Infographics and investment decision making

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Investment decisions

De-bias the investment decision making process

- **Simplify** information environment in which decisions are taken
  - Limit information **quantity** (few items on 2 pages)
  - Improve **quality** (include tables and graphs)

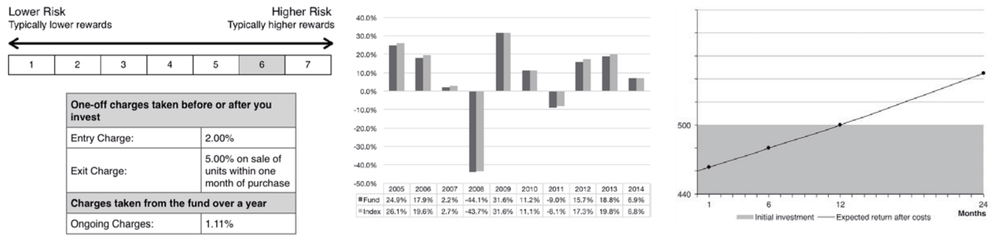
European Legislation – Key Investor Information Document (KIID)

- Investigation can also help to shed a light how to design other (pension oriented) communication documents

Key Investor Information Document (KIID)

Mandatory items

- Objectives and Investment strategy of the fund
- Risk and Reward Profile (includes a risk picture – 7 point scale)
- Charges/Fees (include table of charges)
- Past Performance (includes histogram of past returns)



Methodology

Basic setting inspired by Beshears et al. (2010)

- Experimental survey among *students* and *Dutch Investors*

- Participants are asked to invest (virtually) $500 ($10,000) in up to 3 MSCI Europe Index Funds

- These funds **differ only by their fees** and thus *the optimal strategy* is to **minimize costs** by allocating all the available wealth to the cheapest fund

Methodology and sample

- Incentivized digital survey among students (TiU)
- Survey among Dutch investors facilitated by AFM

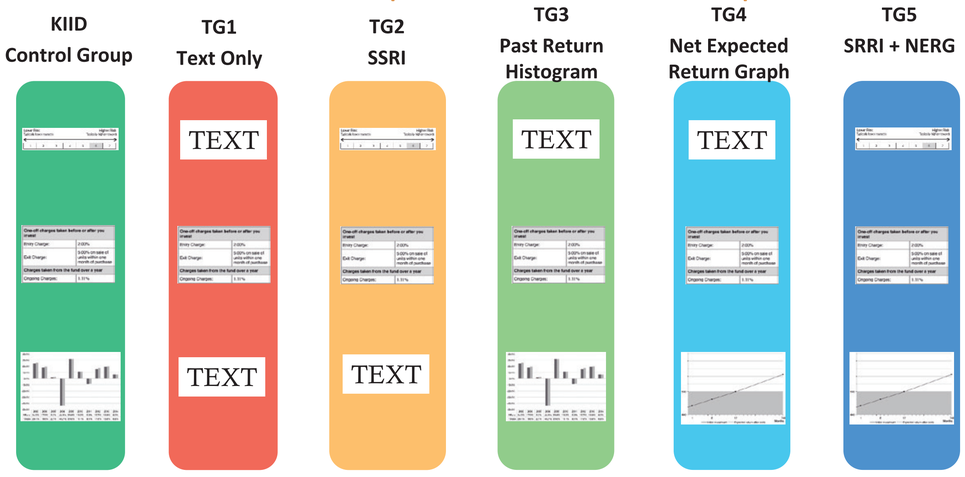
- 1 control group and 5 treatment groups

- 509 (352 first year/157 graduate) student respondents

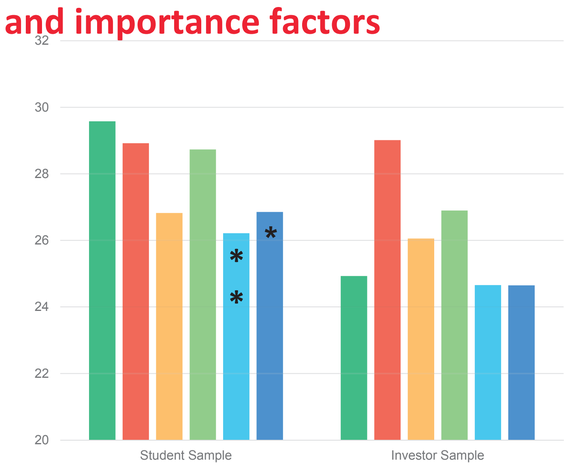
- 592 (341 own investments/241 delegate) investor respondents

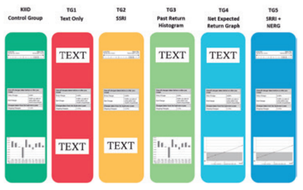
- Average age (20/50), women (30%/40%)

Control Group and Treatment Groups



Preventable Fees corrected for individual characteristics and importance factors

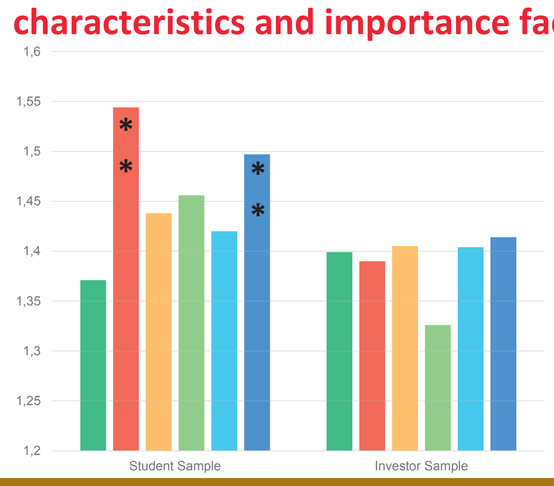


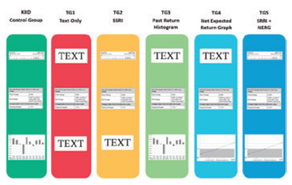


** Significant at 5%
* Significant at 10%

H1	H1
H2	H2
H3 (20%)	H3
H4 (16%)	H4

Risk Standard Deviation corrected for individual characteristics and importance factors





** Significant at 5%
* Significant at 10%

H1 (sign)	H1
H2	H2
H4	H4

Conclusion

1. Simple graphical representations lead to a reduction of preventable fees **up to 20 percent**
2. SRRI is important to recognize funds are similar in risk
3. Higher probability to minimize fees – although not statistically significant, economic effects are large
4. *Effects are solely for students sample, but not for the investor sample*

Thus overall conclusion - infographics lower portfolio fees for vulnerable group, do not affect (knowledgeable) investors

Follow up question: WHY are infographics helpful? -> eyetracking