

Investors are influenced by their parents when making investment decisions

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Investors are much more likely to own stocks or mutual funds held by their parents, research from Aalto University School of Business reveals.

The study was conducted by Samuli Knüpfer, Professor of Ownership at Aalto University School of Business together with professors Elias Rantapuska and Matti Sarvimäki.

They analysed register-based data sourced from government authorities, including Finnish Tax Administration records and the Mutual Fund Report, which, when combined, covered the entire investor population in Finland from 2004-2008.

They found that the likelihood of an investor purchasing assets already held by their father or mother is 12.2% and 15.8% respectively. For other assets, the probability is only 0.3%.

The extent to which parents affect their children's investment decisions varies depending on geographical distance, family size, and differences in gender, all of which impact how consistently family members communicate with each other.

Mothers appear to have a greater influence on their children's investment decisions, suggesting they are the more effective source of investment-related information in families.

If a parent has security holdings in the industry they work in, this is a strong predictor that their child will invest in that industry, irrespective of the child's own occupation.

The researchers also found that children influence their parents' investment decisions, but to a much lesser extent than in the opposite direction.

"Shared security holdings also exacerbate wealth inequality by increasing the dispersion in the families' returns on wealth. This larger return dispersion is important for understanding the drivers of wealth inequality," says Professor Knüpfer.

This study was published in the FT50 journal Review of Finance.

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For more information, a copy of the study, or to speak with Professor Knüpfer, contact Jamie Hose at BlueSky Education on jamie@bluesky-pr.com, or call +44 (0)1582 790 706