic quintiles (FG: 19%, E: 18%) • Investors with only extra superannuation contributions, term deposits or high interest savings accounts (19%) • Single mothers (19%) and mid-life families (20%) • Investors earning under $15,000 (20%) or between $15,000 and $29,999 annually (21%) • Investors with only one investment product (21%) • Females (22%)

Other organisations named as Australia's corporate watchdog in Stage 3 included the Australian Competition and Consumer Commission (ACCC), Reserve Bank, Department of Fair Trading, Australian Securities Exchange (ASX), Department of Consumer Affairs, APRA and State Ombudsman.

General awareness of investor protection

Most investors in Stage 2 (qualitative) believed they were responsible for their own investment choices and were not protected by any government bodies:

> *'[You] have to rely on yourself…regulators and legislators are only there to protect the people who don't know anything.' (Male, investment property focus group, Melb)*

> *'Buyer beware.' (Male, Managed funds focus group, Melb)*

While a few share investors said their shares were protected from fraudulent behaviour by the ASX or ASIC, overall there was little awareness of ASIC, or what protection ASIC could provide. Government agencies were generally perceived to provide safety only for government-backed investments. Property investors generally believed that insurance and body corporates were the only protection for their investments.

Other organisations mentioned in Stage 2 (qualitative) in the context of investor protection included APRA, Australian Shareholders Association (ASA) (and other shareholder groups), Australian Tax Office (ATO), State Ombudsman, Department of Fair Trading, the police and 'corporate watchdogs' in general.

Use of disclosure documents

Investors were often overwhelmed by the volume and complexity of the investment information available to them, including disclosure material such as Product Disclosure Statements (PDS), prospectuses and annual reports.

Most investors in Stage 2 (qualitative) said they either skimmed through or only partly read disclosure documents when making investment decisions. The length of the documents and the use of jargon were both barriers to reading the documents:

> *'Unless you are a qualified accountant or some sort of forensic CPA, it's quite difficult to read a company's budget…trying to wade through anywhere between 50 and 250 pages of information, it's very difficult and I know that they do provide an executive summary one pager…to understand some of the finer detail is very difficult.' (Male, shares (active) in-depth interview, 30–34, I>$50K, Bris)*

> *'I get a feel for it, but I find it very confusing, it is all jargon, not in layman's terms.' (Female, novice investor, managed investments focus group, Melb)*

While investors kept most paperwork, particularly taxation information, they tended not to keep documents they perceived to be less important, including PDSs and prospectuses.

D Investor decision making

Key points

An important objective of the project was to understand the investment decision-making process.

Most investors believed they would need to put aside some money in investments to have a reasonably comfortable life during retirement.

This motivation or need to invest did not necessarily drive investors to actively set and plan for long-term financial goals.

Overall, returns and risks were the primary factors for investors in choosing a product.

Most investors wanted to find out more about an opportunity before making a decision by either consulting a professional or doing their own research.

Investors draw on a wide range of sources for investment information including the media and other people.

Some findings may indicate a gap between what people intend to do and what they actually do in practice.

Understanding the process

The process that investors go through in making an investment decision was explored in both Stage 2 (qualitative) and Stage 3 (quantitative) of the project. ASIC was particularly interested in finding out:

- what motivated people to invest
- whether investors had long-term financial goals and a plan to reach them
- why investors selected the investment product they selected
- the number and type of steps investors took to make a decision
- information and advice sources investors relied on when making decisions.

The research compared responses based on the type of investment product and whether the investor was an 'actual' investor or a 'hypothetical' investor:

- 'Actual' investors talked about the steps they went through before making their most recent investment.
- 'Hypothetical' investors had made their last investment less recently and were given a hypothetical scenario. These investors talked about what steps they would go through to make the proposed investment in the scenario.

While many findings were unsurprising, there were some interesting differences between actual and hypothetical investors.

Motivation to invest

Most investors in Stage 2 (qualititative) shared a belief that, despite compulsory super contributions, the government pension would not be enough to live off. Therefore, there was a need to put aside some money in investments to have a reasonably comfortable life during retirement:

> *'I believe that the government is going to be less and less supportive of people in the future and I also, from my personal point of view, I'd like to be financially independent. It's something I aspire to.'* (Female investor, other direct investment in-depth interview, 55–59, I<$50K, Perth)

> *'[It's] important to build up investments as I could be alive at 95 and it's important to maintain our lifestyle.'* (Male novice investor, managed investment focus group, Melb)

However, investors' focus on the future was not exclusively about retirement. Various life events, such as retrenchment, inheritance or divorce also triggered a need or motivation to invest:

> *'Life is unpredictable and you need to have assets to look after yourself.'* (Male novice investor, shares focus group, Melb)

> *'I don't want my kids to struggle when I'm older.'* (Male novice investor, shares focus group, Melb)

Financial goals and plans

A motivation or need to invest did not necessarily drive investors to actively set and plan for long-term financial goals. In Stage 3 (quantitative), investors were asked whether they had worked out their long-term financial goals and/or a plan to reach those goals. Less than half (47%) of all investors had both financial goals and a plan, 37% had neither and 3% couldn't say. A further 13% just had financial goals.

Socio-economic factors appeared to play a significant role. Investors with lower incomes were more likely not to have a financial plan or goals, as were those in the lower socio-economic quintiles, such as FG quintile (51%), the non-retired unemployed (51%) and single mothers (50%).

Other types of investors who were more likely to not have a financial plan or goals included:

- younger investors (i.e. age 18–24 (65%), age 25–34 (48%) and young couples (45%)), and
- those with lower level investment exposure (i.e. those with just term deposits, high interest savings accounts or extra contributions to super (52%), those with only one investment product (45%) or those who acquired their shares passively (40%)).

Reasons for choosing a product

As noted on page 27, the research compared responses based on the type of investment product and whether the investor was an actual or hypothetical investor.[31]

Investors gave many reasons for selecting the particular investment product they were asked to talk about. However, overall, returns and risks were the primary factors for both actual and hypothetical investors, although there were some key differences between these two groups.

Overall, actual investors sought a roughly even mix of higher or good returns, coupled with safety, as their main reasons for investing. While returns and safety were also key factors for hypothetical investors, these investors placed much higher value on security and safety than actual investors.

The focus for hypothetical investors on safety and security may indicate that they are overall more conservative than actual investors. Demographically, hypothetical investors were more likely to be aged 65+, in retirement or unemployed.

Actual investors were more likely to be confident in their investment abilities and were more comfortable taking risks than the hypothetical investors. Demographically, these investors were more likely to be in paid employment or in the higher socio-economic quintiles.

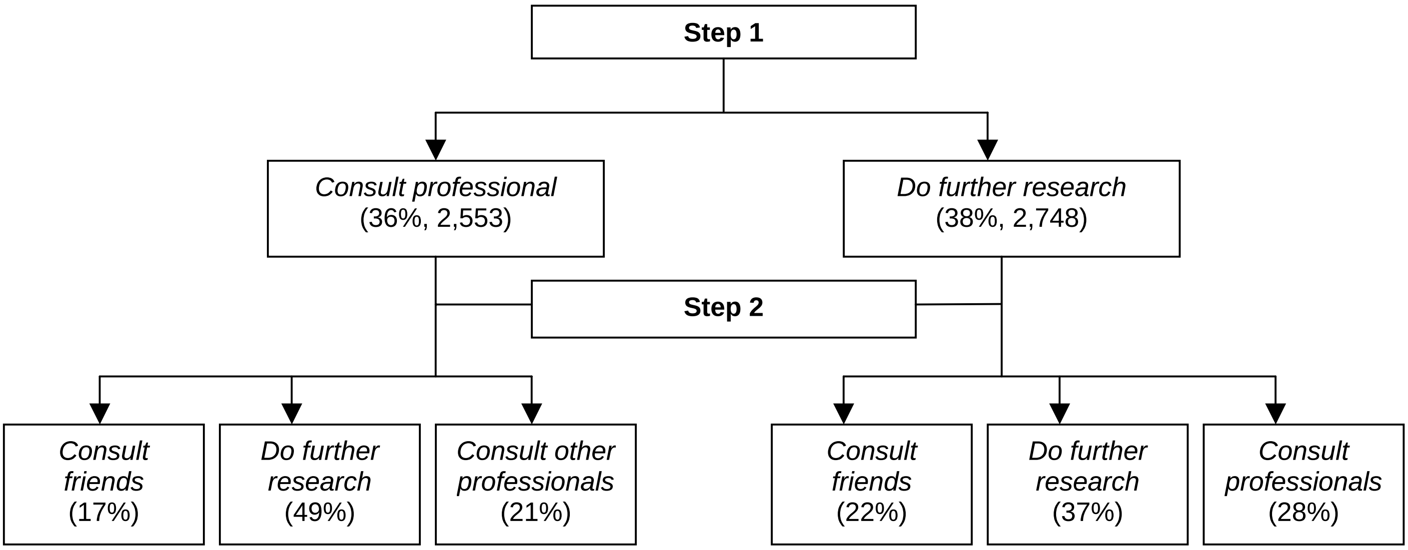
Steps in the decision-making process

Most investors in Stage 2 (qualitative) said they did not act quickly when investing, unless it was something that they were very familiar with or, in a few cases, a situation in which they needed to act quickly or would otherwise miss the opportunity (e.g. a property investor purchasing an adjoining apartment). With the exception of a small number of investors who chose to 'take a punt' with their 'spare' cash, most investors in Stage 2 preferred to 'research' an opportunity before making a decision.

Figure 4 summarises the steps in the decision-making process for both actual and hypothetical investors. Some investors described a third step in the process, but this is not shown due to small sample sizes.

[31] Actual investor: the steps they went through before making their most recent investment. Hypothetical investor: what steps they would go through to make the proposed investment in the scenario.

Figure 4: Main steps in the decision-making process[32]



Interestingly, hypothetical investors were more likely to nominate a second or third step than actual investors. This finding might reflect hypothetical investors' more conservative outlook (see earlier discussion), or it might signify a gap between what people intend to do and what they actually do in practice.

The least complex products tended to require fewer steps, with the exception of extra superannuation contributions and high interest savings accounts for hypothetical investors. This suggests that hypothetical investors might have been less familiar with these products.

Information and advice

In general, the research found that investors use a wide range of sources for investment information, whether:

- media (e.g. newspapers, television, radio and the internet),[33] or
- people (e.g. financial professionals, friends and family and employers).

There were some key differences between actual and hypothetical investors:

- Actual investors (16%) were twice as likely as hypothetical investors (8%) to have relied on their own judgment rather than using information sources.
- Hypothetical investors (28%) were more likely than actual investors (15%) to nominate professional financial advisers.

[32] Includes actual and hypothetical investors. Step 3 not shown due to small sample sizes. Only major Step 1 actions shown. Weighted figures shown in thousands.
[33] In Stage 2, specific media mentioned included *The Age*, *The Australian*, *The Australian Financial Review*, *Money*, *Business Review Weekly*, Channel 9's 'Sunday' business program, and Sky News.

Table 14 shows the top five information sources selected by actual and hypothetical investors.

Table 14: Information sources selected by actual and hypothetical investors

Actual investors		Hypothetical investors	
Financial institution (e.g. bank, building society or credit union)	18%	Professional financial adviser	28%
Friend or family member	17%	Friend or family member	21%
Professional financial adviser	15%	Daily newspapers	19%
Daily newspapers	14%	Internet	14%
Internet	11%	Financial magazines	9%

Daily newspapers were the main source of investment information for investors with shares (33%) and debentures and bonds (22%).

Use of media sources

In Stage 3 (quantitative), investors who nominated media information sources (i.e. the internet, financial magazines, daily newspapers, TV investment programs or radio investment programs) were asked whether they did/would use these sources for investment information, to seek investment opportunities and advertisements, or to do both.

Overall, 44% investors did or would use these media for both investment information and to seek investment opportunities and advertisements. A further 38% used/would use the media for investment information only.

Only 7% said they used/would use these media exclusively to seek investment opportunities and advertisements.

Use of advisers

As shown in Table 14, 15% of actual investors used a professional financial adviser as a main source of information the last time they made an investment decision and 28% of hypothetical investors said they would use a professional financial adviser as a main information source in their investment scenario.

Around half (49%) of those who had used a professional financial adviser the last time they made an investment decision said they verified the information/advice provided by the financial adviser. Most of those who verified did so through further reading. Only 12% talked to other professional financial advisers.

Investors who had sought advice from a financial adviser the last time they made an investment decision were also asked whether they had ever negotiated commissions with their financial advisers. Only 19% of these investors said they had.

Finally, we asked investors who had not used a financial adviser, why they chose not to. Table 15 summarises these findings.

Table 15: Reasons for not using professional financial advisers

Reasons for not using financial adviser	% of investors giving this reason
Trust my own decisions	17%
Do not trust advisers	12%
Not suitable for me/my situation	11%
Fees are too high	10%
Don't have enough money to use one	8%
Advisers are biased	7%
Don't need one/Never had the need/Haven't had any experience with them	6%
Had bad experience with an adviser	5%
Rely on family and friends	5%
Only if I have a lot of money	4%
Make you buy products which are unsuitable	3%
They are not well informed/ Lack of knowledge or experience	3%

Appendix 1: Roy Morgan investor segments

Table 16 summarises the main characteristics of six investor segments identified by Roy Morgan Research in Stage 3 of the project.

When considering these segments, readers of this report should be aware that there is diversification and variance within each segment and there are other psychological, social, economic and political/legislative issues that are likely to affect investment behaviour as well as the 'knowledge' and 'risk' factors on which this research focused.

Table 16: Investor segments identified in Stage 3

	Investor profile	Product profile	Investment characteristics
Segment 1	• 25% of total investor population (1.8 million people) • Youngest age group (mean age of 43.5 years) • Income slightly above average • Lower investment portfolio value (due to younger average age)	• Have 1–2 investment products (mean of 1.61 product types) • Favour extra contributions to super • Shares evenly represented compared to total investor population • Fewer direct investments (7% of group owned)	• Strongest attraction to 'suspect' advertisements • Lowest use of financial advisers • Confident when making investment decisions • Comfortable with 'risk' • Rely on own judgment • Highly vulnerable
Segment 2	• 10% of total investor population (0.7 million people) • Oldest age group (mean age of 56.1 years) • Lowest income • Second lowest investment portfolio value • Highest proportion of home ownership	• Have 1–2 investment products (mean of 1.48 product types) • Favour high interest savings accounts and term deposits • Lowest share ownership (34% of group owned) • Below average investment property ownership • Lowest proportion of other direct investments (8% of group owned)	• More likely to show 'risky' behaviour • Low level of investment knowledge • Average ability to identify reasonable rates of return • More likely to use a professional financial adviser than to rely on own judgment • Not confident when making investment decisions • Not comfortable with risk

	Investor profile	Product profile	Investment characteristics
Segment 3	• 20% of total investor population (1.4 million people) • Second youngest group (mean age 48.0 years) • Second lowest income • Lowest investment portfolio value • Highest representation of lowest socio-economic quintile	• Have between 1–2 investment products (lowest mean of groups at 1.4) • Favour high interest savings accounts • Shares comprise largest part of portfolios (42% of portfolio, mean across groups 51%) • Below average ownership of other direct investments (10% of group owned)	• Less likely to show 'risky' behaviour • Above average investment knowledge • Low level of reliance on own judgment • Low level of use of professional advice • Acquired shares passively/ not generally interested in investing • Potentially vulnerable to more subtle risky investment offers
Segment 4	• 11% of total investor population (0.8 million people) • Second oldest age group (mean age 55.6 years) • Highest income • Highest investment portfolio value	• Have 1–2 investment products (highest mean of groups at 1.9 product types) • Favour self-managed super funds, property and term deposits • Shares comprise largest part of portfolios (53% of portfolio, mean across groups 51%)	• Less likely to show 'risky' behaviour • High level of investment knowledge • Third most confident group in making investments decisions • High use of professional advisers compared to other groups, also rely on own judgment
Segment 5	• 21% of total investor population (1.5 million people) • Third youngest age group (mean age 50.1 years) • Second highest income • Third highest investment portfolio value • High representation of highest (AB) socio-economic quintile (43%)	• Have 1–2 investment products (mean of 1.88 product types) • Favour shares, extra super contributions, high interest savings accounts and managed investments compared to other groups • High ownership of other direct investments (15% of the group owned)	• Least likely to show 'risky' behaviour • Have high level of investment knowledge • Second most confident group in making investment decisions • Lowest use of professional advisers (for some due to a lack of trust)
Segment 6	• 13% of total investor population (0.9 million people) • Third oldest age group (mean age 51.7 years) • Third highest income • Second highest investment portfolio value • High representation of highest (AB) socio-economic quintile (36%) • High proportion of males (61%)	• Have 1–2 investment products (mean 1.77 product types) • Favour shares, self-managed super funds and managed investments • High ownership of other direct investments (15% of the group owned)	• Confident when making investment decisions • Lowest investment knowledge of all groups • Comfortable with 'risk' • Least likely of groups to identify reasonable rates of return

Key terms

Term	Meaning in this document
active investor	In Stage 2 (qualitative), 'active' referred to the level of use of advisers (e.g. financial advisers, stockbrokers) when making investment decisions. In this stage, the 'active' shares group also included a sub-sample of investors making frequent trades. In Stage 3 (quantitative), 'active' referred to those investors who had made an active decision to obtain shares (i.e. had purchased shares directly from a company, received them from a stock split, or from a stock broker, online broker, professional financial planner or adviser, accountant, friends or family, insurance adviser, or superannuation fund).
actual investor	Refers to investors who had made an investment in their investment category the past year (past five years for property to reflect the longer term time frame). In Stage 3 (quantitative), these investors were asked about their actual investment behaviour during their last investment.
APRA	The Australian Prudential Regulation Authority
ASIC	The Australian Securities and Investments Commission
CP 89	An ASIC consultation paper (in this example numbered 89)
growth-oriented super	Means it invests 70-80% in shares or property
hypothetical investor	Refers to investors who had not made an investment in the past year (or more than five years in the case of property). In Stage 3 (quantitative), these investors were asked about a hypothetical scenario, rather than recalling an event that may have taken place a long time ago.
investment product	There were eight broad categories of investment products for the purposes of the research: direct shares, high interest savings accounts (including online accounts), investment property (excluding the investor's home), additional contributions to superannuation (above the compulsory 9%), term deposits, self-managed super funds (SMSFs), other direct investments (which includes debentures), and managed investments.
investment property	Direct property investment, excluding own home
investor	Refers to participants in the research project: see Table 3 on page 11 for more details
managed investment	Funds or trusts managed on the investors' behalf by fund managers, including master trusts, wrap accounts and cash management trusts, but excluding all superannuation products and pensions/annuities
non-contributing/ compulsory work superannuation only	'Super guarantee' payments, also known as 'employer contributions'

Term	Meaning in this document
novice investor	Refers to investors who had bought the investment product they were recruited to talk about for the first time in the last 12 months
other direct investment	Includes derivatives, bonds, warrants, short-term securities, debentures, notes, futures and contracts for difference (CFDs)
passive investor	In Stage 2 (qualitative), 'passive' referred to the level of use of advisers (e.g. financial advisers, stockbrokers) when making investment decisions. In Stage 3 (quantitative), 'passive' referred to those investors who had either acquired shares as part of a demutualisation, had shares issued to them from a mutual they were a member of when it demutualised (or a company they were employed by), or had received shares through an inheritance or gift.
PDS	Product Disclosure Statement
personal superannuation only	In the Single Source database, personal super is where a person has funds in a superannuation fund that is not linked to their work and is not a SMSF. An example of this is where someone has several super accounts due to the fact they have changed jobs.
respondent	Refers to investors who participated in this research. Depending on the stage under discussion, this refers to people who participated in the qualitative focus groups and interviews (Stage 2) or the quantitative phone survey (Stage 3).
Roy Morgan Research	The market research consultant appointed to conduct this research
segment	Six investor segments as identified by Roy Morgan in the research and summarised in Appendix 1 of this report
shares	Direct shares/securities investments
Single Source database	A database of approximately 55,000 Australians aged 14+ interviewed annually. Interviews are conducted weekly by Roy Morgan Research. Information gathered includes attitudinal, behavioural and product information on a wide range of areas, including media habits and financial information relevant to this report.
SMSF	A self-managed superannuation fund
socio-economic quintiles	A means by which the population is segmented into five class brackets of 20% each, based on a combination of a person's education, income and occupation. Where a person does not have an income or occupation, the income or occupation of the main breadwinner is considered: • AB Quintile—(top 20% of the population based on the highest levels of education, income and occupation) • C Quintile and D Quintile—(middle 40% of the population based on middle levels of education, income and occupation) • E Quintile and FG Quintile—(bottom 40% of the population based on the lowest levels of education, income and occupation).