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More Than Half of Investors Took Action This Year Due to Inflation, Better Safe Haven Returns

Younger investors leading the charge in taking action on investments in 2023

NEW YORK – May 17, 2023 – More than half (52%) of Americans with retirement or investment accounts took some sort of action on their stock investments since the beginning of 2023 (including buying, selling, or withholding additional investments) due to higher returns on safe haven investments (such as savings accounts, money market funds, and Treasury securities) as a result of rising interest rates, elevated inflation, or both, according to a new report from Bankrate. Looking forward, 27% of stock market investors plan to invest more this year compared to last year, 19% will invest less this year compared to last year, 45% will invest the same amount this year as last, and 10% don't know.

https://www.bankrate.com/investing/survey-market-volatility-stocks-may-2023/

Investor Responses to Economic Factors

Due to rising interest rates over the past year, returns on safe haven investments (such as savings accounts, money market funds, and Treasury securities) have hit the highest levels in 15 years. In response to rising interest rates, a quarter of stock market investors (25%) have moved money out of their stock-related investments or deliberately withheld additional contributions to these investments, outnumbering those that have contributed more (21%) since the beginning of 2023. More than a third (35%) intentionally have not taken action, and 18% were unaware of the higher returns on safe haven investments.

Elevated inflation has also impacted the decisions of stock market investors. In response to elevated inflation since the start of this year, there was a greater tendency for investors to move money out of, or deliberately withhold additional investment from their stock-related investments (26%) than to increase contributions (20%). In addition, nearly half of investors (46%) took no action, and 9% said they were not aware of the elevated inflation.

Looking at responses to either economic factor, 87% of Gen Z (ages 18-26) and 68% of millennial (ages 27-42) stock market investors were far more likely to take any action on their investments (buying, selling, or withholding additional investment) compared to just 38% of Gen X (ages 43-58) and 35% of baby boomer (ages 59-77) investors. Elevated inflation was more likely to prompt selling or withholding additional investment among Gen Z (47%) and millennial (34%) investors, as opposed to buying more (33% and 28% respectively). In response to higher returns on safe haven investments, it was more of an even split. 38% of Gen Z investors sold or withheld additional investment and 37% contributed more to stocks, and 33% of millennial investors sold or withheld additional investment and 31% contributed more.

“When investors are faced with adverse market conditions, often the best course of action is to do nothing or better yet, invest more,” said Bankrate Chief Financial Analyst Greg McBride, CFA. “Nearly half of investors, 49%, did so, including 54% of Gen X and 57% of baby boomer investors. Gen Z and millennial investors were much more active in response to inflation and interest rates, buying, selling, and withholding additional investment.”

Investor Outlook: Younger investors leading the charge

Looking forward, 27% of stock market investors plan to invest more this year than last year, including 9% that will contribute much more and 18% that will contribute somewhat more. Meanwhile, nearly one-in-five (19%) will invest less, including 10% that will invest somewhat less and 9% that will invest much less, and 45% will invest the same amount. The remaining 10% don't know.

When asked the same question last year, just 18% indicated that they would increase 2022 contributions compared to 2021, while 18% said they would invest less, 52% would keep contributions the same, and 13% were unsure.

Younger investors are increasing their contributions this year compared to older investors. 53% of Gen Z and 43% of millennial investors both overwhelmingly expect to put more money rather than less money (14% and 15% respectively) into stock-related investment this year compared to last year. Just 19% of Gen X and 9% of baby boomer investors say they expect to put more money versus less (21% and 23% respectively) into their stock-related investments this year compared to last year.

“Despite a bias toward action rather than inaction on the stock investing front, both Gen

Z and millennial investors indicate a much higher intent to increase their stock investments this year," says McBride. "While many Gen X and baby boomer investors are dialing back stock exposure approaching and into retirement, it is important for Gen Z and millennial investors to maintain the long-term focus, increasing contributions to stock-related investments, and harnessing the power of compounding higher rates of return."

Investor Overview

Overall, only 46% of Americans have stock-related investments in a retirement account or other investment account such as a brokerage/mutual fund account, 529 plan, or Health Savings Account, up from 43% last year. Just 35% of Gen Z have stock market investments, trailing behind 49% of millennials, 48% of Gen Xers, and 46% of baby boomers. Additionally, men (51%) are more likely than women (41%) to have stock market investments.

Methodology:

Bankrate commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 3,676 adults, including 1,665 with stock market related investments in a retirement account or other investment account). Fieldwork was undertaken on April 17-20, 2023. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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