



Introducing THRIVE: Thoughtful Households Relating Investing Experiences

Office of Investor Research

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Four Presentations

- Introduction of Panel: Goals, Structure, Quarterly Metrics
- THRIVE for Survey Methodology: Involvement in Household Financial Decisions and Perceptions of the Securities Market
- THRIVE for Policymaking: Investor Testing on Fee Meters
- THRIVE for Academic Research: Trust in Financial Services



Introduction of Panel: Goals, Structure, and Quarterly Metrics

Katie Carman




THRIVE summary

- Thoughtful Households Relating InVesting Experiences (THRIVE) is an online survey panel utilized within the broader umbrella of the investor testing project known as POSITIER.
- THRIVE allows the Office of Investor Research (OIR) to conduct surveys about investment behavior in real time.
- The same 7500 respondents are invited to participate in surveys at least once a quarter on topics related to financial decision making.



THRIVE highlights to date

 **6,000**
Households
Data over **15 months**

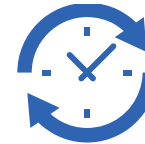
9 Bespoke surveys 
7 Recurring **2** Investor testing projects

Why did we develop THRIVE?

Investor testing to support rulemaking



Ability to respond to time-sensitive research needs



Study within-household shocks and changes (e.g., first time investing)



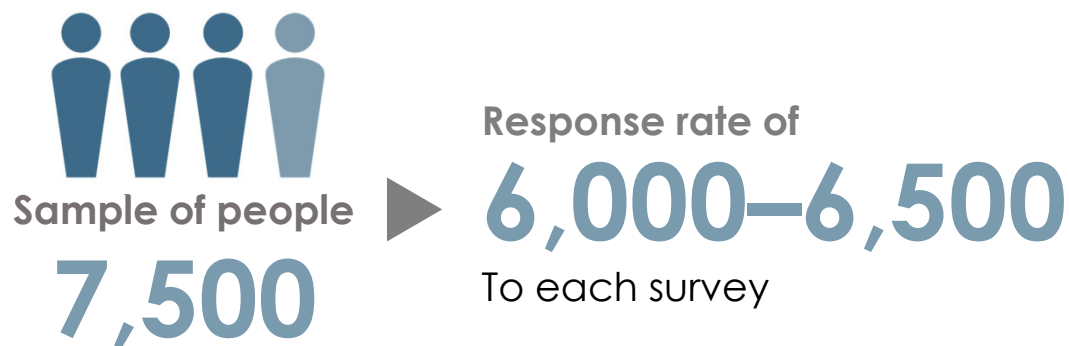
Creation of metrics (e.g., quarterly information on the share of the US population purchasing new investments)



Cost-effective



Who we survey



General population

- Investors
- Non-investors

Respondent Oversamples

- Non-Hispanic Black
- Hispanic
- Asian

Historical Data Available

1/3 2019 and 2020
Respondents
answered

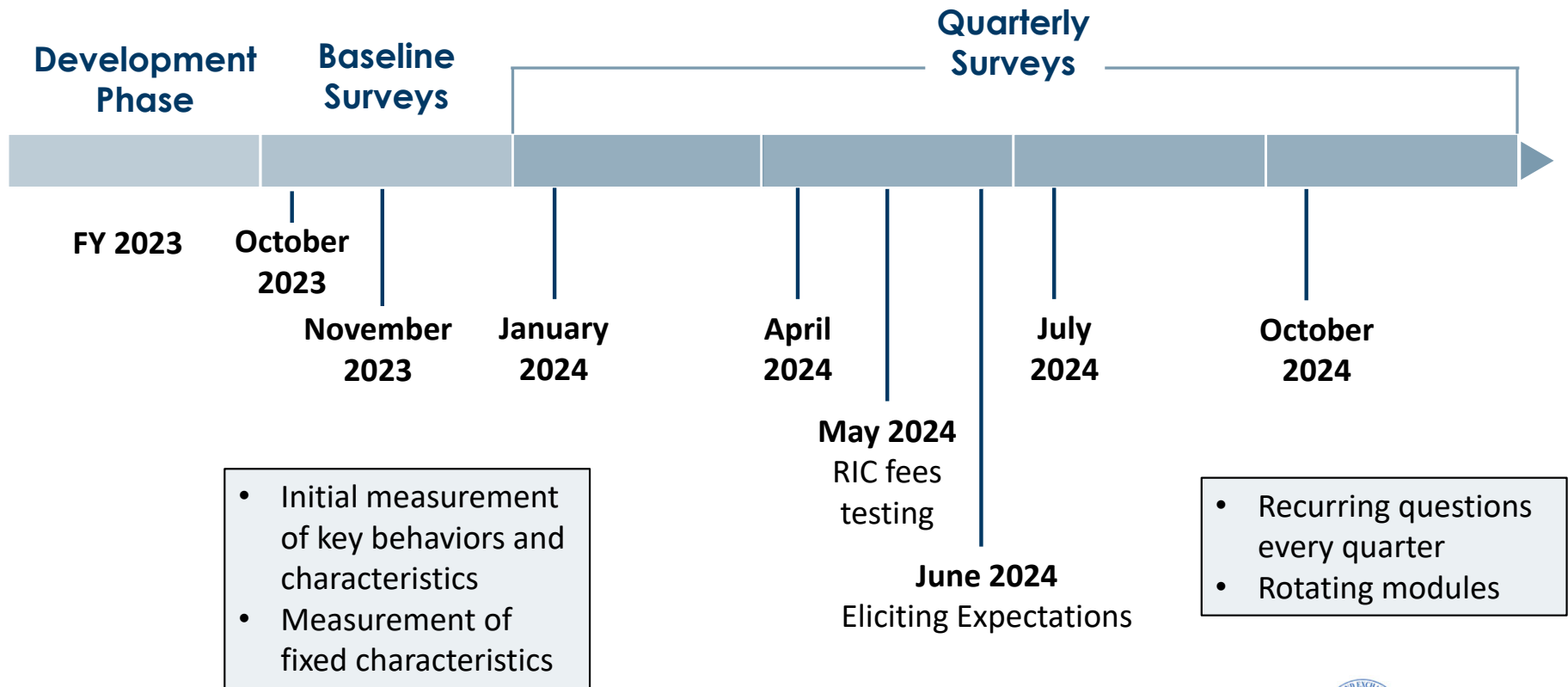


How it works

- THRIVE surveys began in October 2023.
- Builds on prior work conducted by OIR.
- All surveys are administered online.
- Surveys are designed by OIR staff.
- Surveys are conducted through a contract with NORC.
- Respondents are compensated for responding to surveys.



Types of data collection



Metrics



Quarterly Metrics

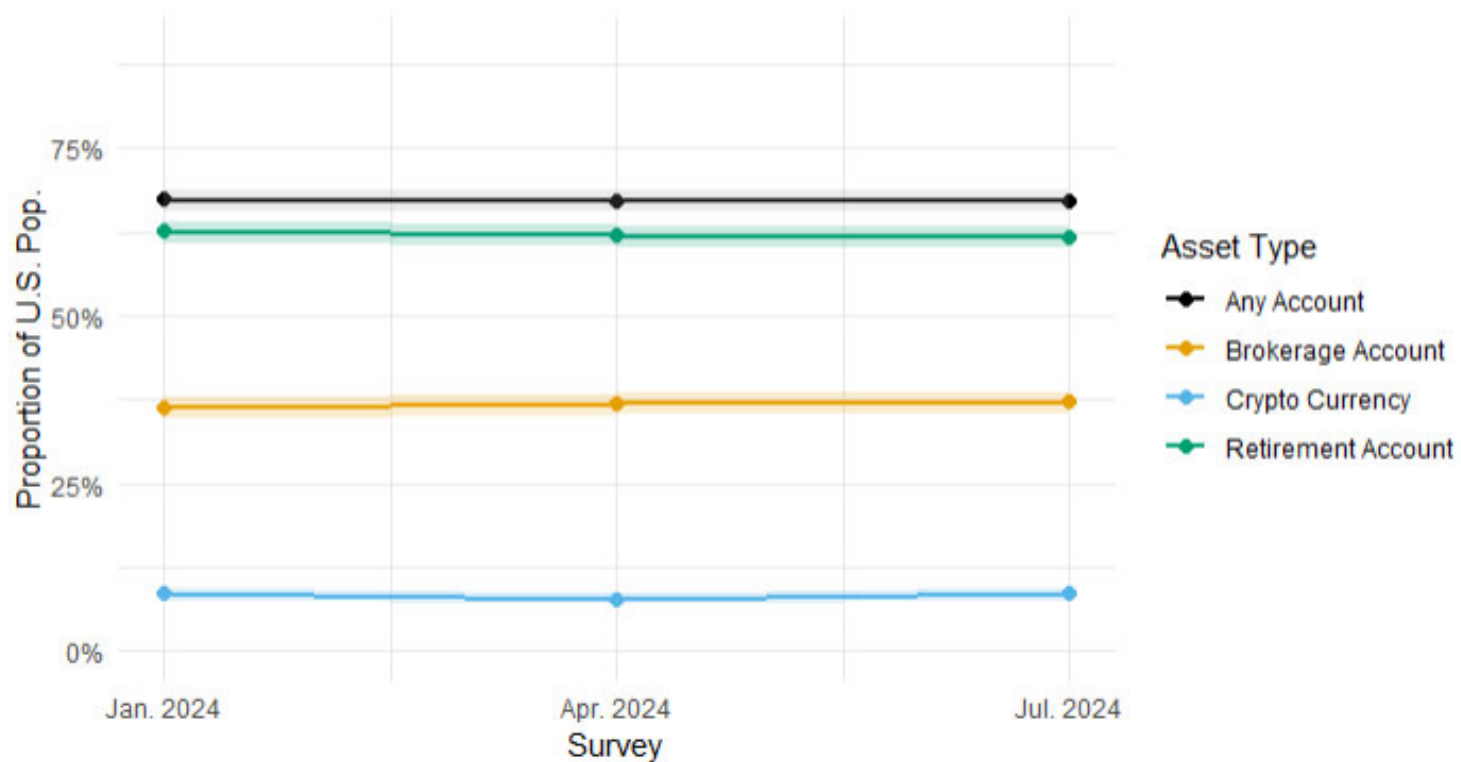
- What proportion of the U.S. population reports having key types of investment accounts?
- What proportion of the U.S. population reported purchasing a financial investment in the last 90 days, and when?
- What proportion of the U.S. population reported purchasing mutual funds or ETFs, stocks, bonds, cryptocurrency, or other investments in the last 90 days?
- What are the top reasons people reported for purchasing a financial investment?
- What proportion of the U.S. population reported selling a financial investment in the last 90 days, and when?
- What proportion of the U.S. population reported selling mutual funds or ETFs, stocks, bonds, cryptocurrency, or other investments in the last 90 days?
- What are the top reasons people reported for selling a financial investment?
- What is the financial well-being of investors and non-investors?

Quarterly Metrics

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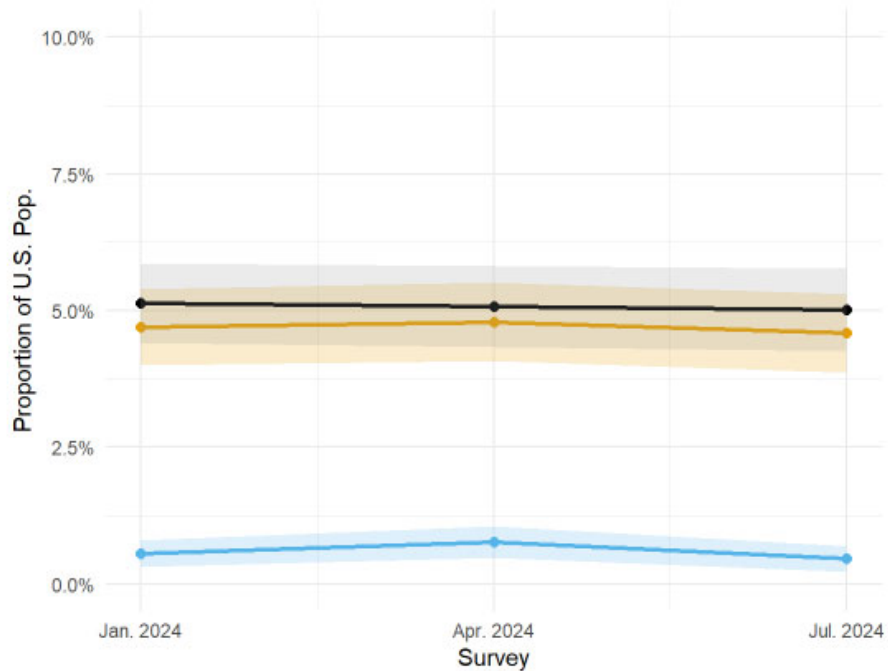


The share of people with different types of accounts has been relatively stable

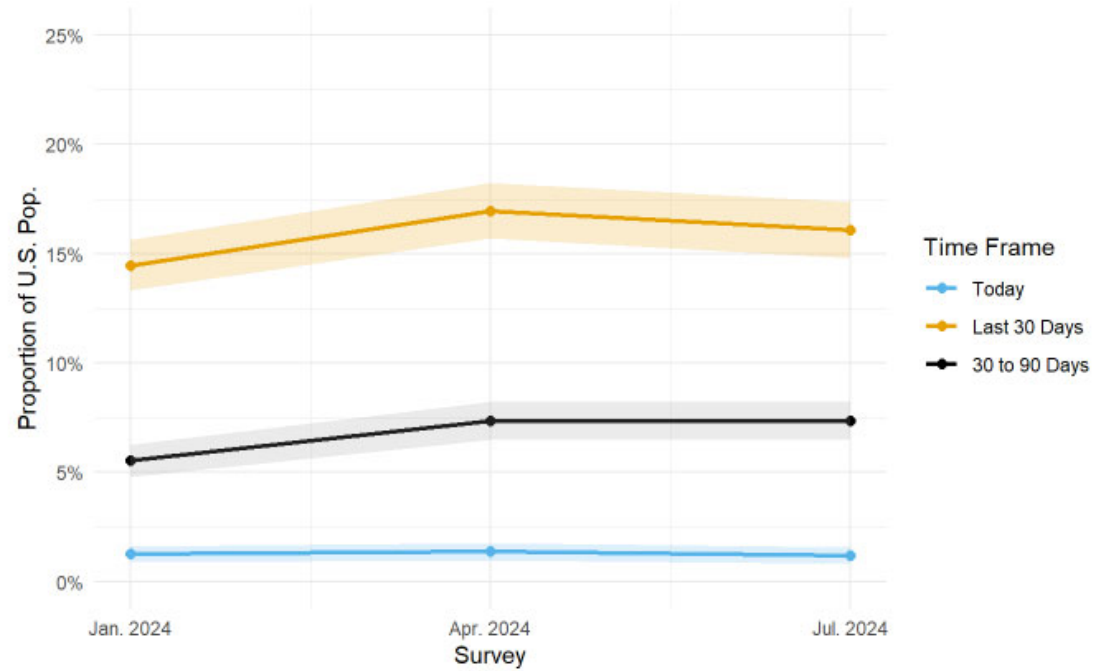


Purchases and Sales of Investments In Last 90 Days

Last Sale of a Financial Investment



Last Purchase of a Financial Investment



THRIVE for Survey Methodology: Involvement in Household Financial Decisions and Perceptions of the Securities Markets

Alycia Chin



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Measuring Household Financial Decisions

- Many surveys measure financial decisions at the household level
 - Often surveys focus on the “financial decision maker”
 - Who in a household is most able to answer questions
- However, many in a household could make financial decisions
- Which is preferable depends on the goals of the survey
 - Accurate measurement of most household financial decisions
 - Financial capability



Research Questions

- Who identifies themselves a financial decision maker?
- How does question wording impact responses?



THRIVE Panel

- Data come from the original onboarding survey
- Surveyed 10,264 people between October 13 and November, 2023
 - Mixed mode: 9,700 by web, 546 by phone
 - Excluded 502 cases that skipped more than 50% of questions and/or took less than 1/3 the median response time
- 6 Questions about household decision making



Who makes decisions?

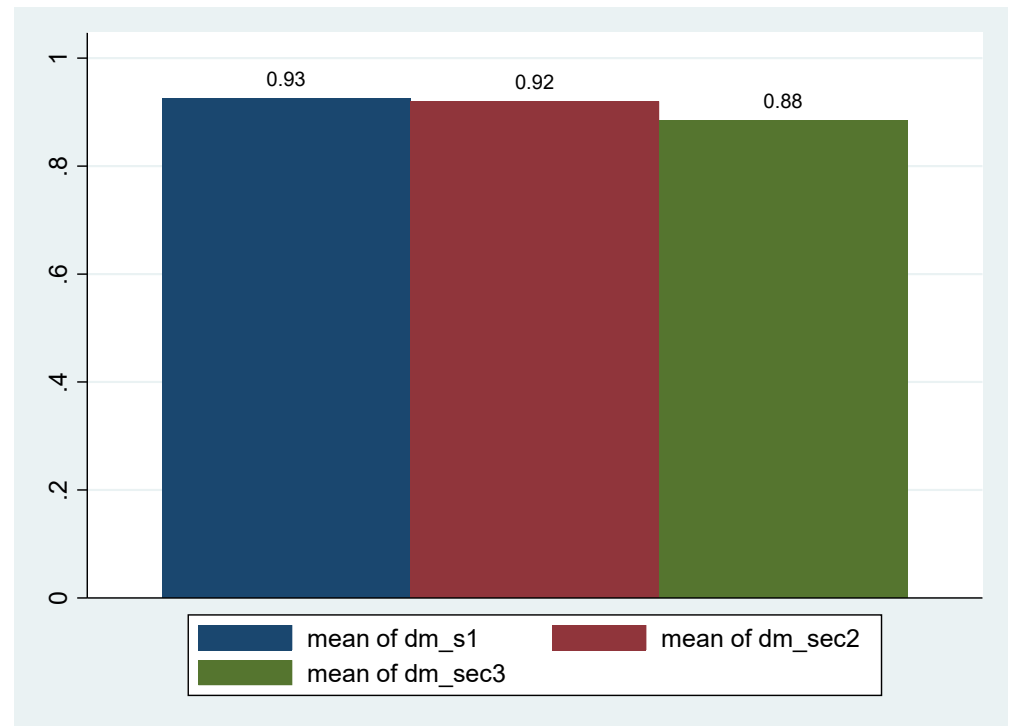
- Which of the following best describes your role in making decisions about your household's finances? (dm_s1)
 - I am the primary financial decision maker in my household
 - I make financial decisions for my household jointly with someone else
 - Someone else makes the financial decisions for my household
 - None of these
- In your household, who would be involved in making decisions about [a major purchase/investments], such as [a new appliance or a vacation/purchasing a new mutual fund or opening a new account]? (dm_sec2/dm_sec3)
 - I make all of the decisions
 - I make most of the decisions
 - I share the responsibilities equally with someone else or multiple people
 - Someone else makes most of the decisions
 - Someone else makes all of the decisions

➤ indicates answers used to identify financial decision makers



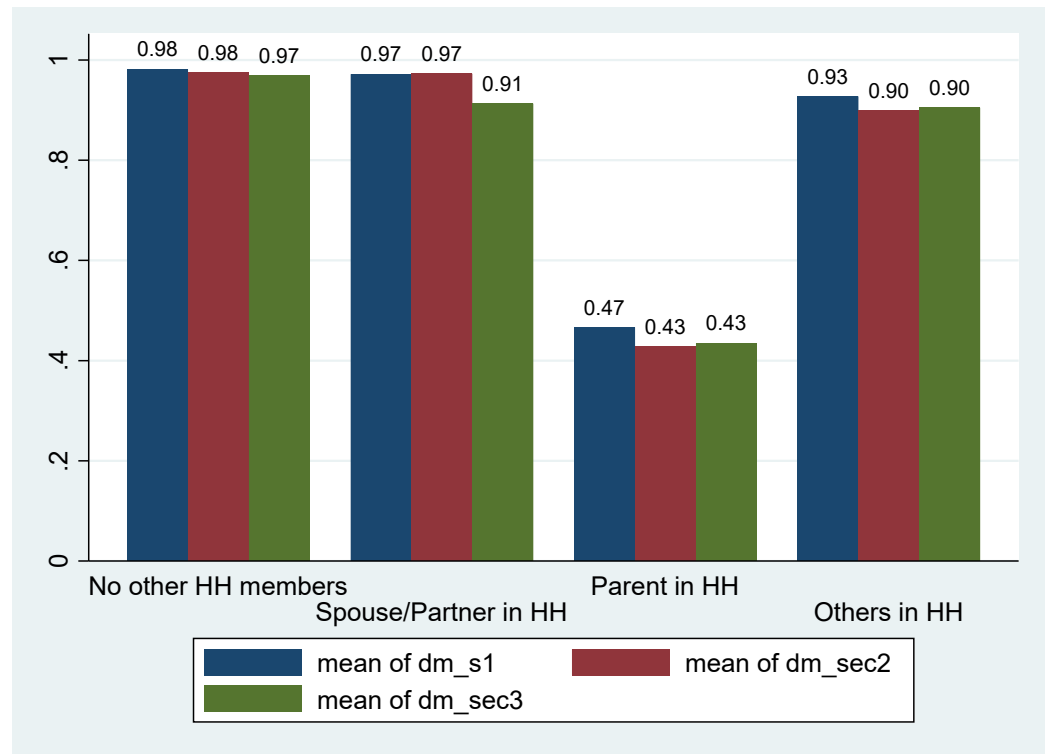
Approximately 90% report being financial decision makers

- But there are differences by questions
- Slightly fewer report making investment decisions



Household composition matters

- Those who live with parents are much less likely to report being decision makers
- Even among those who live alone, a small percentage do not report being decision makers
- Differences by question remain



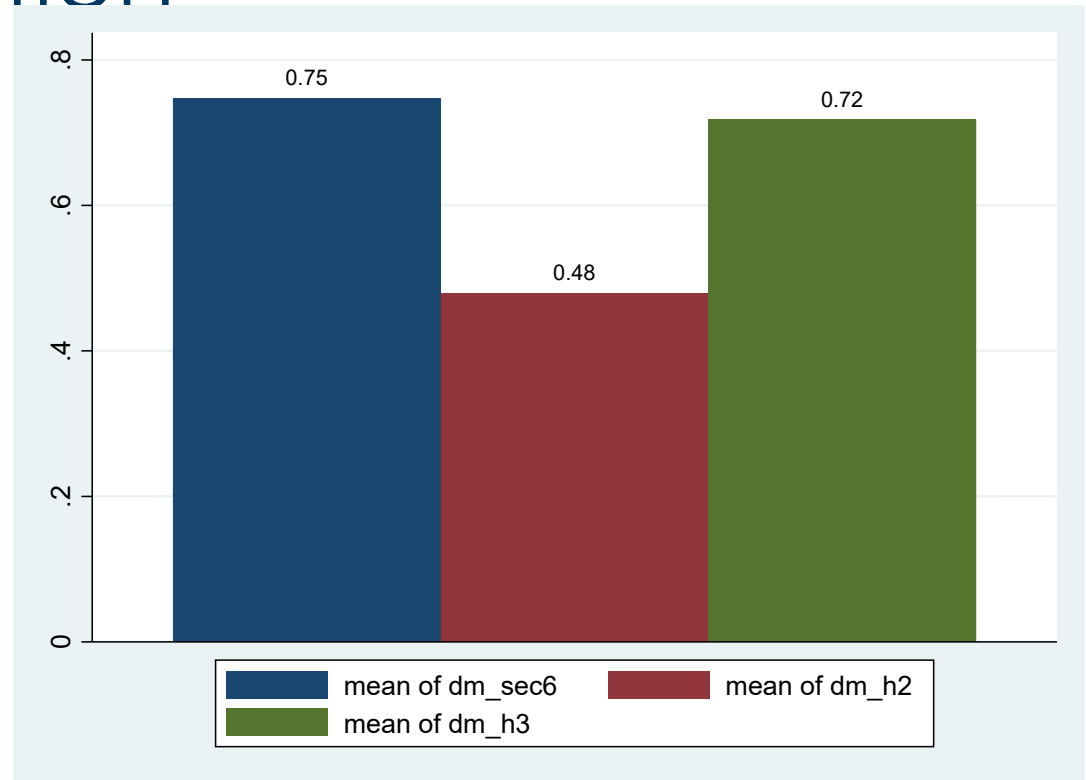
Who has information?

- Who is most well-informed about your household's financial investments and any plans for those investments? (dm_sec6)
 - Me
 - Me and someone else are both knowledgeable
 - Someone else
 - My household does not have investments
 - Are there any accounts owned by you or someone else in your household where [only you make/you do not make any] decisions about how money is invested? (dm_h2/dm_h3)
 - Yes
 - No
 - Don't know
- indicates answers used to identify financial decision makers



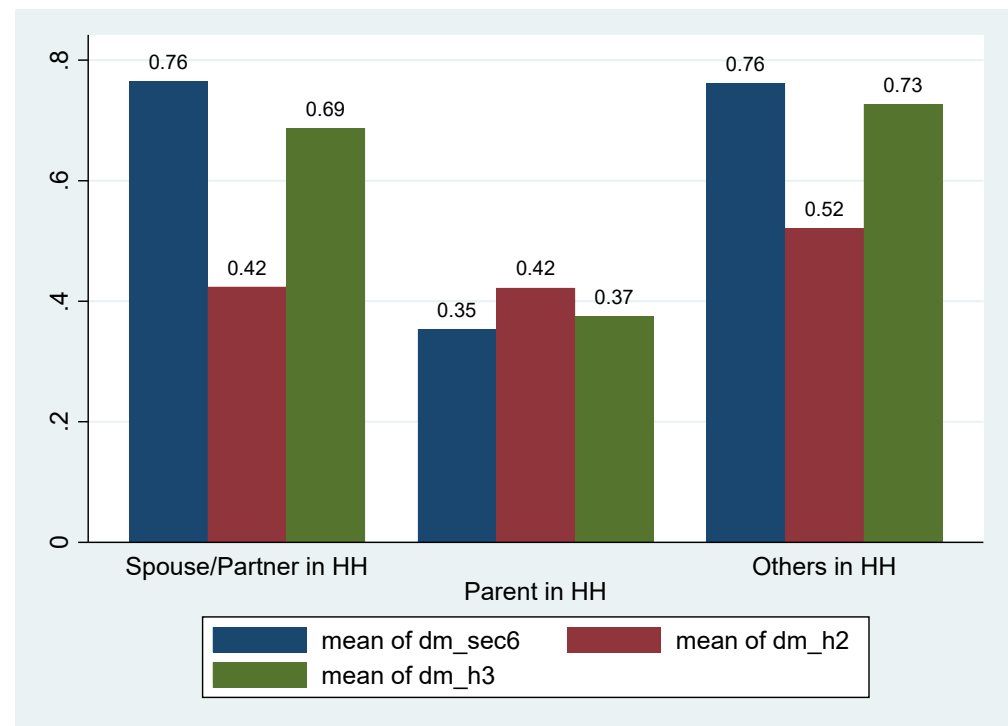
Who has information

- 75% report that they are most well informed or equally well informed (fewer than report being decision makers)
- Approximately 50% say they have accounts where only they make decisions
- 72% report there are no accounts where they don't make decisions



Differences in knowledge by family type

- When living in a household with parents, people are much less likely to report they are knowledgeable
- They also are more likely to report accounts where they are not decision makers (inverse of dm_h3)



Comparing just two questions we see differences (dm_s1/dm_sec3)

Investments: Household:	I make all of the decisions	I make most of the decisions	I share the responsibilities equally with someone else or multiple people	Someone else makes most of the decisions	Someone else makes all of the decisions	Total
I am the primary financial decision maker in my household	92.6	46.6	9.2	6.6	7.4	45.9
I make financial decisions for my household jointly with someone else	6.2	51.4	87.7	56.2	22.5	46.5
Someone else makes the financial decisions for my household	0.4	1.6	2.3	35.2	66.1	6.6
None of these	0.6	0.4	0.7	2.0	3.9	0.9
Total	100	100	100	100	100	100

*Don't know, skips, and refusals omitted for brevity



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Comparing just two questions we see differences (dm_h2/dm_sec3)

Investments: Accounts where only I make decisions:	I make all of the decisions	I make most of the decisions	I share the responsibilities equally with someone else or multiple people	Someone else makes most of the decisions	Someone else makes all of the decisions	Total
Yes	62.6	53.3	29.1	25.2	26.9	44.8
No	33.1	41.4	64.2	63.8	54.5	48.7
Don't know	3.8	4.2	6.1	9.8	18.2	5.7
Total	100	100	100	100	100	100

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Conclusions

- Approximately 90% report being financial decision makers, but household composition matters
- Approximately 50% say they have accounts where only they make decisions, but 72% report there are no accounts where they don't make decisions
- Among those who report not being a decision maker
 - Many do not consider themselves to be most knowledgeable
 - Many control accounts alone



THRIVE for Policymaking: Investor Testing on RIC Fee Meters

David Zimmerman



Expense ratio

0.04%

as of 04/26/2024

Investment minimum

\$3,000

as of 11/01/2024

30 day SEC yield

1.22% B

as of 09/30/2024

NAV price

\$529.06

as of 11/01/2024

Exp Ratio (Gross) 04/29/2024

0.015%

Exp Ratio (Net) 04/29/2024

0.015%

Morningstar® Snapshot* AS OF 09/30/2024

Morningstar Category: Large Blend

Overall Rating



Out of 1,292 funds

Returns



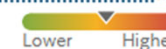
Low Avg High

Expenses



Low Avg High

Risk of this Category



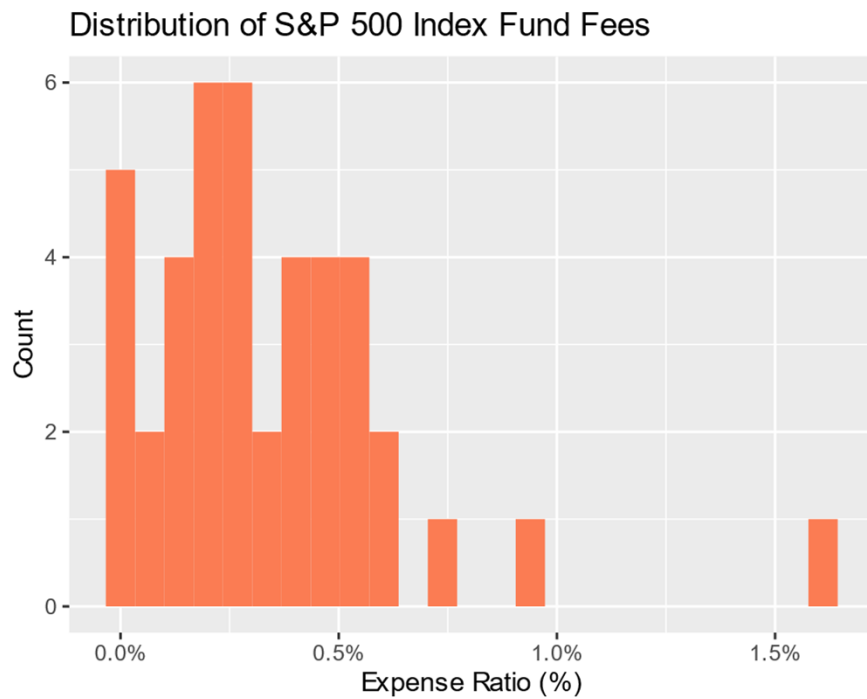
Lower Higher

*Data provided by Morningstar



Fee dispersion for S&P 500 mutual funds (Hortaçsu & Syverson, 2004; Choi et al. 2010; Cooper et al. 2021; Scholl et al. 2023)

For funds with the same strategy, lower fees can increase net returns (Carlson et al., 2004; Choi et al., 2010; Elton et al., 2004; Scholl, 2022)



Source: MorningStar Direct

Investor testing on fee meters

Fee (%)	Ending Balance of \$10k after 10 years
0.02%	\$25,886
1.61%	\$22,051



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Research Questions

- Do consumers know relative cost information for index fund fees?
- Do fee meters affect investors' interest in seeing an alternative fund? Are relative cost perceptions the mechanism for these changes?



Overview

- Experiment 1:
 - Do consumers know relative cost information for index fund fees?
- Experiment 2:
 - Do mutual fund fee meters improve consumers' estimates of the relative cost of funds?
 - Are relative cost beliefs a mechanism for the effect of fees on willingness to pay (WTP)?
 - Do fee meters moderate the relative cost mechanism?

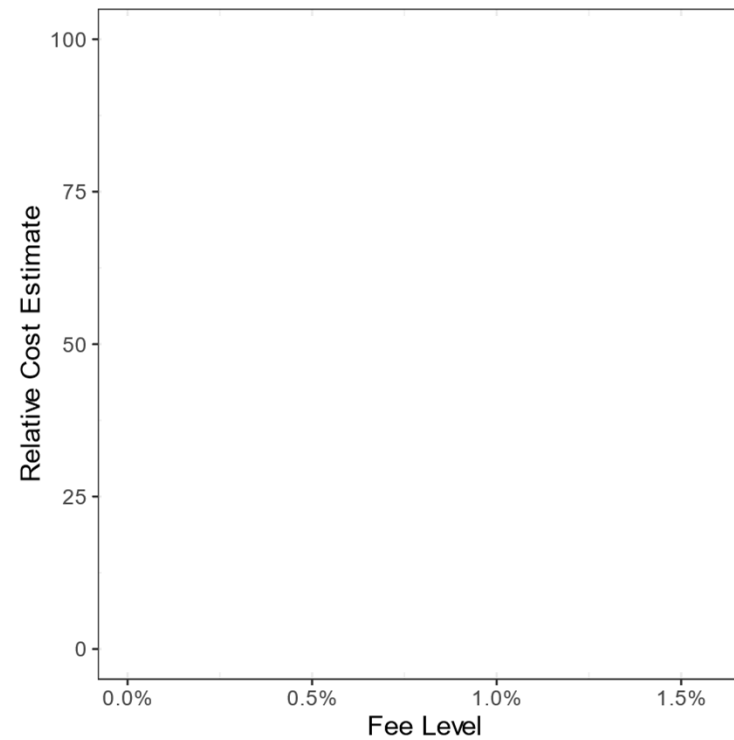


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Actual and estimated Relative Costs



Differences across true percentiles: $F(6, 776) = 0.48, p = 0.82$



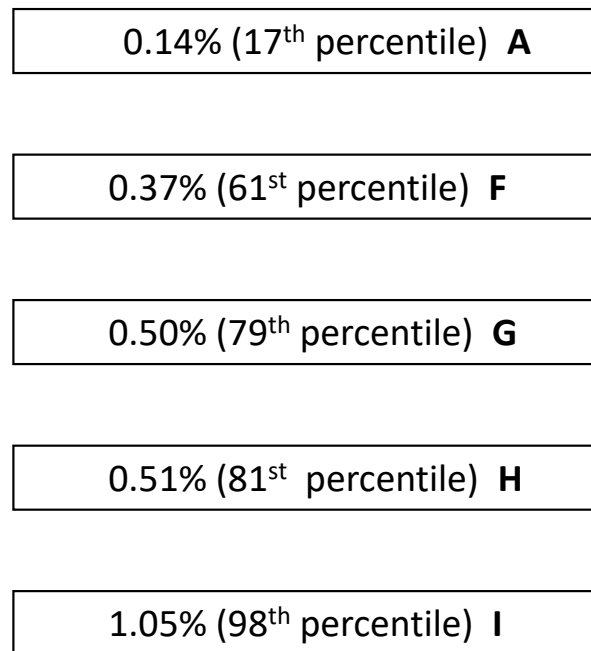
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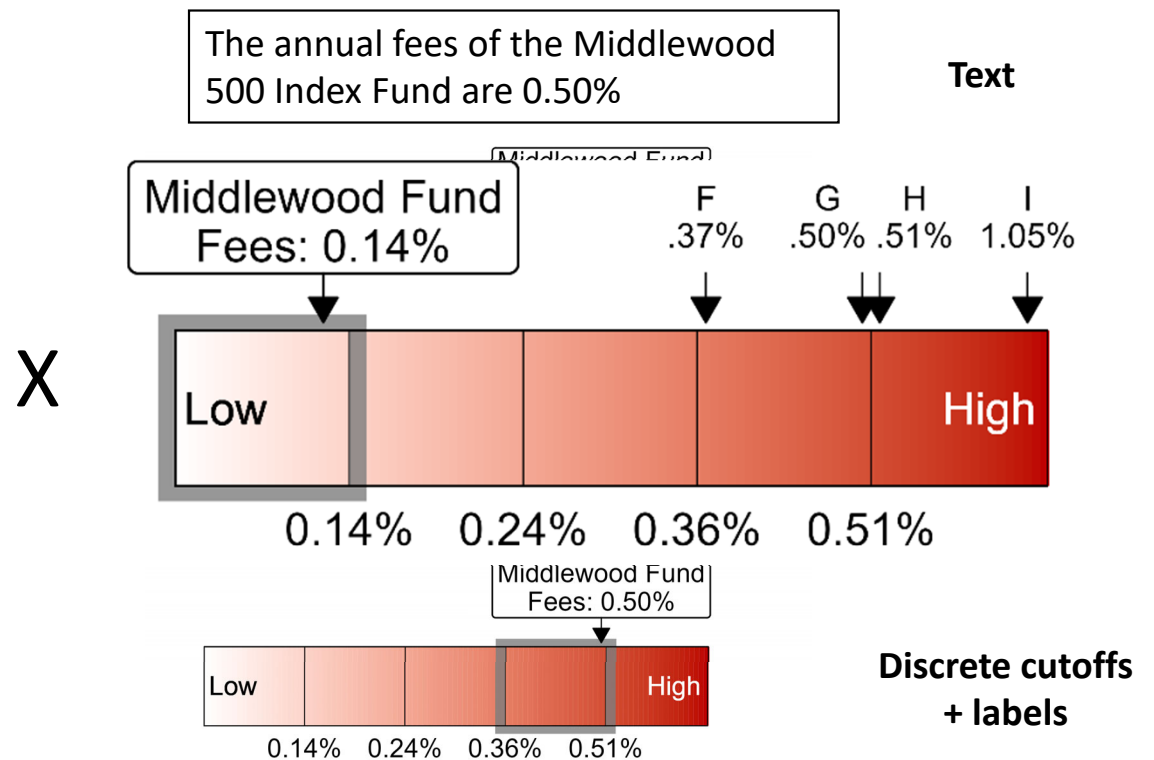


Experimental Design

5 Fee levels



4 Fee Displays



Sample and Survey

- Sample
 - Recruited from THRIVE Panel + additional AmeriSpeak panelists
 - The final sample size was $N = 4,424$, after exclusions
- Survey
 - “Summary prospectus” for hypothetical Middlewood Fund
 - Estimate cost percentiles (relative cost beliefs)
 - WTP for alternative investment (WTP)



WTP for Alternative Fund

Would you be willing to pay **\$100** of your hypothetical \$10,000 to see a different fund?

Paying \$100 would be better:

- If the other fund has fees at least 0.106% lower than the Middlewood Fund,
or
- It outperforms the Middlewood Fund by 0.106% per year or more

Paying \$100 would be worse:

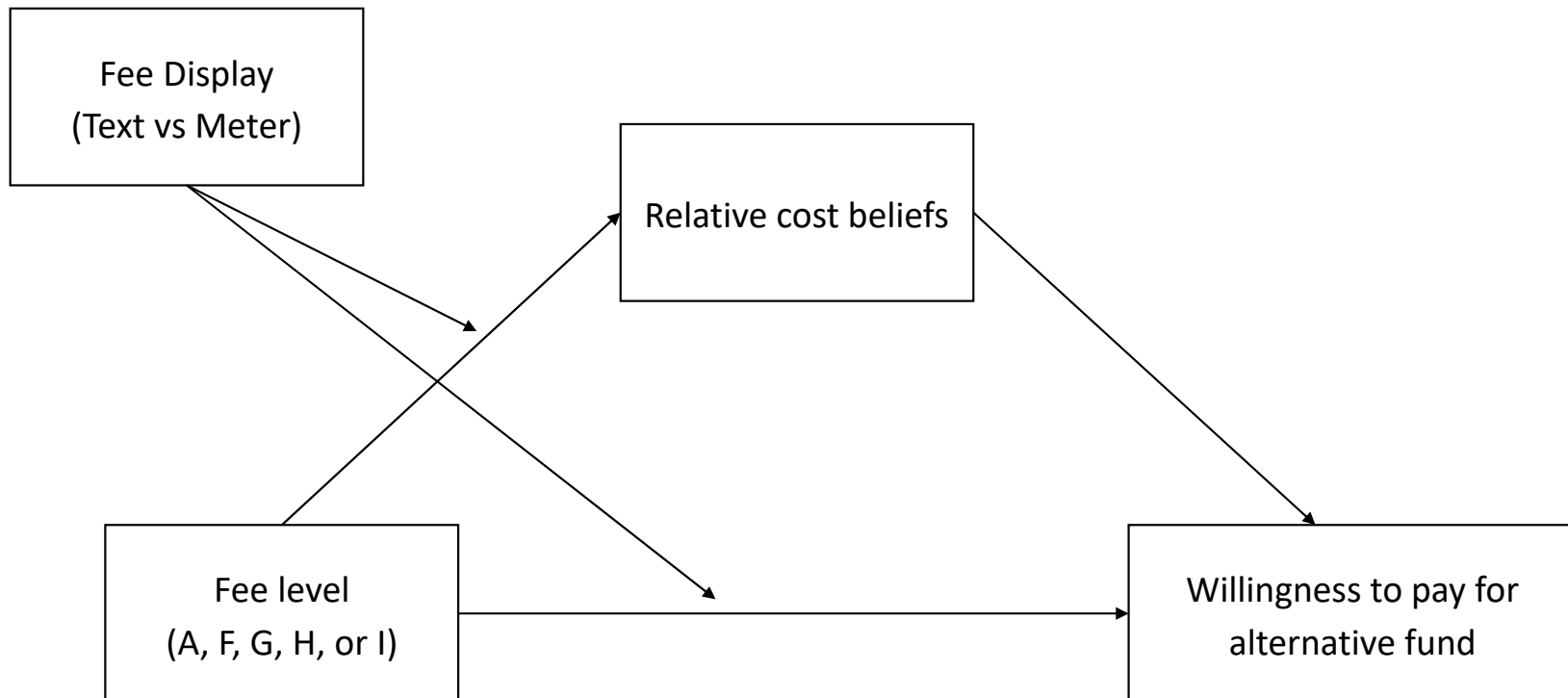
- If the other fund has fees that are not 0.106% lower
or
- It does not outperform the Middlewood Fund by at least 0.106%.

Yes

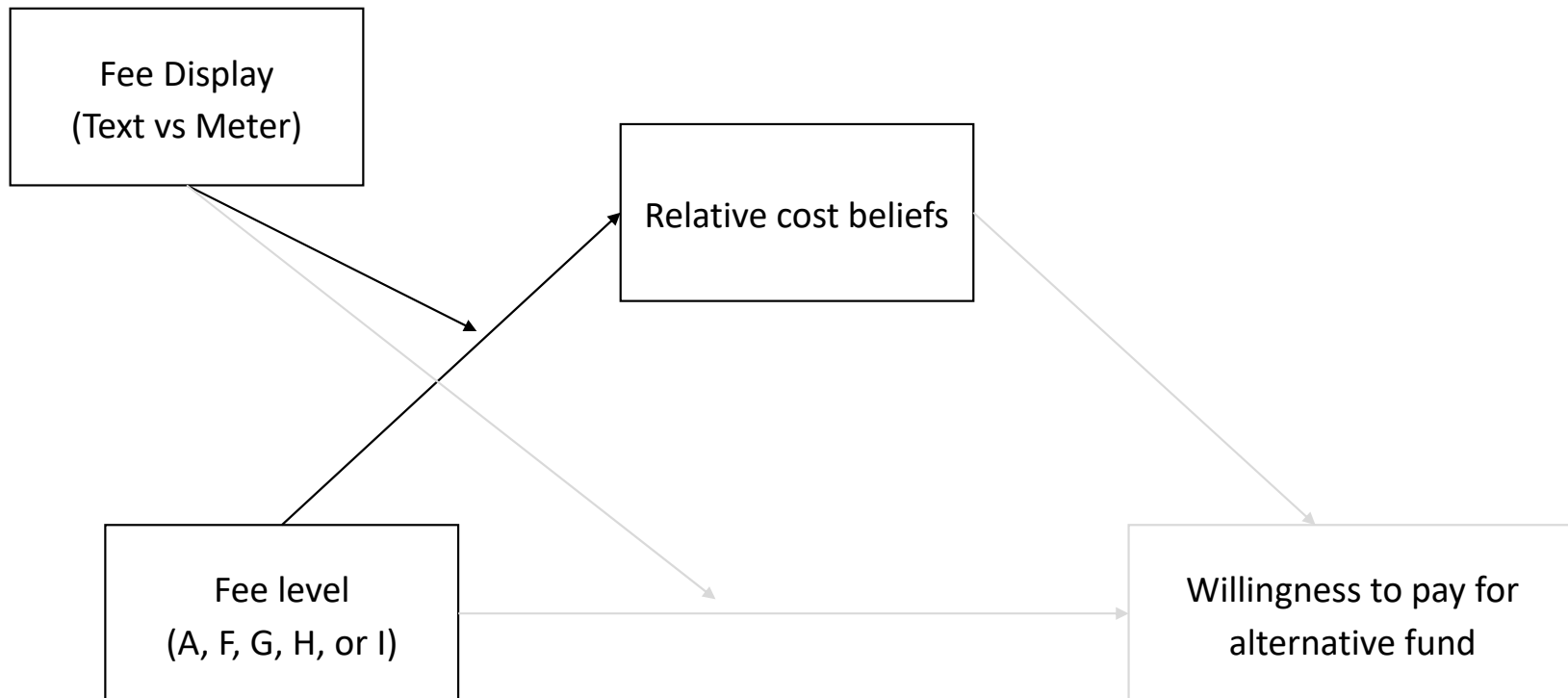
No



Conceptual Model



Conceptual Model



Meters improve relative cost estimates

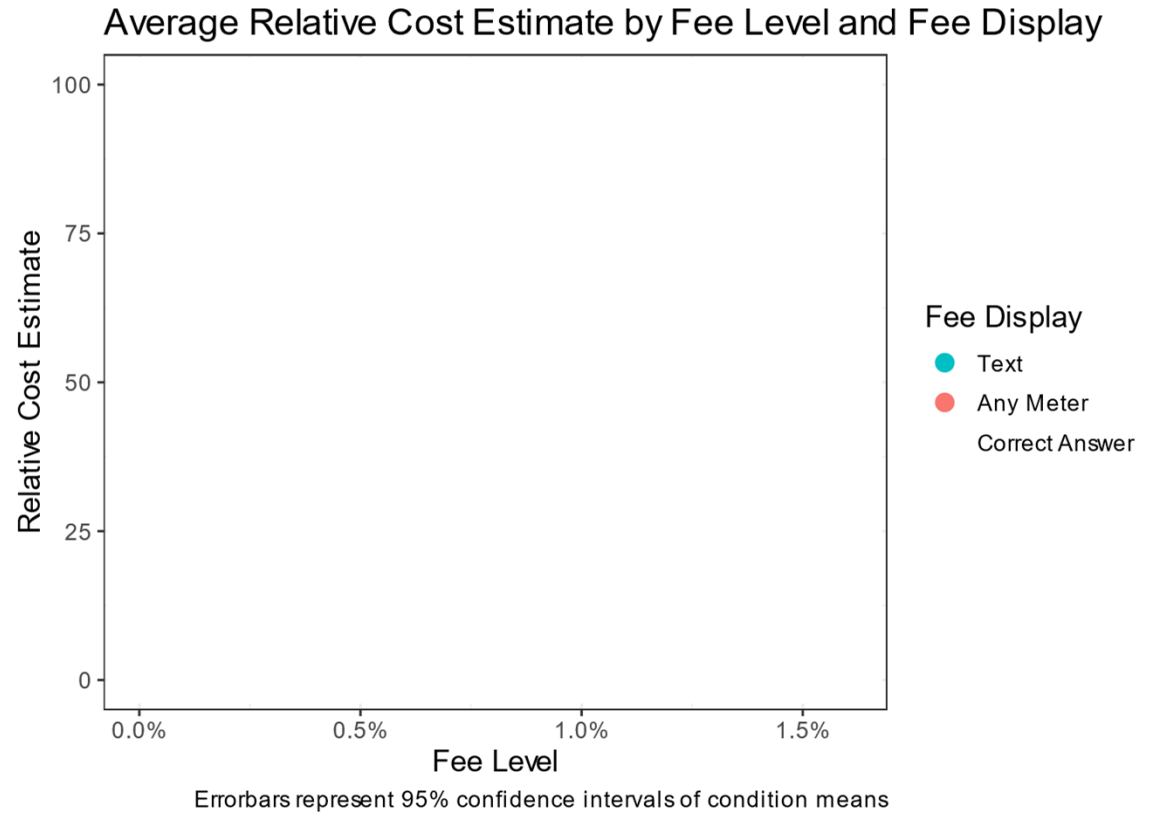
0.14% (17th percentile) **A**

0.37% (61st percentile) **F**

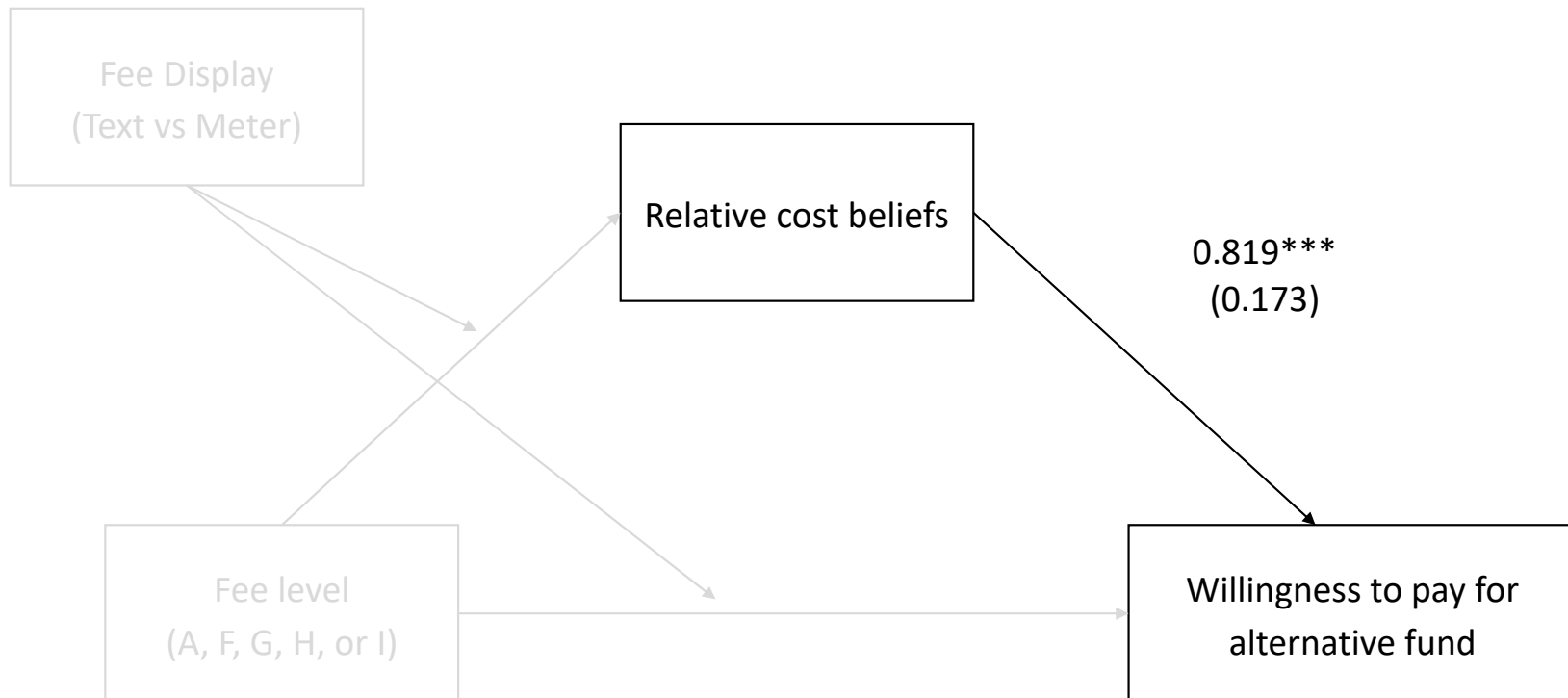
0.50% (79th percentile) **G**

0.51% (81st percentile) **H**

1.05% (98th percentile) **I**



Conceptual Model



Moderated Mediation of Meters on Fee through Cost Percentile to WTP

Meter	-2.83*	(-6.04, -0.26)
Fee F	9.70***	(4.76, 15.81)
Fee F * Meter	14.99***	(7.98, 23.21)
Fee G	17.68***	(9.55, 26.70)
Fee G * Meter	16.37***	(8.85, 25.29)
Fee H	18.92***	(10.37, 28.49)
Fee H * Meter	19.76***	(10.82, 29.55)
Fee I	30.11***	(16.85, 44.35)
Fee I * Meter	18.05***	(9.79, 27.88)

Note. *, **, and *** denote statistical significance based on whether zero is contained in the 95, 99, and 99.9% percentile bootstrap confidence intervals, respectively. The 95% confidence intervals are shown in parentheses.



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Summary

- Fee meters:
 - Improve the accuracy of relative cost estimates. In turn, relative cost estimates consistent with effecting interest in seeing an alternative fund.
- Overall, the relationship between the fee meter and interest in seeing an alternative is weaker than we expected.
 - Many participants do not appear to believe that fees are important, or that fees can reduce performance.
- We did not find meaningful differences between fee meter designs.

THRIVE for Academic Research: Trust in Financial Services

Jonathan Cook

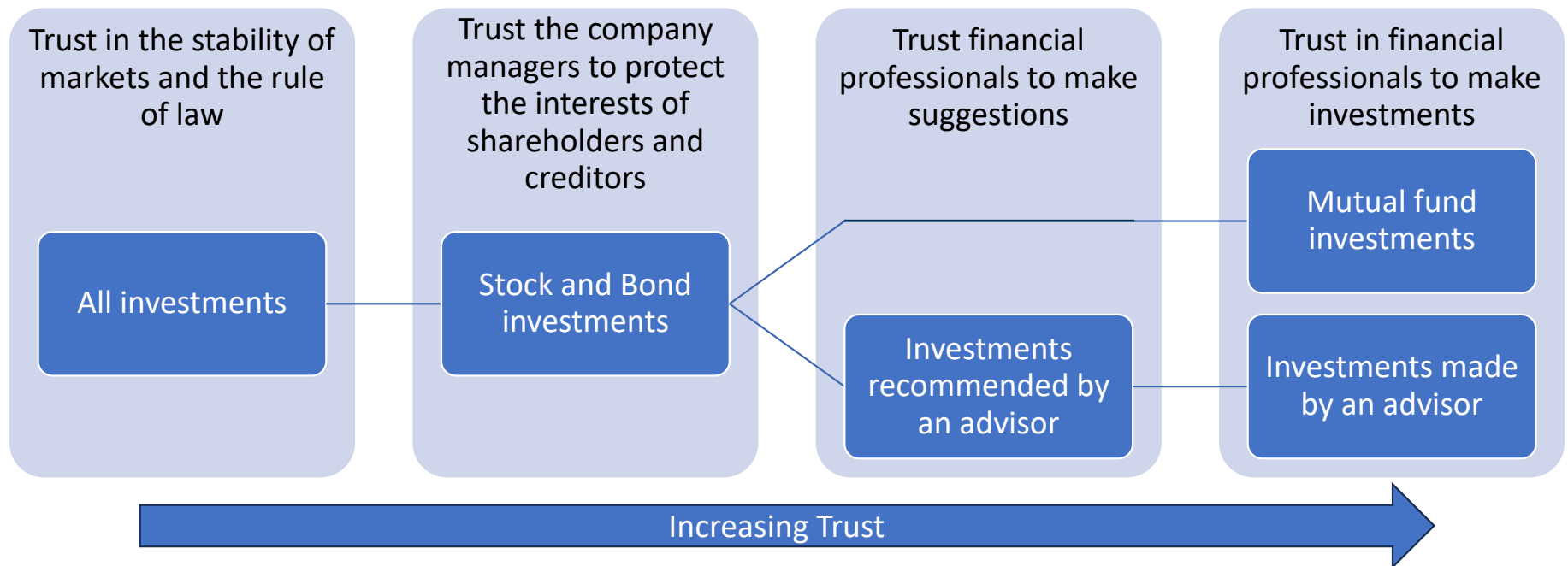


Motivation

- Trust is necessary for any economic transaction
- Mixed results have been found for the relationship between (self-reported) trust and trusting behavior in experiments (Fehr et al. (2002); Glaeser et al. (2000); Sapienza et al. (2013))
- Trust has been found to predict investing but differences between investments has not been considered (Guiso et al. (2008); Shao & Wang (2021))
- Our data lets us test a theory of trust and the use of financial professionals (Gennaioli et al. (2015))



Trust and the type of investment



Research questions

- Is trust related to holding an investment account?
 - Yes
- Is trust differentially related to the holding of different types of financial assets?
 - Trust predicts most investments
 - No relationship with crypto
 - Lack of trust predicts investments in precious metals
- Is trust related to the use of financial advice?
 - Yes, including the use of robo-advisors



How Trust is measured

- Following the literature, we use the attitudinal measures of trust:

Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?

Most people can be trusted

Can't be too careful

Don't know



Methods

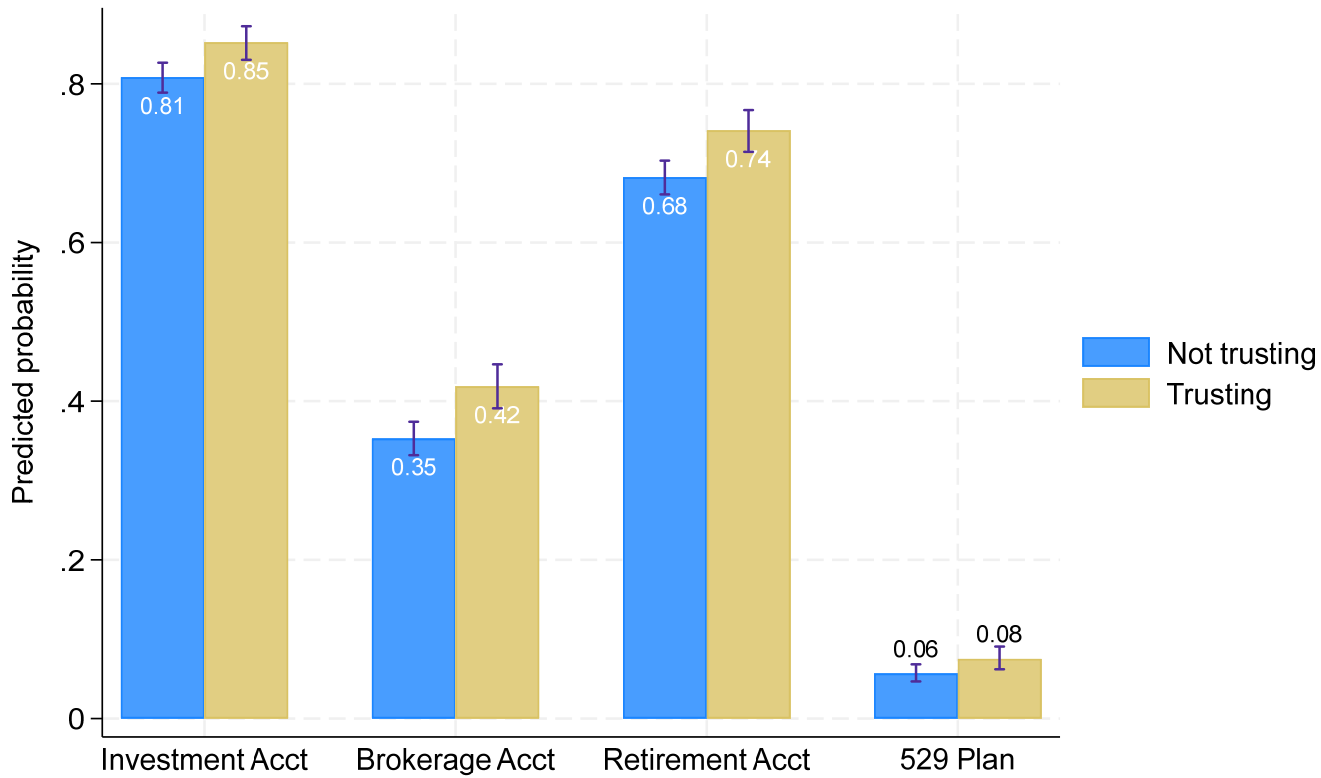
We model participant i 's latent utility of each investment decision j as

$$U_{ij} = \delta(\text{trust})_i + \beta_j X_i + \varepsilon_{ij}$$

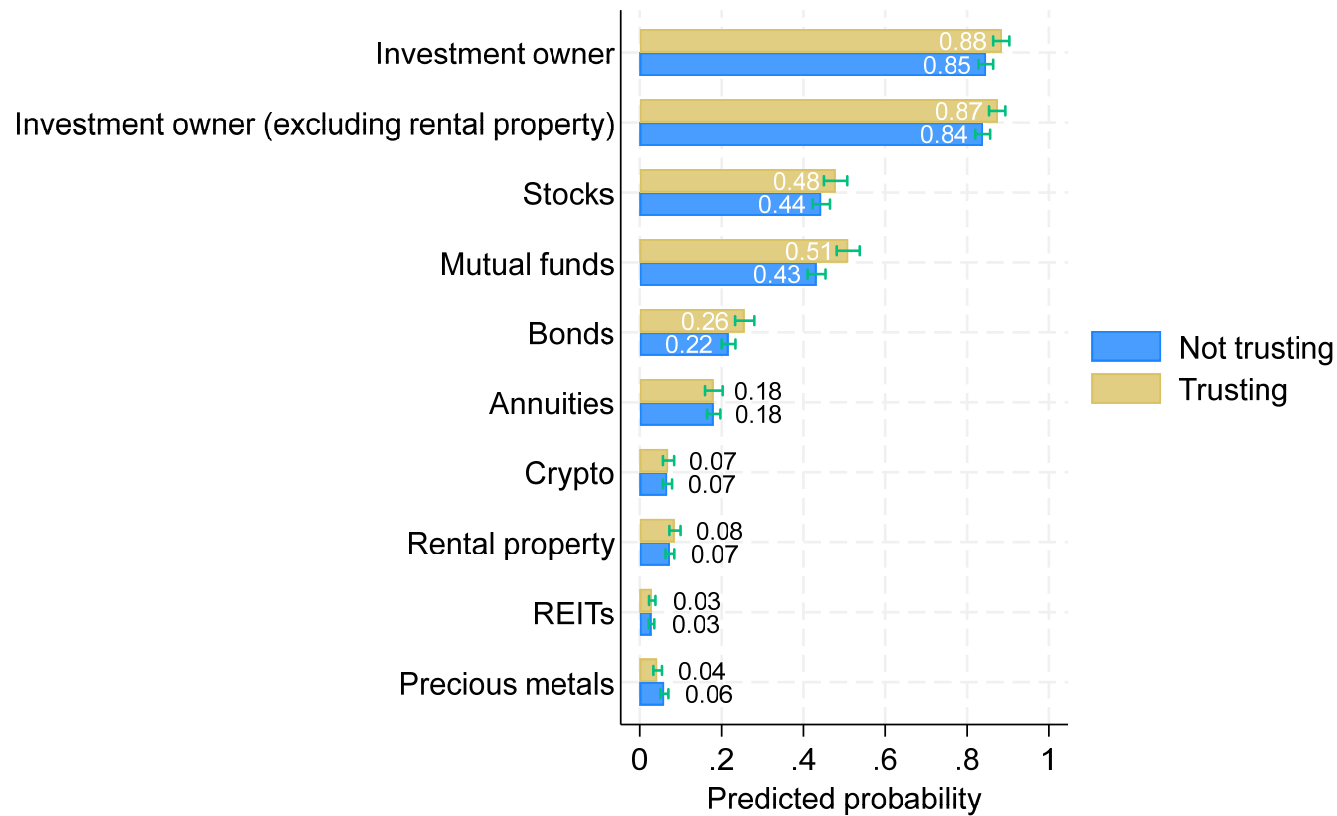
- Participant i selects investment j if $U_{ij} > 0$
- X_i is a full set of controls
- ε_{ij} are potentially correlated across similar decisions j



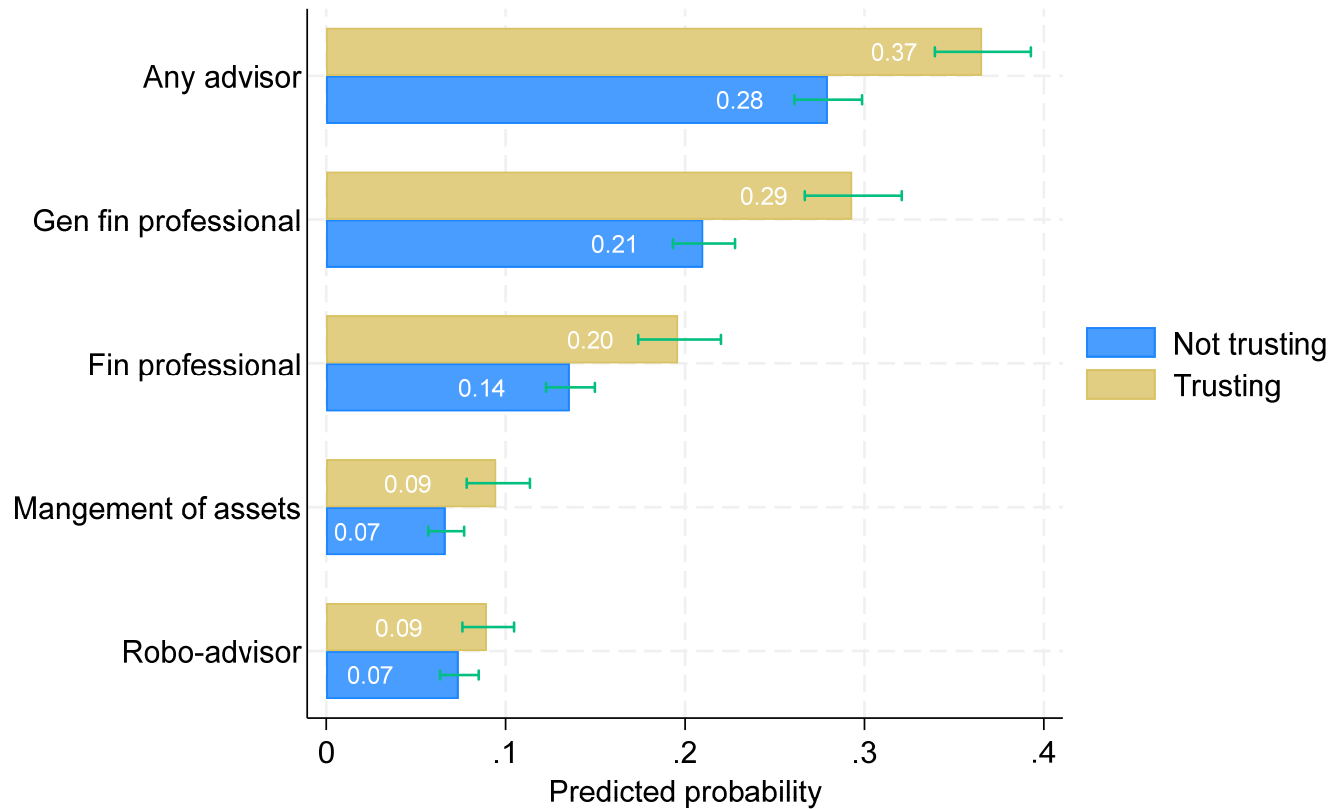
Trust and investment accounts



Trust and investments



Trust and financial advice



Implications

- People who generally trust are more likely to be investing in assets that have the ability to grow their wealth and support their future financial goals
- If lack of trust holds people back, they will potentially miss out on the opportunity to accumulate wealth
- To encourage more people to invest, efforts to shore up trust in markets, financial institutions, and financial professionals may be needed



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