

2018 National Financial Capability Study Investor Survey Instrument

Note:

- Changes from the 2015 NFCS Investor Survey are footnoted in this document.

Sample Characteristics:

- N = 2,000 investors who completed the 2018 NFCS State-by-State Survey
- All respondents screened to have:
 - Investments outside of retirement accounts
 - Primary or shared decision-making responsibility for investments in their household

Coding Notes:

- For all questions in the survey:
 - Code 98 = Don't know
 - Code 99 = Prefer not to say

- # Z) Thank you very much for participating in this research.
 - Please be assured that all of your answers will be completely ANONYMOUS and CONFIDENTIAL. Therefore, please try to answer these questions as openly and honestly as possible.

A) [SECTION A: SCREENING]

A1) Which of the following best describes the situation in your household with regards to investments?

- I am the primary decision-maker when it comes to making investments for my household 1
- I share the decision-making responsibility when it comes to making investments for my household 2
- I do not participate in decisions when it comes to making investments for my household 3
- Don't know 98
- Prefer not to say 99

[IF Q.A1 = 3, 98, 99 (NOT DM/DK/PNTS); TERMINATE & SKIP TO QTERM]

A2) Do you have any investments in retirement accounts (e.g., 401(k), IRA, etc.)?

- Yes..... 1
- No 2
- Don't know 98
- Prefer not to say 99

A3) Not including retirement accounts, do you have any investments in stocks, bonds, mutual funds, or other securities?

- Yes..... 1
- No 2
- Don't know 98
- Prefer not to say 99

[IF Q.A3 = 2, 98, 99 (NO/DK/PNTS); TERMINATE & SKIP TO QTERM]

- # B) [SECTION B: INVESTMENTS]
- # B1) The following questions are about your investments that are not in retirement accounts. We will refer to these as “non-retirement accounts.”
- # B2) Which of the following types of investments do you currently own in non-retirement accounts?

[CREATE TWO BLOCKS: BLOCK 1 = B2_1 THROUGH B2_20; BLOCK 2 = B2_21 through B2_25; ALWAYS DISPLAY BLOCK 1 FIRST AND THEN BLOCK 2, BUT RANDOMIZE WITHIN BLOCKS – ANCHOR B2_8]

		Yes	No	Don't Know	Prefer Not to Say
B2_1)	Individual stocks	1	2	98	99
B2_2)	Individual bonds	1	2	98	99
B2_3)	Mutual funds	1	2	98	99
B2_4)	Exchange Traded Funds (ETFs)	1	2	98	99
B2_5)	Annuities (fixed, indexed, or variable)	1	2	98	99
B2_7)	Commodities or futures	1	2	98	99
B2_20) ¹	Whole life insurance (not term life insurance)	1	2	98	99
B2_21) ²	REITs	1	2	98	99
B2_22) ³	Options	1	2	98	99
B2_23) ⁴	Microcap stocks or penny stocks	1	2	98	99
B2_24) ⁵	Structured notes	1	2	98	99
B2_25) ⁶	Private placements	1	2	98	99

- # B3) In the past 12 months, how many times have you bought or sold investments in non-retirement accounts?

None.....	1
1 to 3 times.....	2
4 to 10 times.....	3
11 times or more	4
Don't know	98
Prefer not to say	99

¹ New question. Replaces B2_6 from 2015.

² New question.

³ New question.

⁴ New question.

⁵ New question.

⁶ New question.

B4) What is the approximate total value of all of your investments in non-retirement accounts?

Less than \$2,000	1
\$2,000 to less than \$5,000	2
\$5,000 to less than \$10,000.....	3
\$10,000 to less than \$25,000.....	4
\$25,000 to less than \$50,000.....	5
\$50,000 to less than \$100,000.....	6
\$100,000 to less than \$250,000.....	7
\$250,000 to less than \$500,000.....	8
\$500,000 to less than \$1,000,000.....	9
\$1,000,000 or more	10
Don't know	98
Prefer not to say	99

B5) Do any of your investment accounts allow you to make purchases on margin?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

[IF Q.B5 = 1 (YES), ASK; OTHERWISE SKIP TO Q.B21]

B6) Have you made any securities purchases on margin?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

[IF Q.B6 = 1 (YES), ASK; OTHERWISE SKIP TO Q.B21]

B20)⁷ Have you ever had a margin call?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

B21)⁸ Some investment firms offer you the option to use your investment accounts as collateral for a loan or line of credit. You cannot use the borrowed money to purchase securities, but you can use it for other purposes, such as buying a car or renovating a home.

Do you have this type of loan or line of credit?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

⁷ New question.

⁸ New question.

- # B10) Which of the following statements comes closest to describing the amount of financial risk that you are willing to take when you save or make investments?
- Take substantial financial risks expecting to earn substantial returns.....1
 - Take above average financial risks expecting to earn above average returns.....2
 - Take average financial risks expecting to earn average returns.....3
 - Not willing to take any financial risks4
 - Don't know98
 - Prefer not to say99
- # B11) How much of your non-retirement portfolio is invested in stocks or mutual funds that contain stocks?
- More than half.....1
 - Less than half.....2
 - None.....3
 - Don't know98
 - Prefer not to say99
- # B22)⁹ Do you currently rely on your investments to cover any of your living expenses?
- Yes.....1
 - No2
 - Don't know98
 - Prefer not to say99
- # B23)¹⁰ Have you heard of cryptocurrencies (e.g., Bitcoin, Ethereum, or Litecoin)?
- Yes.....1
 - No2
 - Don't know98
 - Prefer not to say99
- [IF Q.B23 = 1 (YES), ASK; OTHERWISE SKIP TO Q.C20]
- # B24)¹¹ In your opinion, how risky are cryptocurrencies as an investment?
- Not at all risky.....1
 - Slightly risky.....2
 - Moderately risky3
 - Very risky.....4
 - Extremely risky.....5
 - Don't know98
 - Prefer not to say99

⁹ New question.

¹⁰ New question.

¹¹ New question.

B25)¹² Have you invested in cryptocurrencies, either directly or through a fund that invests in cryptocurrencies?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

B26)¹³ Are you considering investing in cryptocurrencies in the future?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

¹² New question.

¹³ New question.

C) [SECTION C: INTERMEDIARIES]

C20)¹⁴ How often do you make investment decisions for your non-retirement accounts in the following ways?

[RANDOMIZE]

		Never	Sometimes	Frequently	Don't Know	Prefer not to Say
C20_1)	I let a professional choose investments for me	1	2	3	98	99
C20_2)	I discuss investment options with a professional then make the decisions myself	1	2	3	98	99
C20_3)	I conduct my own research (e.g., read articles, go to websites, watch financial news) then make the decisions myself	1	2	3	98	99
C20_4)	I use a web-based, online tool that chooses investments for me	1	2	3	98	99
C20_5)	I use a mobile app that chooses investments for me	1	2	3	98	99

[IF Q.C20_1 = 2 OR 3 (SOMETIMES/FREQ LET PROF. CHOOSE), ASK; OTHERWISE SKIP TO Q.C22]

C21)¹⁵ When a professional chooses investments for you, does he or she need your approval for each individual transaction?

- Yes.....1
- No2
- Don't know98
- Prefer not to say99

C22)¹⁶ How often do you buy or sell investments for your non-retirement accounts in the following ways?

[DO NOT RANDOMIZE]

		Never	Sometimes	Frequently	Don't Know	Prefer not to Say
C22_1)	I contact a specific person (my financial advisor) and ask them to make the sale or purchase	1	2	3	98	99
C22_2)	I call my financial firm and speak to an available representative	1	2	3	98	99
C22_3)	I place orders online through a website	1	2	3	98	99
C22_4)	I place orders through a mobile app	1	2	3	98	99

¹⁴ New questions. These replace C1 and C11 from 2015.

¹⁵ New question.

¹⁶ New questions.

C23)¹⁷ Do you pay any of the following types of fees for investing in your non-retirement accounts?

[RANDOMIZE]

		Yes	No	Don't Know	Prefer not to Say
C23_1)	Fees for investment advice	1	2	98	99
C23_2)	Fees or commissions for trades	1	2	98	99
C23_3)	Mutual fund fees or expenses	1	2	98	99
C23_4)	Account service fees	1	2	98	99

C24)¹⁸ Considering all the various types of fees, approximately what percentage of your invested assets do you pay annually in fees for your non-retirement accounts?

Do not pay any fees	1
Less than 0.5%.....	2
0.5% to less than 1%.....	3
1% to less than 2%.....	4
2% to less than 4%.....	5
4% or more.....	6
Don't know	98
Prefer not to say	99

[IF Q.C24 = 1 – 6, ASK; OTHERWISE SKIP TO Q.C26]

C25)¹⁹ How confident are you in the answer you just provided?

Not At All Confident 1	2	3	4	5	6	7	8	9	Extremely Confident 10	Don't Know	Prefer Not to Say
1	2	3	4	5	6	7	8	9	10	98	99

C26)²⁰ A **trusted contact** is a person you authorize your investment firm to contact if the firm has trouble reaching you or suspects financial exploitation.

Have you authorized a trusted contact for any of your investment accounts?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

¹⁷ New questions. These replace C16 from 2015.

¹⁸ New question. Replaces C14 from 2015.

¹⁹ New question. Replaces C14 from 2015.

²⁰ New question.

C7) Have you ever checked with a state or federal regulator regarding the background, registration, or license of a financial professional?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

- # D) [SECTION D: SECURITIES MARKET]
- # D1) How confident are you that U.S financial markets...
[RANDOMIZE]

	Not At All Confident 1	2	3	4	5	6	7	8	9	Extremely Confident 10	Don't Know	Prefer Not to Say
D1_1) Offer good long-term opportunities for investors	1	2	3	4	5	6	7	8	9	10	98	99
D1_2) Are fair to all investors	1	2	3	4	5	6	7	8	9	10	98	99

- # D2) What do you expect the approximate average annual return of the S&P 500 stock index to be over the next 10 years (without adjusting for inflation)?

Less than 0% (a negative return)	1
0% to 4.9%.....	2
5% to 9.9%.....	3
10% to 14.9%.....	4
15% to 19.9%.....	5
20% or more.....	6
Don't know	98
Prefer not to say	99

- # D3) Over the next 12 months, how well do you expect your portfolio of investments to perform?
[RANDOMIZE PUNCHES 1 AND 3]

Worse than the market as a whole.....	1
About the same as the rest of the market as a whole	2
Better than the market as a whole	3
Don't know	98
Prefer not to say	99

- # D20)²¹ When the stock market dropped by 10% in early February of this year, what did you do in response?

[RANDOMIZE PUNCHES 1 & 2]

Bought stocks or stock funds	1
Sold stocks or stock funds	2
Neither	3
Don't know	98
Prefer not to say	99

²¹ New question.

D21)²² If the stock market were to drop by 20% over a short period of time, what would you do in response?

[RANDOMIZE PUNCHES 1 & 2]

- Buy stocks or stock funds1
- Sell stocks or stock funds.....2
- Neither3
- Don't know98
- Prefer not to say99

D4) How strongly do you agree or disagree with the following statement?

Please give your answer on a scale of 1 to 7, where 1 = “Strongly Disagree,” 7 = “Strongly Agree,” and 4 = “Neither Agree Nor Disagree”. You can use any number from 1 to 7.

	Strongly Disagree 1	2	3	Neither Agree nor Disagree 4	5	6	Strongly Agree 7	Don't Know	Prefer Not to Say
I am worried about being victimized by investment fraud	1	2	3	4	5	6	7	98	99

²² New question.

E) [SECTION E: DISCLOSURE & REGULATION]

E1_1)²³ How confident are you that U.S. financial markets are effectively regulated to protect investors from fraud and abusive sales practices ?

Not At All Confident 1	2	3	4	5	6	7	8	9	Extremely Confident 10	Don't Know	Prefer Not to Say
1	2	3	4	5	6	7	8	9	10	98	99

E20)²⁴ Do you feel that investment industry disclosures regarding topics such as fees, risks of investing, and potential conflicts of interest are adequate?

Yes.....	1
No	2
Don't know	98
Prefer not to say	99

E5) What do you believe is the purpose of disclosures?

Protecting investors.....	1
Protecting the institutions that manage investments.....	2
Both.....	3
Neither	4
Don't know	98
Prefer not to say	99

E6) By which method would you prefer to receive mandatory disclosures regarding your investments?

In-person meetings with a broker or advisor	1
Paper documents physically mailed to you.....	2
Documents delivered to you electronically by email.....	3
Documents that you access on the Internet (not via email)	4
None of the above	5
Don't know	98
Prefer not to say	99

²³ Changed format of question from a grid with multiple items in 2015 to a single question in 2018.

²⁴ New question. Replaces E4 from 2015.

F) [SECTION F: INFORMATION SOURCES]

F1) Which of the following information sources do you use when making an investment decision?

[RANDOMIZE – ALWAYS PAIR F1_1/F1_2 TOGETHER IN THAT ORDER]

		Yes	No	Don't Know	Prefer Not to Say
F1_1)	Stockbrokers	1	2	98	99
F1_2)	Financial advisors other than stockbrokers	1	2	98	99
F1_3)	Information from the company you are investing in (e.g., annual reports, company websites)	1	2	98	99
F1_4) ²⁵	Information from brokerage firms, mutual fund companies, or other financial services companies (e.g., research reports, brochures, newsletters, seminars, websites)	1	2	98	99
F1_5)	The media (i.e., TV, radio, newspapers, magazines, online news sources and financial information websites)	1	2	98	99
F1_6)	Industry regulators (e.g., FINRA, SEC, state securities regulators)	1	2	98	99
F1_7)	Investment clubs or investor membership organizations	1	2	98	99
F1_8)	Your employer	1	2	98	99
F1_9)	Friends, colleagues, or family members	1	2	98	99

F2) In the past 12 months, which of the following have you used for information about investing?

[RANDOMIZE]

		Yes	No	Don't Know	Prefer Not to Say
F2_1)	Brochures or newsletters	1	2	98	99
F2_2)	Newspapers, magazines, or books	1	2	98	99
F2_5)	Television/radio programs	1	2	98	99
F2_6) ²⁶	Free online services, websites, or blogs	1	2	98	99
F2_20) ²⁷	Seminars or group meetings	1	2	98	99
F2_21) ²⁸	Paid subscription services	1	2	98	99
F2_22) ²⁹	Social media	1	2	98	99

²⁵ Minor wording changes (from “analyst reports” in 2015 to “research reports” in 2018).

²⁶ Minor wording changes (added “websites or blogs”).

²⁷ New question. Replaces F2_3 & F2_4 from 2015.

²⁸ New question.

²⁹ New question.

F3) Have you heard of any of the following consumer information tools?

[RANDOMIZE]

		Yes	No	Don't Know	Prefer Not to Say
F3_1)	BrokerCheck	1	2	98	99
F3_2)	IAPD (Investment Adviser Public Disclosure) database	1	2	98	99
F3_3)	EDGAR (Electronic Data-Gathering, Analysis, and Retrieval) database	1	2	98	99
F3_4)	CarFax	1	2	98	99
F3_5)	FreeCreditReport.com	1	2	98	99
F3_6)	AnnualCreditReport.com	1	2	98	99
F3_7)	SmartCheck	1	2	98	99
F3_8)	Investor.gov	1	2	98	99

F4) [IF Q.F3_1 = 1 (YES, HEARD OF BROKERCHECK), ASK; OTHERWISE SKIP TO Q.F5]
Have you ever used BrokerCheck?

- Yes..... 1
- No 2
- Don't know 98
- Prefer not to say 99

F5) [IF Q.F3_4 = 1 (YES, HEARD OF CARFAX), ASK; OTHERWISE SKIP TO Q.F20]
Have you ever used CarFax?

- Yes..... 1
- No 2
- Don't know 98
- Prefer not to say 99

F20)³⁰ [IF Q.F3_8 = 1 (YES, HEARD OF INVESTOR.GOV), ASK; OTHERWISE SKIP TO Q.G1]
Have you ever used Investor.gov?

- Yes..... 1
- No 2
- Don't know 98
- Prefer not to say 99

³⁰ New question.

G) [SECTION G: QUIZ & SELF-PERCEPTION]

G1) How comfortable are you when it comes to making investment decisions?

Not At All Comfortable 1	2	3	4	5	6	7	8	9	Extremely Comfortable 10	Don't Know	Prefer Not to Say
1	2	3	4	5	6	7	8	9	10	98	99

G2) On a scale from 1 to 7, where 1 means very low and 7 means very high, how would you assess your overall knowledge about investing?

Very Low 1	2	3	4	5	6	Very High 7	Don't Know	Prefer Not to Say
1	2	3	4	5	6	7	98	99

G20)³¹ How strongly do you agree or disagree with the following statement?

Please give your answer on a scale of 1 to 7, where 1 = “Strongly Disagree,” 7 = “Strongly Agree,” and 4 = “Neither Agree Nor Disagree”. You can use any number from 1 to 7.

	Strongly Disagree 1	2	3	Neither Agree nor Disagree 4	5	6	Strongly Agree 7	Don't Know	Prefer Not to Say
I have access to the information I need to make investment decisions	1	2	3	4	5	6	7	98	99

G3) You will now see a set of questions regarding various aspects of investing. This is not a test, and you will not be “graded” on your responses. If you do not know an answer or are not sure, please feel free to indicate that.

G4) If you buy a company’s stock...

- You own a part of the company 1
- You have lent money to the company 2
- You are liable for the company’s debts 3
- The company will return your original investment to you with interest..... 4
- Don’t know 98
- Prefer not to say 99

³¹ New question.

- # G5) If you buy a company's bond...
- You own a part of the company 1
 - You have lent money to the company 2
 - You are liable for the company's debts 3
 - You can vote on shareholder resolutions 4
 - Don't know 98
 - Prefer not to say 99
- # G6) If a company files for bankruptcy, which of the following securities is most at risk of becoming virtually worthless?
- The company's preferred stock 1
 - The company's common stock 2
 - The company's bonds 3
 - Don't know 98
 - Prefer not to say 99
- # G7) In general, investments that are riskier tend to provide higher returns over time than investments with less risk.
- True 1
 - False 2
 - Don't know 98
 - Prefer not to say 99
- # G21)³² The past performance of an investment is a good indicator of future results.
- True 1
 - False 2
 - Don't know 98
 - Prefer not to say 99
- # G8) Over the last 20 years in the US, the best average returns have been generated by:
- Stocks 1
 - Bonds 2
 - CDs 3
 - Money market accounts 4
 - Precious metals 5
 - Don't know 98
 - Prefer not to say 99

³² New question.

- # G22)³³ What is the main advantage that index funds have when compared to actively managed funds?
- Index funds are generally less risky in the short term..... 1
 - Index funds generally have lower fees and expenses2
 - Index funds are generally less likely to decline in value3
 - Don't know98
 - Prefer not to say99
- # G11) Which of the following best explains why many municipal bonds pay lower yields than other government bonds?
- Municipal bonds are lower risk..... 1
 - There is a greater demand for municipal bonds2
 - Municipal bonds can be tax-free.....3
 - Don't know98
 - Prefer not to say99
- # G12) You invest \$500 to buy \$1,000 worth of stock on margin. The value of the stock drops by 50%. You sell it. Approximately how much of your original \$500 investment are you left with in the end?
- \$500 1
 - \$2502
 - \$03
 - Don't know98
 - Prefer not to say99
- # G13) Which is the best definition of "selling short?"
- Selling shares of a stock shortly after buying it..... 1
 - Selling shares of a stock before it has reached its peak2
 - Selling shares of a stock at a loss.....3
 - Selling borrowed shares of a stock4
 - Don't know98
 - Prefer not to say99
- # G23)³⁴ If you own a call option with a strike price of \$50 on a security that is priced at \$40, and the option is expiring today, which of the following is closest to the value of that option?
- \$10 1
 - \$02
 - \$103
 - Don't know98
 - Prefer not to say99

³³ New question.

³⁴ New question.

- # H) [SECTION H: MISCELLANEOUS QUESTIONS]
- # H1) There are two questions left, and the survey will be complete.
- # H2) Have you ever read customer reviews online (e.g. Yelp, TripAdvisor) before deciding to eat at a particular restaurant?
 - Yes.....1
 - No2
 - Don't know98
 - Prefer not to say99
- # H3) Have you ever purchased a used car?
 - Yes.....1
 - No2
 - Don't know98
 - Prefer not to say99
- # 999) [POINT OF COMPLETE]