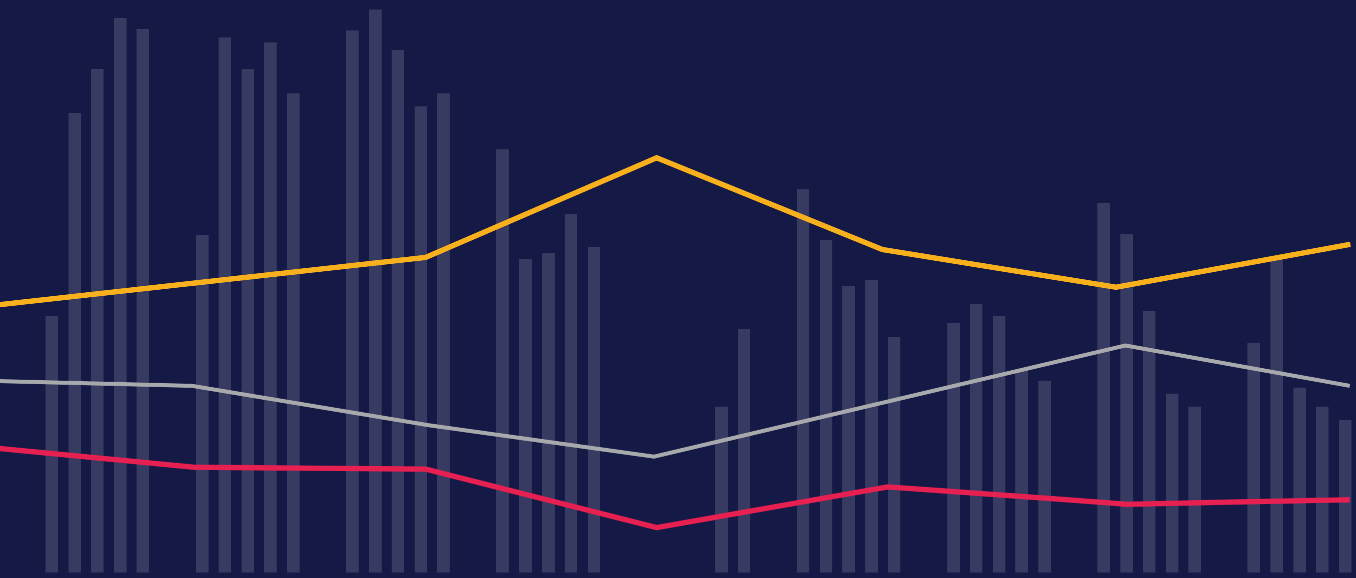
2020 Trends in Investing Survey



CONDUCTED BY:

Journal of Financial Planning

FPA

Janus Henderson INVESTORS

About the 2020 Trends in Investing Survey

The 2020 Trends in Investing Survey was conducted by the *Journal of Financial Planning* and the Financial Planning Association® (FPA®), and sponsored by Janus Henderson Investors, an FPA Strategic Partner. The survey was fielded in March 2020 and received 242 online responses from financial advisers who offer clients investment advice and/or implement investment recommendations.

Executive Summary

Environmental, social, and governance (ESG) funds are gaining popularity, and financial advisers may be shifting to more equities during the market downturn caused by the COVID-19 pandemic, according to the 2020 Trends in Investing Survey, conducted by the *Journal of Financial Planning* and the Financial Planning Association® (FPA®), and sponsored by Janus Henderson Investors.

ESG funds were first added to the survey in 2018, when 26% of advisers indicated they were currently using or recommending ESG funds with clients. That percentage remained steady at 26% in 2019 and increased meaningfully to 38% of advisers currently using or recommending ESG funds in 2020. Nearly one-third (29%) of advisers indicated in the 2020 survey that they plan to increase their use/recommendation of ESG funds over the next 12 months. And almost 40% of advisers indicated that, in the last six months, clients have asked them about investing in ESG funds.

The 2020 survey results also reveal how the COVID-19 pandemic is starting to impact asset allocation, economic outlooks, and investing decisions. Survey results suggest they plan to pull back somewhat on recommending cash and equivalents, while increasing their recommendations of some equities.

Advisers were asked which investments they intend to increase and decrease their use of over the next 12 months. ETFs were chosen by 52% of survey respondents when asked which investments they plan to *increase* their use of over the next 12 months. In addition, almost one-third (29%) plan to increase their use of ESG funds in 2020 (compared to 19% in 2019), and one-quarter plan to increase their use of individual stocks (compared to 15% in 2019). Meanwhile, 14% of advisers said they plan to *decrease* their use/recommendation of cash and equivalents in 2020, compared to 5% who indicated so in 2019.

FPA's annual Trends in Investing survey was first conducted in 2006. Year-over-year results have illustrated the effects of the 2007–2008 financial crisis, with a clear shift out of individual stocks and into index products including ETFs and mutual funds (see the graph on page 5). The 2020 survey, fielded during March, is unique because of the COVID-19 pandemic. Future surveys will likely continue to illustrate the effects of the pandemic on investment decisions, asset allocation changes, and economic outlooks.

Investments Used

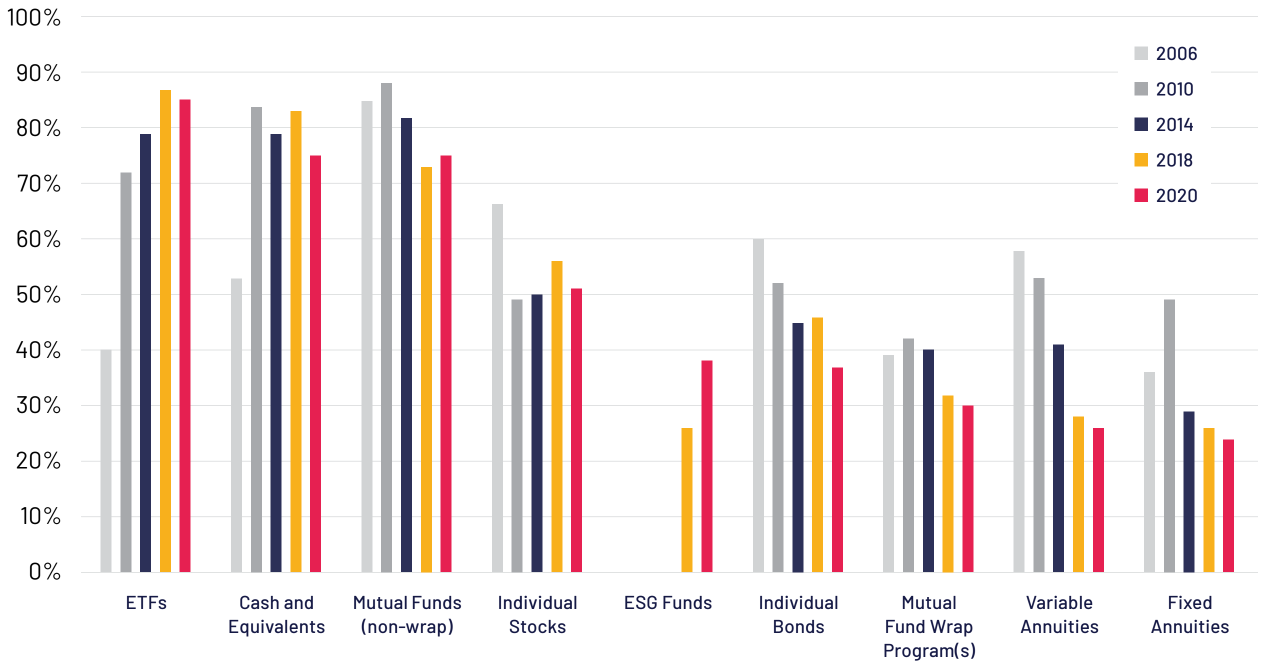
Which investment vehicles do you *currently* use/recommend with your clients

	2018	2019	2020
Exchange-traded funds (ETFs)	**87%**	**88%**	**85%**
Cash and equivalents	**83%**	**80%**	**75%**
Mutual funds (non-wrap)	**73%**	**70%**	**75%**
Individual stocks	**56%**	**54%**	**51%**
ESG funds	**26%**	**26%**	**38%**
Individual bonds	**46%**	**42%**	**37%**
Mutual fund wrap program(s)	**32%**	**31%**	**30%**
Variable annuities (immediate and/or deferred)	**28%**	**26%**	**26%**
Separately managed accounts	**N/A**	**26%**	**25%***
Fixed permanent life insurance products	**23%**	**24%**	**24%**
Fixed annuities (immediate and/or deferred)	**26%**	**23%**	**24%**
Indexed annuities	**16%**	**15%**	**18%**
Individually traded REITs (not held in mutual fund)	**22%**	**20%**	**15%**
Variable permanent life insurance	**18%**	**14%**	**13%**
Non-traded REITs	**13%**	**13%**	**10%**
Private equity funds	**12%**	**12%**	**9%**
Other alternative investments (if bought directly, not included in other investment vehicles)	**17%**	**13%**	**8%**
Structured products	**N/A**	**11%**	**7%***
Options	**13%**	**9%**	**7%**
Precious metals	**N/A**	**5%**	**5%***
Hedge funds (directly, not through mutual funds)	**9%**	**8%**	**4%**
Other	**9%**	**4%**	**2%**
Cryptocurrencies	**1%**	**<1%**	**<1%**

*Separately managed accounts, structured products, and precious metals were not included prior to the 2019 survey.

Changes to Investment Usage, 2006–2020

Q: Which investment vehicles do you currently use/recommend with your clients? (select all that apply)



Source: FPA Trends in Investing Surveys (not all options are displayed here). ESG funds were not included prior to the 2018 survey. Results are ordered by 2020 data.

Key Finding: ESG Funds on the Rise

Environmental, social, and governance funds were first added as an optional investment vehicle to the survey in 2018, when 26% of advisers indicated they were currently using or recommending ESG funds with clients. That percentage remained steady at 26% in the 2019 survey, and increased meaningfully to 38% in 2020. This supports other industry data that indicates an almost four-fold increase in new assets in ESG funds from 2018 ($5.5 billion) to 2019 ($20.6 billion), according to Morningstar*. And, in the 2020 Trends in Investing Survey, nearly one-third (29%) of advisers indicated they plan to increase their use/recommendation of ESG funds over the next 12 months.

* cnbc.com/2020/01/14/esg-funds-see-record-inflows-in-2019.html

ESG Themes and Sustainable Investment for Client Portfolios

A commentary from Janus Henderson Investors

Environmental, Social and Governance (ESG) investing across the globe has seen different levels of uptake. While investors in Europe and Asia have increased focus on ESG factors within allocations for several years, U.S. investors are earlier in their shift toward these considerations within their investment portfolios. A key objective for ESG investment is the goal of generating sustainable, long-term returns. To this objective, the Janus Henderson Global Sustainable Equity Strategy has been managed for almost 30 years for investors.

Sustainable investing is broader than factoring into account ESG considerations, though that is an important element. At the heart of our investment process is the belief that the sustainable investment returns may be generated by companies that provide solutions to today's challenges by creating wealth and meeting societal needs without damaging our natural capital. Our approach seeks to invest in leading companies whose products or services are of benefit to the development of a sustainable global economy. In doing so, we actively avoid investing in companies with products or services that do environmental or social harm. In tandem, sustainable investing should focus on companies with attractive financial characteristics and that demonstrate strong management of operational ESG factors/issues.

Environmental and social considerations form the foundation of our investment framework. We aim to invest in businesses that are strategically aligned with the powerful environmental and social trends changing the shape of the global economy: climate change, resource constraints, aging population, and population growth. We believe these businesses should exhibit capital growth by virtue of having products or services that enable positive environmental or social change and thereby have an impact on the development of a sustainable global economy. Companies are assessed to see if they fall under at least one of our 10 environmental and social themes that encompass positive criteria. This assessment is based on the impact of the products/services the company offers. It is quantitative and qualitative in nature and involves a rigorous look at the life cycle of the product or service.

There are two sides to sustainable investing. We believe it is equally important to avoid investing in companies whose products or services negatively impact the environment or society and that are contrary to the United Nations Sustainable Development Goals as it is to invest in companies that have a positive impact. For this reason, we actively avoid direct investments in fossil fuels, tobacco, weapons, alcohol, meat and dairy production, fast food and sugary drinks, toxic chemicals, and fur. While many consumer brands may not operate for the purpose of a sustainable economy, there are plenty of companies that have come to recognize that a sustainable approach to delivering goods and services and providing solutions to social and environmental problems can be a profitable enterprise.

Sustainable Investments in Client Portfolios

In general, we've seen sustainability strategies be more resilient during market downturns. While it is likely too early to say with any certainty that we can see the effects of the coronavirus pandemic on the appetite for sustainable investment, we are hopeful this crisis will serve to underline the attractiveness of sustainable investing and how it may lead to better outcomes, not only for investors but also for the environment and for society. As such, sustainable investment may have a role in client portfolios beyond the traditional equity and fixed income mix. Sustainable investment strategies can serve as a core or a satellite exposure in a portfolio, and as ESG factors are integrated into the broader investment process, dedicated sustainable investment strategies may serve to actively tilt portfolios toward these factors. As early adopters of sustainable investment, we believe that persistent investment returns are generated by companies with resilient, compounding growth characteristics, and these attributes are more often found in companies that are on the right side of sustainability trends.

— Janus Henderson Sustainable Equity Investment Team
(for more perspectives, visit janushenderson.com/esg)

Environmental, Social and Governance (ESG) or sustainable investing takes into consideration factors beyond traditional financial analysis to select securities. This may limit the available investments and result in performance and exposures that differ from other strategies or broad benchmarks focused on similar areas of the market. Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

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

	2019	2020
Exchange-traded funds (ETFs)	45%	52%
ESG funds	19%	29%
Individual stocks	15%	25%
Mutual funds (non-wrap)	19%	24%
Cash and equivalents	25%	22%
Mutual fund wrap program(s)	14%	19%
None. I do not plan to increase the use/ recommendation of any investment vehicles	18%	19%
Indexed annuities	8%	12%
Fixed annuities (immediate or deferred)	11%	11%
Individual bonds	16%	11%
Variable annuities (immediate or deferred)	8%	11%
Separately managed accounts	9%	9%
Fixed permanent life insurance products	6%	8%
Structured products	6%	7%
Options	2%	5%
Private equity funds	6%	5%
Non-traded REITs	3%	4%
Other alternative investments (if bought directly, not included in other investment vehicles)	7%	4%
Precious metals	3%	4%
Variable permanent life insurance	4%	3%
Individually traded REITs (not held in mutual fund)	4%	2%
Hedge funds (directly, not through mutual funds)	4%	1%
Cryptocurrencies	<1%	0%

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

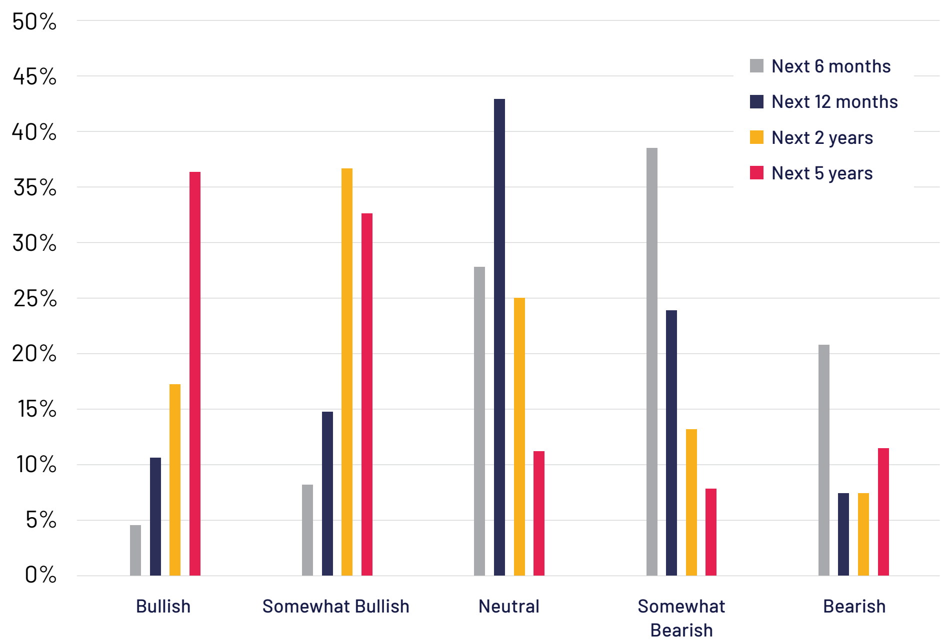
	2019	2020
None. I do not plan to increase the use/recommendation of any investment vehicles	**36%**	**44%**
Mutual funds (non-wrap)	**19%**	**17%**
Individual stocks	**23%**	**15%**
Individual bonds	**13%**	**15%**
Cash and equivalents	**5%**	**14%**
Variable annuities (immediate or deferred)	**9%**	**7%**
Fixed annuities (immediate or deferred)	**5%**	**6%**
Mutual funds wrap program(s)	**5%**	**6%**
Indexed annuities	**3%**	**5%**
Exchange-traded funds (ETFs)	**6%**	**4%**
Non-traded REITs	**4%**	**4%**
Cryptocurrencies	**0%**	**3%**
Hedge funds (directly, not through mutual funds)	**1%**	**3%**
Separately managed accounts	**1%**	**3%**
Individually traded REITs (not held in mutual fund)	**3%**	**2%**
Variable permanent life insurance	**2%**	**2%**
Fixed permanent life insurance products	**2%**	**2%**
Private equity funds	**<1%**	**2%**
ESG funds	**<1%**	**2%**
Precious metals	**<1%**	**2%**
Options	**2%**	**1%**
Structured products	**1%**	**1%**
Other alternative investments (if bought directly, not included in other investment vehicles)	**<1%**	**1%**

Key Finding: A Move to Equities?

When asked which investments they intend to increase and decrease their use of over the next 12 months, advisers' responses appear to indicate a move away from cash and into more equities—particularly compared to 2019 survey results. For example, when asked which investments they plan to *increase* their use of, 52% of advisers said ETFs in 2020, compared to 45% in 2019. Almost one-third (29%) said they plan to increase their use of ESG funds in 2020, compared to 19% in 2019, and 25% plan to increase their use of induvial stocks, compared to 15% in 2019. Meanwhile, 14% of advisers said they plan to *decrease* their use/recommendation of cash and equivalents in 2020, compared to 5% who indicated so in 2019.

Economic Outlook

What Is Your Investment Outlook?



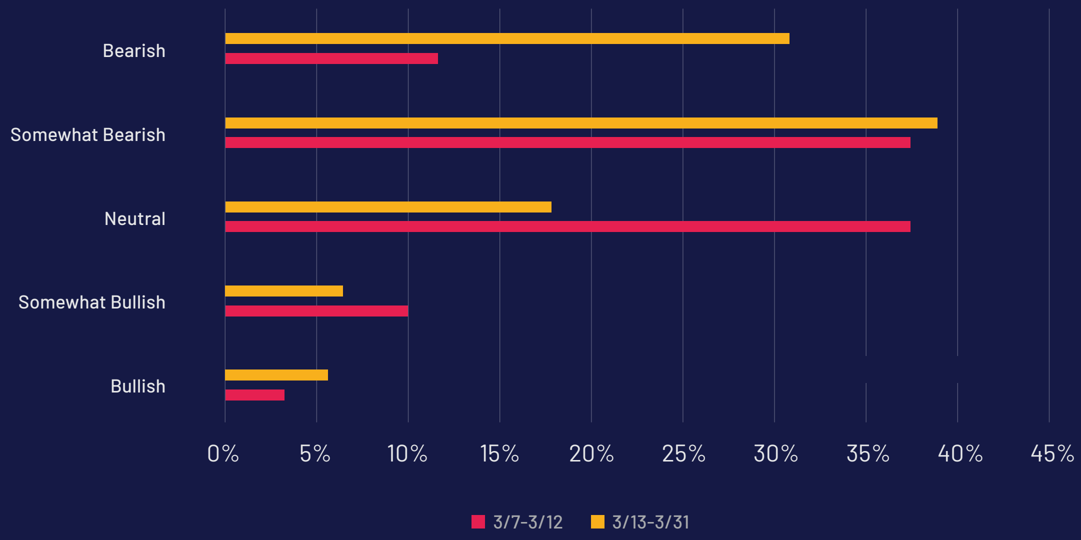
In March 2020, advisers generally had a more optimistic economic outlook for the longer term (the next five years) compared to the shorter term (next six months). Overall, advisers' economic outlook has shifted over the last two years. In 2019, advisers were more bullish for the short-term than they are now. And, in 2019, an uptick in a bearish outlook for the 2019–2021 period indicated possible uncertainty following the 2020 election. In 2018, advisers were generally bullish for the next six months, but their longer-term expectations for the economy were waning. In 2020, the opposite appears true.

Key Finding: Market Outlook Shifts Amidst a Pandemic

Advisers were asked about their economic outlook for the next six months, 12 months, two years, and five years. When results of the entire survey period (March 7–31) are split into two periods, before and after March 13*, a shift emerges in advisers' short-term outlook. In early March, advisers were generally neutral or somewhat bearish, with just 12% bearish. After March 13, almost one-third of advisers were bearish (31%). Clearly, the COVID-19 pandemic is affecting advisers' short-term economic outlook.

*On March 13, President Trump declared a national state of emergency concerning COVID-19.

What Is Your Economic Outlook for the Next 6 Months?



CLIENTS ASKING ABOUT CORONAVIRUS AND VOLATILITY

The 2020 survey was fielded between March 7 and March 31. It is no surprise then that advisers reported that clients were asking about the effects of general volatility (76%) and the coronavirus (70%) in their portfolio. Most advisers also reported that clients were asking about how the SECURE Act might impact their portfolio and/or their overall retirement plan. And compared to 2019 survey results, advisers reported less interest among clients in investing in marijuana or cannabis stocks and companies, as well as cryptocurrencies in 2020.

Which topics have clients inquired about in the past 6 months?

	2019	2020
Effects of general volatility on their portfolio	**70%**	**76%**
Effects of the coronavirus on their portfolio	**N/A**	**70%***
Effects of the SECURE Act on their portfolio and/or their overall retirement plan	**N/A**	**52%***
Fees and other costs of investments	**50%**	**43%**
Investing in ESG/socially responsible investing	**35%**	**39%**
Investing in marijuana or cannabis stocks/companies	**55%**	**34%**
Effects of tax reform (Tax Cuts and Jobs Act) on their portfolio	**51%**	**27%**
Investing in cryptocurrencies	**25%**	**17%**
Other	**4%**	**2%**

*Coronavirus and the SECURE Act were added to the survey in 2020.

Additional Resource: If you're fielding questions from clients wondering if they should tap into their IRA or employer-provided retirement plan during this time of volatility, access the June 2020 *Journal of Financial Planning* article, "Exploring the Financial Planning Decisions Related to Greater Access to Retirement Funds Via the CARES Act," by Kenn Tacchino, J.D., LL.M. This special report, available at FPAJournal.org, offers guidance on common client questions.

Asset Allocation and Active vs. Passive

Taking Another Look at Asset Allocation

Similar to previous years, the 2020 survey results show that the majority of advisers (57%) have re-evaluated their asset allocation recommendation within the last three months. And among those advisers, 66% said the reason for doing so was simply because they continually reevaluate their asset allocations. However, advisers' reasons for doing so did change later in March, most likely in response to the COVID-19 pandemic (see the table below).

Reasons for Reevaluating Asset Allocation

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

	Period 1 (3/7 to 3/12)	Period 2 (3/13 to 3/31)	Total Period (3/7 to 3/31)
Legislation (TCJA, etc.)	23%	26%	25%
The economy in general	26%	64%	57%
Market volatility	45%	58%	52%
Specific investments	25%	22%	23%
Inflation	11%	19%	15%
Administrative aspects of investments (cost, lead manager, etc.)	21%	13%	17%
Client and industry interest in ESG factors	7%	15%	11%
I continually reevaluate the asset allocation strategy I typically recommend/implement	71%	61%	66%

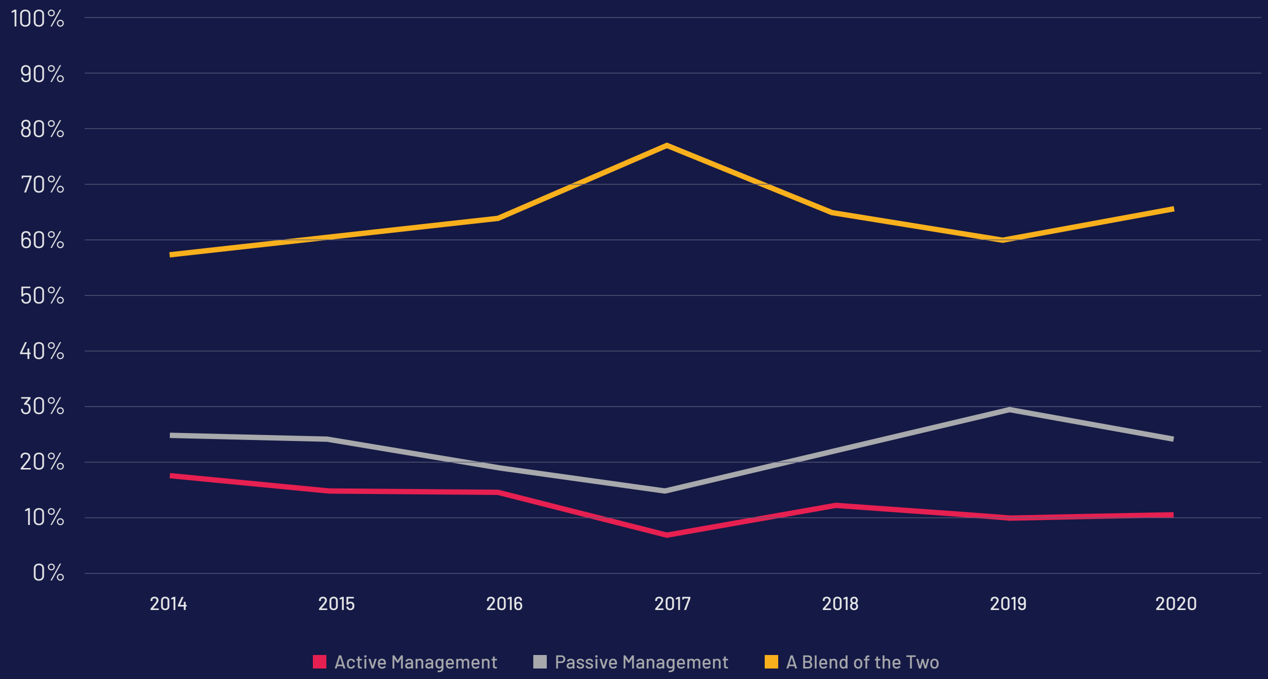
The survey was open March 7–31. On March 13, President Trump declared a national state of emergency concerning COVID-19.

Additional Resource: If you are reevaluating your asset allocation strategy, you may be wondering if your traditional approach will suffice during this time of volatility and uncertainty. Adam Hetts, vice president, head of portfolio construction and strategy at Janus Henderson Investors, quells these concerns in his June 2020 *Journal of Financial Planning* article, "Portfolio Analysis in a Time of Chaos" (available at FPAJournal.org).

Active Vs. Passive

The majority of advisers (66%) continue to favor a blend of active and passive management—a consistent trend for the last several years. However, 2020 results show a slight *decrease* in a pure passive approach. Twenty-four percent of 2020 survey respondents said passive management provides the best overall investment performance (taking costs into account), down from 29% in 2019.

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



About the Respondents

How are you compensated by your clients for your investment services?

61%	38%	1%
Fee only	Fee and commission	Commission only

What is your primary practice model/registration status?

Independent IAR/RIA	54%
Registered rep, independent adviser affiliated with a B-D	19%
Dually registered adviser	9%
Unregistered planner/adviser	8%
Registered rep, employee for a B-D	5%
Registered rep working for a bank, credit union, or savings & loan	3%
Other	2%

What designations do you hold?

79%	21%	10%	8%	5%	3%
CFP®	FINRA registered rep	None	AIF®	ChFC®	CFA

How many years have you been in the financial services profession?

35%	22%	18%	13%	12%
21 or more	5 or less	6 to 10	11 to 15	16 to 20

Partners

About the *Journal of Financial Planning*

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

About the Financial Planning Association

The Financial Planning Association® (FPA®) is the principal membership organization for CERTIFIED FINANCIAL PLANNER™ professionals, educators, financial services professionals and students who are committed to elevating the profession that transforms lives through the power of financial planning. With a focus on the practice, business and profession of financial planning, FPA advances financial planning practitioners through every phase of their careers, from novice to master to leader of the profession. Learn more about FPA at FinancialPlanningAssociation.org and follow on Twitter at twitter.com/fpassociation.

About Janus Henderson Investors

Janus Henderson Group (JHG) is a leading global active asset manager dedicated to helping investors achieve long-term financial goals through a broad range of investment solutions, including equities, fixed income, quantitative equities, multi asset and alternative asset class strategies.

Janus Henderson has approximately $294.4 billion in assets under management (at 31 March 2020), more than 2,000 employees and offices in 27 cities worldwide. Headquartered in London, the company is listed on the New York Stock Exchange (NYSE) and the Australian Securities Exchange (ASX).

Learn more about Janus Henderson Investors at janushenderson.com.

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