SHAREOWNERSHIP: 1983

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Some of the old-timers here this morning, whose memories go back as far as the 1940s and '50s, may recall the popular radio news commentator, Gabriel Heatter. His voice was, for many years, one of the most familiar voices in America -- particularly during World War II.

No matter what was happening in the world, Gabriel Heatter usually began his nightly commentary with the enthusiastic observation: "Ah, there's good news tonight!"

In the grim days of the mid-1940s, he was sometimes hard-pressed to justify his enthusiasm. But he did, as a rule, find a reason -- or, at least, an excuse.

Well, I'm delighted to be able to say to you, now: There's good news today!

And I believe the findings of the New York Stock Exchange's latest Survey of U.S. Shareownership --the 10th in our continuing series-- which I am about to share with you, will lead you to share my enthusiasm.

I won't keep you in suspense.

Our new research estimates place the total number of individual Americans who owned shares of corporate stock or stock mutual funds --at mid-year 1983-- at an all-time record high of 42,360,000 -- an increase of more than 10 million shareowners in only two years.

Since the Bureau of the Census estimates the current total U.S. population at just under 234-1/2 million men, women and children, this means that more than 18% of all Americans -- better than 1 out of every 6-- has a direct equity ownership stake in American business.

Before I present some of the specific findings of the new study, it may be useful to recap, very briefly, the news I brought you about its predecessor at the 1981 S.I.A. Convention.

RECAP OF 1981 SURVEY

- Our 1981 survey showed that the U.S. shareowner population had grown to 32,260,000 -- an increase of slightly more than 2 million, or nearly 7%, between mid-1980 and mid-1981, a period during which the total U.S. population increased by less than 1%.
- One out of every 7 Americans was a shareowner in 1981.
- While the majority of new shareowners who entered the market between 1980 and 1981 were younger people, the median age of the shareowner population rose very slightly -- to 46.
- Male shareowners outnumbered females by a wider margin in 1981 than they had a year earlier.
- Shareowners' median household income had risen modestly over that year, but their median portfolio size had increased substantially.

THE NEW FINDINGS

With those earlier findings as background, let's look now at what has happened since 1981.

Our research people have asked me to make clear, at the outset, that these findings are subject to about the same margin of statistical error --from 5% to 15%-- as the findings of our other recent shareownership surveys.

- The net gain of 10.1 million shareowners --to the new total of 42,360,000-- represents an increase of more than 31% in just two years. Over the same period, the total U.S. population increased by only 4.3%.

From a slightly different perspective, an average of more than 5 million Americans have entered the shareowner ranks in each of the past two years. That is about 2-1/2 times the one-year increase recorded in the preceding survey -- and by far the highest annual average for any period since the Exchange began monitoring shareownership back in 1952.

- The new total includes some 7.3 million adults who became shareowners for the very first time during the past two years. It also includes nearly 2-1/2 million adults who have been shareowners at some time in the past but who, for whatever reasons, had disposed of their equity holdings prior to mid-1981.

- Significantly, women shareowners outnumber their male counterparts for the first time since 1975 --by 51.5% to 48.5%--reversing the male dominance trend.

- Most of us tend to grow a year older every 12 months. But shareowners, over-all, are younger than ever before. The typical shareowner in 1981 was 46 years old. Today, he or she is 44-1/2.

We used to think of ages 45 through 54 as the "golden years of investing" -- but that is no longer the case. Today, nearly 19 million shareowners are between the ages of 21 and 44.

- The 7.3 million <u>new</u> adult shareowners are younger still -- quite dramatically so. Fully 80% are between the ages of 21 and 44, while only 20% are over 45. And this clearly accounts for the corollary finding that new "small" investors --with portfolios valued at under $5,000-- outnumber new share-owners with larger portfolios by a margin of 5 to 2. In this group, incidentally, women outnumber men by almost 3 to 2.

- Median portfolio size for all adult shareowners has dropped -- from $5,450 in mid-1981 to $5,100 in mid-1983. This decline obviously is heavily weighted by the influx of people who have been entering the shareowner ranks on a modest scale.

- Over the most recent two-year period, however, share-owners' median annual household income has risen by an estimated $4,000 --or 13.7%-- to $33,200. This was slightly less than the percentage increase in the median income of all U.S. households which was, however, a much lower $20,200.

METHODS OF ACQUISITION

- A majority of shareowners continue to report that they first acquired stock through brokers -- and nearly half say they have a current business relationship with a broker.

- However, more than 32% of adult shareowners say they first acquired stock through an employee stock purchase plan. One out of three shareowners currently participates in such a plan. And more than half of these participants tell us that this is the only way they have ever acquired equities.

- Somewhat surprisingly, we found that, while more than 45% of the nation's 42.4 million shareowners participate in IRA or Keogh Plans, very few first acquired stock through them.

With many millions of IRA and Keogh Plans currently in effect, it seems that experienced shareowners are investing their retirement funds more conservatively than the majority of younger new participants -- who say they are willing to take some risks as they plan for the future. And I guess we should not be surprised by that -- since, as people approach retirement age, they tend to treat their capital with greater caution.

- It also seems clear that the volume explosion of August 1982 provided a significant impetus for people to invest in corporate equities. The survey findings show, in fact, that the influx of new shareowners more than doubled during the prolonged bull market -- from slightly over 2.4 million between July 1981 and June 1982 to nearly 4.9 million between July 1982 and June 1983. This is not surprising either, since volume usually begets volume, and since rising stock prices traditionally have attracted large numbers of investors into the market.

In fact, over the full two years covered by the study, the various major markets all registered impressive gains. For example, the average price of a stock listed on the New York Stock Exchange increased by 28% between June 30, 1981 and June 30, 1983 -- as measured by the NYSE Composite Index. During the same period, the Amex Index rose 29% and prices in the more volatile over-the-counter market soared by 48%.

MAJOR SURGE IN STOCK MUTUAL FUND OWNERSHIP

- New York Stock Exchange listed stocks continue to be, by far, the most popular equity investments with individual shareowners. However, while almost exactly 50% own only NYSE listed issues, that represents a slight percentage decline since 1981.

- Just under 1% have portfolios limited to shares traded only on other exchanges -- a very slight decline over the two-year study period.

- About 9-1/2% of all shareowners --or roughly 3.2 million-- currently limit their market participation to OTC issues only. That also represents a slight percentage decline since 1981.

- Stock mutual funds have gained greatly in popularity over the past two years. The total number of stock mutual fund shareowners has nearly doubled since 1981 -- and nearly 11% of all shareowners now hold only stock mutual fund shares. This strongly suggests that stock mutual funds have been exceptionally popular with IRA and Keogh Plan participants.

- 29% of all shareowners --about the same percentage as in 1981-- own more than one type of equity security.

GAINS IN ALL 50 STATES

- Finally, in terms of geography, all nine major regions of the country have registered significant gains in shareownership over the past two years -- with the largest numerical increases occurring in the Middle and South Atlantic, Pacific and East North Central regions.

- The shareowner population increased in all 50 states, with California, New York, Texas, Illinois and Pennsylvania leading the way.
- California continues to have the largest total number of shareowners, but a very considerable two-year increase in New York has narrowed the margin. Texas has moved past Illinois into third place.
- New York continues to be the Metropolitan Area with the largest number of shareowners, while Los Angeles has taken over second place from Chicago.

IMPLICATIONS OF THE FINDINGS

I know it is not easy to grasp the significance of so many statistics when they are fired at you one after another. In fact, since we did not receive many of the final computer runs until last week, our own research staff is still hard at work analyzing and interpreting them. Nevertheless, it may be helpful this morning to try to sort out some of the implications of all of these numbers.

The essential news, quite obviously, is that the securities industry's customer base has expanded by a whopping 10 million individuals -- including more than 7 million relatively affluent, mostly younger people who have never owned stocks before.

It is probably safe to assume, too, that most of these new customers and prospective customers still do not know very much about such relatively new components of securities firms' product mixes as options and futures.

So, while the marketing challenges and opportunities implicit in these survey findings are little short of staggering, it will be essential for the industry to approach them in a highly responsible manner.

Since it's always desirable to know who your customers are, the Exchange, in the past, has tried to provide some perspective by characterizing, in relatively general terms, a "typical" shareowner.

This time, however, since the influx of <u>new</u> shareowners has been so substantial, it may be more pertinent to focus more specifically on someone who is typical of the 7.3 million new adult shareowners.

Many of you may recognize <u>her</u> as someone who became a client for the first time during the past 16 months.

She is a 34-year-old married woman who lives in a large metropolitan area. She has attended, and probably graduated from, college. She is likely to be employed, full-time, in a clerical or sales capacity -- although many of her counterparts are working in the professions or as managers.

From a marketing standpoint, we know quite a bit more about this young woman -- and her 7.3 million new fellow-shareowners of both sexes, whose personal characteristics may, of course, differ from hers in various details.

First, while their stock portfolios are currently valued at a very modest $2,200, their household income of just over $30,000 is not very much less than that of veteran investors -- and is about 50% higher than the national median.

Second, there is a very good chance that both our typical new woman shareowner and her husband --as well as their single counterparts among new shareowners-- have IRA accounts;

Third, they expect to acquire additional stock or stock mutual fund shares during the next year;

And, finally, they are more willing than older investors to take moderate financial risks in the hope of obtaining above-average gains.

These new shareowners began entering the mainstream of private enterprise capitalism at a time when long-overdue changes in investment tax policy had finally begun to encourage wider public participation in the capital formation process through equity ownership. Additional tax-oriented incentives have helped further improve the national climate for investment since then. And while some observers predicted, at first, that those incentives would benefit only the very rich, I think this new survey leaves little room for doubt about the positive manner in which people of relatively modest means will respond to fair tax treatment.

Two years ago, our industry was greatly buoyed by the emergence of some 2 million new prospective customers for both equity and non-equity products. And it seemed then that a great many more prospective customers might be on the verge of entering or returning to the equity markets. Obviously, we now know that was more than just wishful thinking.

Inevitably, people are going to ask us to characterize the role that mushrooming shareownership has played in stimulating national economic recovery. Unfortunately, we do not know with certainty how consumers react to rising stock prices. We do know that the value of individual and family stock holdings has appreciated handsomely.

We estimate that consumers held, directly, some $1 trillion in stocks when the market touched bottom on August 12, 1982. Between then and the time of our shareownership survey, stock prices rose by about 60%. That means consumers' assets appreciated by about $600 billion -- a figure that dwarfs the $35 billion annual tax cut that became effective last July.

Since consumers spend mostly out of regularly recurring income, we cannot evaluate the economic impact as precisely as we might wish. But I think we <u>can</u> say, with considerable assurance, that, like chicken soup, mushrooming shareownership and rising stock prices certainly haven't hurt.

CONCLUDING REMARKS

Perhaps I have told you more about the findings of the Exchange's new Survey of Shareownership than you really wanted to hear this morning. But I can assure you that there is quite a bit more. In any case, we do plan to publish a full survey report as early in the new year as possible.

Meanwhile, for those of you who may wish to examine the available findings at your leisure, we have prepared information kits, with summaries of the key survey findings, including charts and additional information. And you will find an ample supply of the those kits just outside the auditorium.

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