

DIY Investor Survey 2008/2009 – Generational Differences

To get a closer insight into DIY Investors attitudes towards investing, characteristics and behavior, RaboPlus has commissioned Celsius Research to survey DIY Investors across key generational segments to expose the value of investors, and parts of investing that are important them. This is our second survey which allows us now to compare how investors attitudes have changed over the last 12 months.

For this survey we have taken a random selection of 503 Investors who possess \$150,000 or more in personal savings (including super but excluding physical assets) and managed their own investments.

Current Portfolios

Gen Ys are cashed up, Xers going for growth, and Baby Boomers remain cautious!

Generation	Cash 2009 (2008)	Compulsory Super	Investment Property	Shares	Managed Funds/Structured Products	SMSF	Bonds
Gen Y - 2009	35%	8%	17%	14%	7%	13%	3%
- 2008	(22%)	(10%)	(24%)	(16%)	(9%)	(13%)	(6%)
Gen X – 2009	20%	24%	16%	20%	8%	10%	1%
- 2008	(16%)	(23%)	(23%)	(17%)	(9%)	(10%)	(2%)
Boomers - 2009	17%	38%	12%	11%	6%	15%	1%
-2008	(14%)	(33%)	(16%)	(12%)	(5%)	(17%)	(1%)
TOTAL - 2009	20%	29%	14%	15%	6%	14%	1%

Gen Ys:

- Currently have more (35%) invested in cash / savings accounts / term deposits than older investors.
- Currently have less (8%) in compulsory superannuation than older investors

Gen Xs:

- Currently have more invested in shares (20% of total portfolio) than other generations.
- Compared to last year, have reduced amounts in investment property (23% in 2008 compared to 16% in 2009)

Baby Boomers:

- have significantly more of their total portfolio (38%) invested in compulsory superannuation.

Expected rates of return

While increasing their allocation to cash over the past year (from 22 per cent to 35 per cent), Gen Y investors still believe they can get returns of 13.5 per cent pa from their investment portfolio (down slightly from 14.1 per cent in 2008).

In contrast, Gen X investors expect less (9.5 per cent versus 13.2 per cent returns pa in 2008), although they are more likely to consider shares, managed funds, and bonds.

Generation	2008	2009
Gen Y	14.1%	13.5%
Gen X	13.2%	9.5%
Boomers	11.6%	9.1%
Retirees	10.1%	9.4%
Total Sample	12.5%	9.6%

Consideration of investment types

Baby Boomers are more likely to consider superannuation in the next 12 months over any other investment, and Gen Xs are more likely to consider a larger allocation to managed funds. This year, Boomers are considering putting 54% of their investment allocation into superannuation, substantially higher than Gen X (46 per cent) and Gen Y (26 per cent). They are also the least likely group to invest in property (only 29 per cent would consider it).

Generation	Shares	Investment Property	Cash	Compulsory Super	SMSF	Managed Funds	Bonds
Gen Y - 2009	55%	52%	69%	26%	22%	31%	22%
- 2008	(74%)	(74%)	(79%)	(65%)	(54%)	(58%)	(37%)
Gen X - 2009	70%	57%	62%	46%	29%	40%	26%
- 2008	(74%)	(75%)	(71%)	(70%)	(50%)	(61%)	(35%)
BB - 2009	58%	29%	62%	54%	25%	22%	16%
-2008	(73%)	(50%)	(71%)	(65%)	(42%)	(46%)	(28%)

Gen Ys:

- This younger group of investors are the least likely to consider investing in compulsory superannuation in the next 12 months with only 26% saying they would. This is significantly lower than Gen X and Baby boomers (46% and 54% respectively).
- Generation Y investors are less likely to consider many investment options this year than last year, including shares (55% down from 74% in 2008), property (52% down from 74%), compulsory superannuation (26% from 65%), self- managed superannuation (22% from 54%) and managed funds (31% from 58%).

Gen Xs:

- Gen Xers are most likely to consider investing in shares in the next 12 months, with 70% saying they would consider this investment type. This is significantly higher than both Gen Y (58%) and Baby boomers (55%).
- Compared to Baby Boomers, Gen Xers are more likely to consider investing in managed funds (40% to 22%) and bonds (26% to 16%).
- Gen X investors are less likely to consider many investments this year than last year, including property (57% down from 75% in 2008), cash (62% from 71%), compulsory superannuation (46% from 70%), self managed superannuation (29% from 50%), managed funds (40% from 61%) and bonds (26% down from 35%).

Baby Boomers:

- Baby boomers are the least likely to consider investment properties in the next 12 months, with only 29% saying they would consider it compared to 57% of those in Gen X, and 52% of those in Gen Y.
- More than 1 in 2 baby boomers (54%) would consider investing in fund managed superannuation in the next 12 months, which is significantly higher than both Gen X (46%) and Gen Y (26%).
- Baby Boomers are less likely to consider *all* investment types (shares, property, cash, compulsory superannuation, self managed superannuation, managed funds and bonds) this year than last year.

Investor behavior

Gen Y investors reported that investing is now less of a hobby/pastime, and are now more cautious than Boomers, who have become significantly more conservative and risk-averse (41 per cent of Gen Y respondents in 2009 versus 36 per cent of Boomers).

Investment considerations

Generation	Long term gains	Low fees	Strong understanding of Investment	Tax benefit	Safe expected rate of return	Past perf.	Liquidity	Short term gains
Gen Y - 2009	55%	52%	40%	29%	45%	31%	31%	17%
- 2008	(56%)	(47%)	(51%)	(49%)	(56%)	(49%)	(51%)	(37%)
Gen X – 2009	71%	63%	57%	50%	37%	40%	37%	15
- 2008	(67%)	(61%)	(51%)	(51%)	(45%)	(46%)	(31%)	(20%)
BB - 2009	74%	70%	67%	57%	58%	53%	50%	22%
-2008	(79%)	(71%)	(65%)	(62%)	(55%)	(49%)	(50%)	(22%)

Investor characteristics and main source of information

Generation	Cautious and conservative	Only take calculated risks	Willing to take risks if there may be a high return	Treat investing as a hobby	Internet	Share market perf.	Family & friends
Gen Y - 2009	41%	19%	21%	7%	21%	7%	12%
- 2008	(30%)	(37%)	(35%)	(30%)	(37%)	(14%)	(9%)
Gen X – 2009	23%	28%	29%	14%	13%	10%	10
- 2008	(24%)	(30%)	(30%)	(18%)	(14%)	(14%)	(8%)
BB - 2009	36%	29%	17%	12%	15%	15%	7%
-2008	(24%)	(28%)	(16%)	(13%)	(21%)	(15%)	(6%)

Gen Ys:

- In 2009, Gen Y investors are less likely to consider tax benefits, past performance, liquidity of investment and short term gains than last year (29% from 49% in 2008; 31% from 49%; 31% from 51%; and 17% - down from 37% respectively).
- Less say they are only taking calculated risks this year (19% compared to 37% in 2008). Only 7% of Gen Y investors say that investing is a hobby/pastime, compared with 30% last year.
- Are also less likely to use the share market as a source of information (38%), compared to Gen X (55%) and Baby Boomers (56%). This is down from 61% last year.

Gen Xs

- A safe expected rate of return is seen as less important this year than the previous period, with just 37% of Gen X investors rating it is important, compared to 45% last year.
- Are less likely to consider themselves conservative and cautious when investing (23%), compared to Gen Y (41%) and Baby Boomers (36%).
- Are more likely to report a willingness to take risks if there is a high return, with 29% of Gen X investors describing themselves this way, compared to just 17% of Baby Boomers.
- Have increased their internet usage this year with one in three using it as their main source of information, compared to 15% of Baby Boomers and 21% of Gen Y.

Baby Boomers

- Compared to the younger generations, Baby Boomers tend to consider many more factors when selecting and managing investments, such as having a strong understanding of investment options, past performance, low fees and liquidity.
- This year, they are more cautious and conservative, with 36% of describing themselves like this, compared with 24% last year.
- Are less likely to use family / friends / colleagues as a source of information (33%) than Gen X (45%) and Gen Y (57%).

Investor Portfolio behavior

For all generations, if given an additional \$500,000, would make property their first investment choice.

- When given a clean slate Baby Boomers are more likely to put the money into self managed superannuation, with an average of 25% going to this investment compared to just 4% for Gen Y and 7% for Gen X.
- Also, if given an extra \$500,000, Baby Boomers would put an average of 20% of this money in a SMSF, which is significantly higher than the 4% Gen X and the 3% Gen Y would put into super.

Generation	Compulsory Super	SMSF	Cash	Shares	Investment Property	Managed Funds/ Structured Products	Bonds
Gen Y							
- Current investment	8%	13%	35%	14%	17%	7%	3%
- Clean Slate	11%	4%	25%	18%	25%	9%	5%
- Extra \$500k	10%	3%	15%	23%	36%	5%	6%
Gen X							
- Current investment	24%	10%	20%	20%	16%	8%	1%
- Clean Slate	16%	7%	17%	24%	26%	8%	2%
- Extra \$500k	9%	4%	12%	26%	37%	6%	3%
Boomers							
- Current investment	38%	15%	17%	11%	12%	6%	1%
- Clean Slate	17%	25%	16%	16%	18%	5%	2%
- Extra \$500k	9%	20%	15%	20%	25%	5%	4%