



Five Facts About Beliefs and Portfolios

In this paper, the authors study a newly-designed survey administered to a large panel of wealthy retail investors. The survey elicits beliefs that are important for macroeconomics and finance, and matches respondents with administrative data on their portfolio composition, their trading activity, and their log-in behavior. The authors establish five facts in this data: (1) Beliefs are reflected in portfolio allocations. The sensitivity of portfolios to beliefs is small on average, but varies significantly with investor wealth, attention, trading frequency, and confidence. (2) Belief changes do not predict when investors trade, but conditional on trading, they affect both the direction and the magnitude of trades. (3) Beliefs are mostly characterized by large and persistent individual heterogeneity. Demographic characteristics explain only a small part of why some individuals are optimistic and some are pessimistic. (4) Expected cash flow growth and expected returns are positively related, both within and across investors. (5) Expected returns and the subjective probability of rare disasters are negatively related, both within and across investors. These five facts provide useful guidance for the design of macro-finance models.

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