
The Wealth Effect: Shifting Investment Preferences and the Potential Costs

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If the stock market had a theme song these days, it might be Aretha Franklin’s “Respect.”

When it comes to helping investors grow wealth over time, stocks have traditionally provided among the **biggest bangs for the buck** relative to other asset classes. However, you wouldn’t know it based on the **latest findings** of a yearly Gallup survey. The survey asked a representative sample of Americans what they consider “the best long-term investment” out of a menu of options. The answers may surprise you.

In this week’s Markets in a Minute, we examine how investment preferences are changing (or holding steady) and the implications when it comes to building wealth over time.

Real Estate Still Rules

With some exceptions, real estate has been the top choice since Gallup began asking Americans about their investment preferences in 2011. In the latest survey, a whopping 37% of respondents said they consider it the best long-term investment.

Real estate can certainly be a helpful way to build wealth over time. For many Americans, it represents the **largest share** of their overall wealth. But, in most cases, we’re talking about the ownership of a primary home. Home is where you spend most of your time. It’s where you make memories. So, for emotional and practical reasons, you aren’t likely to treat it as a pure investment, such as a stock, bond or bar of gold.

As an asset class, real estate also has certain unique risks. It tends to be highly sensitive to changes in interest rates. When rates rise, the value of real estate tends to decline and vice versa. It’s also relatively illiquid, meaning it’s typically harder to sell a property than a publicly traded stock or bond.

Keep in mind also that owning a home and investment property can lead to concentration risk — in other words, the risk associated with tying up too much of your net worth in any one asset class.

Gold Shines Bright

Since Gallup began its survey, gold has been a popular choice, particularly during times of economic uncertainty and market volatility. It’s considered a safe haven because people expect it to hold value during turbulent times. In 2011, when the economy was still recovering from the global financial crisis, an eye-popping 34% of respondents considered gold the best long-term investment.

Gold has lost some luster since then. But its popularity remains high and has risen lately. In the latest Gallup survey — conducted mostly during the tariff-induced sell-off in stocks and bonds last month — 23% of respondents said gold was the best long-term investment. That made it the second most-popular choice, with stocks coming in third. Only 16% of respondents expressed a preference for stocks, down six percentage points from 2024.

So, does gold belong in your portfolio? We're not convinced of its value as a strategic asset class. Our research shows that gold has a spotty track record in terms of performance. Over the last 200-plus years, it has done well for brief periods, but overall performance has been inconsistent.

Gold has other drawbacks, including portability when it comes to the physical stuff. After all, lugging around a gold bar is literally a heavier lift than buying or selling equities with a few clicks. (Watch [this episode](#) of Money with Murphy for more on our view of gold as an asset class.)

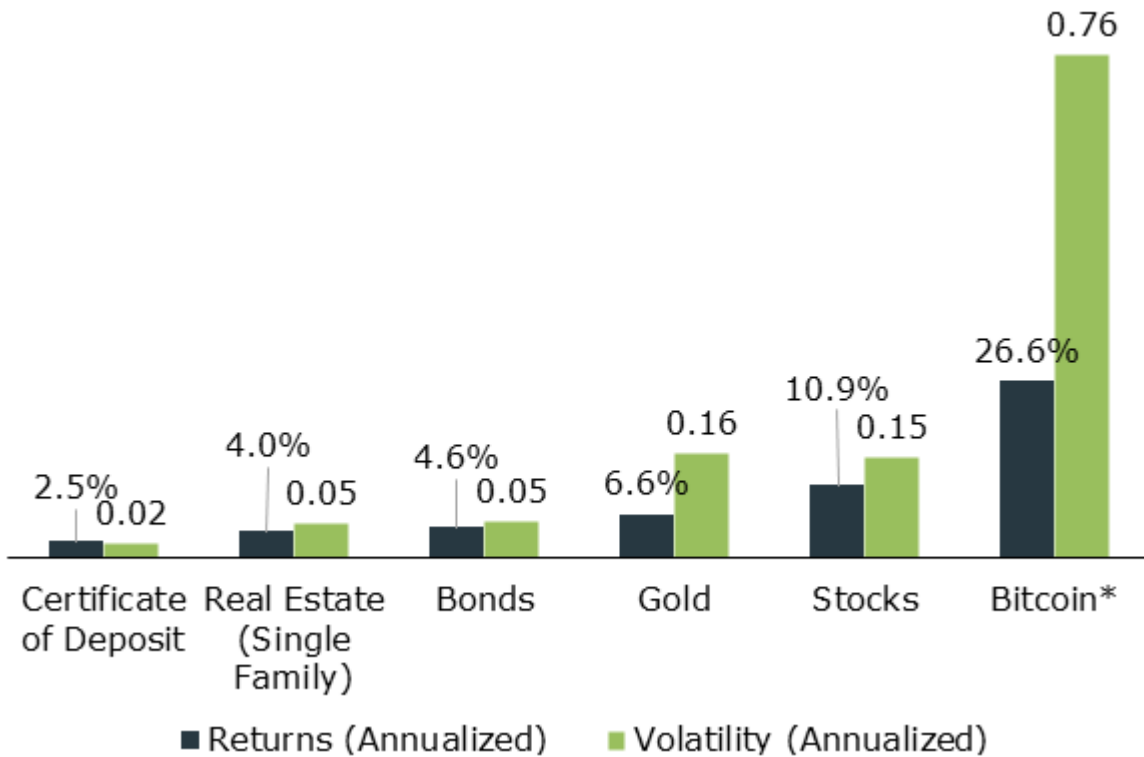
Bonds Get Little Love

Only 5% of respondents said [bonds](#) are the best long-term investment — remarkably, about the same share that picked [cryptocurrency](#), a highly volatile and unproven asset class.

Unlike crypto or [stocks](#), bonds, particularly high-quality bonds, offer investors a pretty steady ride. They tend to see less price appreciation than stocks do, but the tradeoff is greater price stability. Most bond types also come with the promise of a fixed stream of income (coupon payments) over time.

As they say, bonds can make it easier for an investor to sleep at night. But if your goal is building wealth, stocks can be seen as the fuel that powers your portfolio.

Asset Class Returns, 1995-2024



*Bitcoin returns provided by FactSet start in 2017. Source: Kestra Investment Management with data from FactSet, FRED, FDIC. Indices: Bloomberg US Aggregate (Bonds), S&P 500 (Stocks).

It's All Relative

If stocks have historically outshined other asset classes, why does their popularity appear to be waning? The answer has a lot to do with so-called recency bias — the tendency we all have to place greater importance on recent events than on older ones. Not surprisingly, Gallup notes that Americans' preference for stocks or mutual funds has historically declined during periods of market volatility.

Investment preferences are not only a function of when you ask about them, but who you ask. How investors feel about stocks can vary according to income levels or even political persuasion. Higher-income Americans, for instance, are the most-likely income group to favor stocks, according to Gallup. Those with lower incomes are more inclined to choose what Gallup calls “safer and more tangible” options, such as gold and savings accounts.

The Bottom Line

Outside of stocks, investors have lots of choice, and that's a good thing. It takes a variety of asset classes to build a diversified portfolio. But it's important to remember that stocks can be an important driver of wealth over the long term.

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