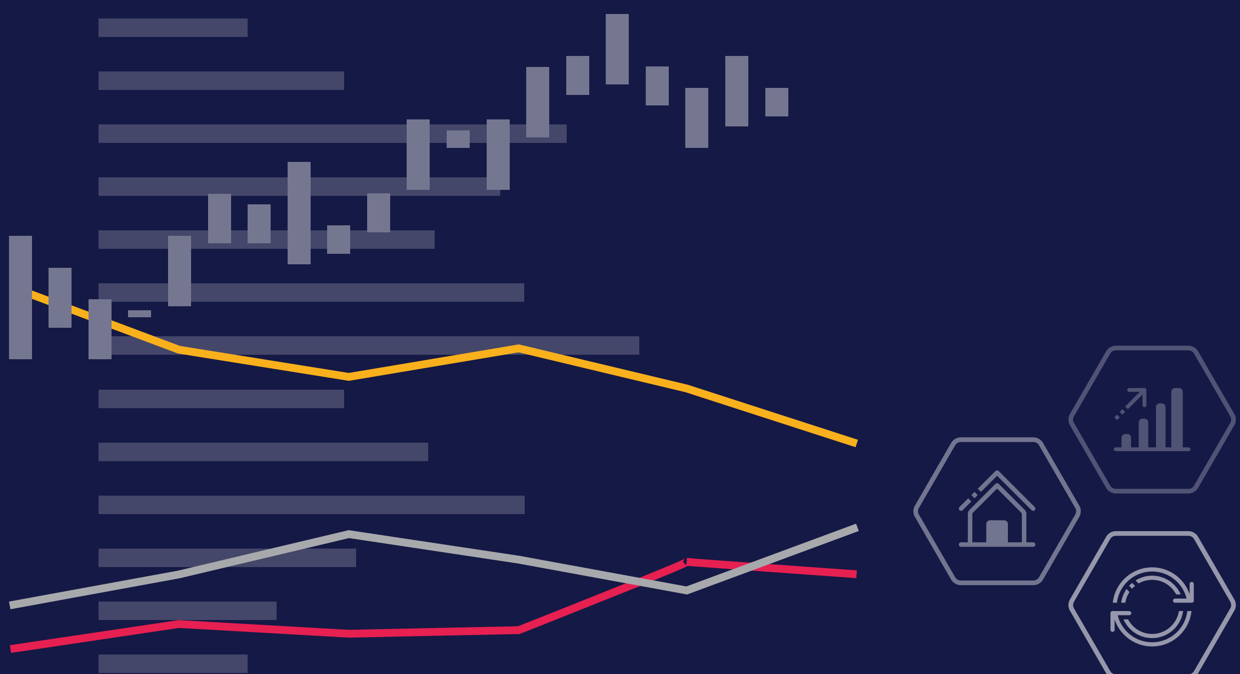
2022 Trends in Investing Survey



CONDUCTED BY: Journal of Financial Planning FPA

2022 Trends in Investing

The 2022 Trends in Investing Survey was conducted by the *Journal of Financial Planning* and the Financial Planning Association in February and March 2022. The survey received 413 responses from financial planners who provide or implement investment advice or recommendations for their clients.

Executive Summary

Client and planner interest in environmental, social, and governance (ESG) investing strategies has fluctuated over the years that we've asked planners about the topic. Financial Planning Association's 2022 Trends in Investing survey found 34 percent of planners are currently using ESG strategies with their clients, up from 32 percent in 2021.

Planner usage of ESG strategies may have reached an inflection point, as nearly 15 percent said they are planning to decrease their allocations to ESG strategies, up from 4 percent in 2021. Client interest has also waned; a little over 31 percent of planners said they've heard from their clients with questions about ESG investing in the past six months, down from roughly 39 percent in 2020 and 2021. Clients were more likely to express concern about volatility now.

Respondents generally reported a neutral economic outlook, with a tendency to be more optimistic than pessimistic about the future. Respondents were somewhat bullish over the near and medium term, while over 27 percent reported feeling very bullish about the next five years.

Although over 71 percent of respondents said they had made changes to their recommendations recently, 34 percent said that was a regular practice for them as they constantly re-evaluate their clients' asset allocations.

This year's survey revealed an embrace of passive investing after a multiyear turn away from it. While most respondents favor a blend of active and passive investing strategies, planners who use passive only is at a survey high of 31 percent.

Investments Used

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

	2021	2022	
Exchange-traded funds (ETFs)	**64%**	**65%**	▲
Cash and equivalents	**57%**	**52%**	▼
Mutual funds (non-wrap)	**48%**	**52%**	▲
Individual stocks	**44%**	**38%**	▼
ESG (environmental/social/governance) funds	**32%**	**34%**	▲
Individual bonds	**37%**	**33%**	▼
Mutual fund wrap program(s)	**26%**	**27%**	▲
Variable annuities (immediate and/or deferred)	**23%**	**26%**	▲
Separately managed accounts	**24%**	**25%**	▲
Fixed annuities (immediate and/or deferred)	**17%**	**23%**	▲
Individually traded REITs (not held in mutual fund)	**13%**	**18%**	▲
Indexed annuities	**16%**	**17%**	▲
Other alternative investments (if bought directly, not included in other investment vehicles)	**8%**	**16%**	▲
Fixed permanent life insurance products	**18%**	**15%**	▼
Non-traded REITs	**8%**	**15%**	▲
Variable permanent life insurance	**13%**	**13%**	–
Private equity funds	**12%**	**13%**	▲
Cryptocurrencies	**15%**	**11%**	▼
Hedge funds (directly, not through mutual funds)	**5%**	**11%**	▲
Structured products	**6%**	**9%**	▲
Options	**5%**	**8%**	▲
Precious metals	**9%**	**8%**	▼
Other	**1%**	**2%**	▲

Key Finding: ESG Interest Cooling?

We've asked respondents about their use of environmental, social, and governance (ESG) investment vehicles since 2018, when over a quarter of respondents said they were currently using these products. Planner interest reached a high in 2020 when over 38 percent said they were currently using these products with their clients. Current usage has fallen, but is still trending up with 34 percent of planners in 2022 who are recommending these products and nearly 28 percent who expect to increase their usage in the next 12 months. Fifteen percent of planners said they expect to decrease their usage of ESG products over the same period.

Over a third of planners said they are keeping up with research in the ESG space and considering dedicating a portion of their clients' portfolios to those types of investments over the next one to two years. Seventeen percent have started looking into ESG strategies but don't foresee making any investments in the next three years.

Respondents feel that asset manager and portfolio management teams with long-term, dedicated ESG expertise are the best source of data when evaluating ESG strategies (45 percent). A quarter said they rely on third-party raters to evaluate funds.

Over 31 percent of respondents said their clients had asked about ESG or socially responsible investing in the previous six months. That's down from a survey high of 39 percent in 2021.

Clean energy is a leading concern when considering an ESG fund, cited by nearly 32 percent of respondents—more than twice those who said they seek sustainable property and finance solutions in ESG funds. Water management, and sustainable transport and infrastructure, tied at 12 percent.

Integrated risks/opportunity is the most attractive approach for planners when selecting ESG funds for their clients, at almost 37 percent of respondents. Nearly 19 percent of respondents said they look for funds that use a positive screen and 15 percent prefer negative screens.

Clean energy is a leading concern when considering an ESG fund, cited by nearly 32 percent of respondents—more than twice those who said they seek sustainable property and finance solutions in ESG funds.

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

	2021	2022
Exchange-traded funds (ETFs)	36%	41%
ESG (environmental/social/governance) funds	24%	28%
Individual bonds	14%	24%
Individual stocks	24%	22%
Cash and equivalents	15%	21%
Mutual funds (non-wrap)	16%	20%
Mutual fund wrap program(s)	16%	18%
Separately managed accounts	15%	15%
Fixed annuities (immediate and/or deferred)	9%	15%
Variable annuities (immediate or deferred)	11%	14%
Cryptocurrencies	26%	13%
Indexed annuities	7%	13%
Other alternative investments (if bought directly, not included in other investment vehicles)	5%	12%
Private equity funds	9%	10%
Individually traded REITs (not held within a mutual fund)	5%	9%
None. I do not plan to increase the use/recommendation of any investment vehicles	12%	9%
Variable permanent life insurance	4%	9%
Hedge funds (directly, not through mutual funds)	4%	8%
Non-traded REITs	3%	8%
Structured products	3%	6%
Fixed permanent life insurance products	7%	6%
Options	4%	5%
Precious metals	6%	5%

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

	2021	2022
Mutual funds (non-wrap)	**20%**	**23%** ▲
None. I do not plan to increase the use/recommendation of any investment vehicles	**28%**	**23%** ▼
Individual bonds	**21%**	**20%** ▼
Individual stocks	**14%**	**17%** ▲
Cash and equivalents	**13%**	**17%** ▲
Mutual fund wrap program(s)	**9%**	**16%** ▲
Variable annuities (immediate or deferred)	**8%**	**15%** ▲
ESG funds	**4%**	**15%** ▲
Exchange-traded funds (EFTs)	**6%**	**14%** ▲
Indexed annuities	**7%**	**13%** ▲
Cryptocurrencies	**4%**	**11%** ▲
Hedge funds (directly, not through mutual funds)	**7%**	**10%** ▲
Fixed annuities (immediate or deferred)	**9%**	**10%** ▲
Private equity funds	**6%**	**9%** ▲
Variable permanent life insurance	**3%**	**9%** ▲
Other alternative investments (if bought directly, not included in other investment vehicles)	**3%**	**8%** ▲
Fixed permanent life insurance products	**4%**	**8%** ▲
Separately managed accounts	**4%**	**8%** ▲
Individually traded REITs (not held in mutual fund)	**3%**	**8%** ▲
Non-traded REITs	**4%**	**6%** ▲
Options	**1%**	**6%** ▲
Structured products	**6%**	**5%** ▼
Precious metals	**8%**	**4%** ▼

Other Findings: Planners Hedge on Crypto

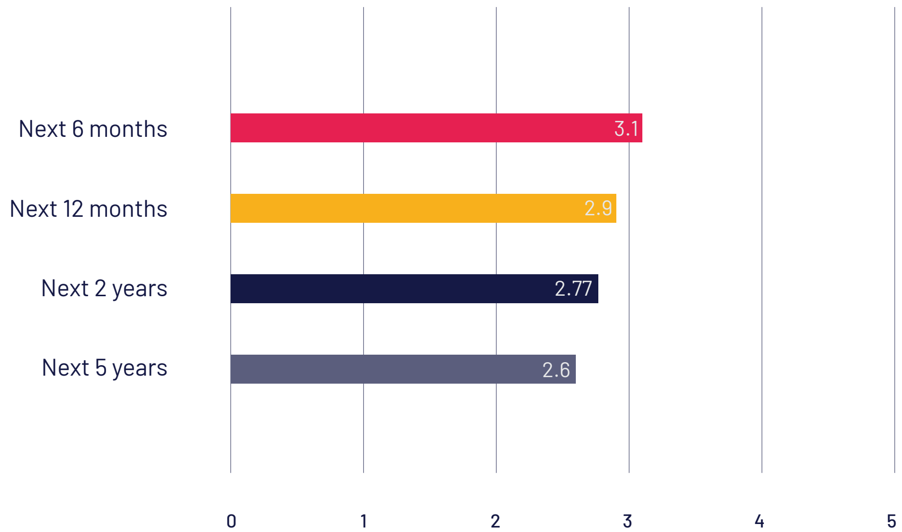
Like last year, most respondents are interested in cryptocurrency but not willing to commit client dollars to it yet. Enthusiasm for the investment fell, with only 20 percent of respondents calling it a viable investment option, down from nearly 28 percent last year. Meanwhile, the share of respondents who see cryptocurrency as either a gamble (31 percent) or interesting but not investment-worthy (33 percent) increased from 28 percent and 30 percent, respectively.

However, there's been a dramatic shift in sentiment since we first asked planners about cryptocurrency in 2018. Between then and 2020, roughly half of respondents considered digital currencies a fad to be avoided or not a viable investment option. That fell to about 15 percent in 2021 and 2022.

Economic Outlook

Respondents shared their views on the markets over the next six months, 12 months, two years, and five years. Expectations get increasingly bullish over that time span.

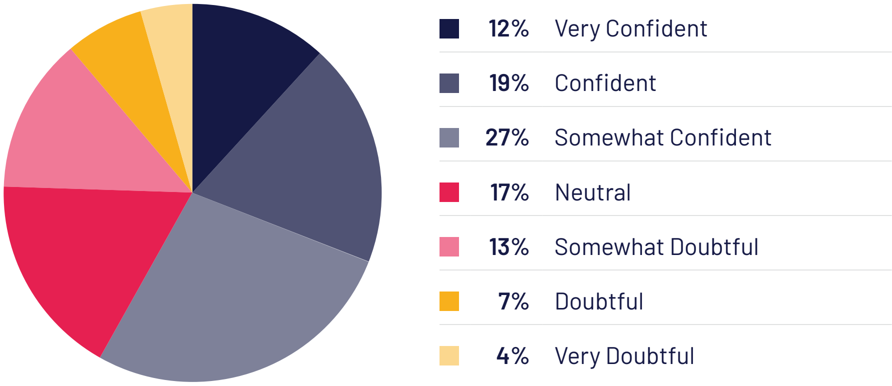
Q: What is your economic investment outlook for the... (1=Bullish; 5=Bearish)



Asset Allocation and Investing Strategies

Nearly 60 percent of respondents expressed some level of confidence in the traditional 60/40 stock–bond portfolio. Over 17 percent said they had a neutral outlook, and 24 percent reported a lack of confidence.

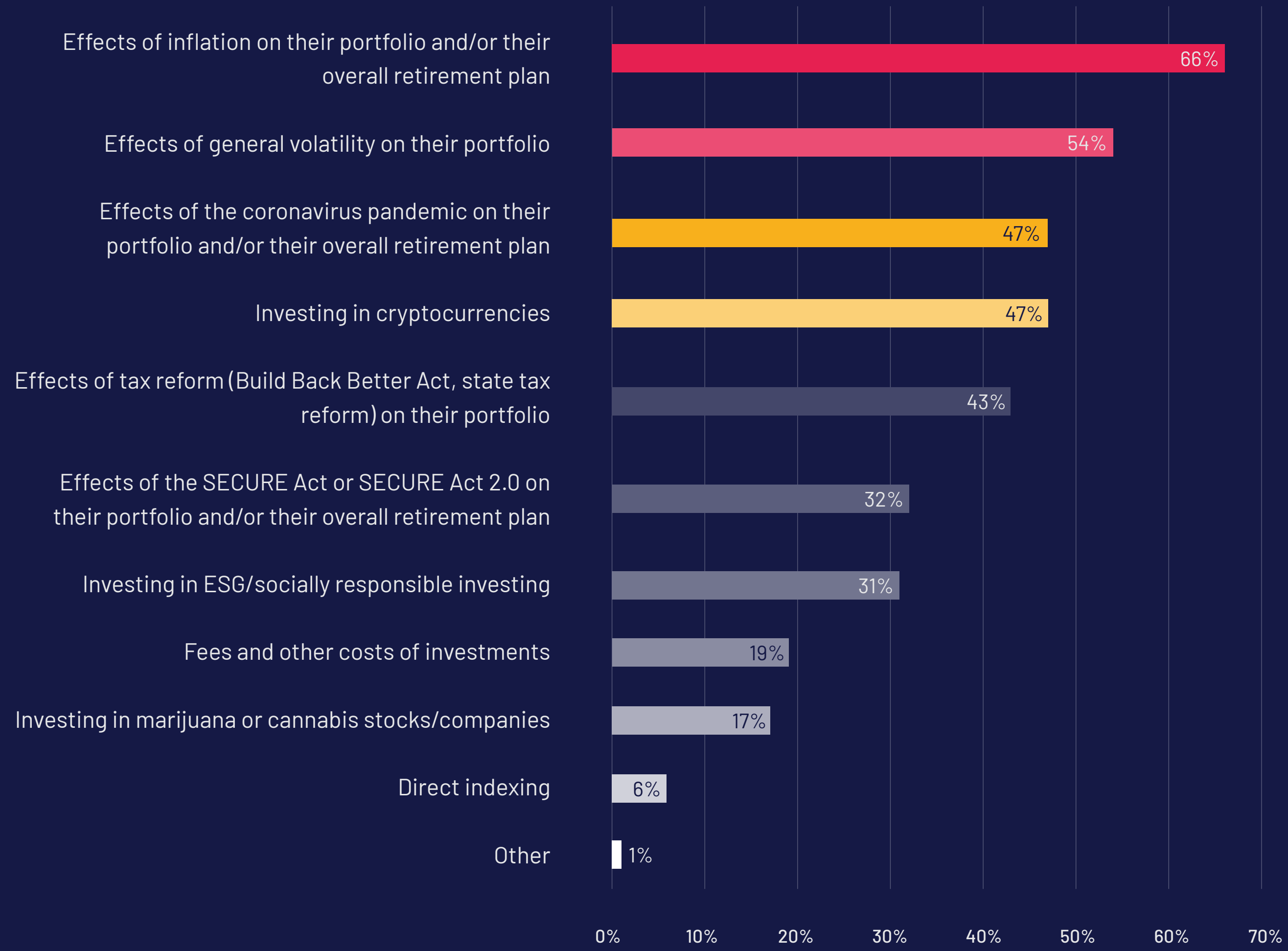
Q: How confident are you in the ability of the traditional 60/40 stocks and bonds portfolio to provide similar returns as it has historically?



Clients' top concern over the previous six months was inflation, according to respondents. Over 66 percent said they were hearing concerns from clients about the effects of inflation on their portfolio or overall retirement plan. Clients are also concerned about volatility (54 percent) and tax reform (43 percent).

The survey was opened on Feb. 14, ahead of Russia's invasion of Ukraine, and remained open until March 8. A limited number of respondents acknowledged the invasion in open-ended responses to questions about client concerns or their own reasons for re-evaluating asset allocation strategies.

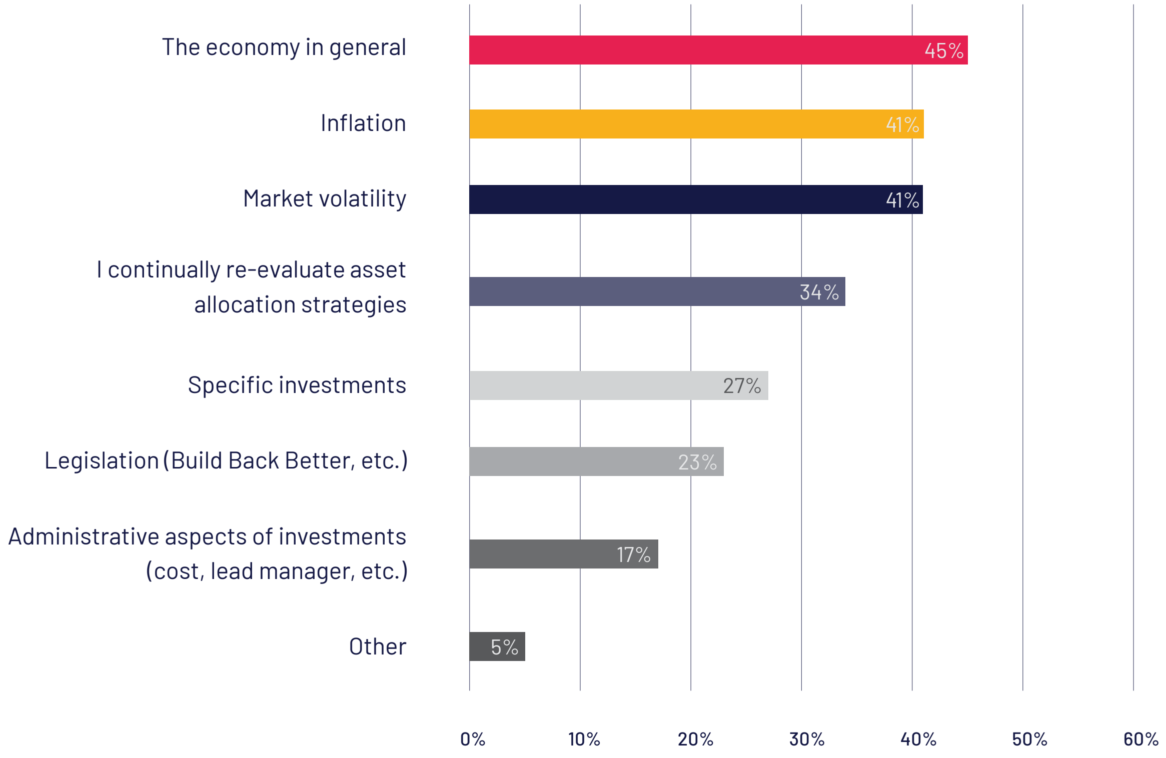
Q: Which topics have clients inquired about in the past 6 months? (select all that apply)



Over 71 percent of respondents said they had made changes to their investment recommendations for client portfolios in the three months prior to the survey. Over 45 percent said they made changes as a result of the economy in general, while approximately 41 percent cited inflation or market volatility specifically. Thirty-four percent of respondents said that they continually re-evaluate their typical asset allocation recommendations.

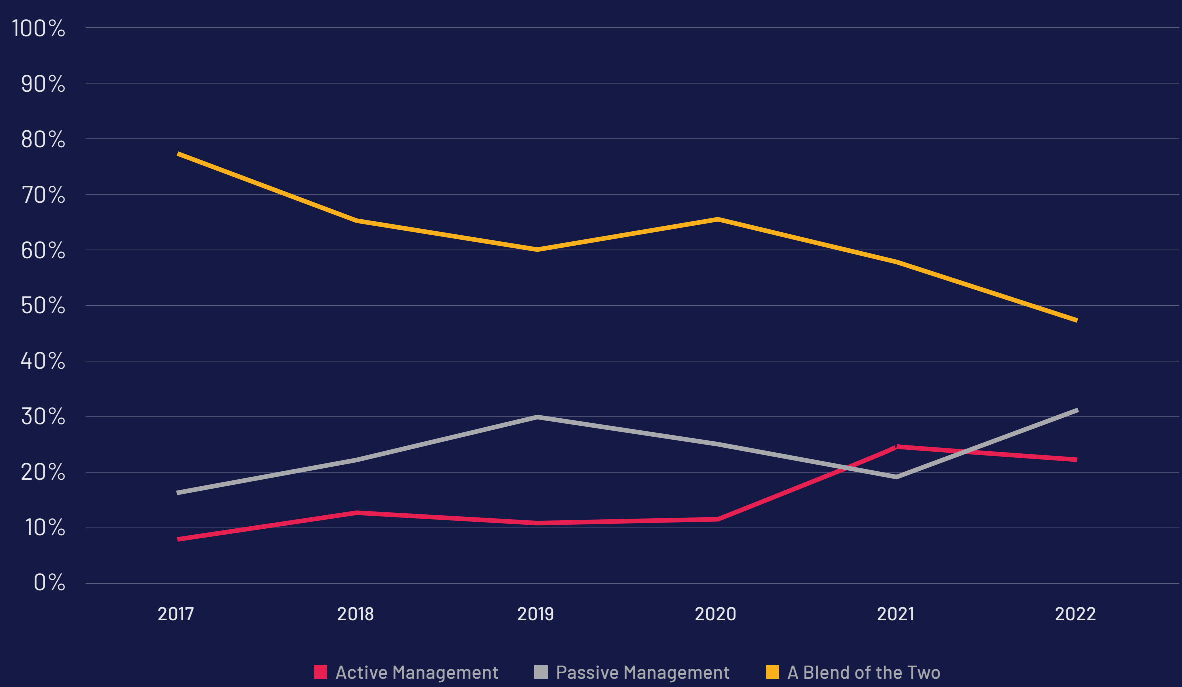
Increasing interest rates were also a concern, as 35 percent of people who responded "Other" mentioned Fed action or rising rates.

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



Nearly 47 percent of respondents said they use a blend of active and passive management, compared to 31 percent and 22 percent who use only passive or active, respectively. Use of passive investing was at a survey high after a three-year decline. Use of active and blended strategies fell from last year.

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



About the Respondents

How are you compensated for your services?

44%	36%	20%
Fee only	Fee and commission	Commission only

What is your primary practice model/registration status?

Independent IAR/RIA	37%
Registered rep, independent adviser affiliated with a BD	22%
Registered rep working for a bank, credit union, or savings & loan	15%
Dually registered adviser	14%
Registered rep, employee for a BD	8%
Unregistered planner/adviser	5%
Other	1%

What designations do you hold?

52%	30%	16%	17%	14%	10%	9%
CFP®	FINRA registered rep	AIF®	ChFC®	CFA	Other	None

How many years have you been in the profession?

23%	31%	16%	11%	19%
0 to 5	6 to 10	11 to 15	16 to 20	21+

Partners

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

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For all inquiries about the 2022 Trends in Investing Survey,
please contact Ben Lewis at 303-867-7190 or blewis@onefpa.org.