EDITORIAL

Understanding and supporting new retail investors in France

Since the first quarter of 2020, the AMF has noted a sharp increase in the number of retail investors in France. This global phenomenon.

Who are these new investors? What are their motivations and practices?

In order to better assist and protect them, the AMF sought the cooperation of the European Union through the Technical Support Instrument (TSI). Thus the European Commission’s DG REFORM designated the OECD to support the AMF in its efforts to increase the level of financial literacy of new retail investors and their ability to make better decisions.¹

The Audirep survey Institute conducted a large study in the spring of 2023 at the request of the OECD. The first part questioned 1,056 new retail investors in shares, funds, crowdfunding or crypto-assets about their motivations, attitudes and behaviour.

The second part of the study involved 40 interviews to find out more about their motivations and needs.

This letter is fully based on the report published by the OECD², which is the first outcome of this co-operation.

A second OECD report, to be published in 2024, will present a financial education strategy for new retail investors, in conjunction with the national financial education strategy, for which the Banque de France is the operator.

This project will enable the AMF, as part of its Impact 2027 strategic guidelines, to deliver targeted financial education messages to new investors in their own language, taking into account the way in which they obtain information.

¹ Project 22FR01 – Improving financial literacy of new retail investors for a better support in their decision-making process (funded by the European Union).
² New retail investors in France: Attitudes, knowledge and behaviours, OECD, November 2023

FOCUS

24% of French adults are investors

Nearly 1 in 4 French people say they own an investment in financial instruments or crypto-assets.

In order to obtain a sufficiently large sample of investors and to compare old and new retail investors, a large number of French people were interviewed about their holdings of investment products³. Result: 24% of those questioned said they held at least one investment product, in the broadest sense.

Half of investors have stated investing since 2020

Half of the investors said they had been investors since 2020. These new investors would represent 12% of the adult French population.

9% of French people own crypto-assets

The rate of individual holdings of crypto-assets stands at 9% of the French population. The ownership rate of listed shares stands at 7%, close to the level estimated by the Kantar Institute in March 2023 (see special LOE of July 2023).⁴

³ Investment products defining “investors”: listed or unlisted equities, investments funds invested in financial markets (including ETFs), financial derivative products, crypto-assets, crowdfunding securities or NFTs (non-fungible tokens). See more page 2.
⁴ 8,456 people surveyed in May 2023 by the Audirep survey institute. Representative sample of the French population aged 18 and over.
12% of French people aged 18 and over have invested for the first time since 2020. Who are they? What are their motivations and attitudes?

For the purposes of this OECD study, “investors” are defined as individuals who have declared holding at least one of the following products: listed or unlisted equities, financial market investment funds (including ETFs), exchange-traded products, crypto-assets, equity-linked securities and NFTs (non-fungible tokens). "New investors" are those who have invested for the first time since the start of the COVID-19 pandemic in early 2020.

Who are they?
As in with “traditional” investors group, i.e. those who were already investors before 2020, they are mainly men (64%). They are younger, aged 36 on average (compared with 51): 56% of them are under 35, and 28% were under 25 when they made their first investment.

The proportion of workers and employees (CSP-) is higher than among traditional investors (37% are blue-collar or white-collar workers, compared with 20%). However, the average financial wealth of these new investors is relatively high (€97,000) when all investments are combined.

What do new retail investors own?
New investors invest less frequently in the stock market than traditional investors: 61% say they hold stock market investments (shares, funds, ETFs, etc.), compared with 85% of traditional investors. 24% say they hold listed shares (30%) and 18% hold crowdfunding securities (idem).

Many have taken an interest in crypto-assets: 54% of them own some (63% of new investors aged 25-34), compared with 25% of traditional investors.

Individual ownership rate : new investors and traditional investors

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Traditional Investors</th>
<th>New Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed individual shares</td>
<td>24%</td>
<td>36%</td>
</tr>
<tr>
<td>Real estate funds</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>Unlisted companies' shares</td>
<td>20%</td>
<td>27%</td>
</tr>
<tr>
<td>Crowdfunding investment</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>Unit-linked life insurance</td>
<td>17%</td>
<td>34%</td>
</tr>
<tr>
<td>Non-fungible tokens (NFT)</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>Funds invested in unlisted shares</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Bonds</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Speculative products (warrants...)</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Investment funds (shares, bonds...)</td>
<td>11%</td>
<td>26%</td>
</tr>
<tr>
<td>ETFs</td>
<td>9%</td>
<td>11%</td>
</tr>
</tbody>
</table>

To diversify my portfolio: 35% To have better returns: 28%
I have been advised by someone I know: 28%
To invest in sustainable products: 20%
I saw it on a social media: 20%
Proposal by an advisor: 15%
My income increased: 15%
My spendings decreased: 10%

The circumstances and reasons for investing
At the outset, new investors were primarily concerned with diversifying their savings (35%) and, in particular, increasing their return (28%). Examples seen on social networks (20%) or advice given by acquaintances (28%) also played a role for many. The recommendation of an adviser is cited by only 15% of new investors.

What reasons have driven you to invest in the stock market, via crowdfunding or in cryptocurrencies since 2020? Several answers possible

Among the under-25s (22% of new investors), the main reasons given were the desire to invest in sustainable investments (31%), an “advice” from an acquaintance (30%) or social networks (29%).

New retail investors are also "gamblers"
Most new investors say they gamble regularly or occasionally, whether online or offline:
- 58% of them play gambling games (poker, casino), 21% of them regularly,
- 79% play paid games of chance (scratch cards, lotto, etc.), 27% of them regularly,
- 68% place bets on sporting events, including 26% on a regular basis.

1 For the exclusive purpose of this study, investors who only hold investments in life insurance, pension savings or employee savings schemes have not been considered as investors. Holding bonds, collective investments in rental property or non-fungible tokens were also excluded in the scope of those investors.
The amounts invested remain moderate
Most new retail investors have invested relatively small sums in relation to their financial assets (on average €97k): 51% of them have invested less than €5k since 2020.
Investments in crypto-assets invested were rather lower on average (€4,070) than investments in equities (€5,743) or crowdfunding (€5,575).

Investors declare themselves rather cautious
Like the investors surveyed in 2022 as part of the AMF Barometer, the majority of new retail investors (61%) say that they will opt for moderate-risk investments with "moderate risks and returns". Others prefer low-risk investments (21%, 28% of women). Only 16% said they would prefer to invest in "high-return, high-risk investments" (20% of 25-34 year-olds, but 12% of 18-24 year-olds).
However, 40% of 18-24 year-olds also said that their priority was to "make a lot of money quickly".

What results have they achieved since their first investment?
Three quarters of new retail investors (76%) have been active since their first investment. Two-thirds (66%) said they wished to maintain or increase their investments in the near future.
62% of new retail investors said they were satisfied with the performance of their investments (67% of those holding crypto-assets in particular) while 20% felt they had lost money.
The vast majority of new retail investors (79%) consider the profitability of their investments to be attractive in the current climate. Most of them are also convinced (90%) that their investments will be profitable if they are maintained over the long term.

Varied sources of information
The majority of new retail investors say they take the time to seek product information (69%) or advice from a third party (52%) before making an investment.
Those who say they seek information before investing do so from a variety of sources: firstly, information documents on financial products (41%) and media specializing in finance (36%), then friends and family (39%, 45% of 25-34 year olds), social networks (28%, 41% of 18-24 year olds) and influencers (22%, 29% of 18-24 year olds). Financial advisers (32%, 42% of women) are also cited.

Influential close acquaintances
When seeking financial advice from a third party, new retail investors turn to a bank or financial adviser (49%), friends and colleagues (48%) or close family (40%).
Those who turn to friends and colleagues are more likely to be 18-24 year olds (57%), those investing in crypto-assets (54%) and those with the lowest financial assets (64%).
The majority of those who felt that their investments were "losing money" sought advice from friends and family (62%). At the same time, 57% of those who thought their investments were successful said they had consulted an adviser before investing.

Overestimated knowledge
New individual investors have a relatively low level of financial knowledge, particularly young people aged 18 to 24 and investors from the CSP-category. Several key concepts, such as asset diversification, the impact of inflation or the fact that past performance does not necessarily reflect future performance, are not well understood by many new investors. For example, only 48% believe that spreading capital over several financial investments is likely to reduce the risk taken (compared with 60% of traditional investors).
In addition, many new investors overestimate their financial knowledge.
67% of them feel they know their way around, compared with 58% of older investors.
However, these "experts" were more likely to give incorrect answers, while those who felt their knowledge was low were more likely to give correct answers.

Source: New retail investors in France, OECD, November 2023

2 Source: figures for all investors, old and new, surveyed as part of the AMF Savings and Investment Barometer (October 2022).
4 profiles of new retail investors

New retail investors can be distinguished by their propensity to seek information before investing, or by their approach to investing (preparing financially for a life project or investing out of curiosity).

The "uninformed"

37 years old on average. This profile is more common among blue-collar and white-collar workers. Their initial motivation was curiosity and the desire to increase the profitability of their savings and diversify them.

Their main characteristic is that they do not seek information about financial products before investing. 77% of them said they would turn to friends and family.

45% have invested in crypto-assets and 23% in listed equities. Only 29% said they wanted to invest more in the coming year.

The "neophytes"

30 years old on average, with 75% under 35. This is a very "digital" profile, both in terms of finding information and subscribing to products. They get a lot of their information from social networks (68%) and influencers (41%), particularly when they are looking for product information.

Many of them have a relative who has already invested in the stock market (80%) or in crypto-assets (76%). 65% hold crypto-assets and 25% hold listed shares. They overestimate their level of knowledge, which is lower than that of other new retail investors' one.

The main findings of the interviews

A qualitative study was carried out with 40 new retail investors (ten for each profile), through individual interviews lasting between 45 and 60 minutes. Discussions focused on their motivations and their state of mind.

What were their initial motivations?

The main factors behind their decision to start investing were as follows:

- The Covid-19 pandemic, synonymous with forced time off and/or reduced spending.
- Low returns on traditional savings.
- The socio-economic and political context in France (pension reform, energy crisis, etc.), which has raised concerns and prompted the search for additional yields and income.

Rational or impulsive investors?

Two different motivations emerged. Some invest on a rational basis to diversify investments, increase profitability or finance specific projects. Others invest on impulse, for fun, out of curiosity or to see how these types of investment work.

The "conscientious"

38 years old on average. More often from a higher socio-professional category, they have invested to diversify their savings. Among new retail investors, they were those who gave the best answers to the knowledge questions, although they were more likely to think that they did not know anything about investments.

They inform themselves more before investing, in particular by consulting pre-contractual information or by following the specialised media. They are more likely to consult a professional adviser (62%) than their family and friends. 58% invested in crypto-assets and 23% in listed equities.

The “dynamic”

37 years old on average. The profile closest to that of traditional investors. Many of them (84%) are confident about their financial situation. Their financial assets (£117k on average) and their average investment (£9,317) are higher than those of other new retail investors. Of these, 68% invested to prepare for retirement or for a specific project (44%). They seek information about financial products before purchasing (97%) and are more likely to contact a professional adviser (70%).

They are more likely to be gamblers (sports betting, paid games of chance): more than a third play regularly.

51% said they held crypto-assets, 33% listed shares and 26% securities through crowdfunding. 31% say they hold investments in rental property (significantly more than other investors).

How do they see the investment?

For most of respondents, being an "investor" means being able to invest fairly large amounts in a variety of products. The term evokes a serious and risky approach.

For many, being a "new investor" refers to investing in new products such as crypto-assets, NFTs and crowdfunding.

In addition, respondents tend to view investing as a game or a gamble, especially when it comes to crypto-assets. Words such as “bet” or “poker” were often mentioned in connection with their investment behaviour.

Do they feel they have taken risks?

Most respondents said they were aware of the risk of losing money. They did, however, express a feeling of control over this risk by only betting non-vital money, small amounts, or by investing in low-risk products (such as large international equities). There was little mention of the risk of falling victim to scams or fraud.

However, several people cited influencers on social networks as a source of information that should not be trusted.