The Majority Of Investors Still Not Familiar With Exchange Traded Funds (ETFs)

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There is a tremendous growth opportunity for providers of exchange traded funds (ETFs) to grow total assets for one simple reasonâ€”most potential retail investors have never heard of them.

Indeed, latest research from Mintel reveals that more than six in 10 investors say they donâ€™t invest in ETFs simply because they â€œdonâ€™t know what they areâ€•â€” and that number was the same for the higher income households that a likely to be investors.

â€œInvestment companies have a long way to go in getting the word out about ETFs,â€• states Susan Menke, vice president and behavioral economist at Mintel Comperemedia. â€œOn the other hand, it does show that there is tremendous growth potential in this market.â€•

Even investors who currently own ETFs donâ€™t feel entirely comfortable with their level of knowledge about the products. Mintelâ€™s data shows that only about half (54%) of ETF owners feel they are â€œvery knowledgeableâ€• when it comes to ET investing.

It seems owners of both mutual funds and individual stocks are even more befuddled, with just 17% of existing investors in each of these categories reporting they feel comfortable with investing in ETF products.

â€œETFs really only burst onto the scene in the last few years, and obviously have not penetrated well into some potential markets,â€• adds Susan Menke.

â€œOne reason is that they are not commonly offered in qualified plans such as 401Ks, but even those who invest in non-retirement accounts are still quite unfamiliar with this newer type of investment.â€•

Because ETFs do offer a number of advantages, such as the ability to trade intra-day or to hedge the investment using instruments such as options, it is likely that growth in total ETF assets will continue at the expense of competitive products, like mutual funds.

Along these lines, Mintelâ€™s report, Exchange Traded Funds, identifies several attractive consumer segments that could offer tremendous growth potential for ETF providers.

Because of this, Mintel predicts that ETF assets will experience double digit growth over the next five years.

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