Affluent Investors and Mutual Fund Purchases

Noel Capon, Gavan J. Fitzsimons, Rick Weingarten

The Authors
Noel Capon, *Professor of Business*
Gavan J. Fitzsimons, *Doctoral candidate at the Graduate School of Business, Columbia University, New York, USA,*
Rick Weingarten, *Analyst at Mabon Securities, New York, USA.*

Acknowledgements
The authors acknowledge support from the Center for the Marketing of Financial Services, Graduate School of Business Columbia University. Noel Capon also acknowledges support from the Redward Foundation.

Abstract
Probes affluent investor mutual fund investment decisions. Develops several different investor profiles from data on approximately 300 affluent investors. These investor types differ in sources of information regarding mutual fund investments, particularly the use of financial advisers, and in the selection criteria employed for mutual fund purchases. In addition, they have distinguishable mutual fund behaviour and demographic characteristics. Develops specific implications for financial services firms.

Article Type: Research paper **Keyword(s):** Decision making; Consumer behaviour; Financial investment; Financial management; Financial services; Marketing; Selling; Wealth. **Content Indicators:** Research Implication - *** Practice Implication - *** Originality - * Readability - ***
International Journal of Bank Marketing Volume 12 Number 3 1994 pp. 17-25 ISSN 0265-2323

During the last decade, affluent consumers have emerged as a lucrative market for financial service providers, and increased growth is expected (Rose, 1992). The typical affluent household (popular definitions of affluence are based on income (>$100,000 per annum) or net worth (>$1 million) (Stanley, 1988)) has been estimated to generate ten times more revenue than the typical mass-market household (Rose, 1992).

Various approaches have been developed to tap this market. In particular, the financial community in general saw the emergence of financial advisers; for retail banks, the most significant development was the growth of private banking. Through private bankers, many banks aimed to provide a much broader range of financial services to affluent clients than to the mass market. One service increasingly offered to the affluent by banking institutions is mutual fund counsel and sales. In 1977, mutual funds managed less than $50 billion in assets; in January 1993, $1.6 trillion was under management (*Business Week*, 1993). Although, in general, retail banks have had little success in achieving significant positions in this growth market, through either proprietary funds or advisory services, their private banking endeavours appear well suited to capture mutual fund business from the affluent.

The Affluent Investor

Extant research on the affluent investor is of two types:

- Studies dealing specifically with attributes or qualities possessed by the affluent (useful for identification and segmentation).
- Studies that suggest potential strategies for targeting and attracting affluent consumers.

Profiling research has repeatedly found that affluent consumers differ from typical consumers on managerially interesting dimensions. For example, Burnett (1991) showed that the affluent exhibit a more cynical attitude towards advertising and have different patterns of media use. Stanley and Sewall (1986) found that affluent consumers exhibit different response patterns to market research; in particular, the affluent require larger incentives to respond to such research. Liebtag (1986) presents demographic profiles of the affluent and discusses potential implications for financial service providers. Metzger and Dey (1986) and Stanley *et al.* (1987) each investigated the affluent′s use of financial services and derived implications for their needs. Finally, Hirschman (1990) extended the study of affluent behaviour to explore underlying motivations for typical affluent behaviour (e.g. philanthropy).

A series of strategies to best meet the needs of affluent consumers covers a broad array of implementation practices; for example, Tynan (1990) offers several sales approaches for purchases by the affluent elderly. Both Stanley (1988) and Prince and Schultz (1989) recommend strategies to target the affluent small businesses owner. Bowdoin (1986) recommends the use of hybrid products (specifically mutual funds) by banks to appeal to the affluent. Finally, Rose (1992) cautions against a product focus and encourages a focus on the primacy of client needs over product sales. Although these approaches are interesting, for bankers interested in targeting the affluent market for mutual fund sales a more thorough understanding of the affluent′s mutual fund purchase decision is essential.

Mutual Fund Purchase Decisions

A significant body of research suggests that past risk-adjusted mutual fund performance helps predict future risk-adjusted performance (Elton and Gruber, 1989; Grinblatt and Titman, 1989). Consistent with these findings, there is some empirical evidence that mutual fund investors make purchase decisions on the basis of past performance (Kane *et al.*, 1990; Patel *et al.*, 1992). However, other evidence suggests that consumers use factors other than return and risk. For example, a 1990 *Consumer Reports Survey* of mutual fund investors found that, although past performance and level of risk (safety) were rated the two most important factors in aggregate, several additional factors were also relevant: i.e. amount of sales charge, management fees, fund manager reputation, fund family (e.g. Fidelity, Vanguard), clarity of the fund′s accounting statement, recommendation from a financial magazine or newsletter, availability of telephone switching, funds already owned in that family and friends′ recommendation.

In their recent study of consumer rationality and the mutual fund purchase decision, Capon *et al.* (1992) explored the extent to which investors make purchase decisions consistent with modern finance theory. The theory suggests that purchase decisions for financial assets should be made on the basis of investor beliefs regarding the future return and risk of those assets (Elton and Gruber, 1989; Markowitz, 1959). Study results offered support for the notion that the mutual fund investment decision is better considered in a multi-attribute framework, where return and risk are merely two of a set of attributes the importance of which varies across consumers. However, one might hypothesize intuitively that, as mutual fund purchase value increases, investors would behave in a more "rational" manner, simply because of the magnitude of potential gains and losses.

In the study outlined here, we explored the mutual fund purchase decision by affluent consumers. We both investigated the rationality assumption, and compared the affluent with the previously studied sample of "typical" consumers. Through a co-operative arrangement with several financial advisory firms, surveys were administered to 298 affluent investors (with liquid assets of over $1 million). Topics investigated included: sources of information, selection criteria, and mutual fund investment behaviour. Our working hypothesis was that these three sets of variables would be related (see Figure 1). In addition, we sought to integrate this information with demographic data to develop profiles of distinct affluent mutual fund investor groups.

Method

Survey Design

The survey instrument comprised four sections. The first asked subjects to rate the importance of 12 *information sources* when considering a mutual fund investment; the second asked subjects to rate the importance of nine *selection criteria* in choosing a mutual fund investment (we used a five-point scale in which 1 = not all important; 5 = extremely important). The third section secured data on *mutual fund investment behaviour*; the final section collected *demographic* data. The survey took approximately ten minutes to complete.

Subjects and Data Collection

Data were collected via a survey of 298 affluent US-based consumers with mutual fund investments. The sample was drawn from the clientele of seven investment advisory firms which provided us with access to their affluent client base in return for the study results. Investment advisers contacted their clients three months prior to data collection and secured agreement to participate in the study. Data were collected during a two-week period, ending in March 1992; 298 surveys were sent out and 298 responses received (yielding a 100 per cent response rate).

The mean subject age was 61.4 years (standard deviation = 7.6 years); 51.3 per cent were college graduates. 10.4 per cent had graduate education; 88 per cent were male, 12 per cent female; 86 per cent were married, 14 per cent widowed, divorced or single; geographic location (as a percentage) was north-east (28), Mid-west (13), south-east (14), south-west (9), Mountain States (12), West Coast (24). The source of investment funds was predominantly ownership/partnership in a private business (78.5 per cent); other sources included sale of a privately-owned company (18.8 per cent) and inheritance (2.7 per cent). Notably, none of the affluent investors derived their investment funds from salary; by comparison, four or five non-affluent mutual fund investors derived their funds from salary (Capon *et al.*, 1992).

Analysis

In addition to descriptive statistics, univariate tests were performed via one-way ANOVA and chi-square tests. Multivariate techniques included factor analysis, to search for underlying dimensions in the information source and selection criteria variable sets; cluster analysis, to group subjects on the basis of information sources and selection criteria; and discriminant analysis, to determine which variables had the greatest impact on the cluster classifications.

Results

Mutual Fund Investment Behaviour

The subject pool is clearly affluent, regardless of the definition of affluence (see Table I). The average subject has over $500,000 invested in mutual funds, representing, on average, 5.74 per cent of total liquid assets. S/he has assets in less than two mutual funds and averages less than 1.5 mutual fund families. In addition, s/he is highly likely to make future mutual fund investments; these are perceived as relatively low risk.

Approximately 60 per cent of investments are in load funds; slightly over 60 per cent are in equity investments; and slightly under 40 per cent in fixed income. The predominant investment vehicle is a domestic US mutual fund; only 15 per cent of respondents invest in mutual funds with investment in foreign economies. Two sources of mutual fund purchases dominated for affluent investors – direct or through a broker; only 2.3 per cent of purchases were made from a banking institution. These investors were extremely well informed. For each investment behaviour measure a "don't know" category was provided; none was selected by any investor.

Information Sources

Consistently with previous research, by far the most important information source overall was mutual fund rankings based on prior performance (4.25 on a five-point scale (see Table II)). Of less, but nonetheless considerable, relative importance were recommendations of business associates (2.80) and several forms of advertising: i.e. local newspapers (2.61), magazines (2.40) and national newspapers (2.18). In general, personal information sources were rated low, while impersonal, less subjective sources, were valued more highly. Specifically, both commission-based and fee-based financial advisers were rated as relatively unimportant.

Factor analysis (varimax rotation) yielded two identifiable factors. The first factor is loaded heavily and positively by most "objective" information sources (considering business associate recommendations as objective) and negatively by "subjective" information sources (e.g. advisers, seminars). This factor explains one-third of total variance and appears to tap an *objective/subjective information* dimension, not dissimilar to the *personal/impersonal source* dimension found in Capon *et al.* (1992). The second factor is loaded positively by fee-based financial advisers and negatively by commission-based financial advisers. It is clearly focused on financial advisers and appears to capture a *method of payment* dimensions.

Selection Criteria

Although investment performance track record was rated the most important selection criterion (4.51 (see Table III)), four other selection criteria were also rated very important: responsiveness to enquiries (4.22), fund manager reputation (3.95), confidentiality (3.75) and fund management fees (3.64).

Factor analysis again yielded two related factors. The first factor (explaining one-third of total variance) as heavily and positively loaded by investment performance record, fund manager reputation and management fees, and negatively by investment management style, and scope. This factor appears to tap a *financial performance* dimension that focuses on criteria one might expect directly to influence return. The second factor is loaded heavily by responsiveness to enquiries and confidentiality; it seems to tap a *service* dimension.

Respondent Groupings

Information Sources Clusters

Three distinct clusters were constructed from the information source importance ratings (see Table IV):

- *Ranking-driven investors (23.5 per cent)*. This group of affluent investors rates performance rankings as by far their most important information source. Although other sources are of value, they are clearly secondary to performance rankings.
- *Active information investors (41.9 per cent)*. The largest of the three clusters, this group places most value on objective or unbiased information sources. Although performance rankings are universally extremely important, business associate recommendations, three types of advertising and books or newsletters all rate much higher than the other groups. Conversely, subjective sources are rated extremely low across the board.
- *Adviser-influenced investors (34.6 per cent)*. This group alone does not rate performance rankings as its most important information source. Rather, it relies heavily on information provided by advisers, commission-based and fee-based, and seminars, a typical information vehicle utilized by advisers. "Objective" sources were rated very low compared to the other two groups.

Those information sources providing most discriminatory power were confirmed via three-way discriminant analysis. The strongest discriminators were commission-based and fee-based financial advisers, recommendations of business associates and seminars. The "objective" information sources were moderate discriminators.

Selection Criteria Clusters

Two clusters were constructed from the selection criteria importance ratings (see Table V):

- *Performance investors (74.2 per cent)*. The larger of the two groups, these investors are primarily interested in performance-oriented selection criteria. Relatively high ratings on investment performance track record, fund manager reputation, and management fees combine with relatively lower ratings on confidentiality, scope and additional features.
- *Service/substance investors (25.8 per cent)*. By contrast, these investors are more focused on service-oriented or substance-oriented criteria. Most important to this group are confidentiality, investment management style, scope and responsiveness to enquiries. Performance variables are relatively much less important

Discriminant analysis shows that performance track record, investment management style and scope are the primary discriminators.

Combining Information Source and Selection Criteria Clusters

The relationship between membership in each of the two cluster types was examined via a confusion matrix (see Table VI). Of the six combined groupings, 294 of 298 (98.7 per cent) respondents are members of one of four new combined groupings. The ranking-driven and active information groups from the information source cluster analysis remain intact; the adviser-influenced group is split in two, each group being defined by the selection criteria ratings forming the clusters described in the previous section. The four groups are:

- *Group 1* – Ranking-driven/performance (22.1 per cent) (RD/P).
- *Group 2* – Active information/performance (41.9 per cent) (AI/P).
- *Group 3* – Adviser influenced/performance (10.1 per cent) (ADI/P).
- *Group 4* – Adviser influenced/service/substance (24.5 per cent) (ADI/SS).

Relationship of Combined Groups to Mutual Fund Investment Behaviour

Of the ten investment behaviour variables, only investment orientation did not vary significantly across the four groups (see Table VII). Both the adviser influenced/performance and the adviser influenced/ service/substance groups invested larger amounts in mutual funds; these also accounted for larger proportions of total liquid assets. As regards investment strategy, the adviser influenced/service/substance group was significantly more focused; these investors owned fewer mutual funds and invested predominantly in a single mutual fund family. The perceived riskiness of mutual funds varied little across the four groups, but the likelihood of future mutual fund investments was considerably greater for the ranking-driven/performance and active information/performance investors.

Considerable differences were found in type of fund. The active information/performance group was much more likely to have purchased a no load fund, whereas the vast majority of adviser influenced/service/substance investors purchased load funds. The two adviser influenced groups displayed a much greater tendency to invest in funds with an international focus; other groups tended to limit investments to domestic US mutual funds. Of particular interest to the banking community are the differences in the source of mutual fund purchases. The adviser influenced/service/substance group purchased the vast majority of funds through a broker, none from a banking institution. For the other three groups, direct purchase was most often used. Finally, the ranking-driven/performance group was much more likely than the others to make purchases through an insurance company. Purchase through a bank was greatest for the adviser influenced/performance group.

Relationship of Combined Groups to Demographic Variables

Only three of the six demographic variables – gender, marital status and source of funds – were significantly different across the four groups (see Table VIII). Differences seem primarily to be based on information source use. Investors using advisers for information (the adviser influenced/performance and adviser influenced/ service/substance groups) are much more likely to be women and not married. They are also less likely to derive investment funds from ownership of a private business. Both ranking-driven/performance and active information/performance groups list private business ownership as their dominant source of investment funds.

Discussion

For the financial services professional concerned to secure business from affluent consumers, one of the more interesting features of this study is that it was completed. It is popularly believed that the affluent are an extremely difficult group to research, yet this study demonstrates that appropriate questionnaire design and data collection techniques can yield a significant quantity of affluent consumer information. Thus, we were able to secure co-operation from 298 affluent investors, averaging $10 million in liquid assets, whose responses form the basis for this study.

As a group, these affluent investors were surprisingly focused in their mutual fund investments, both as regards fund families and individual mutual funds, yet invested a surprisingly small percentage (5.74 per cent) of their liquid assets in mutual funds. Notwithstanding the fact that the sample was drawn from clients of investment advisers, banks were largely unsuccessful in securing business from this group; well over 90 per cent either purchased direct from a mutual fund company or purchased through a broker.

As any marketing professional knows, the appropriate way to address a market such as the affluent is first to segment the market, then target specific segments. Although other researchers have developed segmentation schemes for the affluent (e.g. *Attracting the Affluent*, 1991; Stanley *et al.*, 1987), the contribution of this article is that the segmentation scheme we developed is based on specific behavioural characteristics of the mutual fund investment decision. We proposed two major elements of investment decision. We proposed two major elements of the mutual fund decision: sources of information, the underlying factors of which are an objective/subjective dimension and a method of payment for financial advisers dimension; and selection criteria, the underlying factors of which are financial performance and service. These two elements formed the basis of our segmentation scheme, which generates four distinct segments. Two segments, ranking-driven performance and active information/performance, differed solely on their approach to information sources. The other two segments, adviser influenced/performance and adviser influenced/service/substance groups were formed from a third approach to information sources, but with two different uses of selection criteria.

Each of these four groups displayed distinctive mutual fund purchase behaviour and, to a somewhat lesser extent, had distinctive demographic characteristics. As such, they may form the basis for specific strategic actions designed to secure mutual fund business.

More broadly, the results of this study demonstrate the applicability of conventional data gathering and analytic techniques to a consumer group that demonstrates significant revenue potential for financial services institutions. Practitioners contemplating addressing this market should consider broadening the study in several directions. For example, the list of information sources and selection criteria can doubtless be expanded; other constructs that may enter the decision process, such as consumer satisfaction, may be added; domestic US and foreign investors should be examined; future research could be focused not just on mutual fund purchases but could also include the other 94 per cent of liquid and illiquid asset investments; finally, the redemption decision should be researched. Such studies, that focus directly on the purchase (redemption) process for financial services, can lead to valuable insight for financial services professionals.

As in the earlier study (Capon *et al.*, 1992), the results of this study call into question the universal assumption of the rational investor. Although performance ranking was, overall, the most important information source, and investment performance ranking the most important selection criterion, many other dimensions entered the investment decision nexus. In particular, for the service/substance investors selection criteria group, responsiveness to enquiries, confidentiality, investment management style and scope was each rated as being more important than investment performance record. This suggests that, for these affluent investors, less than stellar investment performance can be offset by superior performance on other key dimensions of the marketing offer.

The earlier study (Capon *et al.*, 1992) addressed similar investment behaviour, information source, selection criteria and demographic questions to a national sample of 3,400 mutual fund purchasers via a telephone data collection methodology. Similar analytic procedures were followed. Although not strictly comparable, useful insight is gained by examining the results of both studies. The most striking difference between typical (mean investment equalling $10,000) and affluent mutual fund investors concerned their knowledge of investments. Typical consumers were, in general, unable to respond to the simplest questions regarding the nature of their investment (e.g. load versus non-load fund; fund investment (domestic or international), and fund management style). By contrast, affluent investors were well informed on these matters. Information sources and selection criteria were, in general, also valued quite differently by the two populations. For example, although performance rankings were, overall, the most important information source for each population, recommendations of business associates were highly valued by the affluent, but not at all by typical investors. Similarly, the selection criterion, confidentiality, was very important to the affluent but not at all important to typical investors.

However, there were noteworthy similarities in the profiles of group membership in each study. Both the affluent and typical investors comprised groups based on their reliance on financial advisers for information. Furthermore, both typical and affluent investors comprised groups concerned chiefly with prior mutual fund performance. Thus, while affluent mutual fund investors differ substantially from typical investors in several respects, there are also several strong similarities.

In sum, this study has provided increased insight into a product market of great interest to the banking community. The affluent can be researched, just as any other consumer group, and those findings used as the basis for developing more perceptive strategic actions.

Figure 1 . The Mutual Fund Purchased Decision

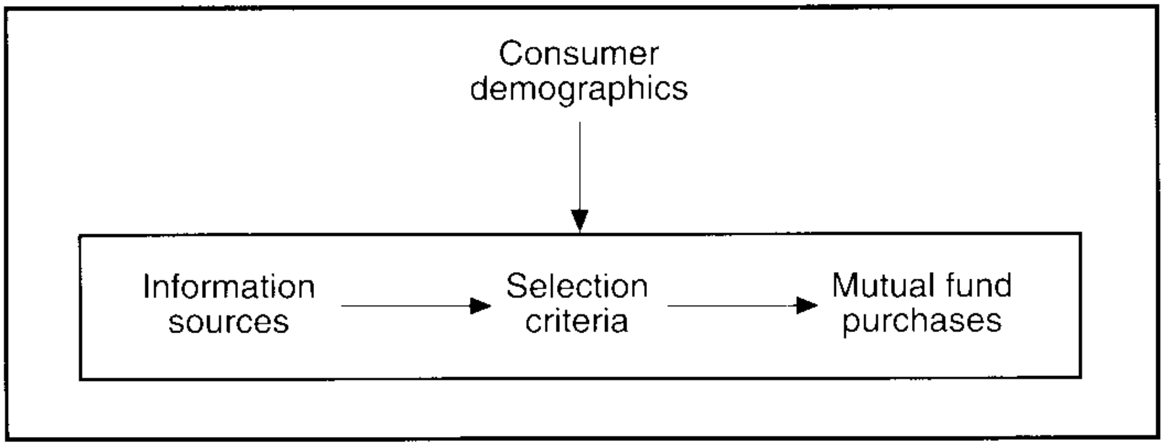

Table I . Mutual Fund Investment Behaviour

Variable		Mean	Standard deviation
Assets invested in mutual funds		537.3	207.6
Liquid assets in mutual funds (%)		5.74	2.62
Number of mutual funds		1.73	0.73
Number of mutual fund families		1.42	0.51
Likelihood of future mutual fund investments[a]		1.83	0.81
Perceived riskiness of mutual fund investment[b]		1.64	0.60
			Percentage
Type of fund[c]	Load fund		59.7
	No load fund		40.3
Fund investment orientation[c]	Equity		62.8
	Fixed income		37.2
Fund investment[c]	Domestic		84.9
	International		15.1
Source of mutual fund purchase	Broker		33.9
	Direct		58.7
	Bank		2.3
	Insurance company		5.0

Notes:

[a]Five-point scale: 1=considerably more likely; 5=considerably less likely.

[b]Five-point scale: 1=not at all risky; 5=extremely risky.

[c]Each of these questions had a "don't know" alternative.

Table II . Importance of Information Sources in Mutual Fund Investments[a]

Information source	Mean	Standard deviation	IS factor 1	IS factor 2
Performance rankings	4.27	1.01	0.87	
Recommendations of business associates	2.80	1.57	0.78	
Advertising – local newspapers	2.61	1.40	0.65	
Advertising – magazines	2.40	1.40	0.72	
Advertising – national papers	2.18	1.27	0.59	
Books or newsletters	1.92	1.24	0.52	
Financial advisers – commission based	1.78	1.52	–0.70	–0.65
Seminars	1.76	1.32	–0.80	
Financial advisers – fee based	1.61	1.36	–0.46	0.86
Direct mail	1.27	0.79		
Recommendations of friends and/or family	1.14	0.54		
Advertising – radio	1.05	0.24		
Advertising – television	1.01	0.08		
Eigenvalue			4.36	1.22
Percentage of variance explained			33.5	9.4

Note:

[a]Five-point scale: 1=not at all important; 5=extremely important.

Table III . Importance of Selection Criteria in Mutual Fund Investments[a]

Selection criteria	Mean	Standard deviation	SC factor 1	SC factor 2
Investment performance record	4.51	0.89	0.76	
Responsiveness to enquiries	4.22	0.95		0.73
Reputation of fund manager	3.95	1.96	0.63	
Confidentiality	3.75	1.17		0.67
Management fees of funds	3.64	1.23	0.72	
Investment management style	2.96	1.50	–0.75	
Scope (number of funds in the family of funds)	1.78	1.38	–0.83	
Additional features (e.g. checking, brokerage services)	1.19	0.59		
Community service orientation of fund manager	1.14	0.52		
Eigenvalue			2.97	1.14
Percentage of variance explained			33.0	12.7

Note:

[a]Five-point scale: 1=not at all important; 5=extremely

Table IV . Information Source Clusters: Mean Scores and Standardized Discriminant Function Coefficients

Information source	Mean scores for Ranking driven investors	Active information investors	Adviser influenced investors	Standard discriminant function coefficients[a]
Performance rankings	4.81	4.96	3.07	0.35
Recommendations of business associates	2.84	4.06	1.24	0.65
Advertising – local newspapers	2.53	3.58	1.50	0.47
Advertising – magazines	2.71	3.23	1.17	0.22
Advertising – national papers	1.91	3.06	1.28	0.39
Books or newsletters	1.97	2.53	1.16	0.19
Financial advisers – commission based	1.19	1.00	3.12	–1.92
Seminars	1.07	1.00	3.14	–0.56
Financial advisers – fee based	1.07	1.02	2.68	–1.84
Direct mail	1.70	1.22	1.02	–0.09
Recommendations of friends and/or family	1.10	1.13	1.19	0.00
Advertising – radio	1.09	1.07	1.01	–0.01
Advertising – television	1.01	1.01	1.00	0.01
Cluster size (%)	23.5	41.9	34.6	
Eigenvalue				18.05
Percentage of variance explained				95.9
Canonical correlation				0.66

Note:
[a]Significant at $p<0.05$.

Table V . Selection Criteria Clusters: Mean Scores and Standardized Discriminant Function Coefficients

	Mean scores for Performance investors	Service/ Substance investors	Standard discriminant function coefficient[a]
Investment performance record	4.86	3.49	–0.49
Responsiveness to enquiries	4.34	3.86	–0.26
Reputation of fund manager	4.25	3.09	–0.28
Confidentiality	3.64	4.07	0.03
Management fees of funds	4.08	2.40	–0.29
Investment management style	2.38	4.60	0.50
Scope (number of funds in the family of funds)	1.10	3.73	1.31
Additional features (e.g. checking, brokerage services)	1.13	1.35	0.12
Community service orientation of fund manager	1.09	1.30	0.07
Cluster size (%)	74.2	25.8	
Eigenvalue			4.68
Percentage of variance explained			100
Canonical correlation			0.91

[a]Significant at $p<0.05$.

Table VI . Confusion Matrix of Information Source and Selection Criteria Clusters

	Selection criteria clusters					
	Performance		Service/substance		Information source	
Information source clusters						
Ranking-	66	94.3%	4	5.7%	70	
driven	29.9%	22.1%	5.2%	1.3%		23.5%
Active	125	100.0%	0	0.0%	125	
information	56.6%	41.9%	0.0%	0.0%		41.9%
Adviser	30	29.1%	73	70.9%	103	
influenced	13.6%	10.1%	94.8%	24.5%		34.6%
Selection criterion	221	74.2%	77	25.8%	298	100.0%

Table VII . Relationship of Combined Clusters to Mutual Fund Investment Behaviour

Variable		RD/P	AI/P	ADI/P	ADI/SS	*F*	Significance
Assets invested in mutual funds ($000s)		477.3	538.8	630.0	554.1	4.18	0.01
Liquid assets in mutual funds (%)		5.00	5.00	6.67	7.19	16.48	0.0001
Number of mutual funds		1.73	1.84	1.83	1.51	3.56	0.015
Number of mutual fund families		1.53	1.50	1.63	1.12	13.74	0.0001
Likelihood of future mutual fund investments		1.50	1.41	2.60	2.51	69.53	0.0001
Perceived riskiness of mutual fund investment		1.65	1.55	1.80	1.75	2.46	0.063
Type of fund	Load fund (%)	65.2	41.6	60.0	83.6	34.94	0.0001
	No load fund	34.9	58.4	40.0	16.4		
Fund investment orientation	Equity	59.1	64.8	60.0	63.0	0.697	NS
	Fixed income	40.9	35.2	40.0	37.0		
Fund investment	Domestic	86.4	90.4	73.3	79.5	7.94	0.047
	International	13.6	9.6	26.7	20.6		
Source of mutual fund purchase	Broker	21.2	16.8	13.3	79.5	105.5	0.0001
	Direct	63.6	77.6	73.3	19.2		
	Bank	3.0	2.4	6.7	0.0		
	Insurance company	12.1	3.2	6.7	1.4		

Table VIII . Relationship of Combined Clusters to Demographic Variables

Variable	Measure	RD/P	AI/P	ADI/P	ADI/SS	*F*	Significance
Age	Years	61.5	60.7	62.3	61.9	0.60	NS
Education (%)	High school	51.5	52.0	30.0	46.6	8.89	
	College	43.9	36.0	60.0	41.1		
	Grad school	4.6	12.0	10.0	12.3		
Gender	Female (%)	1.5	5.6	26.7	24.7	29.79	0.0001
Marital status	Married (%)	90.9	89.5	73.3	80.8	8.22	0.04
Source of funds (%)	Owner of business	83.3	88.8	60.0	65.8	30.3	0.0001
	Sale of private company	16.7	11.2	30.0	30.1		
	Inheritance	0.0	0.0	10.0	4.1		
	Salary	0.0	0.0	0.0	0.0		
Location	NE USA	31.8	25.6	30.0	27.4	3.00	NS
	Mid-West	10.6	14.4	10.0	12.3		
	South-East	12.1	14.4	10.0	15.1		
	South-West	10.6	8.8	10.0	9.6		
	Mountain	12.1	13.6	13.3	9.6		
	West Coast	22.7	23.2	26.7	26.0		

References

(1991), *Attracting the Affluent: The First Guide to America's Changing Ultimate Market*, Financial Sourcebooks, Naperville, IL, .

Bowdoin, H. (1986), "Hybrid Products: An Alternative for Capturing the Emerging Affluent Market", *Journal of Retail Banking*, Vol. 8 No.Spring-Summer, pp.35-40.

Burnett, J.J (1991), "Examining the Media Habits of the Affluent Elderly", *Journal of Advertising Research*, Vol. 31 No.October-November, pp.33-41.

(1993), "The Power of Mutual Funds", *Business Week*, No.18 January, pp.62-8.

Capon, N., Fitzsimons, G.J., Prince, R.A. (1992), "Rationality and the Mutual Fund Purchase Decision", *Journal of Financial Services Research*, .

(1990), "Survey Research Report: Mutual Fund Survey", *Consumer Reports Survey*, .

Elton, E.J., Gruber, M.J. (1989), *Modern Portfolio Theory and Empirical Work*, John Wiley and Sons, New York, NY, .

Grinblatt, M., Titman, S. (1989), "Mutual Fund Performance: An Analysis of Quarterly Portfolio Holdings", *Journal of Business*, Vol. 62 No.July, pp.393-416.

Hirschman, E.C. (1990), "Secular Immortality and the American Ideology of Affluence", *Journal of Consumer Research*, Vol. 17 No.June, pp.31-42.

Kane, Snatini, Aber (1991), "Lessons from the Growth History of Mutual Funds", Harvard University, Cambridge, MA, .

Liebtag, B. (1986), "Marketing to the Affluent", *Journal of Accountancy*, Vol. 162 No.August, pp.64-71.

Markowitz, H. (1959), *Portfolio Selection: Efficient Diversification of Investments*, John Wiley and Sons, New York, NY, .

Metzger, R.O., Dey, S. (1986), "Affluent Consumers: What Do They Really Want?", *Journal of Retail Banking*, Vol. 8 No.Fall, pp.25-35.

Patel, J., Zeckhauser, R., Hendricks, D. (1992), "Investment Flows and Performance: Evidence from Mutual Funds, Cross Border Investments and New Issues", Harvard University, Cambridge, MA, .

Prince, R.A., Shutz, A. (1989), "Targeting the Affluent Small Business Owner", *Bank Marketing*, Vol. 21 No.11, pp.38-9.

Rose, S. (1992), "A New Approach to Private Banking", *Journal of Retail Banking*, Vol. 14 No.Summer, pp.11-15.

Stanley, T.J. (1988), "Targeting the Affluent Consumer", *Journal of Business Strategy*, Vol. 9 No.September-October, pp.17-20.

Stanley, T.J., Moschis, G.P., Danko, W.D. (1987), "Financial Service Segments: the Seven Faces of the Affluent Market", *Journal of Advertising Research*, Vol. 27 No.August-September, pp.52-67.

Stanley, T.J., Sewall, M.A. (1986), "The Response of Affluent Consumers to Mail Surveys", *Journal of Advertising Research*, Vol. 26 No.June-July, pp.55-8.

Tynan, C. (1990), "Marketing to the Older Consumer: A Qualitative Perspective", *Management Decision*, Vol. 28 No.6, pp.34-41.