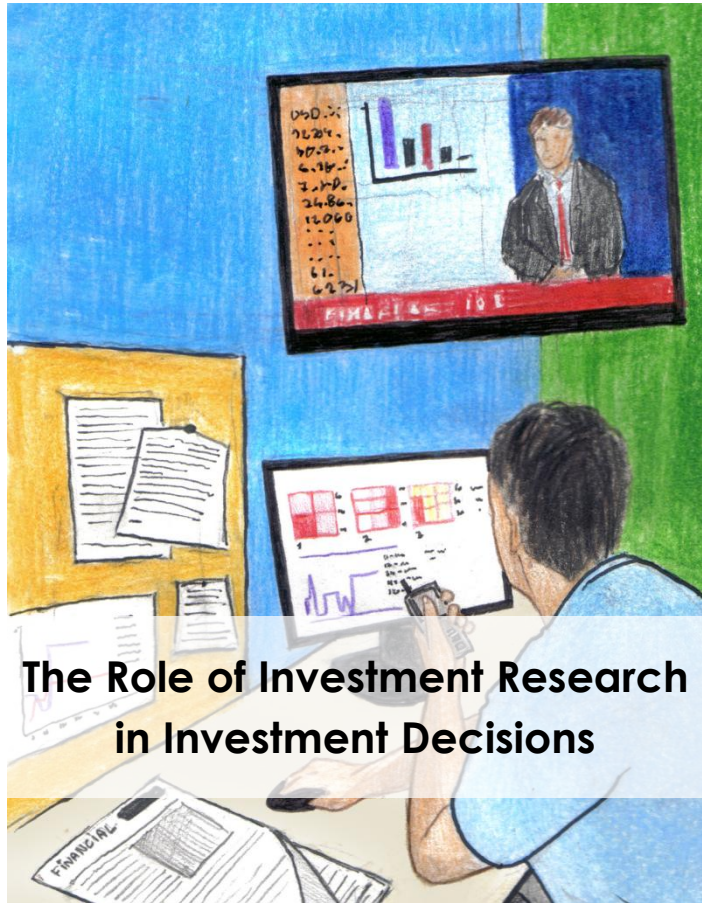




[www.millionairecorner.com](http://www.millionairecorner.com)



## The Role of Investment Research in Investment Decisions

**Copyright Notice:** The content of this Report is owned by Spectrem Group and is fully protected by copyright law. Our content may not be copied, reproduced, duplicated, displayed or distributed in print or electronic form, in whole or in part, without the prior written consent of Spectrem Group. Republishing the content contained in the report in any form, including without limitation the republication of company rankings for advertising, marketing or promotional purposes, is strictly prohibited.



# The Role of Investment Research

---

## Introduction

---

In today's world of information abundance, investors have a slew of options available when it comes to investment research. Whether you're talking about examining financial statements or sorting through the plethora of analyst opinions, investors are limited only by the amount of time they'd like to devote to research. Just as consumers conduct research before purchasing a big ticket item, such as an automobile or a plasma television, investors conduct investment research in order to make informed decisions that will hopefully lead to higher returns.

Research conducted by Millionaire Corner/Spectrem Group looks into the minds of affluent investors and examines their attitudes, preferences, and behaviors when it comes to investment research. "Investments" for purpose of this refers to stocks, bonds, and mutual funds for purposes of this report.

- Is research really important when making investment decisions or do investors generally make decisions based on gut feelings and intuition?
- How satisfied are investors with the resources that are currently available?
- How much are investors willing to spend on research?
- Where do investors go most frequently for research?



## The Role of Investment Research

---

### Key Findings

---

- Fifty-nine percent of investors trade securities annually or less frequently than annually. That means that only 41 percent of investors are actually changing their portfolios on a regular basis.
- Seventy-three percent believe that investment research is important. Investors aged 51-65 were most likely to state that investment research was important to them (78 percent).
- Only 15 percent use intuition to select investments when research is available.
- Seventy-three percent are satisfied with the investment research that's currently available to them.
- Only a minority of the investors surveyed (22 percent) find it difficult to navigate through the research materials that are currently available online.
- Most investors don't believe that research from a third party is more credible than research received directly from their advisor.
- Forty-four percent of the investors surveyed pay no out of pocket expenses for investment research on an annual basis.
- Thirty-nine percent of investors do more research now than in the past.
- Thirty-eight percent of investors plan to do more online research going forward.



## The Role of Investment Research

---

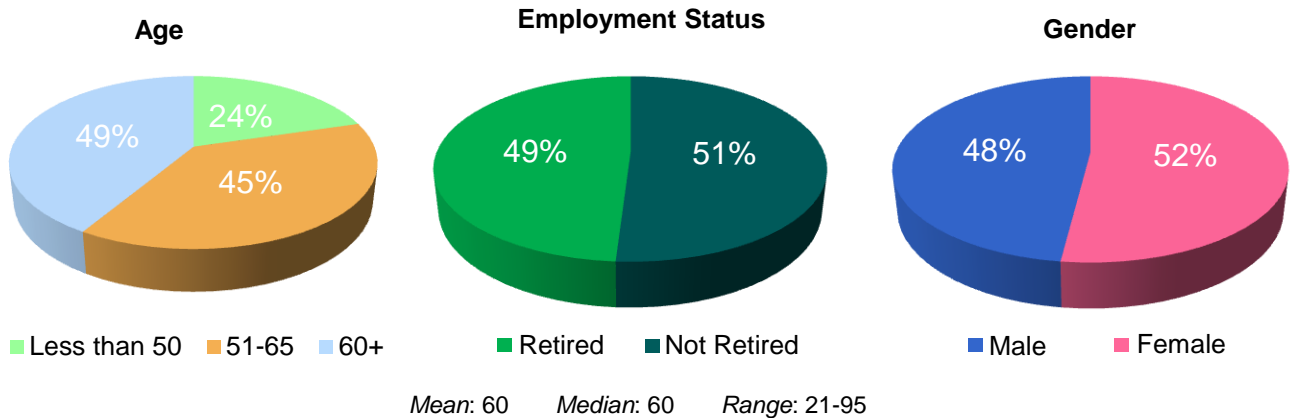
### Key Findings

---

- A majority of the affluent investors (73 percent) indicate that their decisions to buy or sell investments were a direct result of the investment research that was done, either by themselves or their advisors.
- While 48 percent of investors read daily/weekly investment publications, 33 percent read monthly investment publications.
- The likelihood of website use (whether it be an advisor website or an independent website) increases significantly as age decreases.
- Over one-third (39 percent) of investors regularly watch television programs for regarding investments.
- Compared to other forms of education, seminars, blogs, and podcasts are not yet highly utilized by investors.

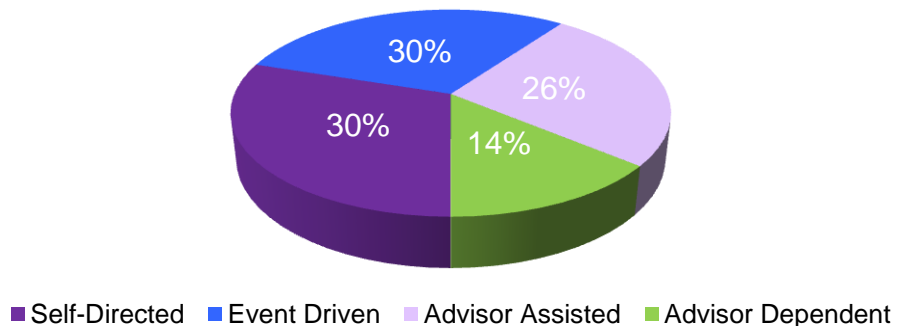
## Methodology

A total of 501 affluent investors (for the purposes of this study, an “affluent investor” is someone with over \$500,000 in investable assets) were randomly selected and surveyed by telephone. The characteristics of the investors that participated in this research are:



Respondents were asked to classify themselves according to their usage of financial advisors. Four categories were provided. The definitions and breakdown of the respective groups are provided below.

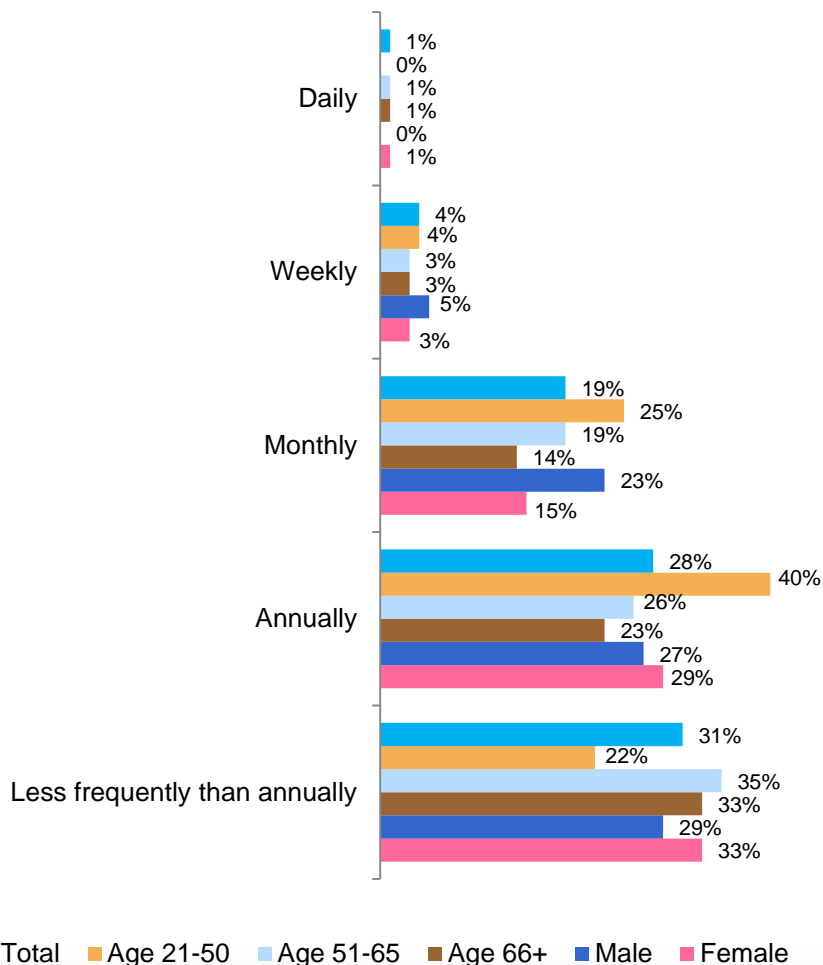
- **Self-Directed:** Investors make their own investment decisions without the assistance of an investment advisor.
- **Event Driven:** Investors make most of their own decisions but use an investment advisor for specialized needs such as retirement planning, asset allocation advice or selecting alternative investments.
- **Advisor Assisted:** Investors regularly consult with an investment advisor regarding most investment needs, but make most of the final decisions.
- **Advisor Dependent:** Investors rely on an investment professional or advisor to make most or all investment decisions.



## How often do you buy or sell securities?

Investors do not trade frequently. Overall, 59 percent of the investors surveyed trade securities annually or less frequently than annually. Virtually nobody day-trades. Investors aged 21-50 are significantly more likely to trade on a monthly basis. This may not be surprising. What may come as a bit of a surprise is that the same group of investors were also most likely (by a fairly wide margin) to trade on an annual basis. Trading habits of males and females are similar across frequencies with the exception that males are significantly more likely (23 percent) to trade on a monthly basis compared to females (15 percent).

**How often do you buy or sell securities?**  
 -by Age and Gender





# The Role of Investment Research

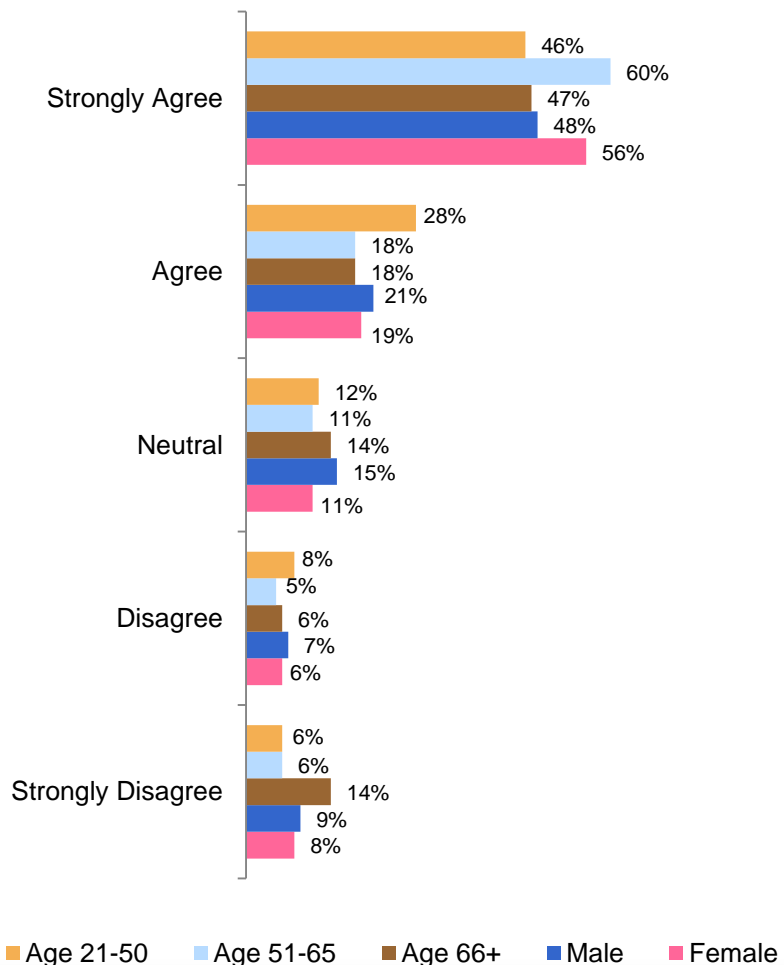
## How important is investment research to you?

How important is investment research to the affluent investor? Overall, 73 percent “strongly agree” or “agree” that it’s important. Affluent investors aged 51-65 were most likely to state that investment research was important to them (78 percent). The contrast in age is particularly evident when compared to investors aged 66 and over (65 percent). The attitudes of males and females are similar regarding research. It is worth mentioning, that the percentage of females that “strongly agree” (56 percent) is statistically significantly higher than the percentage of males that “strongly agree”(48 percent).

**Investment research, either done by myself or my advisor, is very important to me**  
-by Age and Gender

Age	Top Two Box
21-50	74%
51-65	78%
66+	65%

Gender	Top Two Box
Male	69%
Female	75%





# The Role of Investment Research

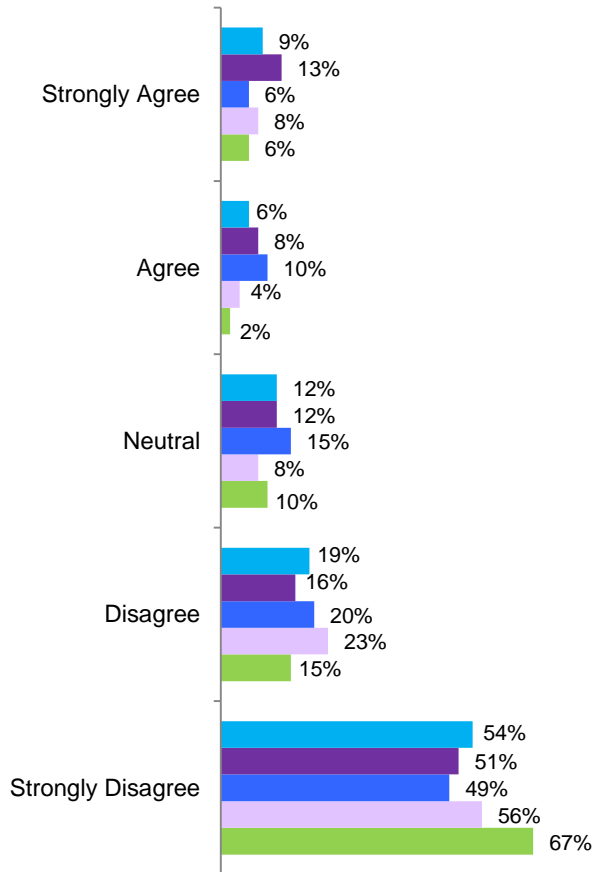
## How heavily do you rely on gut feelings and intuition?

Clearly, investors gravitate toward utilizing research when making investment decisions. Only 15 percent either “strongly agree” or “agree” that they use intuition to select investments when research is available. A large majority (73 percent) rely on investment research when making their investment decisions. Advisor dependent and advisor assisted investors were the least likely to rely on intuition (82 percent and 79 percent respectively) compared to other investors. There weren’t any discernable trends based on age, gender, or employment status.

**I rely on intuition more than I do investment research**  
-by Advisor Dependency

Advisor Dependency	Top Two Box
Total	15%
Self-Directed	21%
Event Driven	16%
Advisor Assisted	12%
Advisor Dependent	8%

Advisor Dependency	Bottom Two Box
Total	73%
Self-Directed	67%
Event Driven	69%
Advisor Assisted	79%
Advisor Dependent	82%



■ Total ■ Self-Directed ■ Event Driven ■ Advisor Assisted ■ Advisor Dependent



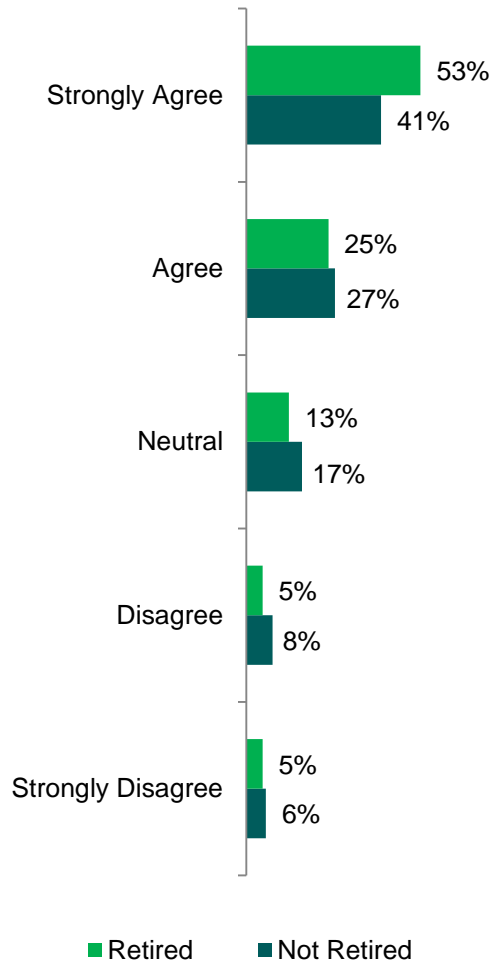
# The Role of Investment Research

Are you satisfied with the content of investment research presently available to you?

Seventy-three percent (73 percent) “strongly agree” or “agree” that they are satisfied with the investment research that’s currently available to them. Overall, retirees are more satisfied (78 percent) with the content of research available to them compared to non-retirees (69 percent).

**I am satisfied with the content of investment research presently available to me**  
- By Employment Status

Employment Status	Top Two Box
Retired	78%
Not Retired	69%



## The Role of Investment Research

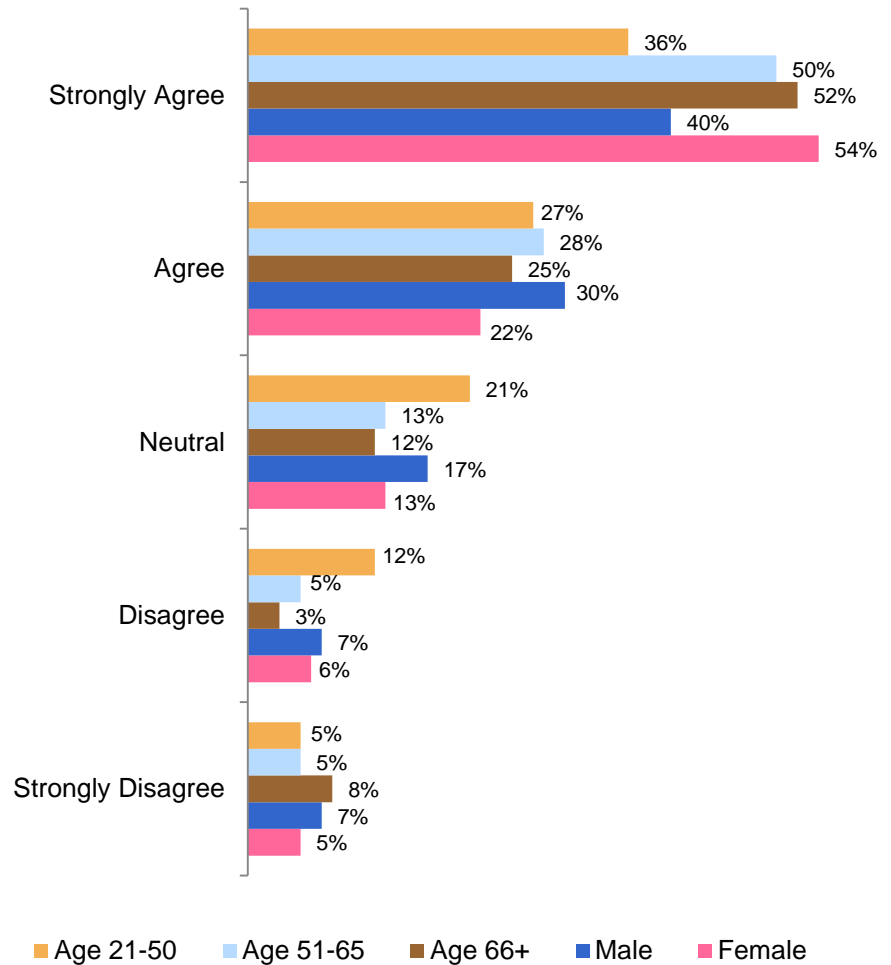
Are you satisfied with the content of investment research presently available to you?

Continuing the discussion about satisfaction with investment research, investors aged 51 and over are more likely to be satisfied with the content of research than younger investors, while a greater proportion of females are satisfied compared to males. Fifty percent of the investors aged 51-65 “strongly agree” that the content of investment research is satisfactory, while the corresponding figures for those aged 66+ and females are 52 percent and 54 percent, respectively.

**I am satisfied with the content of investment research presently available to me**  
 - By Age and Gender

Age	
21-50	63%
51-65	78%
66+	77%

Gender	
Male	70%
Female	76%





# The Role of Investment Research

## Does investment research confuse you?

Only a minority of the affluent investors surveyed (22 percent) find it difficult to navigate through the research materials that are currently available. Relative to other advisor dependency segments, the event driven and advisor dependent segments are less adept at evaluating research on their own. The proportion of investors aged 66 that are confused (28 percent) is significantly higher than for younger investors.

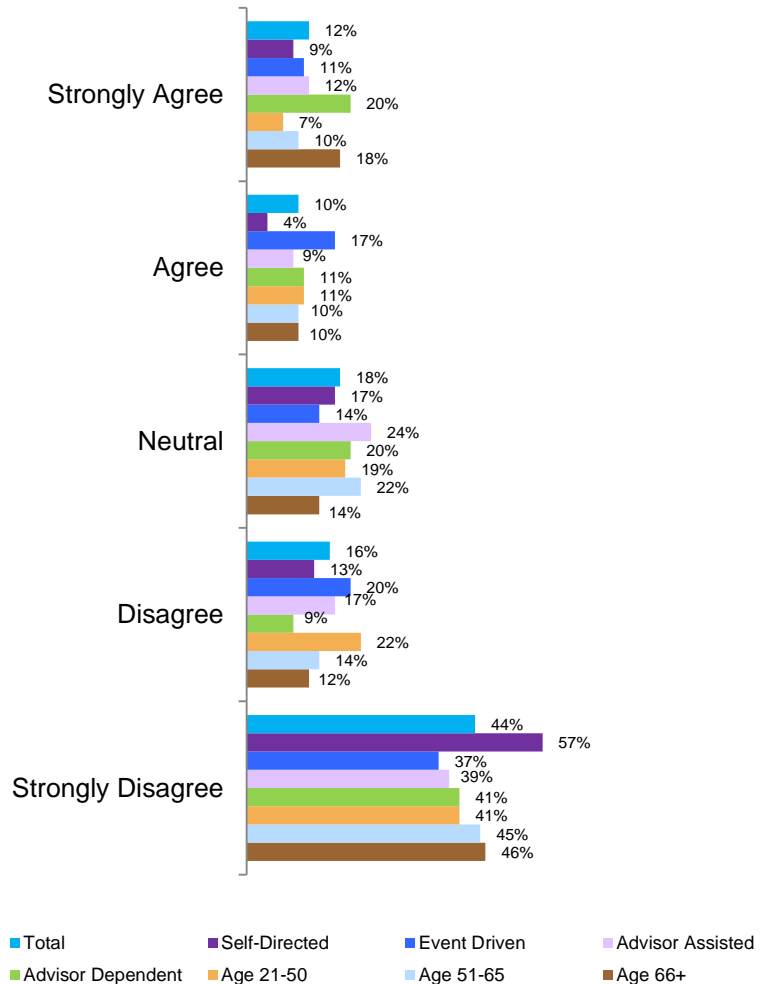
**The more I research on my own, the more confused I become**  
- By Advisor Dependency and Age

Advisor Dependency	Top Two Box
Total	22%
Self-Directed	13%
Event Driven	28%
Advisor Assisted	21%
Advisor Dependent	31%

Age	Top Two Box
21-50	18%
51-65	20%
66+	28%

Advisor Dependency	Bottom Two Box
Total	60%
Self-Directed	70%
Event Driven	57%
Advisor Assisted	56%
Advisor Dependent	50%

Age	Bottom Two Box
21-50	63%
51-65	59%
66+	58%





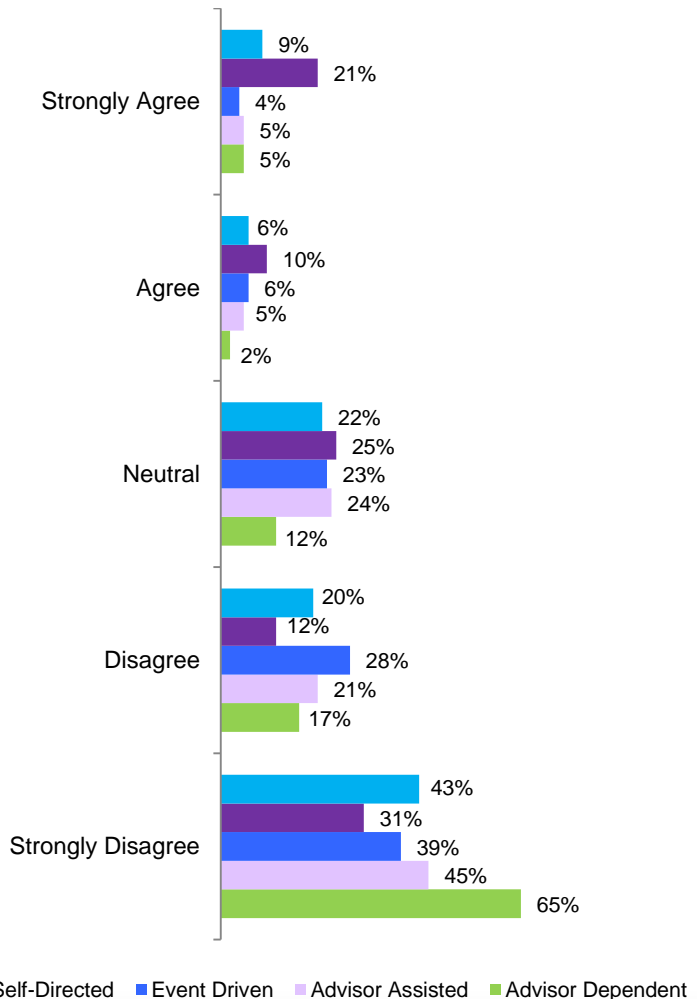
## The Role of Investment Research

Do you believe research from a third party is more credible than research from your own advisor?

Is research obtained from a third party more trustworthy than research obtained from a financial advisor? Affluent investors generally don't think so. Sixty-three percent (63 percent) "strongly disagree" or "disagree" with this statement. One would expect self-directed investors to have the greatest bias against advisors, and this is the case to some extent. Although 31 percent of this segment falls within the top two box, 43 percent falls within the bottom two box. Thus, more self-directed investors than not, believe that research from an advisor is as trustworthy as independent research.

**Investment research from a third party is more credible than research from your own advisor**  
- By Advisor Dependency

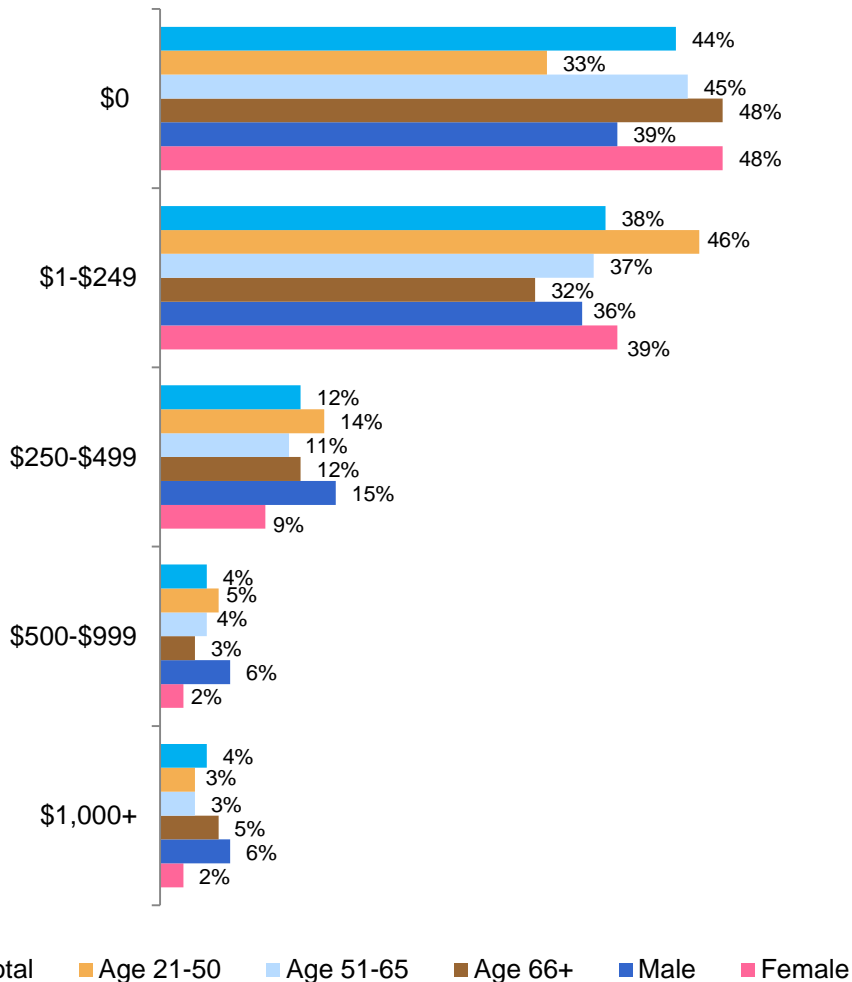
Advisor Dependency	Top Two Box
Total	15%
Self-Directed	31%
Event Driven	10%
Advisor Assisted	10%
Advisor Dependent	7%



## How much do you spend annually on independent research?

Forty-four percent of the investors surveyed pay no out of pocket expenses for independent research on an annual basis. (For the purposes of this question, “independent research” includes all mediums which include publications, websites, and seminars.) An overwhelming majority of investors (82 percent) pay less than \$250 annually for independent investment research. Investors aged 21-50 are the most likely to pay for research.

**Annual spending for independent research**  
 - By Age and Gender



## The Role of Investment Research

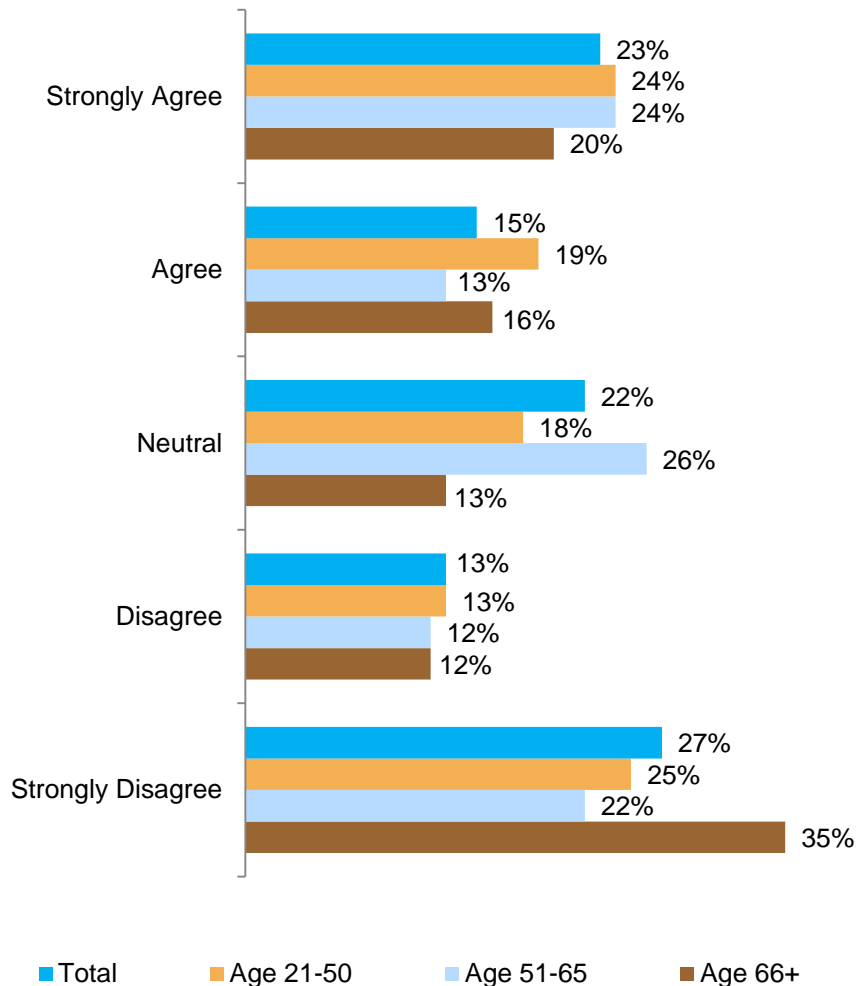
Has the amount of investment research you conduct increased from the past?

The responses for this question are distributed fairly evenly. Thirty-nine percent of affluent investors claim that they do more research now than in the past. Among the age segments, those in the youngest age bracket of 21-50 were most likely (43 percent) to increase the level of investment research.

### I do more research now than I have done in the past

- By Advisor Dependency and Age

Age	Top Two Box
21-50	43%
51-65	37%
66+	36%





# The Role of Investment Research

## Do you regularly conduct research on specific investments?

About half (51 percent) of the affluent investors surveyed don't do research on a regular basis while 28 percent do. Upon analyzing the distribution of responses for this question, there doesn't appear to be any noticeable differences in behavior based on age and gender. However, of those that "strongly disagree," there is a noticeable gap between those aged 21-50 and those aged 66 and over. Thirty-two percent of the former group falls into this category while 45 percent of the latter category do.

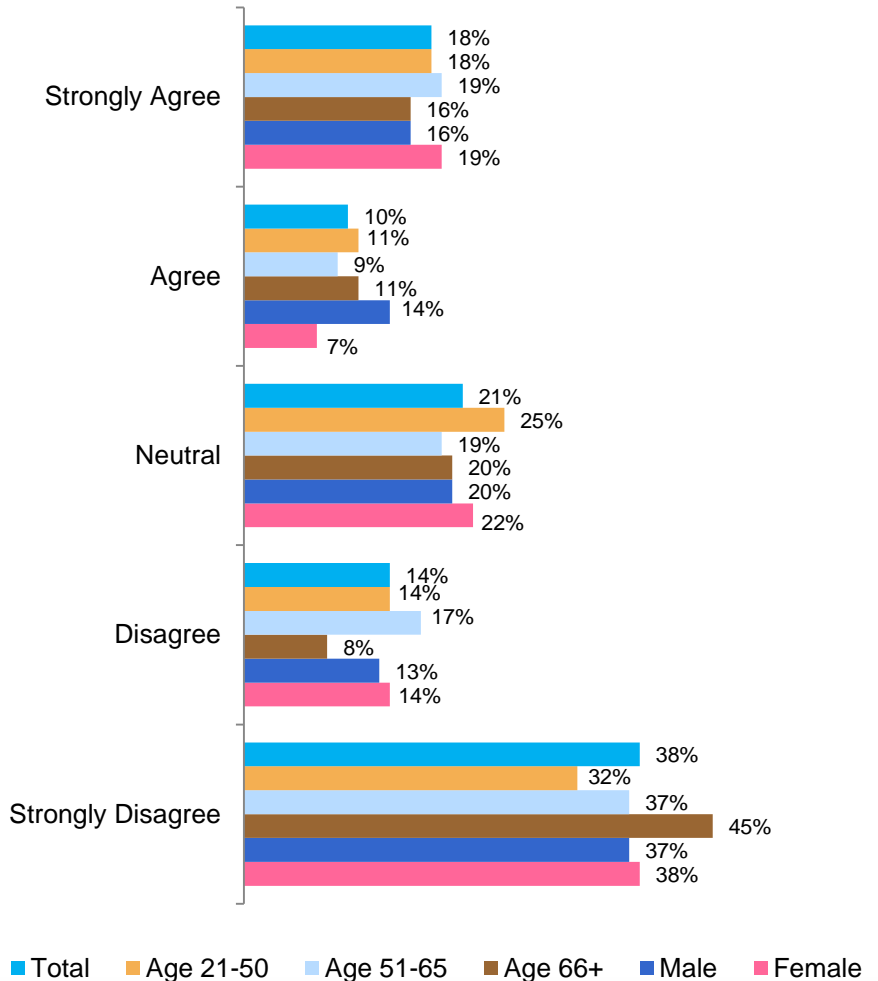
**I regularly research specific investments**  
- By Age and Gender

Age	Top Two Box
Total	28%
21-50	30%
51-65	28%
66+	27%

Gender	Top Two Box
Male	30%
Female	26%

Age	Bottom Two Box
Total	51%
21-50	46%
51-65	54%
66+	52%

Gender	Bottom Two Box
Male	50%
Female	52%





# The Role of Investment Research

## Do you plan to do more research online in the future?

Affluent investors are split when asked about their intended utilization of online research going forward. Thirty-eight percent of the total surveyed indicated that they plan to do more while 41 percent don't plan to do more. However, when taking a closer examination based on age segments, investors aged 21-50 are most likely (56 percent) to increase usage, while investors aged 51-65 are significantly more likely (41 percent) than the 66+ crowd to increase usage (23 percent).

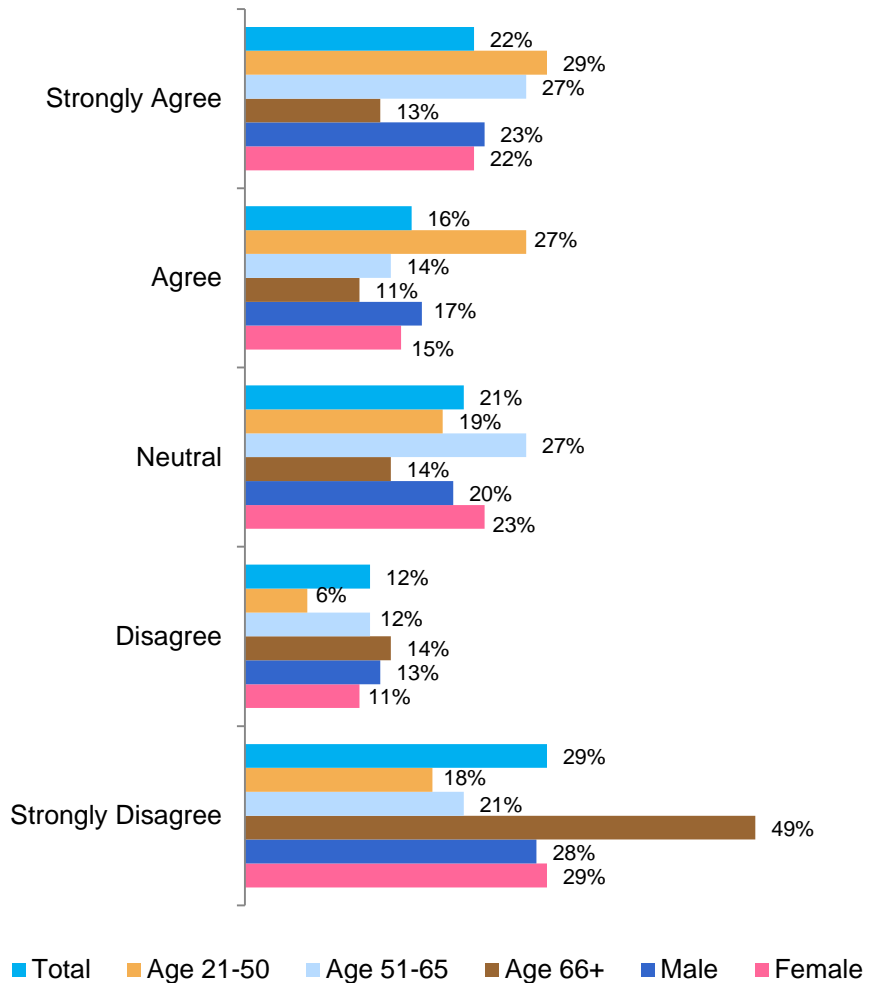
**I plan to do more investment research online in the future**  
- By Age and Gender

Age	Top Two Box
Total	38%
21-50	56%
51-65	41%
66+	23%

Gender	Top Two Box
Male	39%
Female	37%

Age	Bottom Two Box
Total	41%
21-50	25%
51-65	32%
66+	63%

Gender	Bottom Two Box
Male	41%
Female	40%





# The Role of Investment Research

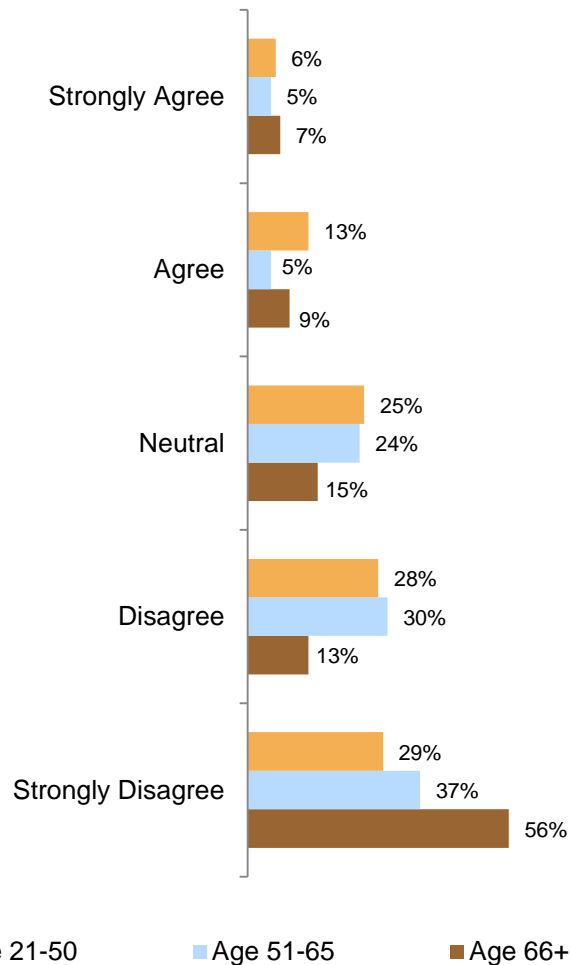
## Do you plan to use your financial advisor less in the future?

Investors aged 21-50 showed the greatest propensity to decrease advisor usage in the future.

### Going forward, I plan to do more research online and use my advisor less

- By Age

Age	Top Two Box
21-50	19%
51-65	10%
66+	16%





## The Role of Investment Research

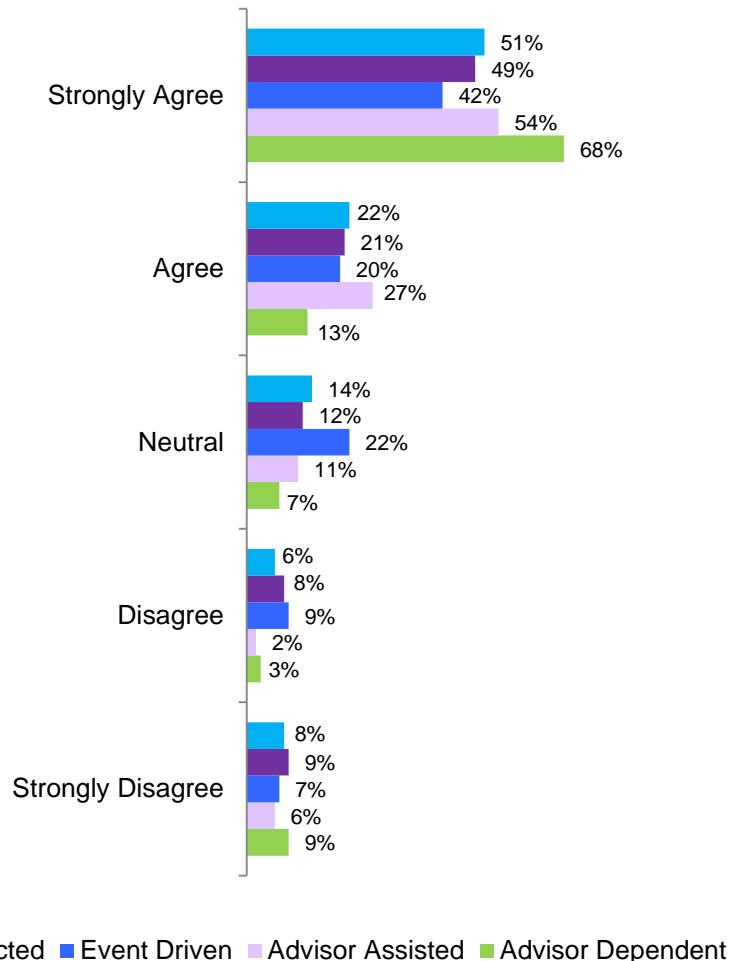
Are your buy and sell decisions a direct result of the investment research that is done?

A majority of the investors (73 percent) either “strongly agree” or “agree” that their decisions to buy or sell investments were a direct result of the investment research that was done, either by themselves or their advisors. The advisor assisted and advisor dependent segments in particular, were most likely (81 percent) to transact based on investment research.

### The buy and sell decisions I make are a direct result of the research done by myself or my advisor

- By Advisor Dependency

Advisor Dependency	Top Two Box
Total	73%
Self-Directed	70%
Event Driven	62%
Advisor Assisted	81%
Advisor Dependent	81%



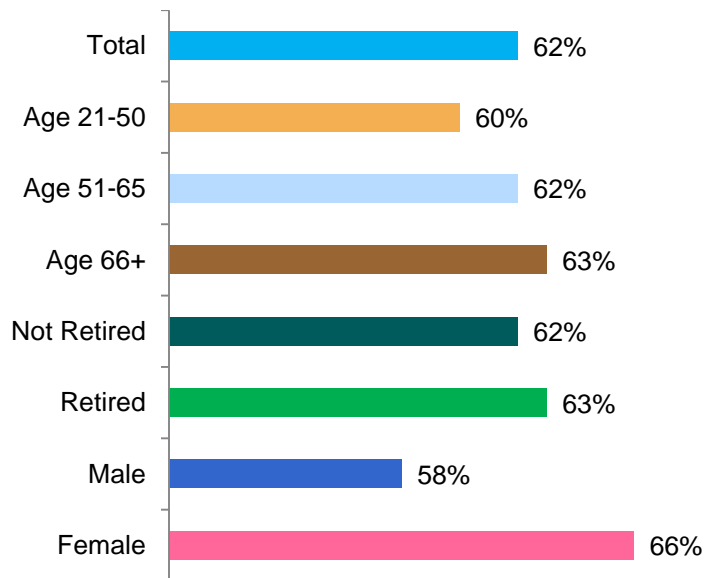


## The Role of Investment Research

### Investment Research Options – Advisors

Overall, 62 percent of the investors surveyed claim to use advisors on a regular basis for investment research. Advisor usage for investment research is generally consistent across segments. The most noticeable difference occurs based on gender. Women utilize advisors (66 percent) more than men (58 percent).

**Percentage that utilize advisors regularly**





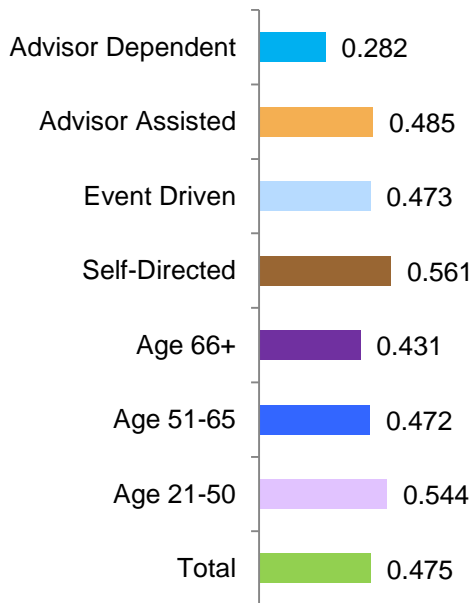
# The Role of Investment Research

## Investment Research Options – Financial Press

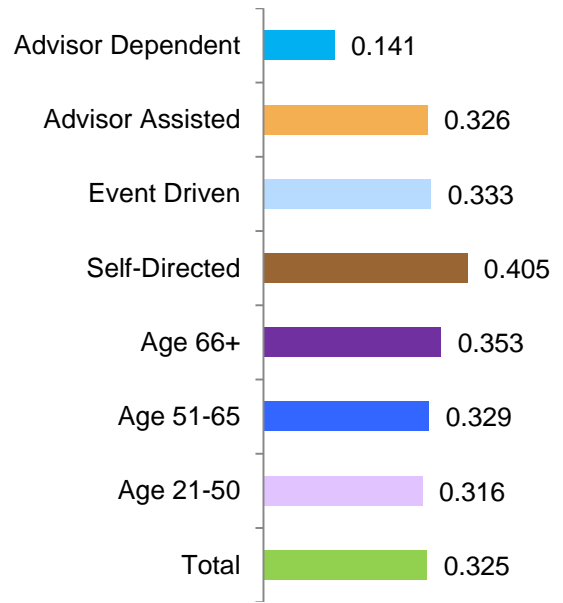
Utilization of the financial press is generally in the minority. While 48 percent of affluent investors read daily/weekly publications, 33 percent read monthly publications. The readership for monthly publications is consistently lower across all segments compared to the readership for daily/weekly publications. One might infer from this discrepancy that investors place a higher value on information that is delivered on a more timely basis.

Affluent investors aged 21-50 and self-directed investors are the two independent groups that are most likely to read daily/weekly publications on a regular basis. Fifty-four percent of the youngest investors read publications at least weekly, while the corresponding figure for self-directed investors is 56 percent.

**Percentage that utilize *daily/weekly* financial press regularly**  
(e.g. Wall Street Journal, Business Week)



**Percentage that utilize *monthly* financial press regularly**  
(e.g. Money, Smart Investing)



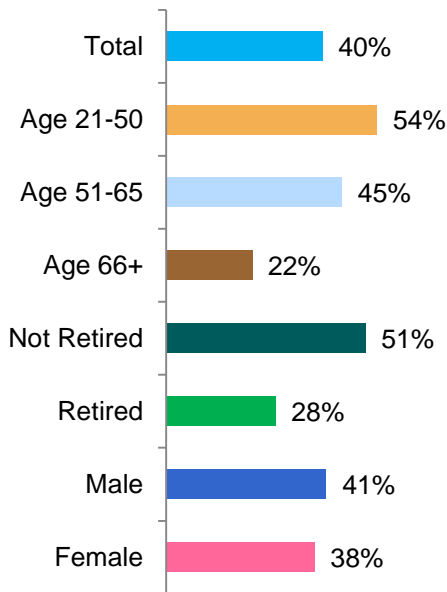
## Investment Research Options – Websites

The distribution of responses for website usage is more scattered than the other research tools that have been examined thus far. Although the edge is slight, affluent investors utilize independent websites (44 percent) more than they use the websites of their advisor or provider (40 percent).

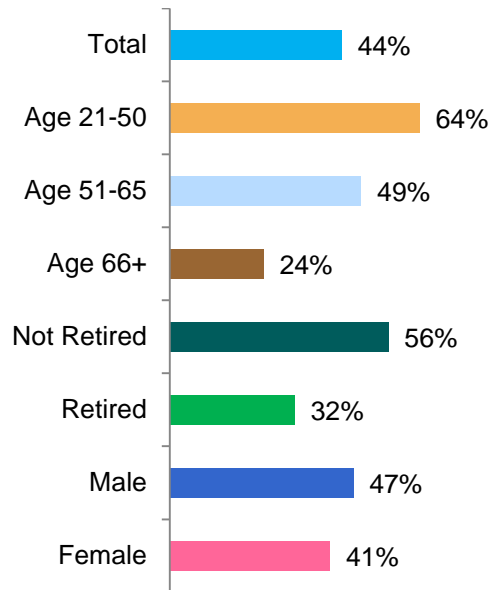
Differences in usage for websites become particularly pronounced when analyzing segments based on age and employment status. The likelihood of website use (whether it be an advisor website or an independent website) increases significantly as age decreases. In addition, investors that are currently employed are much more likely to use a website compared to investors that are retired.

The advisor/provider websites that were mentioned most frequently were Fidelity, Merrill Lynch, and Charles Schwab. The independent websites that were most frequently mentioned were Morningstar, Bloomberg, and Motley Fool.

**Percentage that utilize  
 advisor/provider website regularly**  
 (e.g. Fidelity, Merrill Lynch)



**Percentage that utilize  
 independent website regularly**  
 (e.g. Morningstar, Motley Fool)



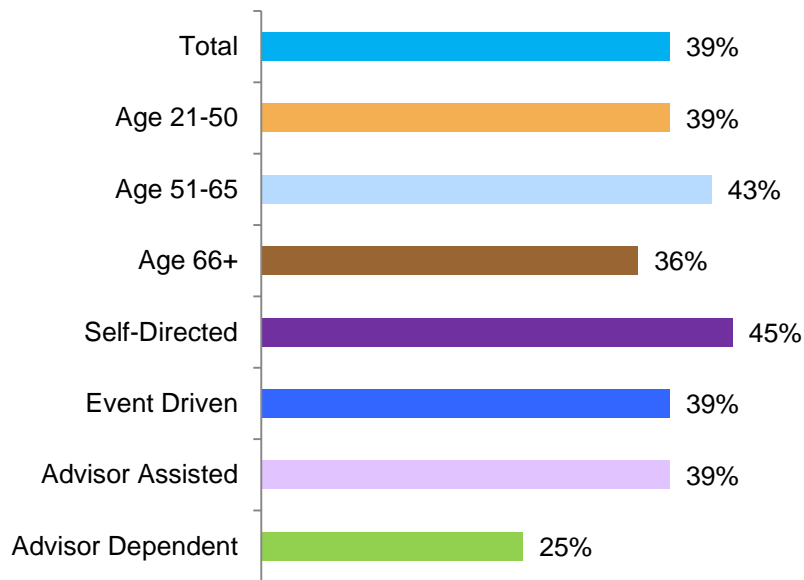


## The Role of Investment Research

### Investment Research Options – Television Programs

Over one-third (39 percent) of the investors surveyed regularly watch television programs for investment research purposes. From an advisor dependency standpoint, investors in the advisor dependent category were significantly less likely to utilize television programs compared to all other categories. On the other end of the spectrum, self-directed investors were the most likely to watch television programs.

**Percentage that utilize television regularly**

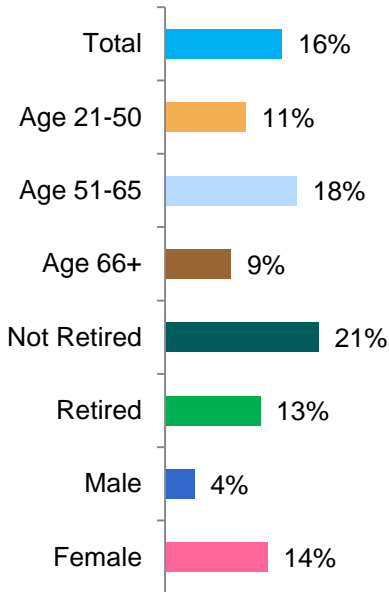


## Investment Research Options – Seminars, Blogs, and Podcasts

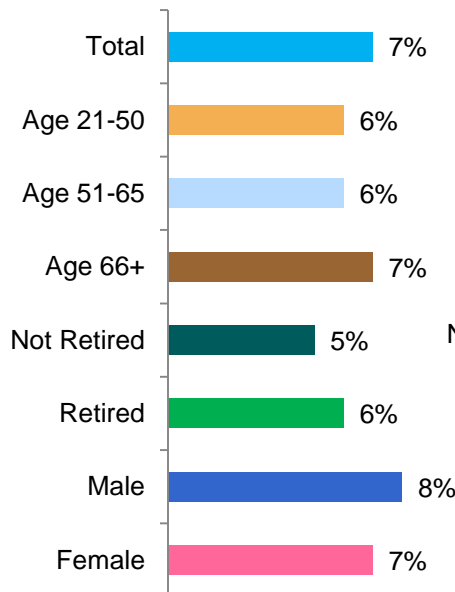
Compared to other forms of education, seminars, blogs, and podcasts are not highly utilized by affluent investors. Although seminars might be thought of as a popular tool for education, its reach is very narrow. Only 14 percent of the investors surveyed use seminars on a regular basis. There is a clear association between age and usage of seminars. As age increases, the likelihood of participation in seminars increases significantly. The same is true based on employment status. Retirees were twice as likely (18 percent) to attend seminars compared to their employed counterparts (nine percent).

The usage rates for blogs and podcasts are lower than those for seminars. Only seven percent use blogs and nine percent use podcasts. Unlike seminars that seem to appeal to older investors, blogs and podcasts appeal more to younger investors. For podcasts in particular, investors aged 21-50 are significantly more likely to use them.

**Percentage that utilize seminars regularly**



**Percentage that utilize blogs regularly**



**Percentage that utilize podcasts regularly**

