Helping Meet Investor Challenges

Dreyfus Investor Survey Brief

JULY 2017

Dreyfus released the second investor survey data set in July 2017 to explore how different generations of investors approach asset allocation strategies such as domestic vs. international equity investment, the 60/40 rule, and advisors' influence on their decision-making. They surveyed the following groups: 21-34 (younger investors/Millennials), those aged 35-54 (Generation X), and those aged 55+ (Baby Boomers and Traditionalists). This included individual investors who work with a Financial Advisor (FA).

The data revealed substantial disparities in how different generations view international versus domestic equity investment. It also illustrated how investors widely misunderstood the 60/40 allocation rule (60% equities/40% bonds), and how many investors and advisors no longer supported it.

Expressing an Opinion About Domestic vs. International Investing Strategies

The vast majority (90%) of investors aged 21-34 and 78% of those aged 35-54 expressed an opinion about the percentage of a portfolio that should be allocated to international investments. Only 59% of those aged 55+ expressed an opinion about international investments.

As you think about your investment strategy for the year ahead (2017), what will be your likely mix of U.S.- only investments and international/global investments?	All	Yes FA	No FA	21-34	35-54	55+
Expressed Opinion About Mix of U.S. vs. International Investments	78%	84%	62%	90%	78%	59%
I don't know	22%	16%	38%	10%	22%	41%
Total Respondents	100%	100%	100%	100%	100%	100%

Older Generation of Investors Favor Domestic Strategies While Younger Investors Increasingly Incorporate International Strategies

Of those who expressed an opinion, those aged 55+ favored U.S. investments over international/global, preferring to allocate only 16% of their portfolios to international investments, thus keeping the vast majority of their investments domestic (84%).

Millennial respondents preferred to allocate an average of 41% of their portfolios to international investments, and those aged 35-54 allocated 36% internationally.

Among respondents who expressed an opinion	All	Yes FA	No FA	21-34	35-54	55+
U.S. Only Investments (as % of Portfolio)	65.7	63.1	75.4	58.9	64.3	84.3
International / Global investments (as % of Portfolio)	34.4	37.0	24.9	41.1	35.9	15.8
Total Portfolio (% U.S. + % International/Global)	100	100	100	100	100	100

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Most Generations Supporting the U.S. Economy, But Millennials More Likely to Put Their Money Where Their Mouth Is

77% of all respondents believe that as an investor it's important to make investments and support companies that contribute to the growth of the U.S. economy, but those aged 21-34 were much more likely to emphatically throw their dollars behind that belief. 82% of investors aged 21-34 indicated it's important to make investments and support companies that contribute to the growth of the U.S. economy.

Do you AGREE or DISAGREE with the following statements about Global Investing?	All	Yes FA	No FA	21-34	35-54	55+
As an investor, I think it's important to make investments and support companies that contribute to the growth of the U.S. economy	77%	82%	67%	82%	77%	73%

Summary: Agree (Strongly, Generally)

Most Generations Need Their Financial Advisor to Counsel Them on Unique Risks and Rewards of a Global Investment Strategy

All groups (71% of all) agreed that if they are going to invest globally, they need their financial advisor or other expert to counsel them on the unique risks and rewards of a global investment strategy.

Younger investors (79% of those aged 21-34) and 74% of those aged 35-54 were slightly more likely than their older counterparts to rely on their advisors in this regard, with only 61% of those aged 55+ expressing the need for guidance on a global strategy.

Do you AGREE or DISAGREE with the following statements about Global Investing?	All	Yes FA	No FA	21-34	35-54	55+
If I'm going to invest globally, I need my financial advisor or other experts I trust to educate and counsel me about the unique risks and rewards of a global investment strategy for my portfolio	71%	81%	52%	79%	74%	61%

Summary: Agree (Strongly, Generally)

Understanding the Meaning of "60/40 Asset Allocation Strategy"

The research reveals that nearly half (49%) of retail investor respondents were unsure of its meaning.

Do you know what is meant by a "60/40 asset allocation strategy?"	ALL	Yes FA	No FA	21-34	35-54	55+
Yes	51%	60%	35%	65%	52%	36%
No	26%	21%	35%	19%	24%	34%
Not Sure	23%	20%	30%	16%	23%	31%
No, Not Sure	49%	40%	65%	35%	48%	65%

Breakdown of 60/40 Asset Allocation Meaning: Stocks vs. Bonds and Long-Term and Short-Term Investments

When pressed on the matter, only 18% of all retail investor respondents were correct in thinking that it meant 60% of their investment portfolio in stocks, 40% in bonds.

42% of individual investors believe that "60/40" is a strategy for allocating long-term and short- term investments, with one-quarter (23%) saying it means "60% of my assets in short-term investments, 40% in long-term investments."

Which one of the following best describes a "60/40 asset allocation strategy," in your opinion and experience?	ALL	Yes FA	No FA	21-34	35-54	55+
60% of my assets in short-term investments, 40% in long- term investments	23%	29%	13%	35%	26%	9%
60% of my assets in long-term investments, 40% in short-term investments	19%	19%	19%	21%	21%	14%
60% of my investment portfolio in stocks, 40% in bonds	18%	19%	18%	19%	16%	21%
I don't know, not sure	17%	12%	27%	7%	14%	31%

Is the 60/40 Asset Allocation Strategy Ideal?

When given the definition of the 60/40 strategy, only half (54%) of all investors agree that "a 60% stocks/40% bonds portfolio is the ideal asset allocation."

63% of investors responded that for quicker wealth accumulation and asset growth, you need to be more flexible, innovative and sensitive to changing market conditions than what the 60/40 model provides.

62% of investors believe you should incorporate diverse assets, approaches and strategies such as alternative investments, multi-asset and real return strategies, real estate investment strategies, smart beta and tangible assets.

Younger investors have the strongest conviction towards moving away from the 60/40 approach, as 70% said it is old-fashioned and doesn't make sense in today's investing environment of uneven economic growth, low rates globally and the expectation of rising U.S. rates and low volatility. 52% of investors aged 35-54 agree, while just 26% of 55+ aged investors feel that way.

Do you AGREE or DISAGREE with the following statements about?	ALL	Yes FA	No FA	21-34	35-54	55+
A 60% stocks/40% bonds investment strategy works for long-term investments, but if you want quicker wealth accumulation and asset growth, you need to be more flexible, innovative and sensitive to changing market conditions	63%	70%	49%	73%	60%	55%
A 60% stocks/40% bonds portfolio is a good starting point, but the savvy investor also should incorporate diverse assets, approaches and strategies such as alternative investments, multi-asset and real return strategies, real estate investment strategies, smart beta and tangible assets	62%	68%	51%	73%	62%	51%
A 60% stocks/40% bonds portfolio is the "ideal asset allocation," offering the best balance of risk and reward	54%	65%	33%	74%	58%	30%
My current asset allocation strategy is pretty close to the classic 60% stocks/40% bonds investment portfolio	53%	65%	28%	70%	59%	28%
The 60% stocks/40% bonds approach to asset allocation is old-fashioned and doesn't make sense in a changed investment landscape of uneven economic growth, low rates globally and the expectation of rising U.S. rates and low volatility	50%	58%	33%	70%	52%	26%

Summary: Agree (Strongly, Generally)

Helping Meet Investor Challenges Survey Methodology

Toluna International, on behalf of BNY Mellon Investment Management, fielded the "Helping Meet Investor Challenges" research. Toluna conducted the survey online with 1,250 individual investors age 21 or older with at least $50,000 in investable assets, along with 200 independent and institutionally-based financial advisors. The research was completed from November 9 – November 23, 2016. It had a ±2.5% to 3.0% Margin of Error (MoE) at 95% confidence at the "All Respondent" level and ±3.25% to 3.75% MoE at 95% confidence for demographic, behavioral, attitudinal and other subgroups. No data were requested or collected concerning specific investment, banking, advisory or similar financial relationships with Bank of New York Mellon or any other institution, organization, agency or firm. All information was self-reported by study participants and is not verified or validated.

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