Study on Investment Preferences and Change in Trends Across Generations and Anticipating Investment Preferences for Generation Alpha (Individuals Born Between 2013-2025).

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Abstract:

This study investigates the dynamic nature of investment behaviours across different generational cohorts, including Baby Boomers, Generation X, Millennials, and Generation Z, while providing theoretical projections for Generation Alpha (2013–2025). The research is grounded in behavioural finance theory, generational cohort theory, and the Technology Acceptance Model. It analyses primary survey data from 100 individuals evenly distributed across four generations. The findings highlight a generational shift from traditional, low-risk financial instruments toward digital, high-risk investments such as cryptocurrencies and thematic exchange-traded funds (ETFs). Moreover, digital fluency, risk tolerance, and socio-cultural influences distinctly shape investment preferences. Generation Alpha is anticipated to leverage AI-powered tools and sustainable investment platforms driven by environmental and technological awareness. The study offers strategic insights for financial institutions, educators, and policymakers to align financial tools and literacy initiatives with the evolving needs of future investors. This evolution reflects a broader movement toward personalization, real-time financial decision-making, and increased engagement with environmental, social, and governance (ESG) criteria. The paper also examines how generational exposure to digital ecosystems influences confidence and autonomy in financial planning. Ultimately, the research advocates for a proactive, generationally nuanced approach to financial innovation and policy design.

Introduction:

"Study on Investment Preferences and Change in Trends Across Generations and Anticipating Investment Preferences for Generation Alpha (Individuals Born Between 2013–2025)" aims to investigate the shifting landscape of investment behaviours and attitudes among various generational cohorts. With the global financial ecosystem becoming increasingly digitized and influenced by social, environmental, and psychological factors, understanding how different age groups approach investing is more relevant than ever.

The study focuses on analysing the investment preferences of existing generations—namely the Boomers, Generation X, Millennials, and Generation Z—by exploring how factors such as risk tolerance, technological adoption, market exposure, and behavioural biases have influenced their financial decisions over time. These insights are grounded in the principles of behavioural finance, which explain how cognitive biases and emotional responses often drive deviations from traditional economic rationality.

A significant part of this study is dedicated to anticipating the investment preferences of Generation Alpha, the youngest and most digitally native generation to date. Although Gen Alpha is still emerging, early exposure to technology, artificial intelligence, social media, and global challenges like climate change is expected to shape their future financial values and decision-making frameworks.

By comparing generational trends and identifying the socio-psychological and technological drivers behind these shifts, the project aims to forecast how Generation Alpha may engage with investment markets. The findings of this study will offer valuable implications for financial institutions, policymakers, educators, and fintech developers who seek to design inclusive, forward-thinking strategies and platforms that cater to the evolving needs of tomorrow's investors.

<u>How different age groups are bifurcated into different generations:</u>

1. *Gen Z* (Born - 1995–2012 | Ages 13–30)

• Time Frame: Long-term investors; retirement is 30+ years away.

2. *Millennials* (Born - 1981–1994 | Ages 31–44)

• Time Frame: Mid- to long-term investors; retirement in 20–35 years.

3. *Gen X* (Born - 1965–1980 | Ages 45–60)

• Time Frame: Mid-term to near-retirement; about 5–20 years from retirement.

4. *Boomers* (Born - 1946–1964 | Ages 61–79)

• Time Frame: Near-retirement or already retired.

Statement of the problem:

Investment preferences are evolving due to technological advances, changing socio-economic conditions, and growing awareness of social and environmental issues. Each generation—shaped by its unique experi\

ences—shows different investment behaviors and attitudes. While past research focuses on older generations, there is limited understanding of how these trends are changing over time and what they may look like for Generation Alpha (born 2013–2025), who are growing up in a highly digital and AI-driven environment. This study aims to explore generational shifts in investment behaviour and predict the future preferences of Generation Alpha to help financial institutions, policymakers, and educators prepare more inclusive and forward-thinking financial strategies.

Objective:

This project aims to explore and compare investment trends across generations, with a focus on identifying distinct behavioural patterns. It seeks to predict future investment preferences of Generation Alpha (born 2013–2025), assess the influence of technology on investment decisions, and contribute valuable insights to the field of behavioural finance.

Research Methodology:

This descriptive study explores generational investment preferences and anticipates future trends for Generation Alpha. It uses both **primary and secondary data**.

- **Primary Data** was collected through structured surveys (online and offline), interviews, and optional observations. Respondents included Boomers, Gen X, Millennials, Gen Z, and parents of Gen Alpha.
- **Secondary Data** involved reviewing literature on investment behaviour and behavioural finance.

A sample of **100 investors** was surveyed across areas like Sinhagad Road, Kothrud, Laxmi Road, and FC Road. The data was analysed statistically to compare risk tolerance, motivations, and tech influence across generations.

Recommendations include customized financial education, age-specific investment planning, and improved digital platforms for different generational needs.

Review of Literature:

1. <u>The Psychology of Money – Morgan Housel</u>

This book explores the emotional and behavioural aspects of money management, emphasizing the

International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 09 Issue: 08 | Aug - 2025 SJIF Rating: 8.586 ISSN: 2582-3930

importance of patience, long-term thinking, and avoiding common psychological pitfalls in investing.

2. Impact of Socioeconomic Factors on Investment – Dr. S. Poorna P et al. (2016)

This study challenges traditional beliefs by showing that factors like income, occupation, and education have a greater influence on investment choices than age or gender.

3. Traditional Preferences in Indian Investors – Pratibha C (2017)

The research reveals a strong preference for fixed deposits and a reluctance toward capital market instruments, driven by fear and lack of awareness among Indian investors.

4. Generational Risk Tolerance and Trends – Vaibhav C (2020)

This study shows that older generations prefer safer investment options, while younger investors are increasingly adopting mutual funds and high-risk avenues, though often without adequate knowledge.

5. Demographics and Risk Tolerance – Grable & Joo (2004); Wang & Hanna (1997)

These studies confirm that demographic variables such as age, income, and education significantly impact an individual's willingness to take financial risks.

6. Prospect Theory & Herd Behaviour – Kahneman & Tversky (1979); Statman (2014)

Prospect theory explains why investors fear losses more than they value gains, especially among older generations. Meanwhile, younger investors tend to follow herd behaviour, often influenced by social media.

7. Generational Theory – Strauss and Howe (1991)

This theory explains how major historical and cultural events shape each generation's financial attitudes—for instance, Boomers value stability while Gen Z is tech-savvy and socially conscious.

8. Generation Alpha's Projected Preferences – McCrindle Research

While direct studies are lacking, projections suggest that Gen Alpha will be heavily influenced by digital media, sustainability education, and gamified financial tools.

9. Fintech Adoption Among Youth – Deloitte (2021); Accenture (2020)

These reports show that Millennials and Gen Z are increasingly comfortable using digital apps and fintech tools, showing trust in tech-based financial platforms over traditional advisors.

10. Investment Preferences of Salaried Individuals – Bhushan and Medury (2012)

This study found that while demographics influence investment behaviour to an extent, psychological and behavioural factors may play a more crucial role.

11. Young Investors in Raipur – Pandey & Vishwakarma (2020)

This regional study highlights a shift among young investors from traditional tools like gold and FDs to mutual funds and equities, driven by better education and financial literacy.

12. Investment Patterns of Baby Boomers in Mumbai

Research indicates that Boomers prefer low-risk instruments and are significantly more risk-averse compared to younger generations, especially in metropolitan contexts.

13. Age and Investment Strategy – Jeremy Finger (2024)

This study emphasizes how investment behaviour evolves with age, affecting risk tolerance, financial goals, and the need for professional advice due to cognitive changes.

Analysis and Result:

The analysis of the study reveals a clear generational shift in investment behaviour, driven by socio-economic conditions, technological advancements, and evolving personal values. Boomers predominantly prefer traditional, low-risk avenues such as fixed deposits, real estate, and postal savings, reflecting their focus on capital preservation and steady income. Generation X adopts a balanced approach, combining conservative tools with mutual funds and insurance, showcasing a moderate risk appetite. Millennials, in contrast, actively explore equities, SIPs, and digital assets like cryptocurrency, indicating growing financial literacy and comfort with moderate to high risk. Generation Z exhibits the highest inclination toward modern, high-risk assets such as crypto, NFTs, and thematic ETFs, often influenced by digital fluency, peer trends, and social media. Technology adoption follows a clear upward trend across generations—Boomers rely on traditional brokers, while Millennials and Gen Z prefer mobile apps, Robo-advisors, and online platforms. Risk tolerance remains largely moderate across all groups, although younger generations are more open to volatility and more resilient to financial losses. The most common financial goals identified include long-term wealth accumulation, retirement planning, and passive income generation. While many still manage their finances independently, nearly half of the respondents either use or plan to use financial planners. Insights regarding Generation Alpha suggest a future driven by technology-based assets, sustainability-focused investing, and AI-powered platforms. Overall, the study highlights a progressive move from physical to digital assets, increasing risk acceptance, and a growing reliance on fintech, emphasizing the need for personalized, tech-enabled, and value-aligned financial solutions across generations.

Discussion:

The findings of this study reflect the significant evolution in investment behaviour across generations, shaped by a combination of historical experiences, technological exposure, and socio-economic conditions. Each generation demonstrates a distinct financial personality: Baby Boomers, having grown up in an era of economic conservatism, exhibit a strong preference for low-risk, stable investment avenues such as real estate, fixed deposits, and post office schemes. Their limited adoption of digital platforms underlines a comfort with traditional financial systems and a lower degree of digital literacy.

Generation X represents a transitional cohort, balancing conservative financial tools with modern options like mutual funds and equities. Their investment decisions are often influenced by long-term responsibilities such as retirement and children's education. Millennials, having witnessed economic liberalization and the tech boom, display a more diversified and risk-tolerant profile. They are increasingly open to investing in equities, SIPs, and even digital assets like cryptocurrency. Their trust in fintech platforms and use of mobile apps point toward a tech-savvy, informed approach to personal finance.

Generation Z stands out as the most digitally empowered and experimental group. With easy access to online investment platforms and real-time information, their choices are largely influenced by peer networks, social media, and emerging trends. Their openness to investing in volatile instruments like cryptocurrencies and NFTs reflects a higher risk appetite, although not always backed by strong financial literacy or planning.

A major highlight of the study is the anticipation of investment behaviour for Generation Alpha. While this cohort is still developing, projections suggest they will grow up with deeply integrated exposure to AI, sustainability values, gamification, and fintech tools. Early indicators point to a generation that may prefer hyper-personalized, tech-driven, and socially responsible investment methods.

Another key discussion point is the influence of behavioural finance across all age groups. Patterns such as herd behaviour, loss aversion, and overconfidence are evident in decision-making, especially in volatile or uncertain markets. Furthermore, while financial goals remain consistent across generations—wealth creation, retirement, and income generation—the approach and tools used to achieve them differ drastically.

Finally, the study emphasizes the importance of financial education and access to digital tools as critical enablers of informed investment decisions. Cross-generational strategies that include personalized advisory services, gamified learning, and family-based financial planning portals can play a vital role in bridging gaps and promoting long-term financial well-being.

Conclusion:

This project successfully examined the evolving landscape of investment preferences across generations and projected the likely financial behaviours of Generation Alpha. The findings reveal a clear generational shift from traditional, low-risk investments towards more diverse, digital, and higher-risk avenues, particularly among younger cohorts. Baby Boomers remain conservative and security-oriented, while Generation X demonstrates a balanced approach. Millennials and Gen Z are increasingly tech-driven, value-conscious, and open to exploring new investment tools like mutual funds, cryptocurrencies, and digital platforms.

The study highlights how factors such as financial literacy, risk tolerance, technological adoption, and socio-cultural influences shape generational investment behaviour. It also establishes that future investors, especially Generation Alpha, are likely to be more digitally fluent, environmentally aware, and reliant on AI-based, personalized investment platforms.

Overall, the study emphasizes the growing importance of behavioural finance, fintech accessibility, and targeted financial education in enabling informed investment decisions. These insights can be instrumental for financial institutions, educators, and policymakers in designing inclusive, adaptive, and future-ready investment solutions tailored to each generation's unique needs and preferences.

Limitations:

While this study provides valuable insights into generational investment preferences and emerging trends, certain limitations must be acknowledged. These limitations arise due to practical constraints in data collection, respondent scope, and the predictive nature of the analysis, especially concerning Generation Alpha. Recognizing these factors is essential to contextualize the findings and guide future research in this domain.

Generation Alpha Insights are Indirect: Since Generation Alpha is still underage and not yet active in financial decision-making, their predicted investment behaviour is based on assumptions, trends, and insights from parents or secondary sources, making it speculative.

Non-Inclusion of Certain Variables: Psychological traits such as risk perception, emotional resilience, or personality types were not measured directly, though they can significantly influence investment decisions.

Cross-Sectional Design:
The study captures a snapshot in time and does not account for how investment preferences might evolve in the future with changing economic or technological conditions.

Scope for further research:

This study opens up several avenues for deeper and broader exploration in the field of generational investment behaviour and behavioural finance. As Generation Alpha matures, future research can include direct primary data from this group to validate current projections. Longitudinal studies could be conducted to observe how investment preferences evolve over time within the same individuals as they progress through different life stages.

Further research can also expand the geographical scope to include rural and semi-urban areas, providing a more inclusive understanding of investment patterns across diverse socio-economic and cultural contexts. Additionally, integrating psychological profiling tools can offer a more detailed view of how personality traits and emotional factors impact investment decisions.

Studies focusing on the impact of specific technologies—such as AI-powered robo-advisors, blockchain, and gamified financial platforms—on investor behaviour can provide insights into how digital tools reshape financial habits. Finally, cross-national comparisons could be valuable in understanding how cultural and economic environments influence generational investment behaviours globally.

References:

[1] Statista (2023): Distribution of assets under management by age group in India and globally

An extensive statistical analysis showcasing how assets are distributed across different age cohorts, both within India and internationally. This report serves as a foundational demographic benchmark for understanding investment patterns by generation.

[2] Morningstar (2024): Generational Investing: Preferences and Portfolio Trends

A comprehensive industry-led report examining how portfolio preferences—including risk types and asset allocations—vary among generational cohorts. The report analyses trends like the rise of model portfolios and digital investment preferences.

[3] Deloitte Insights (2023): The Future of Investing: How Millennials and Gen Z Are Changing the Game

A global survey-based study analysing the evolving investment behaviours of Millennials and Gen Z. It highlights their priorities—such as financial security, purpose, and trust in digital platforms—and discusses their growing comfort with fintech and Robo-advisors.

[4] McKinsey & Company (2022): Digital Finance Adoption and Behavioral Finance Trends Across Generations

An analytical report exploring how digital payment and investment tools are adopted across diverse generational groups. It offers data on the rise of digital wallets, contactless finance, and behavioural responses to fintech innovations.

[5] CNBC (2023): How Gen Z Invests: The Rise of Crypto, NFTs, and Social Trading

A media-driven examination of Gen Z's investment trends, focusing on their rapid adoption of cryptocurrencies, NFTs, and influencer-driven investment platforms. It highlights the role of social media and fintech in shaping their financial decisions.