

## Millennials lead in ETF adoption: Schwab

By Editorial Staff Thu, Mar 18, 2021

*Millennials estimate that in five years, 43% of their portfolios will be in ETFs, compared to 39% for Gen X and 29% for Boomers, according to the tenth edition of the ETF Investor Study by Charles Schwab & Co., Inc.*

ETF investors expect the share of ETFs in their portfolios to grow to 38% over the next five years, up from 29% today. Nearly all ETF investors (94%) say they are likely to purchase ETFs in the next two years. Notably, almost half of the non-ETF investors surveyed (45%) say they are likely to purchase ETFs in the next two years. These findings come from the 10th edition of the ETF Investor Study by Charles Schwab & Co., Inc.

“Over the decade we have conducted this study, ETF investors’ appetite and affinity for ETFs has grown dramatically. They feel much more knowledgeable and confident in their abilities to use these products to help achieve their financial goals,” said David Botset, SVP of Product Strategy for Charles Schwab Investment Management, Inc., in a release this week.

### Top reasons non-ETF investors might yet buy them

To diversify portfolio	60%
ETFs are easy to buy and sell	49%
ETFs are low cost	34%
For tax efficiencies	28%

### Why non-ETF investors still might not buy them

Don't understand enough about ETFs	46%
Happy with current investment portfolio	32%
Prefer mutual funds	17%
ETFs are too risky / too complicated	10%

Chart furnished by Schwab.

As in years past, Millennials continue to outpace Gen X and Baby Boomers in ETF adoption, though Gen X is not far behind. Over the next year, 29% of Millennial ETF investors plan to significantly increase investments in ETFs, compared to 23% of Gen X investors and 9% of Boomer investors. Millennials estimate that in five years, 43% of their portfolios will be in

ETFs, compared to 39% for Gen X and 29% for Boomers.

ETF investors point to actively managed ETFs, market cap index ETFs and fixed income ETFs as the top categories that they feel will add value in helping them reach their investment goals. Active semi-transparent ETFs are beginning to attract investors' interest, with 16% saying they plan to invest in these specialty ETFs over the next year.

### ETF Investor Evolution

The proportion of ETFs in investors' portfolios increased by about 50% over the last decade, growing from average allocations of 19% to 29%. In 2015, ETF investors predicted that 25% of their portfolios would be in ETFs in five years – a prediction that turned out to be short. They ended up with 29% of their portfolios in ETFs in 2020, and they now expect that to grow to 38% by 2025.

Investors feel much more confident when it comes to making decisions about ETFs. In the latest study, 41% of investors say they are extremely confident in their ability to choose ETFs that can help achieve their investment objectives compared to just 18% in 2015. Similarly, 77% of ETF investors consider themselves experienced or intermediate when it comes to their understanding of ETFs, compared to 57% in 2015.

"Education is a key ingredient to success in all aspects of investing, so it is very exciting to see the evolution that has taken place with ETF investors' familiarity and comfort with ETFs," said Botset. "Certainly the myriad strengths of ETFs – from tax efficiency, to low fees, to transparency—have paved the way for investors to adopt them as foundational building block components of an investment portfolio."

Charles Schwab & Co., Inc. (Schwab) commissioned Logica Research to conduct an online survey of 2,000 individual investors between the ages of 25 and 75 with at least \$25,000 in investable assets who are aware of ETFs. Conducted from November 9 – November 29, 2020, the study has a 3% margin of error at the 95% confidence level. Survey respondents were not asked to indicate whether they had accounts with Schwab. All data is self-reported by study participants and is not verified or validated.

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