

INVESTING · RETAIL INVESTOR BEHAVIOR

Is Cash Still King for Retail Investors?

TU Research examines why investors keep cash outside markets, how long they are willing to wait, and whether a market correction would actually prompt them to invest.

41%

Hold at least 20% of investable assets
in cash

43%

Reserve some cash to buy at lower
prices

26%

Would invest significantly after a 10%
market decline

INSIDE THIS REPORT**01** Portfolio cash allocations**03** Waiting periods and barriers**05** Understanding opportunity costs**02** Why investors hold cash**04** Buying the next market dip**06** Triggers to invest more

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01 Executive Findings

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Cash provides liquidity and financial security, but prolonged allocations can also mean missed opportunities. The survey reveals a tension between protecting savings and waiting for market prices that feel safe enough to invest.

- 41% hold at least 20% of investable assets in cash; 17% hold 40% or more.
- 29% name market uncertainty as their main reason for holding cash; 24% cite emergency savings and security.
- 43% reserve at least some cash to buy assets at lower prices.
- Only 26% would invest a significant amount after a hypothetical 10% stock-market fall; 35% would wait for further losses or avoid investing.
- 28% cite fear of losses as the main barrier to investing more cash.
- 32% correctly identify the trade-off between cash stability and potential long-term investment growth.
- 25% say a clearer investment plan would most encourage them to reduce cash holdings.

02 Introduction & Research Questions

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Holding cash can be a deliberate way to cover emergencies, planned spending and near-term obligations. Yet cash kept indefinitely in anticipation of lower asset prices may also represent market timing. This report distinguishes necessary liquidity from investment capital delayed by uncertainty.

The research examines eight questions:

- How much cash do investors keep in their portfolios?
- Why do investors maintain substantial cash reserves?
- How long are investors willing to remain outside the market?
- What prevents them from investing more cash?
- Are investors holding cash to buy the next market dip?
- Would a 10% market correction prompt actual investment?
- Do investors understand the opportunity cost of holding cash?
- What would persuade them to reduce cash holdings?

03 Institutional Validation

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Institutional evidence suggests that cash preferences reflect liquidity needs, confidence, risk perception and expectations about returns.

BlackRock's December 2025 report, *Bridging the Gap: From Saving to Investing*, found that 62% of UK adults were not investing. Among regular cash savers, 36% believed investments could only be accessed with penalties or fees, 18% believed money was locked for a fixed period, and 21% were unsure about access. Misunderstandings about liquidity may therefore contribute to reluctance to invest.

Vanguard's 2023 study, *Cost Averaging: Invest Now or Temporarily Hold Your Cash?*, compared historical one-year outcomes. Lump-sum investing outperformed cost averaging 68% of the time; cost averaging beat staying in cash in 69% of periods, and lump-sum investing beat cash in 70%. These historical comparisons illustrate the potential opportunity cost of delay, without guaranteeing future results.

The FINRA Investor Education Foundation's National Financial Capability Study considers investment ownership, risk tolerance, financial knowledge and emergency savings. These dimensions matter when distinguishing prudent cash reserves from excessive caution.

04 Theoretical Framework

TU

Liquidity preference and loss aversion help explain why investors may favor cash even when they expect higher long-term returns from diversified assets. Cash feels accessible and stable; market investments introduce the possibility of visible short-term losses.

In Prospect Theory, Kahneman and Tversky describe reference-dependent decisions and the tendency for losses to carry more psychological weight than equivalent gains. Investors waiting for a correction may become even more reluctant to buy once prices actually fall, because uncertainty and perceived downside risk rise.

The key distinction is purpose: cash held for emergencies or imminent spending serves a different function from money held without a defined investment timeframe. An appropriate allocation depends on personal liquidity needs, risk capacity and investment horizon.

The study uses a structured online questionnaire based on CAWI methodology. The survey framework covers cash allocation, market timing, liquidity, financial confidence and reactions to hypothetical market declines.

- Sample: 1,520 retail investors who currently invest or trade financial assets.
- Regions: North America, Europe, Asia, Latin America, Africa and the Middle East.
- Age range: 18–60.
- Scope: cash and cash equivalents, including savings accounts, money-market funds and uninvested brokerage balances; routine monthly expenses are excluded.

Research team: Anastasiia Chabaniuk (research design and interpretation); Chinmay Soni (fact-checking and validation); Ciaran Ryan (editorial supervision); TU research team — Andrey Mastykin and Oleg Tkachenko (data collection and analysis).

The source document does not state a statistical confidence level or sampling margin of error for this study.

06 Survey Results

The following eight questions summarize the survey distributions. Percentages refer to respondents in the relevant question, and chart labels are condensed for readability.

How much cash do retail investors keep in their portfolios?

Share of investable financial assets held in cash or cash equivalents.

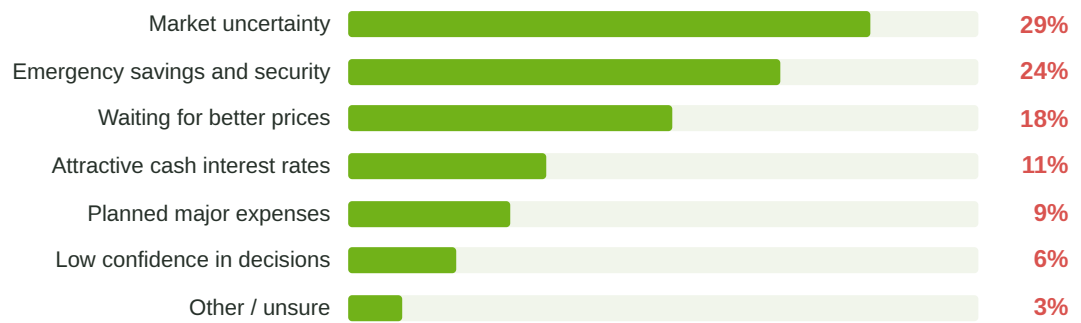


INSIGHT

41% hold at least 20% of their investable assets in cash, including 17% with allocations of 40% or more. High cash allocations can nevertheless be appropriate for investors with near-term liquidity needs.

Why do investors maintain substantial cash reserves?

Respondents selected their primary reason for keeping money in cash.

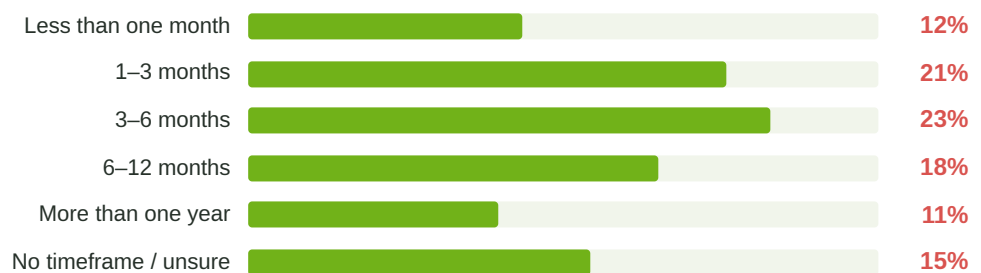


INSIGHT

Market uncertainty leads at 29%, while emergency savings and planned expenses together account for 33%. Cash preference is not solely a response to market pessimism.

How long are investors willing to keep money outside the market?

Expected waiting period for more favorable conditions before investing cash intended for investment.

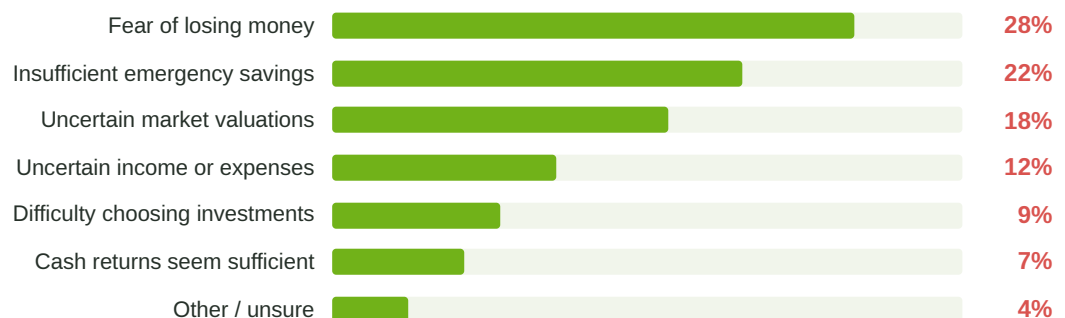


INSIGHT

29% would wait at least six months, and 15% have no defined timeframe. A temporary defensive allocation may become an indefinite strategy.

What prevents investors from investing more of their cash?

Most important obstacle to allocating additional cash to financial assets.

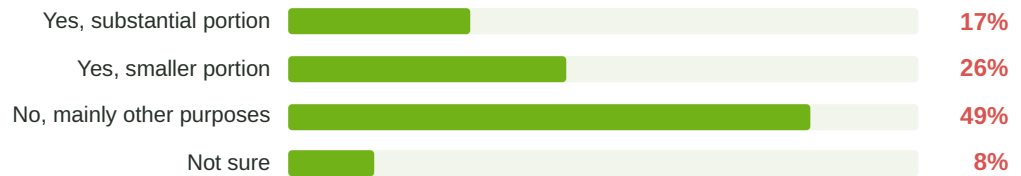


INSIGHT

Fear of losses is the largest individual barrier at 28%. Financial security concerns — insufficient emergency savings and uncertain finances — account for another 34%.

Are investors holding cash to buy the next market dip?

Whether cash is specifically reserved for purchasing assets if prices decline.

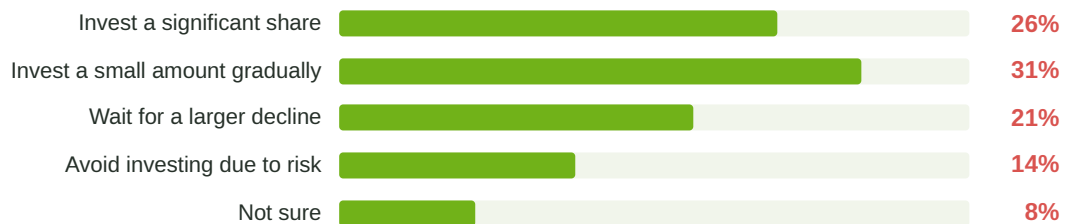


INSIGHT

43% reserve at least some cash for future buying opportunities, but only 17% say this represents a substantial part of their holdings.

Would investors actually buy after a 10% market decline?

Hypothetical response to a rapid 10% broad stock-market decline with personal finances unchanged.

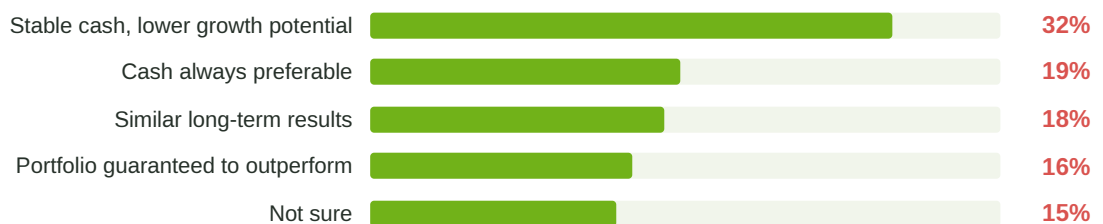


INSIGHT

Only 26% would invest a significant amount. A combined 35% would wait for a deeper decline or avoid investing, while 31% would invest gradually.

Do investors understand the opportunity cost of holding cash?

Hypothetical ten-year comparison: cash earns 3% annually; a diversified portfolio averages 6%. These assumptions test understanding, not forecast returns.

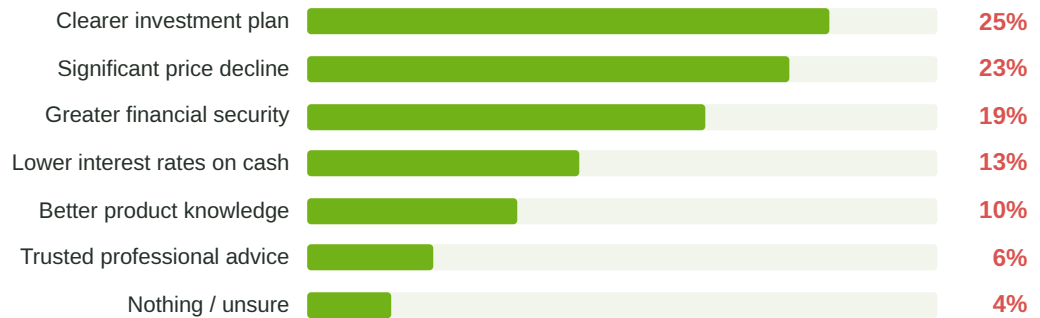


INSIGHT

32% identify the trade-off correctly. Other answers indicate misunderstanding, unrealistic expectations or uncertainty about risk and long-term growth.

What would persuade investors to reduce their cash holdings?

Single factor most likely to encourage investment of a larger share of available cash.



INSIGHT

A clearer investment plan leads at 25%, just ahead of a significant market decline at 23%. Planning and confidence may matter as much as market timing.

07 Practical Implications

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Cash can protect financial stability, but large balances without a defined purpose may reduce long-term growth opportunities. The objective is not to eliminate cash but to match it to actual needs.

- Separate emergency reserves and near-term spending from long-term investment capital.
- Define why each cash allocation is held: liquidity, planned purchases, risk control or future opportunities.
- If waiting for a correction, set a clear decision rule rather than an indefinite target.
- Assess cash yields after inflation, taxes and fees against appropriate investment alternatives.
- Understand differences between savings accounts, money-market funds and brokerage cash balances.
- Match cash allocations to time horizon and ability to withstand market fluctuations.
- Consider a predefined gradual investment schedule when lump-sum investing feels uncomfortable.
- Review cash holdings regularly as circumstances and goals change.

Access to markets, account requirements and transaction costs may affect implementation, but choosing a broker does not resolve underlying allocation decisions.

08 Data Sources & References

TU

- BlackRock (2025). Bridging the Gap: From Saving to Investing.

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