



**Positivly**

**2020**

**A study of  
financial personalities  
of Americans**



# Introduction

Personality tests and self-analysis have stood the test of time. Early Greeks, such as Plato, explored approaches to psychometric measurements and Hippocrates how our bodily fluids or “humors” affected personal traits. One area in the world of personality tests that has seen little progress is investing.

When it comes to understanding and profiling investors, the finance industry has relied on the same methods for decades. The need has largely been driven by securities laws and compliance and as a result the solution has largely been one for compliance rather than investor education and engagement. As a result, most investors today feel disconnected from their investments. Surveys show that most investors do not understand the risk measures or levels they are shown at the end of most client profiling. They also don’t understand how this feeds into their investments.

But most importantly, investor needs are not circumscribed or fully reflected by just risk-based measures as the growing interest in thematic investing and ESG or sustainable investing reflects. This presents a powerful opportunity: the industry can look beyond risk and complement it with behavioral dimensions to understand and engage the client far more holistically.

To redesign the investor experience for increased relatability and improved outcomes, we linked the growing science of Positive Psychology with traditional and behavioral financial theory. The proposed new framework for profiling clients aims to understand what matters most to them when investing.



**Dr Vinay Nair**

Vinay has always sought to challenge the status quo in investing. He has founded numerous companies linking investments and technology (55ip, Magnifi, MIO and Positively) as well as running a quantitative hedge fund. As a professor at Wharton and MIT he focuses on venture capital, private equity and entrepreneurship. He is passionate about the power financial markets have to effect change in the world and in 2008 authored “Investing for Change”.



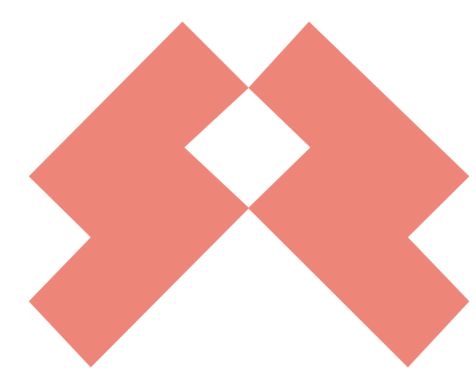
**Dr Tal Ben-Shahar**

Tal has dedicated his life to studying happiness and how to enhance our wealth in the “ultimate currency”. He has over 20 years experience as a teacher, writer and entrepreneur in the areas of positive psychology and leadership. He taught the most popular class at Harvard. He has written several best-selling books including ‘Happier’ (2007) and ‘The Joy of Leadership’ (2017).

We thank several participants for their feedback and comments. In particular, we are grateful to Anil Arora for his insights on personal finance and wealth management.

# The PSTV Framework

The PSTV framework that follows is a relative scoring system used to understand which dimensions are the most important to an investor. Each dimension is grounded in an existing and long-accepted Positive Psychology system, the SPIRE framework which is then adjusted and modified based on financial science. We like to think of the result as a personality profile for investing.



## Purpose

Invest to find a deeper sense of meaning and purpose.

Integrating ESG and impact investing themes into your portfolio.



## Security

Invest to provide physical security and peace of mind.

A risk-adjusted growth lens that helps investors derive a sense of security.



## Touch

link investing with our desire for meaningful relationships.

The how, why and what of interacting with your investments.



## Viewpoints

Invest to gain the intellectual satisfaction of getting things right.

Expressing your views through Sector, Geographic and Thematic portfolio tilts.

This framework is a significant innovation in investor profiling. Most investor profiles rely on traditional risk measures. Some newer research has incorporated behavioral aspects to improve the measurement of risk appetites. While there has been innovation and improvements in how we measure risk, the industry has still used the same core foundational framework based on “modern” financial science that is now over 50 years old. Our framework takes these learnings and adds to it from the science of Positive Psychology to create a more holistic investor profile that includes risk and meets compliance requirements but doesn’t stop there.

We used this framework to profile a representative sample of 500 American adults between the ages of 25 and 70. These respondents provided us data through the Positively Quiz experience. The findings are a representative insight into how America invests. There are several macro and micro findings from the study, some of which we outline below.

# The World's First Financial Personality Quiz: Summary Of Results

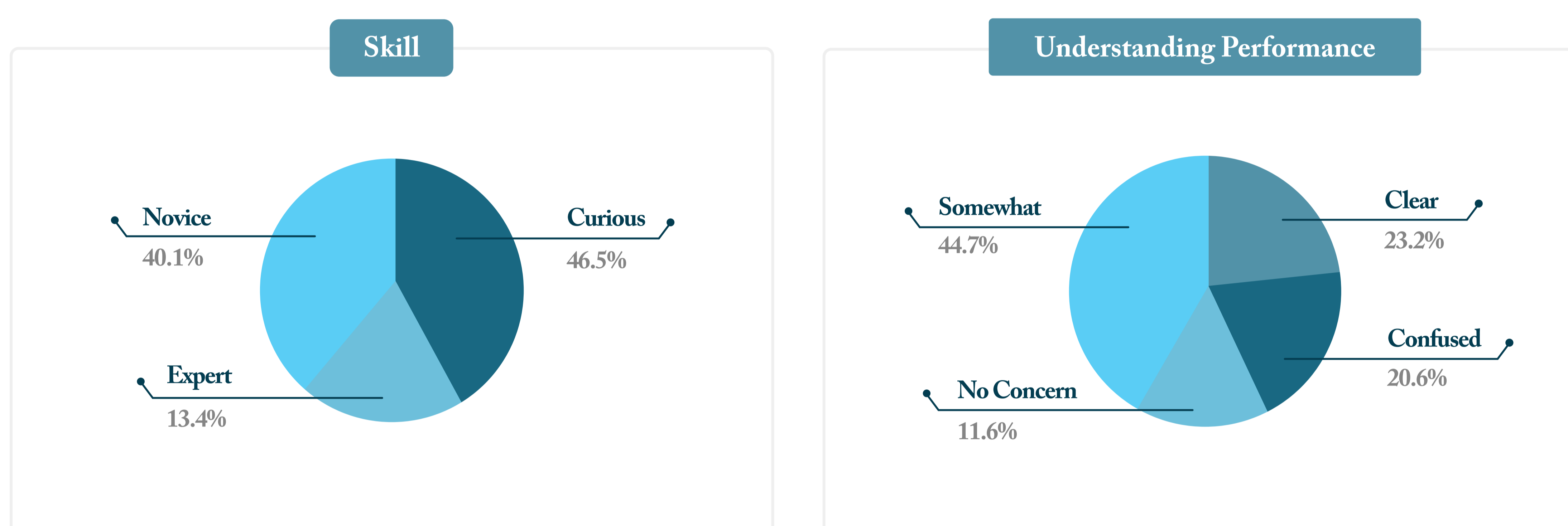
In Q2 2020, more than 500 U.S. adults took the world's first financial personality test created by Positively. The group was formed based on census percentages for representation along dimensions of age, gender, ethnicity, household income, and region to provide a nationally representative sample. The quiz was administered by leading data insights platform Dynata.

Summarized below are top-line findings from this study.

## 1. Americans are realistic when it comes to their investing skills, are mostly confused by the performance of their investments, and anxious.

A mere 13% of Americans categorized themselves as experts. We also asked if they felt clear when it came to understanding performance. Only 23% of the sample felt confident highlighting that most are confused by the performance of their investments. These findings confirm that the typical American investor needs financial guidance and support.

That said, 65% of all respondents expressed “anxiety” related to investing, and even people with a financial advisor expressed being anxious about their investments signaling that more needs to be done by the industry to make investors feel more secure.



## 2. Investing has a defined character role in both finances and life

The American investor categorizes investments as growth rather than protection. Most Americans (7 out of 10) see investments as a growth strategy over protection. In response to which options people consider as safe for rainy day, the majority expressed confidence in their bank savings accounts, while people with higher income trust real estate 18% more than their lower-income counterparts.

They also seek consistency across their identity as an investor and other aspects of their life.

## 3. Even in the toughest of times, Americans invest with a Purpose lens.

Using the survey responses, we find that “Purpose” is the most important dimension for approximately 40% of the respondents; and one of the top two dimensions for 67% of the respondents. Causes that resonate the most include Anti-Tobacco (65% of the respondents), Curing Disease (65%), Clean Water (60%), Climate Change (52%), and Eradicating Poverty (50%). In general, it appears that health-related causes dominate followed by climate and poverty.



This health-related focus may not be surprising given that the study was conducted in the middle of the worst pandemic - and potentially one of the worst economic crises - Americans have witnessed. Yet, an intent to invest with a broader socio-economic and long-term outlook indicates optimism and a desire to invest in the greater good. This is either a representation of the indefatigable American spirit or a realization of the increased importance of supporting causes that affect us all. Either way, this is an inspiring signal for people, companies and institutions.

The fact that this emphasis on purpose is accompanied by a not so rosy outlook on its return implications perhaps makes this even more notable. 64% of the participants believe that investing with an ethical or environmental lens hurts financial returns. This provides an opportunity for both advisors and asset managers to increase awareness and education of the relative merits and performance of their ESG Investment products.

Even as America leads with Purpose, causes can be quite “personal” and differ at an individual level. We observed that the top 5 causes vary by age, ethnicity and income. Equality and Poverty are higher priority causes for younger and Black Americans whereas Gun Violence and Climate are higher priority causes for people with higher incomes. Younger and older Americans also differ in their outlook on causes with younger Americans prioritizing broader global issues such as Climate and Poverty, with older Americans giving more importance to closer to home issues such as Adult Entertainment and Gun Control.

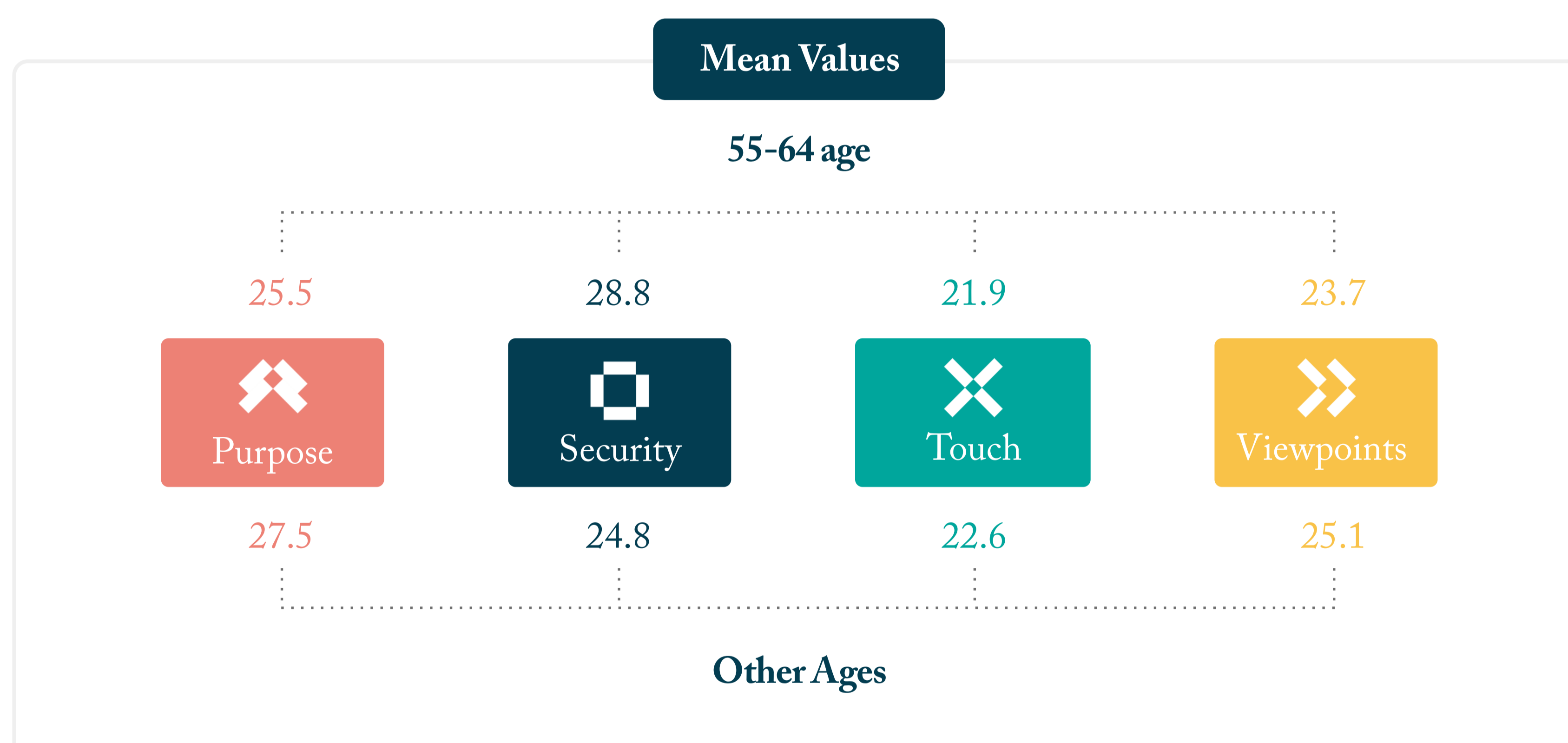
#### 4. Stability creates a trade-off between Purpose and Security.

A direct proxy for increased stability that was available to us was whether the respondent had a full-time employment or not (part-time or unemployed). Another relatively direct inference of stability was their income level.

Relative to those with unstable or no employment, the Purpose score was significantly different for those with stable employment. Similarly, relative to those with incomes of less than \$200,000, the Purpose score was significantly different for those earning incomes of \$200K or more.

The lower Purpose scores for the less stable groups were indeed associated with a significant focus on security. The difference in Security scores between the unstable and stable groups was 16% (28 vs. 24) and 40% (19 vs. 26) as proxied by employment and income respectively.

#### 5. The pre-retirement years are indeed anxiety generating!

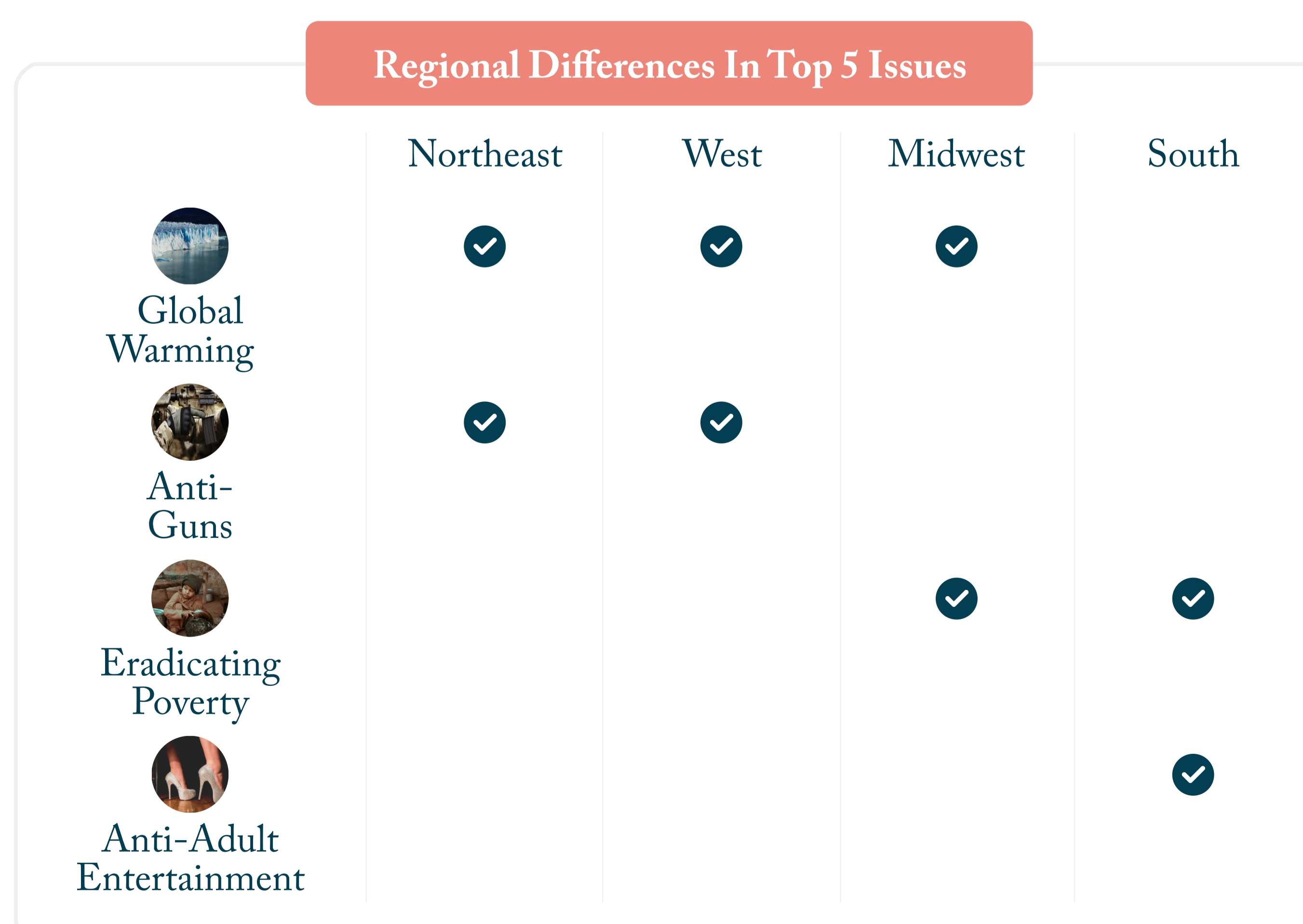


Unlike the rest of the population, Americans between 55 and 65 years old prioritize Security over all other dimensions. In fact, this segment of respondents rated security 16.5% higher than other respondents. Interestingly, Purpose regains first place for 65+.

#### 6. Self-expression is a factor in investing.

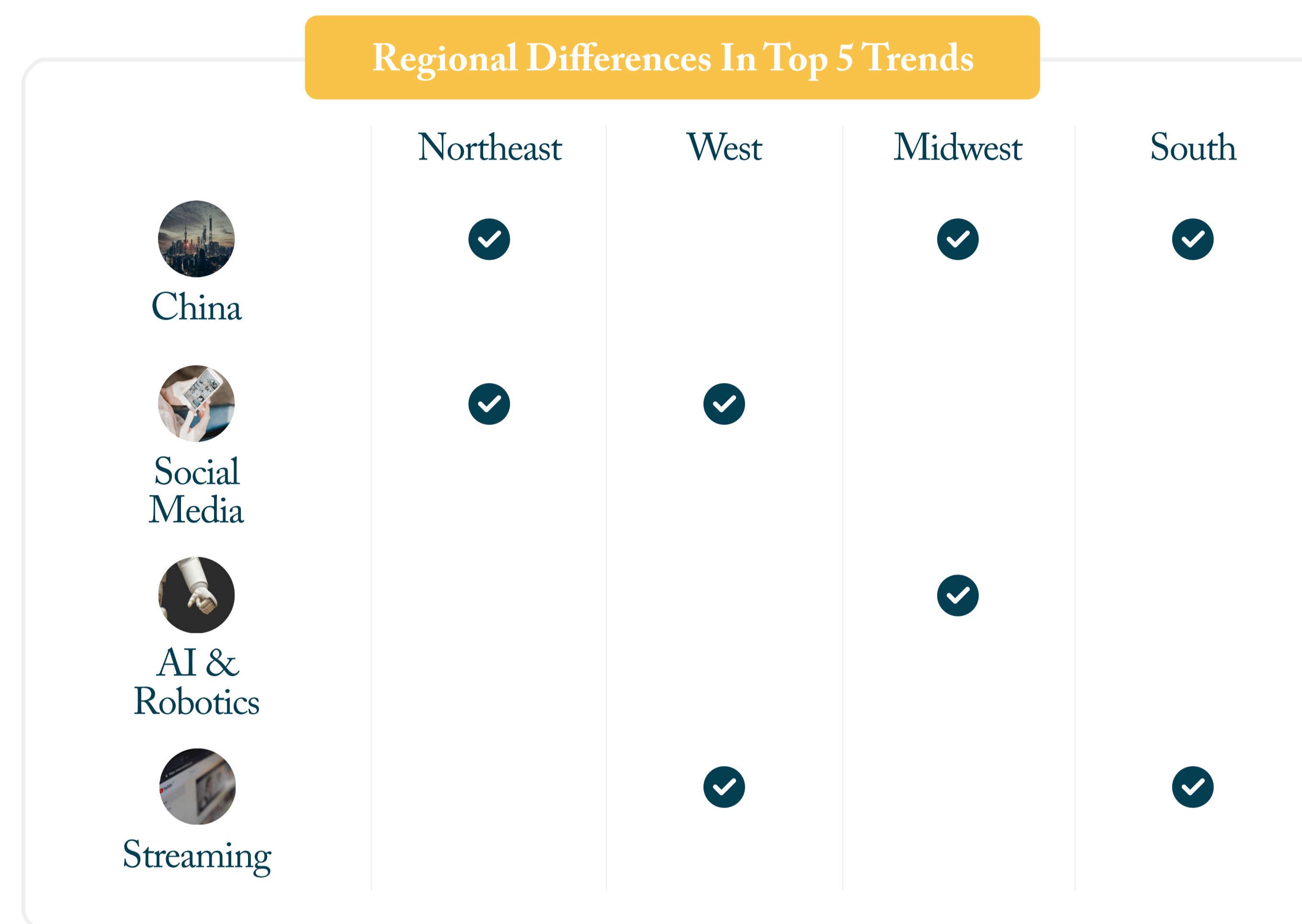
Aspects often linked to the importance of self-expression are generational (millennials) and gender-related (men). Indeed, we find that the younger generation finds the importance of expressing Viewpoints in their investments 10% more important than the rest of the respondents. Similarly, men find thematic Viewpoints 9% more important than women.

#### 7. We have more that binds us than separates.



Americans had similar PSTV priorities across regions suggesting that more binds us than separates. However, Investors from the West Coast were notably more purpose-driven than rest of the country and respondents from Midwest and the South were remarkably similar in overall scores.

Although both the coastal and the interior groups are purpose dominant, they did differ in the causes they are likely to most support. They both agreed on health-related causes (Curing Disease, Clean Water and Anti-Tobacco). However, they did differ on the importance of climate, poverty and other aspects such as Gun prohibition and adult entertainment. Guns did not feature in responses from the interior, where Climate Change was also weak (did not feature in the South). On the other hand, poverty was not amongst the top causes for those in the coasts.



Among over 30 regional, sectoral and thematic trends presented, Americans were most aligned on an optimistic long-term view of US and trends related to technology, e-commerce, clean energy & healthier food.

Although both the coastal and the interior groups have broadly similar viewpoints, a notable difference was inclusion of AI & Robotics in the manufacturing-centric Midwest.

### 8. Americans are bullish on China.

Despite the recent Coronavirus situation and the lingering controversy surrounding trade agreements, Americans (44%) demonstrate confidence in China being integral to the future world economy.

### 9. High touch has low appeal.

Touch, most often associated with depth and frequency in communication, was not a top-two driver across all the respondents. The only segment which showed a preference for high touch were younger men and self-declared “experts.”

# About Positively



Positively is an investment platform to build a stronger connection between investors and their wealth. Applying the PSTV framework, Positively has created a new, client-centric approach to discover investor personalities. The platform empowers investors to understand what matters most to them, enabling them to build personalized investments to which they feel a stronger connection.

[www.positively.com](http://www.positively.com)



**Iain Gillepsie**

Co-Founder & CEO

Iain co-founded Positively to address the biggest challenge facing the wealth management industry today: the disconnection between clients and their wealth. Working in corporate and distribution strategy roles at leading investment managers, he saw this disconnect firsthand, rooted in an overreliance on risk alone as a factor to profile and match clients to cookie-cutter portfolios. He set out to build a new approach to profiling, starting with the client. Positively brings his childhood curiosity for psychology and love for well-designed technology to the world of investing, to build truly personalized client portfolios. With this new philosophy the Positively Quiz gives pioneering insight to advisors and individual investors to make investing more engaging, relatable and ultimately more human.

[iain@positively.com](mailto:iain@positively.com)



Positively was co-founded with The TIFIN Group, a fintech studio that starts and builds companies aimed at defining the future of investor experience. TIFIN companies combine the power of modern technology, investment science and behavioral design to advance themes of interest to investment managers, advisors and investors.

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