



Money and Investing

*How we think, feel and act
with respect to our finances*

Brodeur Partners Relevance Research Series

Executive Summary

We think a lot about money these days. In fact, we think about money more than we think about religion, career and even our love lives.

According to our latest Brodeur Relevance Research, more than 2 out

of 3 (68 percent) Americans say they think about money “all” or “most” of the time.

Our research uncovered four insights.

First, consumers told us that they prefer safety over reward and that they comparison shop. These are the practical ways we think about money. We search for the best deal. We look for safety over risk. We weigh our options. We are risk-averse.

Second, the majority of Americans surveyed said they have a “moral obligation” to manage their money responsibly. They see financial success as a source of individual respectability.

Third, people are more interested in figuring out how to live comfortably in retirement than they are about leaving an inheritance for their children. One might think Americans’ “moral obligation” to manage their money responsibly might translate into a more selfless view of wealth accumulation. But perhaps not. Americans showed considerable ambivalence about the importance of leaving a financial legacy for family and dependents. They were more interested in a comfortable retirement.

Our data suggests that people approach issues of money through an interesting mix of reason and practicality along with a heavy dose of moral obligation.

Fourth and finally, there's a clear link between a person's emotional or sensory attachment to money and how they think and act. Specifically, people who think a lot about money save high percentages of their income. They are also much more likely to view

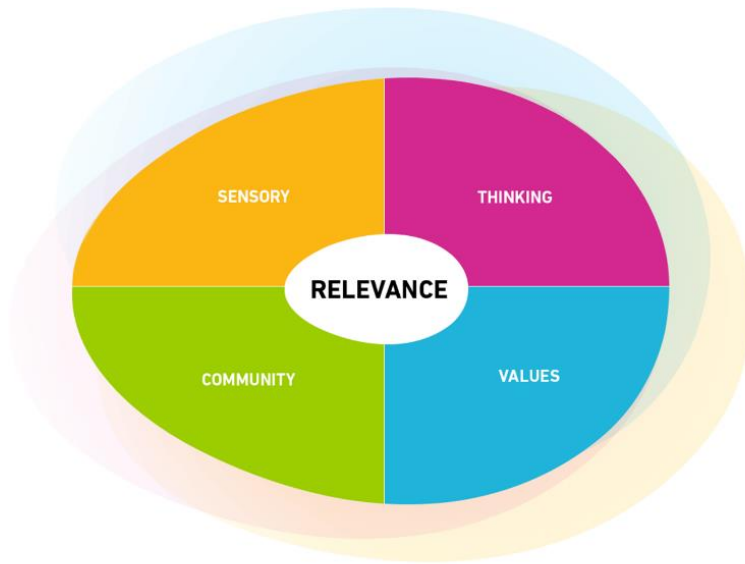
their finances through the filter of community (generating wealth to support family) and emotion (wealth generation as excitement).

Overview

In our latest study on money and wealth, we asked people to take a simple test. We asked whether certain ways of thinking about money and wealth applied to them – and if so, how much.

When it comes to my financial investments, I chose safety and reliability over risk and reward.
I carefully weigh options and comparison shop before making an investment decision.
People who have succeeded financially deserve our respect.
I believe I have a moral obligation to manage my investments responsibly.
It is more important for me to leave money for my family rather than live comfortably in retirement.
I work and save more for people who depend on me rather than for myself.
I find managing money and investments interesting and exciting.
Money and finances are an emotional subject for me to talk about.

For each element, we asked respondents to select whether these statements applied to them “totally,” “mostly,” “somewhat” or “not at all.” The Brodeur Relevance Model illustrates four ways people determine what is relevant to their lives: thinking, values, community and sensory. Each of the eight statements was designed to probe each of these relevance touch points.



The Brodeur Relevance Model

Risk-averse, comparison shoppers.

As one might expect, large majorities associated themselves with being very practical and reasonable when dealing with their money.

More than 2 out of 3 Americans (67 percent) say that they “carefully weigh options and comparison shop” before making an investment decision. This methodical approach was matched by what appears to be American’s low tolerance for risk. Approximately 3 in 5 people (59 percent) told us that when it comes to financial investments “I choose safety and reliability over risk and reward.”

In some respects, this is not shocking news. Surveys have long shown that financial stability is a top concern among consumers. A 2014 Ernst & Young survey found that “financial stability” was the reason for complete trust in a financial institution.

Preference for safety over risk could stem from America’s continued hangover from the events of 2008 during which some investment portfolios vanished overnight.

At the same time, some of the preference for safety over risk could stem from America’s continued hangover from the events of 2008 during which some investment portfolios vanished overnight. Numerous studies show that consumer confidence – particularly retirement confidence – remains below pre-crisis levels. In such an environment, loss aversion may be much more powerful than the lure of acquiring gains.

“Safety over risk” thinking about investments has some interesting twists to consider. Consistent with many other studies, women appear to be much more cautious investors than men. Those with higher income levels appear to be more willing to take a risk than those with lower incomes.

But one of the biggest determinants of risk tolerance we discovered was education. The choice of safety over risk drops dramatically based on how much education one has. Indeed, nearly 60 percent of those with graduate degrees chose risk and reward over safety and reliability.

Again, this disparity likely has much to do with the current economic and social environment. Those with graduate educations likely have a (well-founded) belief in their being able to rebound from a financial setback whereas those with lower levels of education don’t.

When it comes to my financial investments, I choose safety and reliability over risk and reward

Gender	Totally applies to me	Mostly applies to me	Total “applies”
Men	17%	36%	53%
Women	25%	39%	64%

Education	Totally applies to me	Mostly applies to me	Total “applies”
High school	39.23%	38.79%	78.02%
College education	24.61%	43.21%	67.82%
Graduate and above	18.16%	23.47%	41.63%

Income	Totally applies to me	Mostly applies to me	Total “applies”
Over \$100K	27.04%	24.07%	51.11%
\$75K - 99K	26.72%	32.05%	58.77%
\$50K - 74K	13.84%	26.72%	40.56%
Below \$50K	20.08%	42.46%	62.54%

The moral obligation of responsible investing

Things got much more interesting when we asked people if they believed they had “a moral obligation to manage investments responsibly.”

More than 2 out of 3 Americans (68 percent) said yes, and a bit less than half of those (30 percent) said that this sense of moral duty “totally” applied to them.

This puts responsible investing, however defined, right up there with religion and values.

Again, we may find clues as to why people think this way in the American social context. Early American industrialists with names like Carnegie, Morgan and Rockefeller believed wealth carried a moral obligation. And we’ve seen this idea re-emerge with modern-day billionaires Bill Gates and Warren Buffett.

Some suggest that Americans have lost the moral dimension of personal financial responsibility. Our findings suggest otherwise. Indeed, there is some evidence that the moral dimension of investing is on the uptick. The concept of “impact investing” is increasingly becoming mainstream. In fact, [a recent study](#) suggests that “moral investing” is a more personally fulfilling approach to money and “makes unsatisfactory returns feel less disappointing.”

In fact, we see the strongest identification to this moral obligation of investing with young people.

This puts responsible investing, however defined, right up there with religions and value.

I believe I have a moral obligation to manage my investments responsibly

Age range	Totally applies to me	Mostly applies to me	Total “applies”
18-34	33.17%	38.54%	71.71%
35-54	28.98%	41.22%	70.20%
55+	28.81%	29.94%	58.75%

The demise of family inheritance

While Americans do have strongly held views on their moral obligation in managing money, that obligation has its limits. We asked people if it was more important for them to leave behind money for their family or to live comfortably in retirement.

The loser, by a wide margin, was leaving a financial legacy for family.

Over half of Americans (55 percent) said a comfortable retirement was more important than leaving money for their family. And of those who do feel that leaving money behind for the kids is more important than a comfortable retirement, only 13 percent feel that “totally” applies to them.

The most significant shifts on the retirement vs. family legacy issue is in the areas of age and education.

Specifically, the older you are, the more you come down on the side of taking care of yourself (that is, your retirement) and the less you think about leaving anything for the children and grandchildren. The desire to leave money to your family also decreases (and in this case significantly) the more education you have.

It is more important for me to leave money for my family rather than live comfortably in retirement

Age	Totally applies to me	Mostly applies to me	Total "applies"
18-34	18.05%	35.61%	53.66%
35-54	14.29%	29.39%	43.68%
55+	6.78%	26.55%	33.33%

Education	Totally applies to me	Mostly applies to me	Total "applies"
High school	44.47%	11.32%	55.79%
College education	15.14%	31.35%	46.49%
Graduate and above	3.91%	28.48%	32.39%

Again, the American social and demographic trends can give context to this data. We know that Boomers are aging into retirement. We also know they have been notoriously bad at saving money. Over the coming years, it may well be they are looking to hang on to any sense of comfort in their retirement that they can. Millennials could well be on their own.

Savers and the financially preoccupied

All the data shifts – and shifts significantly – when you move from traditional demographic profiles to actual behaviors.

We looked at how people answered all these questions through two screens:

- People who think about money all the time vs. people who don't
- People who regularly save money vs. people who don't

The financially preoccupied – those who think about money “all the time” – are even more likely to see money and investing as a moral obligation than would the average person.

In general, they are also much more likely to be what we interpret to be “sensory driven.” That is, they are more likely to be emotional about issues of money and finance. Finally, the financially preoccupied are also much more likely to view money management and investing as interesting and exciting.

These same differences show up with savers.

Savers are twice as likely to equate financial success with respect. They are also twice as likely to say they work and save more for others than for themselves. Nearly half (43 percent) say that the moral obligation of financial stewardship totally applies to them. And over a quarter (29 percent) of these “10 percent savers” said they viewed money management as “interesting and exciting,” which was more than double that of those who regularly saved less.

Percentage of Americans who say this ‘totally applies to them’

	Think about money all the time	Think about money most of the time	Think about money some of the time	Think about money hardly at all
When it comes to my financial investments, I chose safety and reliability over risk and reward.	25.57%	17.05%	17.16%	23.33%
I carefully weigh options and comparison shop before making an investment decision.	31.96%	29.95%	18.34%	10.00%
People who have succeeded financially deserve respect.	26.03%	18.89%	13.02%	3.33%
I believe I have a moral obligation to manage my investments responsibly.	36.53%	32.26%	21.89%	13.33%
It is more important for me to leave money for my family rather than live comfortably in retirement	21.46%	11.98%	5.92%	3.33%
I work and save more for people who depend on me rather than for myself.	25.57%	15.67%	5.92%	3.33%
I find managing money and investments interesting and exciting.	26.03%	12.44%	5.92%	3.33%
Money and finances are an emotional subject for me to talk about	24.66%	7.83%	4.14%	6.67%

Percentage of Americans who say this ‘totally applies to them.’

	Regularly save over 10%	Regularly save between 5-10%	Regularly save less than 5%	Don't regularly save
When it comes to my financial investments, I chose safety and reliability over risk and reward.	20.71%	18.60%	21.48%	21.43%
I carefully weigh options and comparison shop before making an investment decision.	37.28%	24.81%	24.44%	21.43%
People who have succeeded financially deserve respect.	28.99%	18.60%	12.59%	14.29%
I believe I have a moral obligation to manage my investments responsibly.	43.20%	23.26%	31.11%	23.47%
It is more important for me to leave money for my family rather than live comfortably in retirement	17.16%	10.08%	17.04%	10.20%
I work and save more for people who depend on me rather than for myself.	21.89%	13.18%	15.56%	12.24%
I find managing money and investments interesting and exciting.	28.99%	9.30%	12.59%	8.67%
Money and finances are an emotional subject for me to talk about	15.98%	6.98%	8.89%	15.82%

Money matters

In summary, in today's world, money is taking up a significant share of people's mind and attention.

For those facing the end of their earning years, it is a very real and sobering challenge which is causing many to think more about how they get through it than what they leave behind. But there is also a significant and perhaps determining moral and ethical factor when it comes to our relationship with money. Our relationship with money is not a simple matter of profit and loss. We can see in our finances how we relate to larger issues in life.

One thing we know, money and investing are becoming more relevant to more people than ever before.

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Methodology

The Brodeur Partners relevance study was conducted over two weeks Jan/Feb 2015 and was based 600 interviews (n=600) drawn from Toluna's national QuickSurvey panel. Survey results were weighted based on U.S. Census data to reflect the exact demographic profile of gender, age and region of the national population.