Labor, Income, Finances, and Expectations (LIFE) Survey

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Why Some Americans Don't Invest in the Stock Market

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While about half of Americans report owning stocks either personally or jointly with a household member,[1] a substantial portion of the population remains without stock investments. Why don't more people participate in the stock market? This question is important because not owning stocks may place individuals at a financial disadvantage in the long term: Stocks, despite posing short-term fluctuations and risks, have historically provided higher returns over the long run when compared with other financial products, such as high-yield savings accounts, certificates of deposit (CDs), and money market funds. In fact, investing in stocks is a widely recommended strategy for building wealth over time and achieving better retirement outcomes.[2] Stock nonowners may miss out on potential long-term gains from the stock market that could help them prepare for a more financially secure retirement.

To understand why people do not invest in the stock market, the Consumer Finance Institute (CFI) at the Federal Reserve Bank of Philadelphia included a special module in the 2025 January Labor, Income, Finances, and Expectations (LIFE) Survey.[3] We asked about 5,000 U.S. adults whether they personally own stocks, and for those who said they did not own any (57 percent), we asked them to share their reasons for not investing. The most common reasons cited by nonowners were a lack of funds available for investing and a lack of knowledge about the stock market.

Additionally, we took a closer look at stock nonowners, specifically those belonging to demographic groups known to be underrepresented in the stock market[4] — such as women, Black and Hispanic adults, and individuals with lower levels of educational attainment — to understand the specific barriers or obstacles they face. We then

[1] We define stock ownership, or stock market participation, as holding stocks directly, as well as indirectly through mutual funds, exchange-traded funds (ETFs), retirement accounts, or other managed accounts. According to the Federal Reserve Board's Survey of Consumer Finances (SCF), 58 percent of U.S. families in 2022 owned stocks directly or indirectly (Aladangady et al. 2023). Most recently, Gallup (2025) reports that in 2025, 62 percent of Americans own stocks (direct and indirect holdings combined), either personally or jointly with a spouse.

[2] Farhi and Panageas 2007; Moss 2025.

[3] A detailed description of the survey background, structure, and data can be found here.

[4] For research on demographic disparities in stock ownership, see, e.g., Bhutta et al. 2020; Choudhury 2002; Hanna and Lindamood 2008; van Rooij, Lusardi, and Alessie 2011.

compared them with stock nonowners in their respective demographic counterparts with higher stock ownership rates (e.g., men, White adults, college graduates) to determine if the reasons given for not participating in the stock market are statistically different between these groups of nonowners. We find that, among nonowners in the underrepresented groups, limited financial knowledge was reported as a major barrier to investing, significantly more often than nonowners from their demographic counterparts. Indeed, these group differences in subjective financial knowledge were reflected in an objective measure of financial literacy across the full sample, with individuals from underrepresented groups displaying lower levels of financial knowledge and/or confidence in basic investing concepts. The results suggest the importance of improving financial literacy to help people make informed choices about their personal finances and investing decisions.

Share of U.S. Adults Personally Owning Versus Not Owning Stocks

In January 2025, less than half of U.S. adults in our sample (42.8 percent) reported personally owning stocks, while the remaining 57.2 percent reported not owning any stocks (see Table 1). This rate of stock ownership is lower than estimates from other national surveys, such as the Survey of Consumer Finances (SCF) and Gallup Polls, which report ownership rates around 60 percent.[5] This difference is likely due to the fact that both SCF and Gallup ask whether respondents or anyone in their family owns stock, whereas we specifically asked about respondents' personal stock holdings.

Consistent with prior research on gender, racial, and education gaps in stock market participation, we observe similar patterns: Women are less likely than men to own stocks,[6] Black and Hispanic adults are less likely than White adults, and individuals without a college degree are less likely than college graduates to own stocks.[7]

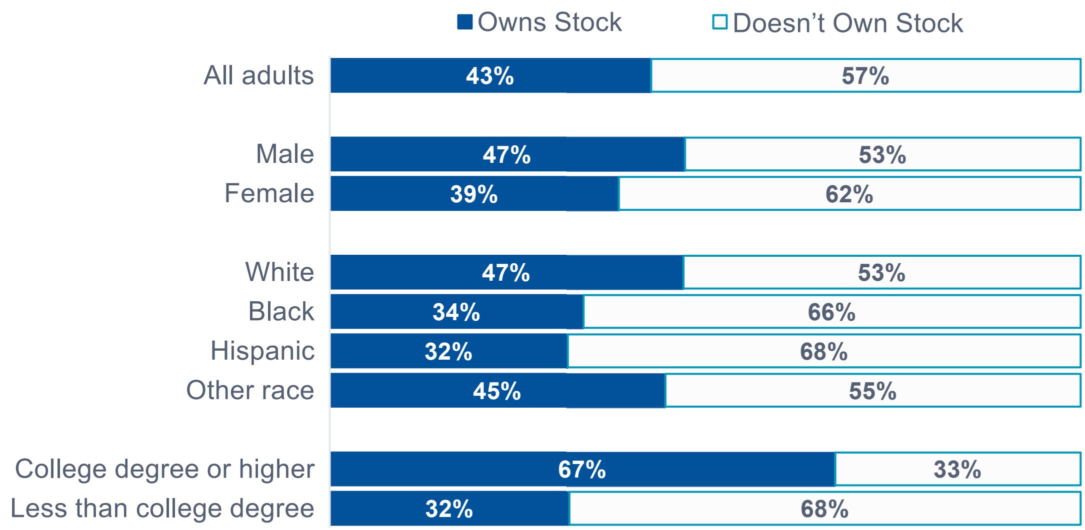
[5] Aladangady et al. 2023; Gallup 2025.

[6] This gender difference remains statistically significant after controlling for employment status.

[7] The groups that show lower stock ownership rates are also underrepresented in the stock market compared with their shares in the general population. Among stock owners, 47 percent are women (versus 51 percent in the general population), 50 percent do not have a four-year college degree (versus 62 percent), 9% are Black (versus 13 percent), and 10 percent are Hispanic (20 percent).

Figure 1. Stock Market Participation Rates

Do you personally own stocks (including mutual funds or ETFs that invest fully or partially in stocks)?



Note: 2025 January CFI LIFE Survey (N=5,089). "Yes" includes respondents who reported personally owning stocks in a retirement account, outside of a retirement account, or in both. Data are weighted to be demographically representative of the U.S. adult population.

Exploring Reasons Why Individuals Do Not Invest in Stocks

Next, we focus on stock nonowners to understand the reasons why they do not participate in the stock market. Prior research suggests various factors that may hinder or discourage individuals from investing, including insufficient financial resources, limited financial knowledge, risk aversion, negative past experiences with investing, and competing financial priorities.[8] Some people might also be hesitant to invest over concerns about current market conditions and economic uncertainty.[9] In the survey, respondents were shown a list of possible reasons and asked to select all that applied to them.[10]

As shown in Figure 2, the two most common reasons cited by stock nonowners are insufficient financial resources (45 percent) and limited understanding of the stock market (39 percent). These are followed by concerns about

[8] Kaustia, Conlin, and Luotonen 2023; Lee et al. 2015; Lewis and Messy 2012; Lim and Kim 2018; van Rooij, Lusardi, and Alessie 2011. Also, some studies suggest that demographic differences in risk aversion, financial literacy, and the initial costs to investing may explain gender, racial, and educational disparities in stock market participation. See: Bertaut 1998; Cole, Paulson, and Shastry 2014; Haliassos and Bertaut 1995; and Halko, Kaustia, and Alanko 2012.

[9] Krauskopf and Ahmed 2025.

[10] Most respondents (95 percent) selected one to three reasons.

stock market volatility, other financial commitments than investing, uncertainty about the current economy, a preference for lower-risk alternatives, and negative past experiences with the stock market.

Figure 2. Reasons for Not Investing in the Stock Market

Which of the following statements describe why you don’t own stocks or invest in the stock market? Select all that apply.

Note: Question asked only of stock nonowners (N=2,912). Respondents can select more than one reason for not participating in the stock market. Consequently, the frequencies reported here do not sum to 100 percent. Data are weighted.

Reasons for Not Investing Among Lower Participation Groups

As seen previously, women, Black and Hispanic respondents, and those without a college degree are less likely to own stocks compared with their demographic counterparts. Now, we take a closer look at these segments of the American population who are underrepresented in the stock market to better understand the factors behind their lower participation rates. For example, are there specific barriers to investing that are particularly prevalent for these groups? While many barriers can affect large portions of the population, some barriers may have a greater influence on certain groups, potentially contributing to disparities in stock market participation.

In what follows, we first identify the top reasons given by stock nonowners who belong to gender, racial, or education groups that are underrepresented in the stock market. We then compare them with *other stock nonowners* in their respective counterpart groups, who have comparatively higher rates of stock ownership, to see if they differ in their reasons for not participating in the stock market. Specifically, we examine whether certain reasons are more commonly cited by female nonowners (versus male nonowners), Black and Hispanic nonowners (versus White nonowners), and nonowners without a college degree (versus nonowners with a degree). If certain reasons are more frequently reported by stock nonowners from underrepresented groups, this may suggest that these factors disproportionately affect them and are relevant to understanding their lower stock market participation rates.

Male and Female Stock Nonowners

Among female stock nonowners, the most common reasons for not investing are limited financial resources (44 percent) and a lack of understanding of the stock market (43 percent).

Compared with male stock nonowners, female nonowners are significantly more likely to indicate a lack of stock market knowledge as a reason for not investing (43 percent versus 34 percent; see Table 1).[11] Aside from the knowledge-related reason, there are no statistically significant differences between male and female nonowners in the shares selecting other reasons, including financial constraints and concerns about stock market risks. This suggests that limited stock market knowledge may be a particularly relevant barrier to stock market participation among female nonowners.

Table 1. Reasons for Not Owning Stocks: Male and Female Nonowners

	Male	Female	
Don’t understand the stock market	33.6%	**42.8%**	***
Don’t have enough financial resources	46.2%	43.9%	
Stock market is too volatile and risky	21.2%	19.6%	
Investing is not a current financial priority	19.8%	19.2%	
Current economy makes it a bad time to invest	10.2%	10.2%	
Prefer lower-risk options such as bonds or CDs	8.0%	6.5%	
Negative past experience with the stock market	5.9%	4.3%	
Some other reason	3.1%	2.3%	

Note: Among stock nonowners (N=2,912). Multiple responses were allowed. Asterisks denote statistically significant differences between the two groups (***p<.001, **p<.01, *p<.05, two-tailed). **Bold text indicates percentages that are significantly higher in the comparison**. Data are weighted.

College Educated and Noncollege Educated Nonowners

Among another group with lower stock market participation rates, nonowners without a college degree most commonly point to limited financial resources (46 percent) and a lack of stock market knowledge (40 percent) as major reasons they do not own stocks.

[11] Twenty percent of nonowners selected limited stock market knowledge as their only reason (and no others) for not owning stocks. This subset is more likely to be female than male (23 percent versus 18 percent), more likely to be Black (29 percent) or Hispanic (29 percent) than White (16 percent) or other-race (20 percent), and more likely to lack a college degree (21 percent) than to have one (15 percent).

Compared with nonowners with a college degree, those without a degree are significantly more likely to cite a lack of stock market knowledge as a barrier to investing (40 percent versus 30 percent, see Table 2).

In addition to financial knowledge, there are several other reasons that show significant differences between the two education groups, but they are more frequently selected by nonowners in the group with higher stock market participation rates. Specifically, college-educated nonowners are significantly more likely than noncollege-educated nonowners to indicate concerns about stock market volatility, a preference for lower-risk alternatives, and negative investing experiences as reasons for not owning stocks.

While various factors may affect nonowners across education levels, these findings suggest that limited financial knowledge may be a relatively more significant barrier for those with lower educational attainment, whereas other factors, such as risk perceptions/preferences and past experiences, may play a larger role in affecting stock market nonparticipation among those with higher educational attainment.

Table 2. Reasons for Not Owning Stocks: Nonowners with and without College Degree

	BA or higher	No degree	
Don't understand the stock market	30.3%	**40.4%**	***
Don't have enough financial resources	41.8%	45.6%	
Stock market is too volatile and risky	**24.4%**	19.4%	*
Investing is not a current financial priority	22.3%	18.9%	
Current economy makes it a bad time to invest	9.3%	10.4%	
Prefer lower-risk options such as bonds or CDs	**12.3%**	6.1%	***
Negative past experience with the stock market	**8.0%**	4.4%	**
Some other reason	4.0%	2.4%	

Note: Among stock nonowners (N=2,912). Multiple responses were allowed. Asterisks denote statistically significant differences between the two groups (***p<.001, **p<.01, *p<.05, two-tailed). **Bold text indicates percentages that are significantly higher in the comparison.** Data are weighted.

White, Black, Hispanic, and Other-Race Nonowners

For Black and Hispanic stock nonowners, the top reason for not investing is a lack of financial knowledge about the stock market (44 percent and 43 percent, respectively). Similar to other underrepresented groups, Black and Hispanic nonowners are significantly more likely to select this reason compared with White nonowners (35 percent, see Table 3). The share among other-race nonowners (41 percent) falls in between and is not significantly different from that of White, Black, or Hispanic nonowners.

For the other listed reasons, we observe some significant differences across groups, but as with education, these reasons are more commonly cited by nonowners who belong to a group with higher stock market participation rates, specifically, White respondents. As shown in Table 3, based on pairwise comparisons, White nonowners are significantly more likely than Black and Hispanic nonowners to indicate financial constraints, stock market volatility, a preference for lower-risk options, current economic uncertainty, and other financial commitments as reasons for not investing in stocks.

While these other factors may be relatively more salient for White nonowners, this does not mean that they are unimportant for Black and Hispanic nonowners. Similarly, a lack of financial knowledge remains a relevant barrier for many White and other-race nonowners as well. What these results suggest is that, for Black and Hispanic nonowners — those who belong to racial and ethnic groups that are underrepresented in the stock market — a lack of knowledge about the stock market may be an especially important barrier to stock market participation.

Table 3. Reasons for Not Owning Stocks: White, Black, Hispanic, and Other-Race Nonowners

	White	Black	Hispanic	Other
Don't understand the stock market	35.3%	**44.0%****	**43.4%****	41.5%
Don't have enough financial resources	**47.8%**	36.4%***	40.8%*	48.7%
Stock market is too volatile and risky in general	**22.7%**	17.1%*	16.0%**	18.7%
Investing is not a current financial priority	**21.3%**	16.5%	15.5%*	21.3%
Current economy makes it a bad time to invest	**11.0%**	7.1%*	9.7%	11.6%
Prefer lower-risk options such as bonds or CDs	**8.9%**	2.7%***	5.0%**	7.9%
Negative past experience with the stock market	5.4%	5.3%	3.7%	5.7%
Some other reason	2.9%	1.6%	1.8%	4.5%

Note: Among stock nonowners (N=2,912). Multiple responses were allowed. Asterisks denote statistically significant differences based on pairwise comparisons, with *White nonowners* serving as the reference category (***p <.001, **p <.01, *p <.05, two-tailed). P-values are adjusted for multiple comparisons. **Bold text indicates percentages that are significantly higher in the comparison**. Data are weighted.

Financial Knowledge as A Barrier Among Underrepresented Groups

Our analysis up to this point has shown that a lack of financial knowledge about the stock market is among the top reasons why women, Black and Hispanic adults, and those with lower education levels do not own stocks, and that these groups are more likely than their demographic counterparts to identify this as a key barrier.

But do they, on average, possess lower levels of financial knowledge? Since our earlier analysis relied on respondents' self-reported reasons, including subjective financial knowledge, it remains unclear whether these individuals lack sufficient understanding of the stock market, based on objective measures. Some people overestimate their financial knowledge, while others may feel less confident or be more willing to admit a lack of it in surveys.[12]

[12] Tranfaglia, Lloro, and Merry 2024.

To address this question, we now turn to an objective measure of financial knowledge. As part of a frequently used set of questions about financial literacy,[13] all respondents (both stock owners and nonowners) were asked about their understanding of the role of diversification in stock market portfolios. Table 4 shows the distribution of correct, incorrect, and "don't know" responses for each gender, race, and education group.

Table 4. Differences in Stock Market Knowledge by Gender, Race/Ethnicity, and Education

True or false: Buying a single company's stock usually provides a safer return than a stock mutual fund.

	Correct answer	Incorrect answer	Don't know
Male	45.4%	14.8%	39.8%
Female	34.3%	8.8%	56.9%
White	43.4%	10.1%	46.5%
Black	30.1%	17.9%	52.1%
Hispanic	33.1%	14.4%	52.5%
Other race	39.4%	9.7%	50.9%
College degree or higher	57.4%	11.2%	31.4%
No college degree	31.9%	12.0%	56.1%

Note: Asked of all respondents (N=5,089). Data are weighted.

The results support the idea that group disparities in stock market participation are mirrored by differences in objective stock market knowledge across groups, with individuals belonging to groups with lower participation rates exhibiting lower levels of knowledge than those with higher participation rates. Female respondents (34 percent) are significantly less likely than male respondents (45 percent) to correctly answer a question about stocks and stock mutual funds (p<.001), and those without a college degree (32 percent) are significantly less likely than those with a degree (57 percent, p<.001). Black respondents (30 percent) are significantly less likely to answer correctly than both White (43 percent, p<.001) and other-race (39 percent, p<.001) respondents, and Hispanic respondents (33 percent) are significantly less likely to do so than White respondents (p<.01). Instead, they are more likely to provide an incorrect answer or opt for "don't know," indicating lower levels of knowledge and/or confidence in their knowledge.

[13] Lusardi and Mitchell 2011.

Conclusion

Investing in and owning stocks can be an important component of building wealth over time and preparing for a financially secure retirement. The CFI LIFE Survey fielded a special module in January 2025 to examine the rates of personal stock ownership among U.S. adults and the specific reasons why some people do not invest.

Consistent with prior research, we observe disparities in stock market participation across gender, racial/ethnic, and education groups. Among stock nonowners, a lack of knowledge about the stock market is consistently cited as one of the top reasons for not investing. Notably, nonowners who belong to groups that are historically and currently underrepresented in the stock market — such as women, Black and Hispanic individuals, and those with lower levels of education — are significantly more likely than their nonowner counterparts in demographic groups with higher rates of stock market participation to identify limited financial knowledge as a key barrier to investing.

Importantly, these self-reported barriers are supported by an objective measure of financial literacy, as members of these underrepresented groups tend to show a lower understanding of diversification when investing in stocks. These findings suggest the importance of addressing gaps in financial knowledge. This is not to say that knowledge-related barriers alone explain their lower participation rates; there can be many other reasons. Still, improving financial knowledge appears to be a key part of any effort to help individuals make informed choices about their personal finances and financial planning, including investing in stocks and reducing financial risk through diversification.

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