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Transforming Investor Identity Final Report 2024



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Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx, and women-led households disproportionately experience financial insecurity due in large part to longstanding, systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth's work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 2 million people to save nearly \$8 billion.



Driven by Nasdaq's Purpose to advance economic progress for all, the Nasdaq Foundation works with organizations that promote and support under-resourced communities by reimagining investor engagement and equipping communities with the financial knowledge needed to share in the wealth that markets create. To learn more, please visit www.nasdaq.com/nasdaq-foundation.



Ellevest was founded by CEO Sallie Krawcheck and CIO Sylvia Kwan with a mission to get more money in the hands of women by closing the gender investing gap. Today, with \$2 billion in assets under management (and counting), Ellevest helps clients build and manage their wealth through investing, financial planning, and wealth management. Since its founding in 2014, Ellevest has built a community of more than 3 million and been named the 8th fastest-growing fee-only RIA in the US with assets of \$1 billion+. See ellevest.com for more information.



Public is an investing platform that makes building a multi-asset portfolio fast, secure, and frictionless. Members can invest in stocks, options, bonds, crypto, and alternative assets—all in one place. Members can also access real-time and historical fundamental data and custom analysis with Alpha, the AI for investors. At Public, we're committed to creating a more transparent investing experience that is consistently aligned with our members' best interests.



Stash is an investing platform dedicated to empowering people to invest and build better lives. Stash's plans—starting at just \$3 a month—unlock access to a suite of simple, automated solutions designed to help people find security and peace of mind through investing and saving. Stash counts 1.5M active subscribers who have set aside more than \$3.5B thanks to regular, automatic deposits of \$30 on average. In 2023, Stash was noted as "Best Personal Finance App" in the FinTech Breakthrough Awards and Stash's Smart Portfolio was ranked as the top-performing overall robo advisor in the past year by Condor Capital. In 2024, the company introduced StashWorks, its financial wellness benefit for workplaces.

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863

participants with household incomes ranging from \$30,000 to \$80,000, primarily Black and Latinx women

\$150

per person in seed funding



Executive Summary

Recent developments in the retail investing space, including the widespread adoption of no-fee trading and increasingly streamlined and mobile-friendly platforms, have made it easier than ever to open an investing account. Despite this increasing access, significant gaps remain between a widespread desire to invest among households living on low to moderate income (LMI)—particularly Black, Latinx, and women-led households—and actually taking advantage of this key wealth-building opportunity.

To address these challenges, Commonwealth, with support from the Nasdaq Foundation, launched a bold national research and pilot program in

partnership with three leading investing platforms (Ellevest, Public, and Stash) to gain insight into the ways in which the development of an **investor identity** can allow beginner investors to fully take advantage of the wealth-building opportunities afforded by retail investing by overcoming initial feelings of doubt, discomfort or not belonging. Investor identity refers to the feeling that investing is “for me” rather than a space in which customers feel like an outsider. The lack of this alignment between the activity of investing and customer identities is a key barrier to participation in capital markets by households living on LMI.

This report presents the research insights from Commonwealth’s Transforming Investor Identity research project, a national observational research and one-year pilot project. This research provides a deeper understanding of the role of investor identity in facilitating participation in capital markets by beginner investors living on LMI. It introduces and explores the entirely new concept of investor identity in a way that makes it actionable for firms and relevant to broader public conversations.

For this project, Commonwealth recruited 863 participants with household incomes ranging from \$30,000 to \$80,000—primarily Black and Latinx women—and provided them with \$150 in seed funding to get started investing with one of our three platform partners. The focus of this project was on deep field research utilizing participant surveys, in-depth interviews, and observational data collected through our platform partners Ellevest, Public, and Stash, to track and gain insight into the development of investor identity **over the course of a full year of participation.**

Ellevest, Public, and Stash worked closely with us throughout this project—sharing participant data, providing regular input on our research and toolkit development, amplifying the project and

research updates, and significantly adding to the communications reach of the project.

This research aims to shift the investing ecosystem in a more inclusive direction by equipping platforms and fintechs with the tools and understanding they need to encourage the development of investor identity for this demographic, reducing barriers to participation in this critical wealth-building pathway. To support providers in these efforts, we have also released a [toolkit](#) with actionable insights for designing a more inclusive investing experience.

Findings from this work highlight that efforts to cultivate a more inclusive identity-promoting investing experience are a win-win for platforms and customers. They can provide broader access to untapped market segments, increase customer satisfaction and engagement, and enable a broader range of people to take full advantage of the opportunity to build wealth.

On the following pages, we provide a high-level summary of some of the key takeaways from this research before delving into a more detailed analysis of our findings in the main body of the report.



Investor identity can grow significantly during the first year and is associated with greater investor satisfaction, higher likelihood of recommending investing to a friend, and increased deposits

- **Even incremental increases in investor identity are associated with positive action such as investing more funds and recommending investing to friends:** Higher investor identity was associated with higher ratings of participants' experience, higher rates of planning to add funds to their investing account, and higher likelihood of recommending investing to friends, indicating that even small increases in identity can have significant impact on investing behaviors. Platforms that are able to cultivate identity effectively for new customers can see direct benefits through increases in deposits and customer referrals.
- **Investor identity "clicks" after six months:** Overall, average investor identity for participants grew during the first year. Most of this increase happened during the second six months of participation, highlighting a dynamic in which early experiences eventually start to "click" and translate into changing perceptions of oneself as an investor over the course of the first year. For providers, this means the foundational phase of investing goes beyond just onboarding. The first six to 12 months of beginner investors' experience are a critical period for developing (and retaining) investor identity.

Platforms can promote the development of investor identity by focusing on its underlying elements, including comfort with uncertainty, active learning, and connecting with others

- **Perceptions of investing change during the first year for most participants:** 71% of participants agreed that investing turned out to be easier than they had initially thought. The amount of money people thought was needed to be considered an investor declined during

the pilot period, indicating a more inclusive understanding of who investors are. The biggest hurdle for many beginner investors is just getting started; once they do start, they often report investing is not as difficult as they imagined. Tools like seed funding or other promotions are critical for getting them in the door so that they can develop a more informed understanding of what investing entails.

- **Active learning is a key part of initial identity-building:** Learning was the most cited reason participants gave for feeling like they belong in the investing community, while a lack of understanding was the second most cited reason for not feeling a sense of belonging. We found a significant relationship between engagement with on-platform learning opportunities (including educational tools and design features) and a sense of belonging in the investing community. 64% of participants who used education tools felt a sense of belonging in the investing community by the end of the program, while just 36% of participants who did not use these tools felt a sense of belonging.
- **Connecting with others improves investing experience:** 54% of participants reported talking with others about investing monthly or more frequently—this group reported a higher sense of belonging and higher overall rating of their investing experience. We also found that 67% of participants who talked to others about investing monthly or more frequently felt a sense of belonging, compared with just 32% of participants who did not talk about investing as frequently. Half of the participants agreed that talking to others about investing made them feel more confident. However, not all forms of connection have the same impact. In our interviews with participants, we found that offline interactions with a social circle that is not interested in investing can be discouraging, while online engagement

71%

of participants agreed that investing turned out to be easier than they had initially thought



64% of participants who used on-platform educational tools felt a sense of belonging in the investing community, compared to **36%** of participants who did not use these tools

61%

of participants felt they had more control over their financial future after investing

through large forums and social media can feel overwhelming. Platforms can foster the development of a strong investor identity by connecting beginner investors with similar experience levels.

- **Comfort with uncertainty helps develop investor identity and a sense of agency:**

More than half (61%) of participants felt they had more control over their financial future after investing. This was even more pronounced for those who had increased comfort with uncertainty or risk; with a vast majority (79%) of this subset feeling more control over their financial future after investing and were two times more likely to report feeling a sense of belonging in the investing community. Tools that help investors become familiar with risk levels and potential outcomes can support the process of becoming comfortable making decisions around risk.

Savings and representation are also key influences in retaining beginner investors and creating a sense of belonging

- **Emergency savings matters more than income for retaining beginner investors:**

Participants who started with less than \$500 in emergency savings were 50% more likely to have to withdraw their funds before the program ended than participants that had more than \$500 saved. The most common reason cited for withdrawal was financial need. This difference highlights the important role resources play in individual agency as an investor, and the opportunity that exists for integrating low-risk savings products into the investing experience.

- **Representation matters:** Participants who did not feel represented in investing messaging and advertising reported a lower sense of belonging in the investing community; 73% of participants who felt represented reported that they felt a sense of belonging, compared

to just 44% of participants who did not feel represented. Women were half as likely as men to feel represented in investing messaging and advertising. We also found that representation was perceived along a variety of axes, including race, gender, age, and income. These communications are many investors' first impression of platforms, and can play a large role in the decision to get started.

- **Investing experience helps women close gender gaps in investing knowledge and comfort, but men remain more likely to develop strong investor identity:**

Despite starting at a significantly lower baseline, women showed greater gains in self-reported knowledge of and comfort with investing during the first year, closing much of the initial gap with men. This process highlights the ways in which inclusive design can help beginner investors overcome systemic barriers, including embedded attitudes about their own capabilities, empowering women and other underrepresented groups to take advantage of the wealth-building opportunities afforded by capital markets.

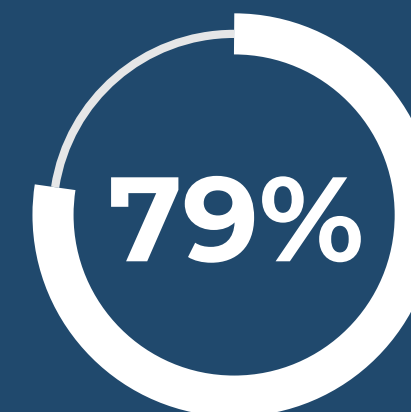
At the same time, men showed significantly greater investor identity score growth, shedding light on the fact that identity is about more than feeling knowledgeable or comfortable making investing decisions; it is also influenced by social and systemic factors, such as representation, that may lead women to feel more out of place in the investing system than men even when they feel similar levels of capability. More explicit support for and representation of women in investing is a key opportunity for providers to contribute to a more inclusive investing system.

In this report, we dig more deeply into how each of these findings contributes to a comprehensive understanding of the importance of investor identity for beginner investors, and how providers can use these insights in their product design to cultivate investor identity and create a more inclusive investing ecosystem.

2X

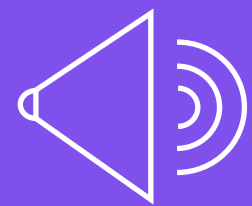
Participants who talked to others about investing monthly or more were twice as likely to feel a sense of belonging

Participants who reported that they had become more comfortable with risk were also more likely to agree (79%) that investing gave them greater control over their financial future.



73%

of participants who felt represented in investing messaging and advertising felt a sense of belonging in the investing community, compared to 44% of participants who didn't feel represented



Introduction

Despite the key role investing plays in building wealth, there remains a substantial gap between interest and participation in capital markets among households earning low and moderate incomes (LMI), especially Black, Latinx, and women-led households. Expanding access to and participation in capital markets for these households is, therefore, an important step toward shrinking racial wealth gaps and creating broad-based financial security for everyone in the United States. Investing fintechs and platforms are the key movers in shaping this system, which means it is critical to provide them with research to develop more inclusive investing products and experiences.

Commonwealth's [initial research](#) on this subject revealed a large gap between the desire to invest and actual participation in capital markets; two-thirds of Black and Latinx women earning LMI wanted to invest, but only one-third of the women in this income range surveyed were actually investing. To address this gap, Commonwealth, in collaboration with the Nasdaq Foundation and the Aspen Institute, developed a [framework for inclusive investing](#) in 2021 that identified four key barriers to investing for this demographic.

Commonwealth is continuing to provide industry actors with a deeper understanding of these barriers through this national research pilot, the Transforming Investor Identity research project, as part of the Nasdaq Foundation's New Investor Initiative and in partnership with several digital financial platforms (Ellevest, Public, and Stash). This first-of-its-kind research focuses on investor identity and the factors that influence its development. Investor identity can be understood as a feeling of belonging in the investing space, in contrast to the feelings of being an outsider or that investing is not designed "for me" which many beginner investors reported in earlier research. Providing platforms with the knowledge and tools to cultivate investor

identity is a key part of building a more inclusive investing system and enabling beginner investors to take full advantage of the wealth-building opportunities afforded by capital markets.

Developing investor identity is especially important for groups that have historically been excluded from investing and other wealth-building opportunities and who often start with a sense that these opportunities are not designed for them. As identity and related individual factors are more difficult to understand than barriers like resources and platform access, this research project is designed to provide new insights into this understudied but critical topic.

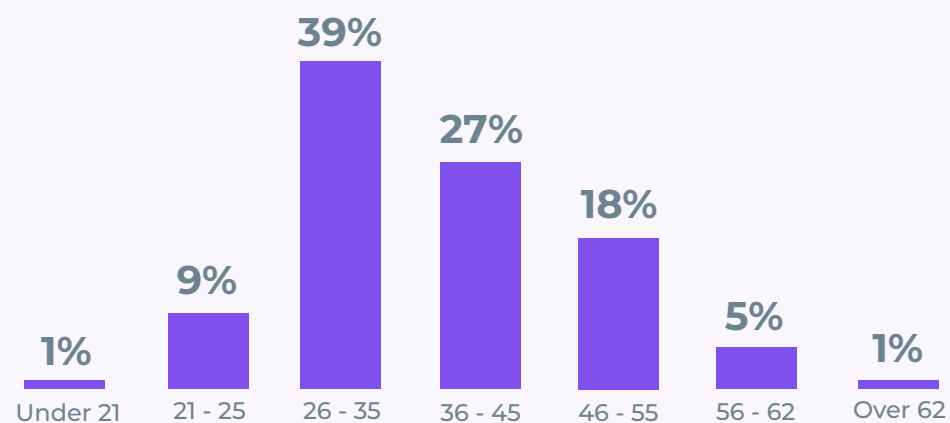
The insights and actionable guidance featured in this report and our accompanying [action-oriented toolkit](#) provide the information and tools that platforms need to begin to transform the investing system and make it a more inclusive opportunity for those who have been traditionally excluded from this space. This inclusivity will also give providers access to new markets and tools to improve customer retention and loyalty among beginner investors.



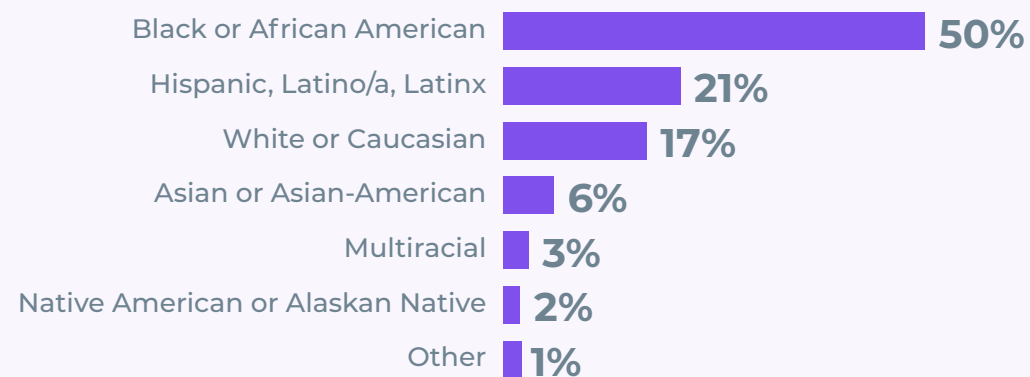
Participant Overview and Demographics

For this research project, 863 participants with household incomes between \$30,000 and \$80,000—mostly Black and Latinx women—were recruited by Commonwealth and started investing on one of our three partner platforms using \$150 in seed funding. We gathered data on participants' investing experience through surveys, interviews, and user data provided by their respective platforms.¹

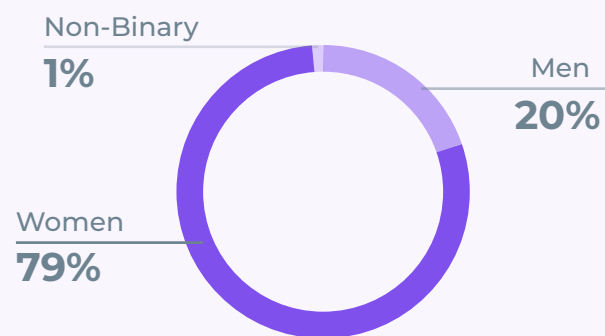
Age



Race/Ethnicity



Gender



¹See appendix for more details on recruitment and data collection



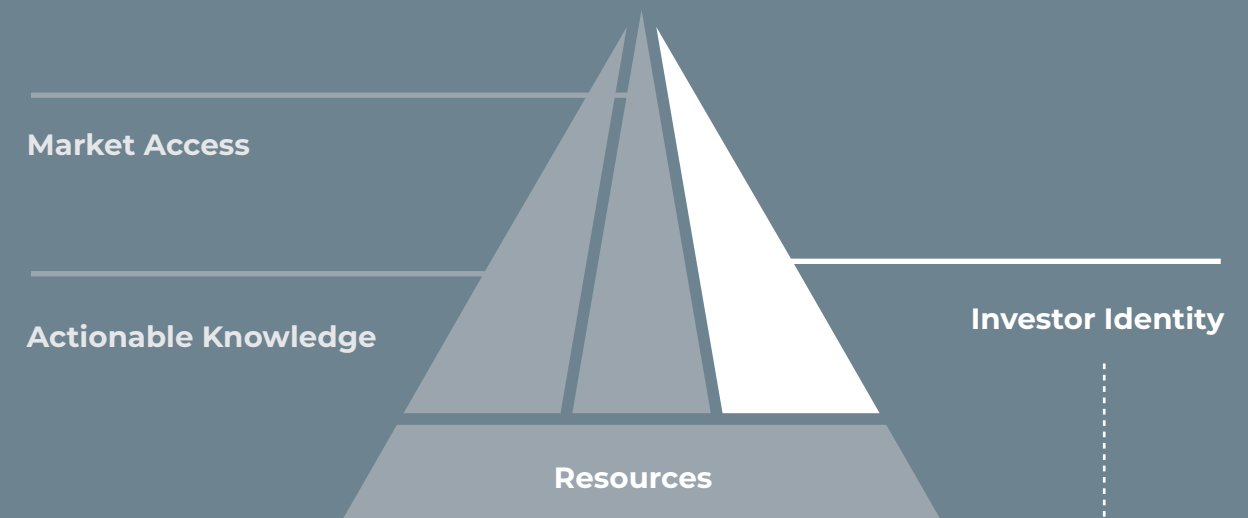


Investor Identity

Commonwealth's [earlier investing research](#) identified investor identity as one of the four primary barriers to participation in capital markets by women living on LMI. The other three barriers include resources, accessible platforms, and actionable knowledge. More than a feel-good state, **investor identity describes a set of attitudes and experiences that motivate beginner investors to continue their wealth-building journey.**

As a part of this investor identity research, we developed a new five-part framework that highlights the key interrelated elements of investor identity and grounds the more abstract concept of identity in the more concrete attitudes and experiences that constitute it. We developed this framework based on findings from our research, extensive interviews and conversations with participants, and the broader literature on the [intention-action gap](#) and [design for belonging](#).

A Framework for Investor Identity



BELONGING

The feeling of alignment between self-perception and environment

CONNECTION

Interacting with others in a way that makes the sense of being part of a community concrete

LEARNING

The growing ability to make sense of the sea of investing information, creating a feeling of progress and accomplishment

AGENCY

Feeling a sense of control over outcomes, including calculated risks

CONFIDENCE

Trust in one's own ability to make good investing decisions

Together, these building blocks of investor identity equip beginner smaller-balance investors with the attitudes and feelings that will allow them to consistently take advantage of this key wealth-building channel. As we will see throughout this report, these elements are not independent pathways but rather a set of interdependent feelings and experiences that reinforce each other as a part of the development of investor identity. For example, we find that learning through on-platform educational tools is closely associated with developing a feeling of belonging in the investing community. Identifying these synergies is key to developing clear design guidance for providers seeking to help promote this sense of identity for beginner investors. For this reason, it can be helpful to imagine the elements of investor identity described above as building blocks forming a bridge to wealth-building opportunities. Each reinforces the others, and it is their acting together that supports the path toward greater wealth building and financial security through investing.

In addition to this framework for studying the elements of investor identity, we developed a more direct measure of identity by creating and testing a scale of five questions.



I think about investing often.



Investing is an important part of my future financial plans.



People like me should be investing when they can.



I am comfortable talking with others about investing.

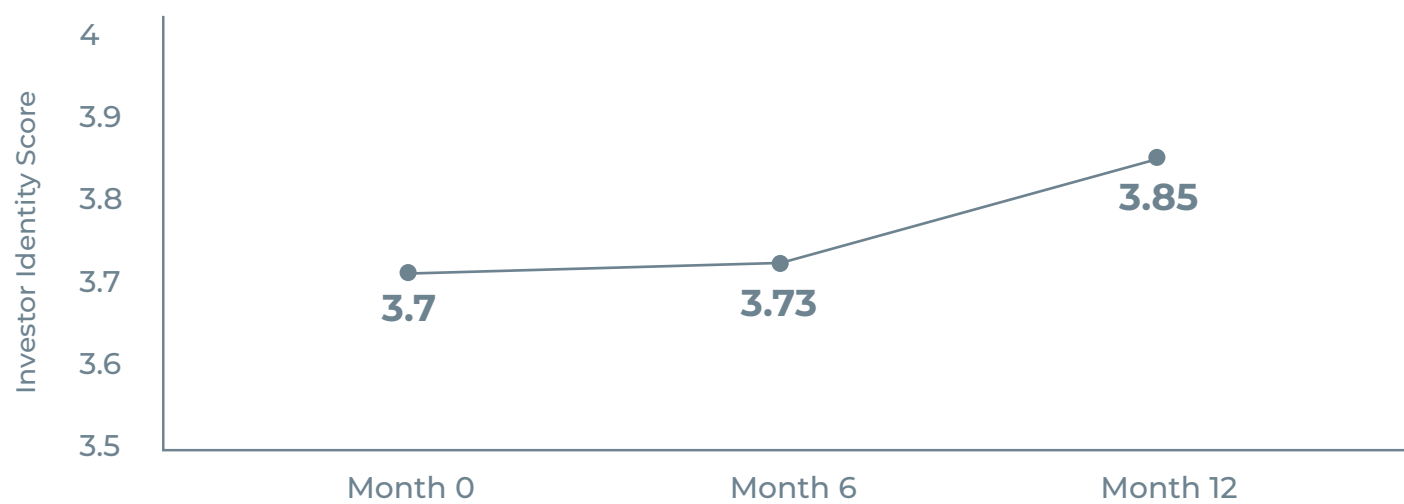


I am confident in my ability to make good investing decisions.

Participants were asked to rate their agreement or disagreement with each of these statements on a 5-point scale at different points during the program. Averaging these answers provided an overall investor identity score that could range from 1 to 5.

Significant Growth in Investor Identity in Months 6 through 12

Investor Identity Over Time



“I’m still in that process of learning, but it’s good learning because I’m taking my time and I know, in the next couple of months, I know when I put more money in there, I know where I’m going.”

- Early 50s, Black Woman

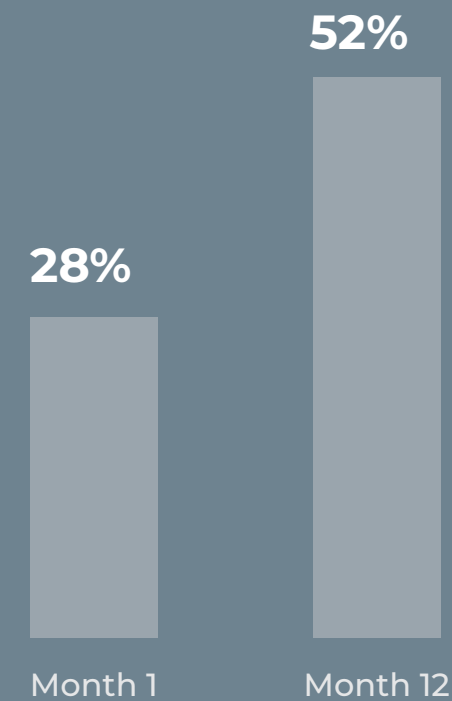
In the remainder of this section, we discuss findings and recommendations related to our measurements of investor identity through this investor identity scale. Each section after this one will focus on findings relevant to each of the five elements of investor identity discussed above.

Investor identity “clicks” after 6 months

Using our 5-point identity scale across all three surveys allowed us to observe the change in investor identity over the course of a year. We found a statistically significant increase in average investor identity score from 3.6 to 3.85. Overall, 53% of participants increased their investor identity

score, with 13% seeing increases of a full point or more. Agreement with the standalone statement “I think of myself as an investor” also increased from 28% to 52% over the course of the program.

Most of this increase happened during the second six months of participation, highlighting a dynamic in which early experiences eventually start to “click” and translate into changing perceptions of oneself as an investor over the course of the first year. For providers, this means that the initial phase for beginner investors should extend beyond onboarding, with the understanding that the first six months are a critical incubation period for the elements that give rise to investor identity.



24%
increase

In agreeing with the statement “I think of myself as an investor” after 12 months of experience

Even incremental increases in investor identity are associated with positive action, such as investing more funds and recommending investing to friends

Stronger investor identity was associated with higher ratings of participants' experience, higher rates of planning to add more funds to their investing account, and increased likelihood of recommending investing to friends, indicating that even small increases in identity can have a significant impact on investing behaviors.

Platforms that are able to cultivate identity effectively for new customers can see direct benefits through increases in deposits and customer referrals. These efforts at creating a more inclusive investing experience should be understood as a win-win for both platforms and participants, combining equitable outcomes with a strong business case.

One year of investing experience helps women close gender gaps in investing knowledge and comfort, but men saw larger increases in investor identity

Despite starting at a significantly lower baseline, women showed greater gains in self-reported knowledge of and comfort with investing during the first year, closing the initial gap with men. This process highlights the ways in which inclusive design can help beginner investors overcome systemic barriers, including embedded attitudes about their own capabilities, empowering women and other underrepresented groups to take full advantage of the wealth-building opportunities afforded by capital markets.

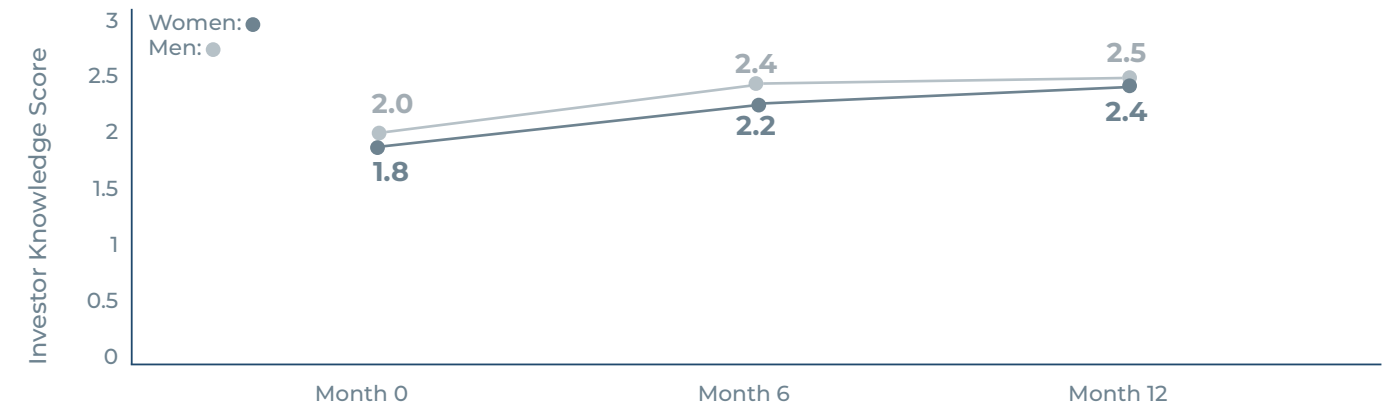
Despite these gains, we found that women had significantly lower investor identity at the start of the pilot than men and did not grow as quickly despite average scores for both groups increasing. The percentage of participants who saw identity

score increases was similar, at 53% for women and 57% for men, so the difference lies in the magnitude of growth. This difference highlights the fact that identity is about more than feeling knowledgeable or comfortable making investing decisions; it is also influenced by social and systemic factors, such

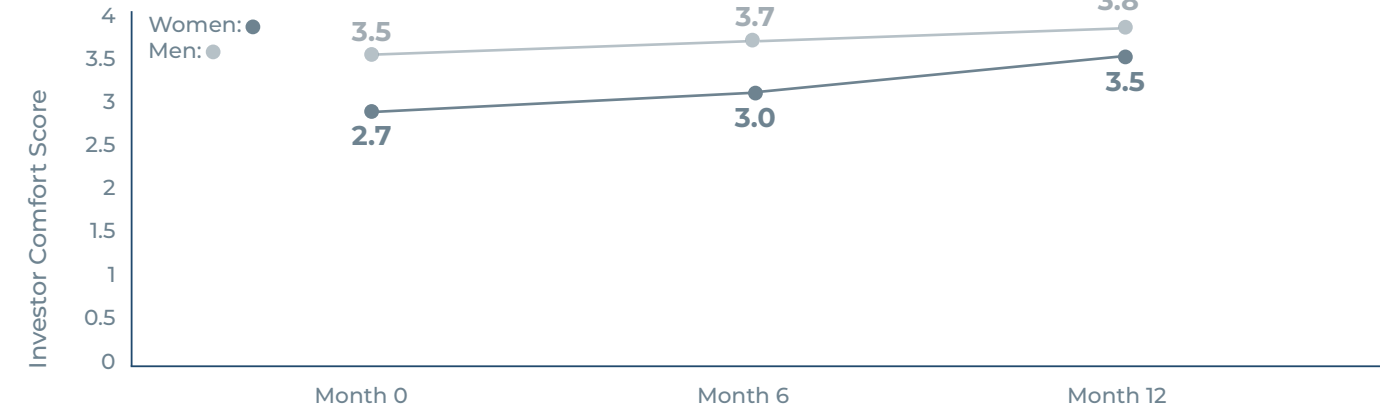
as representation, that may lead women to feel more out of place in the investing system than men even when they feel similar levels of capability. **More explicit support for and representation of women in investing is a key opportunity for providers to contribute to a more inclusive investing system.**

Women closed gaps on investing knowledge and comfort but lagged in investor identity development

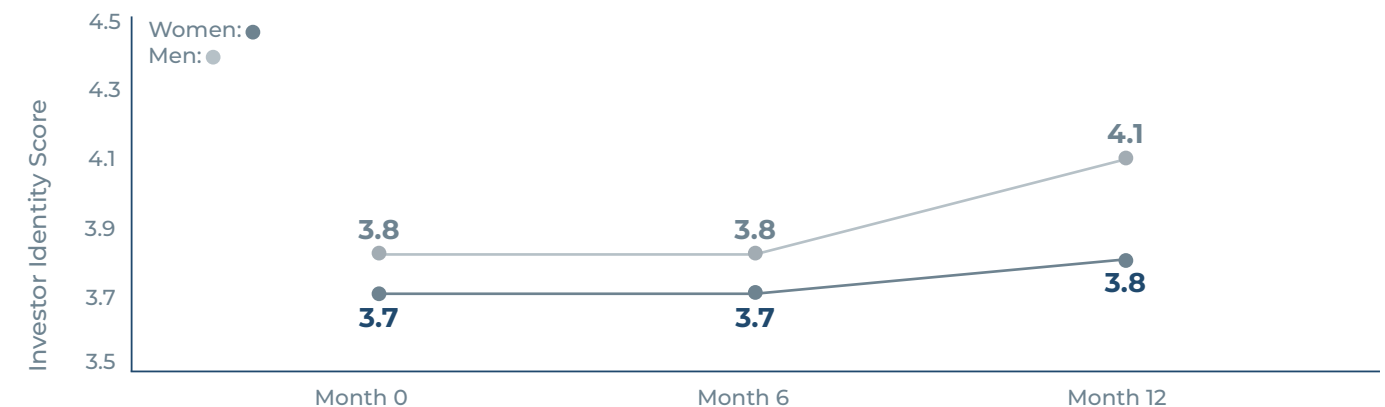
Mean **Investor Knowledge** by Gender Over Time



Mean **Investor Comfort** by Gender Over Time



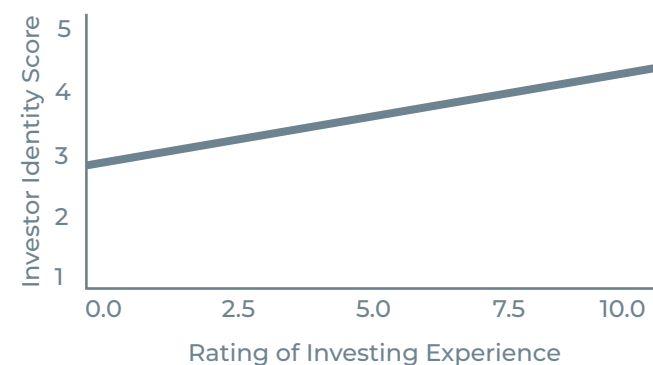
Mean **Investor Identity** by Gender Over Time



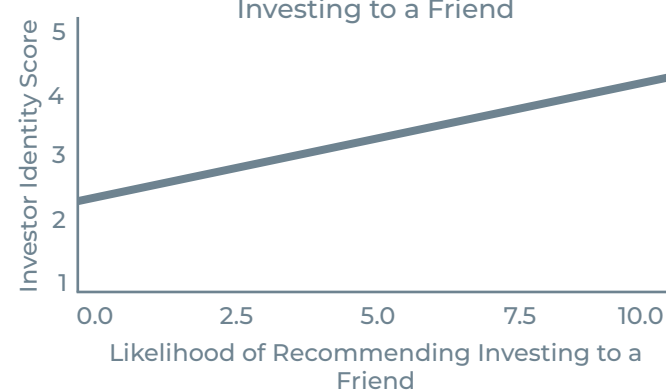
Average Investor Identity Score



Strong Correlation Between Investor Identity and Investing User Experience



Strong Correlation Between Investor Identity and Likelihood of Recommending Investing to a Friend





Elements of Investor Identity

1. Belonging
2. Connection
3. Learning
4. Agency
5. Confidence



1.

Belonging

The feeling of alignment between self-perception and environment

At the heart of investor identity is the feeling of belonging in the investing community. This is in contrast to the feelings of being an outsider that many beginner investors, especially Black and Latinx women, have reported in our research. These feelings of being an outsider generate discomfort and uncertainty that make it more likely that beginner investors will not remain engaged, missing out on the opportunity for long-term wealth building offered by capital markets. Feelings of belonging represent an alignment between investors' self-perception and their financial environment and make investing feel like a natural part of their financial journey.



73%

of participants who felt represented expressed a sense of belonging in the investing community. For those who did not feel represented, only 44% expressed a sense of belonging.

Active learning is closely associated with a sense of belonging in the investing community

Active learning tools and educational design features implemented by platforms are a key driver of investor identity. Designing these tools and features with this in mind is an opportunity to go beyond merely learning to connect these forms of engagement to other aspects of identity, such as connection, belonging, and agency.

A clear theme in survey and interview data was that experiential learning about investing does more than just make people more capable of investing effectively; it is also a key channel through which a sense of belonging in the investing community develops. This sense of belonging may be key to early development not just of comfort and identification with investing, but also loyalty to platforms that cultivate those feelings.

At the conclusion of their year investing through this program, 49% of the participants said they felt a sense of belonging in the investing community. Of those, a majority (51%) of participants cited “learning more about how to invest” as the top contributor to this feeling. Conversely, amongst participants who did not feel a sense of belonging, the two most cited reasons for this lack of belonging were not having “enough money to feel like my investments matter” (43%) and that they did not “understand how to make good investing decisions” (39%). Additionally, 77% of those who agreed that they belong used educational tools compared to just 56% who did not feel like they belonged.

Investing experience expands perceptions of who counts as an investor

In addition to identifying learning tools as a key driver of a sense of belonging, we also found that just one year of investing experience broadened beginner investors’ perception of who counts as an investor. One key measure of this is participants’ views of how much money one needs to have invested to be considered an investor.

Over the course of the pilot, we found that the percentage of participants that thought one could be considered an investor with less than \$100 invested increased, from 28% at the start to 36% at the end of the program. Interestingly, the percentage that thought one needed more than \$5,000 invested to be an investor stayed relatively steady at about 25%, while the rest of the participants adjusted their view downward to join the under \$100 group. These patterns highlight an opportunity for platforms to provide messaging that highlights that even smaller-balance investments are an important part of the investing experience.

Overall, we observed that over the course of their year in the program participants developed a broader view of who counts as an investor and of the range of activities included in investing, helping them identify a place for themselves in the broader ecosystem. We asked participants to rate their agreement with a series of statements about traits that would be needed to consider someone an investor. Below, we chart the average agreement with each of these statements on a five-point scale, illustrating that participants were less likely to place conditions on considering someone an investor over the course of the pilot.



“I do want to see myself represented. But after doing research and going on these different platforms like social media I found people who create my demographic, young minorities, maybe didn't have a lot of money to start...and there is a group of people that are getting into it and trying to help other people feel more comfortable with investing. So I would say they're out there but you have to search for them, they're not in your face singing all the time.”

- Late 30s, Black Woman

This openness is an important contributor to investor identity, representing a shift in participants’ mindsets to a more inclusive view of investing that can include new and low-dollar investors like themselves who are still learning to navigate the investing ecosystem. The development we see here is without interventions explicitly aimed at broadening these perceptions, so platforms have an opportunity to focus on a wider range of beginner investor personas in their messaging to appeal to beginner investors earning LMI.

Representation impact was multi-dimensional

When asked about whether they felt represented in communications and advertising by retail investing platforms and other industry actors, most participants responded that they did not. This lack of representation was associated with a reduced sense of belonging. 73% of participants who felt

represented reported that they felt a sense of belonging in the investing community, while just 44% of participants who did not feel represented felt a sense of belonging. Women were half as likely to feel represented in investing messaging and advertising than men.

In our in-depth interviews, we found that many participants’ view of representation was multi-dimensional including race, age, gender, income, and lifestyle. For example, some participants noted that they had observed messaging that featured people with similar demographics, but who seemed like they were in a different economic class and that this made them feel less connected. Highlighting the opportunity that investing provides even for smaller-balance investors from households living on LMI can help cultivate belonging and make other forms of demographic representation more effective.



“Yes, I’m Black. But I’m also over 50. I’m not at the point where I feel risk averse yet, but maybe in the next 10 years, I might be a little more risk averse. But just talking about those things and people my age entering the [investing] world would be helpful.”

- Early 50s, Black Woman



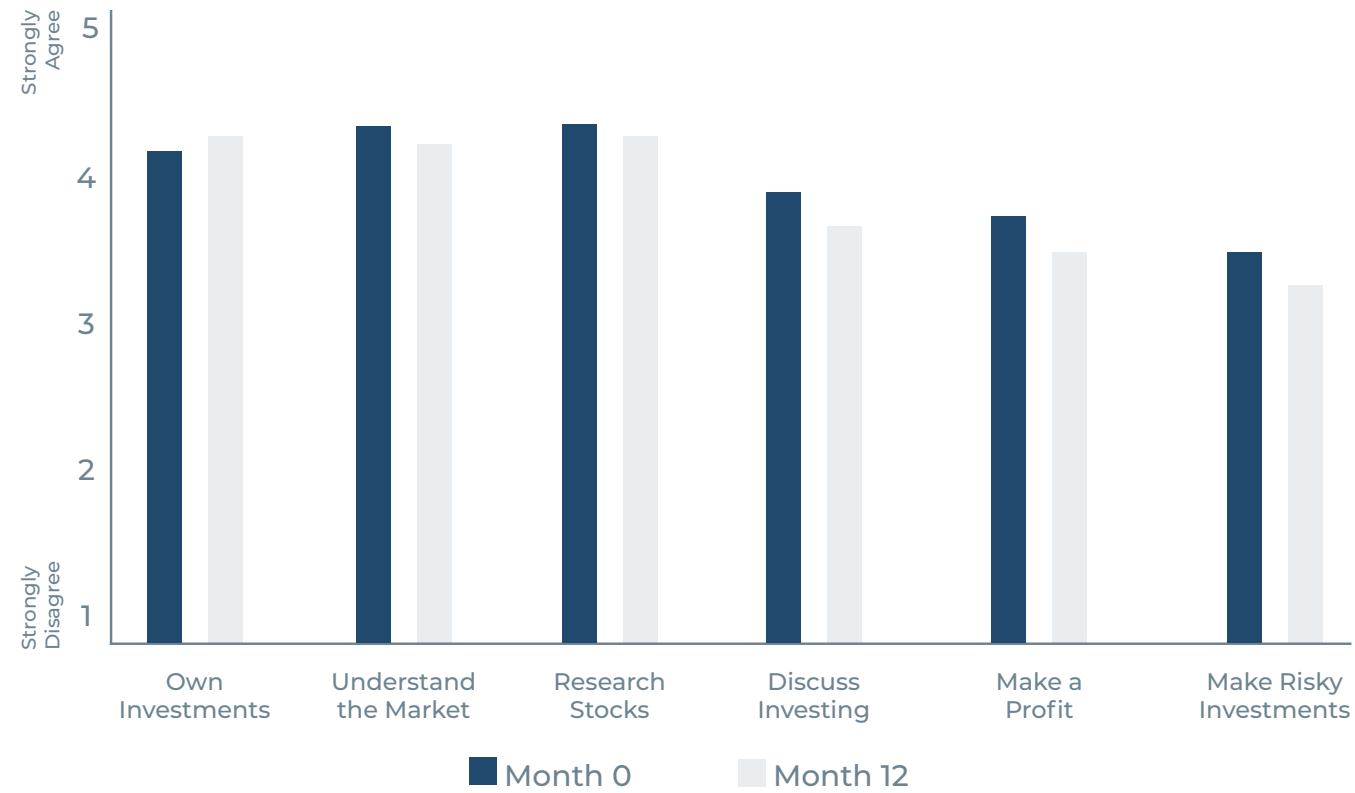
49%

of participants agreed that they felt a sense of belonging in the investing community by the end of the program.

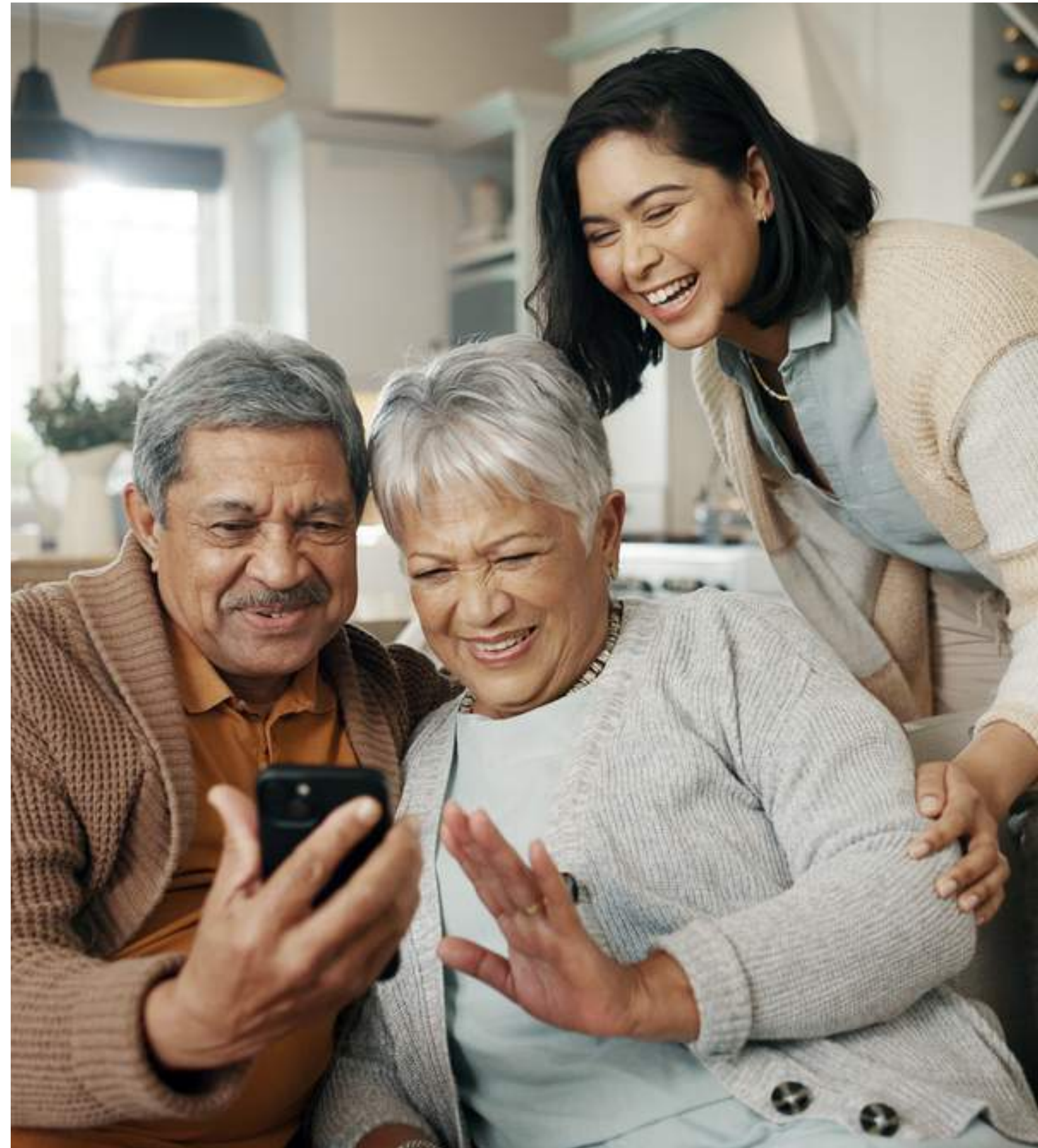
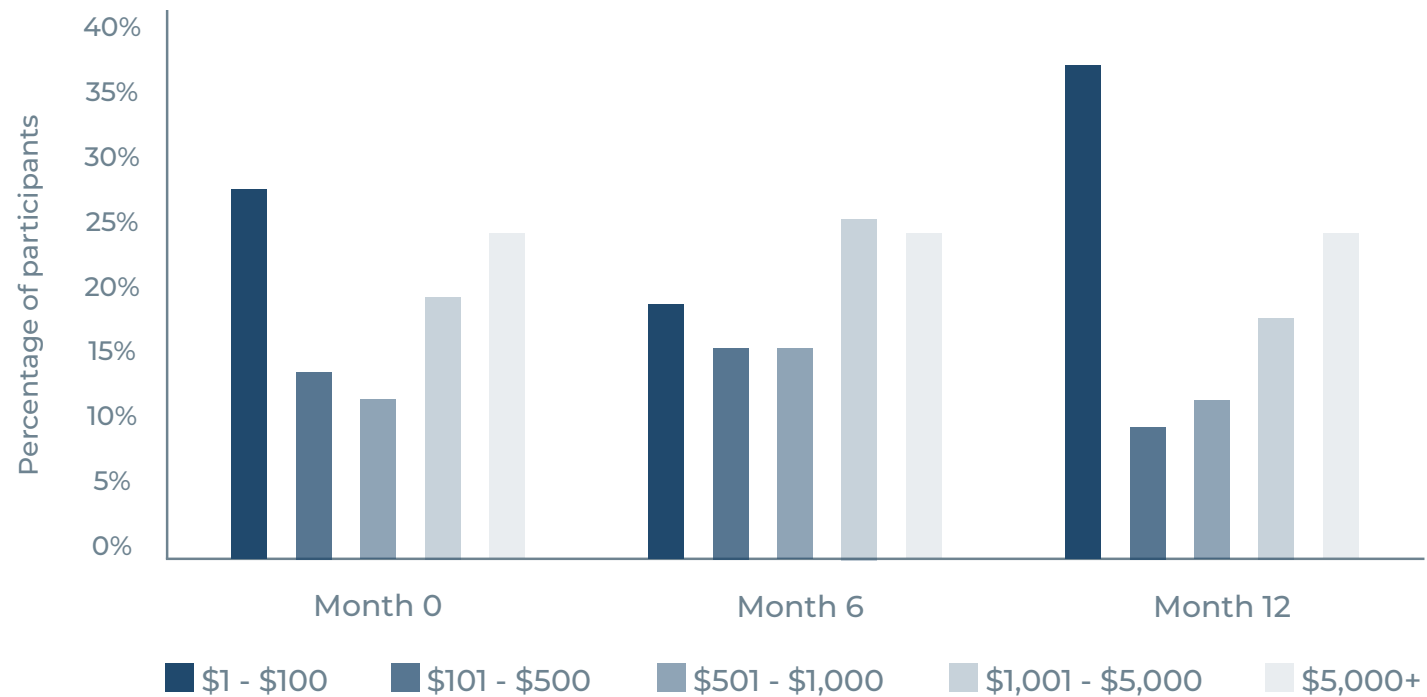
Of those, a majority (51%) of participants cited “learning more about how to invest” as the top contributor to this feeling.

Participants developed broader definitions of who is an investor

“To Consider Someone an Investor, They Need To...”



Money Needed to Consider Oneself an Investor Over Time





2.

Connection

Interacting with others in a way that makes one feel like part of a community

The feeling of being part of a group is central to developing any kind of identity, including investor identity. While investing decisions are often an individual activity, the perception of oneself as an investor is supported by interactions with others that reinforce this perception over time. For example, people who are guided towards investing by their family members when they are young or who have more people around them to talk to about investing have higher levels of investor identity than those who do not have these resources. For many beginner investors, the lack of offline social interactions that reinforce their identity as an investor is a barrier to participation. However, platforms can play a valuable role in creating the kinds of connections and interactions that allow people to feel like they are part of the investing community in a concrete sense.

“Some of these people are first-time learners like myself and I like that. That encourages me to read [other peoples’ comments] every day. Normally I’ll go into my app and read the comments, from different people. **That right there, it just keeps me going.**”

- Early 50s, Black Woman

Sense of belonging and overall ratings of their experience investing increased significantly for participants who talked more frequently with others about investing

The social nature of identity makes our interactions with others a critical driver of how we understand and identify ourselves and our experiences. Connecting with others gives us an opportunity to express ourselves and to find similarities that create a sense of belonging and community. The social interactions that beginner investors have as they get started play an important role in their overall experience, influencing whether they feel like an outsider or like they are welcomed into a new community. In our research, half of the participants said that talking to others about investing made them feel more confident.

54% of participants reported talking with others about investing monthly or more frequently. Among this group, we found that 67% of participants felt a sense of belonging, compared with just 32% of participants who did not talk about investing as frequently. More frequently talking about investing was also associated with a significantly higher overall rating of their investing experience; frequent talkers gave an average rating of 8 out of 10, compared with just 6.5 for participants who did not talk about investing at least monthly.

This data highlights the importance of regular investing-related social interaction for the development of investor identity. At the same time, nearly two-thirds (64%) of participants said that they wished they had more opportunities to talk to people about investing, indicating a significant opportunity for platforms to facilitate connection as a means to meeting the desires of beginner

investors while also promoting the kind of investor identity development that supports long-term commitment to wealth-building through investing.

Potential impact of investing-related social interaction is context-dependent

The importance of social interaction as a channel through which identity is developed and expressed was a clear theme in our interviews as well, allowing for a more nuanced understanding of the above findings around the general benefits of regular investing-related interactions. Some social interactions around investing can generate excitement and feelings of inclusion, while others can make people feel less connected to the investing community. Based on interviews with participants, we have identified three key sites of investing-related social interaction: 1) offline personal relationships; 2) online engagement with anonymous and often more experienced investors; and 3) encouragement and judgment-free interactions that reflect their experience.

In our in-depth interviews with beginner investors living on LMI, we found that one of the contributing factors to their lack of prior engagement with investing was not just resources, but also social influence. Participants whose parents or family members had spoken to them about investing when they were younger started with higher scores on our investor identity scale than those without this early socialization. However, only **19% of participants had been encouraged to invest by their parents or family members**—an important component of the socialization that can support the development of an investor identity.

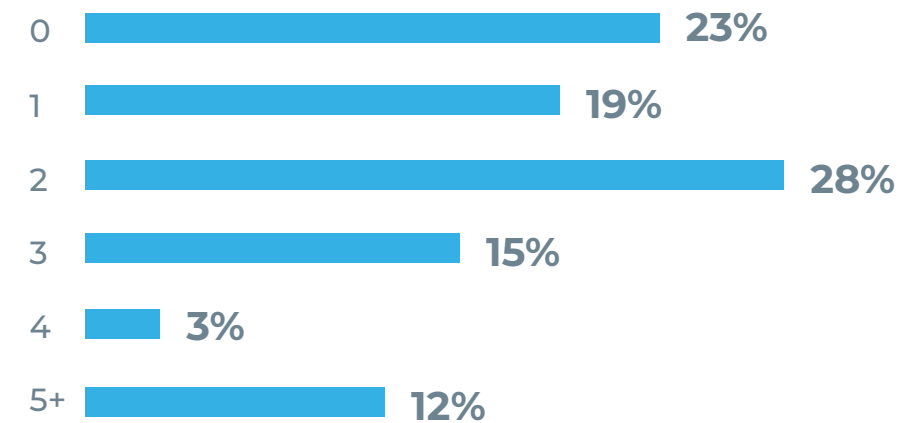


“Discussing with other people who are like me...and not making me feel like I’m the only one who doesn’t know anything, you know, like we’re all in this together. It’s OK to ask questions. It’s OK to learn from each other. So I think that helps a lot.”

- Late 30s, Black Woman

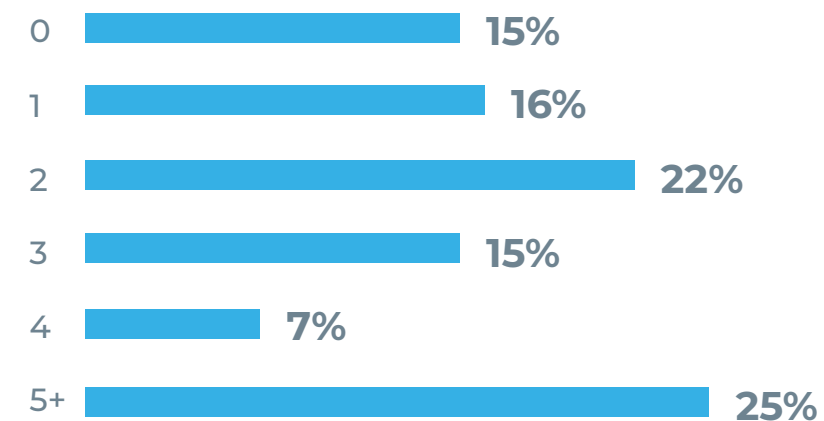
Many participants did not feel like they had anyone they could talk to about investing offline; 70% of participants had two or fewer people they felt they could discuss investing with.

How many people do you know personally that you could talk to about investing?



The inability to connect with others about their investing journey is heavily influenced by not knowing people who invest; 53% of participants knew two or fewer people who also invest.

How many people do you know personally that invest in the stock market?



Those who did talk to others around them about investing were often met with mixed responses, ranging from tepid enthusiasm to indifference and even cynical derision. This can have a discouraging effect, as the social aspect of investor identity depends on reinforcing that identity through engagement with others who can feed it. The value we place on how we are perceived by the people closest to us is a universal motivator. **When we start something new, and are most vulnerable to criticism, having a safe place to share an experience can determine whether we continue that experience or not.**

Without this support from friends and family, beginner investors from underserved communities can benefit significantly from investing platforms that facilitate this kind of positive social engagement to support and reinforce the development of investor identity.

While engaging with people offline who are not interested in investing can limit the development of an investor identity, attempting to join online conversations with large anonymous groups of more experienced investors through investing platforms and social media can be intimidating. This can contribute to beginner investors feeling like outsiders who are not able to keep up with

the conversations of “real investors” already on platforms. These large forums also often lack a clear connection to the needs of beginner investors, who encounter waves of new information without being clear about how to make it useful to them. Even with the promise that an online experience offers to expand horizons and communities, a quarter (24%) of beginner investors had a reduced sense of belonging because they didn't feel connected to other investors, whether online or offline.

In between these two extremes, our conversations with beginner investors reinforced the value of both feeling seen and celebrated as well as having judgment-free spaces to confirm their investment decisions and share their portfolio ups and downs without fear of embarrassment. However, they need support to build their confidence and explain, in plain language, their portfolio and performance. They also want to feel comfortable asking questions without fear of feeling inadequate. Ideally, they would like to connect with investing peers with similar backgrounds and levels of experience to discuss common themes, including small balance portfolios and beginner investor doubts and concerns. Platforms that can create this form of social connection are likely to be more effective in promoting investor identity for beginner investors.



“Some of these people are first-time learners like myself and I like that. That encourages me to read [other peoples’ comments] every day. Normally I’ll go into my app and read the comments, from different people. That right there, it just keeps me going.”

- Early 50s, Black Woman



3.

Learning

The growing ability to make sense of the sea of investing information, creating a feeling of progress and accomplishment

Learning plays a key role in developing investor identity by generating an immediate sense of progress as the investing world comes more clearly into focus through experience. Having opportunities to learn by doing, and to act on or share what one has learned helps cultivate a growth mindset about investing, empowering beginner investors to feel like progress is possible and can continue if they persist. Without this feeling of educational progress, many beginner investors become overwhelmed by the large amount of complex information and jargon in the investing ecosystem and feel like they do not belong.

“I haven’t really felt confused because there’s so many tools that if I’m not sure about something, I can keep reading about it or listen to somebody talk about it...**So I feel like I’m really getting an education and I’m not just wandering in the dark trying to put money somewhere.**”

- Early 40s, Latinx Woman

Beginner investors are making use of on-platform educational tools and find them useful, supporting broader investor identity development. But opportunities for even more integrated learning tools can help overcome remaining barriers

In addition to learning more about the relationship between learning and developing a sense of belonging discussed earlier, this research provides a window into how users are engaging with learning opportunities as a part of their experience as beginner investors. Overall, about two-thirds (67%) of participants reported that they had used at least one of the educational tools or design features on their respective platforms, with 85% of this group agreeing that the tools were useful, particularly for learning key investing terms. Across our three partner platforms, pages or tabs that provided a clearly labeled set of education resources were the most commonly used. We also found that participants who engaged with these tools ended up with significantly higher average investor identity than those who did not.

Significant opportunities still exist for platforms to better integrate learning into the investing experience. For the third of participants that did not use these tools, 41% did not know where to find them and 34% did not know they existed. Including more explicit guidance around the learning opportunities afforded by platforms can promote investor identity development through increased engagement with these opportunities.

Beginner investors engage with a wide range of information sources, though significant demographic gaps exist in the use of friends and family as an investing information resource

During their year investing, we asked participants about where they would go for investing-related information to get a better sense of how these might shift. Overall, we saw the biggest spikes in utilization of news media, websites, investing apps, and financial coaches. At the same time, overall

utilization of many of these resources was fairly high, indicating that beginner investors are using a range of channels to gather information rather than focusing on a few.

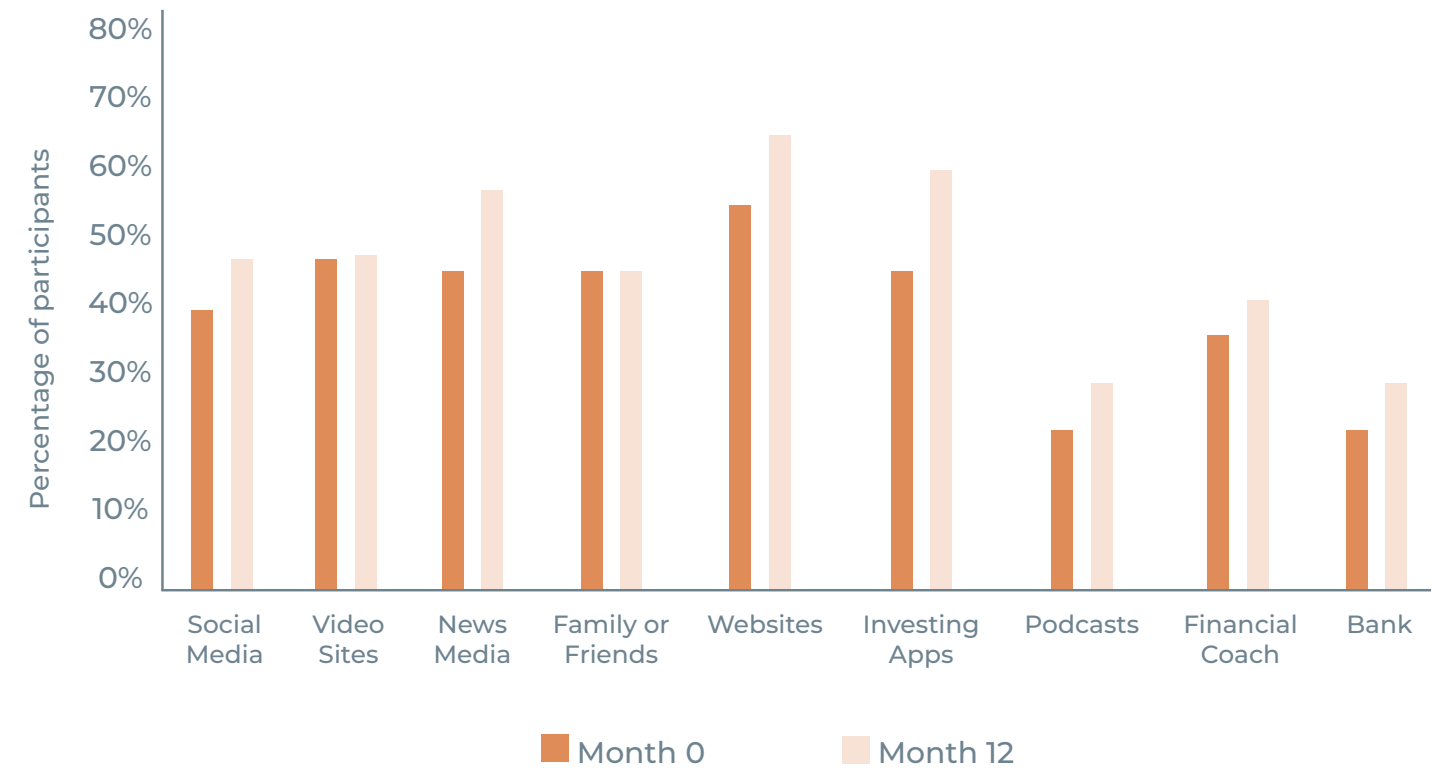
However, a close analysis of the data revealed that the use of family and friends as an information resource was not equally distributed across demographic groups. In our sample, white participants were twice as likely as black participants to go to family and friends for investing information, likely due to having a greater number of people that they could talk to about investing in their community. Income also affected this information channel, with the likelihood of using friends and family as an information source increasing with participant household incomes. Women were also twice as likely as men to go to friends and family for investing information.

Activating knowledge

Our in-depth interviews with participants also gave us an opportunity to probe more deeply into the pathways that connect learning to the development of an investor identity. One significant pattern that emerged from these conversations was the importance of not just learning new information, but also having the opportunity to apply or share it with others. This activation of knowledge provides a critical opportunity to feel a sense of progress and can turn the more individual activity of learning into a social activity that facilitates connection and belonging as well.

Significant Increase in Use of Reliable Sources (Platforms, Banks) Compared to Growth in Social Channels

Information Sources Used Over Time



“I wanna learn, what should I look for in a stock? ... How much money exactly do I need to start? I feel like adding more experience and knowing exactly what I should do, kind of like a step-by-step guide for a beginner, would be very helpful to me. But of course, it would have to come from a trustworthy source.”

- Early 30s, Latinx Woman

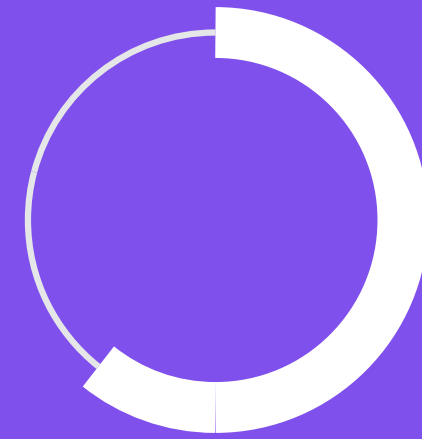


4.

Agency

Feeling a sense of control over the outcomes that result from one's decisions.

Agency can be understood as feeling in control of one's investing journey. Without this feeling, beginner investors may be more hesitant to participate and see investing as an unknown territory rather than an opportunity to make informed risk decisions that are expected to pay off over the long term. In our conversations with participants, we have seen this comfort with risk and the associated feelings of agency play an important role in developing a broader investor identity. Emergency savings also play a key role in feelings of agency and ability to participate, providing a buffer between investing portfolios and day-to-day financial need.



61%

of participants felt they had more control over their financial future

Comfort with uncertainty is key to building investor identity and a sense of agency

The next key component of investor identity that this research provided insight into was the importance of developing a sense of agency for beginner investors. Despite a history of consistent growth in the long term, the uncertainty and volatility of stock market returns in the shorter term can be a barrier to participation for beginner investors. Without context to make sense of the different risk types and magnitudes, many participants expressed an initial fear of losing everything because they did not know what they were doing.

Over the course of this research program, developing a greater comfort with risk emerged as a consistent indicator of the development of investor identity and of more positive evaluations of the investing experience. Overall, 50% of participants reported that they had become “more comfortable with risk” in an investing context while participating in this research. We found that this group also developed significantly higher investor identity by the end of the program (half of a point on our 5 point scale), and also rated their overall investing experience an average of 2 points higher on a 10-point scale compared with participants who did not become more comfortable with risk.

The gap between participants who developed greater comfort with investing risk and those who

did not became even starker when looking at feelings of belonging and control over their financial future. More than half (61%) of participants felt they had more control over their financial future after investing. This was even more pronounced for those who had increased comfort with uncertainty or risk; with a vast majority (79%) of this subset feeling more control over their financial future after investing and were two times more likely to report feeling a sense of belonging in the investing community. 40% of this risk-comfortable group also reported feeling a sense of belonging in the investing community, significantly higher than the 23% of participants who did not become more comfortable with risk.

We see this component of investor identity as something that seed funding can have a particularly significant impact on. Providing beginner investors with even a small amount of funds to experiment with allows them to become more comfortable with the varying levels of risk different investing options offer without immediately risking their own resources. This opportunity to experiment can make the difference between someone who never gets started because they are concerned about risk, to a beginner investor who gives it a shot and develops a deeper understanding of the risk levels of the various investment options available to them, empowering them to see investing as a calculated risk rather than as an unknown and intimidating one.



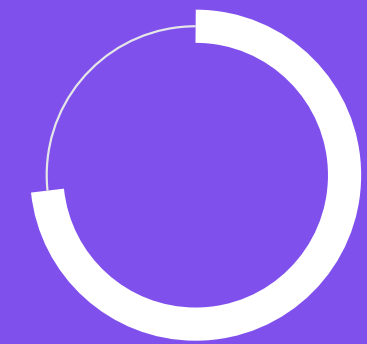
“I felt really good that among all my friends and everybody that I know, I’m the one who’s starting early. I’m the one who’s a trendsetter here and I have a clear vision of the future that I’m building for myself. And I’m kind of happy that at least I know that I’m going to be above average in the future.”

- Early 20s, Black Man

Emergency savings enhance agency by shielding investing activities from day-to-day financial needs

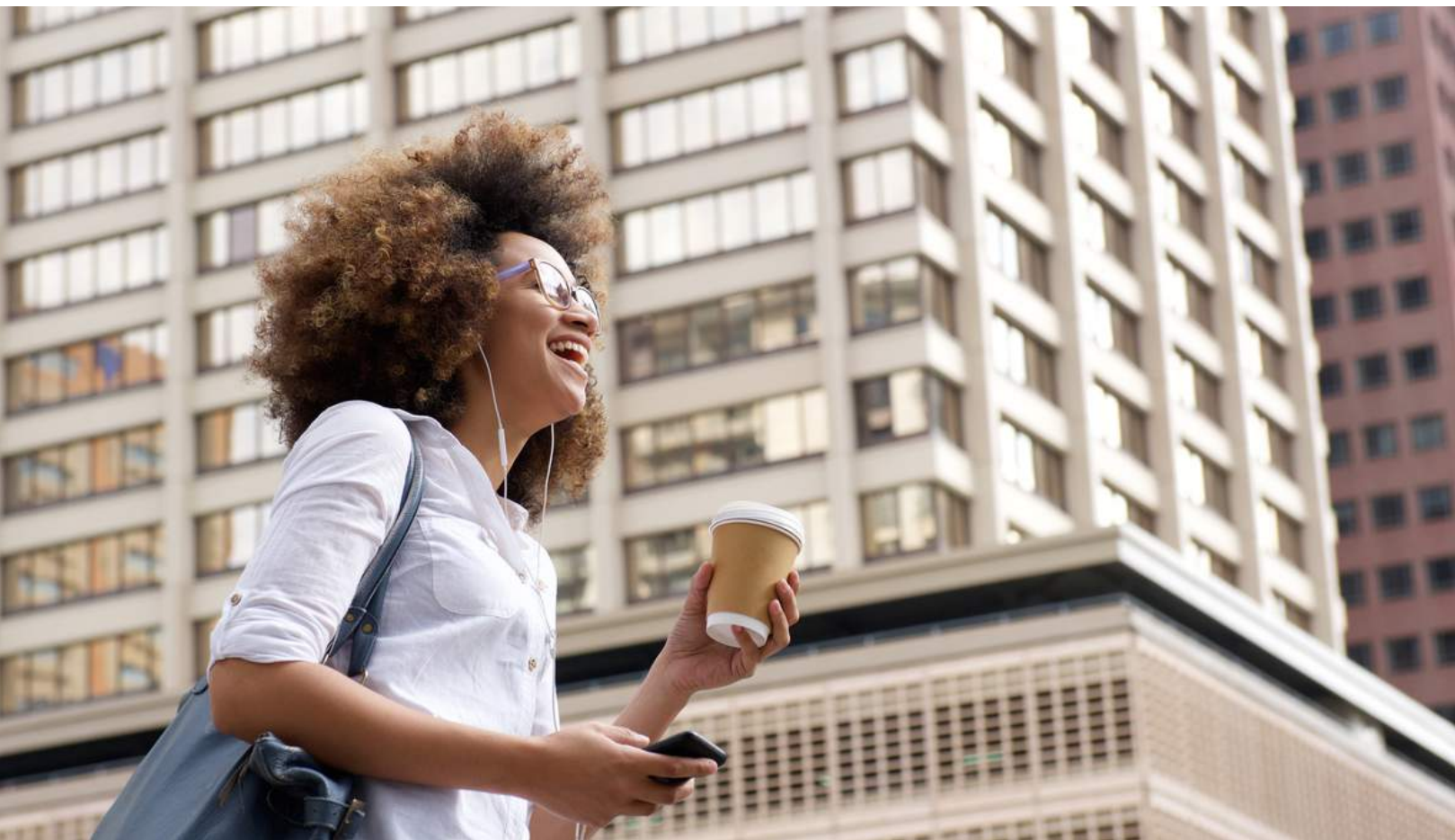
Of the 863 participants, almost one-third (31%) withdrew their investments during the 12-month program. An analysis of these withdrawals showed that emergency savings, more so than income, was the strongest predictor of whether or not participants were able to continue investing. This data provides some clarity around who is most ready to invest, revealing that it is the existence of a savings buffer that can absorb changing financial needs without having to withdraw from investing funds rather than income alone.

Of the participants who self-reported having \$500 or more in personal savings, a vast majority (72%) continued investing throughout the program, while only 28% stopped investing. Of those who self-reported having less than \$500 or more in personal savings, only 55% continued investing and 45% withdrew their funds. This represents an opportunity for platforms to integrate emergency savings into the investing experience through low-risk or no-risk options (such as high-yield savings accounts or low-risk bond baskets). This allows beginner investors to build an emergency savings buffer while also starting the process of becoming more comfortable with investing.



72%

of participants who began the pilot with more than \$500 in savings continued to invest



5.

Confidence

Trust in one's own ability to make good investing decisions

Confidence plays a critical role in developing investor identity by allowing beginner investors to feel comfortable with their choices and focus on making progress rather than constantly second-guessing themselves. Confidence translates directly into investor identity by contributing to the feeling that one can make good use of this wealth-building opportunity and that investing is something one can comfortably include in one's financial plans.

“The more information you have, the less scary it is. Now my comfort level is well beyond what I thought it would ever be.”

- Mid 50s, Black Woman

Perceptions of how difficult investing is change rapidly once people have a chance to get started

Investing can be intimidating, especially for beginner investors who have not been exposed to it through their families or communities when they were younger. Many of our participants recounted feeling overwhelmed by the idea of navigating the investing ecosystem and fearful of the risk of losing their money. However, once they got started, most participants found that it was not nearly as difficult or intimidating as they had thought, with 71% of participants reporting at the end of the program that investing was easier than they had initially expected.

This shift in mindset highlights the importance of hands-on experience not just as a means of learning, but as a means of overcoming preconceptions that can prevent people from building wealth through investing. Although there can be value in learning about investing before getting started, our research supports the idea that for many prospective investors, feeling like they have to learn a large amount of material before they can even get started prevents them from ever trying to invest. Lowering barriers to entry through

features such as seed funding and learning tools embedded into the onboarding process can help people take the first step and see that it is not as overwhelming or difficult as they may have thought.

Confidence is closely related to investor identity and overall experience

For this research, we used agreement with the statement "I am comfortable making investing decisions" as a proxy for participant confidence as an investor. This comfort was associated with stronger investor identity and feelings of belonging in the investing community, further highlighting the ways in which these various dimensions of investor identity act together to empower beginner investors to take advantage of the wealth-building opportunities available through investing. This confidence is a key part of beginner investors' evaluation of their overall investing experience, with data showing that investors who reported a higher propensity to second-guess their decisions also rating their overall investing experience lower.



"I like [taking] a more passive role with [investing], and I just check in on it every once in a while to see how it's going."

- Early 20s, White Woman

Conclusion

This research project has provided a valuable opportunity to develop an understanding of the role of investor identity in the experience of beginner investors living on LMI and provided foundational evidence that investor identity matters for the experience of this group. Even relatively small shifts in investor identity and associated traits can have a significant impact on customer behavior, empowering beginner investors living on low and moderate incomes to take full advantage of the wealth-building opportunities afforded by accessible capital markets.

For investing platforms looking to grow their audience and become more inclusive for beginner investors, these insights provide a framework for understanding how changes to the design of the platform can generate greater belonging, connection, learning, agency, and confidence for these customers. To translate this research into

action-oriented guidance, we have created a robust [toolkit](#) to complement this report.

Inclusive investing is about recognizing that recent advances in the accessibility of investing platforms does not automatically translate into increased engagement with investing by households living on LMI. Many of these households have reached a point where they are financially able to start investing consistently, even in small amounts, but have not yet made the leap due to feeling overwhelmed, uncertain, or like an outsider in the investing ecosystem. Through our research, we aim to shed light on ways in which design decisions can provide a win-win for both platforms and customers, giving platforms access to the broader market available through streamlined no-fee investing and providing new customers with experiences that make them feel welcome and empowered to build wealth.



If you are interested in learning more about this work or would like to work with Commonwealth to build a more inclusive investing system, reach out to us at info@buildcommonwealth.org and [sign up](#) for our newsletter.

Appendix

Participant cohort structure

Recruitment for this project started in January 2023 and participants were observed and surveyed through March 2024. Due to the scale of the project, recruitment took place over several months through partnerships with local Boston-based community organizations as well as through the User Interviews service. Participants were divided into two cohorts, with the first cohort finishing at the end of 2023 and the second cohort completing their one-year participation period at the end of March 2024. The first cohort comprised a third of our total sample, with the second cohort making up the remaining two thirds. There were no significant demographic differences between the two cohorts and our analysis did not find the results for each cohort to be significantly different, so the findings in this report treat the total participant pool as a single research sample.

Data collection

We collected data for the project through three channels: platforms, surveys, and interviews. Our partner platforms were able to provide us with periodic data on participant investing activities on the platforms (with participants' consent), allowing us to study the relationship between investing behaviors and participant responses to survey and interview questions. Participants also completed three surveys, at the beginning, middle, and end of their one year observation periods. Finally, we conducted a series of one-on-one interviews with select participants at the middle and end of the project. Investing experience was self reported.



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