

Presentation Abstracts

Mind Over Money: The Psychology of Consumers in Stock, Bond, and Mutual Fund Markets

Vanessa Gail Perry, Ph.D., The George Washington University

Recently, there has been a flurry of attention among financial service providers, policymakers, and researchers devoted to helping consumers make informed decisions about financial and investment products. Of particular interest is the content and structure of consumer information. In an effort to understand and encourage consumers who do not currently participate in these markets, this research examines psychological characteristics of consumers who invest in stocks, bonds and mutual funds. In particular, we compare investors with non-investors in terms of financial knowledge, psychological characteristics, and several key financial attitudes and behaviors.

Findings from a national survey of consumers suggest that investors differ in important ways from noninvestors in terms of how they think, feel, and act. Regardless of income or level of education, investors tend to have higher levels of financial knowledge and also tend to rely on word-of-mouth sources for financial information. In addition, investors tend to take risks, perceive that they control their own destiny, and are less stressed about financial matters. Finally, investors are more likely to save regularly and pay their bills on time. These results underscore the importance of consumer financial education and that educational approaches should take into account other factors such as individual differences in financial attitudes and spending and saving behaviors that may affect investment decision-making. Future research should explore the extent to which these factors might affect consumers' use of information provided in financial disclosures and in advertising for financial products.