CONDUCTED BY: Journal of Financial Planning FPA

# 2023 Trends in Investing Survey

# 2023 Trends in Investing

The 2023 Trends in Investing Survey was conducted by the *Journal of Financial Planning* and the Financial Planning Association from Feb. 14, 2023, to April 7, 2023. The survey received 191 responses from financial planners who provide or implement investment services or recommendations for their clients.

# Executive Summary

Investors had a difficult year in 2022, and the professionals who advise them or act on their behalf had a lot to manage. As the world continued to recalibrate after the COVID-19 pandemic, FPA and the *Journal of Financial Planning* wondered where investment professionals were looking for opportunities for their clients. We asked respondents in the 2023 Trends in Investing survey to tell us about how they were using alternatives for their clients.

We learned that while there is interest in these products, there are still significant concerns, namely their lack of liquidity and overall cost. What's more, some planners indicated a general lack of trust in the ability of these products to meet clients' needs.

Meanwhile, over 90 percent of investment professionals said they use or recommend exchange-traded funds for their clients, and nearly half say they plan to increase their utilization over the next 12 months. Investment professionals are embracing a blend of active and passive strategies after a turn toward one or the other over the past couple of years.

Although investment professionals are generally bearish in their economic outlooks, over 71% expressed some level of confidence in the traditional 60/40 portfolio's ability to provide similar returns as it has historically.

# Investments Used

## Which investment vehicles do you *currently* use/recommend with your clients

| | 2019 | 2023 | |
|---|---|---|---|
| Exchange-traded funds (ETFs) | **88.0%** | **90.1%** | ▲ |
| Cash and equivalents | **79.9%** | **76.4%** | ▼ |
| Mutual funds (non-wrap) | **70.2%** | **63.9%** | ▼ |
| Individual stocks | **54.4%** | **50.8%** | ▼ |
| Individual bonds | **41.8%** | **47.1%** | ▲ |
| ESG (environmental/social/governance) funds | **25.5%** | **34.6%** | ▲ |
| Separately managed accounts | **26.1%** | **33.0%** | ▲ |
| Fixed annuities (immediate and/or deferred) | **22.6%** | **30.9%** | ▲ |
| Variable annuities (immediate and/or deferred) | **26.4%** | **30.4%** | ▲ |
| Mutual fund wrap program(s) | **32.4%** | **26.7%** | ▼ |
| Fixed permanent life insurance products | **24.4%** | **25.7%** | ▲ |
| Private equity funds | **12.3%** | **23.0%** | ▲ |
| Variable permanent life insurance | **14.0%** | **22.5%** | ▲ |
| Indexed annuities | **14.6%** | **22.0%** | ▲ |
| Structured products | **10.9%** | **20.9%** | ▲ |
| Other alternative investments (if bought directly, not included in other investment vehicles) | **13.2%** | **17.3%** | ▲ |
| Individually traded REITs (not held in mutual funds) | **20.3%** | **16.8%** | ▼ |
| Non-traded REITs | **13.2%** | **16.8%** | ▲ |
| Options | **9.2%** | **11.5%** | ▲ |
| Hedge funds (directly, not through mutual funds) | **8.0%** | **10.5%** | ▲ |
| Precious metals | **4.9%** | **7.9%** | ▲ |
| Other | **4.0%** | **4.2%** | ▲ |
| Cryptocurrencies | **0.3%** | **2.6%** | ▲ |

# ETFs Top Today's (and Tomorrow's) Investments

The survey asked respondents to identify all of the investments they are currently using with or recommending to their clients. Over 90 percent of investment professionals who responded to the survey said they use or recommend exchange-traded funds for their clients. Nearly half say they plan to increase their utilization in the next 12 months.

Cash and equivalents (76%), non-wrap mutual funds (64%), individual stocks (51%), and bonds (47%) round out the top five investments that professionals are using with or recommending to their clients.

To get a sense of how the investment landscape has recovered since the COVID-19 pandemic, we compared investment vehicle utilization between 2019, the last year before the pandemic started, to utilization in 2023. While innovation has brought some new opportunities to market, investment professional's utilization of tried-and-true vehicles is largely unchanged.

## Which investment vehicles do you expect to *increase* your use/recommendation of in the next 12 months?

| | 2019 | 2023 | |
|---|---|---|---|
| Exchange-traded funds (ETFs) | **44.5%** | **49.7%** | ▲ |
| Cash and equivalents | **24.9%** | **24.1%** | ▼ |
| Individual bonds | **16.3%** | **23.6%** | ▲ |
| Individual stocks | **15.4%** | **18.3%** | ▲ |
| None. I do not plan to increase the use/recommendation of any investment vehicles | **18.4%** | **17.8%** | ▼ |
| Separately managed accounts | **8.6%** | **15.2%** | ▲ |
| ESG (environmental/social/governance) funds | **19.3%** | **14.7%** | ▼ |
| Mutual funds (non-wrap) | **19.0%** | **14.1%** | ▼ |
| Variable annuities (immediate or deferred) | **8.3%** | **12.0%** | ▲ |
| Other alternative investments (if bought directly, not included in other investment vehicles) | **6.8%** | **11.5%** | ▲ |
| Private equity funds | **6.2%** | **11.5%** | ▲ |
| Structured products | **5.6%** | **11.5%** | ▲ |
| Fixed annuities (immediate and/or deferred) | **11.3%** | **11.0%** | ▼ |
| Indexed annuities | **8.3%** | **10.5%** | ▲ |
| Mutual fund wrap program(s) | **14.2%** | **10.5%** | ▼ |
| Variable permanent life insurance | **3.6%** | **5.8%** | ▲ |
| Non-traded REITs | **3.3%** | **4.7%** | ▲ |
| Fixed permanent life insurance products | **5.9%** | **4.2%** | ▼ |
| Hedge funds (directly, not through mutual funds) | **3.6%** | **3.7%** | ▲ |
| Cryptocurrencies | **0.9%** | **3.1%** | ▲ |
| Individually traded REITs (not held within a mutual fund) | **4.2%** | **3.1%** | ▼ |
| Precious metals | **3.0%** | **2.6%** | ▼ |
| Options | **2.1%** | **2.1%** | – |

## Which investment vehicles do you expect to *decrease* your use/recommendation of in the next 12 months?

| | 2019 | 2023 |
|---|---|---|
| None. I do not plan to increase the use/recommendation of any investment vehicles | **36.0%** | **38.7%** ▲ |
| Mutual funds (non-wrap) | **19.2%** | **25.7%** ▲ |
| Individual stocks | **22.7%** | **15.2%** ▼ |
| Cash and equivalents | **5.2%** | **13.6%** ▲ |
| Individual bonds | **13.3%** | **10.0%** ▼ |
| Mutual fund wrap program(s) | **4.9%** | **8.9%** ▲ |
| Variable annuities (immediate or deferred) | **9.1%** | **6.8%** ▼ |
| Fixed annuities (immediate or deferred) | **5.2%** | **5.2%** – |
| Cryptocurrencies | **0.0%** | **4.7%** ▲ |
| ESG (environmental/social/governance) funds | **0.3%** | **4.7%** ▲ |
| Non-traded REITs | **3.9%** | **3.7%** ▼ |
| Exchange-traded funds (ETFs) | **6.5%** | **3.1%** ▼ |
| Fixed permanent life insurance products | **1.6%** | **3.1%** ▲ |
| Indexed annuities | **2.9%** | **3.1%** ▲ |
| Other alternative investments (if bought directly, not included in other investment vehicles) | **0.3%** | **2.6%** ▲ |
| Precious metals | **0.3%** | **2.6%** ▲ |
| Private equity funds | **0.7%** | **2.6%** ▲ |
| Hedge funds (directly, not through mutual funds) | **1.3%** | **2.1%** ▲ |
| Individually traded REITs (not held in mutual funds) | **2.6%** | **2.1%** ▼ |
| Separately managed accounts | **1.0%** | **1.6%** ▲ |
| Structured products | **1.3%** | **1.6%** ▲ |
| Variable permanent life insurance | **2.0%** | **1.6%** ▼ |
| Options | **1.6%** | **1.1%** ▼ |

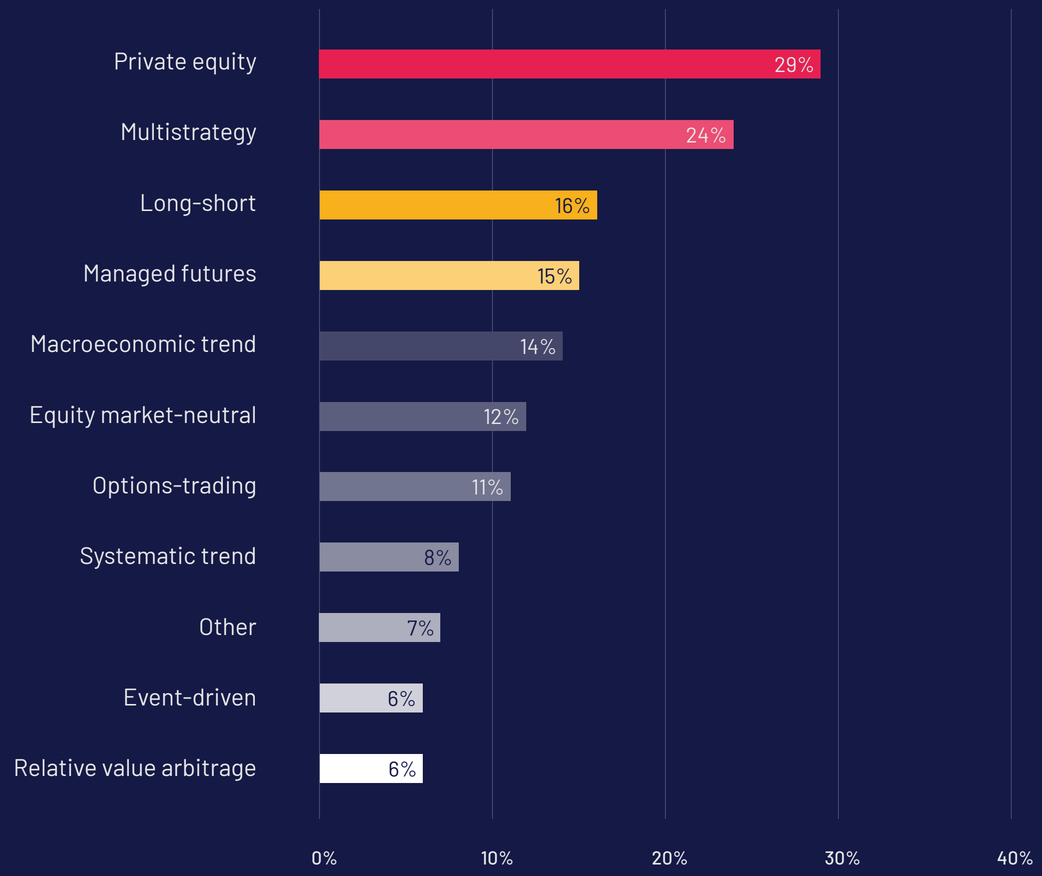
# Opinions Vary on Alts

In this year's survey, we asked respondents specific questions about their investment approach regarding alternative investments. Twenty-eight percent said they were actively investing in or searching for alternative investments suitable for their clients. Meanwhile, 30% of investment professionals said they were familiar with alternative investments but did not intend to invest in them or recommend them to their clients, and 11% were either not familiar or not interested.

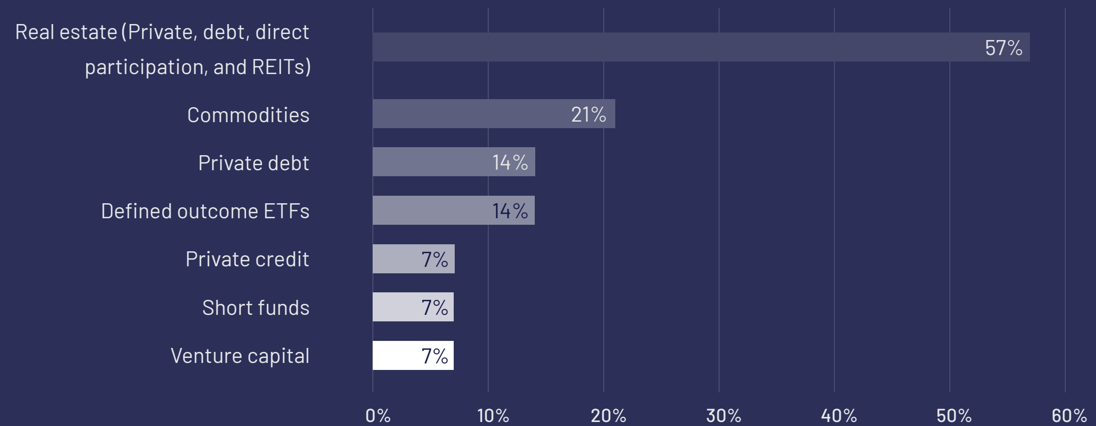
Half of investment professionals are investing in or recommending that clients invest in funds that provide access to alternative investment classes or strategies (50%), while one in five are making direct investments in a product, project, or company.

The most important objectives for investment professionals who recommend or invest in alternatives for their clients were diversification (55%) and risk mitigation (41%). Their biggest obstacle was the lack of liquidity, which 48% of professionals cited as a concern. Fees and expenses were a notable challenge (41%) while 38% said identifying suitable opportunities for client objectives was preventing them from implementing alternatives in their clients' portfolios.

## Which categories of alternative investment strategies are you adopting/recommending for your clients?



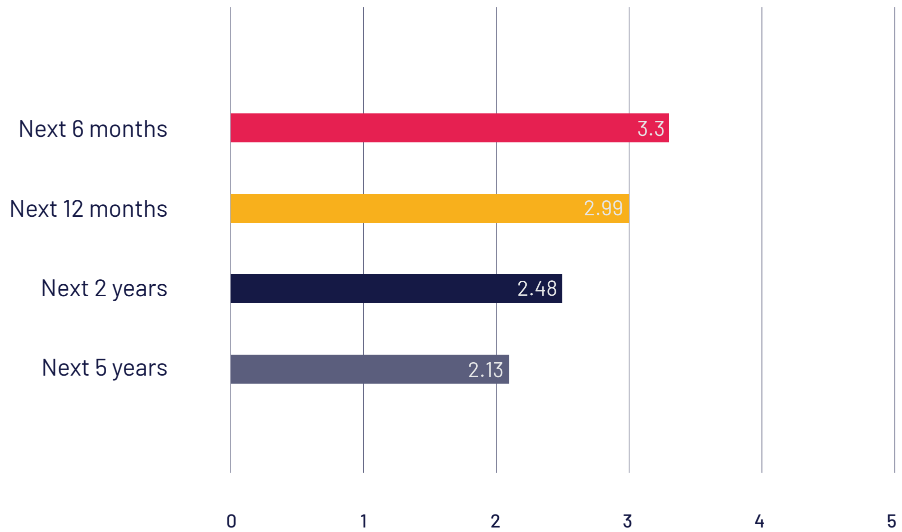

### "Other" Responses



# Economic Outlook

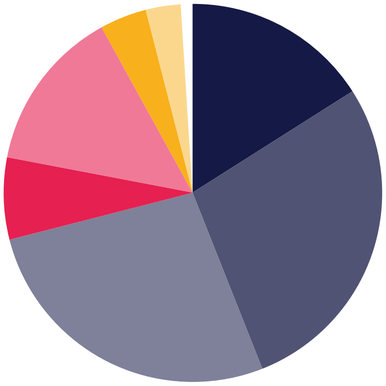
Investment professionals have a tempered outlook on the economy in the near term and get increasingly bullish about their economic outlook over the next five years.

### Q: What is your economic investment outlook for the... (1=Bullish; 5=Bearish)



Over 71% of respondents expressed confidence in the ability of the traditional 60/40 stocks and bonds portfolio to perform similar to how it has historically. Just 7% had a neutral outlook, while 21% were more hesitant, down from 24% last year.

## Q: How confident are you in the ability of the traditional 60/40 stocks and bonds portfolio to provide similar returns as it has historically?



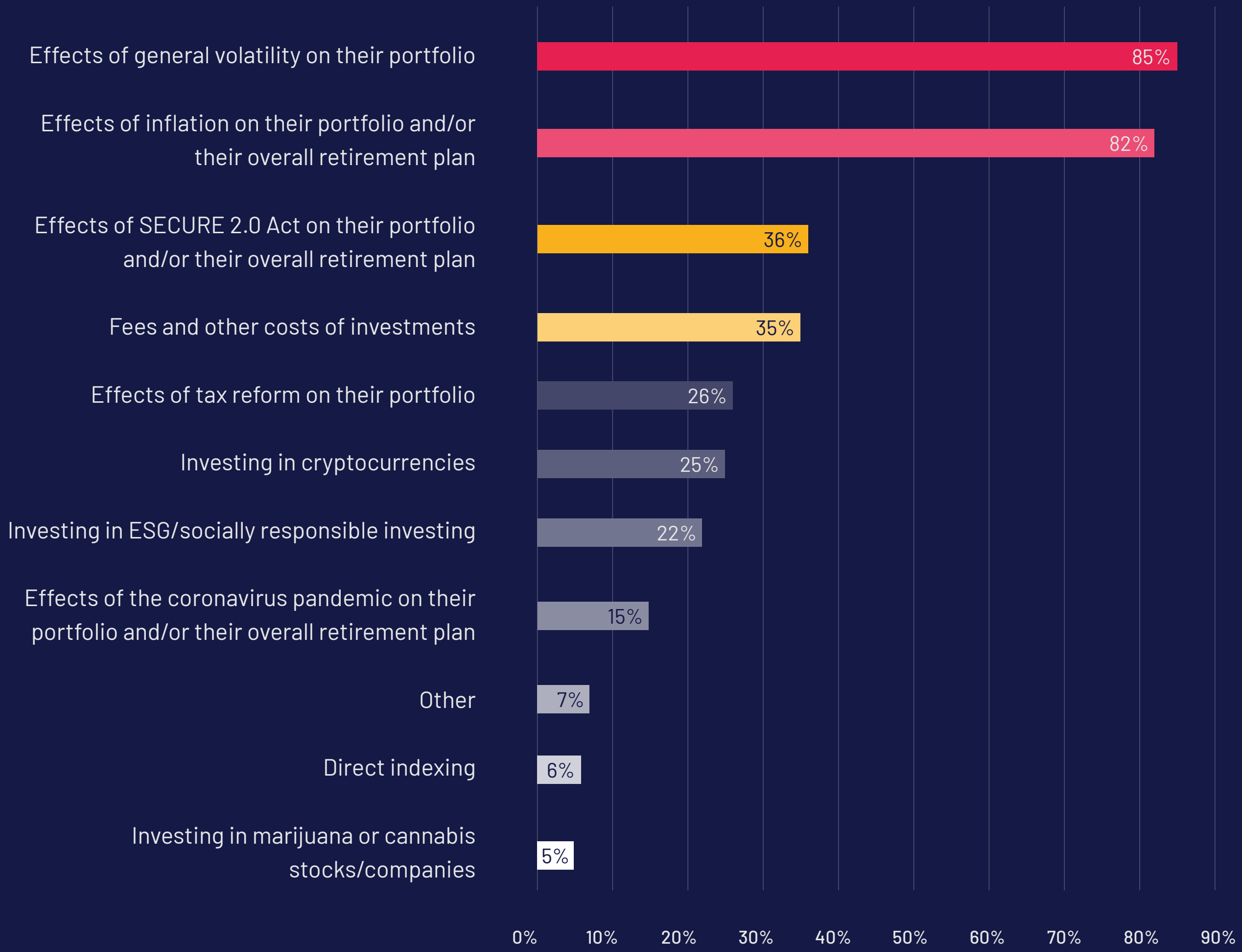
| | |
|---|---|
| 16% | Very Confident |
| 28% | Confident |
| 27% | Somewhat Confident |
| 7% | Neutral |
| 14% | Somewhat Doubtful |
| 4% | Doubtful |
| 3% | Very Doubtful |

*Percentages may not equal 100 due to rounding.*

Unsurprisingly after the tumult of 2022, general volatility and inflation are the leading concerns among clients. Nearly 85% of respondents said their clients have inquired about the effect of general volatility on their portfolio in the previous six months, and 82% said they had been fielding questions about the effects of inflation on clients' portfolios and overall retirement plans.

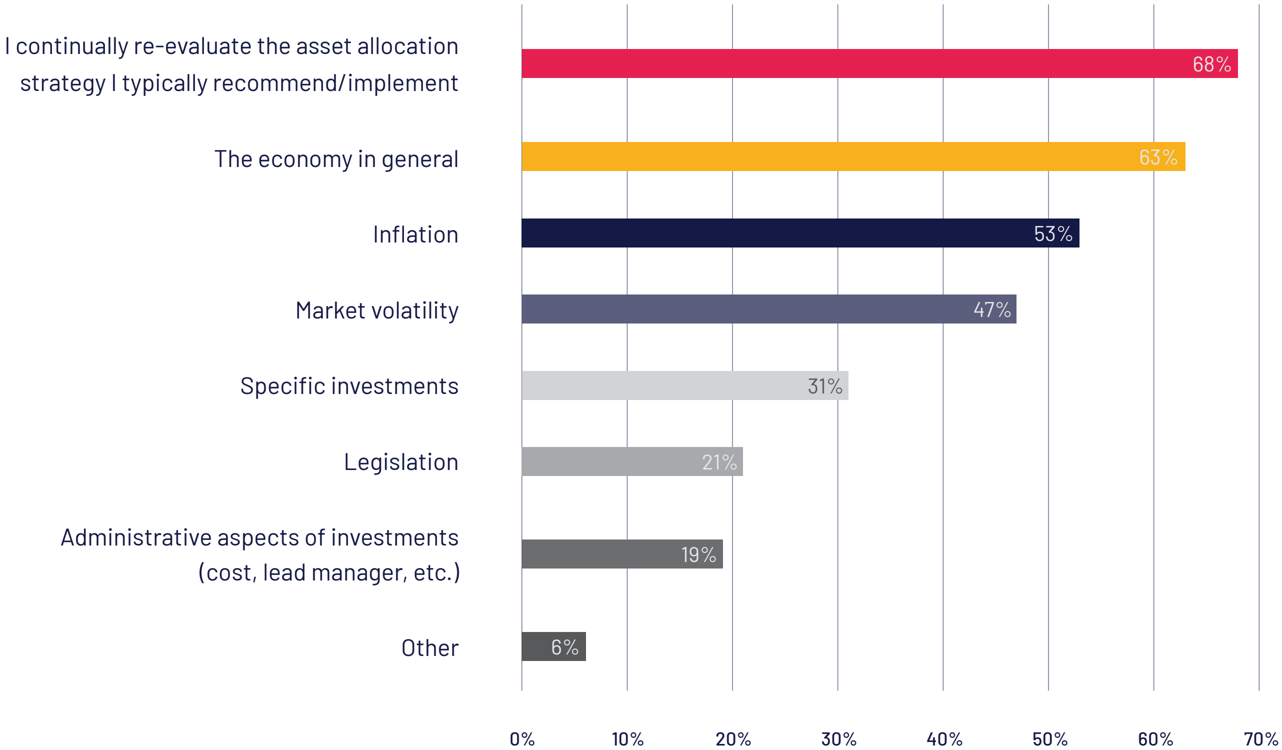
Just 15% of investment professionals said their clients are still asking about COVID-19 and the pandemic's impact on their financial situations. For the second year, client interest in ESG or socially responsible investing appears to be falling, with just 22% of investment professionals reporting clients asking about these investments in the previous six months, down from 31% in 2022 and 39% in 2021.

## Q: Which topics have clients inquired about in the past 6 months? (select all that apply)



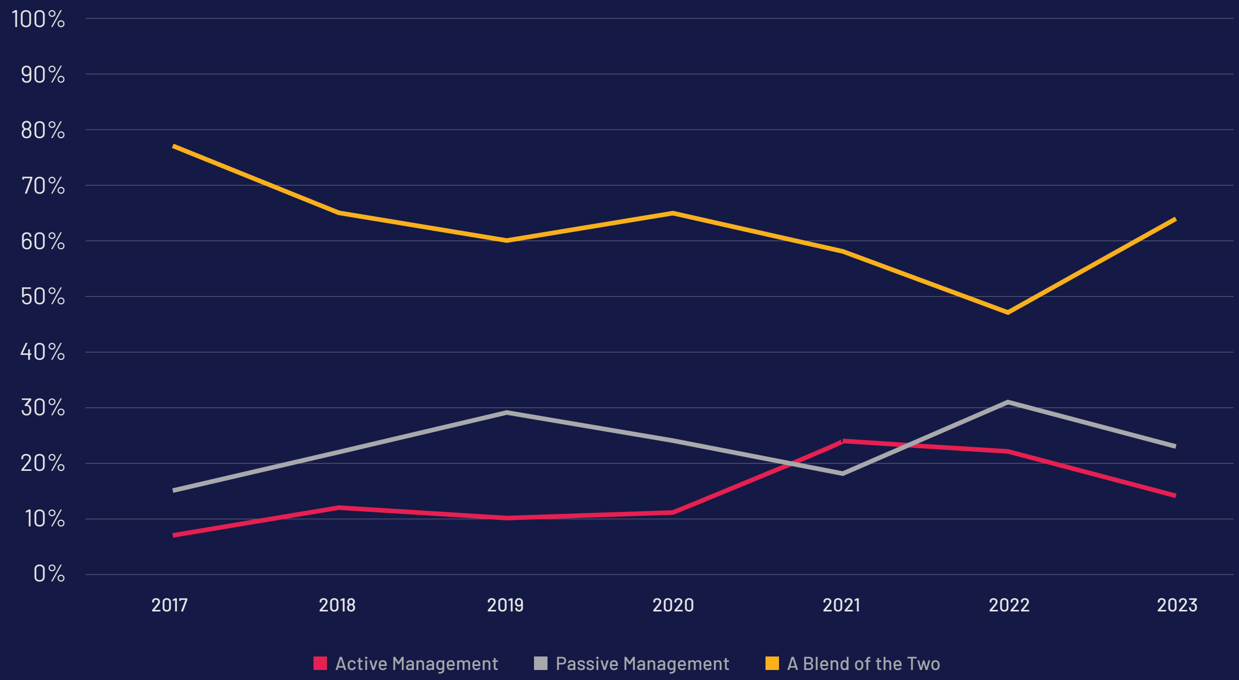
Among the two-thirds of respondents who re-evaluated their clients' portfolios in the three months prior to taking the survey, 67% noted that revisiting allocations are part of their ongoing strategy. Nearly 63% cited the economy as the driving force, and 53% had concerns about inflation.

## Q: I re-evaluate the asset allocation strategy I typically recommend/implement because of anticipated/existing changes in: (select all that apply)



Most (64%) investment professionals are adopting a blend of active and passive strategies. Just 23% are all-in on passive management, while 14% are committed to active management.

## Q: In general, which type of management do you think provides the best overall investment performance taking into account costs associated with each management style?



# About the Respondents

### How are you compensated for your services?

| 60% | 36% | 4% |
|---|---|---|
| Fee only | Fee and commission | Commission only |

### What is your primary practice model/registration status?

| | |
|---|---|
| Independent IAR/RIA | 53% |
| Registered rep, independent adviser affiliated with a B-D | 17% |
| Dually registered adviser | 11% |
| Unregistered planner/adviser | 8% |
| Other | 5% |
| Registered rep, employee for a B-D | 4% |
| Registered rep working for a bank, credit union, or savings and loan | 2% |

*"Other" responses included employees at trust companies.*

### What designations do you hold?

| 79% | 28% | 16% | 8% | 8% | 8% | 4% |
|---|---|---|---|---|---|---|
| CFP® | Other | FINRA-registered rep | AIF® | ChFC® | CFA | None |

### How many years have you been in the profession?

| 47% | 18% | 15% | 12% | 8% |
|---|---|---|---|---|
| 21+ | 6 to 10 | 0 to 5 | 16 to 20 | 11 to 15 |

# Partners

## About the *Journal of Financial Planning*

First published in 1979, the mission of the *Journal of Financial Planning* is to expand the body of knowledge in the financial planning profession. With monthly feature articles, interviews, columns, and peer-reviewed technical contributions, the *Journal's* content is dynamic, innovative, thought-provoking, and directly beneficial to financial advisers in their work.  Learn more.

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## About the Financial Planning Association

The Financial Planning Association® (FPA®) is the leading membership organization for CERTIFIED FINANCIAL PLANNER™ professionals and those engaged in the financial planning process. FPA is the CFP® professional's partner in planning by helping them realize their vision of professional fulfillment through practice support, learning, advocacy, and networking. Learn more about FPA at financialplanningassociation.org and follow on Twitter at twitter.com/fpassociation.

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