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CHASING PROFITS, LOSING PEACE? THE PSYCHOLOGY OF PASSIVE VS. ACTIVE RETAIL INVESTING IN SWEDEN

A QUANTITATIVE STUDY ON PASSIVE TRADING VS. ACTIVE TRADING EFFECTS ON SUBJECTIVE WELL AND ILL-BEING AMONG SWEDISH RETAIL INVESTORS

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Abstract

This study examines the psychological effects of passive versus active investing on subjective well-being and ill-being among Swedish retail investors. While the financial outcomes of these strategies are well-documented, their emotional consequences have received relatively little scholarly attention. Drawing on behavioral finance, prospect theory, and financial literacy, we develop hypotheses linking investment style to emotional outcomes via three psychological mechanisms: fear of missing out (FoMO), portfolio monitoring frequency, and financial literacy.

Using a quantitative survey of 1,029 respondents, the study investigates how investment strategy (whether active or passive) influences happiness, purposefulness, stress, and risk perception. Active investors engage in frequent portfolio adjustments, aiming to outperform the market through strategies like stock picking and timing, while passive investors adopt a long-term, hands-off approach, typically investing in index funds or ETFs that track market performance.

Our findings reveal that active investors experience significantly higher ill-being and susceptibility to FoMO, compared to passive investors. Active investors also monitor their portfolios more frequently, a behavior contributing to higher levels of ill-being. Active investors report higher levels of self-assessed financial literacy, which correlates with greater subjective well-being. However, objective financial literacy scores show no such difference. The results highlight a clear divergence in psychological outcomes between active and passive investors.

This study contributes to the growing literature on investing and well-being. These findings have practical implications for investors, financial advisors, and fintech platforms, highlighting the importance of balancing financial performance with emotional resilience in investment decisions.

Key words: *Active Investing, Passive Investing, Subjective Well-Being (SWB), Ill-Being, Retail Investors, Behavioral Finance, Fear of Missing Out (FoMO), Portfolio Monitoring, Financial Literacy, Stress, and Happiness*

Table of Contents

1. Introduction

Have you ever wondered whether being actively involved in your investments just adds unnecessary stress? This question is becoming increasingly relevant as more people enter the world of investing. Today, retail investing isn't exclusive to financial experts or wealthy individuals; it's a widespread phenomenon accessible to nearly everyone.

Investors can broadly be categorized into two types: active and passive. Active investors frequently adjust their portfolios, aiming to outperform the market through strategies such as stock picking and market timing (Chen, 2020). In contrast, passive investors follow a long-term approach with minimal portfolio adjustments, typically investing in index funds or ETFs that track market indices (Chen, 2025). This distinction is not only financial but may also have implications for investors' psychological well-being. In this study, active investors are defined as those who report using either active or mixed strategies, while passive investors are limited to those who exclusively follow a passive approach. This practical grouping focuses on the degree of behavioral engagement in managing investments.

In a world characterized by economic uncertainty and market volatility, understanding how investment strategies impact our mental health becomes critical. Does actively managing investments contribute positively to feelings of happiness? Or does the constant monitoring of markets and frequent decision-making lead to more stress?

Our study investigates these very questions. By examining the emotional experiences of Swedish retail investors, we aim to uncover which investor group type experiences more subjective well-being and ill-being with the research question, “How does investment strategy (passive vs. active) affect subjective well-being and ill-being among Swedish retail investors.”

1.1 Background

To claim that modern life is stressful would be the understatement of a decade. Research indicates that by the 1980s, typical children scored higher on anxiety scales than child psychiatric patients did in the 1950s, reflecting a dramatic rise in societal anxiety over time (American Psychological Association, 2000). This trend persists today, with stress becoming so pervasive that many now require time off work to manage it (Ipsos, 2024).

These stress-related challenges are part of a broader worsening of mental health issues. Mental health concerns have grown increasingly prevalent, leading some experts to label the situation a crisis (Centers for Disease Control and Prevention, 2024). While numerous factors contribute to this phenomenon, exploring them all falls outside the scope of this study. Instead, we focus on a common yet under-researched activity that may significantly influence mental health: Stock Market Participation.

Historically, stock trading was an exclusive domain reserved for wealthy businessmen, professional investors, and financial institutions (Michie, 2011). In recent years, however, retail investors, defined as “ordinary individuals trading in smaller quantities”, have entered the market in growing numbers (Hayes, 2020; Hagströmer, 2023). In Sweden alone, over 2 million individuals own shares in Swedish companies, meaning that nearly one in five people have direct equity ownership, on top of their indirect investments through mutual funds and pension savings (The Swedish Securities Market Association, 2021). In fact, pension savings mean that most people are investors in one way or another. Globally, stock market participation varies, with around 58% of adults in the U.S. and nearly 30% in Japan invested in equities, reflecting a growing trend of individual involvement in financial markets across developed economies (Precize , 2024). As the number of investors grows, so does the significance of understanding the psychological consequences associated with different investing strategies.

A well-known stereotype paints finance professionals as perpetually stressed, even to the point of losing their hair. While we cannot verify that claim, research confirms that professional investors frequently endure high stress levels (Oberlechner and Nimgade, 2005).

Also, as more people engage with investing, the psychological consequences of these behaviors have come under increasing scrutiny. Discussions in Swedish media, particularly following the market downturn after the US announced reciprocal tariffs in April of 2025, have highlighted how portfolio losses can impact mental well-being, sparking a broader conversation about the emotional toll of investing (Ritzén, 2025). Such concerns are supported by empirical evidence, as the 2008 stock market crash significantly worsened mental health outcomes, underscoring the psychological risks associated with investing (McInerney et al., 2013).

1.2 Purpose & Contribution

Given that stress significantly affects overall quality of life, particularly from a well-being perspective, this research provides valuable insights not only for individual investors looking to balance their financial goals with emotional well-being but also for financial advisors seeking to offer guidance that goes beyond profits to consider peace of mind. (Parsaei et al., 2020).

Previous research has shown that exposure to stocks in a turbulent market significantly increases anxiety levels (Qin et al., 2019). However, surprisingly little attention has been given to how different styles of investing, passive versus active, impact stress levels overall. A study found a strong positive correlation between happiness and stock market participation in China, though their study highlights that causality remains unclear: happiness may influence stockholding, or stock returns may influence happiness (Rao, Mei and Zhu, 2014).

Moreover, much of the existing literature focuses on wealth as a determinant of happiness or ties emotional outcomes to portfolio performance. Yet few, if any, studies have sought to isolate the psychological effects of investing itself, independent of financial success or

failure. This leaves an important gap at the intersection of psychology and finance, not in the pursuit of profit-maximizing strategies, but in understanding how different strategies in the stock market influences emotional well-being and ill-being.

1.3 Research Focus

To address this gap, this study investigates how different investment styles relate to emotional well-being and ill-being. Specifically, our central research question is “How does investment strategy (passive vs. active) affect subjective well-being and ill-being among Swedish retail investors.”

The research is based on a quantitative survey, distributed online through a third-party company, helping to find a wide representative sample of Swedish retail investors. The hypotheses derived from these questions will be presented in the theoretical framework, after a deeper discussion of the underlying psychological and financial theories.

1.4 Delimitation

This study establishes several key delimitations to ensure clarity, focus, and methodological consistency. First, the research is geographically and demographically delimited to Swedish residents aged 18 and older. While participants may hold international assets, the scope of analysis is limited to the psychological effects of investment behavior among residents of Sweden.

Second, although the survey collects data on a broad range of asset types, including cash holdings, cryptocurrencies, property, and alternative investments, the focus of the analysis is limited to traditional financial securities, namely stocks and bonds. The exclusion of non-traditional assets from the core analysis allows for greater interpretability and consistency across respondents.

Third, the study's conceptual framework for subjective well-being (SWB) is delimited to four central psychological constructs: happiness and purposefulness as dimensions of well-being, and stress and risk-taking as dimensions of ill-being. The study investigates both positive and negative emotional states, recognizing that the absence of ill-being does not necessarily imply the presence of well-being. While the broader SWB literature encompasses a wide range of psychological constructs, the selected dimensions offer a meaningful balance between conceptual clarity and analytical depth, particularly in the context of retail investing.

1.5 Disposition

The structure of this thesis is as follows. Section 5 presents the theoretical framework, covering subjective well-being, behavioral finance, prospect theory, and financial literacy, which together form the basis for our hypotheses. Section 6 describes the methodology, including research design, survey construction, and measurement of key variables. Section 7 outlines the empirical results, organized around the six hypotheses. Section 8 provides a discussion of the findings in relation to prior research, with a focus on the psychological mechanisms linking investment strategy to emotional outcomes. Section 9 concludes the report by summarizing the main findings and contributions. Finally, Section 10 addresses the study's limitations and outlines suggestions for future research.

2. Theoretical Framework

2.1 Subjective Well-being (SWB): Why Feeling Good (or Bad) Matters for Investors

2.1.1 From Foundations to Fulfillment: What SWB Really Means

Subjective well-being (SWB) refers to how individuals evaluate their own lives in emotional and cognitive terms. Pioneered by Ed Diener, the construct of SWB encompasses three

primary components: life satisfaction, positive affect (such as happiness), and low levels of negative affect (such as stress). These evaluations are inherently subjective, meaning they depend not on objective life circumstances alone, but on individuals' assessments of how their lives are going (Diener, 1984).

Diener emphasized that SWB is not merely the presence of pleasurable experiences, but also the absence of negative experiences. This distinction allows researchers to understand well-being not just as a clinical or health-based concept, but as a broader psychological state grounded in self-perception.

2.1.2 Beyond Happiness: The Evolution of Well-being Research

Since its early conceptualization, SWB has undergone significant development in the academic literature (Diener, 2000; Waterman et al., 2010; Das et al., 2020; Diener et al., 2018a; Diener et al., 2018b). A major expansion has come through the differentiation between hedonic well-being, which focuses on happiness and the experience of pleasure, and eudaimonic well-being, which emphasizes purpose, meaning, and personal growth (Ryan and Huta, 2009; Huta and Ryan, 2010). This distinction is particularly well-articulated in the work of Ryan and Deci, who argue that well-being is not only about feeling good, but also about functioning well and experiencing a sense of purpose and autonomy (Ryan and Deci, 2001).

2.1.3 Measuring What Can’t Be Seen: Capturing Well-being in Data

Regarding the validity of measuring SWB, research has shown that people can make quick and accurate evaluations of their satisfaction in surveys (Diener et al., 1999). It's also proven that people can rate their happiness and meaningfulness without confusion (Dahlen and Thorbjørnsen, 2022)

While no single metric fully captures the complexity of SWB, standardized measures have been developed and widely adopted in empirical research (Hills and Argyle, 2002; Cheung and Lucas, 2014; Linton et al., 2016; OECD, 2013a; OECD, 2013b). Commonly used tools

include single-item life satisfaction scales, domain-specific happiness ratings, and comparisons to social reference groups (Mohammed and Warner, 2023; Fugl-Meyer et al., 1991; Diener et al., 1999).

Building on these established methodologies, the study tailors its well-being and ill-being assessment to the investment domain, focusing specifically on general and strategy-related affective states.

2.1.4 Investing in Meaning: Happiness and Purpose in Financial Decisions

Two dimensions of SWB are especially relevant in the context of this study: happiness and purposefulness.

Within the SWB literature, happiness is typically regarded as the experience of positive affect combined with satisfaction in specific life domains (Ryan and Deci, 2001). In financial contexts, this may reflect the emotional gratification derived from achieving goals, making successful decisions, or feeling secure in one's investment approach. Active investors, for instance, may experience elevated happiness when their strategic decisions yield favorable outcomes, while passive investors may derive contentment from a sense of long-term financial stability.

Purposefulness, on the other hand, relates more closely to eudaimonic well-being. It captures the feeling that one's actions are intentional, meaningful, and self-directed. This dimension is particularly pertinent to active investors who engage more frequently in decision-making processes, portfolio management, and strategic planning. The effort invested in these activities may foster a greater sense of personal agency and involvement, which, according to eudaimonic theory, enhances well-being (Ryan and Deci, 2001).

2.1.5 The Hidden Costs: Stress, Risk, and the Dark Side of Investor Well-being

While much of the subjective well-being literature focuses on the presence of positive affect and life satisfaction, Diener and subsequent scholars have emphasized that true well-being

also entails the relative absence of negative affect (Diener et al., 1999; Diener and Chan, 2011; Ryan and Deci, 2001). Emotional states such as anxiety, fear, and stress are crucial components in understanding an individual's overall evaluation of life quality. In financial contexts, where uncertainty and high stakes are inherent, the measurement of negative emotions becomes particularly relevant.

Stress is widely recognized as a key negative affective state that detracts from well-being (Schneiderman et al., 2005; Thoits, 2010). In the domain of investing, stress may arise from market volatility, fear of loss, or the cognitive burden associated with managing financial decisions. Elevated stress levels can undermine both hedonic happiness and eudaimonic purposefulness, thereby negatively impacting overall SWB (Ryan and Deci, 2001).

Beyond stress, perceived risk also functions as a critical source of negative affect in financial decision-making. Although risk is often conceptualized in economic models as an objective probability of loss (Markowitz, 1952), psychological research highlights that individuals subjectively experience risk as an emotional burden characterized by worry, fear, and uncertainty (APA PsycNet Direct, 2001; Slovic, 1987).

Given that both stress and perceived risk are salient emotional experiences for investors, this study integrates measures of these negative affective states alongside assessments of happiness and purposefulness. This holistic approach aligns with foundational SWB theory by recognizing that well-being is determined not solely by the presence of positive emotions but equally by the absence of negative emotions, which we've defined holistically as 'ill-being'.

2.2 Fear of Missing out and Comparison Theory: Why We Don't Always Act Rationally with Money

Behavioral finance integrates psychological insights into the study of investor behaviors, challenging traditional economic assumptions of purely rational decision-making (Hirshleifer, 2015; Kumar, 2017; Barberis and Thaler, 2003). This perspective is crucial for understanding

how cognitive biases and emotional influences contribute to subjective well-being outcomes among retail investors.

2.2.1 Social Traps and Emotional Costs: FoMO, and Investor Stress

Investment decisions are rarely made in isolation; they are deeply shaped by social influences. Concepts such as the Fear of Missing Out (FoMO), and social comparison theory provide key insights into how different investment strategies may lead to diverging emotional outcomes, particularly in terms of stress and perceived risk.

2.2.2 Herding: The Comfort of Following the Crowd

Herding behavior refers to the tendency to follow the decisions of others rather than relying solely on independent judgment (Bikhchandani and Sharma, 2001; Spyrou, 2013; Hayes, 2022). In financial contexts, this often manifests as investing in widely popular instruments or following perceived trends. For passive investors, herding may function as a form of social validation, reducing perceived individual responsibility. Placing trust in index or mutual funds that track the market can create a sense of alignment with collective wisdom and reduce emotional strain (Barber et al., 2009). This may not only lower stress but also diminish perceived risk, as investors feel buffered by consensus.

2.2.3 FoMO: The Fear That Fuels Risky Decisions

Active investors adopt more autonomous, self-directed approaches that expose them to greater emotional and cognitive pressure. A key psychological mechanism here is FoMO, the fear that others are benefiting from opportunities one is missing out on (Gupta and Sharma, 2021). In investing, FoMO is linked to impulsive trading, prioritizing short-term gains, and overexposure to risk (Idris, 2024). This behavior is often fueled by social media and peer comparisons, where the perceived success of others triggers emotional volatility and poor decision-making (Sezen Güngör et al., 2022). While some evidence suggests that access to

factual financial data may reduce FoMO's impact, its influence on emotional well-being, especially stress and risk-taking among active investors, remains a relevant concern for understanding investment-related psychological outcomes.

2.2.4 Social Comparison: Why Active Investors Face More Emotional Pressure

Both herding and FoMO are grounded in Social Comparison Theory (Festinger, 1954), which posits that individuals assess their status, performance, and decisions by comparing themselves to others. While passive investors may draw comfort from aligning with a majority or a perceived rational market, active investors are more frequently subject to performance-based comparisons and status anxiety (Merkle et al., 2015). This makes them more susceptible to both stress and risk-prone behaviors, ultimately undermining subjective well-being.

Based on these insights, we propose the following hypotheses:

- H1: Active investors (vs. passive investors) are more prone to experience Fear of Missing Out (FoMO), measured by the self-reported frequency of making investments primarily due to the fear of missing out on opportunities that others seem to be exploiting.
- H2: Active investors (vs. passive investors) report higher levels of ill-being, measured as higher stress, and greater risk.

2.3 Prospect Theory: Why Losses Hurt More Than Gains

Prospect Theory is a foundational framework in behavioral economics that explains how individuals evaluate potential outcomes under conditions of uncertainty (Kahneman and Tversky, 1979). One of its most prominent components is loss aversion, the observation that losses loom larger than gains. In other words, the emotional impact of losing a certain amount of money is stronger than the pleasure of gaining the same amount, typically by a factor of

2–2.5 (Tversky and Kahneman, 1991). This cognitive bias leads individuals to behave asymmetrically in the face of gains versus losses, often resulting in overly cautious or emotionally charged decisions.

In the context of retail investing, loss aversion has direct implications for investor well-being, especially among active investors who engage in active portfolio management. These individuals are more likely to monitor their portfolios frequently and respond to short-term market fluctuations (Aramonte and Avalos, 2021). While such fluctuations may be minor or insignificant over the long term, from a psychological standpoint, each dip can be interpreted as a personal financial loss, triggering stress.

2.3.1 Negativity Bias and the Peak-End Rule: How Memory Amplifies Stress

Cognitive psychology offers further insight into the emotional toll of these experiences. According to negativity bias, negative events, such as perceived financial losses, are remembered more vividly and weigh more heavily on emotional memory than positive or neutral events (Baumeister et al., 2001; Soroka et al., 2019). This means that even temporary downturns can leave lasting emotional imprints, affecting future investment behavior and risk tolerance. Additionally, Kahneman's peak-end rule suggests that people judge experiences not based on the average, but on their most intense (peak) and final (end) moments (Kahneman et al., 1993; Alaybek et al., 2022). Since market volatility often includes emotionally intense downturns, these peak negative experiences can disproportionately shape an investor's memory and perception of risk.

2.3.2 Behavioral Consequences: Why Active Investors Experience Greater Psychological Pressure

Thus, loss aversion not only skews decision-making but also contributes to emotional strain, especially in volatile markets. This is particularly relevant for active investors, who may face greater psychological pressure as a result of their hands-on approach. In contrast, passive investors, who typically adopt long-term strategies and monitor their portfolios less

frequently, are less exposed to short-term losses and the accompanying emotional consequences, potentially buffering their overall stress levels.

Based on these theoretical insights and their implications for investor behavior and emotional outcomes, we propose the following hypotheses to guide the empirical analysis:

- H3: Active investors (vs. passive investors) monitor their investments more frequently, measured by self-reported portfolio check frequency (High vs Low).
- H4: Investors who monitor their portfolios more frequently report more ill-being, measured as higher stress, and greater risk.

2.4 Financial Literacy and Its Link to Well-Being

Financial literacy, defined as 'a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being' (OECD, 2020), serves as a foundational pillar for sound financial decision-making. Financial literacy is typically established using a quiz of financial knowledge questions but can also be assessed by being asked to self-assess their own knowledge (Kramer, 2016).

A well-established finding in behavioral finance research is the strong positive correlation between financial literacy and financial well-being (Joo and Grable, 2004). Individuals with higher levels of financial knowledge are more likely to budget effectively, save or invest prudently, and exercise self-control, practices that directly enhance financial well-being (Bai, 2023). These behaviors not only improve objective financial outcomes but also reduce financial stress and foster a greater sense of security, further contributing to emotional well-being (Taft et al., 2013).

Financial well-being has been established as a critical component of broader subjective well-being across multiple life stages. Research demonstrates that perceived financial well-being, comprising both reduced current money-related stress and greater future financial

security, predicts overall well-being at levels comparable to other major life domains (Netemeyer et al., 2017). These effects persist even after controlling for actual income and extend to specific populations, with young adults' financial well-being showing significant relationships to life satisfaction, academic success, and both psychological and physical health (Shim et al., 2009).

2.4.1 Why Active Investors Report Higher Financial Knowledge

Active investing involves regularly analyzing markets, making frequent trading decisions, and responding to economic shifts. This approach requires a greater time commitment, deeper engagement with market data, and more tactical maneuvering compared to passive investing, which typically follows a long-term, buy-and-hold strategy with minimal intervention (Investopedia, 2023). This heightened involvement likely cultivates not only genuine expertise but also a stronger perception of financial acumen. Active investors, therefore, may naturally view themselves as more knowledgeable simply because their strategy demands continuous learning and participation. Studies support this by showing that investors who consider themselves more knowledgeable tend to trade more actively (Barber and Odean, 2011). There is also a link between overconfidence and increased trading activity (Glaser and Weber, 2007). Trading activity is a characteristic of an active investor by the definition we provide.

Building on this, we formulate the following two hypotheses:

- H5: Investors who report higher levels of financial literacy, measured through both self-assessed financial knowledge and objective financial literacy questions also report higher levels of subjective well-being, measured as greater happiness and a stronger sense of purpose in life.
- H6: Active investors (vs. passive investors) report higher levels of financial literacy, measured through self-assessed financial knowledge and objective financial literacy questions.

3. Methodology

This study assumes that social phenomena such as investment behavior and emotional states can be measured objectively. It follows a deductive approach, using established psychological and behavioral theories to develop hypotheses about how different investment strategies relate to emotional well-being.

To test these hypotheses, the study employs a combination of quantitative methods. Initial analyses, including bivariate tests (e.g., chi-square), are used to explore associations between key variables. To account for potential confounding effects of demographic and experiential factors, additional multivariate regression analyses are conducted. Depending on the nature of the dependent variable, both linear (e.g., for well-being, subjective literacy) and logistic (e.g., for FoMO, high objective literacy) regressions are used. Each model includes relevant independent variables and the following controls: age, gender, income, education, employment status, investment experience, economic arrangement, and decision-making type. This design strengthens the validity of the findings by isolating the relationships of interest within a non-experimental framework.

3.1 Research Design

A quantitative, cross-sectional survey design was employed to investigate the relationship between investment strategy and emotional well and ill-being among Swedish retail investors (see appendix 1). The cross-sectional approach enables simultaneous measurement of investment style, portfolio behavior, and subjective well-being at a single point in time, providing a snapshot of their interrelationships.

Hypotheses were derived from established theories and were tested empirically using statistical methods. As data were collected anonymously without experimental manipulation, the results indicate associations rather than causal effects.

Prior to distribution, the questionnaire was pilot-tested with 15 respondents to assess clarity, logical flow, and technical functionality. Minor revisions were implemented based on feedback.

3.2 Sampling and Recruitment

The target group consisted of Swedish retail investors aged 18 and above. Participants were recruited through Norstat, a professional survey provider offering access to a nationally representative panel. The nationally representative sample ensured diversity across age, gender, and geographic location, enhancing generalizability.

Respondents who reported no investment activity were excluded to maintain relevance to the study's focus on investment behavior. Only individuals actively or passively engaged in personal investment decisions were included in the analysis. Informed consent was obtained before participation, and all participants retained the right to withdraw at any time.

A control question check item 5.1 was included to ensure data quality. Only responses passing this check were retained for analysis. In addition, investment strategy type was recorded into a binary variable: passive investors versus active investors, where active were comprised of participants who answered both "active investing" and "a combination". The final sample consisted of 1029 respondents.

Before conducting any further analyses, we began by examining the characteristics of our sample without applying any modifications.

3.2.1 Table 1: Age Distribution of Respondents

Category	Count	Percent
Under 30 years	165	16.0%

30–39 years	200	19.4%
40–49 years	154	15.0%
50–59 years	170	16.5%
60–69 years	146	14.2%
70–99 years	194	18.9%
Total	**1029**	**100.0%**

Table 1 displays the age distribution. The sample included a wide range of age groups, with the largest proportions found in the 30–39 (19.4%) and 70–99 (18.9%) age brackets. Younger investors under 30 years accounted for 16.0%, while those aged 50–59 and 40–49 made up 16.5% and 15.0%, respectively, indicating a balanced representation across both younger and older investor segments.

3.2.2 Table 2: Occupational Status

Category	Count	Percent
Student	78	7.6%
Part-time employee	78	7.6%
Full-time employee	512	49.8%
Business Owner	33	3.2%
Pensioner	288	28.0%
Unemployed	40	3.9%
Total	**1029**	**100.0%**

Table 2 presents the respondents' occupational status. Half (49.8%) were fully employed, while retirees constituted a notable 28.0% of the sample. Students and part-time employees each made up 7.6%, with smaller proportions of self-employed (3.2%) and unemployed individuals (3.9%).

3.2.3 Table 3: Educational Level

Category	Count	Percent
Elementary school	94	9.1%
High school	447	43.4%
College/University education	474	46.1%
Postgraduate education	14	1.4%
Total	**1029**	**100.0%**

As shown in Table 3, educational attainment was relatively high among the respondents. A majority (46.1%) had completed a university or college degree, while 43.4% had finished upper secondary education. Only 9.1% reported primary education as their highest level, and a small share (1.4%) had completed doctoral studies.

3.2.4 Table 4: Economic Arrangement

Category	Count	Percent
Shared economy	427	41.5%
Independent Economy	602	58.5%
Total	**1029**	**100.0%**

Regarding financial arrangements, 58.5% of respondents managed their finances independently, while 41.5% shared finances with someone else.

3.2.5 Table 5: Decision-Making Type

Category	Count	Percent
Joint decision-making	468	45.5%
Independent decision-making	561	54.5%
Total	**1029**	**100.0%**

In terms of decision-making, 54.5% made investment decisions independently, and 45.5% did so jointly.

3.3 Measures

The survey operationalized the study's theoretical frameworks using a combination of psychometrically supported scales and behaviorally relevant single-item measures. Each construct was directly linked to the hypotheses outlined in Sections 5.2–5.5, ensuring transparency in how theoretical assumptions were translated into empirical tests.

3.3.1 Grouping by Investment Strategy

Investment strategy was measured using item Q1.3, in which participants selected the option that best described their investment behavior. The response options included: (1) active investing, (2) passive investing, and (3) a combination of both. For analytical purposes, responses were recoded into a binary variable: passive investors (code 0) included only those who selected option 2, while active investors (code 1) included both active and hybrid investors (options 1 and 3, respectively). This categorization was designed to reflect a distinction between investors who engage in frequent or strategic adjustments to their

portfolios and those who follow a more long-term, hands-off approach. Practically, it also ensured a sufficiently large comparison group for meaningful statistical analysis.

Additionally, respondents who reported not investing at all (based on item Q1.1) were excluded from all analyses involving investment strategy. This ensured that all comparisons related to financial literacy and well-being were made solely among individuals with participation in financial markets.

3.3.2 Fear of Missing Out

To test H1 (Active investors are more prone to experience Fear of Missing Out (FoMO) than passive investors), we measured FoMO using a self-reported behavioral item linked to impulsive investment decisions triggered by social comparison, consistent with behavioral finance theory.

Specifically, respondents answered Item 1.5: "Have you ever made an investment primarily because of the fear of missing out on an opportunity?" Response options were recoded into a binary variable (0 = No, never; 1 = Yes, once or Yes, multiple times). This binary variable was used in a chi-square test to compare FoMO prevalence between passive and active investors, directly addressing H1.

3.3.3 Ill-Being

To test H2 (Active investors report higher levels of ill-being compared to passive investors) and H4 (Investors who monitor their portfolio more frequently report higher ill-being), ill-being was operationalized through an aggregated ill-being index, reflecting the emotional toll of investing, as theorized in behavioral finance and prospect theory.

The index combined the following components:
Stress responses: Item 2.3.1: General stress, Item 2.3.2: Strategy-induced stress, Item 2.3.3: Stress trends in 2024, Item 2.3.4: Volatility-triggered stress, Item 3.3: Recession-related stress

Risk perception: Item 2.4.1: General risk tolerance, Item 2.4.2: Comfort with investment risk

All items were measured on a 1–10 scale (1 = Not at all, 10 = Very much), except for Item 3.3 (1–7 scale), which was rescaled linearly to align with the 1–10 range for aggregation. Item 2.3.1 was reverse-coded so that higher scores consistently reflect greater stress, aligning with the direction of the other measures.

The resulting index demonstrated acceptable internal consistency (Cronbach's alpha = .596). Although slightly below the conventional threshold of .60, it was retained due to its theoretical alignment with the emotional outcomes central to H2 and H4.

3.3.4 Portfolio Monitoring Frequency

To test H3 (Active investors monitor their portfolios more frequently than passive investors), we measured monitoring frequency using self-reported portfolio check-ins.

This was assessed with: Item 1.4: "How often do you check your investment portfolio?" Response options ranged from "Several times a day" to "Less than once a month." To align with the hypothesized vigilance difference between active and passive investors, responses were recoded into a binary variable:

- High frequency: Several times a day, Once a day
- Low frequency: A few times a week, Once a month, Less than once a month

This binary measure was directly used in chi-square tests to assess the behavioral engagement differences predicted in H3.

3.3.5 Subjective Well-Being

To test H5 (Active investors report higher subjective well-being compared to passive investors), we used a well-being index capturing both affective and cognitive components of well-being, as theorized to differ by investment strategy.

The index included: Item 2.1.1: Overall life satisfaction, Item 2.1.2: Peer-relative happiness, Item 2.1.3: Perceived positive impact of investment strategy, Item 2.2.1: Sense of purpose / proximity to ideal life. All items were measured on a 1–10 scale (1 = Not at all, 10 = Very much).

These combined into a subjective well-being index with acceptable internal consistency (Cronbach's alpha = .668), providing a theoretically grounded and reliable measure to test differences predicted in H5.

3.3.6 Financial Literacy

To evaluate Hypotheses 5 and 6, financial literacy was measured using both self-assessed and objective components. Self-assessed financial literacy was measured through item Q3.4, where participants rated their perceived financial knowledge on a 10-point scale (1 = "Starter," 10 = "Very Experienced"). Objective financial literacy was measured through three multiple-choice items adapted from standardized financial literacy assessments: Item 3.5: Assessed understanding of compound interest, Item 3.6: Tested inflation comprehension, and Item 3.7: Evaluated diversification risk (Finansinspektionen, 2023).

Each correct answer was coded as 1 (correct) or 0 (incorrect), and a composite score (range: 0–3) was created by summing the correct responses. A binary variable was then created to distinguish participants who answered all three questions correctly ("high financial literacy") from those who answered one or more incorrectly ("low financial literacy").

This reflects the simplicity of the questions, which were intentionally designed to assess basic financial understanding where according to Finansinspektionen's 2020 national study, approximately 90% of respondents correctly answered each of these basic financial literacy items (Finansinspektionen, 2023). Further, since over 72% of participants answered all items correctly, any alternative cutoff (e.g., ≥2) would have produced a disproportionately small comparison group, reducing statistical power. Therefore, the 3-vs-<3 grouping offers a more meaningful and interpretable contrast for hypothesis testing.

For Hypothesis 5, the association between self-assessed financial literacy and well-being was tested using a Pearson correlation, based on the assumption of interval scale and approximate normality. Additionally, an independent samples t-test was conducted to compare well-being scores between participants who achieved perfect scores on the objective literacy items and those who did not.

For Hypothesis 6, independent samples t-tests were conducted to compare the two investment strategies on both self-assessed and objective financial literacy scores, where the objective literacy items were between participants who achieved perfect scores on the objective literacy items and those who did not.

3.4 Ethical Considerations

This study adhered to ethical principles following academic research standards. Again, the survey was distributed via Norstat who follow the ICC/ESOMAR International Code on Market and Social Research, which emphasizes voluntary participation, informed consent, and the right to withdraw at any time (Norstat, 2023). The data gathered was used exclusively for academic purposes and handled under GDPR (General Data Protection Regulation) to protect participants' privacy and ensure responsible data management (Norstat, 2023).

Moreover, the questionnaire was designed to minimize any risk of discomfort or harm. Questions related to psychological well-being were framed in a neutral and non-invasive manner.

4. Analysis & Results

This section presents the results from the survey. The results are organized around the order of the hypotheses.

4.1 Hypothesis 1 & 2

4.1.1 Table 6: FoMO Prevalence by Investment Strategy (H1)

FoMO Experience	Passive (n = 483)	Active (n = 256)
No FoMO	339 (70.2%)	89 (34.8%)
Experienced FoMO	144 (29.8%)	167 (65.2%)

The chi-square test revealed a highly significant association between investment strategy and FoMO behavior, $\chi^2(1) = 92.80$, $p < .001$. As shown in Table 6, 29.8% of passive investors reported experiencing FoMO, compared to 65.2% of active investors.

A multivariate binary logistic regression (see appendix 2) confirmed that active investors were significantly more likely to report FoMO than passive investors where (OR = 4.54, 95% CI [3.13, 6.58], b = 1.51, $p < .001$). Additionally, younger participants (b = –0.042, $p < .001$), men (b = –0.99, $p < .001$), and self-employed individuals (b = 1.39, p = .027) were significantly more likely to report FoMO. No consistent differences emerged across education or income levels.

4.1.2 Table 7: Ill-being Index by Investment Strategy (H2)

Group	Mean	Std. Dev.	N
Passive Investors	4.73	1.32	483
Active Investors	5.10	1.28	256

Table 7 compares ill-being scores between passive and active investors. An independent samples t-test revealed that active investors (M = 5.10, SD = 1.28, n = 256) reported significantly higher ill-being than passive investors (M = 4.73, SD = 1.32, n = 483), t = 3.75, with the results being significant, $p < 0.001$.

The second multivariate linear regression (see appendix 3) confirmed that active investors reported significantly higher ill-being than passive investors (b = 0.30, p = .005). Additionally, younger participants (b = –0.019, $p < .001$) and men (b = 0.25, p = .011) reported significantly more ill-being. Several higher income brackets also showed elevated ill-being compared to the lowest bracket (e.g., b = 1.16, p = .016 for “over 100,001 SEK”).

4.2 Hypothesis 3 & 4

4.2.1 Table 8: Monitoring Frequency by Investment Strategy (H3)

Monitoring Frequency	Passive (n = 549)	Active (n = 193)
Low Frequency	419 (76.3%)	66 (34.2%)
High Frequency	130 (23.7%)	127 (65.8%)

Portfolio monitoring frequency (Q1_4) was dichotomized into high frequency (several times a day or once a day) and low frequency (a few times a week or less).

A chi-square test of independence revealed a highly significant difference in monitoring behavior between passive and active investors, $\chi^2(1) = 110.07$, $p < .001$. As shown in Table 11, 65.8% of active investors monitored their portfolios daily or more, compared to only 23.7% of passive investors.

The third multivariate logistic regression (see appendix 4) supported this notion that active investors were significantly more likely to monitor their portfolios daily or more frequently

(OR = 6.31, 95% CI [4.26, 9.35], b = +1.84, p < .001). Additionally, younger participants (b = –0.017, p = .033) monitored more frequently, while men monitored less frequently than women (b = –0.62, p < .001).

4.2.2 Table 9: Monitoring Frequency and Reported Ill-being (H4)

Monitoring Group	Mean	Std. Dev.	N
High Frequency	5.17	1.27	193
Low Frequency	4.75	1.32	549

The t-test result was statistically significant, t ≈ 3.83, p < .001. The high-frequency group reported significantly higher ill-being (M = 5.17, SD = 1.27, n = 193) compared to the low-frequency group (M = 4.75, SD = 1.32, n = 549).

The fourth multivariate linear regression (see appendix 5) results indicated that monitoring frequency was not a statistically significant predictor of ill-being after accounting for demographic and situational variables (b = 0.14, p = .142). However, two control variables significantly influenced ill-being: younger participants reported higher ill-being (b = –0.02, p < .001), and men reported greater ill-being compared to women (b = 0.23, p = .022). These findings suggest that while monitoring behavior alone does not explain differences in ill-being, certain demographic factors, particularly age and gender, play a meaningful role in emotional responses to investing.

4.3 Hypothesis 5 & 6

4.3.1 Table 10: Pearson Correlation Between Self Reported Financial Knowledge and Well-Being (H5)

Variable 1	Variable 2	Pearson's r	p-value
Self-Reported Financial Knowledge (Q3.4)	Well-Being Index	0.271	< .001

To test Hypothesis 5, that self-assessed financial literacy is associated with greater subjective well-being, a Pearson correlation was conducted between Q3.4 (perceived financial knowledge) and the composite well-being index. The result showed a statistically significant positive relationship, $r = .271$, $p < .001$. This indicates that respondents who rated themselves as more financially knowledgeable also tended to report higher levels of subjective well-being.

The fifth multivariate linear regression (see appendix 6) showed that subjective financial literacy was a significant positive predictor of well-being when controlling for demographics and investment background ($b = 0.20$, $p < .001$). This indicates that investors who perceive themselves as financially knowledgeable tend to report higher well-being. Among the control variables, only part-time employment ($b = –0.72$, $p = .022$) was significantly associated with lower well-being, while no significant effects were found for age, gender, or income.

4.3.2 Table 11: Well-Being Index by Objective Financial Literacy (H5)

Group	Mean	Std. Dev.	N
High Financial literacy	6.32	1.53	533
Low Financial Literacy	6.21	1.66	206

An independent sample t-test was conducted to compare subjective well-being between investors who answered all three objective financial literacy questions correctly and those who missed one or more. The results showed no statistically significant difference in well-being scores between the groups, $t \approx 0.80$, $p = .425$. Although the mean well-being was slightly higher in the high-literacy group (M = 6.32) than the lower-literacy group (M = 6.21), this difference was not statistically meaningful.

The sixth multivariate linear regression (see appendix 7) showed that objective financial literacy was not a significant predictor of well-being when controlling for age, gender, income, education, investment experience, employment, and financial decision-making (b = –0.02, p = .896). Although the group who answered all literacy questions correctly reported slightly higher well-being on average, this difference was not statistically meaningful in the linear regression. Among the control variables, only part-time employment was significantly associated with lower well-being (b = –0.80, p = .014), while no significant effects were found for age, gender, or income.

4.3.3 Table 12: Self-Assessed Financial Knowledge by Investment Strategy (H6)

Group	Mean	Std. Dev.	N
Passive	5.43	1.94	483
Active	6.38	1.72	256

An independent samples t-test was conducted to compare self-assessed financial knowledge between passive and active investors. The analysis revealed that active investors reported significantly higher levels of financial knowledge (M = 6.38, SD = 1.72) than passive investors (M = 5.43, SD = 1.94), $t \approx 6.78$, $p < .001$.

The seventh multivariate linear regression (see appendix 8) also showed a significant difference. Active investors rated themselves as significantly more financially knowledgeable

than passive investors (b = 0.81, p < .001), even after controlling for background factors. Women reported lower self-assessed literacy (b = –0.61, p < .001), and some higher income brackets reported higher perceived literacy.

4.3.4 Table 13: Objective Financial Literacy by Investment Strategy (H6)

Investment Strategy	Mean	Std. Dev.	N
Passive	2.65	0.62	483
Active	2.63	0.66	256

An independent samples t-test was conducted to assess whether objective financial literacy differs by investment strategy. Passive investors (n = 483) and active investors (n = 256) were compared based on their performance on three standard financial knowledge items. The analysis revealed no statistically significant difference between the groups, $t \approx –0.43$, $p =$ .668. The mean score among passive investors (M = 2.65, SD = 0.62) was nearly identical to that of active investors (M = 2.63, SD = 0.66), indicating that while active investors perceive themselves as more knowledgeable, their actual knowledge does not differ meaningfully from that of passive investors.

Using the eight multivariate logistic regression model (see appendix 9), objective financial literacy was not significantly associated with investment strategy. Active investors were no more likely than passive investors to answer all literacy questions correctly (b = –0.009, p = .963). However, older participants (b = 0.026, p = .002) were slightly more likely to score high, while women were significantly less likely to do so (b = –0.86, p < .001).

5. Discussion

5.1 Reconnecting with the Research Question

At the heart of this thesis was the question: How does investment strategy (passive vs. active) affect subjective well-being and ill-being among Swedish retail investors? Our findings offer a clear and compelling answer: active investors experience significantly higher levels of psychological strain compared to their passive counterparts. They engage more frequently in portfolio monitoring, and are more susceptible to fear of missing out (FoMO). These things are closely associated with higher levels of ill-being. Further, active investors subjectively perceive themselves as more financially knowledgeable, a perception linked to higher well-being, although this self-assessment was not supported by objective financial literacy scores.

While active investing may offer a sense of control or engagement, it appears to come at a cost to emotional well-being. Passive investing, by contrast, offers psychological resilience through simplicity, lower monitoring frequency, and reduced exposure to emotionally triggering stimuli. This insight adds a crucial psychological dimension to the consideration of the optimal investment strategy.

5.2 Interpreting Findings in Light of Theory and Previous Research

5.2.1 H1: Active Investors Are More Prone to Experience Fear of Missing Out (FoMO)

Active investors experienced a higher frequency of FoMO compared to their passive counterparts, thus supporting H1. The analysis showed that 65.2% of active investors indicated they had made investments primarily due to fear of missing out, while only 29.8% of passive investors reported the same behavior.

The multivariate analysis confirms that the observed FoMO effect is not merely a byproduct of demographic or situational factors. When adjusting for background variables, active investors remained significantly more likely to report experiencing FoMO, specifically 4.5 times more likely than passive investors. The analysis also showed that younger participants, men and self employed individuals were significantly more likely to report FoMO.

These findings align with the behavioral finance literature, which emphasizes that emotional and social factors often override rational financial decision-making (Barberis and Thaler, 2003; Hirshleifer, 2015). FoMO represents one such emotional driver, here found to be particularly prevalent among active investors. That could be explained by more engagement with market news, social media, and peer performance benchmarks (Sezen Güngör et al., 2022).

Social Comparison Theory (Festinger, 1954) also helps explain this dynamic. Active investors are more likely to evaluate their performance relative to others, making them vulnerable to FoMO when observing others perceived success. This social comparison pressure can lead to impulsive trading behavior and deviation from long-term financial goals, as suggested by prior studies (Sezen Güngör et al., 2022).

5.2.2 H2: Active Investors Report Higher Levels of Ill-Being

Hypothesis 2 was supported. The data revealed a clear divergence in emotional outcomes between active and passive investors, with active investors reporting significantly higher levels of ill-being. This finding gains further significance when considered alongside the prevalence of FoMO among active investors, suggesting that fear of missing out may serve as one mechanism linking active investment behavior to heightened stress.

Our multivariate analysis also supports this. Even when controlling for a wide range of demographic and situational variables. This supports H2 and strengthens the argument that the emotional strain associated with active investing is not merely a reflection of underlying demographic characteristics. The analysis also showed that younger participants, men and people in higher income brackets reported higher illbeing. While FoMO and ill-being are

more prevalent among active investors, our data cannot confirm whether FoMO directly causes ill-being, or if other factors (e.g., pre-existing anxiety) drive both.

Prior research has identified FoMO as a driver of financial decision-making under uncertainty (Idris, 2024), and our results extend this understanding by situating it within the broader emotional toll of active investing. The frequent decision points, social comparisons, and volatile environments inherent to active strategies appear to amplify psychological strain, transforming portfolio management from a dispassionate exercise into a source of stress and risk taking.

That said, FoMO is unlikely to operate in isolation. Nevertheless, the consistent association between active investing, FoMO, and ill-being underscores the need to account for social and emotional dynamics of investing.

5.2.3 H3: Active Investors Monitor Their Investments More Frequently,

Hypothesis 3 was supported: 65.8% of active investors reported checking their portfolios daily or more often, compared to just 23.7% of passive investors. This substantial behavioral gap aligns with the strategic foundations of each approach. Active investing typically demands continuous engagement and tactical decision-making, while passive investing promotes long-term detachment with minimal intervention (Chen, 2020; Chen, 2025).

Importantly, these results hold firm even after adjusting for demographic influences in our multivariate analysis. The regression reveals a pronounced divide: active investors were 6.3 times more likely to check their portfolios daily than passive investors (OR = 6.31, 95% CI [4.26, 9.35], $p < .001$), underscoring how deeply active engagement drives compulsive monitoring. Notably, this behavior also varied by demographics, with younger investors and women showing significantly higher odds of frequent checking, while men were nearly half as likely to do so.

Taken together, these results strongly support Hypothesis 3 and suggest that monitoring behavior is shaped not only by investor type but also by personal and demographic

characteristics. This behavioral dimension may play a key role in understanding how different investor profiles psychologically engage with financial markets. The act of frequently checking a portfolio may shape how investors experience market dynamics, setting the stage for the emotional patterns explored in Hypothesis 4.

5.2.4 H4: Investors Who Monitor Their Portfolios More Frequently Report More Ill-Being

The analysis for Hypothesis 4 initially showed that investors who monitored their portfolios daily or more frequently reported significantly higher levels of ill-being than those who checked less often. However, this effect did not remain significant in the multivariate model when controlling for background characteristics such as age, gender, and income. This suggests that the emotional cost of frequent monitoring may be explained by demographic differences.

The emotional toll of frequent monitoring is consistent with cognitive theories like negativity bias (Baumeister et al., 2001), which highlights the tendency to register and remember negative events more vividly than positive ones. Monitoring exposes investors to a cascade of small downturns, each of which may leave a stronger emotional trace than equivalent gains. Similarly, the peak-end rule (Kahneman et al., 1993) suggests that investors judge their experiences based on the most emotionally intense and most recent outcomes. A single sharp drop, especially if it coincides with the latest portfolio check, can dominate memory and perception, leading to an exaggerated sense of volatility and risk.

The multivariate regression results further clarify this relationship. While frequent monitoring alone did not significantly predict ill-being in the multivariate model ($b = 0.14$, $p = .142$), younger investors ($b = –0.02$, $p < .001$) and men ($b = 0.23$, $p = .022$) reported higher ill-being, suggesting that demographic factors may mediate how monitoring affects emotional responses.

Taken together, these mechanisms position frequent portfolio monitoring as a potential emotional amplifier. While our regression results do not confirm a direct effect of monitoring

frequency on ill-being, they point to the importance of understanding how investor characteristics, such as age and gender, may interact with investment behaviors to shape psychological outcomes.

5.2.5 H5: Investors Who Report Higher Levels of Financial Literacy Also Report Higher Levels of Subjective Well-Being

Hypothesis 5 was partially supported. A statistically significant positive correlation was found between self-assessed financial literacy and subjective well-being, indicating that individuals who perceive themselves as financially knowledgeable tend to report higher emotional well-being. In contrast, objective financial literacy showed no significant relationship with well-being, suggesting a disconnect between actual knowledge and emotional outcomes.

Prior research has emphasized that financial well-being is not only a function of what individuals know but also of how they evaluate their ability to manage their financial lives (Joo and Grable, 2004; Netemeyer et al., 2017). Self-assessed literacy may capture this interpretive layer, it reflects not just what people know, but how they internalize that knowledge and apply it to their lived financial experiences.

Crucially, this suggests that feeling financially competent, even if inaccurately, can serve as a psychological resource. Individuals who believe they understand financial matters may experience greater calm, security, and optimism, regardless of whether their knowledge would hold up under objective testing, and so they report more well-being.

The multivariate linear regressions also partially support Hypothesis 5. They showed that subjective financial literacy was a significant positive predictor of well-being ($b=0.20$, $p<.001$), indicating that investors who perceive themselves as more financially knowledgeable report higher well-being. In stark contrast, objective financial literacy showed no significant effect ($b=-0.02$, $p=.896$). This reinforces the idea that perceived competence appears more closely tied to emotional outcomes than actual knowledge. Interestingly, part-time employment was consistently associated with lower well-being in both models.

5.2.6 H6: Active Investors Report Higher Levels of Financial Literacy

Hypothesis 6 was partially supported. Active investors rated their self-assessed financial literacy significantly higher than passive investors, suggesting that they perceive themselves as more financially knowledgeable. However, no significant difference was observed in objective financial literacy, indicating that the actual knowledge base does not meaningfully differ between the groups.

The multivariate analysis provides partial support for Hypothesis 6. Results from the logistic regression indicated that active investing was not significantly associated with objective financial literacy ($b=-0.009$, $p=.963$), even after adjusting for demographics and investment experience. In contrast, the linear regression demonstrated that active investors rated their subjective financial literacy significantly higher ($b=0.81$, $p<.001$) than passive investors, even when controlling for background variables. This discrepancy suggests that self-perceptions and confidence, rather than actual knowledge, distinguish active investors from passive ones. Further interesting insights were that older participants exhibited slightly higher objective literacy, while women consistently showed lower levels in both objective and subjective literacy.

These findings are consistent with the theoretical reasoning. Active investing involves more frequent trading, ongoing engagement with financial information, and greater exposure to market dynamics (Investopedia, 2023). This behavioral pattern may contribute to a stronger perception of expertise, even if it does not translate into higher factual knowledge. In other words, active investors may evaluate themselves as more knowledgeable due to the higher involvement their strategy demands. This aligns with previously mentioned studies showing that investors who consider themselves more knowledgeable tend to trade more actively (Barber and Odean, 2011), and there is a documented link between overconfidence and increased trading activity (Glaser and Weber, 2007).

This helps explain the result observed in H5: subjective well-being was significantly associated with self-assessed, but not objective, financial literacy. The fact that active

investors are more likely to report high self-perceived literacy suggests a pathway by which their investment style contributes to positive emotional outcomes. While active investing is associated with elevated ill-being, it may simultaneously promote well-being by increasing individuals' sense of competence in navigating financial decisions, at least as they perceive it.

Together, H5 and H6 suggest that self-perceived financial literacy functions as a psychological mechanism through which active investing can enhance well-being. Importantly, this relationship appears to be shaped more by how investors interpret their own engagement than by their actual financial knowledge.

5.3 Practical Implications

The findings of this study carry clear real-world implications. For individual investors, they offer a psychological argument for passive strategies: lower stress, and reduced vulnerability to FoMO and over-monitoring. Active investing, while engaging, often leads to emotional strain, especially in a digital landscape driven by real-time updates and social comparison. That said, our results also suggest that active investors report higher subjective financial literacy, which is positively linked to subjective well-being.

Financial advisors, in turn, should consider not just financial returns but emotional patterns, how often clients check portfolios, respond to FoMO, or evaluate their own financial knowledge. Helping clients adopt more stable, less reactive strategies could be as important as portfolio allocation. And for those drawn to active investing, supporting their sense of perceived literacy through hands-on learning or decision guidance may enhance emotional outcomes.

Finally, investment platforms and fintech apps face ethical choices in how they design user experiences. Interfaces that fuel constant monitoring or peer benchmarking may do more harm than good. There’s a growing need, and opportunity, for tools that support psychological well-being: quiet modes, behavioral nudges, or prompts that reduce impulsive decision-making and build investor confidence in a healthy, grounded way.

6. Conclusion & Final Thoughts

Returning to the core questions of this thesis, our findings demonstrate that investment strategy plays a pivotal role in shaping the emotional experiences of Swedish retail investors. Active investors exhibit significantly higher levels of ill-being, driven by mechanisms such as FoMO and frequent portfolio monitoring, which heighten stress and risk taking. Yet these same investors report higher self-assessed financial literacy, a trait associated with greater subjective well-being, despite no observed difference in objective financial literacy scores.

These insights prompt deeper questions about long-term consequences. Could sustained engagement in active investing lead to decision fatigue over time, or might it cultivate resilience through perceived control? Does passive investing's emotional steadiness contribute to well-being across market cycles? Longitudinal studies are needed to explore how such emotional patterns evolve over decades of investing.

Ultimately, this research invites a reconsideration of financial behavior through the lens of psychological well-being. Investing is not merely a pursuit of returns; it is an emotionally charged, recurring activity that shapes daily moods and long-term mental health. Our findings suggest that mental well-being should be considered with financial performance in personal finance decisions.

7. Limitations and Future Research

7.1 Limitations

While this study provides novel insights into the psychological consequences of investment strategy, some limitations should be acknowledged.

First, the cross-sectional design precludes causal inference. Although we observed associations between investment style and emotional outcomes, we cannot determine whether

strategy leads to higher stress, or whether individuals predisposed to stress are more likely to adopt active strategies.

Second, the study relies on self-reported data, which may be influenced by biases such as recall inaccuracies and transient emotional states. This limitation is particularly salient for subjective constructs like well and ill-being.

Third, the binary classification of investment strategies (active vs. passive) may oversimplify investor behavior. Many respondents identified as "active" employed a mix of strategies (both active and passive), and their experiences may differ substantially from those who invest actively in a purist sense. This was partially done in order to get an adequate sample size in the active group as it was substantially smaller than the passive.

Fourth, the focus on Swedish retail investors limits the generalizability of findings. Sweden's financial culture, regulatory environment, and levels of financial literacy may not reflect conditions in other countries. Replicating the study across diverse economic and cultural contexts would help assess the robustness and applicability of the findings.

Fifth, the ill-being index, though grounded in theory, showed only moderate internal consistency (Cronbach's $\alpha = 0.596$). This suggests that the construct may benefit from refinement or supplementation. Future work might explore alternative operationalizations of negative emotional responses related to investing.

7.2 Future Research

While this study offers new insights into the psychological effects of investment strategy, it also opens several avenues for future research. A primary next step would be the use of longitudinal designs to better understand the directionality and development of observed relationships. The cross-sectional nature of the current study restricts us to associations, leaving open whether active investment leads to emotional strain, or whether individuals predisposed to stress, heightened vigilance, or need for control are more likely to gravitate toward active strategies. Tracking investors over time would allow researchers to examine

how psychological well-being evolves in response to strategy shifts, market conditions, and personal financial outcomes.

Secondly, future research should incorporate financial success as a key moderating variable. This study sought to isolate the psychological effects of investing itself, independent of financial success or failure. However, it is highly plausible that the emotional outcomes of a given strategy is heavily dependent on its performance. For example, active investors who enjoy significant financial success may report higher subjective well-being, as the positive returns could validate their efforts and offset the stress associated with frequent portfolio monitoring. Conversely, unsuccessful active investors may experience amplified ill-being. Investigating the interaction between investment style, financial performance, and psychological outcomes is crucial to clarifying the emotional cost-benefit structure of financial engagement.

A third priority is to refine the classification of investment behavior. The current binary distinction between active and passive investing, while analytically useful, may oversimplify investor behavior. Many participants in the "active" category reported using a mix of strategies, suggesting a need for more nuanced typologies that capture variation in frequency of trades, reliance on personal judgment versus automation, and degree of emotional involvement. A multidimensional classification could yield more accurate insights into which patterns of engagement are most psychologically taxing or beneficial.

Fourth, future research should investigate a broader range of emotional and psychological outcomes beyond the core measures of happiness, stress, purpose and risk. The emotional consequences of investing may include constructs such as financial anxiety, overconfidence, decision fatigue, or anticipatory regret. Identifying which psychological variables are most affected by investment strategy, and which have the greatest impact on overall well-being, would help clarify the emotional cost-benefit structure of financial engagement. In addition, such research could illuminate whether certain negative outcomes are specific to active investing, or more generally tied to market participation.

Finally, improvements in measurement tools, like the one for ill-being, are warranted. The moderate reliability of our ill-being index suggests that further work is needed to better capture the nuances of negative emotional responses in financial contexts. Developing or adapting scales that more precisely measure psychological distress related to investing would enhance the validity of future studies, and allow for more fine-grained comparisons across different investor groups.

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9. Appendix

Appendix 1: Survey Questions

Sektion 1: Investeringsbeteende & Finansiella Resurser

1.1 Investerar du i aktier och/eller fonder?

☐ Ja

☐ Ja, men bara aktier

☐ Ja, men bara fonder

☐ Nej *(Om Nej, gå direkt till fråga 1.9)*

1.2 Hur länge har du investerat i aktier och/eller fonder?(Ange antal år i siffror)

1.3 Vilken av följande investeringsstrategier beskriver din strategi bäst?

☐ Aktiv investering (frekvent handel med fokus på kortsiktiga vinster)

☐ Passiv investering (långsiktig strategi med få portfölj justeringar)

☐ En kombination av aktiv och passiv investering

1.4 Hur ofta kollar du din investeringsportfölj? (Välj det alternativ som passar bäst)

☐ Flera gånger om dagen

☐ En gång om dagen

☐ Några gånger i veckan

☐ En gång i månaden

☐ Mer sällan än en gång i månaden

1.5 Har du någon gång gjort en investering främst på grund av rädslan att missa en möjlighet som andra verkade utnyttja?

☐ Ja, flera gånger

☐ Ja, någon enstaka gång

☐ Nej, aldrig

1.6 Hur mycket pengar har du investerat i aktier? Öppen fråga: ange belopp med siffror (SEK) utan mellanslag.

1.7 Hur mycket pengar har du investerat i fonder? Öppen fråga: ange belopp med siffror (SEK) utan mellanslag.

1.8 Hur presterade din aktieportfölj under år 2024? (1 = Minskat avsevärt, 7 = Ökat avsevärt)

1.9 Vilka av följande tillgångar äger du? (Flera svar möjliga)

☐ Likvider (bankkonto, fysisk kontant)

☐ Fordon

☐ Aktier

☐ Aktier i eget företag

☐ Fonder

☐ Räntepapper

☐ Krypto

☐ Egen bostad

☐ Fastighet för uthyrning

☐ Alternativa investeringar

☐ Annat: _____

1.10 Hur mycket pengar har du sammanlagt i övriga investeringar? (Inte aktier och fonder) Öppen fråga: ange belopp med siffror (SEK) utan mellanslag.

1.11 Vad är ditt främsta skäl till att investera? (Flera svar möjliga**)**

☐ Förmögenhetsuppbyggnad

☐ Ekonomisk trygghet

☐ Pension

☐ Finansiellt oberoende

☐ Finansiera större inköp (t.ex. bostad, bil)

☐ Utbildning

☐ Barnens framtid

☐ Skattefördelar

☐ Annat: _____

Sektion 2: Välbefinnande & Psykologisk Påverkan

2.1.1 Hur lycklig känner du dig i allmänhet? (1 = Inte alls lycklig, 10 = Mycket lycklig)

2.1.2 Jämfört med de flesta av mina kamrater anser jag mig själv: (1 = Inte alls lycklig, 10 = Mycket lycklig)

2.1.3 Tycker du att din investeringsstrategi positivt påverkar din lycka? (1 = Inte alls, 10 = Fullständigt)

2.2.1 Föreställ dig ditt ideala liv, hur nära är du att leva det i nuet? (1 = Inte alls nära, 10 = Exakt som jag vill ha det)

2.3.1 Hur stressad känner du dig i allmänhet? (1 = Mycket stressad, 10 = Inte alls stressad)

2.3.2 Tycker du att din investeringsstrategi negativt påverkar din stress? (1 = Inte alls, 10 = Fullständigt)

2.3.3 Hur har din investeringsrelaterade stress förändrats under år 2024? (1 = Minskat avsevärt, 10 = Ökat avsevärt)

2.3.4 Hur mycket påverkar marknadsrörelser din stress? (volatilitet) (1 = Inte alls, 10 = Väldigt mycket)

2.4.1 Hur riskbenägen är du i allmänhet? (1 = Inte alls riskbenägen, 10 = Mycket riskbenägen)

2.4.2 Hur bekväm är du med risk när det kommer till investeringar (1 = Extremt försiktig, 10 = Mycket bekväm med risk)

Sektion 3: Situation och Kunskap

3.1 Hur trygg känner du dig idag med din privata ekonomi? (1 = Inte alls trygg, 7 = Helt trygg)

3.2 Hur viktigt tror du ekonomisk frihet är för ditt välmående? (1 = Inte alls viktigt, 7 = Mycket viktigt)

3.3 Hur stressad är du över en kommande lågkonjunktur? (Dåliga ekonomiska tider) (1 = Inte alls orolig, 7 = Extremt orolig)

3.4 Hur skulle du bedöma din egen finansiella/ekonomiska kunskap? (1 = Nybörjare, 10 = Väldigt Erfaren)

3.5 Anta att du har 100 kr på ett sparkonto med 2 procents ränta. Hur mycket tror du att du skulle ha på kontot efter 5 år om du låter pengarna växa på kontot?

☐ Mer än 102 kr

☐ Exakt 102 kr

☐ Mindre än 102 kr

3.6 Anta att räntan på ditt sparkonto är 1 procent och inflationen 2 procent. Om du låter dina pengar stå på kontot i ett år, kommer du då vid årets slut att kunna köpa för...?

☐ Mer

☐ Lika mycket

☐ Mindre

3.7 Är följande påstående sant eller falskt? Att köpa aktier i ett enstaka företag är vanligtvis säkrare än att köpa andelar i en aktiefond?

☐ Sant

☐ Falskt

Sektion 4: Demografisk information

4.1 Vad är din nuvarande sysselsättning?

☐ Studerande

☐ Deltidsanställd

☐ Heltidsanställd

☐ Egenföretagare

☐ Pensionär

☐ Arbetslös

☐ Ekonomiskt oberoende

4.2 Vad är din högsta slutförda utbildningsnivå?

☐ Grundskola

☐ Gymnasium

☐ Högskole-/Universitetsutbildning

☐ Forskarutbildning

4.3.1 Har du en delad eller egen ekonomi?

☐ Delad ekonomi

☐ Egen ekonomi

4.3.2 Om delad ekonomi, med vem delar du din ekonomi? (Flera alternativ kan väljas)

☐ Partner

☐ Familjemedlem

☐ Vän

☐ Annat (ange): _____

4.3.3 När det gäller beslutsfattande, har du gemensamt eller självständigt beslutsfattande?

☐ Gemensamt beslutsfattande

☐ Självständigt beslutsfattande

4.4 Ungefär hur stor är din sammanlagda månadsinkomst före skatt?

☐ Under 10 000 SEK

☐ 10 001 - 20 000 SEK

☐ 20 001 – 30 000 SEK

☐ 30 001 – 40 000 SEK

☐ 40 001 – 50 000 SEK

☐ 50 001 – 60 000 SEK

☐ 60 001 – 70 000 SEK

☐ 70 001 – 80 000 SEK

☐ 80 001 – 90 000 SEK

☐ 90 001 – 100 000 SEK

☐ Över 100 001 SEK

☐ Vill ej ange

Sektion 5: Kontrollfråga

5.1 Vad handlade den här enkäten om?

☐Datorspel
☐Krig
☐Ekonomi och välmående

Appendix 2: Logistic Regression on FoMO

Predictor	Coefficient (b)	Std. Error	Odds Ratio	95% CI (OR)	p-value
Active Investor	1.51	0.19	4.54	[3.13, 6.58]	< .001
Age	–0.04	0.01	0.96	[0.94, 0.98]	< .001
Gender (1 = Male)	–0.99	0.19	0.37	[0.26, 0.54]	< .001
Self-Employed (vs Student)	1.39	0.63	4.01	[1.17, 13.75]	0.027

Appendix 3: Linear Regression on Active Investors and Ill-Being

Predictor	Coefficient (b)	Std. Error	95% CI	p-value
Active Investor	0.30	0.10	[0.13, 0.51]	0.005
Age	–0.019	0.00	[–0.03, –0.02]	< .001
Gender (1 = Male)	0.25	0.10	[0.08, 0.46]	0.011
Income > 100,001 SEK	1.16	0.45	[0.38, 2.13]	0.016

Appendix 4: Logistic Regression on Monitoring Frequency

Predictor	Coefficient (b)	Odds Ratio	95% CI (OR)	p-value
ActiveInvestor	+1.84	6.31	[4.26, 9.35]	< .001
Age	–0.017	0.98	[0.97, 1.00]	0.033
Gender (1 = male)	–0.62	0.54	[0.38, 0.76]	< .001

Appendix 5: Linear Regression on Ill-being by Monitoring Frequency

Predictor	Coefficient (b)	Std. Error	95% CI	p-value
High Monitoring Frequency	0.14	0.10	[–0.05, 0.33]	0.142
Age	–0.02	0.00	[–0.03, –0.01]	0.000
Gender (1 = Male)	0.23	0.10	[0.03, 0.42]	0.022

Appendix 6: Linear Regression om Well-Being from Subjective Financial Literacy

Predictor	Coefficient (b)	Std. Error	95% CI	p-value
Subjective Financial Literacy	0.20	0.03	[0.14, 0.26]	< .001
Part-time Employment	–0.72	0.31	[–1.34, –0.10]	0.022

Appendix 7: Linear Regression on Well-Being from Objective Financial Literacy

Predictor	b (Coefficient)	Std. Error	95% CI	p-value
Objective Financial Literacy	–0.02	0.17	[–0.35, 0.30]	.896
Employment: Part-time	–0.80	0.32	[–1.44, –0.16]	.014

Appendix 8: Linear Regression on Active Investors and Subjective Knowledge

Predictor	Coefficient (b)	Std. Error	95% CI	p-value
Active Investor	0.81	0.14	[0.53, 1.09]	< .001
Gender (1 = Male)	–0.61	0.14	[–0.89, –0.33]	< .001

Appendix 9: Logistic Regression on Active Investors and Objective Knowledge

Predictor	Coefficient (b)	Std. Error	Odds Ratio	95% CI (OR)	p-value
Active Investor	–0.009	0.18	0.99	[0.69, 1.41]	0.963
Age	0.026	0.01	1.03	[1.01, 1.05]	0.0021
Gender (1 = Male)	–0.86	0.18	0.42	[0.29, 0.61]	< .001

10. Disclosure Related to Generative AI-Tools Used

In the process of writing this thesis, we utilized generative AI technology in a limited, strictly supportive manner, adhering fully to SSE's guidelines regarding ethical and responsible use of AI tools. Specifically, we employed ChatGPT by OpenAI to assist in refining linguistic aspects, such as enhancing grammar, improving readability, ensuring clarity, and suggesting alternative phrasings or translations.

Beyond linguistic refinement, ChatGPT was also used to support the data analysis process. For example, we tested how the tool could provide input on potential ways to analyze the survey questions in order to draw compelling insights. This helped accelerate our thinking around how to present the findings and explore different angles. The suggestions served primarily as inspiration during the early stages of analysis.

However, all final decisions regarding statistical methods, interpretation, and theoretical grounding were made independently. And as with any use of generative AI, we maintained a critical mindset and did not rely on the tool for factual accuracy or scientific conclusions.

We explicitly recognize and acknowledge the potential risks associated with generative AI, such as factual inaccuracies, lack of scholarly references, and the possibility of inadvertently

introducing misleading ideas or assumptions. To mitigate these risks, we applied a rigorous, critical mindset, cross-checked all AI-generated suggestions and linguistic contributions against other sources, and ensured that the core intellectual contributions, including methodological choices, theoretical foundations, and interpretation of results, remained exclusively our own original intellectual effort.

A key insight we gained from using generative AI tools is their value as supportive resources to enhance efficiency, overcome writer's block, and stimulate initial creativity and thinking. Importantly, we confirm that the generative AI assistance described did not independently produce any substantial academic content or insights submitted as our own. Rather, it served exclusively as a supportive instrument to complement our independent, critical, and rigorous academic research process.

Link to ChatGPT: https://chatgpt.com/