ING DIRECT USA's ShareBuilder Investor Study

Introduction

After a decade of helping millions of Americans enter the world of investing, ShareBuilder from ING DIRECT USA has assessed how investors – young and old – perceive the market today. After experiencing the most turbulent economic climate since the Great Depression, are they optimistic? Do they see opportunity? What do they think their returns should be? And who influences their behavior and decisions?

To find answers to all of these questions and more, ShareBuilder commissioned a study of both younger investors (ages 21 to 39) and older investors (ages 40 - 65) to ask them about their thoughts on investing today and compared their responses.

It turns out many of the results were surprising.

The study, conducted by Harris Interactive surveyed 1,021 general investors between the ages of 21 – 65 who have an investment account that enables them to buy stocks, funds and other securities other than a 401k or 403b. The study also surveyed 912 ShareBuilder customers within the same age groups. The study was conducted online from January 7 to 19, 2010.

The survey analyzed young and old investors on the following topics:

- confidence and optimism
- influencers
- motives
- barriers
- expected returns

A complete copy of the study final report can be requested from Steve O'Halloran of ING DIRECT (sohalloran@ingdirect.com or 302.467.6643).

Key Findings

- ❖ **Investor Optimism:** American investors are far more optimistic when it comes to their investments than reports in the media might lead one to believe. Most plan to invest as much in 2010 as they did in 2009, if not more. Younger investors are even more optimistic in their outlook, believing that 2010 is a good time to invest. Americans are also bullish about receiving annual returns of more than 10 percent on their investments.
    - Forty-three percent (43%) of those 21 to 39 years old plan to invest more in 2010 compared to 33% of those 40 to 65 years old.
    - 26% of younger investors and 28% of older investors expect an annual return between 10% and 20%.

- **Taking a Hands-On Approach:** Recent events and personal experience have resulted in American investors becoming more involved in their own investing decisions. Younger investors currently rely on financial websites, blogs and print publications for investing advice more than brokers, financial planners or financial advisors. Overall, fewer investors are relying on financial professionals for advice about their investments, preferring instead to take more personal responsibility.
  - Older investors are leading this trend. Almost half (49%) of those 40 to 65 have reduced or eliminated their reliance on financial professionals compared to 37% of investors aged 21 – 39.
  - Younger investors currently rely more on financial websites and blogs (49%) and financial print publications (39%) than financial planners or advisors (35%) or brokers (18%) for investing advice.
  - Investors aged 40 and older also rely on financial websites and blogs (47%) and financial print publications (41%) more than planners or advisors (39%), brokers (36%) and family (19%).

- **Obstacles to Investing:** A majority of investors, both young and old, believe several hundred if not several thousand dollars are required in order to get started investing. Yet, those with access to an automated platform that enables cost-effective investing in small dollar amounts think otherwise.
  - On average, investors think they need $699 to get started investing.
  - Almost half (48%) of younger investors think they need more than $500 to start investing compared to 56% of older investors.
  - Almost half (44%) of those with access to an automated platform that enables investing in small dollar amounts say you can get started with just $100 or less.

- **Parental Investing Influence:** Young Americans typically eschew the advice of their parents on most social matters. Yet, when it comes to investing they have a more welcome point of view. For younger investors, parents are the single most-often cited influence in getting them started investing.
  - Almost one-third (30%) of the younger group say their parents had the biggest influence in getting them started investing.
  - 17% of investors 40-65 years old say their parents had the largest influence.

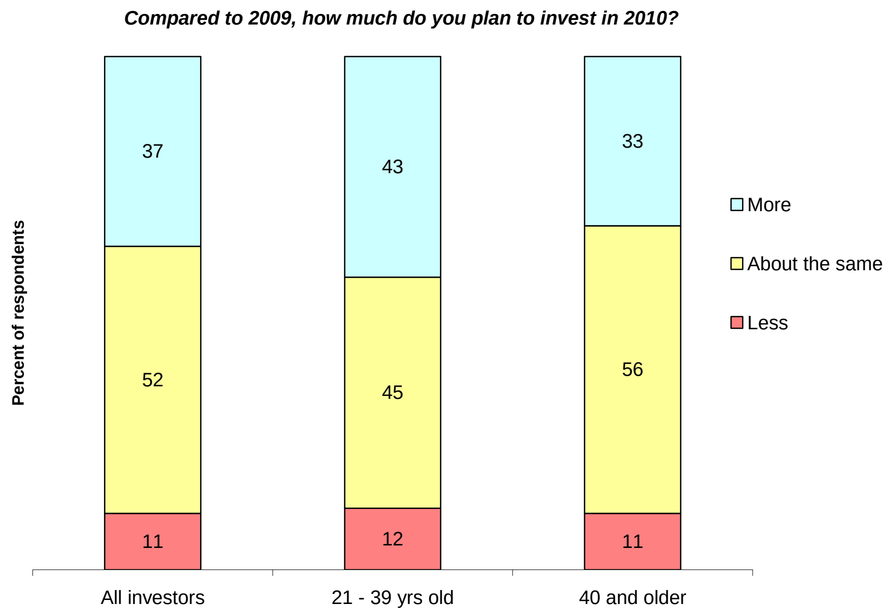
- **Retirement Account Ownership:** Eighty-one percent (81%) of Americans who own a brokerage account and who are employed full-time also own an employer-sponsored, retirement account, such as a 401k. They are more likely to be high-income, well-educated Gen Xers.
  - 34% are between 35 and 44 years old, whereas 77% of those with no 401k account are older or younger than Generation X.
  - 47% earn at least $125,000 annually, compared with just 25% among those who do not own a 401k.
  - 56% have at least a college degree or more education compared with 41% among those who do not own a 401k.

Detailed Findings

1. It's not as bleak as you might have heard

If you were to listen only to media commentators, you might fairly conclude the American investor was a beaten and depleted lot, resigned to a long, dark winter of poor portfolio performance and meager returns. But investors themselves tell a very different story.

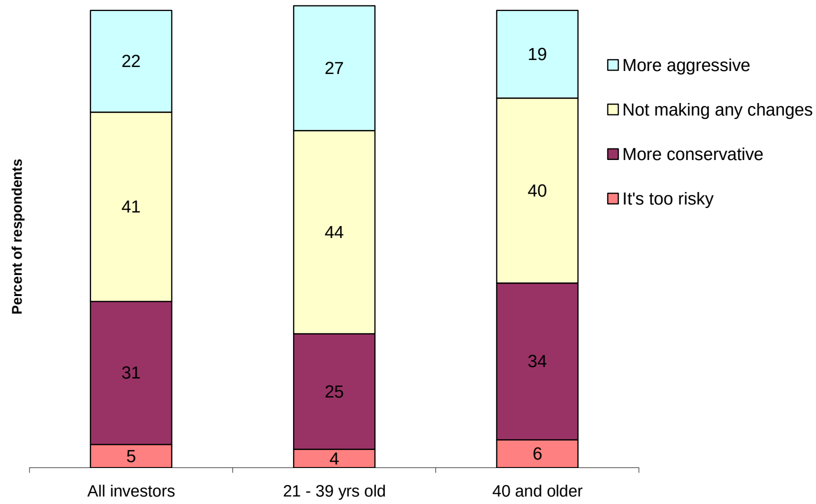
In spite of the over-riding pall of pessimism, U.S. investors show themselves to be resilient and optimistic in their outlook. Over half (52%) plan to invest about the same amount in 2010 as they did in 2009 and, surprisingly, about 4 out of 10 (37%) plan to invest more. Just 11% say they plan to invest less in 2010. Younger investors are even more optimistic. Forty-three percent (43%) of those 21 to 39 years old plan to invest more in 2010 compared to 33% of those 40 to 65 years old.



Further, this state of optimism is also portrayed in the general approach American investors are taking with respect to how to invest. More than 6 in 10 (63%) either plan to make no changes in their approach or, more tellingly, plan to take a more aggressive approach to what they perceive is a buying opportunity. Twenty-two percent (22%) say, "I think now is a great time to invest. I'm taking a more aggressive approach." Another 41% say, "I believe in a long term view when it comes to investing, so I'm not making any changes to my investments." Just 5% indicate they have, in effect, headed to the sideline with their choice of the statement, "It's too risky. I don't want to invest right now." 31% say, "I'm more conservative than before, but it's still OK to invest."

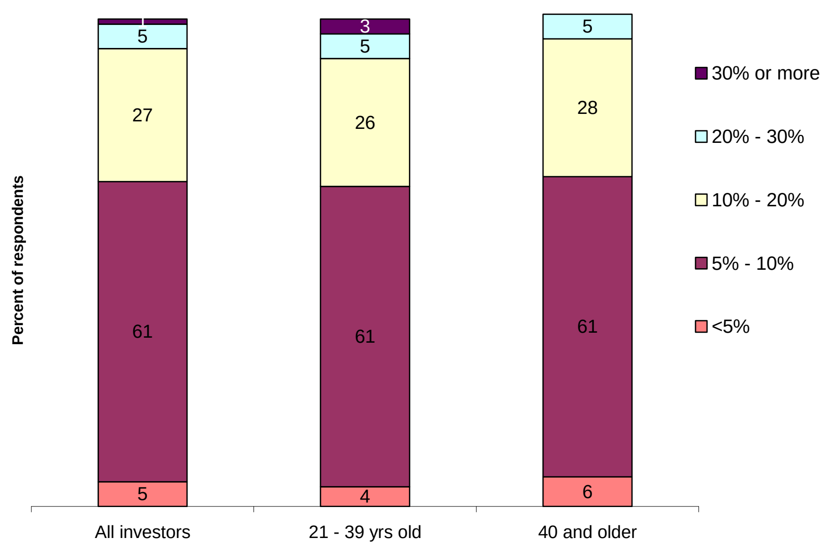
Twenty-seven percent (27%) of younger investors say, "I think now is a great time to invest. I'm taking a more aggressive approach" compared to just 19% of older investors. Finally, 44% of younger investors say, "I believe in a long term view when it comes to investing, so I'm not making any changes to my investments" compared to 40% of older investors.

Which of the following best characterizes your feelings about investing today?



The largest proportion of investors, 61%, expect an annual return of between 5% and 10% on their money. Still, 26% of younger investors and 28% of older investors expect an annual return between 10% and 20%. The weighted average return is 11%, considering all responses. Interestingly, this level of expected return is very consistent with historical stock market performance. (There are, in fact, a variety of ways to evaluate this, but invariably the results of the analyses show the stock market has returned between 8% and 11% per year, on average, going back at least 75 years.) We conclude from this that recent market performance and softness in the economy has not tempered investors' expectations.

What is your expectation for an average, annual return on the money you invest?

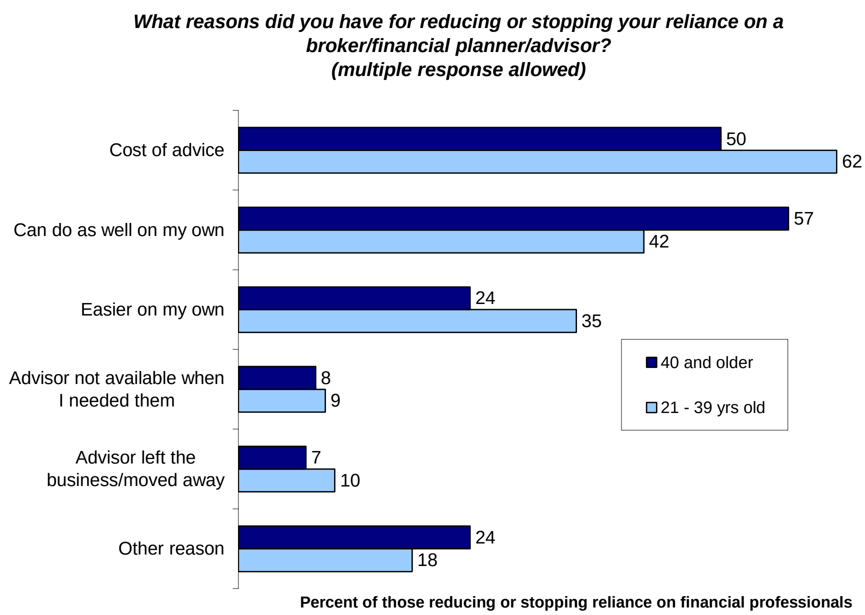


2. A movement toward greater independence and individual responsibility

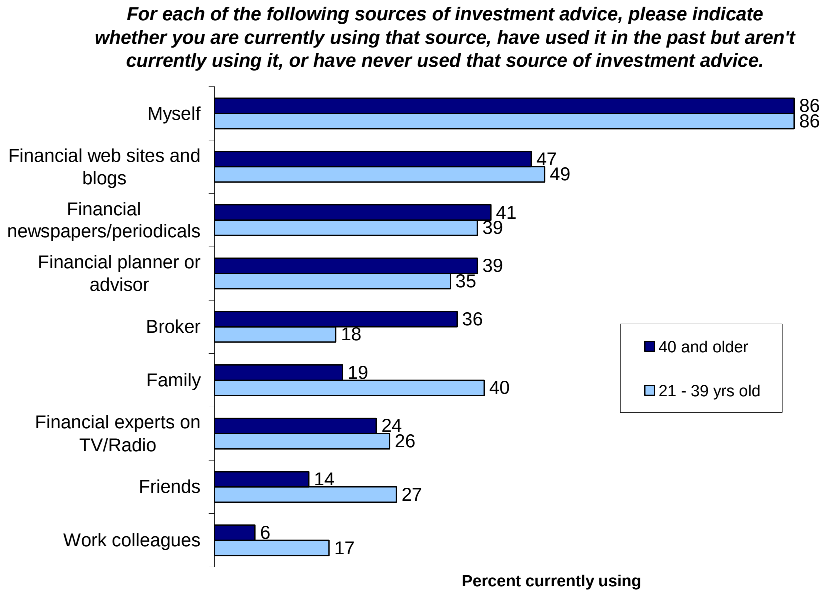
The fact investors remain optimistic and committed to their investing strategy is not to say they aren't making any changes. The losses they incurred in 2008/2009 and the questionable practices of some financial institutions have caused investors to re-evaluate their reliance on financial advisors and brokers for investing advice. Forty-five percent (45%) of U.S. investors say they have either reduced or eliminated all together their use of financial professionals for investing advice. Older investors are leading this trend. Almost half (49%) of those 40 - 65 have reduced or eliminated their reliance compared to 37% of investors aged 21 – 39.

The reasons for this trend vary by age. Almost two in three (62%) younger investors aged 21 – 39 years old say the cost of advice was the reason they reduced or eliminated their reliance on financial professionals for investing advice. By comparison, 57% of investors 40 – 65 feel they can do just as good a job making their own investing decisions.

Additionally, younger investors are more likely than older ones to say, "it is easier to invest on their own" as the reason for their reduced reliance on professionals (35% of investors aged 21 – 39 compared with 24% of those 40 or older).



Traditional and new media sources are also beginning to play a leading role for investors who need advice. Financial websites and blogs (49%) and financial print publications (39%) are currently used by more young investors for advice than financial planners (35%) or brokers (18%). Additionally, family members (40%) are being used by more young investors for advice than brokers (18%). Investors aged 40 and older also rely on financial websites and blogs (47%) and financial print publications (41%) more than planners (39%), brokers (36%) and family (19%).



Younger investors differ from their older counterparts in that they are far more likely to rely on family (40% v. 19%), friends (27% v. 14%) and work colleagues (17% v. 6%) and far less likely to rely on brokers (18% v. 36%).

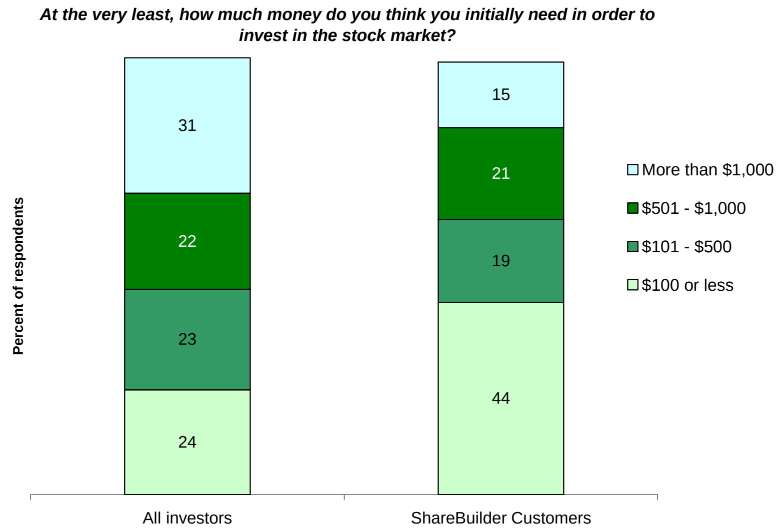
3. Most see barriers to getting started, where, in fact there may be none

There is a clear desire and intent to continue to invest, and in some cases invest more money in the stock market than last year. But most U.S. investors see a practical barrier for those who want to get started investing, namely the amount of money they think is required. On average, investors think they need $699 to get started investing. Over half (53%) of U.S. investors think you need more than $500 initially to invest in the stock market. Thirty-one percent (31%) think more than $1,000 is required.

Almost half (48%) of younger investors think they need more than $500 to start investing compared to 56% of older investors.

Dan Greenshields, President of ShareBuilder, says that is a misconception. “Most investors think you might need several thousand dollars to get started. That simply isn’t the case. Investors – young and old – should realize there are practical ways to invest smaller amounts, cost effectively.”

ShareBuilder customers see this issue quite differently, owing to their experience with the ShareBuilder automatic investing platform. Just 15% think you need as much as $1,000 to get started investing. The largest proportion (44%) say you can get started with just $100 or less.



4. Parents play a key role among younger investors

Parents everywhere should be heartened to learn young investors believe the popular perception that young people don't want to listen to their parents and certainly don't want to emulate their behavior. Nearly two in three (64%) U.S. investors aged 21 to 39 say their parents invested in the stock market, compared to 43% of those aged 40 to 65. Almost one-third (30%) of the younger group say their parents had the biggest influence in getting them started investing, the largest proportion of any other source of influence, including those who say "myself exclusively" (25%). By comparison, 17% of investors 40 to 65 years old say their parents had the largest influence. The largest proportion of older investors (31%) say the largest influence is "myself exclusively".