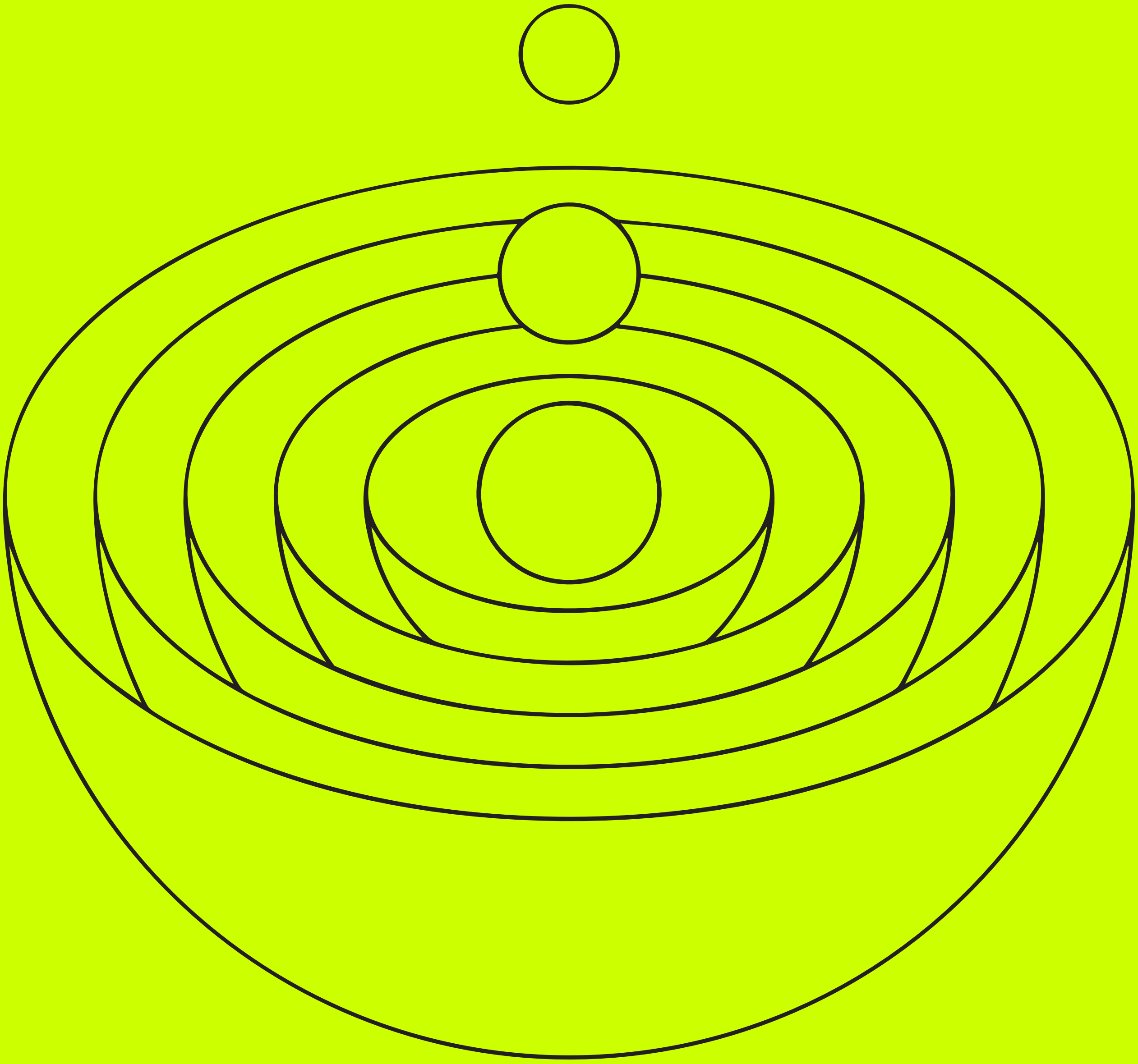
Freedom to Invest.

Overcoming the barriers to investment for under-represented groups in the UK



Robinhood

Research partner GC Global Counsel

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Foreword

Robinhood is on a mission to democratise finance for all; we believe everyone should have access to products and educational information that can elevate their financial resilience and enable them to fully participate in the economy.†

Investing can be a powerful way to improve financial security. For policymakers and regulators, widening participation in retail investing is an important objective - which can benefit both the individuals who begin to access investments and the wider economy.

Consumers today have more choice than ever before about the types of investments they can make and the platforms they can use. Further, they can start buying shares with just one pound, giving retail investments a much lower entry point than buying property or other assets. This shift has been driven in large part by technology. Robinhood is proud to be among the industry players who use technology to evolve the investment landscape, making it more convenient, less expensive, and far more intuitive than the old days of having to call up a stockbroker. In addition to access, technology can enable embedded education to meet investors where they are.

Investment has a strong social purpose. Most specifically, it can support personal financial security. But, it also provides capital where it can most valuably be used; supporting companies to start up and scale up, financing new assets and infrastructure, and ultimately providing the roots of economic growth and prosperity.

That said, investors are not a monolith. Different groups approach investing in different ways and experience different barriers to embarking on an investment journey. Women are less likely to invest than men. Ethnic minorities too tend to be under-represented in retail investments. Indeed, across the UK population, too few people are accessing the benefits of investing. Steps to widen participation among under-represented groups should also help more people from all walks of life become investors, build their financial resilience, and contribute to UK growth. To widen participation, we need a clear, evidence-based diagnosis of the principal barriers the different groups face. This diagnosis should inform policies that enable industry to communicate more effectively with the public.

Robinhood produced this report with Global Counsel to examine the obstacles to investment faced by two specific under-represented groups: women and those from a minority ethnic background. It examines the benefits to widening participation, and makes concrete recommendations for policymakers, regulators and industry to make investing more accessible.

Join us in our movement to democratise finance for all UK citizens.

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† Robinhood U.K. Ltd (Robinhood UK) is authorised and regulated by the Financial Conduct Authority (FRN: 823590) and is a subsidiary of Robinhood Markets, Inc., a US-based financial services company with a mission to democratise finance for all. Robinhood Markets, Inc. and its subsidiaries("Robinhood") transformed financial services by introducing commission-free stock trading and democratising access to the markets for millions of investors. Robinhood launched in the UK in 2023, recognising the opportunity to reduce some of the barriers to investing and support customers who felt underserved by the existing market offering. Today, Robinhood UK lets you trade US stocks and options - delivering unprecedented value and products intentionally designed for a new generation of investors. Additional information about Robinhood UK can be found at https://robinhood.com/gb/en/.

Executive Summary

Investing helps people to get closer to their financial goals, while also providing funds for productive investments that drive economic growth. The Financial Conduct Authority is one of many bodies to recognise that more people in the UK should be investing.

Evidence shows that women and those from minority ethnic backgrounds are less likely to access investment products like stocks and shares or mutual funds. Robinhood believes this under-representation should be addressed, to improve financial inclusion and to support these groups to get more out of their money.

Helping more people to invest requires that we understand the reasons why they choose not to and consider the policy solutions to overcome it. Robinhood and Global Counsel conducted research, including a survey of almost 2,000 people and in-depth interviews, to understand what people think about different investments, where they look for information and advice, what holds them back from investing and what enables them to do so.

Though understanding the experience of women and ethnic minorities has been our primary goal, we have also gathered evidence from men and non-minority individuals. This both helps us to understand unique factors impacting underrepresented groups, but also highlights that some barriers are common to all. Increasing access to investing requires a focus on both types of impediments.

We have also looked at both those who currently invest, and those with an expressed interest in doing so, but who are yet to start: Investing is a journey – one that starts with interest, moves to first experiences, and typically grows with individuals' levels of confidence. Examining barriers at all stages of this journey brings a wider focus to our recommendations.

Our research finds that different groups have different motivations to invest. Minority ethnic consumers are more likely to be aiming to support relatives, and women are less likely than men to be investing for the enjoyment value (when those who do invest are asked what got them started, almost twice as many men as women say they thought they would enjoy it). This suggests the way investing is presented by firms in marketing could be varied to speak to a wider audience.

Many of those we surveyed assumed a large sum of money was needed to start investing, even for more accessible products such as a stocks and shares ISA. The average amount potential investors thought they would need for a stocks and shares ISA - £2,383 – was more than 23 times the minimum offered by many providers. This was a particular barrier for those from an ethnic minority background who believed the entry point was even higher. There is an opportunity for industry to better educate these groups about the low cost of entry.

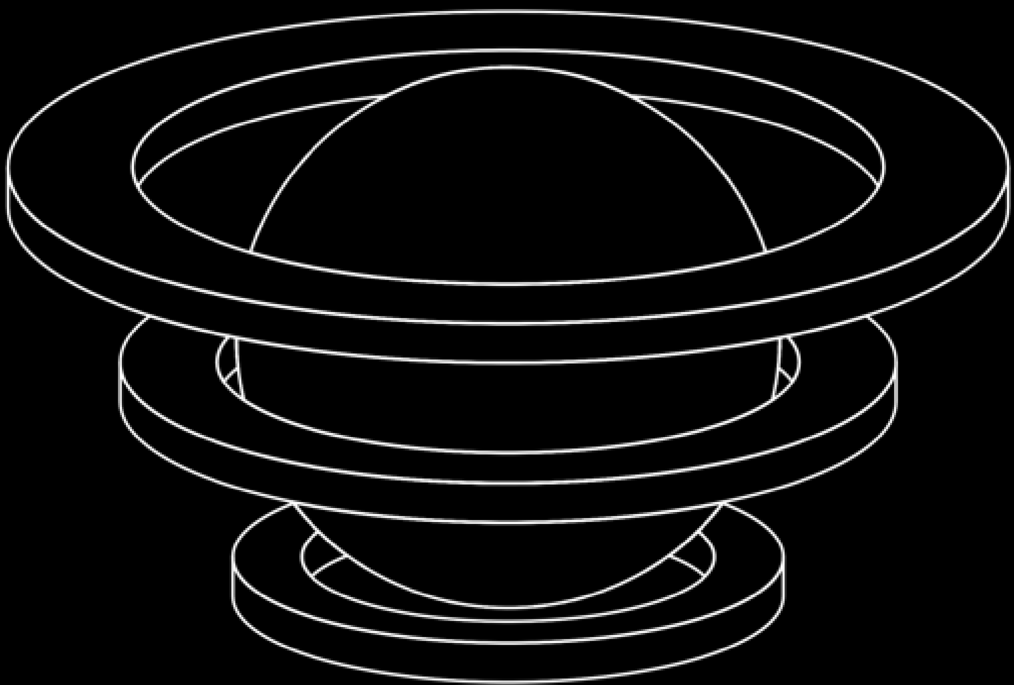
Women are known to be more risk averse than men, and our research found that almost two-thirds of women who would like to invest cited risk as the reason they don't currently. The way that risk is presented in regulatory warnings appears to be more off-putting to women than it is to men. Risk warnings are important, but greater flexibility in the language that can be used may help women in particular to become more comfortable with investing.

A lack of confidence in investing is a significant barrier for under-represented groups. 59% of women said they didn't invest because they were not confident they could make good investment decisions, compared to just 39% of men. But this lack of confidence did not align with lower levels of understanding or less competence when investing. Access to advice and guidance is vital to helping people to become more self-confident about investing and the development of targeted support presents an opportunity to increase access and participation.

Many investors rely on informal advice. Women investors are almost twice as likely as men to begin investing because they had a friend or family member with whom they could discuss investing. And for minority ethnic investors, the encouragement of people around them in society was also significantly more important than for the majority ethnic group. Social media is an increasingly common source of information used to learn about investing, especially for younger people and those from minority backgrounds. While social media has the potential to engage under-represented groups, it also comes with significant risks of exposing potential investors to scams, unscrupulous advice and fraud.

Finally, there is variation in the types of products into which different groups want to invest. Premium bonds are almost three times as popular among those from a non-minority ethnic background, while exchange traded funds (ETFs) are particularly favoured by investors from a minority ethnic background, suggesting widening access to ETFs as an asset class could boost retail investment participation rates.

Many of the barriers we identify in this research are not unique to under-represented groups, and the solutions we propose are likely to drive up investment rates overall. Given the Government's focus on growth and raising living standards, and the FCA's focus on encouraging more consumers who want to save for the long term to consider investment opportunities, we encourage industry, policymakers and the regulator to consider the specific recommendations we make in this report to increase access for under-represented groups and to widen participation across society.



What we mean when we say "investing"

Investing is putting your money to work for you. Investment products – whether these are stocks, bonds, mutual funds or even more complex instruments – can provide higher returns than are available through cash savings.

Millions of people have savings accounts - either to fund a specific goal such as a wedding or a house deposit – or simply to provide a financial buffer for "a rainy day." In the UK the cash ISA is the most popular savings product, with 18 million UK adults holding one. But fewer people are taking the next step and putting their money into assets and products that may give them access to better returns and help them meet their financial goals sooner.

The FCA has previously set itself an objective to encourage more consumers who want to save for the long term to consider investment opportunities and to see as a result fewer consumers who have a higher appetite for risk holding more than £10,000 in cash.[1] The FCA's target is to reduce this cohort by 20%.[2]

In this report we consider investing to be that next step beyond holding cash savings. Retail investments take a wide range of forms, from buying shares in individual companies, to investing in mutual funds or ETFs, through to more complex products such as options or futures.

Not all of these will be right for all customers, and many people will want to start their investing journey with the most understandable and accessible products. But the benefits of investing over cash savings are clear. For those looking to medium term investments, over the last 120 years holding shares has outperformed savings rates 91% of the time. Even for those looking to hold an investment for a much shorter period, shares outperformed savings 70% of all two-year periods.[3]

A recent comparison of cash ISAs with stocks and shares ISAs found that a customer who had invested £10,000 five years ago would find their cash ISA worth £8,713 in today's money, given the impact of inflation eroding the real value of their funds, compared to a balance of £12,249 today in a typical global equity fund via a stocks & shares ISA.[4] Perhaps even more striking - a customer who had put £1,000 into a global equities fund in a Stocks & Shares ISA on the first day of each tax year since 2000 - i.e. a total investment of £25,0000 - would have a balance as at 5 April 2025 of more than £92,000.[5]

Policymakers have increasingly recognised the value of encouraging investment (rather than just saving) for individuals and for the wider UK economy. Economic Secretary to the Treasury Emma Reynolds recently acknowledged that "by seeking to eliminate risk — for example, why do we have hundreds of billions of pounds in cash ISAs? — we have failed to drive an investment culture, as we see in other places, that allows people to invest their money. That is actually part of consumer protection; in a way, we have regulated so much that we are not protecting consumers against inflation."[6]

This has led to recent speculation that the Government will reduce the cash ISA limit in order to encourage customers to consider stocks and shares ISAs and other investments. The 2025 Spring Statement confirmed that Ministers are looking at ISA reforms: "The Government is looking at options for reforms to Individual Savings Accounts that get the balance right between cash and equities to earn better returns for savers, boost the culture of retail investment, and support the growth mission."[7] While reducing the cash limit of the ISA may drive some savers to consider other investment products, the evidence in this report shows that for many barriers to investing will remain. Without measures to overcome barriers including confidence, literacy and familiarity with risk, a change to the cash ISA limit will have only limited policy impact. Indeed, such a change may reduce consumer confidence in the ISA as a stable, long-term product.

Under-investment in the UK

Investment rates, preferences and attitudes vary by country. While often richer countries are able to save more, there are strong cultural factors that lead to significant differences in perceptions of saving.

The UK saves in cash, pensions, and houses.

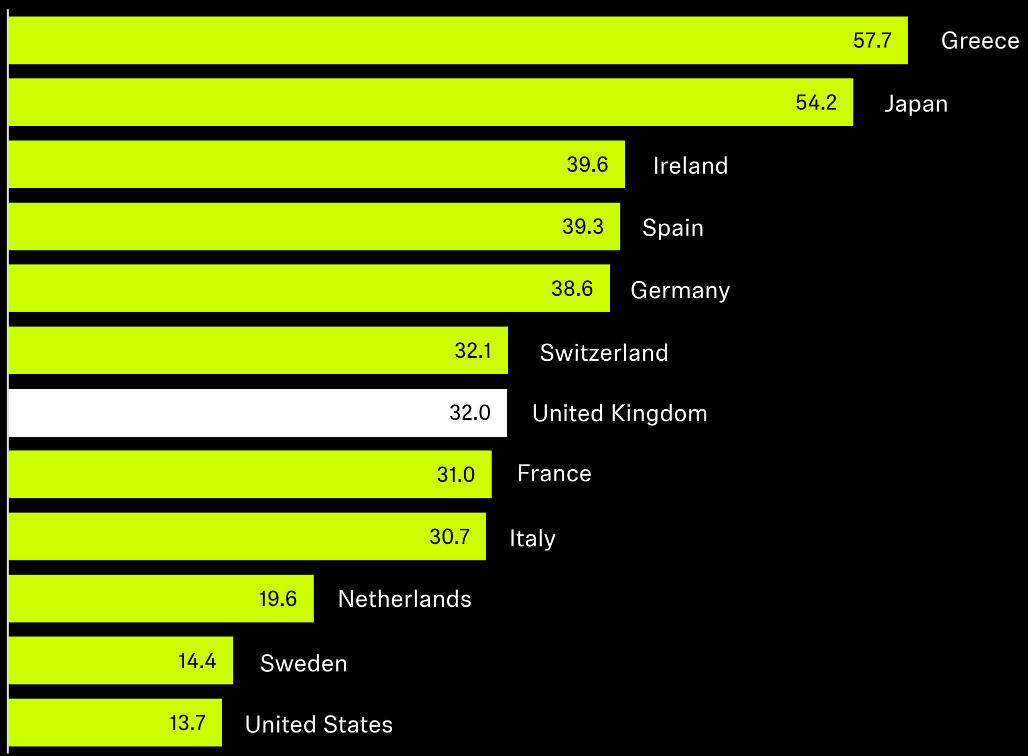
UK households are not bad savers, with 72% reporting that they had saved in the last 12 months – above the OECD average of just 60%.[8] But UK citizens are also not the top savers. South Korea, for example, has a far higher rate of saving from household income.[9]

There are similar cultural differences between countries in how citizens consider investment and the potential risk that comes with not just putting money into a savings account. Thus, it has been found that consumer perceptions of investment and risk are linked.[10] Evidence suggests that consumers in the United States have the highest risk appetite and also the highest likelihood to own shares, mutual funds or bonds.[11]

Across multiple countries, the differences in how households hold their financial assets are striking. Figure 1 shows that the UK is about middle of the pack among developed economies in holding about one-third of its financial assets in either cash or savings accounts. The US is an outlier here in households holding only a relatively small proportion of financial wealth in basic savings products.

If we look at the investments in equities or investment funds, the picture is very different. Figure 2 shows almost the reverse picture,

Fig. 1: Share of household financial assets in currency and deposits
OECD, NAAG, 2022



with households in the US holding half their financial assets in equities or investment funds, compared to just one sixth in the UK. This also shows that investing in equities and funds is significantly more common among our European peers, such as France, Germany, Italy and Spain than it is in the UK.

Before we address the reasons for low levels of retail investment in the UK, it is worth noting two other features of UK households and their finances.

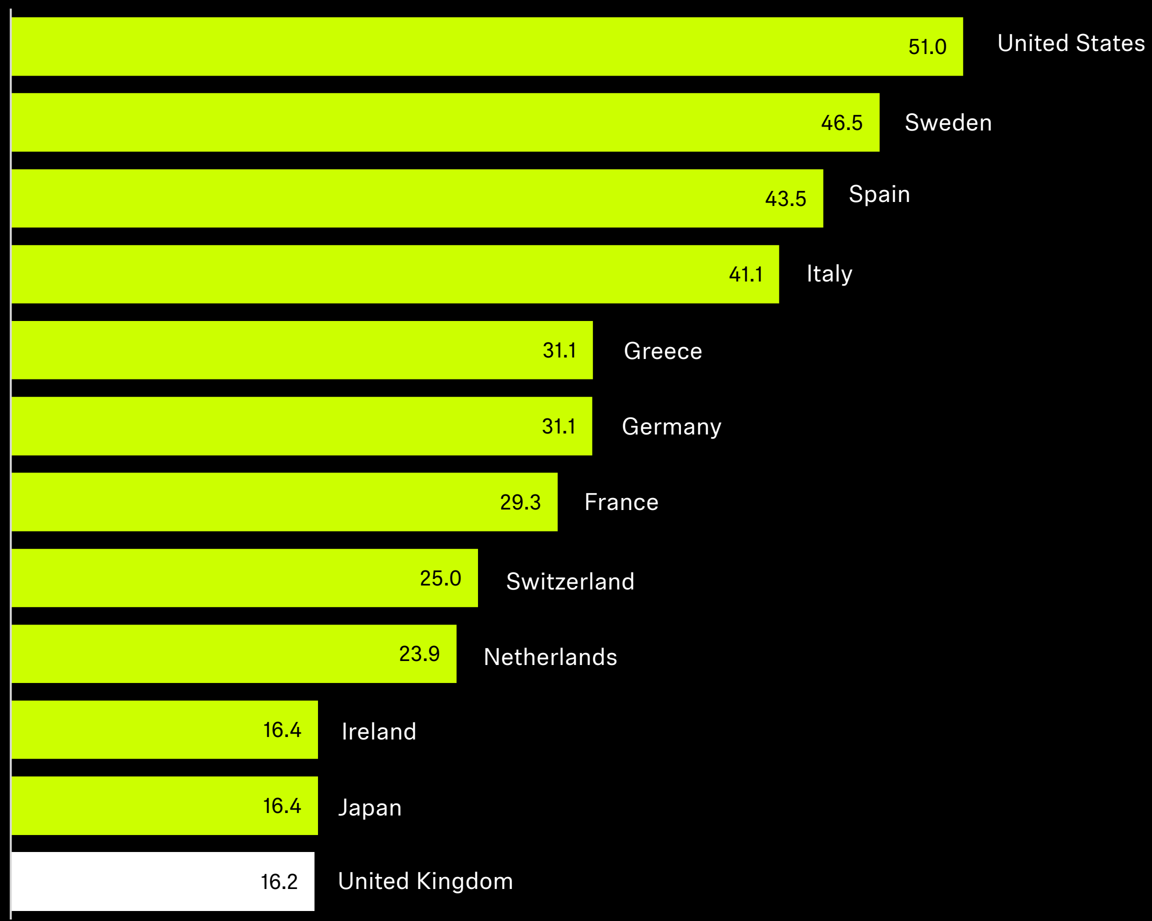
First, Britons are saving for their pensions. Looking just at financial assets, UK households have over one third in some form of pension entitlement. This is far higher than most of our continental European neighbours and well above the 23% seen in the US.[12] However, when total personal wealth is considered, pension saving rates do not differ much between the UK and US – 19% of personal wealth is in a pension fund for the average UK consumer compared to 17% for the US consumer.[13]

Second, Britons hold much more of their total wealth in housing. Compared to the US, UK households hold double the proportion of their wealth in property - 50% in the UK compared to just 26% among US households.[14]

While these factors are important in understanding how assets are distributed in different countries, they do not explain the very low rates of retail investment seen in Figure 2 below, especially when compared to countries with which we have many similarities, such as the Netherlands.

Fig. 2: Share of household financial assets in equities and investment funds

OECD, NAAG, 2022



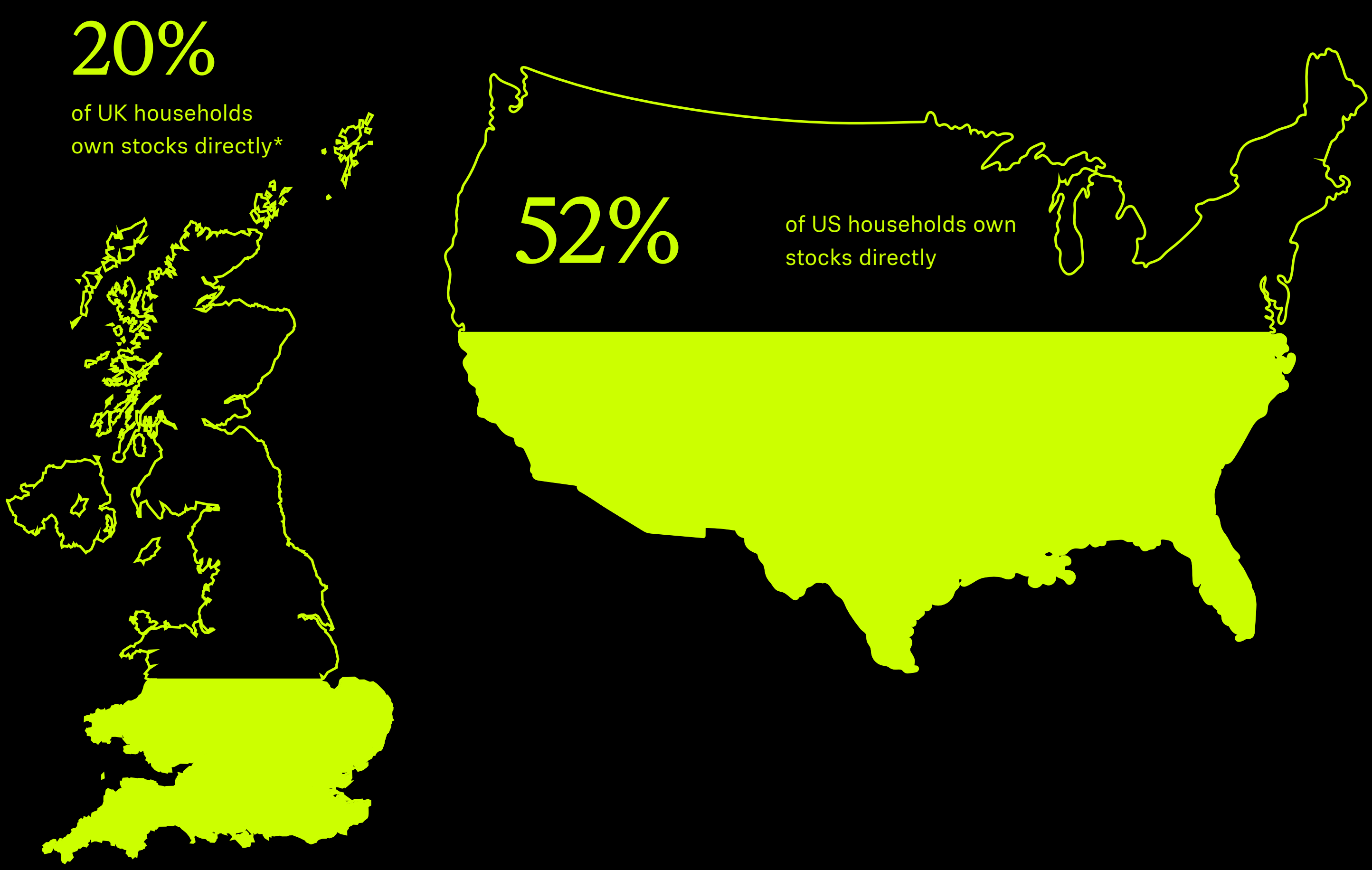
The UK model of savings and investment is a drag on household finances and the UK economy.

In the long run, this low rate of investment by UK households is not only a drag on household finances, with the long run average rate of return from investments being higher than that from savings accounts, but also a drag on economic growth as it reduces the capital available to firms that need to start up or scale up.

This can be seen by looking at the ownership of companies listed in the UK. At the end of 2022, shares in quoted UK-domiciled companies listed on the London Stock Exchange (LSE) were worth a total of £2.42tn. Just 10.8% of that value is owned (directly or beneficially) by UK individuals. Despite retail investment in shares being much cheaper and easier than it was three decades ago, the proportion of the stock market owned by ordinary people has almost halved in that time.[15] And among those who are invested, UK retail investors have nearly halved their allocation to UK equities over the past decade (from 32% to 18%).[16]

Or to put it even more starkly, since 2000 the total value of UK quoted equities has risen in value by a third, but the value of holdings of shares by individuals over that period has actually fallen slightly.[17]

In the US, households directly own 37.6% of total equities, in addition to the 22.6% held by mutual funds.[18] 65m households – or 52% of all households in the US - own stocks directly, with a median holding of $40,000.[19] In other words, significant stock ownership in the US is a middle class activity and not something reserved for financial elites.



*Source: FCA, 2025 (direct holdings does not include shares held in ISA products)

Spotlight 1

Under-investment and risk appetite

Economic theory would suggest that there is a correlation between taking more risk and having access to higher potential returns. But savers in different countries seem to take quite a different approach to this trade-off – that is, risk can be subjective and cultural.

Data from one large-scale annual survey of risk attitudes undertaken by ING across 15 countries makes the general finding that people living in the Netherlands, Austria and Germany tend to consider investments in shares and mutual funds to be more risky and to have very low expected returns. In contrast, the study found consumers in the US, Turkey, UK and Australia have the opposite belief: that the benefits of investments can be high, with a risk profile below that perceived in other countries.[20]

Looking more closely, the correlation between perceived risk and expected benefit for investments was found to be upward sloping for UK consumers in a similar way to the results for US consumers. This is what would be expected by the economic theory where consumers understand that some risk taking would be, overall, likely associated with higher returns. But it is not true for all countries. For the Netherlands, Belgium and the Czech Republic there seems to be no significant link made between risk and reward. And in Germany, Austria and Poland the opposite belief is seen where consumers believe that riskier investments will be associated with lower expected returns.[21] When risk attitudes are plotted a wide variation is seen within the population of each of the countries surveyed and, while the US is an outlier in having more respondents having a risk preference, Turkey, Australia and the UK stand out for having greater acceptance of risk.

This suggests that UK consumers are – in terms of understanding of the risk-reward trade off – ready to get into investment. The barrier therefore isn't an understanding that a portfolio of investments is likely to do better over time than cash savings alone. Instead, the barrier is confidence or perception of competence to make good investment choices (which are likely two sides of the same coin). This points to access to credible, trustworthy advice as being a key enabler for increasing investment participation – and deepening the pool of retail investments in the UK. We return to the importance of advice and guidance (and access to these) in our chapter on overcoming barriers.

Motivations to invest

Investing plays a range of different roles in supporting individuals' life goals. Our research shows that how people understand investing varies depending not only on their individual goals and appetite for risk, but also on gender, cultural background and personal experience with financial management.

For all groups surveyed, the most common motivation to invest is to feel more financially secure. But some differences stand out for specific groups. Ethnic minority investors in our survey were slightly less likely to be thinking of investments in terms of ensuring they were comfortable in retirement, and were instead more likely to want to enjoy a better near-term standard of living or fund a particular purchase. And while 51% of non-minority investors cited the intention to build up a rainy day fund for emergencies, this was a reason for only 38% of those from a minority background.

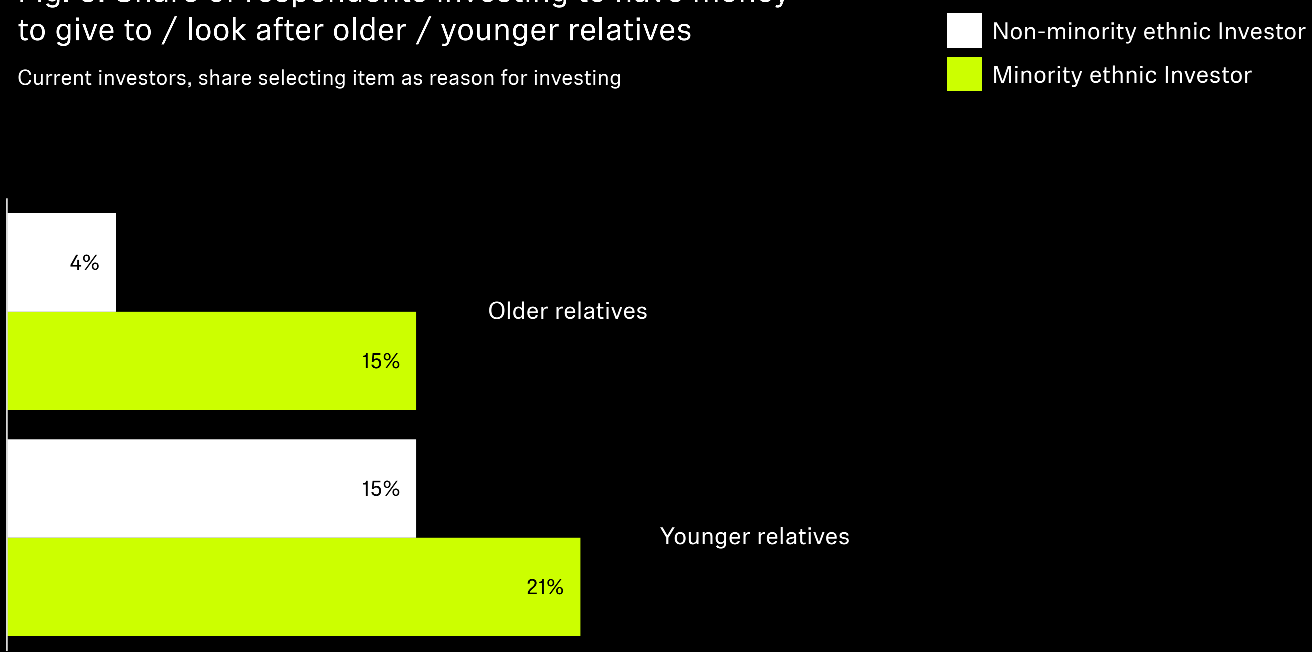
Our research also demonstrated that minority groups may be focused on shorter-term outcomes when making investment decisions. 48% of ethnic minority investors in our survey said wanting to have more money to live comfortably in the near future was a motivation for their investments, compared to only 36% of non-ethnic minority investors. Ethnic minority investors were also more likely - 29% compared to 17% - to be investing toward funding a large purchase.

Minority ethnic investors, more than any other group, cited the need to have money to look after or provide for both older and younger relatives. Indeed, they are almost four times more likely to be investing to be able to support older family members, as can be seen in Figure 3, which may speak to a desire to build up nearer-term wealth to be able to manage these familial responsibilities.

Motivations also vary by gender. In our survey, 34% of male investors cited aiming for an early retirement as a reason for investing, but only 23% of female investors identified this as a motivation. Even more striking is the split between women and men on whether they invest for enjoyment: as can be seen in Figure 4, approaching twice as many men than women in our study said they invested because they expected to enjoy it.

Fig. 3: Share of respondents investing to have money to give to / look after older / younger relatives

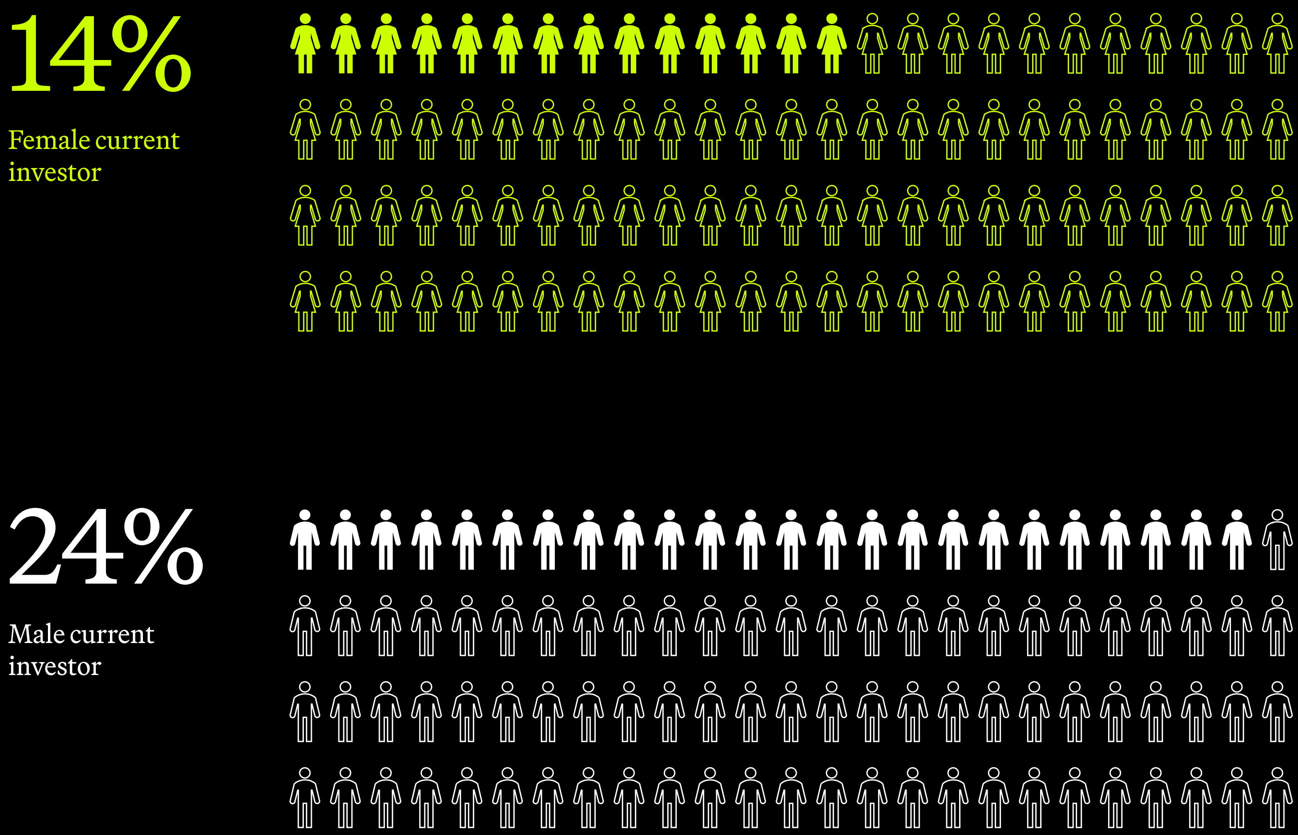
Current investors, share selecting item as reason for investing



Q. When you first became interested in starting to invest, what were the reasons for this?

Fig. 4: Share of respondents citing “I thought I would enjoy it” as reason for beginning investing

Current investors, share selecting item as reason for investing



Q. When you first became interested in starting to invest, what were the reasons for this?

Recognising and understanding these different motivations may help firms to tailor products or marketing to attract new investors, especially for under-represented groups who may not feel traditional descriptions of investment products or saving goals resonate with their life contexts and goals.

Industry Recommendation 1 - Firms should consider how to frame investment not only as a long-term activity, but also as an option to build wealth to meet individuals’ personal financial goals. The default language used by large parts of the investment industry tends to frame investment as being predominantly orientated towards long-term wealth accumulation. Our study shows that for many under-represented investors, particularly ethnic minorities, investing is seen as a way to achieve more proximate financial goals, such as financial security or major life purchases. That’s not to suggest that these groups are short-termist, rather that there is a spectrum of how long investments can be held for, even if it’s infrequently acknowledged.

When designing products, marketing, and associated financial guidance, providers should look to reflect a broader diversity of investment motivations to ensure relevance across different communities.

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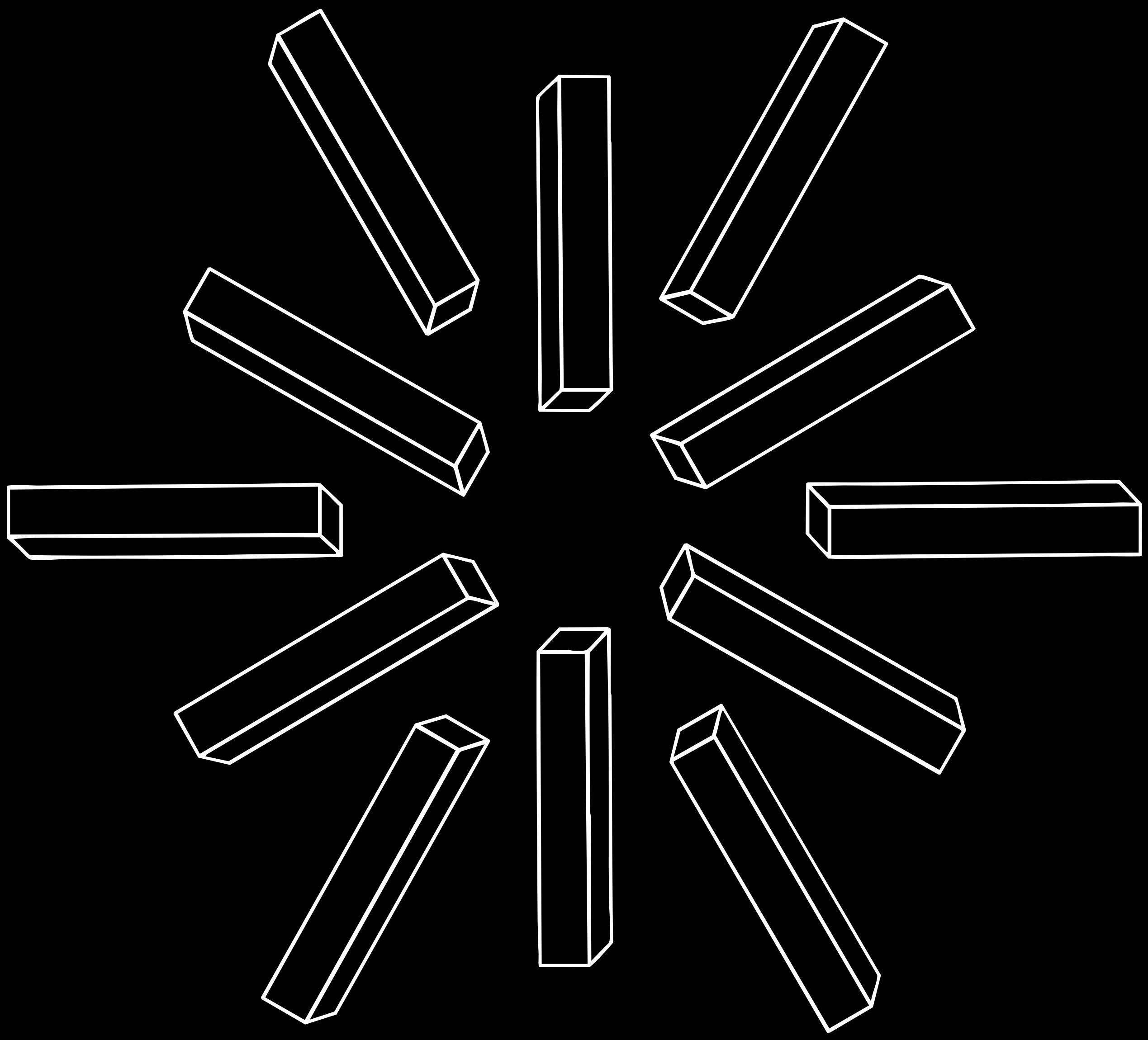


Barriers to Investment

The cost of entry

A well known barrier to embarking on an investment journey is the perception that a large pool of capital is needed to get started. Our research found that a misconception as to how much money is required to access investments is common across the population.

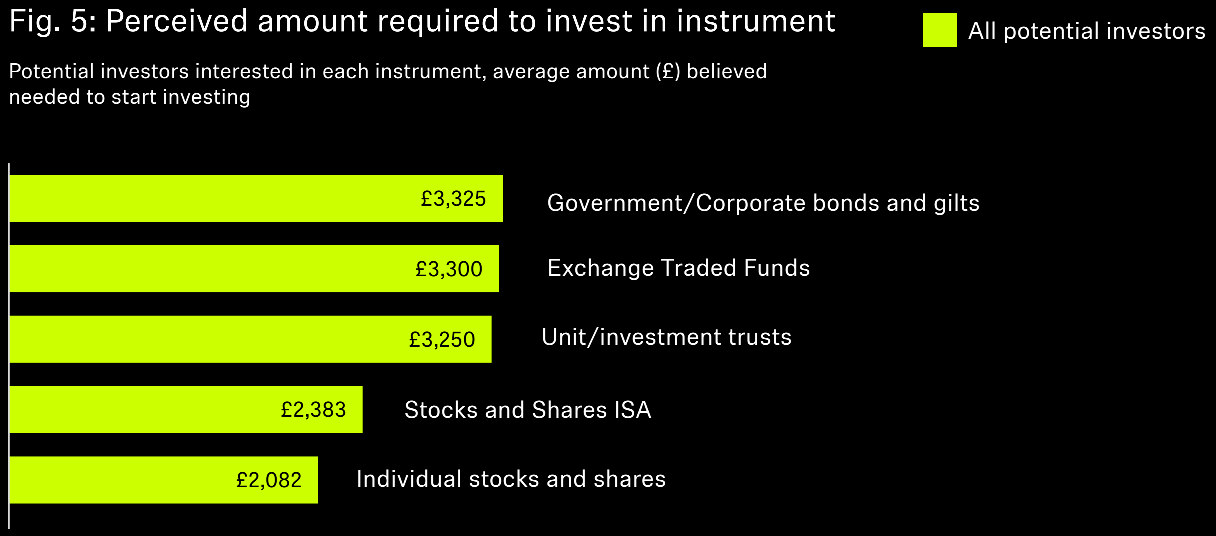
We asked potential investors - those who would like to invest but do not currently do so - how much money they thought they would need to start investing in a range of products. Even for the more accessible end of the investments spectrum such as a stocks and shares ISA - something that 8m British people use - respondents on average believed a minimum of £2,383 was needed (Figure 5). Our market analysis found multiple providers offering a stocks and shares ISA at a minimum deposit level of £100 - meaning these potential investors believed they needed more than 23 times as much capital to get started then was actually required.

But within our under-represented groups there are significant variations in the perception of this barrier. For example, the minimum investment perceived for a stocks and shares ISA among women aged 35-54 - a key group to be encouraged into investing - is more than 50% higher than the perceived minimum than among women aged over 55.

But it is in the minority ethnic group that this perception barrier really stands out. As can be seen in Figure 6, potential investors from minority ethnic backgrounds assume that the minimum sum to access each of the prompted investment types is significantly higher. In the case of the standard stocks and shares ISA that is held by millions of people, the perceived amount is 85% higher. And for exchange traded funds – which we find are popular among those from a minority ethnic

Fig. 5: Perceived amount required to invest in instrument

Potential investors interested in each instrument, average amount (£) believed needed to start investing



Q. How much money do you think you would need to have to be able to start investing in each of the following?

background that do currently invest – the perceived minimum investment is more than double that assumed by those from a non-minority background.

One theme observed in our qualitative research is there can be a cultural preference for more ‘tangible’ assets such as property. One question for future research is whether there is a ‘tangibility effect’ at play in the perception of minimum investment amounts among minority ethnic groups, for example that any form of ‘serious’ investment must require a high financial sum.
Part of the challenge of supporting under-represented groups into investing is dispelling the myth that a large sum of money is needed to get started. There is a role here for better financial education to point to the low cost of accessing many investment products, especially in recent years as apps and platforms have reduced this barrier. But this is also a challenge for industry to overcome through better marketing and customer communications.

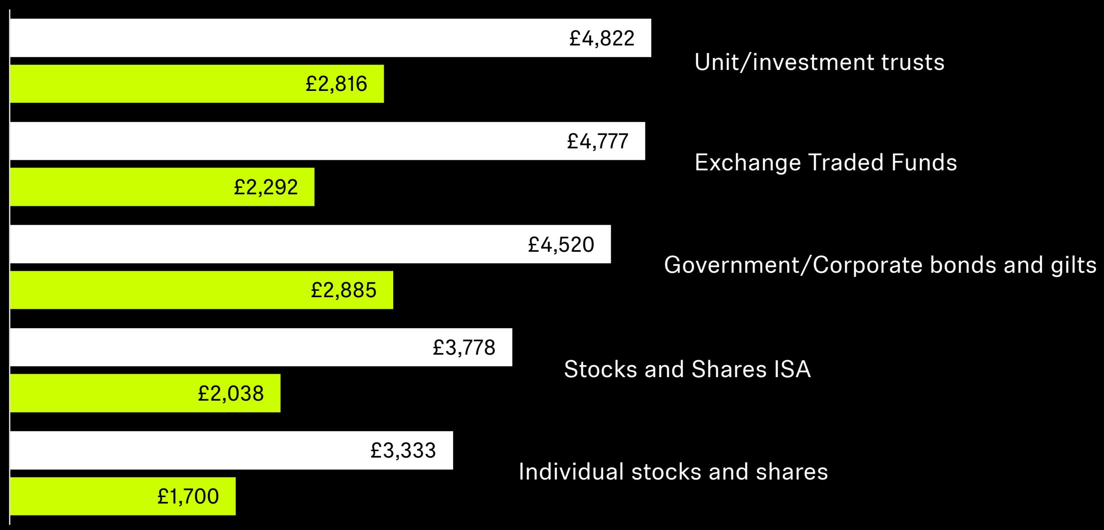
Industry Recommendation 2 - Firms should assess how marketing materials can overcome the up-front capital barrier to investing. While many firms already offer products with low or zero initial deposit requirements, a perception remains – especially among minority ethnic groups – that significant sums are needed to begin investing in even the most straightforward products. There is a marketing opportunity for firms to widen participation and their own customer base by helping to dispel myths about cash requirements.

Fig. 6: Perceived amount required to invest in instrument

Potential investors interested in each instrument, average amount (£) believed needed to start investing

Minority background potential investor

Non-minority background potential investor



Q. How much money do you think you would need to have to be able to start investing in each of the following?

Confidence and risk

It is well documented that men and women have different perceptions of and attitudes towards risk. Women's confidence with risk and confidence in their understanding – not their actual ability - present a barrier to increased investment.

There's a classic Cornell study by David Dunning and Joyce Ehrlinger in which they set male and female students a science quiz. Before taking the test, they asked participants to rate their scientific abilities - the men on average rated themselves at 7.6, while the women gave themselves only 6.5. When the tests were completed the results showed almost no difference in outcome between the men and women. But before revealing the scores to the participants, the researchers asked if participants would like to be entered for a science prize – 71% of men signed up, but only 49% of women were willing to be entered.

There's another version of this research that comes from an internal report at the firm Hewlett Packard. The company analysed internal job applications and found that men apply for a job or promotion when they meet only 60% of the qualifications required in the job specification, but women apply only if they meet 100% of them. They concluded that what held women back was not their actual ability, but the decision not to try due to a lack of confidence in their ability.

Fig. 7: Share of respondents not feeling confident they could make good investment decisions

Potential investors, share indicating item as reason for not investing

39%

Male potential investor

59%

Female potential investor

Q. Please select any items shown in the two screens that follow that describe a reason you currently do not invest

Confidence

A significant barrier for women in investing is the self-perception that they don't know enough about it. Whereas 63% of men feel "confident" about making investment decisions, only 39% of women feel the same.[22] 63% of women also said complex jargon dissuaded them from participating in investing. This has contributed to a higher proportion of women doubting their capacity to make sound investments. This is despite evidence that shows women are just as knowledgeable about investment principles as men.[23]

In our research, the second most cited reason for not investing among women was not feeling confident they could make good investment decisions. The gender split shown in Figure 7 reveals this large gender gap.

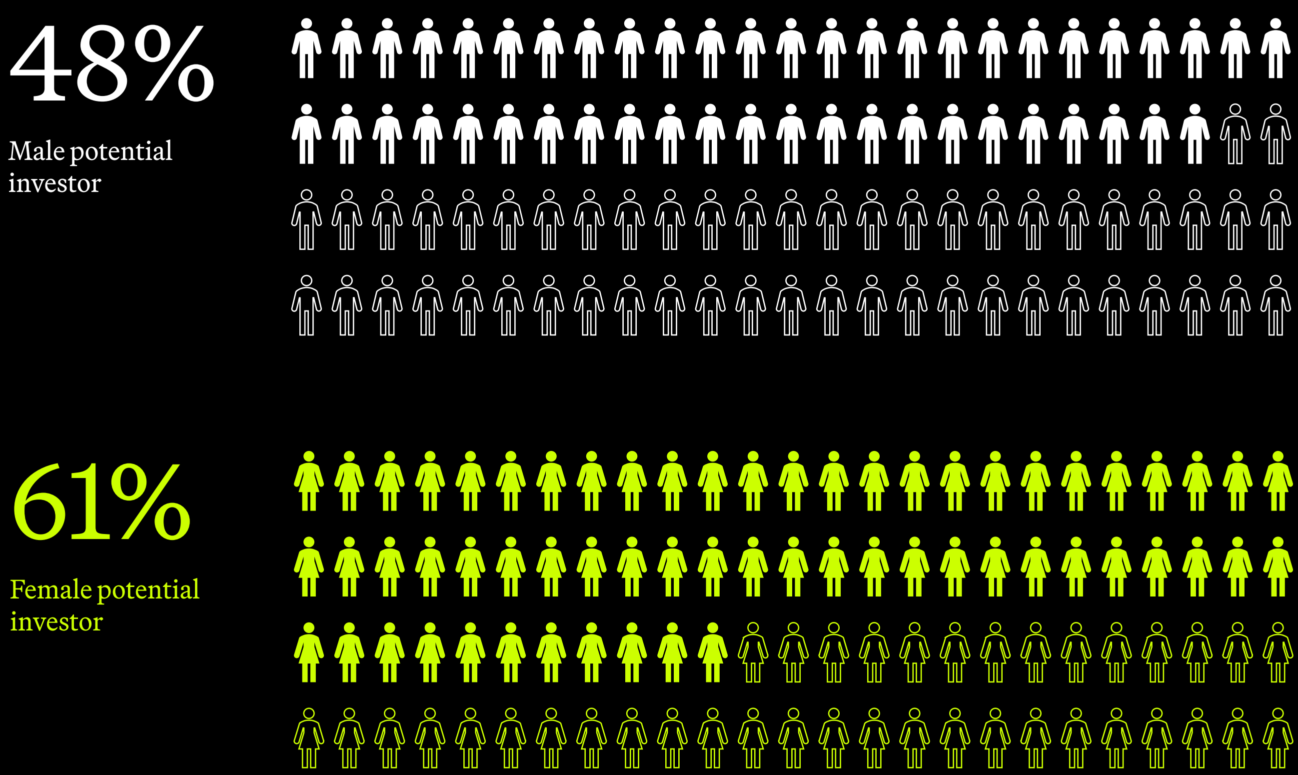
The idea of not feeling confident in one's ability to make good investment decisions is a common barrier, and confidence to invest varies across demographic groups. In our research with those from minority ethnic backgrounds, we found that those from higher social grades were actually more likely to cite this lack of confidence than their counterparts in the lower social grades (there was much less difference between social grades among women). This finding runs counter to the general assumption that investing confidence increases in line with general education levels (ABC1 individuals tending to have pursued education for longer than those in the C2DE social group). This lack of confidence is especially seen among the younger 18-34 year-old minority investors.

> "I was really scared when I started investing and didn't want to lose money. I didn't have any confidence [to invest], didn't learn anything about this in school and had to work through so much 'mumbo jumbo' jargon."
>
> **Current Retail Investor, Ethnic Minority Woman**

There are steps that industry and regulators can take to help potential female investors feel more confident about their abilities and their decisions. This is linked, in part, to perceptions of and attitudes to risk.

Fig. 8: Share of potential investors feeling like investing involves too much risk

Potential investors, share indicating item as reason for not investing



Q. Please select any items shown in the two screens that follow that describe a reason you currently do not invest

Risk

Across a range of social behaviours, males are seen to have a greater appetite for risk than females. Unsurprisingly perhaps, this feeds through into both a lower propensity to invest among women, and, where they do invest, to a more diversified, lower-risk portfolio. Indeed, there is evidence (from the US) that women tend to hold more diverse and less risky portfolios, generally buying and holding investments or choosing to invest via managed funds rather than frequently hedging volatile stocks.[24] Female returns are higher, despite (or more likely because of) their risk threshold and its associated behaviours.

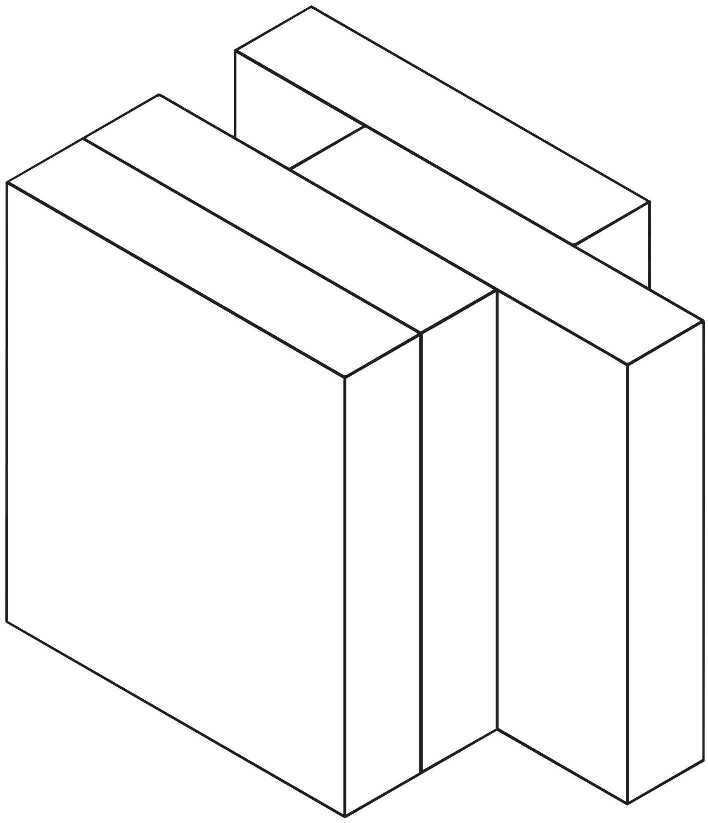
Previous research has identified that 55% of UK women have never held an investment vs. 37% of men.[25] In our study, the single most cited reason among both men and women for not investing was considering it to be too risky. But as Figure 8 shows, women were significantly more likely to cite this as a reason than men.

"My husband and I approach this very differently. He is willing to take more risk and invest more, while I was very reluctant to do this. He originally invested with his own money rather than our joint savings, but over time I came round to investing small amounts of money."

Current Retail Investor, Woman

The way that risk is presented to potential investors is often dictated by regulation. But the same wording may be perceived differently by or lead to different reactions from different groups. Given the greater risk aversion among women, it is likely that a stark risk warning is likely to be more off-putting to women. A lack of flexibility in how risk is presented in product information may add to the risk barrier for female participation in investing.

Industry Recommendation 3 - Firms should consider updating the way in which investment risk is presented so that it is helpful rather than alienating. Women in particular express higher levels of risk aversion, not necessarily because they are unwilling to take risks, but because risk is communicated in a way that feels discouraging rather than informative. There is a role for the regulator in giving firms space to tailor their language appropriately, but there is also a role for individual firms to test alternative framing of risk communications and for those firms with successful approaches to champion the ways they have approached educating their investors.



The information gap

It should be no surprise that not having access to clear information is identified as a key barrier to investing. While this is a determining factor for a third of all potential investors, the rate is even higher at 39% for potential female investors (vs. 27% for males) and at 37% for potential investors from ethnic minority backgrounds (vs. 32% for others). Increasing participation among under-represented groups is partly a challenge of information provision, which is why this research examined where potential investors were sourcing their information on investing.

Accessing investment information

The single most used source of investing information is financial advice websites, followed by conversations with family and friends. Both are more important sources of information for potential investors than those already investing

And when current investors are asked what it was that helped them get into investing, having family or friends with whom they could talk about investing was hugely more important for women and minorities than for non-minority men.

Formal sources of investment information are of course important – especially for those who are already investing. However, this suggests cultural norms and informal conversations are key to unlocking the start of an investment journey.

Cultural barriers

Experiences shape attitudes toward retail investing, and as we have seen social and cultural cues can have a significant effect on whether people take up investing.

Potential investors from ethnic minority backgrounds were less likely to say that investing was encouraged in their culture (31%) compared to the non-minority group (40%). This effect was most pronounced (18%) among those from a Black/Caribbean/African background.

> "My friends and family aren't keen on me investing."
>
> **Potential Investor, Female, African Background**

Religious and cultural barriers may have a disproportionate effect on women, highlighting the intersectionality of some barriers. For example, in some households, men traditionally take on the role of managing finances, meaning women – even one or two generations later – are less experienced and therefore less confident when it comes to investing.

Overcoming specific cultural barriers can be especially challenging, when attempts to bring about change may be perceived as a criticism of traditional practise or a form of cultural colonialism. While this research identifies some of these issues, the financial industry will need to do more to understand the way investing is conceived of in different cultural contexts, and to account for this in how it presents investing in marketing and communications. As we discuss below, relatable role models are likely to be critical to helping potential investors from certain backgrounds to identify retail investments as something that is "for someone like them".

> "There's misinformation in our culture that you can't invest because we're not allowed to in our religion, but that's not true. The views of different generations, the spread of misinformation and the influence of culture may make people [from ethnic minorities] less likely to invest."
>
> **Current Retail Investor, Ethnic Minority Woman**

Identifiable role models

While representation of women in advertising generally has changed over recent decades, there remains a divide in the kinds of products and services whose adverts feature a woman. And given we all compare ourselves to figures in adverts, widening participation and enhancing inclusion in investing will require role models that under-represented groups can identify with.

In previous research, 89% of ethnic minorities cited a lack of positive or public role models within the sector as an inhibitor to accessing loans, investments and financial support.[26] And in our interviews, respondents consistently believed that greater representation of familiar role models in relatable contexts and case studies would encourage a wider range of people to invest.

Our interviews with retail investors also found a number of women who had been encouraged to invest by social media 'finfluencers', offering advice and information to novice investors. While it is positive to have social media engage potential investors, there are of course significant risks of misinformation associated with reliance on unqualified, unregulated online sources.

> "When I was thinking about investing, I came across an Instagram account run by a woman who talks about stocks and shares... Beforehand, I thought investing was for men in suits in London, but this account made me realise I can do this too."
>
> **Current Retail Investor, Ethnic Minority Woman**

While company advertising budgets are not unlimited, there is an opportunity for financial services providers to increase customer numbers and widen participation in investing by representing a more diverse mix of people in marketing communications and by presenting investing in ways that reflect particular cultures and communities.

Trusting sources of information

The most trusted form of information on investing overall is speaking with an independent financial advisor (IFA). This is true for our under-represented groups as well as for men and those from majority ethnic backgrounds. But the proportion trusting the IFA is lower among those from minority ethnic backgrounds. There are also interesting variations for other sources of information.

Among potential investors, men are much more likely to trust what they read about investing in newspapers and magazines (16%) than are women (9%). While those from minority ethnic backgrounds are more likely (20%) than non-minority investors (10%) to trust what they read in online forums where other investors swap information.

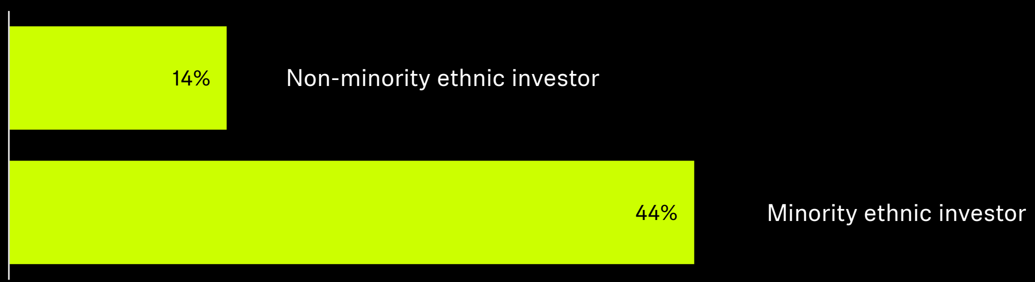
Social media is an increasingly common source of information used to learn about investing. While it has the potential to engage under-represented groups, it also comes with significant risks of exposing potential investors to scams, unscrupulous advice and fraud. While specific recommendations to address this issue are beyond the scope of this report, far more will need to be done by financial services firms, social media companies, regulators and law enforcement to crack down on scams and to promote reputable sources of financial guidance.

Unsurprisingly, social media is used more by younger current and potential investors – 46% of female investors aged 18-34 report learning from social media compared to 20% of women aged 35-54 and just 4% of those 55 and over. Reliance on social media is even higher among those from minority backgrounds – with 40% of using social media for investment advice, compared to just 16% among those from non-minority backgrounds (Figure 9).

But despite this significant reliance on social media, investors are sceptical of whether it can be considered a trustworthy source. Just 5% of all respondents considered social media to be a trustworthy source, making it the least trusted source of information in our study. Though this figure is somewhat higher amongst ethnic minorities (13%), social media ranks very low on trust compared to most other sources – despite relatively high use. Further research could seek to understand whether this reflects a lack of trust in more traditional source.

Fig. 9: Share of respondents using social media for investment advice

All investors, share selecting channel as used to learn about investing



Q. Which sources do you currently use to learn about investing?

Financial Literacy

The UK has a specific problem with low financial literacy. In one international study two thirds of participants in OECD countries knew what would happen to the purchasing power of money if inflation stayed at the same rate for one year. However, in the UK only 38% gave the correct answer – the lowest of any OECD country.[27]

In the context of investing, the importance of financial literacy is not just the kind of knowledge that is developed through formalised financial education. Rather, it is the ability to understand the nature of the investment product, to be able to compare its features to one's own preferences and tolerances, and to understand the risks involved.

The concept of financial education has evolved to encompass discussions of how risks are presented and even cultural norms about investment or discussions of money. This clouds the difference between education and literacy. In order to identify and describe the specific changes we need to make, we need greater precision in the language used in this debate to differentiate education measures (whether undertaken as part of formal school-age education or as part of later life up-skilling) from how we help consumers become comfortable with understanding and discussion of investments.

In the interviews for this research most potential investors expressed concerns about lacking knowledge when it comes to investing. Financial literacy was repeatedly highlighted, with several interviewees wishing they had received better financial education earlier in life.

We explored this further in the quantitative research. Among those who do not currently invest but are interested in doing so, 50% said they were held back by not feeling confident they could make good investment decisions and 14% said they felt they did not know what to do with money in general.

In this sense, while there is absolutely a need for financial education as part of the school curriculum, it is also critical to help adults to understand different financial products at the time in their life when they are likely to be considering investing.

"I think the language used might often confuse people...With some of the stuff I've seen, I'm a bit like, what does that really mean?"

Potential Retail Investor, Ethnic Minority Woman

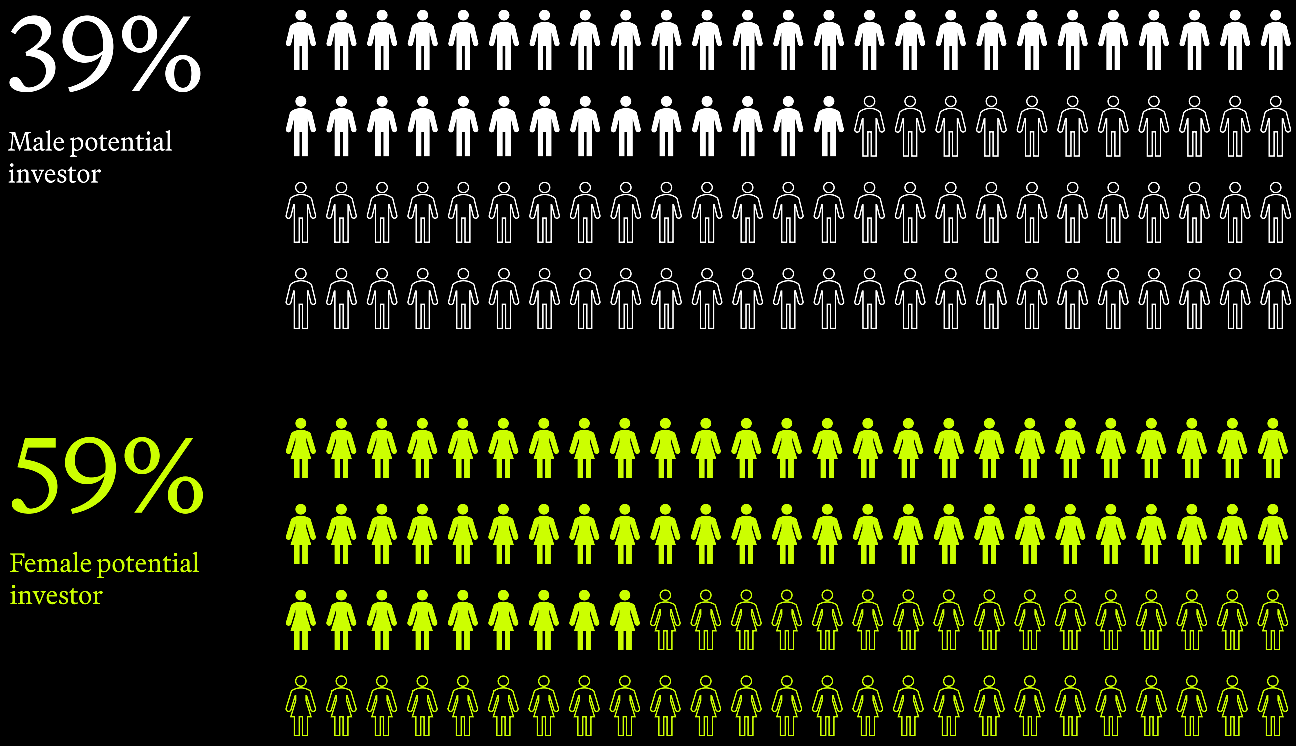
A recent OECD study found that across 39 countries on average "men have slightly higher levels of financial literacy on average than women, but these differences are quite small (smaller than 2 points out of 100)".[30] But female confidence in making good financial decisions is significantly lower than for men, as can be seen in Figure 10. We conclude from this that interventions to build financial literacy among women should also seek to build confidence if they are to be successful in widening participation.

There is perhaps some positive news in the finding that generationally we are learning about investing earlier. For the 'baby boomer' generation 16% said they started to learn about investing in early adulthood, but this figure grows as we move through the generations. For Gen X it is 19%, for millennials it is 29% and for Gen Z, those aged 18 to 27, a striking 41% said early adulthood was when they started to learn about investing.[31] Younger generations are also more confident that they understand financial markets and are able to make sound investment decisions.

Growing financial confidence at a younger age may also help to overcome the challenge that as responsibilities grow, for example when having children, people can find themselves time poor and unable to make the time to learn about investing. The lack of time to learn about investing is found in our research to be more of a barrier to women investing than men. 33% of potential female investors aged 18-54 cited "not having the time to learn about how to manage your finances" as a reason they do not currently invest. This may also point to the need to make financial literacy advice and support available at times and places that are convenient to time-poor potential investors, for example in workplaces or alongside pensions auto-enrolment. Recent research by the World Economic Forum in collaboration with Robinhood found that 42% of investors learn how to invest "by doing," making this the single most common way people learn about investing.[28] This suggests that, in thinking about investment literacy, we should consider learning as part of the journey, and not a pre-requisite for getting started. Building familiarity, for example by starting with small sums on investing platforms, could be a powerful way to help overcome barriers such as lack of confidence.

Fig. 10: Share of respondents not investing due to not feeling confident to make good financial decisions

Potential investors, share indicating item as reason for not investing



Q. Please select any items shown in the two screens that follow that describe a reason you currently do not invest

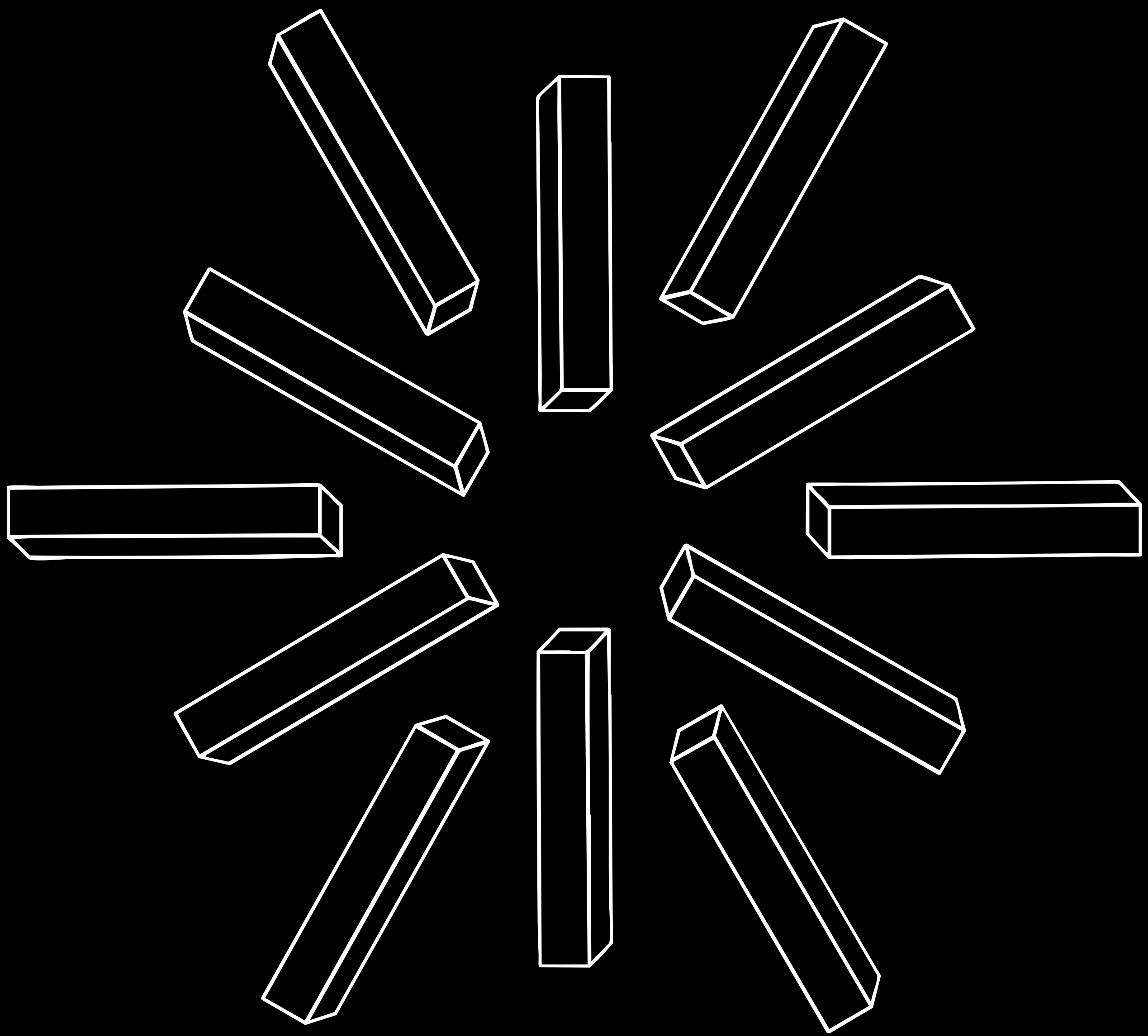
How barriers interact and reinforce

Not only do the issues identified act individually as barriers to investing, they can also reinforce one another, making it harder for people to embark on investments. This may be especially the case for potential female investors.

One question in our study showed men and women who do not currently invest a list of potential barriers and asked them to select all those that they saw as a barrier to them embarking on investing. We have presented some of the differences between men and women in selecting specific barriers. But there's one other striking result from this question – women selected more barriers overall than men. On average female participants selected 4.4 barriers from our list of 17 choices, while men who don't currently invest only selected 3.5 barriers.

This demonstrates that not only will we need to overcome specific issues, such as confidence, we also need an approach that recognises how these barriers may be more mutually reinforcing for women.

Robinhood



Overcoming Barriers

Overcoming Barriers

This research examines some of the key reasons why certain groups are currently less likely to invest and the barriers they perceive to getting started. It also illuminates how best to support potential investors to overcome these barriers.

This research looks at not only the people who have made the decision to invest, but it also interrogates what helped them get started, and looks at those who wish to invest, but have not yet started to do so. Comparing these two groups enables us to examine what changes help transform the desire to invest into the ability to do so. Many of the findings from this analysis are subtle and lead to important observations and recommendations for industry players and policymakers. But one result from this analysis is obvious and inevitable: wealthier people are more able to afford to invest. Interventions to give lower income households access to more funds that they could invest is beyond the scope of this report, and we focus in the following section on interventions at all affordability levels.

Advice and guidance

Investing for the first time can be daunting. In our interviews many participants mentioned the complexity of the language used in investing and how overwhelming the information and options can be for novice investors. The availability of advice – whether formal financial advice, or informal conversations with family, friends or work colleagues – is critical to helping to overcome this barrier and embark on the investing journey.

> "I started to read books, taking online courses, looking at money expert websites and seeking advice from a financial advisor who started working with me."
>
> **Current Retail Investor**

Different groups seek advice in distinct ways and assign varying importance to the sources of information they find. Financial advice websites, speaking with family and friends and general printed media are the most common sources of information for female investors. Further, conversation with family and friends is significantly more relevant to women investors as compared to men.

Our research indicated a generational split in sources of advice. The traditional financial adviser still plays a key role, being cited by 75% of those in the Gen X and baby boomer cohorts, though by a lower 58% among younger generation investors. While only 15% of those in the older cohorts have used an AI chatbot for investing advice, a remarkable 36% of Gen Z and Millennial investors cited the advice of an AI chatbot.[29]

Formal advice

Professional financial advice is a key way to overcome the informational and confidence barriers to investing, but the cost can present its own barrier for less affluent investors.

At a headline level, our research finds those who do invest are more likely to have received advice from a professional financial advisor than those who do not, and it's perhaps not surprising that this difference is statistically significant. To some extent this is likely to be linked to wealth – those who are more able to afford the services of a financial advisor may be better able to afford to invest. Nonetheless, it does appear that access to formal advice is a key way to support consumers in beginning an investment journey.

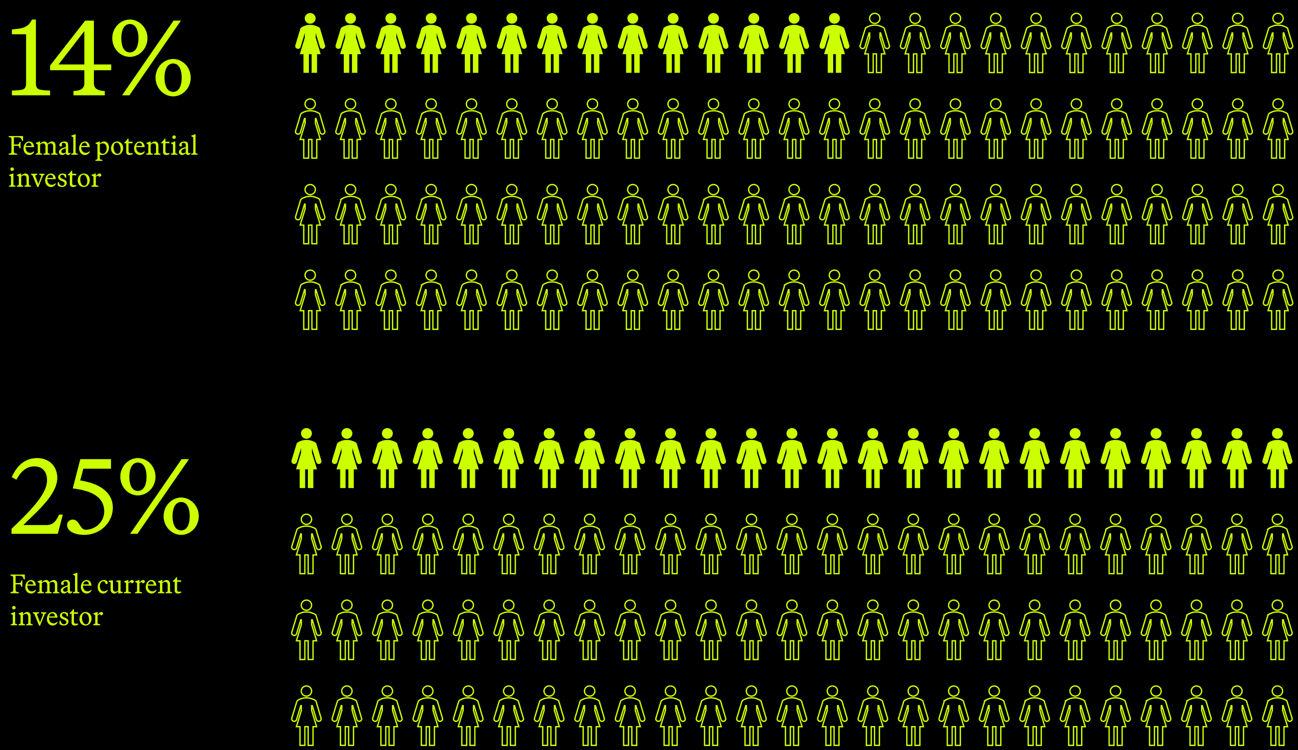
This is especially true for women. As Figure 11 shows, women who invest are significantly more likely to have seen a financial advisor than those who want to invest but do not currently do so.

Those who currently invest are also significantly more likely to say they "have seen, heard and read information about investing that feels designed for me", as shown in Figure 12.

Among minority ethnic current investors this effect is especially significant, with 37% of this group completely or strongly identifying with this statement.

Fig. 11: Share of respondents completely OR largely agreeing they had have received advice from a financial advisor

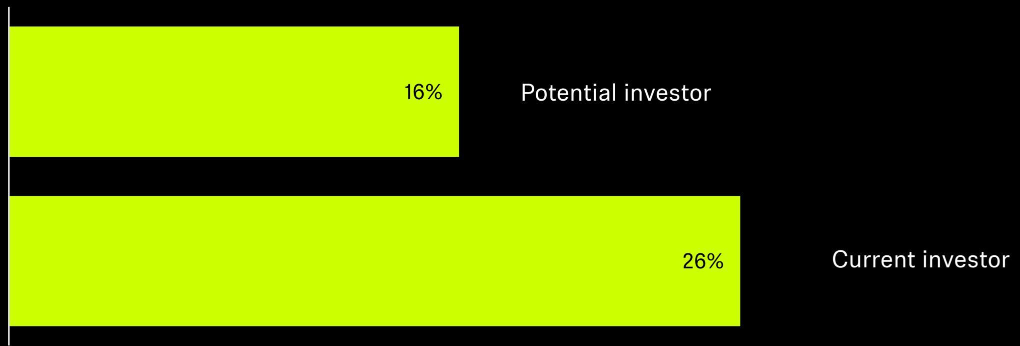
Female potential vs current investors, share agreeing statement applies to them



Q. To what extent do you agree with the following statements?

Fig. 12: Share of respondents completely OR largely agreeing they have "seen, heard and read information about investing that feels designed for me"

Female potential vs current investors, share agreeing statement applies to them



Q. To what extent do you agree with the following statements?

Spotlight 2

Advice reform

Just 8.6% of adults reported taking financial advice over 2024.[32]

Prior to 2012, advisory firms and independent financial advisors could provide free advice to retail consumers on specific financial products. Generally, this 'free' advice was supported by the payment of commission from the provider of the financial product they recommended to the consumer. Concern about the conflict of interest this presented, as well as a desire to improve the quality of financial advice, led the then regulator, the FSA, to launch the Retail Distribution Review (RDR) in 2006. The outcome was to ban financial advisors from receiving commissions based on recommending a firm's financial products, with the new rules in place from the end of 2012. Instead, financial advisors were required to charge consumers directly for their advice and provide a transparent charging structure so consumers understand what they will need to pay (e.g. a fixed fee or an hourly rate for advice). The European Union implemented similar rules on independent advisors being funded through commissions via MiFID II, and while these were less onerous than the UK version, some member states including Germany 'gold-plated' the directive.[33]

However, the cost of face-to-face advice from a qualified, professional adviser is significant, and not all potential investors want to or are able to pay for bespoke advice. The real-world impacts from the requirement to charge consumers were perhaps inevitable: the number of financial advisers fell, firms increased the minimum portfolio required to be able to access advice, and the proportion of consumers accessing professional financial advice fell. The number of advisors in the market fell by almost a quarter between 2011 and 2014.[34] The proportion of advice firms requiring a minimum portfolio of more than £100,000 went from 13% in 2013 to 32% in 2015.[35] And the proportion of retail investment products sold without advice rose from around 40% in 2011/12 to around two thirds in 2014/15.[36]

The FCA recognises the importance of and need for consumers to be able to access advice if we are to successfully encourage more people to invest. As Sarah Pritchard, Executive Director, Markets and International, at the FCA has said, "We want to see a system that enables consumers to receive the help that they want, at the time they need it, at a cost that is affordable, so that they can make informed decisions". And we welcome the FCA's recognition of the need "to be ambitious about how we reform the way help and advice is provided to consumers".[37]

The FCA proposes to remedy the current situation in which many "consumers can find it difficult identifying that they need support and when they do, their needs are not being fully met" with the introduction of a new regime of "targeted support." This would broaden the support that investment firms are able to offer to their consumers. Specifically, "targeted support" would allow firms to "suggest products or courses of action" based on limited information about the customer, and crucially provided without the upfront fees that so often put people off accessing advice.

Regulator Recommendation 1 - The regulator should introduce "targeted support" that allows firms to provide the kind of "people like you" advice that many consumers need without being put off by explicit charges for advice. This should be introduced for all activities and not restricted to pensions. For many potential investors, access to targeted support, provided without direct costs to consumers, will be valuable in helping them to begin investing. It is welcome that the FCA is considering in the Advice Guidance Boundary Review[38] the benefits of support that uses limited personal circumstance data to provide broadly appropriate guidance, especially to those that currently feel unable to take the plunge to invest. "Targeted support" – and the way in which it overcomes current barriers of cross-subsidisation – will allow firms to provide valuable support to under-represented groups and indeed a wider population of potential investors - to whom they would currently have to charge an explicit and off-putting fee for investment advice.

Informal Advice

As well as formal advice provided by a financial advisor, many people rely on more informal networks such as friends and family. And there has been growing reliance on investment tips – both good and bad - seen on social media platforms. Our evidence shows that these informal sources are especially important to under-represented groups.

For female investors, the role of friends and family was important in beginning to invest. In our study

it was noticeable that only 18% of men considered that having a friend or family member that they could discuss investing with was important in getting them started, almost doubling to 32% for female investors, as shown in Figure 13.

The social aspect to investment was especially prominent for minority ethnic investors. Like the female group considered above, minority ethnic investors were more likely to acknowledge the importance of having a friend or family member with whom they could discuss investing, as can be seen in Figure 14.

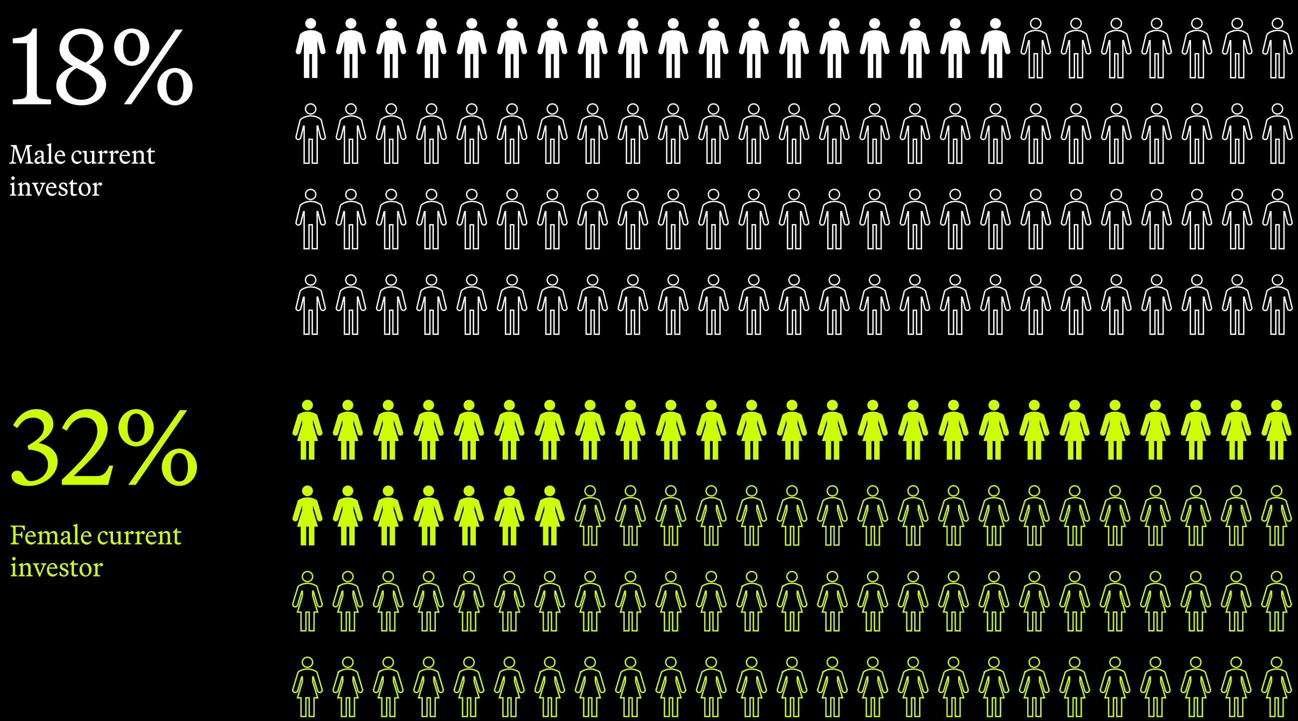
For minority ethnic investors, the encouragement of people around them in society was also significantly more important than for the majority ethnic group (Figure 15). This reinforces the importance of societal cues in helping encourage investment.

We also observed a small effect where for minority ethnic investors the sense that they had more of an idea about how to manage money in general was more helpful in overcoming barriers to investment than it was for majority ethnic investors (Figure 16).

The fact that under-represented groups are more likely to rely on informal advice has consequences for how participation might be widened among these groups. For firms this might suggest increasing the use of advertising in the online forums when women or minority ethnic groups meet – not necessarily just to discuss investing. It may also point to supporting a small number of high-quality, well-vetted sources of financial advice on social media. And for the regulatory authorities it points to the need to continue to crack down on unscrupulous and fraudulent accounts across a range of social media platforms.

Fig. 13: Investing faciltators - share of respondents citing ‘having familiy or friends to discuss investing with’

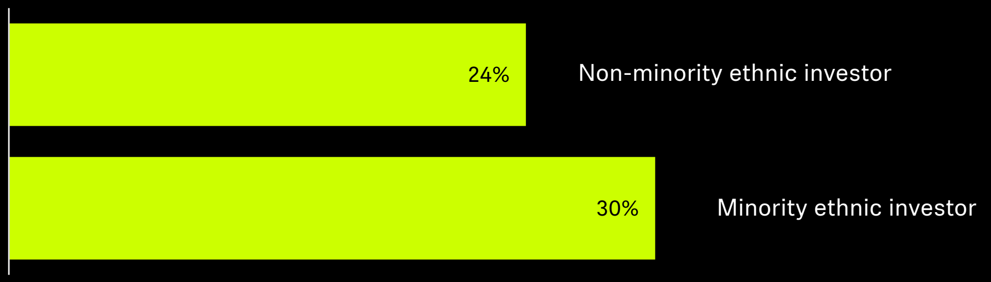
Current investors, male vs female, % citing reason for being able to start investing



Q. Looking back were any of these reasons why you were able to start investing?

Fig. 14: Investing faciltators - share of respondents citing ‘having familiy or friends to discuss investing with’

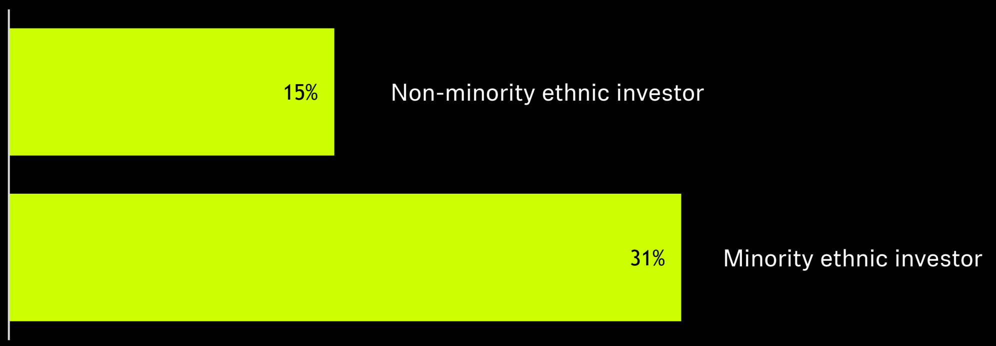
Current investors, minority vs non-minority, % citing reason for being able to start investing



Q. Looking back were any of these reasons why you were able to start investing?

Fig. 15: Investing Facililtators - share of respondents citing ‘being encouraged by people around them’ as a facilitator

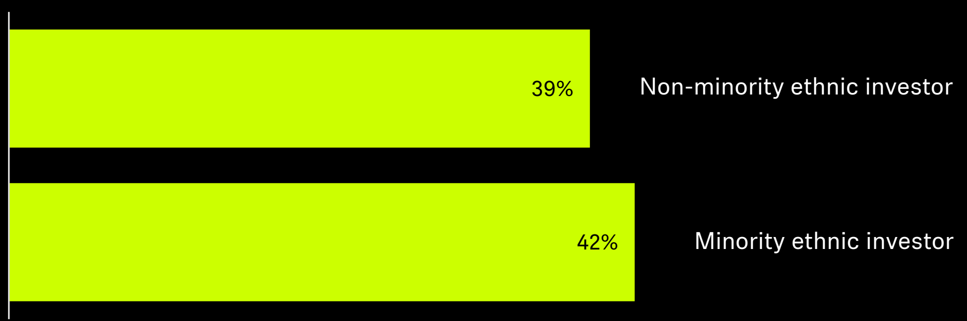
Current investors, minority vs non-minority, % citing reason for being able to start investing



Q. Looking back were any of these reasons why you were able to start investing?

Fig. 16: Share of respondents citing feeling of having more idea about what to do with money in general as a facilitator

Current investors, minority vs non-minority, % citing reason for being able to start investing



Q. Looking back were any of these reasons why you were able to start investing?

Information

Information about investing is not difficult to find, and with a growing volume of investment content on social media it is becoming increasingly hard to miss. But the sense of having trusted and reliable information is important to getting started with investing. In our study, 37% of current investors identified that “finding reliable information about investments and investing” was a key reason they were able to begin investing.

But different groups look for information to be presented in different ways and respond differently depending on how information is presented.

The sense that sources of information are not just generic but have been written with particular consumer types in mind is important for under-represented groups. For the minority ethnic investors in our study, finding information which they felt was designed for them was a much more important factor in helping them get started in investing (Figure 17). This signal was even stronger when looking at the intersection of female and minority ethnic investors.

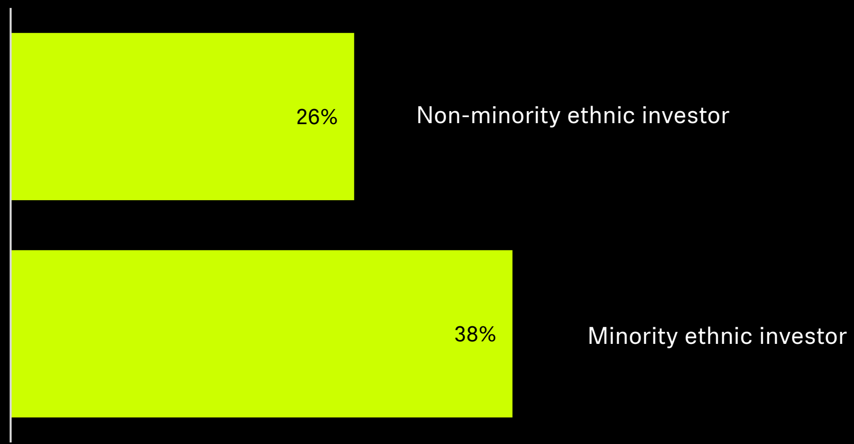
Industry Recommendation 4 - Firms should assess platform design, educational materials and advertising to ensure they genuinely resonate, including with diverse communities.
Industry language often assumes familiarity with financial concepts, using jargon that can exclude first-time investors. Beyond translating complex language, industry should consider whether its tone, imagery, and narratives are welcoming to those who may not already see themselves as investors. Our research shows that this needs to go well beyond simple ‘representation’ of individuals (which in itself is not cited as a barrier). Instead it needs to reflect the diverse roles investing can play for individuals, families and communities. As well as generally understanding the needs and motivations of these communities better, guidelines can also be developed for specific activities, such as pre-testing of advertising and educational materials to ensure that samples are sufficiently diverse.

Product information

Information about specific investment products is important for allowing potential customers to assess the suitability of a product and for helping them to compare multiple products before making a choice.

Fig. 17: Share citing “having access to information about investing that felt designed for you” as a facilitator

Current investors, minority vs non-minority, % citing reason for being able to start investing



Q. Looking back were any of these reasons why you were able to start investing?

In our interviews, potential investors frequently cited the complexity of investing language, and how overwhelming information and options can be for novice investors. The information that firms provide is often the subject of detailed regulatory rules but, as the FCA itself acknowledges, "consumers often find the current product information documents confusing or overwhelming."[39] Therefore we strongly welcome the FCA's intention to significantly change the rules for the way product information is presented.

As described above, the sense that information was designed for the customer is important to the experience of our under-represented groups. The current regulatory regime for "packaged retail and insurance-based investment products" (PRIIPS) was inherited from European Union rules designed while the UK was a member state. The rules are highly prescriptive and do not allow for the kind of innovation in tone, language or presentation that might help to make the information more appropriate or appealing to specific groups. The move to a new product information framework is an opportunity to remove prescription and focus instead on a regime that prioritises good consumer outcomes. This should allow firms to innovate in how they present information and to test how different presentations are received by different groups of customers. This should help widen participation among under-represented groups by allowing for product information communications that customers feel have been designed for them.

Regulator Recommendation 2 - The move by the FCA to replace the old EU-derived product disclosure rules with a new Consumer Composite Investments (CCI) regime for consumer information is an opportunity to modernise and broaden the range of products in which it allows retail consumers to invest and provide flexibility for firms to innovate. The regulator should centre the new CCI regime around prioritising good consumer outcomes, replacing the previous overly-prescriptive EU-inherited legislation, which fails to reflect the needs of those with characteristics of vulnerability. The proposed outcomes-based approach is very welcome, but it will require the FCA to take an approach to supervising the regime, in line with its Consumer Duty principles, that genuinely allows firms flexibility to innovate, including to test how under-represented groups respond to different products and different ways of providing product information. Continued cooperation between the FCA and industry leaders can help ensure that the CCI regime is a significant improvement on the PRIIPs regime and that consumers have access to useful information when making investment decisions which will help widen participation.

Risk warnings

Risk warnings on financial products are of course of vital importance in ensuring that consumers know what they are buying and that products match their appetite for risk. But regulation requires investments to communicate risks using terminology that is unfamiliar and tone that is off-putting to potential investors. Meanwhile cash saving products are not required to warn of the risk of value being eroded by below inflation interest rates. Given the greater risk aversion among women, it is likely that these warnings prove a greater barrier to female participation than to male.

Alongside the regulator's move to an outcomes-based approach to product information, consideration should be given to a similar approach to the communication of risk. Firms should be able to propose alternative wording to the regulator and be able to test alternative, perhaps more natural-toned language with under-represented groups.

Without diluting the importance of risk communication, the regulator should consider making a positive statement about its openness to the use of alternative language and reassure firms that testing the impact of different language with a view to widening participation in investing will not lead to regulatory enforcement.

Platforms

The experience of investing has been transformed in the era of online trading platforms. As well as competing on traditional elements such as price, platforms also compete on how easy they are to use, and this has made investing far more accessible to the general public. The development of platforms has been key to the increasing share of global assets under management attributable to retail investment channels, which has grown from 45% of the total pool in 2014 to over half by 2021. This is estimated to rise further, to over 60% by 2030.[40]

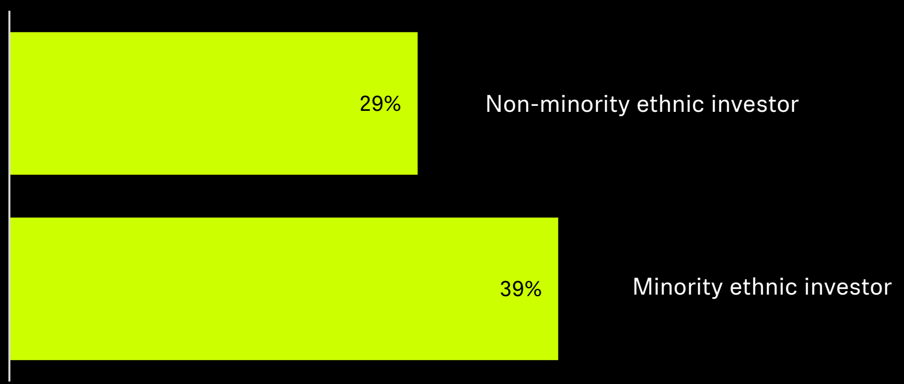
The ability of investment platforms to provide a positive experience for those starting out in investing is likely to be a key driver of whether potential investors continue with investing. And this is especially true for our under-represented groups.

In our study, finding the right investment platform seemed to be particularly important for supporting minority ethnic investors, as shown in Figure 18.

We also compared women who said they were interested in investing, but had not yet done so, with those women who were currently invested. Those who were investing were more than twice as likely to say they had found an investing platform or app that was easy to use (Figure 19). This result is even more prominent among the intersectional group of minority ethnic women, where three times as many current investors had found an easy to use platform than the non-investing group. This suggests that intuitive platform design may help those who have not previously invested to overcome barriers such as a lack of confidence.

Fig. 18: Share of respondents citing “finding an investment platform or app that was easy to use” as being an investment facilitatior

Current investors, minority vs non-minority, % citing reason for being able to start investing



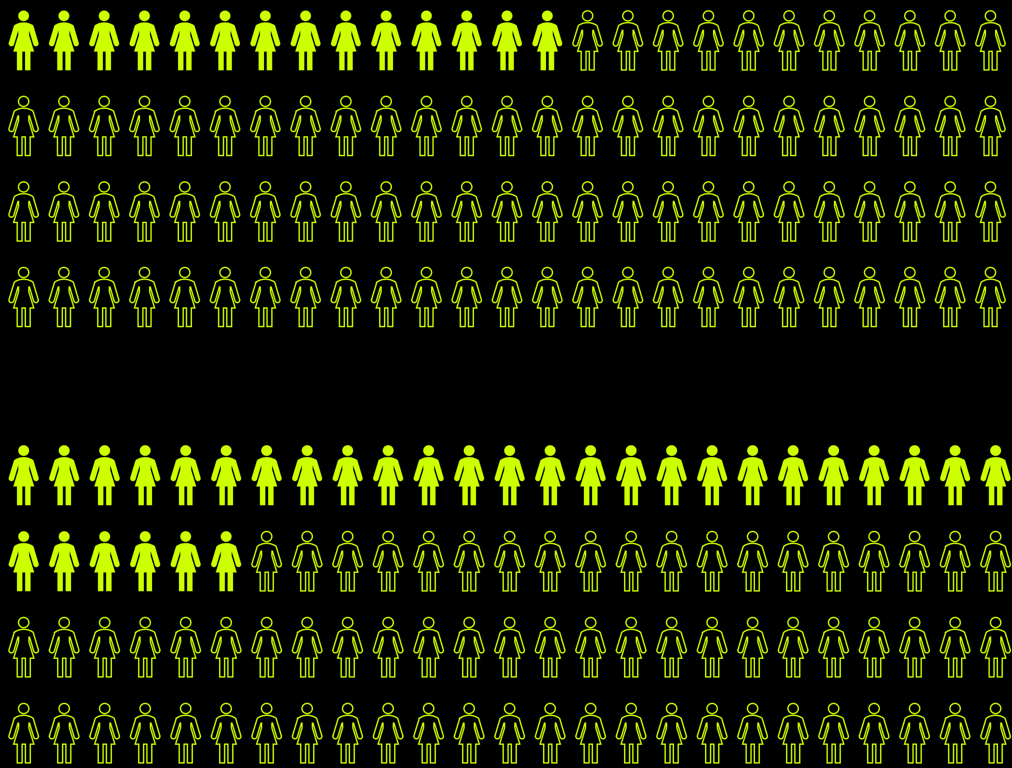
Q. Looking back were any of these reasons why you were able to start investing?

Fig. 19: Share of respondents citing "finding an investment platform or app that was easy to use" as being an investment facilitatior

Female potential vs current investors, % citing reason for being able to start investing

14%
Female potential investor

31%
Female current investor



Q. Looking back were any of these reasons why you were able to start investing?

Simplifying the processes to begin investing will be important in broadening participation and bringing more of the under-represented groups onto an investing journey. As trading platforms compete for market share they should work to understand how under-represented groups experience their platforms and what improvements can help more consumers to begin investing. This should not require specific action from the regulator, beyond not limiting innovation in investment platforms and apps. Instead, the existing strong competition between firms for the best user experience should be the key driver.

Nonetheless, firms will need to make specific efforts to understand the different user experiences of women and of those from minority ethnic backgrounds who may currently be not only under-represented in their customer base, but also in their research and testing groups.

Products

The most popular investment product in the UK is a stocks and shares ISA, with almost eight million people holding one. Despite this apparent success, previous research has found that around one-in-six UK adults say they have ‘never heard’ of a stocks and shares ISA.[41] One of the advantages of the stocks and shares ISA is that it appears to consumers to be a cousin of a product they are very likely to have heard of, indeed likely to hold – the cash ISA. That around 18 million UK adults hold a cash ISA suggests they could be nudged into taking out the investment cousin too.

In recent months Ministers have acknowledged the value of encouraging investment and while we welcome consideration of how government policy can increase participation in investing, there has also been speculation that the government may look to reduce the current £20,000 per annum cash ISA limit in order to encourage customers to consider stocks and shares ISAs and other investments.

While reducing the cash limit of the ISA may drive some savers to consider other investment products, the evidence in this paper shows that, for many, barriers to investing will remain. Without measures to overcome barriers including confidence, literacy, and familiarity with risk, a change to the cash ISA limit will have only limited policy impact. Indeed, such a change may reduce consumer confidence in the ISA as a stable, long-term product.

Policymaker Recommendation 1 – The ISA is a popular, trusted and well-understood product that gives UK consumers an easy route to save and invest with confidence. HM Treasury should focus ISA reform on what reforms could encourage ISA savers to diversify away from cash and into a broader range of assets, such as equities through stocks and shares ISAs. This could include changes to ISA rules and reforms to improve how firms can support customers to make more informed financial decisions through “targeted support” and the Advice/Guidance Boundary review.

Among those that are already investing, there are only small differences between men and women in the types of products they access. For example, 57% of female investors report owning individual stocks, compared to 60% among male investors. And these numbers are very similar to the proportions holding a cash ISA account – 57% of men and 53% of women.

But for the minority ethnic group the picture is different. Among savings products, minority ethnic customers are much less likely to hold a cash ISA and very much less likely to have Premium Bonds or other NSI products (Figure 20).

We also wanted to understand what investment products are particularly appealing to minority ethnic customers. Our study showed investors from minority backgrounds were slightly more likely to hold a stocks and shares ISA, and slightly less likely to have invested in individual stocks or in unit trusts. The latter finding is likely linked to a striking result minority ethnic investors are twice as likely to hold exchange traded funds (ETFs), as can be seen in Figures 20 and 21.

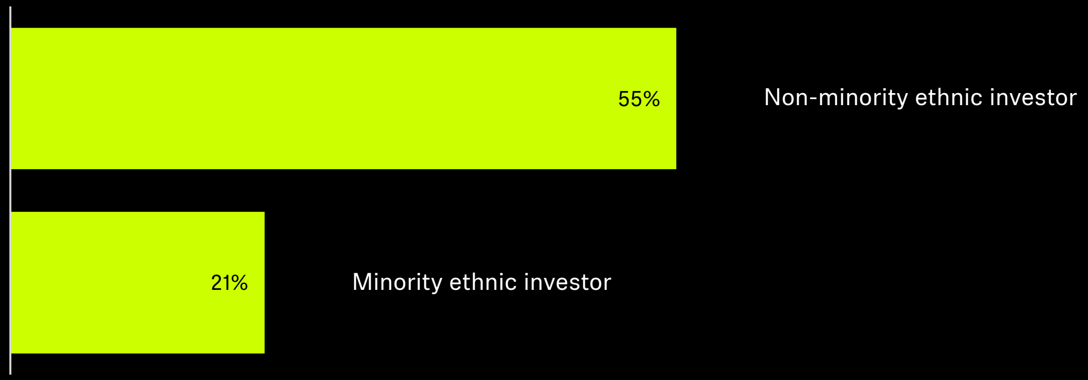
ETFs appear to be an especially attractive investment class to those from a minority ethnic background. Increasing the choice and availability of ETF products could be of significant value in supporting those minority ethnic consumers to get into investing.

The UK regime has failed to keep pace with development in products for retail investors. There is a role for the Government to ensure the UK regime can respond to growing consumer demand for products that consumers can access in other markets. Exchange traded funds (ETFs) are particularly favoured by groups which are currently under-represented in UK retail investment. Our research shows that minority ethnic investors are twice as likely to hold them, with 20% owning ETFs compared to 10% of non-minority investors. This attests to the importance of ETFs as an asset class as the UK looks to increase retail investment participation rates.

Policymaker Recommendation 2 - Given the consumer appetite for ETFs, especially from minority ethnic consumers, unnecessary barriers to accessing ETFs should be removed. HM Treasury could specify US-domiciled ETFs in the Overseas Funds Regime, allowing these funds to be promoted in the UK, including to retail clients. Currently a barrier to UK retail consumers directly accessing US-based ETFs under PRIIPs is the requirement in the Key Information Document (KID) for products to include projections

Fig. 20: Share of respondents holding premium bonds or other NSI products

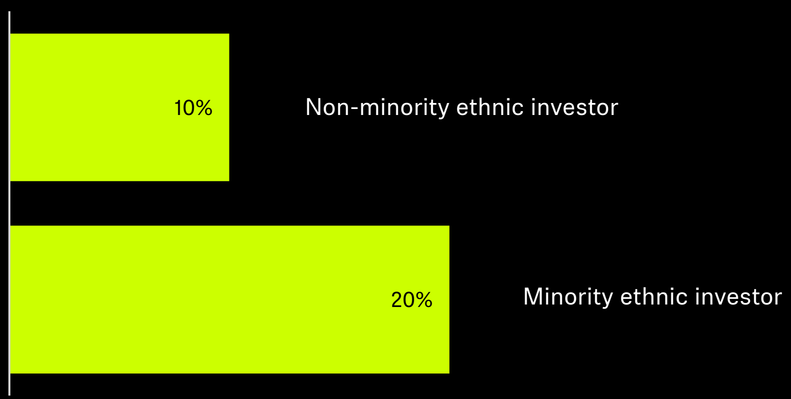
Current investors, minority vs non minority, % indicating product holding



Q. Which of the following types of accounts and investments do you currently have, including any joint accounts?

Fig. 21: Share of respondents holding ETFs

Current investors, minority vs non minority, % indicating product holding

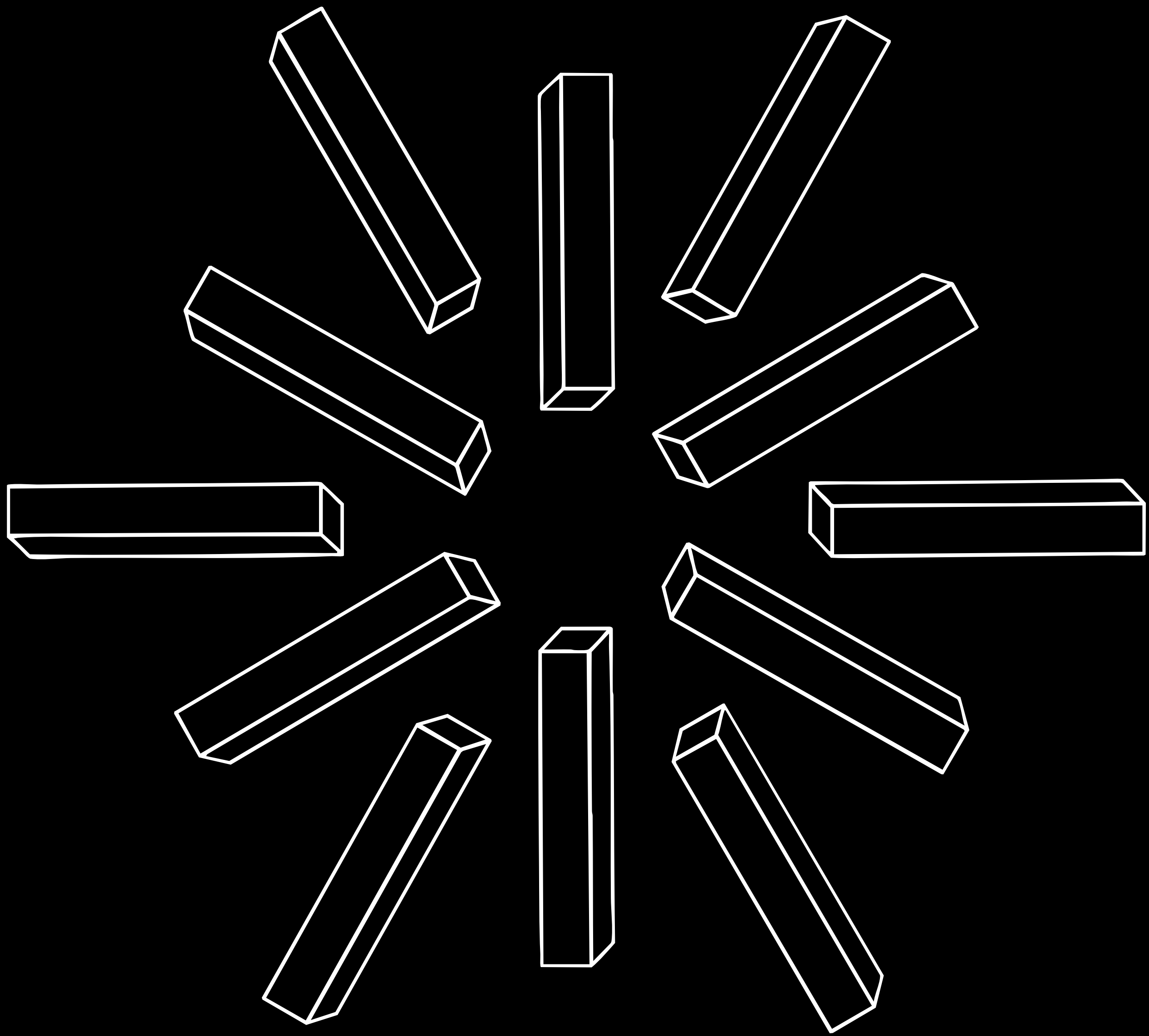


Q. Which of the following types of accounts and investments do you currently have, including any joint accounts?

of future performance, as these projections are not permitted under US regulations. As the FCA plans to remove the formal barrier that PRIIPs posed – the new Product Summary will not be required to include future performance projections – the remaining barrier will be HM Treasury's inclusion of these products in the Overseas Funds Regime. Treasury Ministers could make regulations[42] approving the US as a country and specifying ETFs as an approved collective investment scheme. This would follow the format of the May 2024 Statutory Instrument that granted equivalence for EEA members.[43]

Regulator Recommendation 3 – ETFs have an important role in supporting the aim of increasing retail investment rates and offer savers fair value, diversified and low-risk investment options. ETFs are found in our research to be particularly favoured by groups who are currently underrepresented in UK retail investment, with ethnic minority investors being twice as likely to hold them. The regulator should recognise the role ETFs can play in widening participation in retail investment and ensure the new Consumer Composite Investments (CCI) regime gives UK retail consumers direct access to US-domiciled ETFs and similar products which are not authorised under existing UK rules. In addition to the steps above that HM Treasury should take to allow US ETFs within the Overseas Funds Regime, the FCA should ensure that the CCI regime restricts required performance data to past performance. Requirements for information on projected future returns/performance will act as a barrier to UK consumers accessing US ETFs without adding material benefits or addressing material risks to consumers.

Robinhood



How do we drive change?

How do we drive change?

The British public doesn't invest enough and too many people feel they are excluded from the opportunity to invest and thereby better prepare for their future. Solving this challenge will help more people to reach their financial goals and support the growth of the British economy as a whole. However, this challenge can only be solved if barriers experienced by under-represented investors are addressed.

One element of increasing access must be to make it easier for new investors to access investment choices. The retail digital revolution, including the rise of cutting edge digital investing platforms, is already bringing the benefits of easy-to-use digital investments to a wider public. But platforms should recognise the valuable role they can and should play in widening participation further.

Women and ethnic minorities being under-represented in retail investing is not due to a single barrier, but rather, a number of separate issues that may work together to reinforce each other and limit participation. Widening participation will require a number of interventions – and we all have a role to play in that – including the investment industry, policymakers and the regulator. We hope the recommendations set out in this report will trigger debate and action – promoting greater inclusion and supporting more adults to begin investing.

While the barriers we identify in this report are those which especially affect women and minority ethnic groups, they are all relevant to the population more generally. Helping to resolve these challenges will promote retail investing across the population. We therefore hope that the findings of this report will raise the salience of under-represented groups in the discussions on increasing retail investing.

Conclusions

- The British public are not bad savers by international standards. But we hold a much smaller percentage of our total assets in investments compared to similar western countries. This holds back returns for individuals and is a drag on economic growth.

Products

- Cash ISA's are a hugely popular product. While we understand the reasons for reviewing the current annual limit, our analysis of the barriers to investing suggests that a reduction is unlikely to be successful as a policy to increase retail investment participation on its own.

- Motivations to invest vary across different groups and can be cultural in origin. People's financial goals are different, and not everyone is ready to make investments for the very long term. Products and marketing that reflect the personal time horizons of potential investors, or that recognise the specific reasons that some consumers want to invest are likely to help people find investments that are suitable for their specific needs.

- ETFs appear to be an especially attractive investment class to investors from a minority ethnic background. Increasing the choice and availability of ETF products appears to be of significant value in supporting those minority ethnic consumers to get into investing.

Information

- Beginning an investment journey does not require substantial wealth, but many consumers, especially from minority backgrounds, feel excluded from the opportunity to invest by the perception of a capital barrier Investment. Industry, policymakers and regulators all have a role to play in educating consumers about the accessibility of investment products at all wealth levels.

- Confidence in investing is not necessarily linked to education level and is a particular barrier to women getting into investing. The way risk is presented may have a role to play in helping women in particular to identify products that match their risk appetite.

- The sources of information that people trust varies with gender and ethnicity. Social media is increasingly relied upon for investment advice, but consumers recognise it not to be a highly trustworthy source.

- For minority ethnic investors, finding information they felt was designed for them (in language, relevance and accessibility) was a much more important factor in helping them get started in investing.

- Relatable role models are important for helping people to see an activity or behaviours as being “for someone like me.” A lack of role models reflecting under-represented groups, for example in marketing materials or depictions of investing in media (and perhaps even among financial advisors), holds these groups back from making investments.

- The information provided to potential investors should support them in making the right financial decisions for them, and not put them off with jargon, tone, unnecessary complexity, or the sense of a tick box exercise. Today this information is the subject of overly-prescriptive rules that may be disproportionately off-putting to under-represented groups. The replacement of EU-derived product information rules with a domestic, outcomes-based approach is an opportunity to find ways to communicate important product information in different ways that best suit different audiences. This will be especially important for those for whom the cost of professional financial advice is prohibitive.

Advice

- Financial literacy in the UK is low and steps need to be taken to equip people with the knowledge and understanding to assess investment choices. This is not just about formal education, but also how we help consumers become comfortable with understanding and discussion of investments.

- The provision of advice, both formal and informal, is vital to supporting investment decisions. Previous regulatory moves to remove conflicts of interest from investment advice had the unintended consequence of reducing the availability of advice and making the cost a barrier to access. The proposed introduction of “targeted support” is highly welcome, and combined with a better understanding of customers, platforms should be able to provide valuable support to potential investors free of charge.

- The advice from friends and family is especially important to helping women and those from minority ethnic backgrounds into investing. And for the latter group, the encouragement of those around them in society is also a key driver. AI chatbots are increasingly relied upon, especially by the youngest cohort.

Platforms

- Apps and platforms have made investing simpler, cheaper and more accessible. Finding the right platform is an important step into investing, especially for those from minority ethnic backgrounds, and finding a platform easy to use is especially important in supporting women to begin investing. Competition between apps on the basis of user experience has the potential to drive improvements that better support under-represented groups.

Industry recommendations

1 **Firms should consider updating the way in which investment risk is presented so that it is helpful rather than alienating.** Women in particular express higher levels of risk aversion, not necessarily because they are unwilling to take risks, but because risk is communicated in a way that feels discouraging rather than informative. There is a role for the regulator in giving firms space to tailor their language appropriately, but there is also a role for individual firms to test alternative framing of risk communications and for those firms with successful approaches to champion the ways they have approached educating its investors.

2 **Firms should assess platform design, educational materials and advertising to ensure they genuinely resonate, including with diverse communities.** Industry language often assumes familiarity with financial concepts, using jargon that can exclude first-time investors. Beyond translating complex language, industry should consider whether its tone, imagery, and narratives welcome those who may not already see themselves as investors. Our research shows that this needs to go well beyond simple 'representation' of individuals (which in itself is not cited as a barrier), rather that it needs to reflect the diverse roles investing can play for individuals, families and communities. Further, by generally understanding the needs and motivations of these communities better, guidelines can also be developed for specific activities, such as pre-testing of advertising and educational materials to ensure that samples are sufficiently diverse.

3 **Firms should assess how marketing materials can overcome the up-front capital barrier to investing.** While many firms already offer products with low or zero initial deposit requirements, a perception remains – especially among minority ethnic groups – that significant sums are needed in order to begin investing in even the most straightforward products. There is a market opportunity for firms to widen participation and their own customer base by helping to dispel myths about cash requirements and fees.

4 **Firms should consider how to frame investment not only as a long-term activity, but also as an option to build wealth whatever your personal time horizon or specific financial goals.** The default language used by industry leaders tends to frame investing as being predominantly orientated towards long-term wealth accumulation and life goals. Our study shows that for many underrepresented investors, particularly ethnic minorities, investing is seen as a way to achieve more proximate financial goals, such as financial security or major life purchases. When designing products, marketing and associated financial guidance, providers should look to reflect a broader diversity of investment motivations to ensure relevance across different communities.

Policymaker recommendations

5 **The ISA is a popular, trusted and well-understood product that gives UK consumers an easy route to save and invest with confidence. HM Treasury should focus ISA reform on what reforms could encourage ISA savers to diversify away from cash and into a broader range of assets, such as equities through stocks and shares ISAs.** This could include changes to ISA rules and reforms to improve how firms can support customers to make more informed financial decisions through "targeted support" and the Advice/Guidance Boundary review.

6 **Given the consumer appetite for ETFs, especially from minority ethnic consumers, unnecessary barriers to accessing ETFs should be removed. HM Treasury could specify US-domiciled ETFs in the Overseas Funds Regime, allowing these funds to be promoted in the UK, including to retail clients.** Currently the barrier to UK retail consumers directly accessing US-based ETFs under PRIIPs is the requirement in the Key Information Document (KID) for products to include projections of future performance, as these projections are not permitted under US regulations. As the FCA plans to remove the formal barrier that PRIIPs posed – the new Product Summary will not be required to include future performance projections – the remaining barrier will be HM Treasury's inclusion of these products in the Overseas Funds Regime. Treasury Ministers could make regulations[44] approving the US as a country and specifying ETFs as an approved collective investment scheme. This would follow the format of the May 2024 Statutory Instrument that granted equivalence for EEA members.[45]

Regulator Recommendations

7 **The regulator should introduce "targeted support" that allows firms to provide the kind of "people like you" advice that many consumers need without being put off by explicit charges for advice.** This should be introduced for all activities and not restricted to pensions. For many potential investors, access to targeted support, provided without direct costs to consumers, will be valuable in helping them to begin investing. It is welcome that the FCA is considering in the Advice Guidance Boundary Review[46] the benefits of support that uses limited personal circumstance data to provide broadly appropriate guidance, especially to those that currently feel unable to take the plunge to invest. "Targeted support" – and the way in which it overcomes current barriers of cross-subsidisation – will allow firms to provide valuable support to under-represented groups and indeed a wider population of potential investors - to whom they would currently have to charge an explicit and off-putting fee for investment advice.

8 **The move to a new Consumer Composite Investments (CCI) regime is an opportunity to modernise and broaden the range of products in which it allows retail consumers to invest and provide flexibility for firms to innovate. The regulator should centre the new CCI regime around prioritising good consumer outcomes, replacing the previous overly-prescriptive EU-inherited legislation, which fails to reflect the needs of those who are under-represented.** The proposed outcomes-based approach is very welcome, but it will require the FCA to take an approach to supervising the regime, in line with its Consumer Duty principles, that genuinely allows firms flexibility to innovate – including to test how under-represented groups respond to different products and different ways of providing product information. Continued cooperation between the FCA and industry leaders can help ensure that the CCI regime is a significant improvement on the PRIIPs regime and that consumers have access to useful information when making investment decisions which will help widen participation.

9 **ETFs have an important role in supporting the aim of increasing retail investment rates and offer savers fair value, diversified and low-risk investment options. In our research, ETFs are found in our research to be particularly favoured by groups who are currently underrepresented in UK retail investment, with ethnic minority investors being twice as likely to hold them. The regulator should recognise the role ETFs can play in widening participation in retail investment and ensure the new Consumer Composite Investments (CCI) regime gives UK retail consumers direct access to US-domiciled ETFs and similar products which are not authorised under existing UK rules.** In addition to the steps above that HM Treasury should take to allow US ETFs within the Overseas Funds Regime, the FCA should ensure that the CCI regime restricts required performance data to past performance. Requirements for information on projected future returns/performance will act as a barrier to UK consumers accessing US ETFs without adding material benefits or addressing material risks to consumers.

Methodology

Robinhood and Global Counsel carried out an online survey amongst 1,856 current and prospective retail investors, between 14th January and 3rd February 2025.

To help understand more about what makes for unique aspects of underrepresented groups' experiences, samples of male and non-ethnic minority investors were also included. Sample sizes are sufficiently large to allow for an analysis of the experience of investors at the intersection of gender and ethnicity. Within the ethnic minority sample, results are weighted to the latest available census figures to reflect the ethnic make-up of the UK.

The precise breakdown of the total sample by Gender and Ethnicity is shown below.

Current investors were screened for currently holding at least one of the following: Stocks and Shares ISA, Unit/Investment Trust, Individual stocks/shares, Exchange Traded Funds, Government/corporate bonds and gilts and for self-managing these investments. Prospective investors were screened for expressing interest in the same qualifying instruments (but not yet holding any), for expressing a desire to self-manage these investments were they to be acquired, and for being a main/joint financial decision-maker within their household. They were also required to have at least enough to live off of for three months in their bank account.

Additionally, 12 in-depth interviews were conducted with Current and Prospective investors, all of whom were either female, of ethnic minority background, or both. These interviews covered the role that investing plays in the individuals' life, barriers to investing, and reflections on what could help overcome these barriers.

Desk research and a number of interviews with advocacy and industry experts were undertaken to prepare both the survey and in-depth interviews.

	Current Investors	**Potential Investors**	**All Investors**
Total surveyed	956	900	1856
Male	464	466	898
Female	492	434	958
Ethnic Minority	229	185	413
Non-Minority	728	715	1443

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