



**Vanguard**<sup>®</sup>  
Strong and Steady

# Sitting on the sidelines

What's holding Australia  
back from investing?

May 2026

# Contents

This document is interactive, click on the chapter heading you would like to read. Click on the button on the top right to return to the contents page.

|  |           |   |           |
|--|-----------|---|-----------|
| <b>About this research</b>                                     | <b>3</b>  | <b>Section 3:</b>   |           |
| <b>Definitions</b>   | <b>4</b>  | <b>Awareness and understanding of exchange-traded funds (ETFs)</b>      | <b>15</b> |
| <b>Executive summary</b>                                       | <b>5</b>  | – ETFs and their role in investment participation                       | 15        |
| – Key findings   | 5         | – How familiar are Australians with ETFs?                               | 16        |
| – Implications   | 6         | – Who owns ETFs?  | 17        |
| – Recommendations  | 6         | – Perceived appeals of ETFs   | 18        |
| <b>Section 1:</b>  |           | – Key implications  | 19        |
| <b>How many Australians invest?</b>                            | <b>7</b>  | <b>Section 4:</b>   |           |
| – Who invests — and who doesn't?                               | 7         | <b>Attitudes to international investing</b>                             | <b>20</b> |
| – How do Australians invest?                                   | 8         | – How Australians invest internationally                                | 20        |
| – Key implications   | 9         | – Home bias across generations  | 22        |
| <b>Section 2:</b>  |           | – How Australians estimate Australia's share of the global share market | 23        |
| <b>Barriers to investing</b>                                   | <b>10</b> | – Key implications  | 24        |
| – Intentions of non-investors                                  | 10        | <b>Section 5:</b>   |           |
| – Key barriers to investing                                    | 11        | <b>Conclusions and recommendations</b>                                  | <b>25</b> |
| – Perceived minimum amount needed to start investing in shares | 13        | – Consider regulated, simplified investment accounts for new investors  | 25        |
| – Key implications   | 14        | – Build financial literacy and capability                               | 26        |
|  |           | – Improve access to the full spectrum of guidance and advice            | 27        |
|  |           | <b>Methodology</b>  | <b>28</b> |

# About this research

*Sitting on the sidelines: What's holding Australia back from investing?* explores **how Australians engage with investments** outside of standard superannuation funds and considers how these behaviours shape long-term financial outcomes. The research draws from a nationally representative survey of more than 1,000 Australians conducted in February 2026.



# Definitions

For the purposes of this research:

- **Investors** are defined as respondents who report currently investing in shares, managed funds, ETFs, cryptocurrencies or listed investment trusts (including REITs)<sup>1</sup> either directly or through superannuation accounts they manage themselves (such as self-managed super funds or member direct investment options).
- **Non-investors** are respondents who report that they do not currently invest in any of these products.

Compulsory superannuation assets that are managed by super funds on members' behalf are excluded, as the vast majority of Australians have exposure to these investments by default and they do not reflect active investment decision making. The definition also excludes direct investments in residential or commercial real estate.



<sup>1</sup> Real estate investment trusts (REITs) are a type of pooled investment vehicle used to invest in portfolios of real estate such as offices, shopping centres and industrial property.

# Executive summary

## Key findings



**Nearly six in 10 Australians do not currently invest in shares or other common financial products** outside of standard superannuation funds.



**Participation in financial markets is strongly shaped by gender and income**, with one in two men reporting self-directed investments compared to around one in three women.



**Non-investment is often driven by limited confidence and understanding rather than structural barriers.** While affordability is the most commonly cited constraint to investing, two in three non-investors either overestimate or are unsure how much money is required to get started.



**Australian investors exhibit high levels of home bias in their self-directed portfolios.** The median investor in this survey had 90% or more of their self-directed portfolio invested in Australian assets, despite Australia accounting for less than 2% of global equity market capitalisation.<sup>2</sup> This domestic concentration is most evident among older Australians and is reinforced by widespread misperceptions about Australia's share of global equity markets.

<sup>2</sup> As at 31 December 2025, Australia represented around 1.6% of global equity market capitalisation, as measured by the MSCI ACWI Investable Market Index.

## Implications

The findings suggest that knowledge gaps and behavioural biases may be limiting Australians' long-term financial outcomes by delaying or preventing participation in financial markets. These gaps and biases also shape how Australians construct their portfolios, and may be contributing to Australia's high levels of cash holdings relative to equities<sup>3</sup>, limited international diversification or disproportionate exposure to higher risk and speculative investments such as cryptocurrencies.

Over time, these behaviours may result in sub-optimal wealth accumulation and leave Australians more vulnerable to domestic economic shocks than would be expected under broader market participation through low-cost, diversified investment portfolios.

## Recommendations

Taken together, the findings point to three priority areas for action to support greater investment participation and stronger long-term financial outcomes. Each recommendation is targeted to address specific behavioural frictions identified in this research.

- 1 Consider regulated, simplified investment accounts for new investors:** Reducing complexity and introducing new pathways or vehicles for new investors with simplified investment menus and sensible default options — similar to MySuper in superannuation — could help address choice overload, normalise diversification and better support individuals with lower confidence or limited experience.
- 2 Build financial literacy and capability:** Strengthening financial literacy and capability for Australians should be a key priority, given participation gaps, misperceptions around minimum starting amounts and high observed levels of home bias. By building confidence and self efficacy, financial capability initiatives can shape how individuals engage with investment decisions over time and support more informed, resilient financial behaviour.
- 3 Improve access to the full spectrum of guidance and advice:** Making financial advice and guidance more accessible and affordable can help Australians navigate increasingly complex investment choices and reduce the risk of inertia or disengagement.

These recommendations are explored in more detail in the conclusions section of this report.

<sup>3</sup> Vanguard, [Core components of a successful retail investment system](#), 2025, pg. 23.

## SECTION ONE

# How many Australians invest?

## Who invests — and who doesn't?

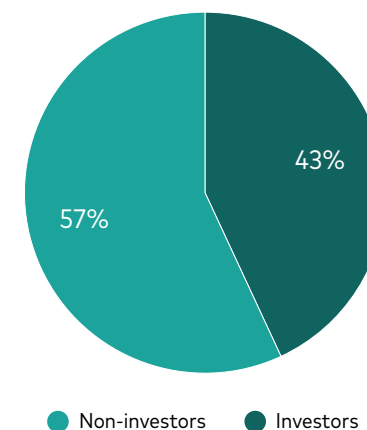
Just over four in 10 Australians (43%) report investing in shares or other common financial products outside of standard superannuation funds, while nearly six in 10 (57%) report that they do not.

Investment participation rates are broadly similar across younger and midlife generations, with 45% of Gen Z, Millennials and Gen X reporting that they invest.<sup>4</sup> Participation is lower among Australians aged 60 and over, where 39% identify as investors. When cryptocurrency investments are excluded, Australians aged 60 and over are marginally more likely to invest than Gen Z (39% versus 38%).<sup>5</sup>

Income is a strong predictor of investment participation. Around six in 10 respondents in households earning \$200,000 or more (62%) report investing, compared with 39% of those earning \$50,000-\$74,999 and just 27% of respondents in households earning under \$50,000.

There are also clear gender differences in investment participation. Just over half of men (52%) identify as investors compared with 35% of women. While higher income is strongly associated with investing for both men and women, income differences do not fully explain the observed gender gap. Even after accounting for differences in income between men and women, a large and persistent gender difference in participation remains.<sup>6</sup>

Investors vs non-investors in Australia



**Figure 1:** Investor and non-investor status among Australians, based on whether respondents currently invest in financial products either directly or through superannuation accounts they manage themselves. (n = 1,002)

<sup>4</sup> Generational cohorts are defined based on their age at the time of the survey (February 2026): Gen Z (18–28), Millennials (29–44), Gen X (45–60), and Boomers+ (over 60).

<sup>5</sup> For comparison, when cryptocurrency investments are excluded, participation rates are 41% for Millennials and 42% for Gen X.

<sup>6</sup> The gender gap in participation is around 17 percentage points. After controlling for income, the estimated gender effect remains at approximately 15 percentage points.

## How do Australians invest?

Across the Australian population, shares and stocks are the most widely held investment product, with ownership of newer products such as ETFs and cryptocurrencies more concentrated among younger Australians. Among investors, nearly three quarters (74%) report exposure to shares or stocks. Managed funds and ETFs are held by 30% and 26% of investors respectively, indicating some level of diversification beyond direct equities. Almost one in four investors (24%) report holding cryptocurrencies, while ownership of listed investment trusts (REITs) remains relatively low (6%).

Clear differences in investment behaviour are evident across age groups. Gen Z Australians are the least likely age group to own shares/stocks, but the most likely to hold ETFs, cryptocurrencies and listed investment trusts (REITs). In contrast, Australians aged 60+ show the strongest preference for traditional investments, with the highest ownership of shares and managed funds, and relatively low exposure to ETFs (11%), cryptocurrencies (5%) and listed investment trusts (REITs) (6%).

At the population level, men are more likely than women to own investment products across all asset classes. Shares and stocks are the most held investment for both genders although ownership is higher among men (39% of men vs 26% of women). Gender gaps are more pronounced for ETFs (15% vs 8%), cryptocurrencies (14% vs 6%) and listed investment trusts (REITs) (4% vs 1%).

Among investors, however, ownership patterns for men and women are broadly similar across most major asset classes. This includes shares/stocks (held by 75% of men who invest and 74% of women), managed funds or mutual funds (30% versus 29%), and ETFs (28% versus 24%). The largest gender differences appear in higher-risk or niche assets: male investors are more likely to hold cryptocurrencies (27% compared with 18%) and listed investment trusts (REITs) (7% compared with 3%).<sup>7</sup>

Investment product ownership among Australian investors, by generation

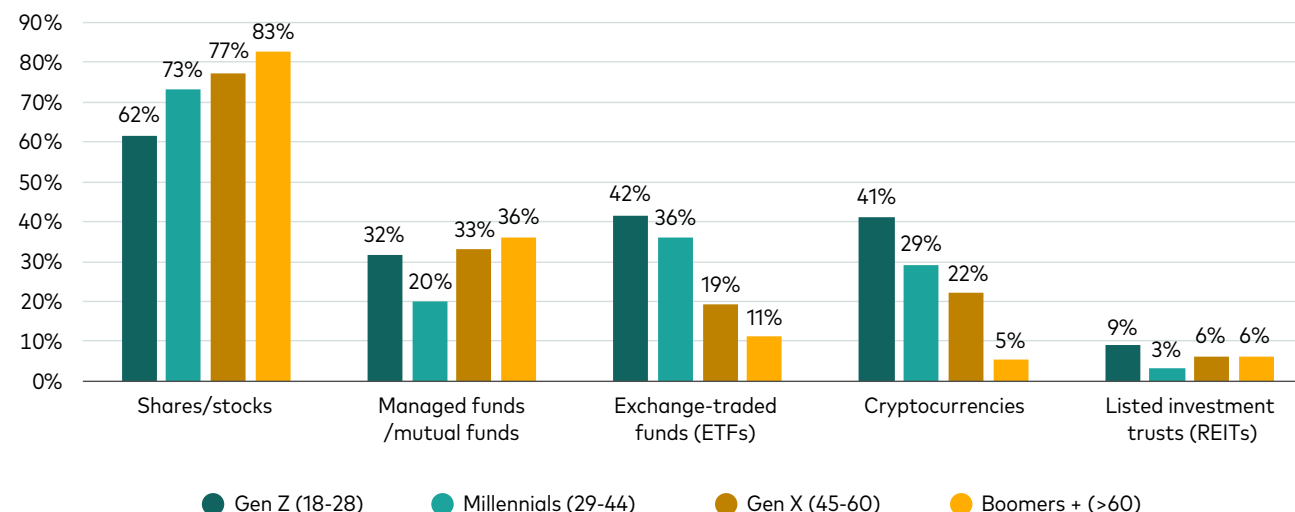


Figure 2: Ownership rates of Australian investors (n = 431). Respondents could select multiple products, so allocations do not sum to 100%.

<sup>7</sup> The finding that men are more likely to own cryptocurrencies is consistent with patterns from the United States and may partly reflect differences in risk tolerance. [Research by the Federal Reserve Bank of Kansas City](#) shows that cryptocurrency investors tend to be more risk-tolerant than non-owners, consistent with the speculative nature of these assets.

## Key implications

The findings show that participation in investment markets in Australia is both limited and uneven. Most Australians do not invest outside compulsory superannuation, and participation varies significantly across the population, with lower participation among women, lower income households and some age groups.

Participation in investment markets plays a central role in long-term wealth accumulation. Where large segments of the population don't invest — or participate only intermittently — their ability to benefit from long-term growth of capital markets is constrained. Over time, this can contribute to persistent gaps in financial outcomes and resilience.



Importantly, the evidence suggests that the participation gap is not explained by financial capacity alone. Many Australians appear to face frictions in moving from saving to investing, even where interest exists. Patterns observed among investors suggest that these frictions — which include uncertainty, limited understanding of basic investment concepts and difficulty navigating investment choices — also influence how portfolios are constructed, with investors displaying high concentration in Australian equities and limited international diversification.

The following section examines the barriers that may be keeping Australians on the sidelines of investment markets.

SECTION TWO

# Barriers to investing

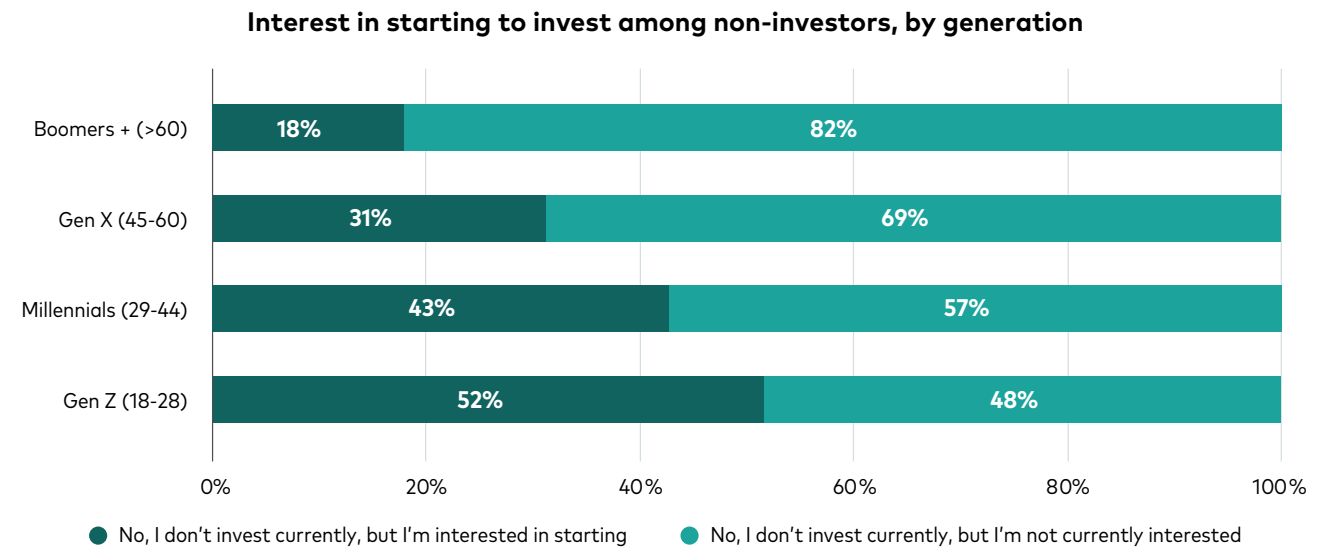
## Intentions of non-investors

Most Australians who do not currently invest are not interested in starting. Around two thirds of non-investors (66%) say they are not currently interested in investing, while one third (34%) report interest in starting.

Interest in starting to invest varies markedly by age and declines steadily across older generations. Just over half of Gen Z non-investors (52%) express interest in starting to invest, compared with 43% of Millennials and 31% of Gen X. Among Australians aged 60 and over, interest is substantially lower, with fewer than one in five non-investors (18%) indicating an interest in starting.

While barriers to investing exist across all age groups, these findings suggest that initiatives aimed at increasing investment participation may be most effective when focused on younger Australians, who show higher levels of interest

in starting to invest. In addition, because investing is typically a long-term activity, earlier participation may offer greater potential to benefit from compounding returns over time.



**Figure 3:** Interest in starting to invest among non-investors (n = 571), by generation

## Key barriers to investing

Many of the barriers to investing identified in this research appear to be driven by misperceptions and gaps in knowledge or confidence. Perceived financial constraints feature prominently among reported barriers, with one-third of non-investors (33%) citing not having enough money to invest. At the same time, when asked how much money is needed to start investing in shares, two in three were unsure or thought that more than \$1,000 was needed (see Figure 5), far higher than minimums on investment platforms today. The other key reported barriers were concerns about losing money (25%) and a lack of knowledge or confidence (23%).

The clearest gender difference in reasons for not investing relates to confidence rather than financial constraints or risk perceptions. Women are more likely than men to cite a lack of knowledge or confidence as their main barrier (27% compared with 19%). This is consistent with the academic literature, which suggests that women, on average, report lower financial confidence than men.<sup>8</sup> Several potential explanations for this gap in confidence have been suggested, including differences in financial socialisation, risk perceptions and risk tolerance, as well as variations in exposure to and experience with financial decision-making.<sup>9</sup>

Key barriers to investing among Australian non-investors

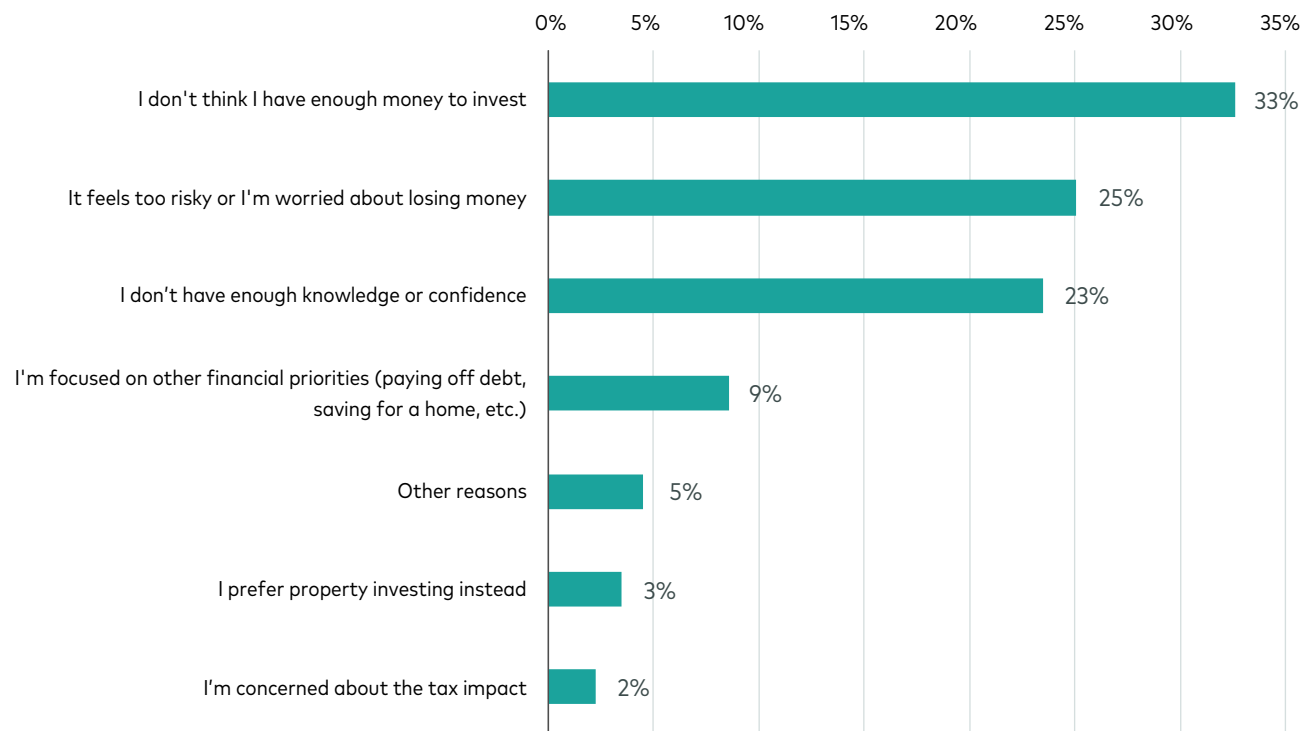


Figure 4: Base: Australian non investors (n = 571). Respondents were asked to select the single main reason they do not currently invest.

<sup>8</sup> OECD, [Empowering Women Through Financial Awareness and Education](#), 2012.

<sup>9</sup> Nightingale, M. & Kadar, E. 'Why the gender wealth gap is still so stubborn – and what it means for women's wellbeing,' The Conversation, 2026

By contrast, perceptions of financial capacity and risk are very similar across genders, with comparable proportions of men and women saying they do not have enough money to invest (34% versus 32%) or that investing feels too risky (25% for both).

Clear generational differences are also evident. Younger non-investors are more likely to cite a lack of knowledge or confidence, with 31% of Gen Z naming this as their main barrier, compared with 27% of Millennials, 22% of Gen X, and 16% of Australians over 60. In contrast, concern about risk becomes more prominent with age: 30% of Gen X and 25% of Australians over 60 say investing feels too risky or that they worry about losing money, compared with 20% of Gen Z.

Across all generations, a perceived lack of money to invest remains a leading constraint, cited by 29-37% of non-investors in each age group, indicating that financial capacity concerns persist across generations.



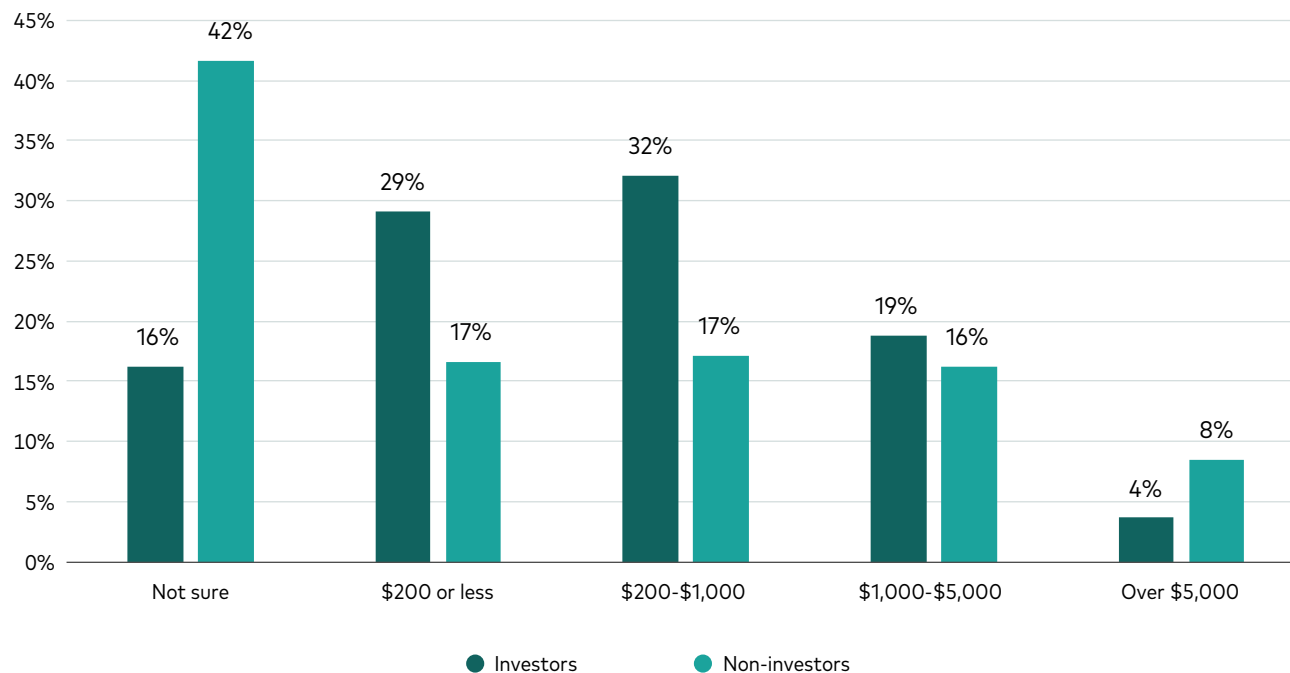
## Perceived minimum amount needed to start investing in shares

Perceptions of the minimum amount needed to start investing differ markedly between investors and non-investors, pointing to a clear knowledge gap.

Non-investors are far more likely to be uncertain, with 42% saying they are not sure how much money is needed to start investing in shares, compared with 16% of investors. By contrast, existing investors are much more likely to believe it is possible to start with relatively small amounts, with 61% estimating \$1,000 or less, compared with just 34% of non-investors. In practice, many Australian investment platforms — including Vanguard Australia’s Personal Investor — now allow people to start investing with \$200 or less.

Non-investors are also more likely to overestimate the required starting amount, including a higher share who believe more than \$5,000 is needed. Together, these findings suggest that misconceptions and uncertainty about minimum investment thresholds may be a meaningful barrier to participation, particularly among Australians who have not yet begun investing.

Perceived minimum amount needed to start investing in shares



**Figure 5:** Perceived minimum amount needed to start investing in Australian or international shares, grouped by investors (n = 431) and non-investors (n = 571).



## Key implications

These findings suggest that many barriers to investing reflect misperceptions and confidence gaps, rather than fixed or structural constraints. As a result, the investment participation gaps observed in this research may be driven not just by access to wealth, but by frictions that clearer information, guidance and support could help address.

The patterns observed are also consistent with well-documented behavioural biases. For example, overestimation of the minimum amount needed to start investing is consistent with anchoring, where individuals fixate on an initial or assumed figure when forming judgments.

Similarly, concerns that investing "feels too risky" may reflect risk and loss aversion, with potential losses weighed more heavily than potential long-term gains.

This raises an important question about how investment products themselves are understood and experienced by Australians. The following section examines awareness and perceptions of exchange-traded funds (ETFs), an increasingly popular investment choice for Australians, and considers the role these products may play in supporting broader participation.

SECTION THREE

# Awareness and understanding of exchange-traded funds (ETFs)

## ETFs and their role in investment participation

Exchange-traded funds (ETFs) have become increasingly popular among Australian investors in recent years as an investment vehicle. While ETFs can follow a range of investment approaches, many of the largest and most widely held ETFs in Australia track market indices and are designed to provide broad, diversified exposure at relatively low cost.

Like traditional managed funds, ETFs pool investors' capital to invest across multiple securities. In contrast, constructing a diversified portfolio through individual securities typically requires greater time, confidence and specialist knowledge, including researching companies, managing concentration risk and making ongoing portfolio decisions. For many investors, this added complexity can act as a barrier to participation.

ETF familiarity among investors and non-investors

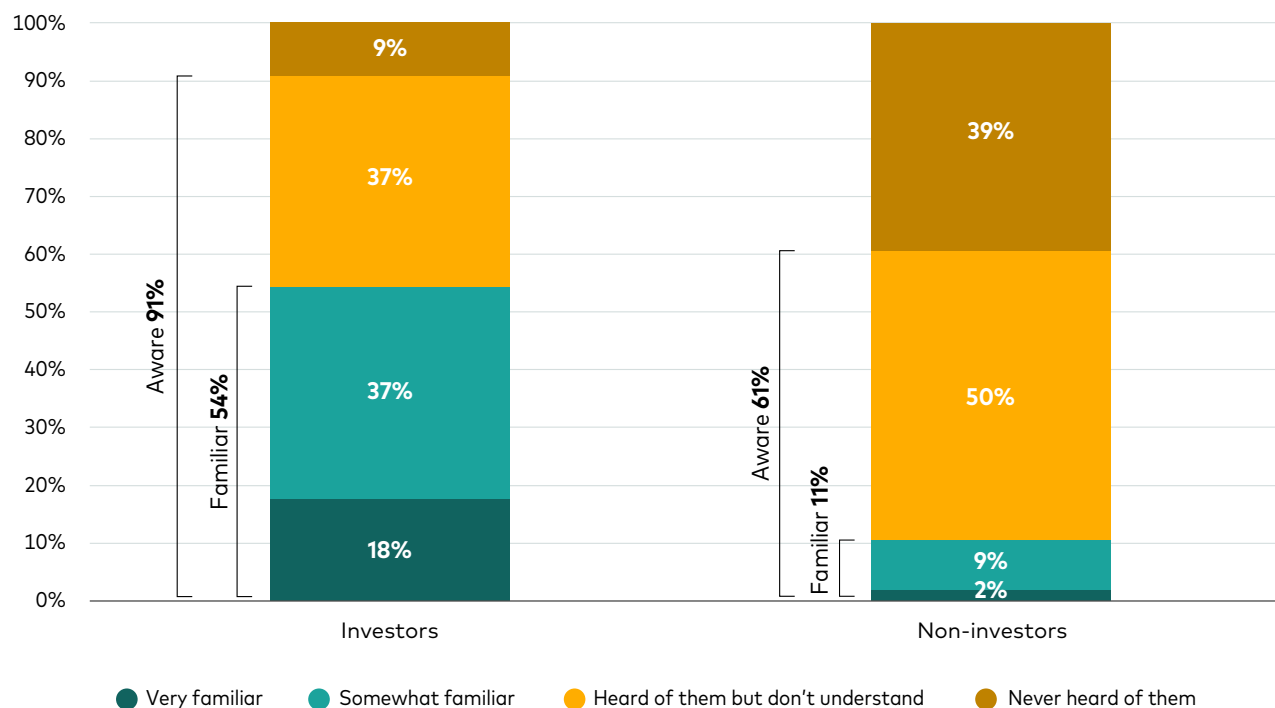


Figure 6: ETF familiarity grouped by investors (n = 431) and non-investors (n = 571). Response to "How familiar are you with exchange-traded funds (ETFs)?"

## How familiar are Australians with ETFs?

There is a clear divide in awareness and understanding of ETFs between Australians who currently invest and those who do not. Among investors, familiarity with ETFs is relatively high, with a majority describing themselves as either very familiar (18%) or somewhat familiar (37%).

In contrast, non-investors report far lower familiarity, with just 2% saying they are very familiar and 9% somewhat familiar. Half of non-investors (50%) say they have heard of ETFs but don't understand what they are, compared with 37% of investors. Non-investors are also much more likely to have never heard of ETFs at all (39%, compared with 9% of investors). These findings clearly show that awareness of ETFs is concentrated among those who are already participating in financial markets and that familiarity remains limited among Australians who don't currently invest.

Beyond investor status, familiarity with ETFs also varies across demographic groups. Across both investors and non-investors, men are more likely than women to report being very familiar (13% vs 4%) or somewhat familiar with ETFs (24% vs 18%). Familiarity also differs markedly by age. Younger Australians report higher levels of understanding,

with 45% of Gen Z Australians saying they are either very or somewhat familiar with ETFs, compared with 33% of Millennials, 27% of Gen X and just 18% of Australians aged over 60.

These results suggest that familiarity with ETFs reflects broader patterns of investment participation, such as higher engagement among men. However, differences by age are particularly pronounced. The higher levels of ETF familiarity reported by younger Australians may therefore reflect the fact

that ETFs have only been available in the Australian market for 25 years, with the first Australian ETF launching in 2001.

Research in behavioural finance suggests that early investment experiences shape long-term beliefs, risk preferences and portfolio choices. In turn, these experiences can influence both market participation and the types of investment products investors are willing to adopt.<sup>10</sup> This may help explain why ETF adoption follows a similar age-based pattern.

Share of Australians who are somewhat or very familiar with ETFs, by generation

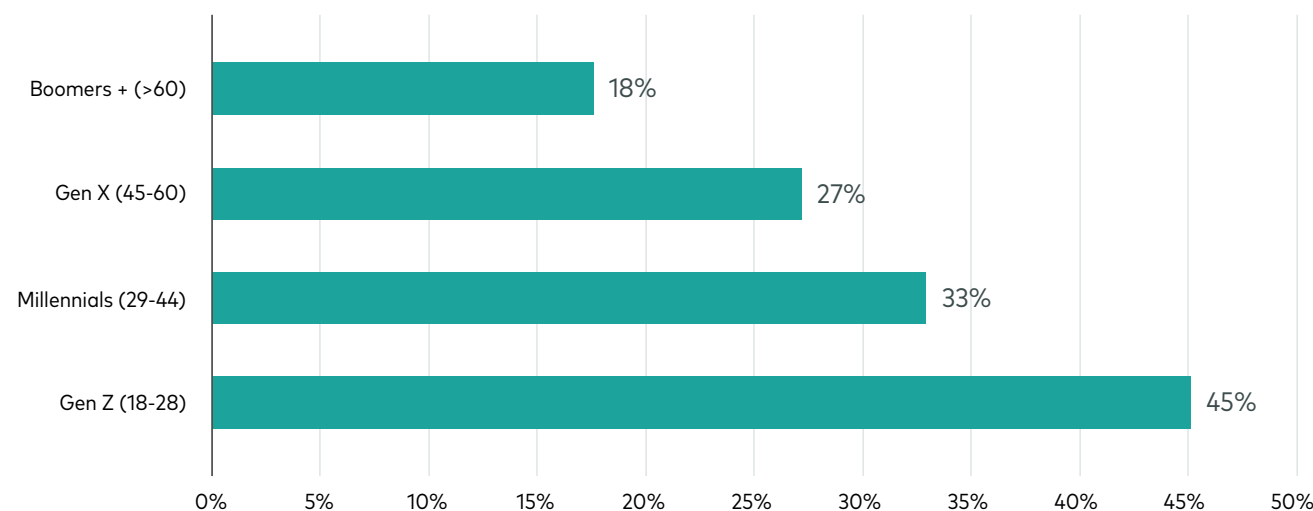


Figure 7: Share of respondents who report being either very or somewhat familiar with ETFs, by generation. Based on total sample (n = 1,002).

<sup>10</sup> Ulrike Malmendier and Stefan Nagel, "Depression Babies: Do Macroeconomic Experiences Affect Risk-Taking?," NBER Working Paper 14813 (2009), <https://doi.org/10.3386/w14813>.

The authors find that individuals who have experienced low stock-market returns throughout their lives report lower willingness to take financial risk, are less likely to participate in the stock market, and, conditional on participating, invest a lower fraction of their liquid assets in stocks.

## Who owns ETFs?

ETF ownership closely mirrors these familiarity patterns, with younger Australians far more likely to hold ETFs than older cohorts. Nearly one in five Gen Z Australians (19%) report owning ETFs, the highest rate of any age group. Ownership is slightly lower among Millennials (16%) and declines sharply among older Australians, with 9% of Gen X and just 4% of Australians aged 60 and over reporting ETF ownership. Similar aged-based patterns of adoption are seen in the United States.<sup>11</sup>

In relative terms, these differences are substantial. Compared with Australians aged 60 and over, Gen Z Australians are nearly five times more likely to own ETFs, while Millennials are around four times more likely. At the same time, ETF ownership rates capture patterns of adoption rather than the total amount of assets invested. Older Australians are more likely to have larger portfolios overall, reflecting longer investment horizons and higher accumulated wealth. As a result, although fewer Australians aged 60 and over report owning ETFs, those who do may hold higher absolute amounts invested through ETFs than younger investors with smaller balances.

Importantly, shares and stocks remain the dominant investment choice for all age groups, particularly among older Australians. Around one-third of Gen X (35%) and Australians aged 60 and over (32%) report owning shares, compared with much lower rates of ETF ownership among these groups. While Gen Z Australians (27%) and Millennials (33%) are also more likely to own shares than ETFs, the gap between the two is considerably smaller for younger cohorts.

Overall, ETF ownership patterns highlight a clear generational divide. Younger Australians are more likely to have incorporated ETFs into their portfolios, while older Australians continue to rely more heavily on traditional investment vehicles, particularly direct share ownership. This suggests that differences in ETF uptake reflect not only current preferences, but also the products and structures that were most readily available to investors when they first entered the market.

<sup>11</sup> See Nasdaq (2024). [The Ascension of Gen Z Investors: Generational Comparisons and Other Trends Driving ETF Adoption](#).



## Perceived appeals of ETFs

Nearly half (45%) of respondents who have some awareness of ETFs say they are not sure of the main appeals or advantages. This suggests that while many Australians have heard of ETFs, a large share lack sufficient familiarity to confidently articulate how they may differ from other investments.

Uncertainty is particularly pronounced among non-investors. Among those who have heard of ETFs, nearly two thirds (62%) of non-investors report being unsure of their main appeal, compared with 29% of investors (see Figure 8). This contrast reinforces broader findings that non-investors are more likely to lack confidence and clarity when it comes to understanding investment products.

Among respondents who do identify specific appeals, simplicity and diversification stand out most clearly. Around three in 10 respondents point to instant diversification across many companies or industries (28%) or describe ETFs as simple to manage with minimal ongoing effort (26%). Fewer cite accessibility related features, such as not requiring deep investment knowledge (20%) or low minimum investment requirements (20%), while cost based advantages such as lower fees (16%) and potential tax efficiency (8%) are less frequently mentioned.

Consistent with these patterns, investors are significantly more likely than non-investors to recognise key ETF features. Investors are more likely to cite instant diversification (41% versus 14%), simplicity of management (35% versus 15%) and accessibility related

benefits such as low minimum investment requirements (25% versus 14%) and not requiring deep investment knowledge (25% versus 15%). Cost-based advantages are also more commonly recognised by investors but rank below other perceived benefits.

Perceived appeal of ETFs (select up to three), investors vs non-investors

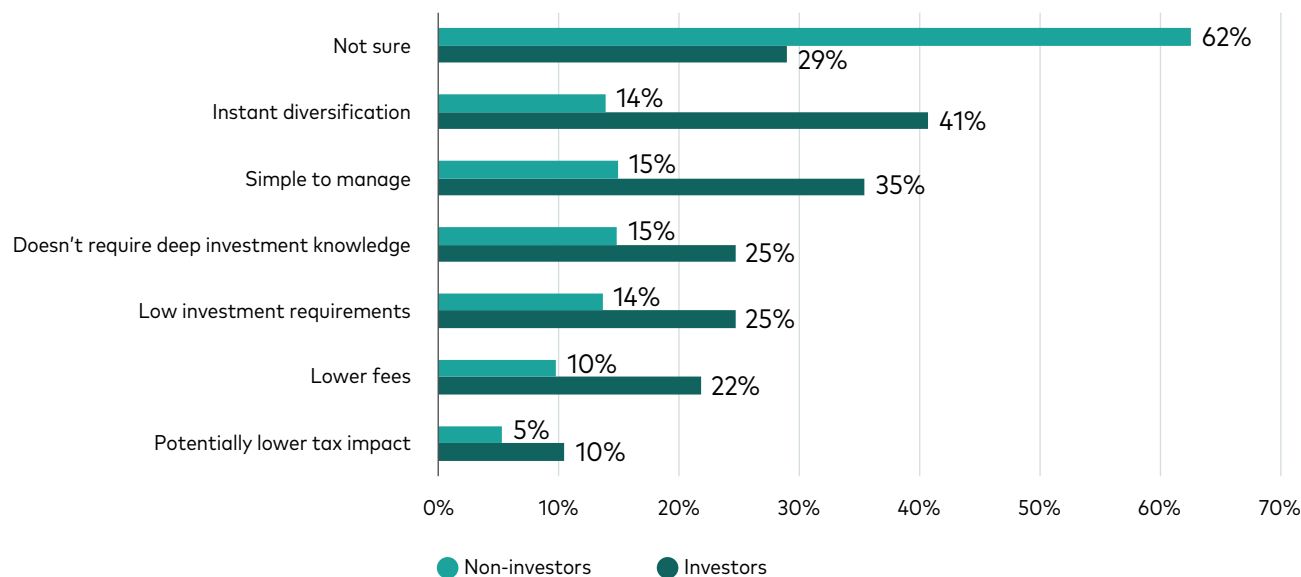


Figure 8: Perceived appeal of exchange traded funds (ETFs), grouped by investors and non-investors. Base: Respondents aware of ETFs (n = 735). Respondents could select up to three responses; "Not sure" was available as a single response option.



## Key implications

These findings point to a substantial gap between awareness of ETFs and confidence in understanding their role in investing. While many Australians have heard of ETFs, nearly half of those who have are unsure of their main appeals or advantages. By contrast, investors are far more likely to recognise specific benefits such as diversification, simplicity and accessibility.

This pattern mirrors earlier findings in this report that many barriers to investing are driven by knowledge gaps and uncertainty rather than structural constraints. Non-investors are often uncertain how much money is needed to get started, and many struggle to articulate the advantages of ETFs, even though these widely available products are designed to reduce complexity and lower the threshold for participation.

At the same time, the fact that younger investors are more likely to get started with ETFs may be interpreted as an encouraging sign that they recognise the value of low-cost, diversified investing early in their investment journey.

Where uncertainty rather than access is the primary constraint, clearer information and education may help support more confident engagement with investment markets. As broad market index-tracking ETFs can offer diversified exposure with relatively low costs and straightforward management, improving understanding of how these products work, what problems they are designed to solve, and how they differ from other investment options may help reduce informational and psychological barriers to investment participation over time — particularly for non-investors and other groups with knowledge gaps. These factors also play a role in how portfolios are constructed, particularly when it comes to diversification beyond domestic markets.



SECTION FOUR

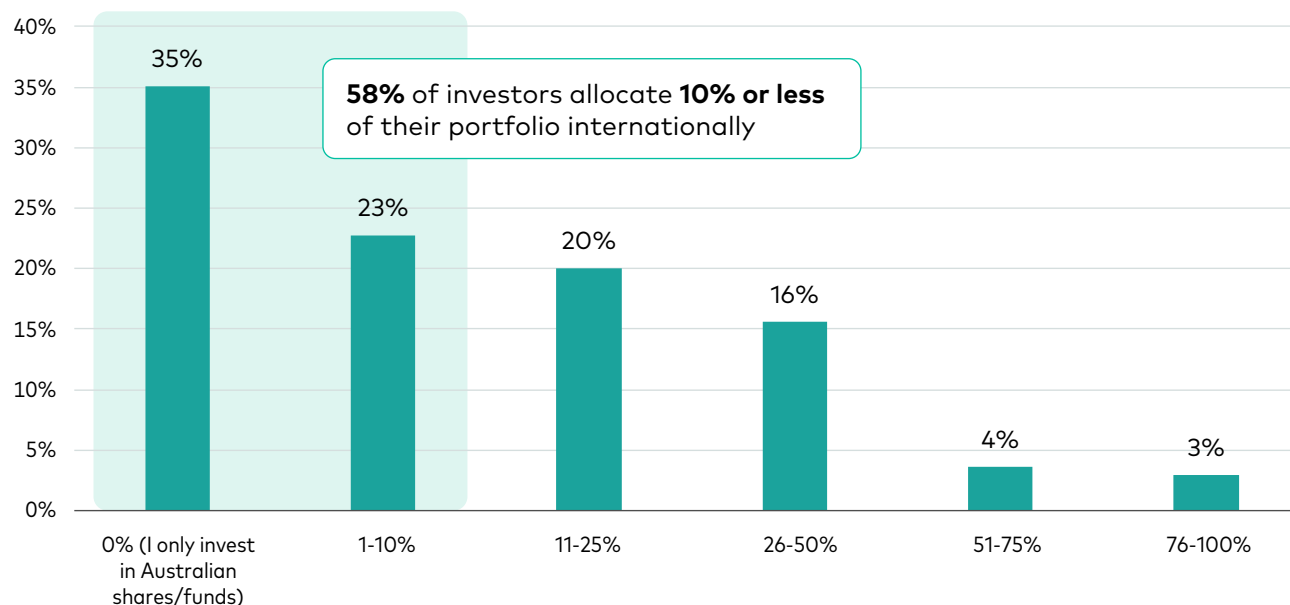
# Attitudes to international investing

## How Australians invest internationally

A defining feature of Australian investment behaviour is a strong preference for domestic assets, often referred to as home bias. Despite the growing availability of international investment options through ETFs and other vehicles, many Australian investors remain heavily concentrated in Australian shares and funds.

Among investors, more than one third (35%) report holding no international investments at all, while a majority (58%) allocate 10% or less of their portfolio to overseas assets. Put another way, the median investor in this survey had 90% or more of their self-directed portfolio invested in Australian assets. These findings imply that Australians overweight domestic investments in their self-directed portfolios by more than 56 times relative to Australia's share of global market capitalisation.<sup>12</sup>

International allocation among Australian investors



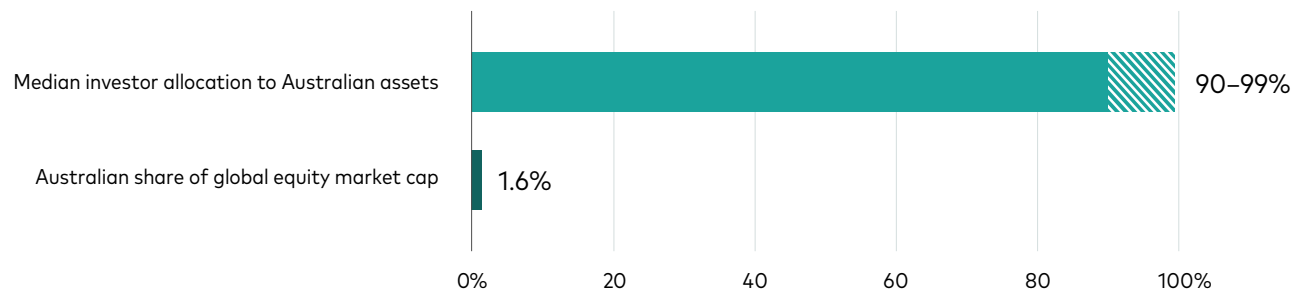
**Figure 9:** Base: investors only (n = 431). Question: "Approximately what percentage of your investment portfolio is currently invested in international (non-Australian) investments?" International investments include "direct shares of overseas companies, as well as ASX listed or overseas listed ETFs, managed funds or other investment vehicles that invest in non-Australian assets."

<sup>12</sup> As at 31 December 2025, Australia represented around 1.6% of global equity market capitalisation, as measured by the MSCI ACWI Investable Market Index. In this survey, the median investor was found to allocate more than 90% of the assets they manage to Australian assets, implying a domestic equity overweighting of more than 56 times relative to Australia's share of the global market.

Home bias is most pronounced among older Australians and is reinforced by widespread overestimation of Australia's share of global equity markets.

Methodology note: Some other estimates of home bias based on aggregate investment holdings also show that Australian investors strongly favour domestic assets, though they imply higher overall international exposure. For example, previous Vanguard research suggests that approximately two-thirds (66%) of Australia's equity holdings are domestic.<sup>13</sup> This difference reflects different methodologies: this survey captures how individual investors allocate their self-directed portfolios, while holdings-based measures aggregate investment positions across the economy, including those of institutional investors with larger balances such as superannuation funds.

### Home bias: Portfolio concentration vs global market size



**Figure 10:** Levels of home bias reported by Australian investors (n = 431). Respondents could select from pre-defined percentage ranges (0%, 1-10%, 11-25%, 26-50%, 51-75%, 76-100%). The shaded area shows the median investor, who reported allocating 1-10% of their portfolio to international assets.



<sup>13</sup> Vanguard, [The case for global equity diversification](#), 2024.

## Home bias across generations

Home bias is far more pronounced among older investors. Around 44% of Australians aged 60 and over report holding no international investments, compared with 34% of Gen X, 36% of Millennials and just 23% of Gen Z investors.

In academic research, home bias is often linked to familiarity bias, which is the tendency for investors to favour assets and markets they recognise or feel more comfortable with. Many older Australians established their investment portfolios at a time when international investing was more complex, costly or less accessible for retail investors. By contrast, younger Australians have come of age in an environment where international diversification, often through low-cost ETFs and digital platforms, is more readily available and easier to implement. As a result, these generational patterns may reflect how and when portfolios were first established.

It is important to recognise that some investors may have legitimate reasons for preferring domestic assets. These can include higher future return expectations or tax considerations, such as dividend imputation (franking credits) and the absence of withholding tax on Australian dividends. While these factors may justify some degree of home bias, they are unlikely to explain the scale of domestic concentration observed in this survey, suggesting that behavioural factors and misperceptions also play an important role in shaping investors' international allocation decisions.

At the same time, the fact that many investors hold no international exposure means they may miss out on the potential benefits of global diversification. Both historical evidence and forward-looking modelling suggest that an appropriate level of global equity exposure can reduce portfolio volatility without sacrificing returns<sup>14</sup>, highlighting the role international investments can play within a diversified portfolio.

<sup>14</sup> Vanguard, [Vanguard's approach to constructing Australia's Diversified Portfolios](#), 2024. pg. 11.



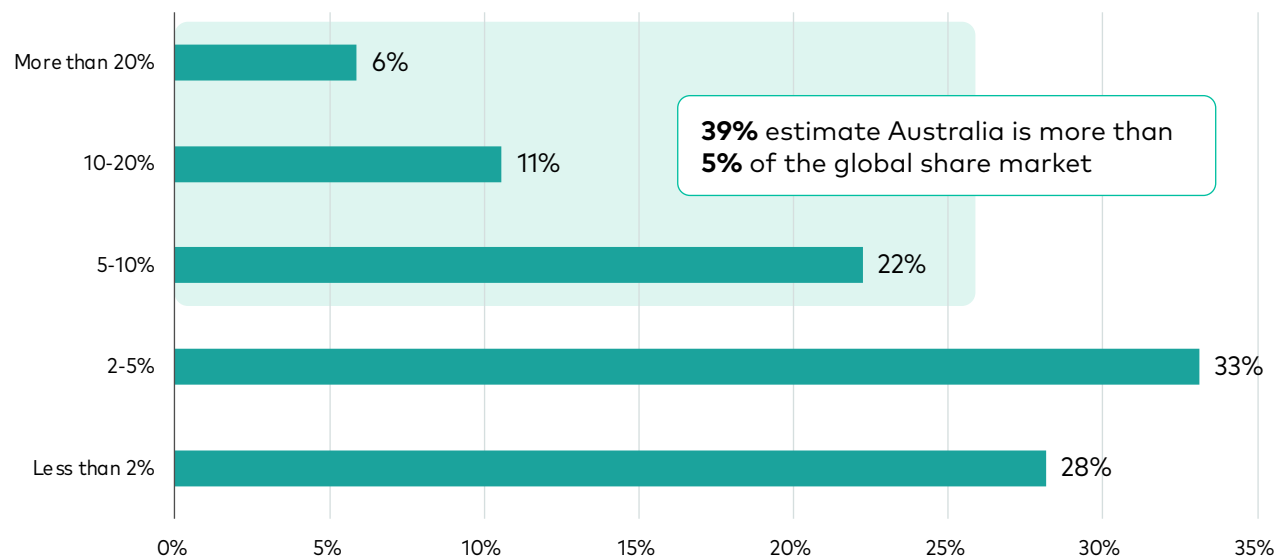
## How Australians estimate Australia's share of the global share market

To better understand how Australians think about global diversification, this research examined how Australians perceive Australia's place in global share markets. Respondents were asked to estimate the proportion of the total global share market represented by the Australian share market. This question was designed to assess whether Australians' perceptions of local market size align with reality.

As shown in Figure 11, Australians' estimates of Australia's share of global markets vary widely. While many respondents place Australia at the lower end of the global market, nearly four in ten Australians (39%) believe Australia represents a share of more than 5% of global equities. In practice, Australia accounts for less than 2% of global equity market capitalisation, as measured by the MSCI ACWI Investable Market Index.<sup>15</sup>

These perceptions are important, as overestimating Australia's global weight may contribute to a sense that domestic exposure alone provides sufficient diversification, reinforcing home-biased investment behaviour.

### How Australians estimate Australia's share of the global share market



**Figure 11:** Base: total sample (n = 1,002).

Question: "To your understanding, the Australian share market represents approximately what percentage of the total global share market?"

<sup>15</sup> As at 31 December 2025, Australia represented around 1.6% of global equity market capitalisation, as measured by the MSCI ACWI Investable Market Index.



## Key implications

The findings point to an unusually high level of home bias among Australian retail investors, with important implications for investment risk and returns given Australia's relatively small share of global equity markets. This is consistent with previous Vanguard research showing that Australia's level of domestic equity allocation is similar to Japan and not far below the United States — and materially higher than countries such as Canada and the United Kingdom — despite all of these countries accounting for a much larger share of global equity markets than Australia.<sup>16</sup>

Heavy reliance on local assets increases exposure to domestic economic conditions and market cycles, and may limit opportunities to improve risk-adjusted returns through diversification across different regions, industries and assets.

Given Australia's relatively high domestic equity allocations compared with comparable countries, the potential impact of this concentration on risk and returns could be more pronounced.

The generational patterns observed suggest that the investment options and choices available at the start of investors' journeys can have a lasting influence on how portfolios are constructed over time. As international investing has become easier and more accessible, improving investor understanding of Australia's place in global markets — and the role international assets can play in managing risk and returns — may represent an important lever for supporting stronger long-term investment outcomes.

<sup>16</sup> Vanguard, *The case for global equity diversification*, 2024.

## SECTION FIVE

# Conclusions and recommendations

**This research shows that many Australians remain on the sidelines when it comes to actively engaging with investment markets beyond their superannuation accounts.**

While many Australians have the capacity to invest — as demonstrated by the fact that Australians hold more cash than equities<sup>17</sup> — frictions related to understanding, confidence and familiarity delay participation and influence how portfolios are constructed once investors enter the market.

Over time, these frictions may result in household balance sheets that are more conservative, less diversified and more exposed to domestic risks than is optimal for long-term wealth accumulation. At a population level, this has implications not only for individual financial resilience, but also for how effectively household savings contribute to long-term economic growth.

Cash holdings are a key manifestation of this dynamic. While cash plays an important role in meeting short-term needs and managing uncertainty, it has underperformed other assets over the long term. From an economic perspective, persistently high household allocations to cash represent savings that are largely held outside financial markets, limiting long-term wealth creation relative to investment in assets such as shares and bonds.

To address this issue, we highlight three key areas where targeted policy interventions could help improve investment participation and support better financial outcomes for Australians.

## 1 Consider regulated, simplified investment accounts for new investors

Improving investment outcomes is not simply a question of access to investment markets or particular products. Rather, this research points to a need for interventions that reduce behavioural barriers to participation and support better financial decision making, particularly at the early stages of the investment journey.

One response is the introduction of regulated investment accounts for new investors — similar in principle to MySuper options in superannuation — which could help improve participation and long-term outcomes by providing a clear and accessible starting point.

For example, including clearly defined and well communicated minimum investment thresholds could help address widespread misperceptions about how much money is required to begin

<sup>17</sup> Vanguard, [Core components of a successful retail investment system](#), 2025, pg. 23.

investing. At the same time, a simplified menu of investment options, sensible defaults or light touch guidance embedded within investment pathways could help reduce choice overload and inertia, while also encouraging more diversified portfolio construction.

Importantly, such a vehicle could offer a clear entry point from which individuals can build confidence, learn through experience and progressively personalise their investment approach over time.

International experience suggests such approaches can be effective: countries including the United Kingdom, Sweden and Japan have used tax-advantaged retail investment accounts and simplified investment pathways to increase market participation and mobilise household savings into productive investments.

## 2 Build financial literacy and capability

Given that many of the barriers to investing identified in this research relate to knowledge or confidence gaps, the findings also reinforce the importance of strengthening financial literacy. Stronger financial literacy can build confidence and self efficacy, which in turn shapes how individuals participate in financial markets and approach investment decisions.

Vanguard's How Australia Retires 2025 research showed that gaps in financial literacy persist across the population, including limited understanding of core concepts such as diversification, inflation and investment risk.<sup>18</sup> As investment choices continue to proliferate, many Australians are required to make important financial decisions with limited knowledge or support, raising the risk of disengagement or sub-optimal outcomes.

The response to these issues should include the delivery of a renewed National Financial Capability Strategy, introducing financial literacy as a standalone subject on the national curriculum, and supporting greater resources, tools and campaigns for different life stages (such as those delivered by ASIC's Moneysmart).

Although financial literacy is included in the Australian Curriculum, it is not taught as a standalone subject. This approach places significant reliance on individual teachers to integrate financial concepts into broader subject areas and means that many students — particularly in senior years if they do not continue with these subjects — are likely to miss out on structured financial education altogether.

Introducing financial literacy as a compulsory subject would help ensure all students develop a baseline understanding of core concepts such as saving, investing, diversification, inflation and risk, regardless of later subject choices. Notably, New Zealand has recently announced that financial education will become compulsory within its national curriculum, reflecting growing international recognition that financial capability is a foundational life skill rather than an optional add on.<sup>19</sup>

Given the persistent gender gaps in investment participation, financial literacy materials and education initiatives should be intentionally designed to build confidence and familiarity among women and other groups that have historically been less engaged with investment markets.

<sup>18</sup> Vanguard, How Australia Retires, 2025

<sup>19</sup> New Zealand Ministry of Education, [Transforming financial education in schools](#), 2025

### 3 Improve access to the full spectrum of guidance and advice

As people take their first steps into investing, and as portfolios grow and circumstances change, access to timely, affordable financial advice and guidance can play an important role in supporting engagement, overcoming barriers and reducing the risk of inertia or disengagement.

Improving access to guidance can help individuals navigate complexity, reinforce confidence during periods of uncertainty and support more adaptive decision-making over time. Vanguard's research has shown that one of the greatest value adds advisers can provide is behavioural coaching — in particular, helping investors stick to their long-term plans.<sup>20</sup> When combined with clearer entry pathways and stronger financial capability, advice and guidance can help ensure that engagement with investment markets is not only initiated, but sustained.

The evidence in this report points to a simple challenge: many Australians have the means to invest, but lack the confidence, familiarity or support to do so. Addressing these gaps could help more people engage with investment markets earlier and more effectively, with potential benefits for individual financial security and the broader economy over time.



<sup>20</sup> Vanguard, [Advisor's Alpha](#)

# Methodology

*Sitting on the Sidelines: What's holding Australians back from Investing?* is based on a survey of a nationally representative sample of 1,002 Australians aged 18 years and over, conducted in February 2026 by FiftyFive5 (part of Accenture Song) on behalf of Vanguard Investments Australia. The achieved sample closely reflects the Australian population by age, gender, and geographic location, with post survey weighting applied to align results to national population benchmarks.

## Acknowledgements

Osei Wiafe, Ph.D.  
Patrick Wright  
Andy Reed, Ph.D.

## About Vanguard

For 30 years Vanguard has been serving financial advisers, retail clients and institutional investors in Australia.

Today we serve more than two million Australians and remain the largest provider of Exchange Traded Funds by assets under management. In 2022, Vanguard Super was launched to begin offering superannuation products and services directly to Australians.

Founded in 1975, The Vanguard Group Inc. ('VGI') – the parent company of Vanguard Australia – has offices worldwide and is one of the world's largest global investment management companies, managing money on behalf of more than 50 million clients.

VGI operates under a unique, investor-owned structure and adheres to a simple purpose: To take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

Vanguard advocates for systems that benefit investors and promote a fair and efficient Australian market, enabling people to save, invest and spend with confidence, be protected from harm, and access high-quality, affordable investments, advice and related services.

## Connect with Us

[vanguard.com.au](http://vanguard.com.au)

1300 655 101



The report "Sitting on the sidelines: What's holding Australia back from investing?" was prepared and issued by Vanguard Investments Australia Ltd (ABN 72 072 881 086 / AFS Licence 227263) ("Vanguard", "we"). Vanguard is the product issuer and the Operator of Vanguard Personal Investor. Vanguard Super Pty Ltd (ABN 73 643 614 386 / AFS Licence 526270) is the trustee of Vanguard Super (ABN 27 923 449 966) and the issuer of Vanguard Super products. We have not taken your objectives, financial situation or needs into account when preparing this report so it may not be applicable to the particular situation you are considering. You should consider your objectives, financial situation or needs and the disclosure documents of any relevant Vanguard financial product before making any investment decision. Before you make any financial decision regarding a Vanguard financial product, you should seek professional advice from a suitably qualified adviser. A copy of the Target Market Determinations (TMD) for Vanguard's financial products can be obtained at [vanguard.com.au](http://vanguard.com.au) free of charge and include a description of who the financial product is appropriate for. You should refer to the TMD of a Vanguard financial product before making any investment decisions.

Past performance information is given for illustrative purposes only and should not be relied upon as, and is not, an indication of future performance.

This report contains certain 'forward looking' statements. Forward-looking statements, opinions and estimates provided in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

This report was prepared in good faith and we accept no liability for any errors or omissions. "Sitting on the sidelines: What's holding Australia back from investing?" was published in May 2026.

©2026 Vanguard Investments Australia Ltd. All rights reserved.

SOTSWHABFI\_042026\_WT