

Knowledge and Investing Styles Vary

A majority (55%) of surveyed investors with \$10,000 or more invested in stocks, bonds or mutual funds described themselves as being “listeners” in a Wells Fargo/Gallup poll. Listeners seek out good investment advice and tend to follow it. Nearly a quarter (24%) of surveyed investors rarely look at their investments (“snoozers”), whereas just 10% use a hands-on approach and express confidence in their abilities (“pros”).

Pros mostly described their knowledge of investing as deserving a grade of A or B. Their answers to questions about financial knowledge imply that the high grades are warranted. More than 70% of the pros correctly said riskier investments incur more volatile returns. They also correctly said that stocks have been the best-performing type of investment over the past 20 years. Respondents in this group are more likely to have larger portfolios (\$100,000) and to be retired.

Listeners were less confident, with 42% assigning their financial knowledge a grade of A or B, 39% giving themselves a grade of C. They were more evenly split in terms of wealth and working versus retired. More women tended to describe themselves as listeners than men, however.

Both listeners and snoozers were more likely to answer at least one of the two questions about financial knowledge incorrectly. Many survey respondents incorrectly guessed which asset had the best returns over the past 20 years, with just 66% of listeners and 59% of snoozers saying stocks were the best-performing asset. Overall, just 46% of surveyed investors answered both questions correctly. Another 40% were only able to correctly answer one of the two questions.

A wealth differential was also evident among the investor groups. More than 70% of investors with portfolios of \$100,000 or more answered both financial knowledge questions correctly. They were also more confident, with nearly half (48%) giving themselves an A or B grade. Slightly more than half (53%) of investors with portfolios of less than \$100,000 correctly said that stocks realized the highest returns over the past 20 years. They were also less confident, with 29% giving themselves a D or F grade for investment knowledge.

“Investing Styles Vary Widely Among U.S. Investors,” Lydia Saad; Gallup, October 11, 2017.