Chapter 5 Conclusions and Recommendations

5.1 Conclusions

In looking at the first hypothesis which this study reviewed "knowledge based barriers are strong even for those with investment knowledge" it can be argued that there was evidence to support this belief. With four of the five knowledge-based questions scoring over a 0.5 R squared value this would indicate that there is a desire by those with investment knowledge to become more knowledgeable about their investments or the potential investments they may be interested in investing in. This is important for marketers as they look for find new and creative ways to lure new investment dollars to their firms.

Both the second and third hypothesis were proven to be incorrect. The hypotheses were "knowledge based barriers are stronger the younger someone is" and "knowledge based barriers are stronger the less general education someone," respectively. Although these hypotheses were not proven to be correct, the information still provides valuable information to marketers as they formulate their marketing plans. Both of these unproven hypotheses tell marketers that the desire to gain more investment knowledge is not limited to any specific age or education level. The study does not look at the assets available to invest based on age or education level that is generally a primary focus of investment firms. These firms generally target those with high net worth and specifically high investable dollars. While financially speaking this may make the most sense, at least in terms of age it may be opportunities lost to build relationship early on in an investor's life.

Typically those younger in age have less investible assets, but what this study indicates is that they still have a desire to gain investment knowledge. Investment firms could look to this younger target market segment as an opportunity to build brand awareness and loyalty through education. Although the education of these younger investors may not immediately positively impact the bottom line of investment firms, it could mean long-term relationships that could lead to a positive financial impact for the firm. A consistently well-delivered product or service at good value goes much farther in retaining customers than programs that focus on retaining customers but add cost to the product or service (James Heskett, 2004). One potential avenue to explore is that as the younger generation ages, so presumably does their investable dollars that makes them more attractive to investment firms. If an investment firm already established a relationship with the investor during the investor's younger, less profitable years, it would seem likely they would likely be the recipient of the additional investment dollars available as the investor ages.

In terms of the lack of a relationship between education level and barriers to invest this could be of interest for investment firms in terms of where they market their products. This however would require additional study. In theory it would seem to make sense that a higher educated person is likely to work in a corporate environment while less educated may be in the service industry or self employed. Both the service industry and self employed could be areas that marketers focus on as most corporate employees will likely have access to employer sponsored plans. The presence of a matching contribution from the employer has generally been found to be correlated with higher participation rates (Dufflo and Saez, 2002). More study would need to be conducted in terms to less educated people and what their available investment dollars are, and what they are looking for in an investment firm.

5.2 Limitations

This study begins a look at an area that is largely been ignored by research in looking at one's investment education level and how it impacts their interest in investing. A larger more comprehensive study that took into account a broader spectrum of age, investible dollars and profession may provide even more insight into where marketers may want to focus their investment dollars. Focusing future studies on how the impact of increasing investment knowledge impacts an increase in investment dollars. Ideally a study would not just really on investor's responses to a questionnaire, but look at the investment practices of people based on their investment knowledge. While this study specifically used people's perceptions of their investment knowledge, it would be worthwhile to see if those perceptions can be translated it real world practices. Additional research into how investment firms can increase participation in employer sponsored plans would also be helpful as this is primary source of assets for investment firms, but one that is underutilized by investors unless there is some kind of employer match. The sensitivity of participation and contribution to plan characteristics-notably the employer matching rate-may play a critical role in retirement saving (Papke 1995).

5.3 Recommendations

In the current economic times it is becoming crucial for investment firms to change and adapt to what investors are looking for. If the economic crisis has taught us anything, it is that many people lacked some basic knowledge about how investments work. While many public institutions look to regulate investment firms and dictate what information should be made available to investors, these measures are only punitive in nature. Investment firms are continually locked in a cat and mouse game with the federal security regulations over what investors are required to be taught. Regulations by nature are generally reactive and therefore can only adapt when investment firms overstep their bounds or find some loophole that was not clearly defined. This study is not intended to replace this current system or in anyway look at the current regulations in place in reference to regulated investor knowledge. This is primarily in terms of investor knowledge and what can be done to improve knowledge and how that can be turned into a marketing advantage. Currently the primary source of investment information is the prospectus, which investment firms are required to give to investors who purchase their products.

A mutual fund prospectus was the single most widely used source of information, with 57.7 percent of respondents having cited it as a source of information in making their most recent mutual fund purchase (Nigro 1995). This information disparity is even larger when comparing those that rely on employer-sponsored plans. Pension-channel investors are significantly more likely than nonpension-channel investors to cite the mutual fund prospectus and employer-provided printed materials and meetings/presentations at work as sources of information, but are less likely to cite brokers, family or friends, bankers and insurance agents (Alexander, Jones, Nigro 1997). So while improving the format and information contained in the prospectus and other material required to be given to potential investors is important, it is a different sort of knowledge gain than that which was studied with this research and different than the sort of knowledge which will encourage investors to continue their investing, or for non-investors to become investors. This is the type of action that investment firms continually seek and one that falls under the scope of this research.

5.4 Concluding Remarks

The scope of this study is only to begin the discussion related to increasing the knowledge of investors and how that might be accomplished. The stud shows that there is good reason to believe that an increase in knowledge will lesson the barriers to investing that people have. Age and education were looked at in this study, but certainly other factors could be studied for a more comprehensive approach. Additionally marketeers often work with limited budgets so they may also be interested in how increasing marketing focused on increasing knowledge compares to spending dollars to increase brand awareness. This study is only one small step toward what could be a large area of study about a variety of investment related topics, preferences and intents focused on increasing investor knowledge and the potential benefits in doing so. This research indicates that investors are interested in being educated, but it should be accomplished with the creativeness found in the marketing department, not the federal regulation department.