Overall Objective

The overall objective of this paper is to investigate the use of the Internet as a tool in seeking personal finance information and in performing investment related tasks.
Specific Objectives

- To explore relationships between socio-demographic variables and the use of the Internet as a source for financial matters.
- To identify reasons for not using the Internet as a source of financial and investment information.
- To explore differences in the use of Internet among different ethnic groups (Caucasian, African, Asian, and Hispanic Americans).
A large percentage of people use Internet as a source of financial information. Smith (2007) found that:

- 43% of respondents had searched for online savings accounts
- 23% of respondents had looked for information on mortgages
- 55% of respondents had compared prices before making a financial decision
- 46% of respondents believed that they are able to find all the financial and monetary advice they need on the Internet
- 50% of respondents would get preliminary information from the Internet before seeing a professional
From 2000-2002, financial and transaction based activities were growing more than any other type of online pursuit, with online banking increasing by 127% and the use of the Internet to search for financial information increasing by 32% (Madden, 2003).

Horrigan & Raine (2006): 45% of Internet users said the Internet played a major role in making a major investment decision.
Data were collected through a national telephone survey of the primary investor in 911 high income U.S. households.

The focus was on high income households due to their capacity to invest.

The survey was conducted between October 2005 and February 2006.

The overall response rate was 22%.
Males - 65%
40-59 years old - 66%
Caucasians - 82%
College or higher degree - 67%
$75,000 to 150,000 HH Income - 73%
Sources of Financial Information

- Financial Advisor
- Prints-Newspapers, magazines, books, newsletters
- Internet
- Workplace
- Friends and colleagues
- Any other place

Percent of Respondents
Uses of the Internet

Financial Resource Usage on the Internet

- Use the Internet to Buy or Sell Investments
- Use Personalized Market Watch Websites
- Read E-Mail Investment Newsletters

Percent of Respondents who Responded Often or Very Often
Reasons for Not Using the Internet as a Source of Financial Information

- Security Concerns
- Investment Websites are Difficult or Confusing
- Prefer to Work with People

Percent of Respondents
Use of Internet as a Source of Financial Information

Reasons for Not Using the Internet as a Source of Financial Information

1. Security Concerns
2. Investment Websites Difficult or Confusing
3. Prefer to work with People

Socio-economic Variables

- Gender
- Age
- Race
- Education
- Income
Significant Characteristics

- Age***
- Education**
- Gender***
- Income ***
- Ethnicity
  - Caucasian* , Hispanics**
  - African Americans**

* p-value < 0.05  ** p-value < 0.01  ***p-value < 0.001
Reasons for Not Using the Internet

- Prefer to Work with People
  - Ethnicity: Asian Americans*, Hispanic Americans*

- Security Concerns
  - Education**
  - Income*
  - Ethnicity: African Americans***, Hispanic Americans*

- Investment Websites Difficult or Confusing
  - Education**
  - Ethnicity: Asian Americans*
  - Gender*: Males

* p-value < 0.10  ** p-value < 0.05  ***p-value < 0.01
Conclusions – Major Findings

- Internet is the third largest source of financial information (after advisors and print media)
- Investment e-mails, view market websites and buying and selling investments were used by a large amount of individuals
- A preference for working with people, security concerns and confusing and difficult website are significant concerns when using the Internet
- Financial advisors are important to investors
  - majority of the investors prefer financial advisors to seek financial information
More Findings

- Age, gender and race are important factors
  - Older respondents used the Internet for investment related purposes, while younger to seek financial information in general
  - More women found information on Internet confusing, difficult, and they prefer working with a person
  - Asians more likely than others to use Internet for financial information, find investment websites confusing and prefer to work with a person
Be aware of the needs of the different groups of current and potential clients

- Women and Asians prefer personal contact when making investment decisions
- Women are less likely to find the Internet appealing as a source of financial information
- Take steps to help younger clients become comfortable in using the Internet to make investment decisions as well as seeking financial information
Educators can use these findings as they develop educational materials and prepare future professionals.

Researchers must identify reasons for such a limited use of Internet for financial management in general, and investment decisions in particular.

Professionals must explore ways to improve women’s comfort level in using the Internet.
Limitations

- Sample consists of high income, middle age, and highly educated investors
- The proportion of each group of minority respondents is very small
- Sample is 4 years old
- Response rate is only 22%
- The survey did not include a comprehensive list of the uses or concerns in using the Internet as a source of financial information
References


Questions?