

The participation problem: why more Australians aren't investing

June 2026



Aaron Viscayno (00:00):

Hello and welcome to the Ideas Exchange. ASX's regular podcast where we cover investment trends, market updates, and ideas for your portfolio. My name is Aaron Viscayno, business development manager from the investment products team here at ASX. And it is our mission to deliver to you the latest in market updates and ideas through the conversations we have with investment experts.

17:56~

Speaker 2 (00:22):

A quick note about this podcast. Information is provided for educational purposes only, and is not intended to include or constitute financial product advice. You should obtain independent advice from an Australian Financial Services licensee before making any investment decisions. Please refer to ASX's full disclaimer with respect to this podcast on the section of the ASX website titled The Ideas Exchange by ASX.

Aaron Viscayno (00:49):

Hello everyone. Aaron Viscayno, business development manager with the investment products team at ASX here. Welcoming you back to the Ideas Exchange Podcast. Now I think it's fair to say that the majority of our listeners, that's right, I'm talking about you, have an active interest in the way that you invest and you want to make sure that you are across the latest trends and ideas to ensure that you have a portfolio that is serving your financial goals. But what about the rest of Australia? Joining me on the podcast today is the global head of indexing, active in ESG research and head of investment strategy group of the Asia Pacific region for Vanguard, Jan-Carl Plagge. Today we'll be discussing Vanguard's latest study entitled Sitting on the Sidelines. What's Holding Australia Back From Investing? Welcome Jan-Carl.

Jan-Carl Plagge (01:31):

Thanks, Aaron. Really excited to be here today.

Aaron Viscayno (01:33):

So Vanguard, as a company, needs little introduction. Established in 1975, founder Jack Bogle is credited with creating and popularizing passive investing. Under that methodology, Vanguard have grown to become Australia's largest ETF issuer. Now Jan-Carl, surveys like this I feel are so important just to track the habits of Australians and for you and I working in with the financial industry, we do want to know what else we can do further to ensure that all Australians understand the benefits of investing. I think a good place to start, could you just tell us a bit about the survey? How was it conducted and what were the key findings from your report?

Jan-Carl Plagge (02:08):

Well, we've surveyed a representative sample of a little more than a thousand Australians, 1002 to be exact, and all of them were 18 years or older, and it's a very recent survey. So we've just conducted the survey in February of this year. And just a couple of weeks ago received all the results and did the number crunching. Now, when it comes to the objective of the survey, we

wanted to understand who is investing outside of their superannuation. And for those that did invest outside of the superannuation, we wanted to understand what they're invested in. So we asked them to tell us a bit more about all the different categories from shares to ETFs that they invest in.

(03:01):

And then for the portion of the respondents that didn't invest, we wanted to understand what holds them back, what are the barriers to investing for that part of the population. We also asked them quite a bit about ETFs, as increasingly popular investment vehicle. And lastly, we wanted to understand how Australians feel about investing internationally. So there is a concept called home bias, which tries to quantify the portion to which investors invest locally. We wanted to understand that a little bit better.

(03:39):

Now in terms of key findings, we found I think two or three quite surprising, at least to me, surprising things. The first is that around almost 60%, 57% of respondents did not invest at all outside of super. So that number was at least to me surprisingly high. We found that there was quite a significant gender gap. 50% of the male population or respondents invested, whereas for female, for women, that portion was only around 33%. So quite a substantial gender gap there of 17 percentage points. And as far as the home bias is concerned or was concerned, we found that the median investor holds more than 90% of their assets in Australia. So that is quite a substantial home bias there that we discovered with our survey.

(04:38):

So lastly, I want to just very briefly mention some of the key takeaways from our survey. We found that of course with 57%, I think the portion of investors that sits on the sidelines, I think we've also dubbed the report, sitting on the sideline, is too high. I think there are too many investors that miss out on the benefits that investing can bring, the monetary benefits, the financial benefits over time. And we found that the reasons for not investing are not just structural in nature.

(05:15):

Here and there we came across the same themes such as lack of familiarity, a low confidence when it comes to investing. And here I think we can do as part of the financial community a lot to improve, to make people more familiar with investing with financial markets. So we can do a lot to improve that through improving financial literacy, simplifying access to investment products and a bit of confidence.

Aaron Viscayno (05:47):

Perfect. Thank you. And just once again to our listeners, giving you a little bit of homework, the name of the study, *Sitting on the Sidelines, What's Holding Australia Back From Investing?* We are going to be talking to a lot of the numbers and the graphs in this report. So if you want to actually check out the report, head over to Vanguard's website, vanguard.com.au, and you'll be able to download that study for free.

(06:09):

So Jan-Carl, I think you've given a really good overview of what that survey does actually cover. Actually really keen to get into a little bit of the numbers here. So the one thing that stood out to me most was that 57%, almost 60%, like you mentioned, Australians, they don't actually invest outside of their super, which to me is a staggering amount. What did the survey reveal on why so many people don't invest?

Jan-Carl Plagge (06:32):

Yeah, quite a few things actually. So I think one that many of our listeners also may have in mind is a structural barrier in the form of just not having enough assets, enough money to invest. And in fact, about a third of respondents mentioned not having enough money as one of the reasons why they're not investing outside super. But then we also came across reasons that had to do with lack of confidence, lack of understanding as I just mentioned.

(07:04):

And to some extent these reasons also made us wonder whether the one-third that say that they don't have enough money to invest isn't a bit high after all, as we found that about two-thirds significantly overestimated the amount of money that's needed to invest. So there were quite a few that said, "Well, I need a specific minimum or so to even start investing." And if that's what holds them back, then it really doesn't have much to do with not having enough money, but it's really just linked to not having the right knowledge, so to say, when it comes to investing. As not having massive amounts of money to invest shouldn't hold anyone back from starting to invest.

(07:52):

25% explicitly told us that they don't have enough knowledge to get started. And we then duck a little bit deeper here and found quite a few interesting differences when it comes to lack of knowledge across our surveyed population. So women, for example, were more likely to say that they lack the knowledge or confidence and saw that as a barrier to investing compared to men. Age also played a role here. The older the survey population, the more knowledgeable they were. I think among the boomers, so those are the respondents 60 years and older. Among those, only about 16% mentioned that they lack the knowledge to invest, whereas that portion was as high as 31% for Gen Z, which are those 18 to 20 years old. So quite a few interesting differences there as well.

(08:54):

So to summarize, I think of course there are structural barriers to investing such as just not having enough money. But then what became very clear in our survey were reasons that didn't have anything to do with lack of resources, but were really much more about confidence, literacy, understanding of the financial ecosystem.

Aaron Viscayno (09:17):

Yeah. And look, I think you've hit it there on the money. A lot of the reasons that were given kind of underpinned by that lack of knowledge and lack of confidence. For example, 9% are focused on other financial priorities, for example, saving for a home. How easily you can kind of flip that on its head, right? How many people have started investing because they were saving for that deposit for the home. So again, just coming back to that knowledge and that confidence. So just going on from there, what do you think the regulators, average people and the financial industry need to do more of to overcome some of these barriers?

Jan-Carl Plagge (09:52):

I think it's good that you mentioned quite a few here. Regulators, financial industry, average people. So I think it's not really one specific group, but it really requires more of a systemic effort, I would say. Just also in light of all the different reasons that hold people back from investing that we've just discussed. So as far as policy is concerned, for example, we've proposed, in the recent past, to introduce a simple tax incentivized investment account such as the ISA, the Individual Savings Accounts, that's quite popular in the UK just to help investors get

started. So I think anything that helps investors get started, any policy efforts there is more than welcome.

(10:41):

Then there is of course the financial literacy side, as we've just said, many are just not familiar with concepts such as risk diversification, inflation. And as a result, if I just look at diversification for example, not really understanding diversification may cause investors to invest in too risky of an asset for example. And as a result, they might suffer significant losses over time. So really just understanding how diversification works, that investing in ETFs, for example, will allow investors to buy the click of a button really, get exposure to thousands of companies built a very diversified portfolio has benefits. So I think that is a second category here to mention, financial literacy.

(11:33):

And then the third one probably has to do with advice and guidance. And there is clearly an advice gap, I would say here in Australia. And we know that from studies we've done in other regions across the world that advice can really make a big difference to investors both when it comes to getting started, but also when it comes to staying invested. Oftentimes when times get turbulent, investors might panic, might divest at the worst possible time, then either reinvest too late or never reinvest and you hear advice can really help investors to stay the course, et cetera. So it's probably a mix of these three, policy, financial literacy, and advice and guidance.

Aaron Viscayno (12:15):

Got you. Now moving on to the section that covers those that do invest outside of super. You've actually got a real breakdown of them within different age demographics, which you alluded to before. Obviously the boomers, Gen X, Gen Y, et cetera. Can you talk to some of the trends that you see there?

Jan-Carl Plagge (12:31):

Yeah. So I think we've discovered quite a few interesting trends there. We have asked the surveyed population to tell us whether or not they invest in shares of mutual funds, ETFs, cryptocurrency even, and other listed investment trusts such as REITs. And that's something I found quite surprising, that directly investing in shares and stocks was most popular across the surveyed population. And here there was quite a significant difference between the different age groups or age cohorts. So stocks was most popular with boomers. So again, those 60 years and older. Here, 83% replied yes to whether or not they hold shares among the Gen Z, the youngest generation, that portion was just 62%. So it ranged across the different age groups somewhere from 62 to 83% and increased the older the surveyed population was.

(13:37):

Now for exchange traded funds, we found the exact opposite trends there. So first of all, the respondents that said that they do hold exchange traded funds was somewhat lower. But what I found quite interesting was that here, those that were the youngest among our respondents, Gen Z, reported the highest share of those that held ETFs. Among Gen Z, that portion was as high as 42%. And then the boomers, 60 years and older here only about 11% held ETFs. So that difference in trend really led us to conclude or at least assume that familiarity plays a role here.

(14:23):

Familiarity with investment options that were around when someone first started to invest. So shares and stocks, single stocks are around for much longer than ETFs. And as a result, they

appear to be more commonly held by the older generation. And ETFs just weren't around at least when the oldest of our surveyed population started their investment journey. And that might explain why the pickup of ETFs among the older part of the respondents was quite a bit lower.

Aaron Viscayno (15:00):

And generally speaking, do you think, us as a nation and these investing habits, do you think we're moving in the right direction?

Jan-Carl Plagge (15:07):

Yes, I definitely believe that we are moving into the right direction. We are offering more and more of these products, well diversified products and we see that the pickup is there. So the younger generation makes increasing use of these products. So that, to me, points into exactly the right direction. There's more that can be done. Of course, a portion of as high as almost 60% of those that don't invest is too high, but we are moving into the right direction, I would say.

Aaron Viscayno (15:34):

Jan-Carl, you mentioned Australians exhibiting a strong level of home bias as well. Can you just remind us what that means and what did your research reveal about what's causing this bias?

Jan-Carl Plagge (15:45):

So home bias I would define as the tendency to hold an outsized portion of local assets in one's portfolio. Now what that means, what's outsized really lies a little bit in the eye of the beholder. One way of telling whether or not something is outsized is to just compare it with the role that the Australian market, for example, plays in a global context. And here if I look at equities, that portion is actually quite small. I think it's just around 1.6, 1.7% that Australia makes up of the global equity market. So anything that exceeds that, that small portion could, in extreme sense, already be considered a home bias.

(16:29):

Now when it comes to the reasons, there are actually quite a few. Some are very objective in nature, I would say, very rational, such as the franking credits or the attempt to avoid currency risk. But then there are also a few more irrational reasons, I would say, such as the familiarity bias.

(16:49):

Investors might just be more familiar with local companies, local assets, and as a result prefer those in their portfolio as opposed to diversifying internationally.

Aaron Viscayno (17:01):

And look, completely it's something that I kind of resonate with. I mean, for only one who follow sports, you're always going to be rooting for the home team, but obviously you don't want it to be at the expense of diversification. And I'm actually curious to hear as well on how home bias in Australia measures up on the global scale. How do we rate to other developed nations and what can we learn from them to kind of mitigate that bias?

Jan-Carl Plagge (17:22):

I think what's important here is to point out that home bias is nothing specific to Australian investors. We find home biases across the world. We've looked into Japan, we've looked into the US, into various European markets, and we find home biases everywhere. It has to do really with these reasons that I just mentioned above all the familiarity bias, I would say. So now

Australia is by definition, as I just mentioned, somewhat disadvantaged, there and Australian investors are very quick to have built up a home bias just because the Australian market is so small in a global context.

(18:04):

So just to put together an example here, if I as an investor hold just 10% of my assets or my equity exposure in Australia, then I already have a home bias of as high as 400% so to say, as I'm significantly overweighting Australia relative to its weight in the global market, which as we just said is less than 2% here.

(18:30):

And we find that, I think I mentioned it earlier, the median investor that we surveyed held as much as 90% and more of his or her assets in local assets. So that is really quite significant here.

(19:12):

For example, if I look at the Australian market, the role that technology plays here is comparably small compared to the US market. So investors that only invest in Australian assets may be under exposed to certain sectors, such as the technology sector, compared to the global portfolio. So I think all of those things need to be considered when it comes to home bias.

Aaron Viscayno (19:37):

Terrific. Thank you. One last thing that I'd like to cover before we wrap up here. Jan-Carl, I think we'd all agree here that more work needs to be done to ensure investment parity between males and females. So to me, you can actually kind of see a lot of parallels to this in the financial industry, although we've made significant progress towards having women in more prominent roles, I think we need to discern what it is about our industry that keeps women away. Jan-Carl, what do you think is the main cause of the difference in the mindset of a male and a female investor?

Jan-Carl Plagge (20:06):

I think that the survey results here can give some answers at least. As I mentioned at the beginning, there was quite a significant difference between men and women when it came to whether or not they invest outside of their super. And we asked about reasons, as I mentioned, reason like what does hold you back. And here, the portion that said and replied, lack of confidence or knowledge, was much higher among the female respondents with 27%, as compared to the portion among male respondents, which was just 19%.

(20:48):

So I think there is a significant gap between the two genders there, which has to do with confidence. And I think addressing that, building financial literacy, boosting confidence will do a great deal when it comes to attempts to close the gender gap.

Aaron Viscayno (21:10):

Thank you. One final question, Jan-Carl, before we get out of here. Just talking to the trends that we have discussed today across home bias, across reasons why Australians aren't investing across the difference in gender. As an industry, what do you think we need to keep an eye on the most? And on the other hand, what are you most excited about?

Jan-Carl Plagge (21:27):

Yeah, I think it all comes back to participation. How can we get more people to start investing? And here, the aspects that I mentioned earlier around giving investors access to the simple investment products, investment solutions, maybe something that is tax incentivized such as the UK ISA, which I mentioned, could turn out to be very beneficial. Then there is boosting financial literacy, giving investors access to or potential investors access to advice, more affordable advice. I think all of these things will really help greatly when it comes to boosting participation.

(22:45):

Now on the product side, there is the increased access to low cost products, digital platforms, simpler investment solutions. So I think the access that Australians have to investment forms, products, solutions has never been better. So I think all of these things are things that we can be excited about.

Aaron Viscayno (23:15):

Great. Thank you. And look, here on our end as well, just going back to my former point, I think increasing that knowledge to have investors gain that confidence is really the linchpin to this whole thing. Building that confidence, making sure that information is out there as well. So for all of our listeners, do your part. Make sure you get your friends and your family to subscribe to the Ideas Exchange podcast to make sure that they are up-to-date with the latest surveys and the latest trends. Jan-Carl, thank you so much for joining us today.

Jan-Carl Plagge (23:43):

Thanks for having me.

Aaron Viscayno (23:44):

For more information on Vanguard, their ETFs, insights, their Vanguard personal investor platform, and of course this survey, *Sitting on the Sidelines, What's Holding Australia Back From Investing*, head on over to vanguard.com.au. Till next time, talk to you then.

Speaker 2 (23:59):

Are you keen to learn more? Why not visit the ASX blog, asx.com.au/blog for a wide range of articles, videos, and insights from ASX experts, listed companies, and investment professionals.