

THE
INVESTMENT
ASSOCIATION

RETAIL INVESTORS AND ETFs

IA and Opinium Investor Research

September 2025



ABOUT THE IA

The Investment Association champions UK investment management, supporting British savers, investors and businesses. Our 250 members manage £10 trillion of assets and the investment management industry supports 124,800 jobs across the UK. Our mission is to make investment better. Better for clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so everyone prospers. Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital.

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks and shares ISAs. The UK is the second largest investment management centre in the world, after the US and manages £5.1 trillion on behalf of overseas clients.

ABOUT OPINIUM RESEARCH LLP

Founded in 2007 OPINIUM is an award-winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on pulse of what people think, feel and do. Creative and inquisitive, the Opinium team is passionate about empowering clients to make the decisions that matter. Opinium works with organisations to define and overcome strategic challenges – helping them to get to grips with the world in which their brands operate. It uses the right approach and methodology to deliver robust insights, strategic counsel and targeted recommendations that generate change and positive outcomes. Opinium's consultants are experts in political, financial services, tech, industrial, healthcare and consumer packaged goods research.

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INTRODUCTION

In March 2025, the Investment Association (IA) partnered with Opinium to survey 2,000 UK investors about their attitudes towards investing and their knowledge of Exchange Traded Funds (ETFs). This research provides a comprehensive look at who is investing in ETFs, why or why not, and what might encourage broader adoption. The findings suggest that lack of investor knowledge of ETFs among the broader investor base is the most significant barrier to adoption. The research shows that there is a significant opportunity to diversify the profile of ETF investors to help broaden access.

For investors that hold ETFs, we identify three issues that could widen access: a greater choice of ETFs on platform, lower fees to buy ETFs and low minimum investment sizes, which would also help to support younger investors wanting to invest little and often.

ETFs play an important role as a modern fund structure that caters to changing investor needs and expectations. For ETF investors, one of the clear benefits highlighted through the research is intra-day pricing and settlement. As more UK adults start investing through trading platforms and neo brokers, our survey suggests that awareness of ETFs amongst younger investors is increasing.

METHODOLOGY

The IA, in partnership with Opinium, surveyed 2000 investors with at least £500 in investible assets on attitudes to investing and knowledge of ETFs.

We surveyed investors between 24 and 31 March 2025:

- Our analysis centres on a comparison between ETF investors and investors that do not hold ETFs.
- We also, where relevant, compare responses by age group: 18-34, 35-54 and 55+.

More detail on the profile of investors surveyed is outlined in the first part of this report looking at investor demographics.

EXECUTIVE SUMMARY

PART ONE

UNDERSTANDING ETF INVESTORS TODAY: WHO ARE THEY, WHAT MOTIVATES THEM & HOW CAN WE IMPROVE ACCESS?

The first part of the report looks at the profile of ETF investors today and compares them with the wider investor base. We analyse what motivates these investors to use ETFs and look at the perceived barriers to increasing ETF adoption among investors already holding ETFs.

- **ETF investor demographics:** ETF investors tend to be younger, higher-income and male, with a quarter living in London. They are often relatively new to investing: 49% started investing in the last 5 years. This indicates a significant opportunity to broaden the base of ETF investors to reach different investor profiles including women and older demographics.
- **Investment behaviour:** ETF investors buy and sell more actively. A significant percentage also hold a range of exchange traded products like investment trusts/companies, individual shares and cryptocurrencies. A higher proportion (47%) hold investment companies than hold open ended mutual funds (26%). This suggests a level of comfort with exchange traded products. The fact that nearly half of investors holding ETFs also hold investment trusts/companies, suggests that they are open to active management strategies and are not purely investing in passive indexing strategies across their portfolios.
- **Most important features of ETFs:** Investors holding ETFs are attracted to them by features like their lower costs, as a means of diversifying portfolios and by their intraday tradability.
- **Shifting investor behaviour:** The data suggest retail investor behaviour is changing. A sophisticated segment of younger, self-directed investors is embracing ETFs for the advantages of intraday trading and cost-efficient structures. This has implications for industry messaging and strategy, especially in light of the intergenerational wealth transfer to younger investors.

PART TWO

BRIDGING THE GAP: IDENTIFYING BARRIERS TO ETF ADOPTION ACROSS INVESTORS

The second part analyses the barriers to increasing retail investor access amongst the broader investor base and considers the role of advisers and wealth manager in increasing ETF adoption.

- **Lack of awareness of ETFs:** A significant proportion (49%) of UK retail investors say that they have little to no knowledge of ETFs, which inhibits adoption.
- **Reaching buy and hold investors:** The research also indicates that many investors that do not hold ETFs may not see ETFs as a suitable option for them because they are not confident in their understanding of ETFs and can see them as more complex. The survey suggests that older investors or investors that select funds less frequently pursuing long-term buy and hold strategies are not holding ETFs.
- **Barriers to adoption:** Current ETF holders and non-holders face different barriers. Existing ETF investors want more choice, lower minimum investment levels and lower dealing fees to buy ETFs on the main platform that they use for investing. Investors that do not hold ETFs cite lack of knowledge and uncertainty about the performance of ETFs as the primary reasons that they haven't invested.
- **Role of advisers:** Our survey finds that 55% of investors receiving financial advice have either never received a recommendation from their adviser to invest in ETFs or are unsure. Whilst engaging advisers could help to improve understanding, nearly half of the investors surveyed do not receive any financial advice, so increasing knowledge and awareness of ETFs requires multiple touch points with investors.

PART THREE

FROM INSIGHT TO ACTION: RECOMMENDATIONS FOR IMPROVING RETAIL INVESTOR UNDERSTANDING & ACCESS

The report concludes with three initial recommendations based on the survey findings. We focus on improving the knowledge and awareness of retail investors, how we can improve access to ETFs and engaging advisers so that they can have more informed conversations with clients.

Recommendation 1:

Bridging the knowledge gap through investor education:

The research shows that a lack of awareness and understanding of Exchange Traded Funds is the single biggest barrier preventing many retail investors from considering ETFs. To address this, the industry should consider a co-ordinated investor education programme. This would include providing clear, accessible content that explains what ETFs are, how they work, and their benefits and risks in simple terms. It is important to emphasise to investors that ETFs can be used for prudent, long-term investing just like mutual funds. ETFs can be core holdings in ISAs and pensions aimed at retirement or other long-term goals.

Recommendation 2:

Improving access for ETF investors:

Our survey suggests that there are a number of ways that investment platforms, financial advisers, wealth managers and ETF providers could work together to improve retail investor access and choice and to help remove barriers to increasing investor take up. This includes:

- **Broadening the range of ETFs available on platform** to enable access to a wider variety of asset classes and themes.
- **Lower investment minimums:** allowing investors to invest small amounts and build positions gradually. This approach appeals to younger investors or those testing the waters.

- **Dealing costs and accessibility:** ETF investors are cost conscious and our research indicates that higher dealing fees for buying ETFs are a potential barrier to greater adoption. Whilst the dealing fee is a commercial decision for investment platforms, the findings underscore the importance of clear sign-posting as investors want to compare dealing fees as well as fund charges.

Recommendation 3:

Adviser engagement:

The research suggests that advisers are not routinely recommending or discussing ETFs and this may also be linked to lack of confidence or knowledge (or indeed interest). As an industry, we can do more to help facilitate adviser training and continue to provide educational content for financial advisers about ETFs covering how they work, how to evaluate them and portfolio construction using ETFs.

We can engage advisers by looking at how integrating ETFs could benefit their clients:

- **Cost efficiency:** Advisers can use ETFs to build cost-efficient portfolios across both active and passive investment strategies as a greater range of active ETFs are launched. ETFs also settle faster than mutual funds, meaning less time out of the market.
- **Meeting client demand:** As more clients (especially younger ones) ask about ETFs or even come in with existing ETF holdings, advisers should be prepared to discuss and manage ETFs.
- **Hybrid advice models:** As the landscape evolves, advisers may increase intergenerational financial planning or give clients self-serve options for portions of their portfolio. If advisers pursue these models, ETFs are likely to feature more prominently in fund selection on the platforms that advisers choose to integrate with.

Underpinning all three recommendations is the importance of emphasising a focus on long-term investing: Across all communications (whether to DIY investors or via advisers), we should stress that ETFs can and should be used for prudent, long-term investment strategies, not just for short-term or day trading.

PART ONE:

UNDERSTANDING ETF INVESTORS TODAY: WHO ARE THEY, WHAT MOTIVATES THEM & HOW CAN WE IMPROVE ACCESS?

ETF INVESTOR PROFILE – DEMOGRAPHICS

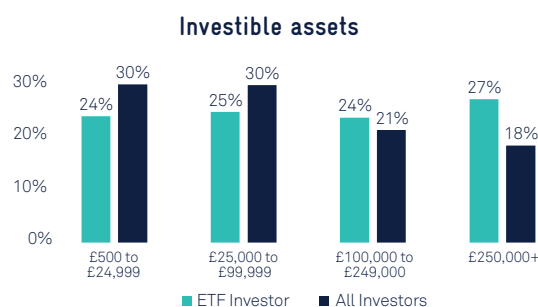
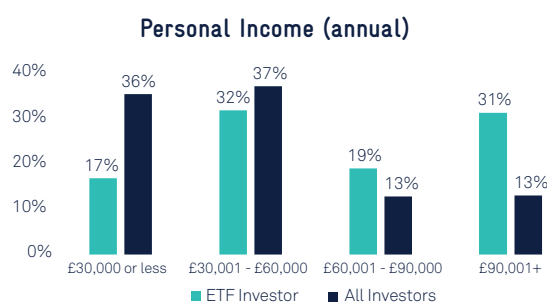
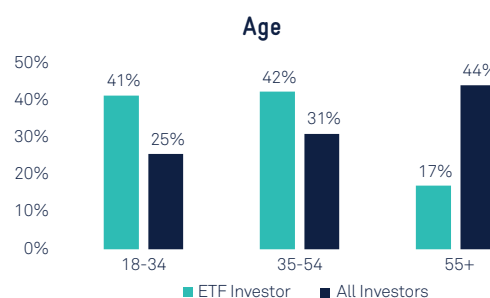
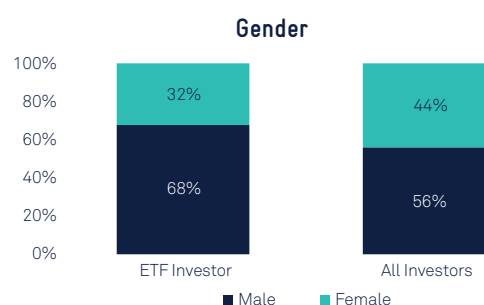
ETF investors differ demographically from the general investor population in ways that may influence their preferences and behaviours. Their key differences are summarised below:

TABLE 1: PROFILE OF ETF INVESTORS VS. ALL INVESTORS

Demographic Metric	ETF Investors	All Investors (incl. non-ETF)
Gender – Male	68%	56%
Age 18–34	41%	25%
Age 55+	17%	44%
High Personal Income (> £60k)	51%	26%
Very High Income (> £90k)	31%	13%
London Residents	25%	18%
Started Investing ≤ 5 years ago	49%	35%

Source IA & Opinium – 2,000 UK investors with at least £500 in investible assets. Investors holding ETFs n=366

CHART 1: DEMOGRAPHIC DATA FOR ETF INVESTORS AND ALL INVESTORS SURVEYED



Source IA & Opinium – 2,000 UK investors with at least £500 in investible assets. Investors holding ETFs n=366

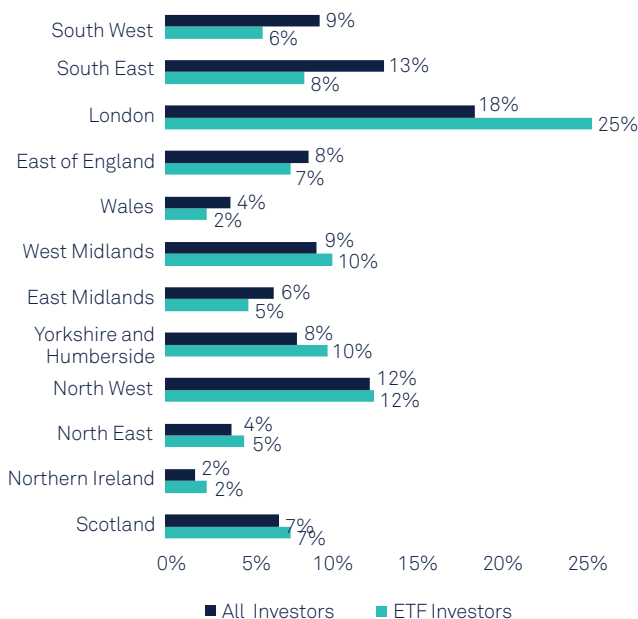
ETF investors are more likely to be male, younger, higher-income, London-based and relatively new to investing, compared with the broader investor base.

- **Gender and Age:** 68% of ETF investors are male, significantly higher than the 56% of men in the overall investor sample. ETF investors are also younger: 41% are ages 18–34, compared with 25% of all investors and a further 42% are aged 35–54. Conversely, older investors (55+) are under-represented in the ETF group (only 17% of ETF investors against 44% of all investors). This suggests ETFs appeal especially to younger investors firmly in the wealth accumulation phase of investing.

- **Income:** ETF investors tend to have higher incomes. Half of ETF investors report annual personal income over £60k, versus 26% of investors overall. Nearly one-third of ETF investors earn above £90k annually, more than double the proportion of such high earners in the general investor population (13%). However, as the age data suggests, there are likely to be more retirees in the overall investor sample, which could help to explain a lower percentage in the highest annual income bracket.

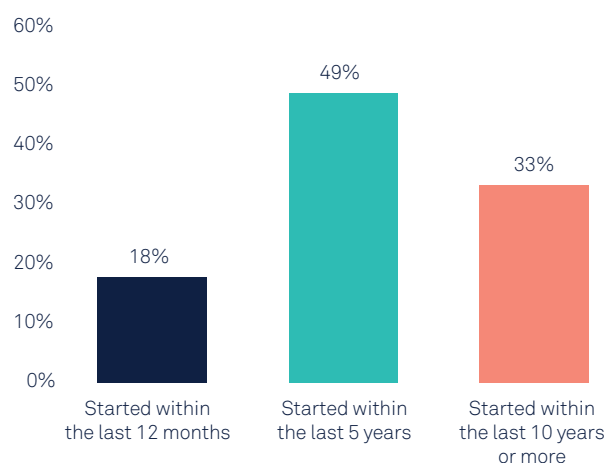
- **Location:** There is a geographic concentration of ETF investors in London: 25% of ETF investors reside in London, the single largest regional group. This compares with 18% of the broader investor base. The Northwest of England is another hotspot (around 12% of ETF holders) but as Chart 2 shows, the North West is also an important centre for investors overall (12% of all investors are based there). In contrast, regions like the South East have a smaller share of ETF investors (8%) than their share of the overall investor population (13%). This tallies with the age data showing that a low proportion of the over 55s invest in ETFs as the South East has a relatively high share of wealthy retired and semi-retired residents.

CHART 2: ETF INVESTOR LOCATION COMPARED WITH THE BROADER INVESTOR BASE



Source IA & Opinium, Investor location by region, Investors n=2,000 ETF investors n=366

- **Investment Experience:** Nearly half of ETF investors only started investing within the last 5 years (49%) and 18% started within the last year. This is a higher recent entry rate than among investors that do not hold ETFs (only 35% of investors started in the last 5 years). Based on the survey data, nearly half of ETF investors began their investment journey during or after the 2020 pandemic market boom, indicating that ETFs are attracting the newer wave of retail investors.

CHART 3: ETF INVESTORS – INVESTING EXPERIENCE

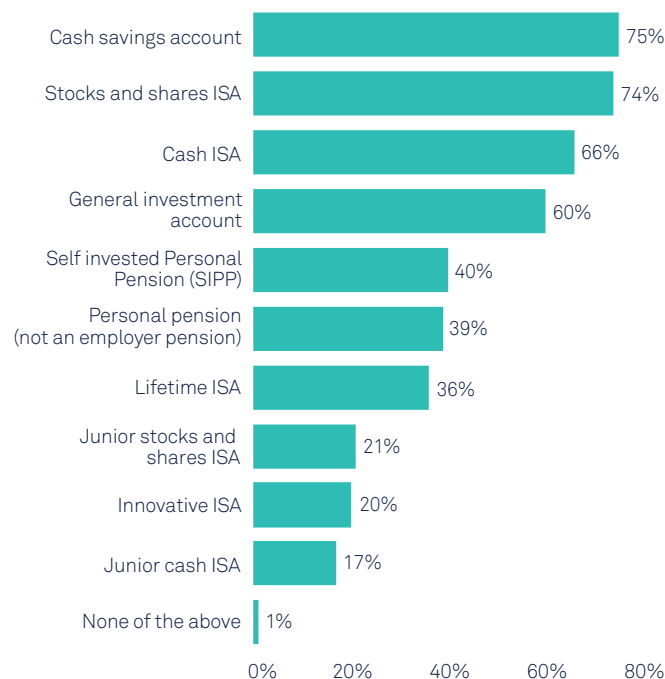
Source IA & Opinium, *How long have you been investing? ETF investors n=366*

The demographic profile suggests that ETF investors are often younger, higher earners and more likely to be men. If they started investing in the last 5 years, they may be using newer trading and investment platforms that cater to exchange traded products. This demographic data suggest that there is a significant opportunity to broaden the base of ETF investors to include more women and different income profiles. As Chart 2 shows, fewer ETF investors live outside London and the North-West. More could also be done to appeal to older investors in the over 55 age bracket.

USE OF SAVINGS, INVESTMENTS AND TAX INCENTIVISED ACCOUNTS

Beyond the demographic data, we also analysed the saving, investment and tax incentivised accounts that ETF investors hold. Chart 4 shows that 74% of investors holding ETFs have a stocks and shares ISA, this compares with 16% of the UK adult population and 44% of investors that do not hold ETFs. It is also notable that this is higher than the proportion that hold a Cash ISA. Our previous investor surveys have shown that a slightly higher proportion of investors hold Cash

ISA accounts compared with Stocks & Shares ISAs¹ but cash is not king for the ETF investors in this sample. Overall, the percentage of ETF investors making use of tax incentivised ISA accounts is higher than we would typically see from investors, including Innovative ISAs at 20%, which are appropriate for investors in Venture Capital Trusts and Enterprise Investment Schemes. This compares with just 4% of investors that don't use ETFs and 2% of the UK adult population and is in spite of the fact that only 4% of ETF investors are fully advised. This indicates that ETF investors are savvy about making best use of ISA contribution rates to avoid having to pay tax on capital gains or income (e.g. dividends).

CHART 4: ETF INVESTORS – SAVINGS & INVESTMENT ACCOUNTS

Source IA & Opinium, *Which, if any, of the following savings, investment or tax incentivised accounts do you currently hold in your own name or jointly with someone else? Select all that apply? ETF investors n=366*

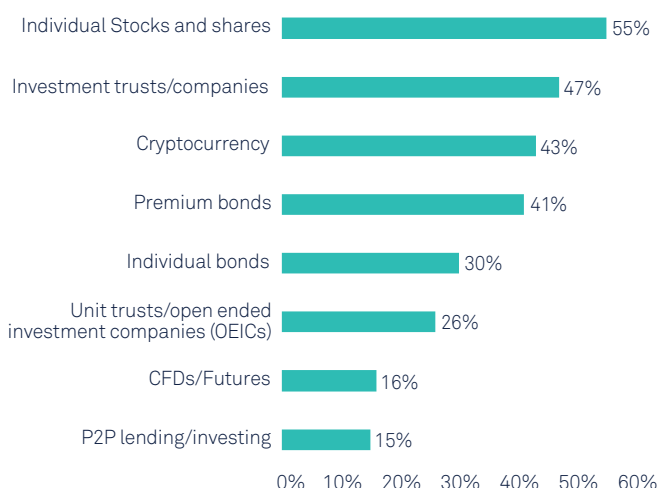
¹ IA & Opinium, ISA Barometer survey and report 2025, 'Before today, had you heard of the following types of ISA?' 'I currently have this ISA' Base: 2,000 UK adults vs. Base: 1,000 UK investors

ETF INVESTOR PROFILE: COMFORT WITH TRADING

We wanted to understand more about the types of investment products that ETF investors hold to build a picture of their investment preferences. Our survey shows that ETF investors hold a broad range of investment products including products associated with active management such as investment companies. This suggests that ETF adoption is not solely driven by a preference for passive over active management, although as we show later, low fees is an important feature of ETFs for investors that hold them. As Chart 5 outlines, the products that ETF investors hold – including direct shares and crypto currency – indicate a level of comfort with, and interest in, trading.

- The typical ETF investor's portfolio is diverse, 47% of ETF investors hold investment trusts/companies, compared with only 21% of investors that do not hold them. Investment trusts are actively managed and exchange traded. Their popularity among ETF users suggests they are open to investing in actively managed strategies.
- Additionally, 43% of ETF investors hold cryptocurrency compared with 17% of investors that hold no ETFs. A high percentage also hold individual stocks (55% vs. 38% of non-ETF investors). This indicates that ETF investors have a higher level of comfort with exchange traded investment products.
- Just a quarter (26%) of ETF investors hold open ended investment companies and unit trusts. This is far lower than the proportion holding investment companies, individual stocks and cryptocurrency.

CHART 5: ETF INVESTORS – ADDITIONAL INVESTMENT PRODUCTS HELD



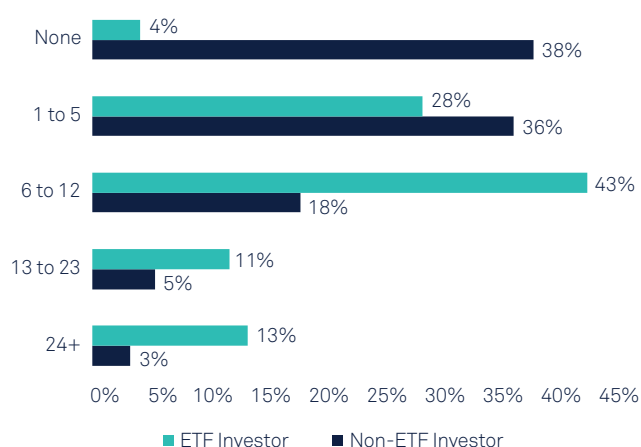
Source IA & Opinium, Which, if any, of the following savings or investment products do you currently hold in your own name or jointly with someone else? ETF investors n=366

TRADING ACTIVITY AND STYLE

ETF investors trade more frequently than the wider investor base. They tend to be engaged investors who take a hands-on approach, as evidenced by how often they trade and the way they monitor fees and markets.

- ETF investors are far more active traders than investors not holding ETFs. Nearly two-thirds of ETF investors (67%) place a trade at least every two months, with 25% trading more often than monthly. In contrast, only 26% of non-ETF investors trade every two months and a mere 8% trade monthly or more. This is a striking difference.
- A significant minority of ETF investors are very active: 13% of them executed 24+ trades in the past year (roughly two trades per month) compared with only 3% of non-ETF investors at that activity level.
- In contrast, 38% of investors that do not hold ETFs made no trades at all in the past year, whereas virtually all (96%) of ETF investors made at least one trade.

CHART 6: TRADING ACTIVITY OF INVESTORS OVER THE LAST 12 MONTHS



Source IA & Opinium, *How many trades have you placed in the last 12 months?* (By trades we mean the number of times you have bought or sold shares or funds in your investment account) Investors n=2,000, ETF investors n=366

This pattern of trading activity suggests that a segment of ETF investors tend to be engaged investors making relatively frequent investment selection decisions. However, whilst ETF investors have higher personal incomes than the average investor, they are also younger. They may fit the profile of HENRYs – High Earners Not Rich Yet. Recent IA & Opinium research with a nationally representative sample of UK adults suggests that helping younger investors to invest little and often could be one of the most important ways to open up access to investing for the youngest generation: 30 % of Gen Z adults said that making it easier to invest little and often would encourage more people to invest, the highest percentage.² The trading activity revealed through our research points to at least some ETF investors adopting the approach of investing little and often. When we asked ETF investors when they last bought an ETF that they didn't already own, we found that for 59% it was in the last year or longer, which suggests that around two thirds are not frequently making new ETF selections. We could make it easier for investors to regularly invest small amounts in ETFs by bringing down the cost of dealing fees for exchange traded products on platforms and enabling low minimum investment levels.

The trading patterns of investors that do not hold ETFs suggests a higher propensity to favour a 'set and forget' approach to investing with infrequent portfolio adjustments. As we look deeper into the data on the barriers to investing in ETFs, we see evidence that investors that do not hold ETFs may feel that these products are not for people like them. The data suggest that a lack of understanding and education is a significant barrier for this group. But there is no reason why an investor must be a sophisticated trader to hold ETFs, a preference for buying and holding funds should not preclude investment in ETFs. This reinforces the need for further education on ETFs to help investors better evaluate these products.

² IA & Opinium consumer research May 2025 'What changes or improvements in financial education or accessibility do you think would encourage more people to invest? Select up to three.' Nationally representative sample of UK adults n= 2,000

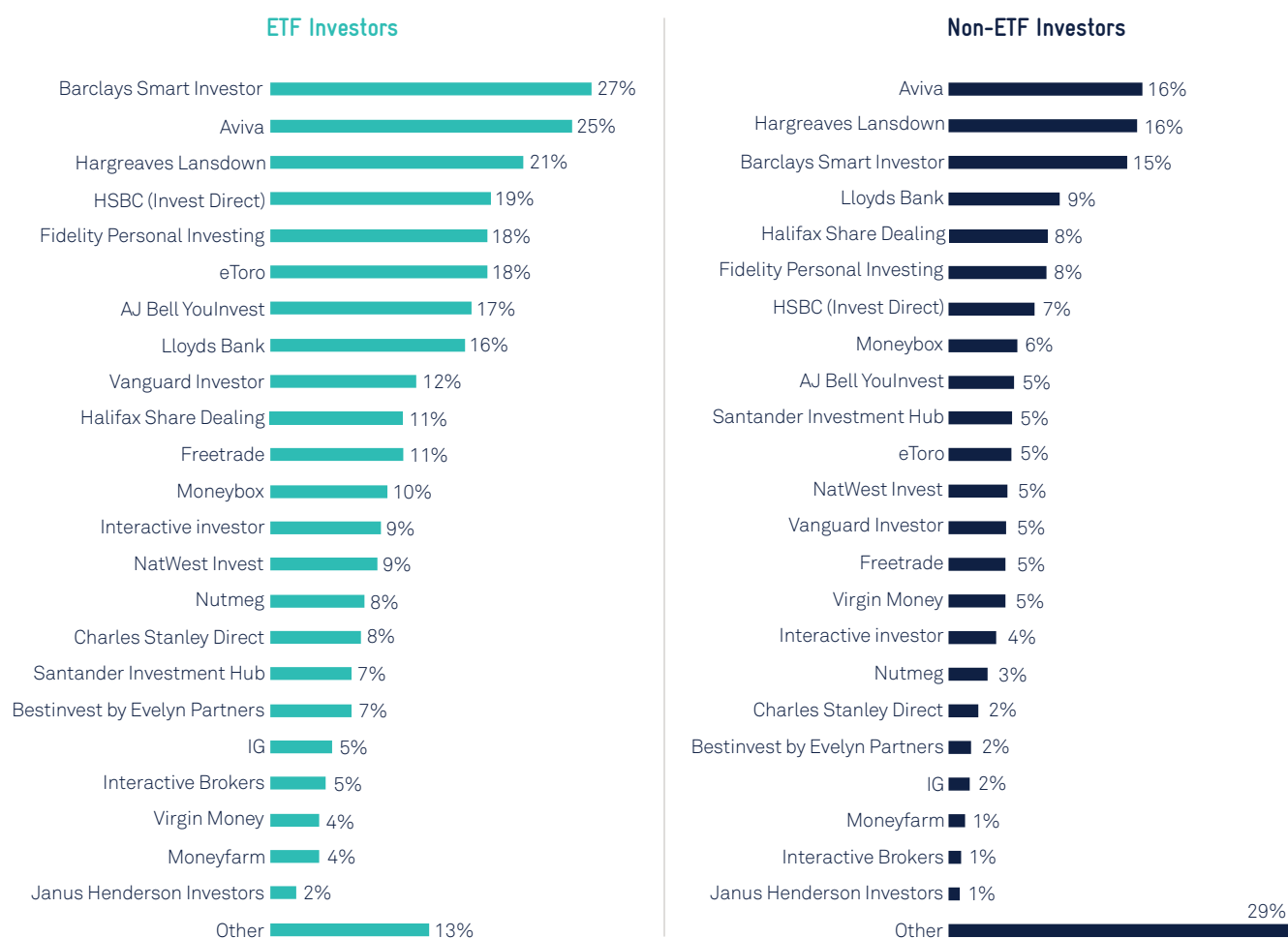
PLATFORM USAGE

We asked survey respondents to tell us if they hold investment accounts on a range of platforms that are available to direct investors in the UK. Chart 7 does not necessarily show that ETF investors are holding ETFs on the platforms listed, it shows that our ETF investor sample have accounts with these platforms. Our survey data show that a higher percentage of ETF investors have accounts with a new generation of investment platform, so-called “neo-brokers”. Among ETF investors, about 11% use Freetrade and 18% use eToro, compared with only around 5% usage of each

platform by investors that do not hold ETFs. As Chart 7 shows however, a high percentage of ETF holders also hold accounts with the largest direct platforms, notably Hargreaves Lansdown (21% against 16% for non-ETF holders), Aviva (25% vs 16% for non-ETF holders) and Barclays Smart Investor (27% compared with 15%).

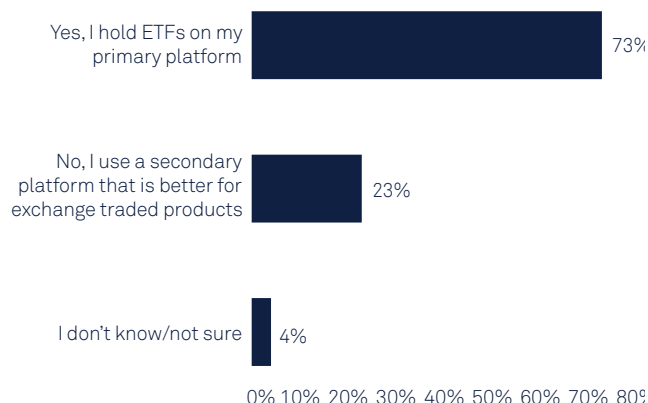
Our survey data also suggest that ETF holders may be using a secondary platform that they see as more suitable for exchange traded products (ETPs), as 23% of ETF investors we surveyed told us that they use a secondary platform specifically because it's better for ETPs.

CHART 7: INVESTMENT PLATFORMS USED BY ETF HOLDERS COMPARED WITH INVESTORS THAT DO NOT HOLD ETFs



Source IA & Opinium, Which of the following investment platforms or brokers do you currently have an investment account with? Please select all that apply. ETF investors n=366, Non-ETF Investors n=1,634

CHART 8: ARE ETF INVESTORS HOLDING ETFs ON THEIR PRIMARY INVESTMENT PLATFORM?



Source IA & Opinionum, Do you hold ETFs on your primary platform? ETF investors n=366

Despite their more frequent trading, it's not necessarily the case that all ETF investors are short-term speculators: some trading could be portfolio rebalancing or incremental investing ("little and often"). However, the survey data on how frequently ETF investors buy new ETFs indicates that some ETF investors at least are trading new ETFs more frequently, possibly due to the trading features available on the platforms that they use. Whilst there is some debate over whether frequent trading leads to good outcomes for retail investors, if ETF investors have a better understanding of intra-day trading, one of the key features of an ETF, then they can be empowered to make informed choices about trading whilst being guided toward best practices, for example avoiding excessive churning or reacting emotionally to market swings. More could also be done to educate ETF investors on long-term investing principles.

IMPORTANT FEATURES OF ETFs – ETF INVESTORS

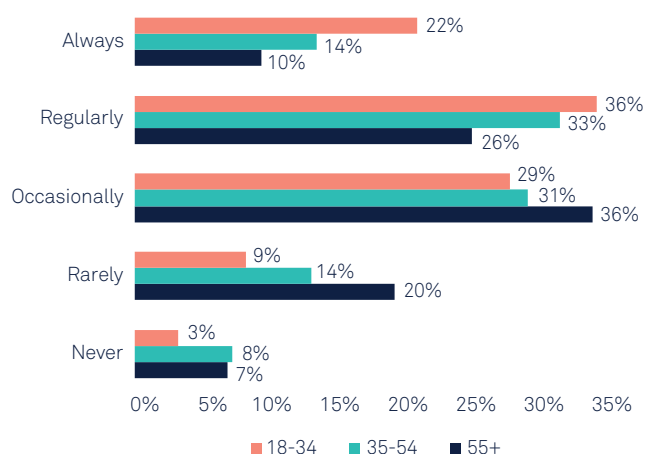
The survey highlights that ETF investors exhibit distinct investing behaviours and prioritise certain fund features that set them apart from other investors. Their behaviour tends to be more active and self-directed and they value the flexibility and cost-effectiveness that ETFs provide.

• **Comfort with Exchange Traded Products:** The willingness to trade frequently goes hand-in-hand with the types of products ETF investors choose. As noted, they often hold other exchange-traded products like stocks, investment trusts and cryptocurrency. This comfort with exchange-traded instruments suggests that some ETF investors value having control over trade timing and the ability to react to market movements if desired. The ability to buy and sell fund units throughout the day ("intra-day trading") is highly valued by ETF investors. Nearly 75% of ETF investors say the option to trade a fund intra-day is an important feature, and for 43% this feature is very important, compared with 59% of non-ETF investors who say the same. ETF investors may want the flexibility to respond to market movements in real time but more broadly, ETF settlement is far faster than the average T+3 settlement period for mutual funds (which settle trades once per day at NAV).

• **Monitoring Costs:** ETF investors are also cost-conscious. Across the board, ETF investors research and compare trading fees more regularly than investors that don't hold ETFs. For example, among ETF investors who have traded at least once in the last year, 22% always compare trading fees across platforms. This compares with just 14% of investors who do not hold ETFs. Another 37% of ETF investors compare trading fees regularly. ETF investors may be especially fee-sensitive when it comes to assessing dealing fees because ETFs are often seen as low-cost products and this cost advantage could be eroded by high dealing fees on platform. As the survey shows, a far higher proportion of ETF investors are aged 18-34 compared with the broader investor base and according to the data in Chart 9, younger investors trading at least once a year are significantly more likely to compare fees than older investors.

This suggests that younger investors are more actively comparing costs and have a degree of price sensitivity. 22% of younger investors always compare dealing fees. A similar proportion (18%) always compare the Ongoing Charges Figure for funds.³

CHART 9: HOW FREQUENTLY INVESTORS COMPARE TRADING FEES – AGE GROUP COMPARISON

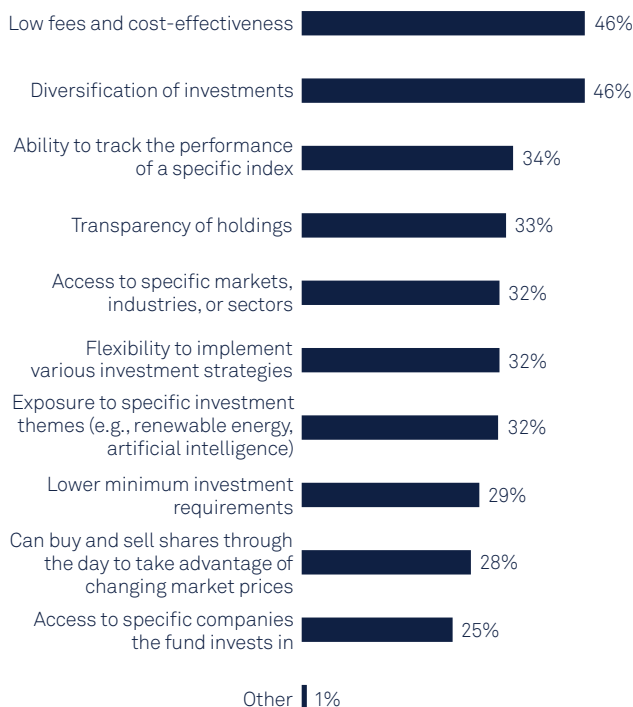


Source IA & Opinium How often do you compare the cost of the following with other products when choosing where to invest?
Trading fees – These are the costs for buying and selling. All investors who placed trades in the last 12 months n=1,364

KEY MOTIVATIONS FOR CHOOSING ETFs

When asked why they invest in ETFs, respondents highlighted a blend of low costs and diversification and access to specific index performance. ETF investors also value features specific to ETF structures like intraday trading and exposure to specific investment themes/markets, that may be harder to achieve by investing through broader index trackers.

CHART 10: WHY DO YOU INVEST IN AN EXCHANGE-TRADED FUND?



Source IA & Opinium, Why do you invest in an Exchange-Traded Fund (ETF)? Select all that apply. ETF investors n=366

- Diversification and Low Cost:** The most commonly cited reasons for investing in ETFs are diversification and low fees. In the survey, 46% of ETF investors said they invest in ETFs for diversification of investments and an equal 46% said “low fees and cost-effectiveness” is a major reason for holding ETFs. In a previous question where we asked all investors how important low fees for the management and administration of the fund are when selecting a fund, 89% of ETF investors said that low fund management fees are important to them.
- Access to Specific Markets or Themes:** Many ETF investors are also motivated by the ability to target specific indices easily. 32% invest in ETFs to get exposure to specific investment themes (like technology, clean energy and AI). Similarly, 33% cited “access to specific markets, industries, or sectors”

³ The IA has produced investor research in partnership with The Wisdom Council on the presentation of costs and charges to investors as part of our response to the FCA’s Consumer Composite Investment consultation, which can be found [here](#).

as a reason for using ETFs. For example, if someone wants to invest in emerging markets or a niche sector, an ETF can be the quickest way to obtain low-cost, diversified exposure.

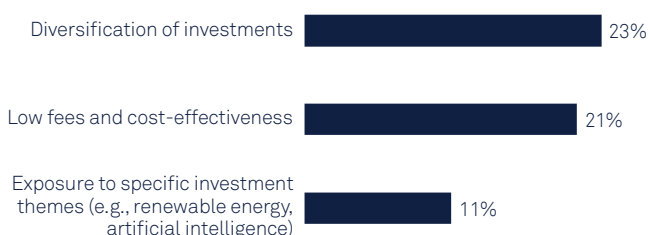
- **Intraday Trading Ability:** As Chart 11 shows, the ability to trade funds intra-day is a distinguishing factor for younger ETF investors. Among ETF investors aged 18–34 and 35–54, “can buy and sell shares throughout the day to take advantage of changing prices” appeared in the top three most important reasons for investing in ETFs. This feature is a key differentiator from traditional mutual funds. It resonates with investors who want the option to react swiftly, for example, to sell during a market spike or buy on a dip, rather than submitting a trade order and waiting for end-of-day pricing. It’s a “sophisticated requirement” that a subset of investors are consciously seeking out. The prevalence of this motive among the youngest investor cohort could suggest that future generations of investors will increasingly expect all investment products to offer more immediate pricing and settlement.

- **Transparency and Simplicity:** ETFs generally disclose holdings daily, which means investors know exactly what they own. As outlined in Chart 10, 33% of ETF investors said they value the transparency of holdings (being able to see all the fund’s investments) as a reason for using ETFs and nearly 88% of ETF investors deem transparency of holdings an important characteristic when choosing a fund (significantly more than among investors not holding ETFs, 76% of whom consider it important). This underscores that the majority of investors, whether they hold ETFs or not, would like to look “under the bonnet” of their funds. This could also help to foster trust.

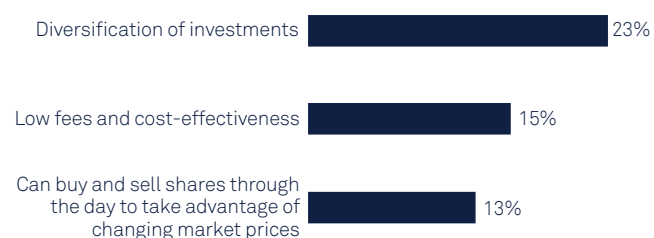
- A meaningful share of ETF investors (around 29%) appreciate lower minimum investment requirements of ETFs. Since ETFs can be bought per share (and many ETFs have modest per-share prices, plus the possibility of fractional shares on some platforms), some ETFs do allow investing small amounts, which appeals to investors investing little and often. Targeting investors who want to take this approach could be important in helping younger investors building up portfolios.

CHART 11: WHAT IS THE MOST IMPORTANT REASON THAT YOU INVEST IN AN ETF – AGE GROUP COMPARISON

Top 3 reasons for all ETF investors



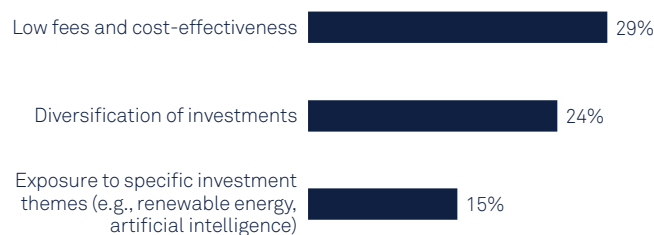
Top 3 reasons for 18–34 year olds



Top 3 reasons for 35–54 year olds



Top 3 reasons for 55+ year olds



Source IA & Opinion, What is the most important reason that you invest in an ETF? ETF Investors n=366. Age Base 18–34:150, 35–54:154, 55+:62

PART TWO:

BRIDGING THE KNOWLEDGE GAP: IDENTIFYING BARRIERS TO ETF ADOPTION ACROSS INVESTORS

BREAKING DOWN BARRIERS

LOW AWARENESS AND KNOWLEDGE OF ETFs

A widespread lack of ETF awareness and understanding is a major barrier to increasing ETF adoption in the UK retail market. The research reveals that many investors either have not heard of ETFs at all or have only a vague understanding of them, which directly impacts their willingness or ability to invest in these products.

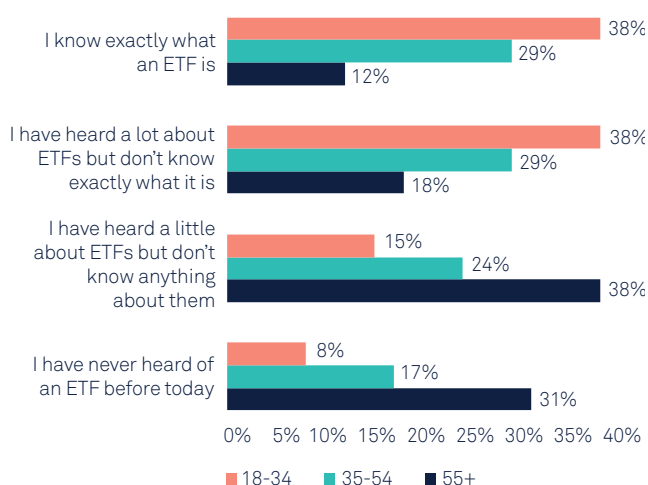
- **Low awareness among the broader investor base:**

Among investors who do not currently hold ETFs, knowledge levels are quite low and 21% had never heard of an “ETF” before our survey. An additional 28% had heard of ETFs but “don’t know anything about them,” and 27% said they’ve heard a lot about ETFs yet “don’t exactly know what it is”. In total, 85% of investors that do not hold ETFs lack a solid understanding of ETFs, with only a small minority feeling confident that they “know exactly what an ETF is.” This highlights a significant educational gap.

- **Even among ETF investors, there is a lack of confidence in understanding:** Looking at the entire sample (including those who do invest in ETFs), only 24% of respondents say they know exactly what an ETF is. In other words, barely one in four investors has full confidence in their understanding of ETFs and the rest have limited knowledge. This indicates that education on the basics of ETFs (what they are, how they work, and their uses) has not sufficiently penetrated the retail market.

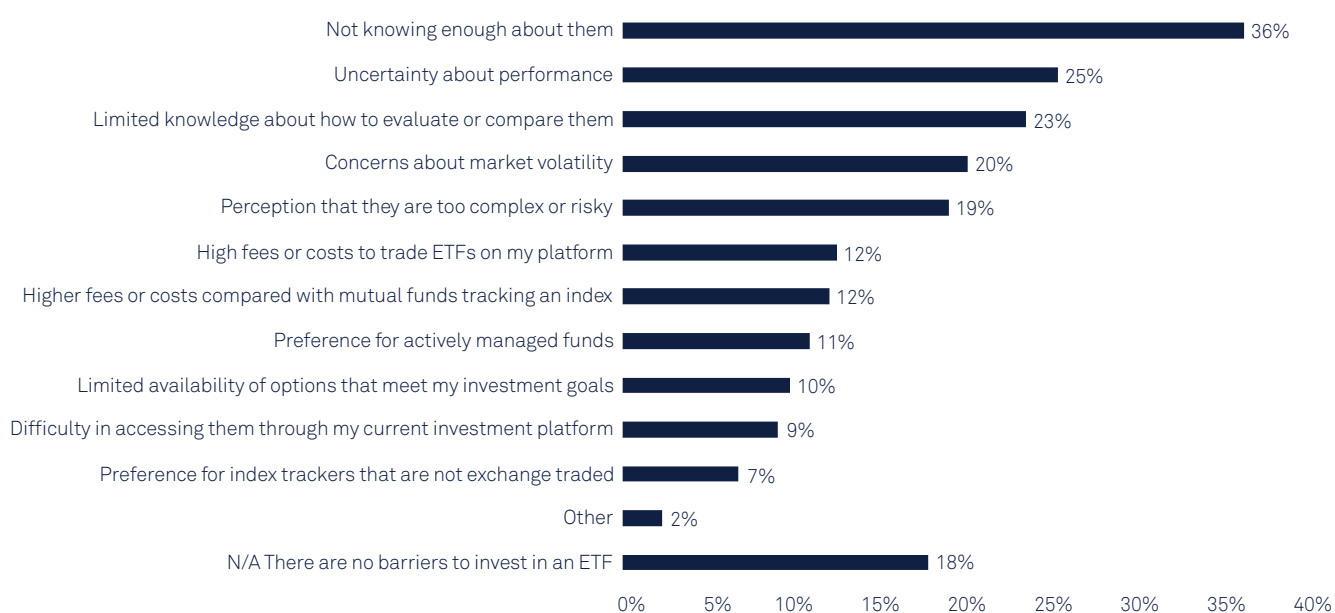
- **Generational differences in confidence:** Younger investors (18-34 year olds) are more likely to say that they are confident in their understanding of ETFs and are more likely to be aware of ETFs, which may reflect different routes into investing through trading platforms as well as the fact that younger investors tend to have higher levels of financial education compared with older investors.

CHART 12: KNOWLEDGE OF ETFs – AGE GROUP COMPARISON



Source IA & Opinium, How would you describe your knowledge of what an Exchange-Traded Fund (ETF) is? Investors n=2,000

Lack of knowledge is limiting ETF adoption. When asked why they haven't invested in ETFs, as Chart 13 shows, the number one reason for investors was “not knowing enough about them.” 36% identified this lack of knowledge as a barrier, making it the most cited barrier among investors that don't hold ETFs. Additionally, 23% expressed “uncertainty around how to evaluate or compare ETFs” and “uncertainty about ETF performance” (25%). These concerns all point back to the same root issue: many retail investors do not yet understand what ETFs are or how they fit into a portfolio, so they either feel unable to judge if an ETF is a good investment or fear they might perform unpredictably. It's notable that these worries persist despite ETFs often being straightforward index trackers. The concept of an exchange-traded fund is not as intuitively grasped by investors as, say, a stock in a well-known UK-listed company.

CHART 13: THE BARRIERS TO INVESTING IN AN ETF – INVESTORS THAT DO NOT HOLD ETFs

Source IA & Opinium, What are the barriers to you investing in an ETF? Select all that apply. Investors that do not hold ETFs n= 1,634

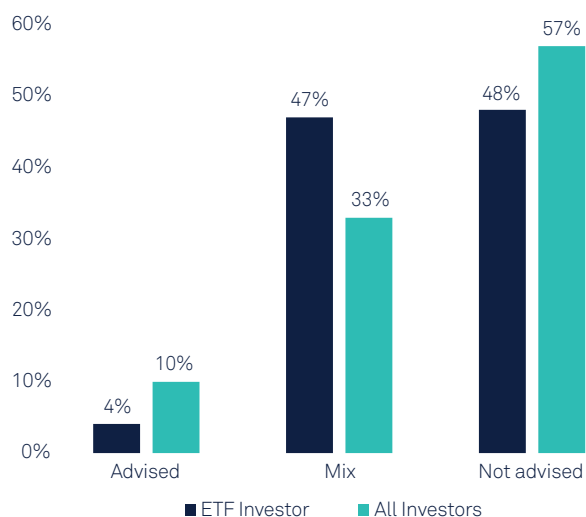
Chart 13 also illustrates misconceptions about performance and risk. The finding that “uncertainty around performance” is a common hesitation is telling. Since many ETFs simply track indices, their performance should be relatively transparent as their investment objective is to mirror the performance of the index/ market that they track. Our survey data show that 20% of investors that do not hold ETFs indicate concerns about market volatility and 19% cite a perception that ETFs are too complex or risky. These perceptions may not reflect the reality of ETFs, which can actually reduce risk through diversification but they demonstrate the psychological barriers in play. We saw similar barriers expressed when we asked cash ISA savers why they did not invest in our ISA Barometer survey this year. This re-inforces the need to better

educate investors about ETFs, nearly a fifth of investors who don’t hold ETFs associate them with being higher risk because they are not familiar with these products. For less confident or less sophisticated investors, multi-asset funds are a popular product providing an investment solution with an asset allocation that aligns with the investor’s risk appetite. Increasingly, mixed asset investment funds use ETFs as building blocks. It is highly likely that some of the respondents to our survey hold mixed asset funds that invest in ETFs but may be unaware of this fact. If investors had a better understanding that ETFs are routinely used in mainstream investment funds, with no adverse impact on performance or price volatility, that might help to improve confidence overall.

ADVISER INFLUENCE ON AWARENESS

Of the investors that we surveyed, 10% were fully advised with a greater proportion (33%) receiving investment advice but also making some fund selection decisions independently – a mix of advised and self-directed. A further 57% were fully self-directed. Our research found that ETF investors were less likely to leave investment management decisions to advisers at 4% compared with the broader investor base (10%). Advisers could play an important role in educating investors about ETFs, but as we discuss later, many investors say their advisers have never mentioned or recommended ETFs and a relatively low proportion of investors rely fully on advisers to make investment selection decisions. This suggests that direct investment platforms, alongside investment managers, have an important role to play in improving investor education and clarity around ETFs.

CHART 14: THE PROPORTION OF ETF INVESTORS AND INVESTORS RECEIVING FINANCIAL ADVICE



Source IA & Opinium, Investment management approach – advised, not advised, mix, investors n=2,000, ETF investors n=366

Our survey findings suggest that the first step in driving up ETF adoption is to improve investor understanding and knowledge of ETFs. Educational initiatives will be crucial in increasing retail ETF adoption. The industry needs to demystify ETFs for the average investor. This includes explaining that an ETF is simply a fund structure like a mutual fund, often holding a basket of stocks or bonds like a traditional fund but traded on a stock exchange like an investment trust. Emphasising that ETFs can be used for long-term, buy-and-hold investing and are not just for investors who are comfortable with trading could also help to build confidence. Working in partnership with investment platforms and financial advisers to improve understanding through appropriate educational content could also help more curious investors to better compare ETFs with other investment products and fund structures.

BARRIERS TO ETF INVESTMENT

The research distinguishes between two groups when it comes to barriers: existing ETF investors (what limits them from investing more in ETFs) and investors that don't hold ETFs (what's stopping them from investing in ETFs at all). Understanding these pain points is critical for formulating strategies to increase retail ETF adoption.

BARRIERS FOR CURRENT ETF INVESTORS

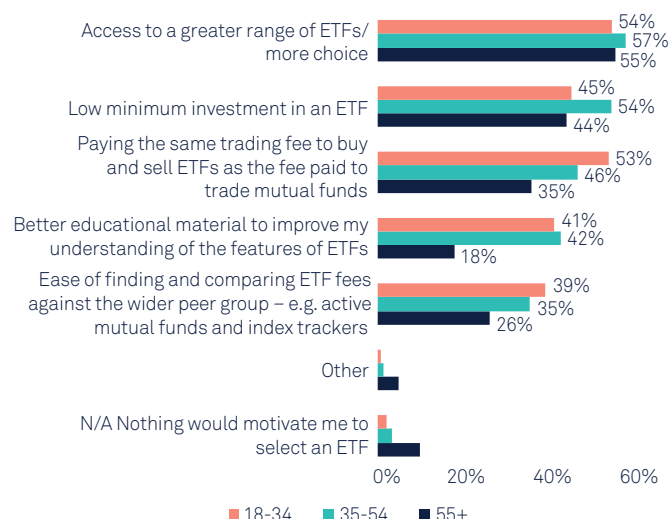
For those investors who already hold ETFs, the survey probed what would encourage them to invest more in ETFs (particularly on their primary or main investment platform). The responses highlight hurdles in the product availability and trading environment on platforms:

- Limited ETF Choice on Platforms:** The number one factor that would motivate current ETF holders to invest more in ETFs is “**access to a greater range of ETFs / more choice**” on their platform. Over half (55%) of ETF investors said they would increase their ETF holdings if more ETF options were available on their main investment platform. This suggests that some platforms may have a relatively narrow selection of ETFs (or not the specific exposures investors want). It could also reflect that certain niche or thematic ETFs are not offered by all providers. Expanding the range of ETFs on mainstream platforms could immediately help existing enthusiasts allocate more to ETFs.

- High Minimum Investment Amounts:** The second most-cited factor that would encourage ETF investors to invest more is low minimum investment thresholds, with 48% of ETF investors saying that lower minimum investments (e.g. the ability to invest small amounts in an ETF) would encourage them to buy more ETFs. Currently, while investors can buy a single share of an ETF, some platforms don't allow fractional shares or have high initial minimum purchase sizes. This is particularly a concern for investors who prefer to invest small sums on a frequent basis. The interest in lower minimums was especially pronounced among the 35–54 age group, where 54% indicated this would help them invest more (compared with 45% of 18–34 year olds and 44% of over 55s). Implementing features like fractional ETF trading or lowering the minimum share size could attract incremental contributions from these investors. This finding also highlights a need for more regular saving options backed by ETFs through multi-asset funds or model portfolio services to support retail investors seeking to make small, regular investments.

- Dealing Fee Disparity with Funds:** The third major issue is the cost to trade and 47% of ETF investors said that paying the same trading fee for ETFs as for buying mutual funds would increase their ETF investing. Many traditional platforms charge more to trade Exchange Traded Products, whereas buying mutual funds may be free or have lower dealing fees on the same platform. Clearly, this is a commercial decision for platforms and there are differences in the mechanisms by which ETFs and mutual funds operate. The research does highlight, however, the extent to which young investors in particular are sensitive to dealing costs and underscores the importance of clear sign-posting as investors want to compare dealing fees as well as fund charges.

CHART 15: MOTIVATIONS FOR SELECTING ETFs – AGE GROUP COMPARISON



Source IA & Opinium, When using your primary investment platform, which, if any, of the following would motivate you to select an ETF? Select all that apply. ETF investors n=366

For the cohort that already believes in ETFs, the key is making ETF investing easier, cheaper, and more flexible on the platforms they already use as well as offering more choice.

BARRIERS FOR INVESTORS THAT DO NOT HOLD ETFs

For investors who do not yet hold any ETFs, the obstacles are more fundamental. These individuals often lack knowledge or have uncertainties about ETFs (as discussed earlier). The survey asked this group about their reasons for not investing in ETFs and the responses underscore the need for education and reassurance:

- Knowledge Gap:** The single biggest barrier is simply lack of knowledge. 36% reported “not knowing enough about ETFs” as a reason they haven’t invested. This was the top response, topping all structural or cost factors. It reinforces the earlier finding that awareness is low. Many people are not investing in ETFs because they do not understand what ETFs are or how they work. This is a classic case of “you won’t invest in what you don’t understand.” It’s a clear call for educational outreach: if these investors are

educated about ETFs, a significant portion might be willing to try them (since their barrier isn't opposition, but uncertainty).

- **Uncertainty About Performance:** The second most common barrier was “uncertainty around performance” of ETFs. A quarter of investors that do not hold ETFs voiced this concern (the second most significant barrier). This likely ties into knowledge: if you aren't sure how ETFs operate, you might be unsure how they would perform, or how to evaluate that performance. Investors might expect ETF prices to behave like share prices, which can fluctuate significantly, or like investment trusts trading at a premium or discount, when typically ETFs will be priced close to the Net Asset Value (NAV). Unlike a familiar savings account or even an actively managed fund where an adviser might provide an outlook, an ETF's performance is seen as an unknown. The irony is that an index-tracking ETF's performance is generally easy to explain (it will match the index performance and has relative price stability). Nearly 1 in 4 non-ETF investors admitted they find it hard to evaluate or compare ETFs: they don't know how to judge one ETF versus another, or against other investment funds or products. This suggests that tools or guidance for comparing ETFs are also important. This could focus on understanding indices, tracking error or other features of ETFs and how they differ from mutual funds.

- Issues such as trading costs and lack of choice are understandably much less of an issue for investors that don't already hold ETFs. High trading costs were cited by only 12% of investors that don't hold ETFs as a barrier and limited availability of options that meet my investment goals by just 10%. These factors were relatively low on their list. This implies that you must first educate and interest someone in ETFs before they start worrying about the mechanics of fees and fund selection. Right now, many investors simply aren't at that stage of consideration.

To help investors that don't hold ETFs understand whether they are a good choice for them, the priority should be education and helping to dispel misconceptions, for example around pricing and performance uncertainty. Simple, clear messages around ETFs are likely to resonate with investors and wider IA research suggests that simplicity is particularly important in communicating with older investors, a group that is under-represented among ETF investors.

ROLE OF FINANCIAL ADVISERS IN ETF ADOPTION

Our survey suggests that financial advisers are playing a limited role in driving ETF usage among retail investors. The growth of ETFs is happening largely outside the traditional full-service advice channel and only 4% of ETF investors in our survey are fully advised using advisers to make fund selection decisions. There's an opportunity for advisers to incorporate ETFs more into the advice process, especially as they appeal to cost-conscious and younger clients. Many advisers are increasingly focused on providing fair value to clients under their Consumer Duty obligations and ETFs are a means of reducing the total cost of investing to their clients.

- **Many clients report that advisers don't mention ETFs:** Among those investors who do have advisers (or have some adviser interaction), many have never been introduced to ETFs by their advisers. The survey of advised investors (867 survey respondents who receive at least some financial advice) found that 43% say their adviser has never recommended an ETF to them. A large proportion of clients tell us that advisers are not bringing up ETFs at all. A further 24% said an adviser recommended an ETF and they chose to invest in it, with another 21% saying an adviser recommended one but they did not invest.
- **Advised investors not clear on why ETFs are not coming up:** When those who hadn't been recommended ETFs were asked why not (to the best of their knowledge), 40% responded that they simply didn't know why the adviser hadn't recommended ETFs, which implies that it didn't come up. Whilst many advice meetings are structured around financial goals and circumstances and the client's appetite for risk and capacity for loss rather than a discussion on fund selection, it is significant that ETFs are often never mentioned. Investors have drawn conclusions that range from the adviser preferring active funds for 19% or thinking ETFs weren't suited to the client's goals (10%). As Chart 16 shows, the survey results also indicate that investors believe that their advisers simply don't offer ETFs as part of their investment proposition (10%) or prefer mutual fund index trackers over ETFs (4%).

- **Adviser Models:** Many financial advisers use model portfolios or multi-asset funds for clients, focusing on asset allocation rather than specific product types. If an advisory firm has a centralised investment team, the fund selectors might choose a panel of funds (active or index mutual funds) and advisers stick to those. Unless there's a clear cost or performance benefit, advice firms might see little need to incorporate ETFs, especially if doing so complicates trading or reporting in their systems. Indeed, the proportion of client-facing advisers who make individual fund choices has declined, with most firms centralising investment selection. This means that if the central model portfolio doesn't include ETFs, individual advisers won't deviate to include them in client portfolios.

- **Advised Clients' Outcomes:** The research suggests that even if advisers were to talk more about ETFs, it might not drastically change overall retail adoption because only 10% of investors surveyed rely fully on their financial adviser to steer their investment selection decisions. However, adviser engagement could still be important for certain segments – particularly higher-net-worth or older investors.

- **Changing Advice Models:** Many of the ETF enthusiasts we profiled earlier may not feel the need for a traditional financial adviser. They might seek information from online communities, direct research, or robo-advisers. This is part of a broader trend: the rise of self-directed investing and robo-advisers that often use ETFs as portfolio building blocks. Neo-brokers and digital platforms are, in a sense, substituting for some adviser functions such as providing market access and basic allocation tools. Financial advisers also often serve clients with more complex financial needs as they approach retirement: the majority of ETF investors in our survey are under the age of 55.

CHART 16: WHY INVESTORS THINK FINANCIAL ADVISERS ARE NOT RECOMMENDING ETFs



Source IA & Opinium, You mentioned that you haven't received a recommendation from a financial adviser to invest in ETFs. To the best of your knowledge, why has your financial adviser not recommended an ETF? Select all that apply. Investors whose financial adviser did not recommend ETFs n=366

PART THREE:

FROM INSIGHT TO ACTION: RECOMMENDATIONS FOR IMPROVING RETAIL INVESTOR UNDERSTANDING & ACCESS

INDUSTRY IMPLICATIONS: CHANGING INVESTOR BEHAVIOUR AND FUTURE TRENDS

The findings from this research reflect a broader shift in investor behaviour that has significant implications for product providers, investment platforms and the wealth management industry at large. Investor preferences are evolving, driven by technology, information access and demographic changes, and the industry must adjust.

The IA's "Investment Fund 3.0" agenda⁴ recognises that the funds industry needs to adapt to the dual forces of technological advancement and evolving investor needs. ETFs can be seen as a product that emerged from the last wave of fund evolution (often cited as Fund 2.0 in the 1980s/1990s), bringing more modern characteristics such as exchange trading and transparency. Now, the ascent of ETFs and similar innovations signals that a third iteration of investment products and services is underway moving the industry closer to Investment Fund 3.0. This iteration leverages technology to offer greater efficiency and connectivity with investors. The behaviour highlighted in this research – demand for real-time access, greater choice on digital platforms, low costs – directly underscores those evolving needs. The success of ETFs is a case study in fund innovation meeting changing investor expectations and it challenges the industry to consider how to keep up. The profile of ETF investors revealed by our survey speaks to an engaged group of investors that have seen the advantages of ETFs as a fund vehicle. Advisers and wealth managers should consider adapting their models to accommodate these investors.

Investor behaviour is changing: a high proportion of young investors are self-directed and our survey suggests that among ETF investors at least, there is a desire for real-time trading and pricing/settlement. Our wider research suggests that social and peer

recommendations are increasingly important as many investors are disenfranchised from financial advice, which means that investment platforms and neo brokers will play an increasingly important role in providing access to information.

We are also seeing significant political support for the promotion of retail investing following Mansion House and the Leeds Reforms. We should be poised to build on this momentum and to highlight the role that ETFs can play in improving investor choice and enabling more people to benefit from the long-term growth potential of investing. According to the FCA, 3 in 5 UK adults with over £10,000 of investible assets hold at least three-quarters of these savings in cash. We must do more to build awareness with this group about the importance of investing to improving peoples' future financial wellbeing and long-term resilience. The review of risk warnings is also an opportunity to pivot from warning to informing and will help to improve confidence for savers and less knowledgeable or cautious investors.

The fact that many ETF investors hold investment products that pursue or require more active investment strategies such as investment trusts/companies and shares suggests a longer-term opportunity: active ETFs. There's growing interest globally in actively managed ETFs (where the manager picks securities but the fund trades on exchange). Morningstar data show that assets in active ETFs domiciled in Europe grew by 59% in 2024 to €55 billion, accounting for 2.5% of European domiciled ETF assets. If UK investors can get comfortable with the ETF format, this may provide further impetus to active managers to launch ETFs to meet changing investor demand for faster settlement, greater transparency and lower costs.

⁴The IA's Investment Fund 3.0 agenda identified three potential paths for the UK funds industry as technological advances accelerate: [Investment Fund 3.0 | The Investment Association](#). It also links to the work of the Technology Working Group of the Asset Management Taskforce, which focused on fund tokenisation.

IMPROVING INVESTOR CHOICE AND ACCESS: THREE RECOMMENDATIONS

Based on the research insights, we have set out three recommendations to improve understanding and access to ETFs among retail investors and to tailor industry messaging to different segments. We believe that by better informing investors and advisers, we can help them to make more considered choices about ETFs. These recommendations will help us to prompt a cross-industry dialogue on improving investor choice and access.

Recommendation 1:

Bridging the knowledge gap through an investor education programme:

The research suggests that a co-ordinated effort is needed to raise ETF awareness and knowledge among the large segment of investors who are unfamiliar with ETFs. The approach should be multi-faceted:

- **Educational Content:** Develop clear, accessible content explaining what ETFs are, how they work, and their benefits and risks. Tailor the content to different levels including basic explainers for novices and more detailed comparisons for intermediate investors. Work with financial journalists, bloggers and influencers to publish explainers and informative case studies of ETF investing through different channels including social media. Seeing success stories or use cases can help to normalise ETFs as a mainstream investment choice.
- **Clarify Misconceptions:** The research indicates that it is important to tackle misconceptions by making it clear to investors that ETFs are suitable for long-term investing and can be held in ISAs and pensions just like other funds. The industry should make it clear that ETFs are not merely for investors comfortable with trading but can be core holdings for investors with long-term goals like retirement, much as index funds are. There is a significant opportunity to broaden the profile of ETF investors to include more women, older investors, investors across different income profiles and across different regions of the UK.
- **Focus on Outcomes:** Show how ETFs can help achieve investor goals by explaining how ETFs align with the investor's objective. For example "If your goal is broad

growth, a global equity ETF provides diversification at low cost". It is important to shift the conversation from being product-centric to a more accessible and relevant conversation for investors.

Tailor Messaging to Different Segments: The investor base is not monolithic, so communications should have layered approaches:

- **Broad Investor Base and Cash Savers:** For the broad group of retail investors and savers who are still warming up to ETFs, keep messages simple. Emphasise investor education, the predictability of index returns and how ETFs fit into concepts they already trust like ISAs, diversification and retirement saving.
- **Sophisticated / Young Investors:** For the group already inclined to use ETFs and looking for more advanced features, we can highlight the benefits of intra-day trading and provide more technical detail where appropriate. Wider IA research shows that younger investors do want to see the detail when making fund selection decisions and are also more likely to be price sensitive and committed to comparing costs.
- **Advised, High-Net-Worth Investors:** There is a significant opportunity to reach older or wealthier clients who rely on traditional channels. Adviser engagement will be critical in targeting this segment.

Recommendation 2:

Improving access for ETF investors:

Our survey suggests that there are a number of ways that investment platforms, financial advisers, wealth managers and ETF providers could work together to level the playing field and improve retail investor access and choice. This would help remove barriers to increasing ETF investor take up.

- **Broaden Range of ETFs Available on Platform:** Our research suggests that ensuring a wide array of ETFs are available to investors, covering various asset classes and themes, would increase take-up. Active ETFs present an interesting opportunity to meet evolving investor needs. ETF investors are not just passive investors.

- **Lower Investment Minimums:** wider IA research shows that allowing investors to invest small amounts and build positions gradually appeals to younger investors or those testing the waters as they consider investing for the first time. ETF investors indicated that they would like to see lower investment minimums and the industry could look at ways to achieve this, for example through fractional share trading or lowering the minimum cost of entry for ETFs.
- **Dealing Costs and Accessibility:** ETF investors are cost-conscious and our research indicates that higher fees for buying ETFs are a potential barrier to greater adoption. Whilst the dealing fee is a commercial decision for investment platforms, the findings do underscore the importance of clear sign-posting as investors want to compare dealing fees alongside fund charges. We also note the emergence of different pricing models that offer discounts for frequent traders or automatic monthly investment plans: this shows an innovative approach and would appeal to ETF investors
- **Cost Efficiency:** Advisers can use ETFs to build cost-efficient portfolios, potentially passing fee savings to clients or striking a balance between allocating to lower cost ETFs and to higher cost investment strategies where active management is most valued. Advisers can now choose ETFs across both active and passive investment strategies as a greater range of active ETFs are launched. ETFs also settle faster than mutual funds, meaning less time out of the market for their clients.
- **Meeting Client Demand:** As more clients (especially younger ones) ask about ETFs or even come in with existing ETF holdings, advisers should be prepared to discuss and manage ETFs.
- **Hybrid Advice Models:** As the landscape evolves, we may see more hybrid models, for example advisers using platforms for intergenerational financial planning or giving clients self-serve options for portions of their portfolio. If advisers pursue these models, ETFs are likely to feature more prominently in fund selection on the platforms that they choose to integrate with.

Recommendation 3:

Adviser engagement:

While many retail investors are self-directed, it is important to engage advisers and wealth managers. The research suggests that advisers are not routinely recommending or discussing ETFs and this may also be linked to lack of confidence or knowledge (or indeed interest). Advisers may also be inclined to feel that they can simply recommend an indexing tracking mutual fund, without having a clear view of the benefits that an ETF could provide. As an industry we can do more to help facilitate adviser training and to provide educational content covering how ETFs work, how to evaluate them and portfolio construction using ETFs. We can address any lingering scepticism by sharing research and case studies that demonstrate ETFs' effectiveness.

The research also suggests that there is an opportunity to engage advisers on why integrating ETFs into their investment proposition could benefit clients:

More broadly, sharing insights with senior management at advice firms and wealth managers on how the funds industry is evolving and why more investment managers are launching ETFs could help to spark a discussion about the implications for adviser business models and investment approaches. This could include the drivers behind the rapid growth in Active ETF assets.

Underpinning all three recommendations is the importance of emphasising a focus on long-term investing:

Across all communications (whether to DIY investors or via advisers), we should stress that ETFs can and should be used for prudent, long-term investment strategies, not just for short-term or day trading. Our research and industry feedback suggest some concern that retail investors might over-trade and that investors that do not hold ETFs may not see them as appropriate because they are not confident about trading. Many investors do not understand that ETFs can be bought and held over the long term in the same way as a mutual fund. This is a myth that we can effectively de-bunk.

CONCLUSION

ETFs are at the nexus of changing investor demographics, technological empowerment and evolving market preferences. The survey data tell a story of a growing cohort of investors who value what ETFs offer: transparency, low-cost diversification and faster trading and settlement. These investors are increasingly choosing ETFs as a modern fund structure. At the same time, it highlights that there is a significant knowledge gap among many investors. This is a gap that can be bridged with concerted effort.

The trends highlighted in this report resonate strongly with our vision of a modernised, tech-enabled fund industry and our Investment Fund 3.0 campaign. Our ambition is to build on the principles set out by the Chancellor in the Leeds Reforms and to increase the proportion of UK adults that invest. We must do more to democratise investment and ETFs are a critical

part of the retail investor toolkit. As we have seen in Germany, they can also be used to support younger investors where there is a preference is to build up portfolios through investing little and often. By fostering collaboration across the investment industry, investment platforms, advisers and wealth managers, we can make a significant difference in promoting greater understanding and choice. Key to this will be improving investors' basic knowledge of ETFs. We must also consider different investor preferences when we communicate and look at pathways to building a modern investment infrastructure that caters to a new generation of investors. This research provides a platform to develop a thoughtful strategy to support investors of all types in harnessing ETFs for their long-term financial goals, to deliver better outcomes for investors and to facilitate a more dynamic market for all participants.

Recommendation 1: Bridging the knowledge gap through investor education

Lack of awareness and understanding of Exchange Traded Funds is the single biggest barrier preventing many retail investors from considering ETFs. Implement a co-ordinated investor education programme that reaches women and older investors. Develop clear, accessible content that explains what ETFs are, how they work, and their benefits and risks in simple terms. ETFs can be core holdings in ISAs and pensions aimed at retirement or other long-term goals.



Recommendation 2: Improving access for ETF investors

Investment platforms, financial advisers, wealth managers and ETF providers can work together to improve retail investor access and choice

- **Broaden the range of ETFs available on platform** to enable access to a wider variety of asset classes and themes.
- **Lower investment minimums to help investors to** invest small amounts and build positions gradually.
- **ETF investors are cost-conscious:** help investors to compare dealing fees as well as fund charges.



Recommendation 3: Adviser engagement

We can do more to increase financial adviser understanding about how ETFs work, how to evaluate them and portfolio construction using ETFs. Engage advisers by looking at how integrating ETFs could benefit their clients:

- **Cost efficiency:** Advisers can use ETFs to build cost-efficient portfolios across both active and passive investment strategies as a greater range of active ETFs are launched. ETFs also settle faster than mutual funds, meaning less time out of the market.
- **Meeting client demand:** As more younger clients ask about ETFs and hold ETFs, advisers should be prepared to discuss and manage ETFs.
- **Hybrid advice models:** advisers may increase intergenerational financial planning or give clients self-serve options where ETFs are likely to feature more prominently in fund selection.



Underpinning all three recommendations is the importance of emphasising a focus on long-term investing





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