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**“A study of investment strategies: Are Brazilians making
the right decision when investing their surplus?”**

Bruna Murcia Santos

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Student Number: 10024675

Author: Bruna Murcia Santos

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Supervisor: Andrew Quinn

Author Affiliation: School of Business - Postgraduate

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DECLARATION

Hereby, I declare that no portion of this dissertation has been submitted for assessment to any other institutions but Dublin Business School. I also declare that all the work in this dissertation is entirely my own except when referencing to the original source was made.

Signed: Bruna Murcia Santos

Date: 11/08/2014

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ABSTRACT

This thesis is about how Brazilians are investing their financial surplus. Nowadays, when an investor decides to maximize capital, it is essential to know which possibilities are available and which ones are more adequate depending on the individual's purpose, profile, timing and other variables that need to be taken into consideration before deciding on an investment. However, the adverse situation, in this case, is that there is a great diversity of strategies available in the Brazilian investment portfolio. Along with this context, there are many Brazilians that lack proper and quality information while choosing an appropriate strategy. For this reason, this study aims to investigate whether Brazilians are able to take advantage of the great variety of investment strategies, despite their lack of knowledge, or if Brazilians do not even consider the entire investment portfolio, but the most basic strategy available, because they do not want to risk and invest in something that they do not really understand.

In order to verify the choices that Brazilians have towards investments, the main and most common investment strategies are explained, including their respective pros and cons. Afterwards, research is conducted with many Brazilians. Through a questionnaire they report their attitude towards saving capital and also their preferences when investing their surplus. Once the primary and secondary data are gathered, it is possible to analyse the information and present the findings of this study and also suggest potential topics that need further research in this same field.

“From better health to increased wealth, education is the catalyst of a better future for millions of children, youth and adults. No country has ever climbed the socioeconomic development ladder without steady investments in education.”

- Bokova, Director-General of UNESCO

CHAPTER 1: INTRODUCTION

This first chapter introduces both the dissertation topic and general elements of the research. The section 1.1 contains an overview of the study; section 1.2 explains the main objectives intended by this research; section 1.3 presents relevant questions and its rationale; section 1.4 discusses coherent hypotheses and finally, section 1.5 argues for the importance of the present topic.

1.1 Overview

Investments are indispensable for anyone wanting to achieve economic growth. This instrument guarantees economic safety but, besides that, also empowers its users to maximize their income. However, it is important to select the appropriate strategy that is more adequate for each investor otherwise they may end up losing capital as a consequence of wrong decisions.

Broadly, the first step to start out an investment is to save a surplus. The following step is to verify which strategy will be pursued based on the investor's expectations. However, when it comes to the reality in Brazil, there are specifics that need to be taken into account. The Brazilian people do not tend to save for the long term but irrationally spend the existing surplus in the short term. In addition, some studies prove that Brazilians are mainly framed in the category that includes investors that are not aware of how to best invest their capital. Therefore, they randomly choose a strategy that tends to be more convenient and conservative in terms of easiness to understand its operations but that at the same time is

resulting in insignificant returns (Serviço de Proteção ao Crédito, Brazilians do not save enough, 2014).

Therefore, the aim of this study is to verify how Brazilians are investing their surplus. In order to do so, this first chapter is a general introduction to the study, the second chapter is structured by the literature review that guides the theory about investment strategies. The third chapter is an explanation about the methodology applied for the research. The fourth chapter relates the findings of the surveys. The fifth chapter concludes the whole topic and gives recommendations for further research and lastly the sixth chapter is a journal that details the researcher's own reflections about the research.

1.2 Research objectives

The goal of this study is to understand whether or not Brazilians are opting for the most advantageous investment strategies available in the market. Towards this purpose, it is necessary to analyse which investment strategies are the most advantageous ones, in theory, considering taxation, timing of the investment, interest rates, return, exposure to risks and some other variables. Once all these factors have been analysed, it is possible to determine which strategies are most appropriate for the Brazilian market. Afterwards, the researcher seeks to identify, in practice, which strategies Brazilians are using the most.

Once this information has been collected it will be possible to compile it and accomplish the main objective of this research and conclude whether Brazilians are making the right choices when investing their surplus. Moreover, if this study proves that Brazilians are poorly choosing their strategies, it is also relevant to identify the reasons that are causing these misleading decisions. Therefore, in summary, the research objectives are:

1. Outline Brazilians' investors characteristics and preferences;
2. Determine which investment strategies are the most advantageous, currently, in the Brazilian market;
3. Explore which investment strategies Brazilians are, in practice, using the most;

4. Investigate whether Brazilians are making the right investment strategies when investing their surplus.

1.3 Research questions

The study hereby presented attempts to answer the following questions:

- What are Brazilians' specific characteristics and preferences when investing their surplus?

Rationale: Find out Brazilians' specific particularities, which can be proved and outlined, when investing their surplus.

- Currently, which are the best investment strategies available in the Brazilian market?

Rationale: Identify the investment strategies that are related to higher returns but at the same time do not expose the investor to excessive risks.

- Which investment strategies do Brazilians tend to use the most?

Rationale: Verify the investment strategies that Brazilians are using the most and superficially comment about the reasons of choosing such options.

- Are Brazilians making the right decision when investing their surplus?

Rationale: This question's intention is to compile the answers to the two questions above and later on, conclude whether or not Brazilians are being meticulous and conscious while investing their surplus.

1.4 Research hypothesis

The research hypotheses for this study are:

H1: Brazilians are making the right decision when investing their surplus;

H2: Brazilians are not properly choosing the right strategies to capitalize their surplus.

H3: Brazilians are not opting for any investment strategies as they are not investing their surplus.

1.5 Major contribution of the study

The major contribution of this study is to reveal the reality of how investments are being managed by Brazilians investors. Independent of the findings, this study is beneficial because it aims to develop more knowledge and theory. Besides, the researcher believes that there is a gap in this area of study because there are many guides and instructions to orient an investor but most of them are not impartially explained and they usually contain biases.

If this research proves that Brazilians are blind while choosing investment strategies, this study is beneficial because it can be a starting point in informing and conducting investors while opting for their strategies. In addition, it also contributes to the academic perspective as further studies in this field will be required. It may also inform government about the need for educating the population when it comes to investments. Indirectly, this is beneficial for the public power because the way each individual invests their capital impacts the economy.

On the other hand, if this research proves that Brazilians are properly choosing investment strategies, this study is beneficial because it demonstrates the opposite of what some researches are showing which is that Brazilians are not savers and they do not have information about investment strategies, besides savings accounts (Serviço de Proteção ao Crédito, Brazilians do not save enough, 2014). Furthermore, it confirms that Brazilians are capable of wisely managing their individual wealth.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter explains the literature review needed in order to understand this study. Section 2.2 gives an overview of the current economic situation in Brazil, including relevant indicators such as inflation, interest rate and GDP growth; section 2.3 outlines an economic scenario within the short term, considering variables that are likely to impact investments; section 2.4 draws a superficial profile for the Brazilian investors; section 2.5 evaluates the main investment strategies available in Brazil and lastly, section 2.6 concludes which investment options are more advantageous for the Brazilian investor.

2.2 Brazil economic outlook

Brazil is an emerging country that still has a long way to go. The economic situation has been improving in the last few years but there are some basic problems that still negatively impact the country and it is likely that these problems will not be fixed soon such as inflation, high taxes, poor public services and political corruption (The Economist, 2013). This section provides an overview of the country's situation including its main strengths and weaknesses.

The information hereby provided is dated as of 2012 because this is the date when the most updated official report was released by the Central Bank of Brazil. According to this document, Brazil's GDP growth was 0.9% reaching R\$ 4.402.537 million. The illustration below shows that this is not a satisfactory result as compared to past years Brazil's growth slowed down significantly (Central Bank of Brazil, Annual report 2012, 2013, p. 14).

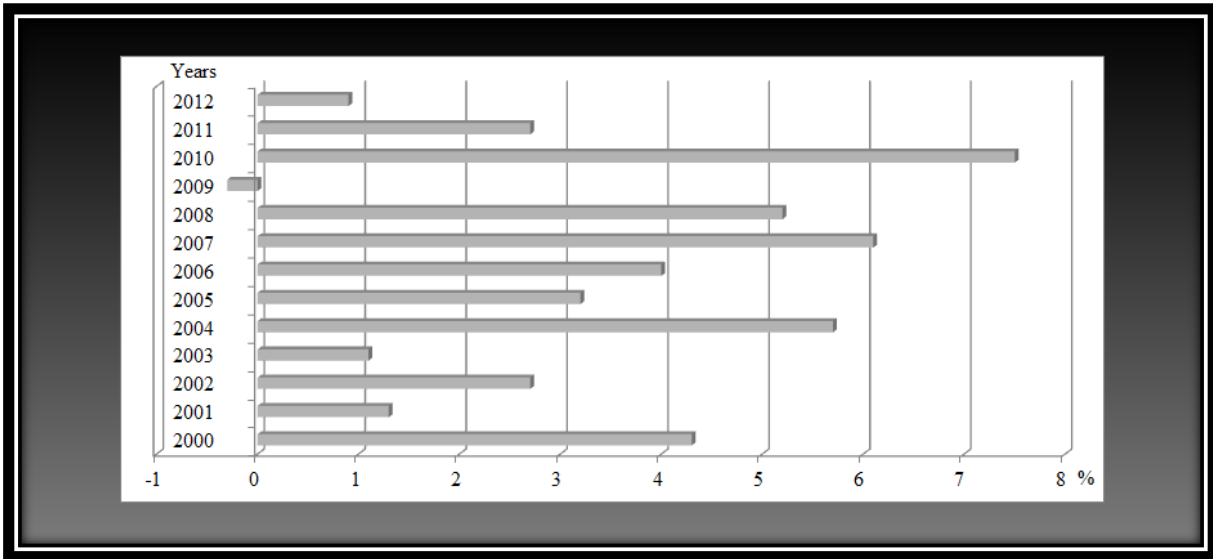


Figure 1: Brazil's GDP growth

Source: Based on Central Bank of Brazil, Annual report 2012, 2013

Regarding the interest rate, which is called SELIC (Special System for Settlement and Custody) in Brazil, the rate for 2012 was 8.4% (Central Bank of Brazil, SELIC introduction, 2014). In 2013, it was slightly reduced and reached 8.3%. However, for 2014, it went up and the average for January and February was 10.53% (Central Bank of Brazil, Interest rate, 2014). In terms of inflation, the parameter for this study was the IPCA (the broad consumer price index) which is the consumer price inflation measure for guiding monetary policy. In 2012, this rate was 5.84% and in 2013, it was 5.91% (Central Bank of Brazil, Inflation targeting in Brazil, 2014). The image below illustrates the tendency for both interest rate and inflation throughout the years.

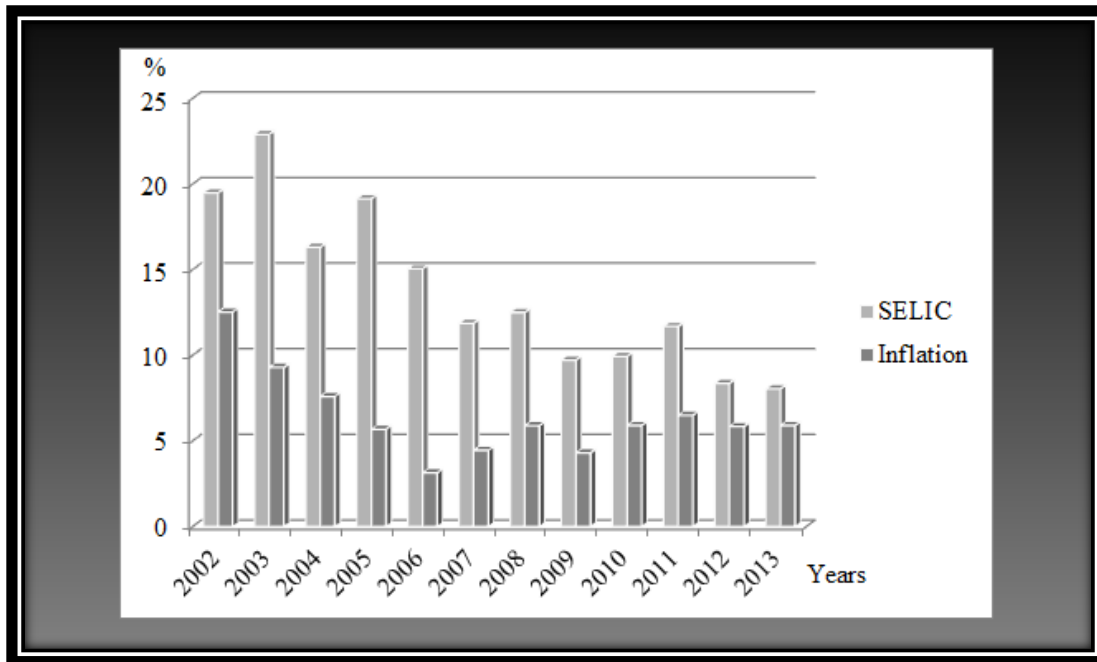


Figure 2: Brazil's SELIC and inflation rates

Source: Based on Central Bank of Brazil, Interest rate and Inflation targeting in Brazil, 2014

In addition, Brazil is an active country when it comes to importation and exportation activities. The country's main exports are: soy beans, transport material, oil, fuel, ores, meats, metallurgic products, chemicals, sugar and ethanol. Its main imports are: mechanical equipment, fuel, oil, electrical equipment, motor vehicle and parts, organic and inorganic chemicals, optical and precision equipment, plastic, iron and steel. Its major trading partners are: China, United States, Argentina, Holland, Japan and Germany (AEB, Balance of trade behavior, 2013). In 2012, Brazil's exports had a reduction of 5.3% and the imports followed the same pace reaching a reduction of 1.4% compared to 2011 (AEB, Balance of trade performance in 2012, 2013).

Moreover, as a trial to improve the access of emerging countries in global affairs, Brazil joined the BRICS in 2009. The other emerging countries that are members of this group are: Russia, India, China and South Africa (BRICS, 2010). Theoretically, these mentioned members have similarities in their economy disregarding the political perspective. However, Brazil has performed poorly in comparison to these other countries. For example, in 2012, Brazil had the lowest GDP growth of these countries (Pereira, 2013).

Therefore, as mentioned and illustrated before, Brazil clearly improved its economy throughout the years. Nevertheless, it has not been enough. The country has a high potential to grow but its internal difficulties are representing a barrier and preventing relevant development. According to some analysts, the fundamental pillars of the Brazilian economy are being eroded (Pereira, 2013). Thus, in order to regain its glow, the country needs to review the basis of its internal economic structure.

2.3 Brazil's economic perspective

Economists believe that the economic perspective for Brazil in the foreseeable future will not change significantly. The new scenario is a less favourable macro-economic and macro-financial backdrop in which the weaknesses of their economy may become increasingly apparent (BNP Paribas, 2014).

The estimative for GDP growth in 2013 is 2.3% which is the consequence of a small acceleration of the Brazilian economy. For 2014, investment will be the driver of the modest growth which is expected to be around 1.7%. For 2015, it is assumed that the country will not change its growth rhythm and will end up with a rate around 1.8%. It is likely that the country will not grow more than what it is believed because government will carry out a budget cut of up to R\$ 44 billion, including R\$ 13.5 billion in reductions of mandatory expenditures and R\$ 30.5 billion decrease in discretionary expenditures (BNP Paribas, 2014).

In addition, the SELIC rate is likely to go up. This is the expected outcome because of government's lack of ability to rollover external and public debt (Business Source Complete, 2013). Therefore, high interest rates will remain a severe constraint to economic growth. The assumption is that for 2014 the SELIC will reach 11.5% and for 2015, the estimative is 12.5%. Regarding inflation, for 2014 and 2015, it is expected that it will go up and stay around 6.2% (BNP Paribas, 2014).

Nevertheless, even with this negative perspective, the assumption is that Brazil will remain a major force in Latin America but yet will continue to have a shy growth. The

heterogeneity and diversification of the productive sector allows them to avoid major crises. In other words, Brazil is an economic force that needs to be taken into account. When and if, the country overcomes its internal difficulties, Brazil is likely to achieve record levels of growth (Country Intelligence Report: Brazil, 2014). This whole scenario needs to be taken into consideration as it directly affects which investments are worth pursuing and which ones will mislead the investor and not result in significant returns.

2.4 Brazilian investors' profile

Before explaining the main characteristics of the Brazilian investor, it is important to highlight that this profile is applicable to a small portion of the Brazilian population. The main reason for that is because Brazil does not count with a lot of experienced and knowledgeable investors. Furthermore, most part of Brazil's population does not really even understand or control their personal finances. According to the SPC Brazil, eight out of 10 Brazilians do not plan nor monitor their incomes and expenditures properly. The research that confirmed this lack of capital control proved that 81% of the interview's respondents had limited or no knowledge about their personal finances and just 18% had an integral comprehension of their cash flow. This behaviour exists because of the lack of a proper financial education but also due to short term thinking. In other words, when Brazilians are paid a bonus or some kind of additional income, most would spend it right away instead of saving for investment purposes (Serviço de Proteção ao Crédito, Financial control, 2014).

Therefore, the profile outlined in this section is mainly about this portion of Brazilians that would tend to save the surplus and invest it somehow. The characteristics explained are related to social class, income and investment preferences.

Frequently, a relevant variable impacting whether or not an individual invests their financial surplus is the social class to which they belong. In Brazil, there is a clear division between social classes in accordance to the average monthly income (ABEP, 2012).

The first social class category frames people with an income of R\$ 776 which is considered class DE. The second level includes people who are considered poor (class C2) and have a gain of R\$ 1.147. Then, the third criterion is for the vulnerable ones (class C1) that have an income of R\$ 1.685. The fourth parameter is named class B2 and it frames the ones that earn around R\$ 2.654. After that, the fifth category comprises class B1 with an income of R\$ 5.241. Lastly, the sixth level is class A which include people that earn around R\$ 9.263 (ABEP, 2012). The figure below illustrates the social class levels and the associated income:

SOCIAL CLASS	AVERAGE INCOME (PER MONTH)	
Class A	R\$	9,263.00
Class B1	R\$	5,241.00
Class B2	R\$	2,654.00
Class C1	R\$	1,685.00
Class C2	R\$	1,147.00
Class DE	R\$	776.00

Figure 3: Brazil's social class division
Source: Based on ABEP, 2012

Considering the social classes mentioned above, people in class DE tend to invest less while people in social class A save and invest more capital. According to research from 2011, 62% of the social class A is investing their surplus somehow. This same research demonstrated that only 38% of social classes B and C together are investing their capital. And finally, for the social class DE, the result was not relevant so it was not included in the study (Anbima, Investor radiograph, 2012, p. 10).

Moreover, from 2001 till 2011, almost 40 million Brazilians were able to emerge from the social class DE to C. This boom consequently led to the consolidation of a new middle class that is composed of 53.9% of the Brazilian population (Cançado, 2012). This means that this class is constituted by potential new investors and also that the number of potential investors is gradually increasing overtime.

As mentioned before, Brazilians lack information while choosing the most appropriate investment strategy. For this reason, in 2010, the Anbima (Brazilian Financial and Capital Markets Association) that represents more than 340 institutions with business and activities in Brazil's financial and capital markets, determined that banks need to verify the investor's appetite to risk before choosing an investment strategy (Anbima, About us, 2014). This regulation prevents bank's managers from inducing investors to pursue strategies that will result in profit for the institution despite the fact that the strategy is not consistent with the investor profile. In addition, it prevents individuals taking excessive risks if they are not willing to do so. Therefore, Anbima's regulation defined that investors need to fill in a questionnaire informing their preferences and based on this document, banks should offer the most appropriate product (Veja, 2010).

A study carried out by the Central Bank of Brazil in 2011, one year after Anbima's regulation had been put in practice, demonstrated that within the category of Brazilians that are investing, the main strategies pursued are the following: savings accounts, private pension funds, investment funds, stock market, certificate of deposit and government bonds (Central Bank of Brazil, Determinants of net funding, 2012, p. 15).

In summation, it seems that Brazilians need more orientation and information while choosing a financial product, despite the fact that some changes are happening such as banks getting involved in the decision making process. However, as this is a personal preference matter, individuals should be able to identify the most appropriate strategy without any external interference. The role that financial institutions should have is just to present the conditions of each strategy. The analysis and identification of the most appropriate options need to be defined by the investor itself.

2.5 Investment strategies

2.5.1 Savings accounts

The savings accounts are an investment product offered by financial institutions and they are ideal for investors that are willing to make monthly deposits and earn interest according to the savings.

This product is associated with low risk because the only associated loss that can happen is if the financial institution that holds the money fails. In this case, the Fundo Garantidor de Créditos (FGC) which is a private institution responsible for the protection of saving account holders against financial institutions bankruptcy, guarantees that the investor receives their capital back (considering a limit value of R\$ 250,000.00) (Fundo Garantidor de Créditos, 2014). As a consequence of this low risk, the return is not really expressive.

The way savings accounts are regulated in Brazil slightly changed in 2012. Before this year, the return was based on the reference rate which is a measure determined by the Central Bank and it is based on the monthly certificate of bank deposits of the 30 largest Brazilian financial institutions. In practice, it means that there was a guaranteed return of 0.5% per month or 6.17% per year plus the reference rate (Mello, 2012).

However, in May 2012, this product had some changes in its structure. Government perceived that as a result of the international crisis, the economic activity was slower in almost all regions of the world. In this context, the Brazilian public power saw an opportunity to create the conditions for an important reduction of interest rates in the country. Thus, it changed regulations and the savings accounts returns started to be calculated not just based on the reference rate but also according to the percentages of the SELIC rate (Cintra and Felix, 2012). The new regulation defined that if the SELIC rate is above 8.5%, the returns are the same as before May 2012. In other words, if interest rate is over 8.5%, the return is 0.5% per month or 6.17% per year plus the reference rate. However, if the SELIC rate is equal to or below 8.5%, the savings will grow based on a variable

income that follows the equation 70% of SELIC plus reference rate (Mello, 2012). The figure below illustrates the income *modus operandi*:

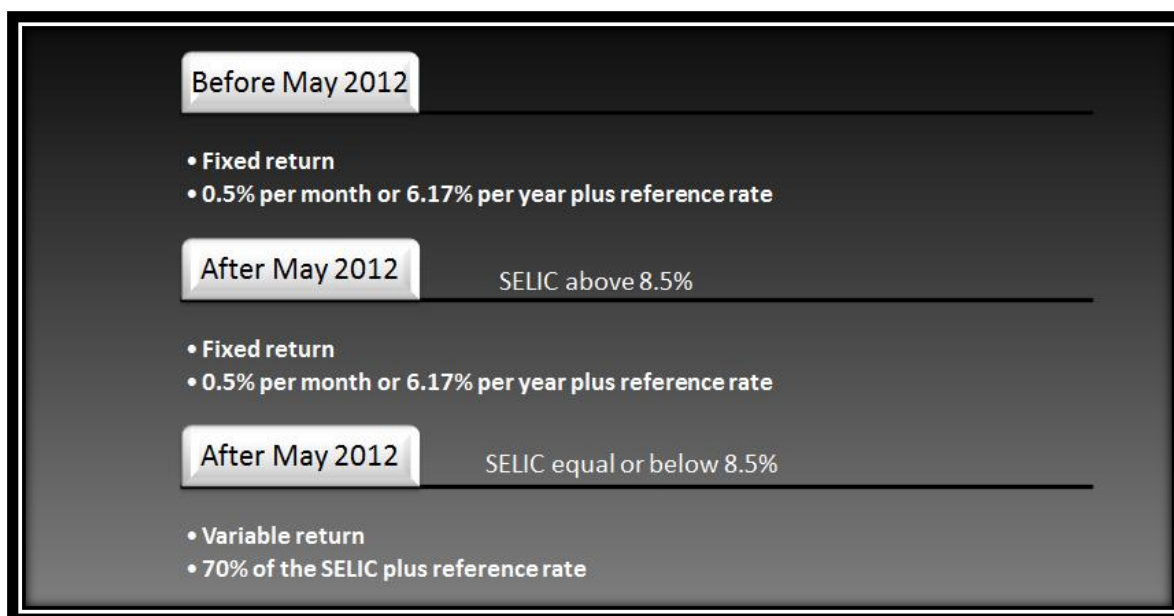


Figure 4: Savings accounts return
Source: Elaborated by the author

Therefore, the new regulation means that if the SELIC rate is above 8.5%, there will not be any changes if compared to the previous scenario. Nevertheless, if the SELIC rate goes down and reaches 8.5%, the returns will proportionally go down as well. The situation in Brazil is that in 2013, the SELIC remained below the target for half a year (from January till July) resulting in irrelevant returns. However, in the other half of the year and throughout 2014, the SELIC has remained stable and above 8.5% which means a guaranteed return (Central Bank of Brazil, Interest rate, 2014).

Having explained the way the income for the saving account works, it is possible to contextualize what it actually means. In order to obtain a reliable idea of the significance of the returns, it is important to compare it with other variables that are impacting the country such as inflation. For example, in 2013, the valuation of the savings account was 5.73% which is inferior when compared to the inflation index rate of the same period (Yazbek,

2013). In this case, the comparison was done to the IPCA which was 5.91%, as mentioned before (Central Bank of Brazil, Inflation targeting in Brazil, 2014). Therefore, the investors that chose savings accounts actually had a loss because their return did not grow the same proportion as prices did.

The upside of this investment strategy is that it is tax free and the financial institutions do not charge fees to hold the account. In addition, there is an immediate liquidity that ensures the inventors can withdraw their capital whenever they want to (Receita Federal, Saving account taxes, 2014, p. 287).

In summation, there are pros and cons of investing in savings accounts. However, after the changes that happened in the Brazilian regulation, the investor needs to be aware that the return cannot be significant and not even compensate and reflect inflation. Despite this fact, the Central Bank of Brazil claims that this is the investment strategy that Brazilians use the most. Moreover, the total balance that is kept in this kind of account keeps increasing (ABECIP, Savings accounts total balance in Brazil, 2014). The illustration below shows that over time more and more Brazilians prefer to invest their money in savings accounts.

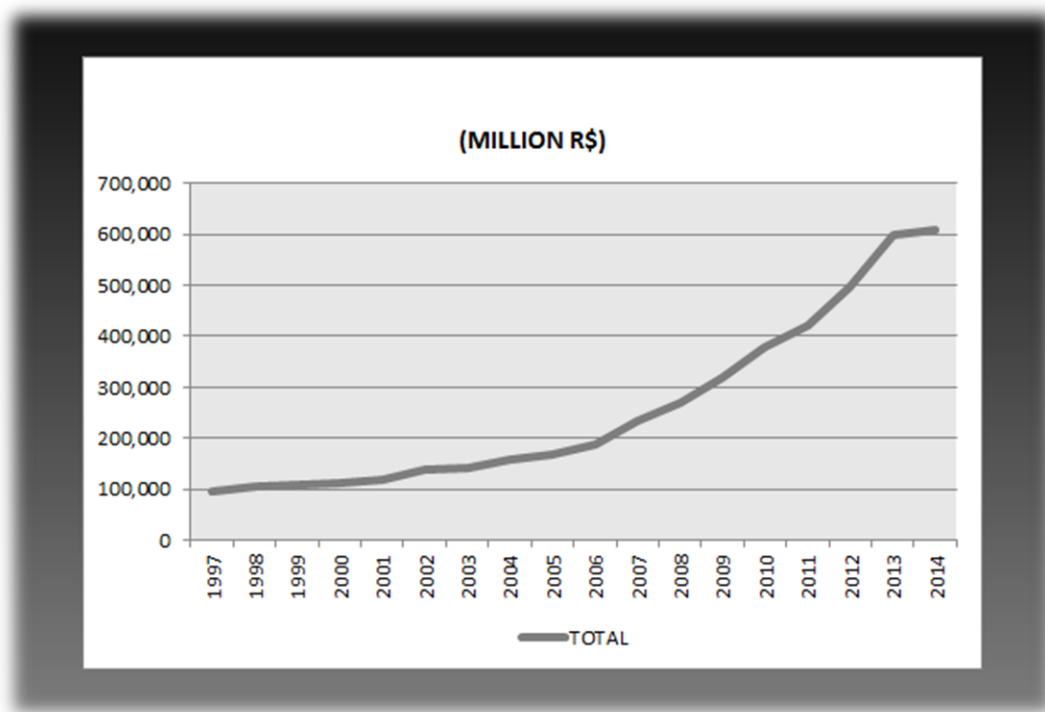


Figure 5: Savings accounts total balance in Brazil

Source: ABECIP

According to Filgueiras (2013), there is a rational reason for explaining why Brazilians prefer savings accounts despite their negative points. First of all, Brazilians do not have enough investment experience. The strategies that are considered more sophisticated came into effect only in 1994 when the economy started its stabilization. However, these same strategies were already in the United States, for example, for more than 60 years. Therefore, while Brazilians consider these investments relatively new, Americans are already used to it and know how to handle it pretty well. Furthermore, savings accounts a while ago were a synonym to the best investment strategy available to Brazilians as it had good returns combined with no risk. So they became accommodated with this idea and because of ignorance and the lack of instruction, Brazilians potentially have losses instead of gains with their savings account choice.

2.5.2 Certificate of deposit

The certificate of deposit is an investment strategy known as CDB (*certificado de depósito bancário*) in Brazil. Its main characteristics are that it involves low risk, fixed income and its rate of return can be either pre-determined or post-determined.

In practice, the certificate of deposit is when a financial institution borrows capital from investors. In exchange for that, investors are paid an interest rate as remuneration for the loan that they provided. Broadly, this investment is a debenture but instead of being issued by companies in general, it is exclusively issued by banks (Banco do Brasil, 2013).

The risk associated to this operation is not significant because, just like the savings accounts, the investor can be jeopardized just if the financial institution fails. In this case, the investor has its investments guaranteed by the Fundo Garantidor de Créditos, considering a maximum amount of R\$ 250,000.00 (Fundo Garantidor de Créditos, 2014).

On one hand, when the investor prefers to pre-determine the rate of return, the individual knows exactly what the return is going to be when maturity comes. This is the normal flow of the operation provided that the investor respect the period that was negotiated for the loan. The yield related to this investment varies accordingly to the initial deposit that the

investor is willing to make and also the period that the capital will remain in financial institutions (Banco do Brasil, 2013). This strategy is appropriated for when the SELIC rate is expected to go down because the return will not be affected.

On the other hand, when the investor prefers to post-determine the rate of return, the individual will know the income just in the last moment of the investment. This variable is defined in accordance with the interbank certificate of deposit or CDI which is established and measured by an average rate of how much banks are charging each other to borrow capital. Therefore, this rate is a parameter similar to the LIBOR concept (London InterBank Offered Rate) but exclusive and particular to the Brazilian market. This strategy is appropriated for when the SELIC rate (usually really similar to the CDI rate) is high because the returns will follow the same trend (Banco do Brasil, 2013). For example, in 2013, the yield of this investment was 8.04% which is satisfactory considering that it was higher than inflation (Yazbek, 2013).

In addition, differently from the savings accounts, the certificate of deposit is not a tax free investment. The income tax is charged over the returns gained and it is due when the investor is going to redeem the capital or when the investment reaches maturity. The way the taxation works is: the longer the bank holds the capital, the lesser the tax. For example, till 180 days, the applied tax is 22.5%. However, for investments that last longer than 720 days, the tax is 15% (Banco do Brasil, 2013). The table below illustrates how the taxation works for specific periods of time:

Period	Tax
Up to 180 days	22.5%
From 181 till 360 days	20%
From 361 till 720 days	17.5%
More than 720 days	15%

Figure 6: Income tax applied to certificate of deposit
Source: Based on Banco do Brasil, 2013

Moreover, if the investor decides to redeem the capital invested within 30 days, there is another tax that is applicable over the income. This tax is called IOF (tax over financial operations) and its aliquot varies accordingly to the day in which the capital is being redeemed. For example, within five days, the IOF is 83% over the income and within 29 days, the tax is 3%. Above 30 days, the IOF is not applicable (Itaú, 2014).

In summation, the certificate of deposit is a strategy indicated for the investors that will not need the capital in the short term. If the investor can afford to have this surplus with the bank, without the possibility of requesting it back before maturity date, this strategy is a potential alternative as the returns are higher when compared to the savings accounts one but in this strategy, the investor has to pay taxes. Thus, considering the applicability of taxes, the certificate of deposit may result in a yield lower than the inflation and the investor may end up losing capital instead of maximizing its wealth.

2.5.3 Government bond

The public bonds are instruments used by the Brazilian government so they can gather external capital and meet their financial obligations and finance the public debt. As of February 2014, the division of the main public debt holders was the following:

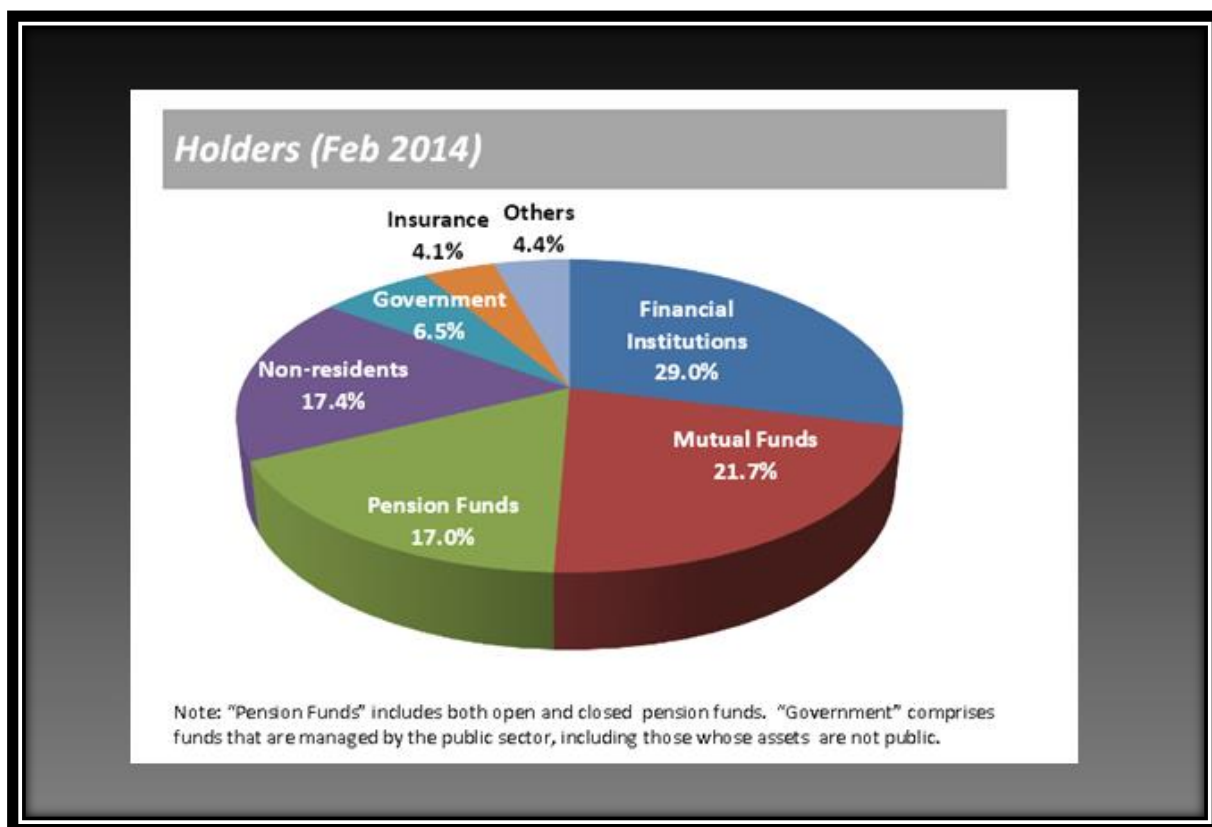


Figure 7: Domestic federal public debt – Holders
Source: Tesouro Nacional, Federal public debt, 2014, p. 37

The way these bonds are sold is through auctions exclusively to institutions or through the internet directly to individuals. There are two main bonds that are traded the most which are called national treasury bills (LTN) and treasury financial bills (LFT). Each bond has its particularities but the general characteristics are: low risk associated, fixed income and its rate of return can be either pre-determined or post-determined (BM&F Bovespa, Federal government bonds, 2014).

The risk associated to this strategy is low because the investor will have losses just in case government crashes. The possibility of the government running out of capital is insignificant compared to financial institutions. Having that in mind, all other investments that rely on banks are riskier than public bonds that depend on government (Tesouro Nacional, What are public bonds, 2014).

Firstly, the national treasury bills are bonds in which yields are determined upon purchase. In other words, this strategy counts with a fixed rate of return. For each purchased bond, the amount to be redeemed in the end of maturity is R\$ 1.000. Based on this future value, the yield is negotiated as well as the present value that the individual needs to pay for the bond. For example, a bond negotiated on December 30th 2013 that will reach maturity on January 1st 2015 has an annual yield of 4.93% (Yazbek, 2013). However, if the investor needs to redeem the investment before it reaches maturity, it is likely that the individual will lose capital. The investor may receive even less than what was paid as an initial investment (Tesouro Nacional, National treasury bills, 2014).

Secondly, treasury financial bills are bonds in which daily yields are linked to the economy's basic interest rate (average rate of daily operations with public bonds registered in the SELIC system, or simply, the SELIC rate) (Tesouro Nacional, Treasury financial bills, 2014). Considering that the SELIC rate is expected to go up, as seen in the section about economic perspectives, this strategy is less risky than the national treasury bills because it constantly reflects changes by the interest rates applied over the initial investment. In addition, treasury financial bills are also more advantageous than savings accounts. This is because savings accounts, as per the new regulations, just reflect 70% of the SELIC rate (as seen and explained in the savings accounts section). Furthermore, for a bond negotiated on December 30th 2013 that will reach maturity on March 7th 2014 the yield is 8.21% (Yazbek, 2013).

Despite the positive yields that are inherent to the public bonds, there are many discounts applied throughout the investment period. The first discount applied over the bond value is an administration fee due to the institution that negotiated the investment. It can vary from 0% (small banks) till 2% (consolidated banks) per year (Tesouro Nacional, Fees due to agents, 2014). In addition, there is a custody fee due to BM&F Bovespa equivalent to 0.3%

per year. Besides these fees, there are two taxes that are also applicable to government bonds. These taxes are the income tax and the IOF which have the same *modus operandi* as explained before for the certificate of deposit (Tesouro Nacional, Strategy costs, 2014).

Hence, the national treasury bills are advantageous if the investor believes that the pre-determined income rate will be higher than the interest rate during the investment period. Otherwise, the most advantageous strategy is the treasury financial bills. However, it is also important to take into consideration the discounts that are mandatorily applied over government bonds.

2.5.4 Private pension

In Brazil, government provides to employed individuals with a social security plan that works as a public pension. Broadly, it is a mandatory plan (discounted through payroll) and it has a pay-as-you-go scheme, managed by the National Social Insurance Institute (INSS). However, the focus of this section is the private pension that investors use as a complement to this public plan. This private investment can be associated to either open or closed pension funds (Reis and Paixão, 2004, p. 01).

The open private pension is offered by financial and insurance institutions and it can be contracted out by organisations or directly by individuals. The supervision of these funds is under the competence of the Superintendence of Private Insurance (SUSEP) and the regulations are defined by the National Board of Private Insurance (CNSP). Both parts are linked to the ministry of finance (Reis and Paixão, 2004, p. 04-05).

The closed private pension is offered by non-profit organisations and it can be contracted out exclusively by enterprises. This investment is supervised by The State Secretariat of Pension Funds (SPC) which is a public body formally linked to the ministry of social security (Reis and Paixão, 2004, p. 03-04).

Despite the fact that these plans are currently being properly supervised, there is still an imminent risk associated to this strategy. Differently from the savings accounts and

certificate of deposit, there is no guarantee of recovering the invested capital in case the institution that holds the resources goes bankrupt. For this reason, it is compulsory that the investor relies on a traditional and consolidated company (Uol News, 2014).

There are two main plans that can be contracted out in the open and in the closed private pension which are known as PGBL (plan generator of benefits) and VGBL (redeemable life insurance) (SUSEP, 2014). The difference between both plans is how the tax benefit works. In order to choose the ideal option, it is necessary to take into account the income tax statement type that the investor does. If the investor counts with a complete income tax declaration in which there are lots of allowable expenses to be reduced from the statement, the appropriate plan is the PGBL. Nevertheless, in case the investor does the simplified income tax statement and does not count a lot of deductible expenses, the VGBL is the most advantageous plan (Tudo Sobre Seguros, What are the differences between PGBL and VGBL, 2014).

In opposition to the other strategies explained so far, when it comes to private pension, the investor can choose the tax regime that will be applicable to the investment. The first option is called the progressive regime in which the tax rate varies in accordance with the annual amount that will be redeemed (Receita Federal, Progressive regime, 2014). The figure below illustrates the specific conditions for this situation:

Annual amount to be redeemed (R\$)	Tax rate
Up to 21,453.24	-
From 21,453.25 till 32,151.48	7.5%
From 32,151.49 till 42,869.16	15%
From 42,869.17 till 53,565.72	22.5%
More than 53,565.72	27.5%

Figure 8: Progressive regime applicable to private pension
Source: Based on Receita Federal, Progressive regime, 2014

The second tax option is called the regressive regime because the tax applied over the redeemed amount tends to decrease throughout the years. Therefore, this option is really beneficial for the investors that do not need to redeem the capital early on. The figure below illustrates the specific rate applied throughout the investment period. Hence, if the investor can wait till 10 years to redeem their financial resources, the applicable tax will be just 10% (Tudo Sobre Seguros, What is the regressive regime, 2014).

Contribution to the private pension plan period	Tax rate
Up to 2 years	35%
From 2 to 4 years	30%
From 4 to 6 years	25%
From 6 to 8 years	20%
From 8 to 10 years	15%
More than 10 years	10%

Figure 9: Regressive regime applicable to private pension
Source: Based on Tudo Sobre Seguros, What is the regressive regime, 2014

Besides the explained taxes, there are two conventional fees applicable to private pension plans. The first fee is due as a payment to the institution that was administrating the investor's financial resources. This administration fee is applicable over the total amount invested (considering contribution and income). In parallel, the other fee is due every time a contribution is made to the plan. This charge is usually not higher than 5% per contribution (Brasilprev, 2013, p. 07).

Independent of the plan, the investor still chooses the funds to which the capital will be invested. There are two standard options that institutions usually offer which are related to the investor's risk appetite. Hence, the funds can be conservative or moderate/aggressive. In 2013, in average, the conservative fund had a yield of 5.42% and the moderate/aggressive had a return of 4.01%. Once again, the returns did not exceed the inflation rate for the same period (Clipping, 2013).

In summary, a private pension should be considered an investment specific for gathering funds for future use, for example, retirement. Otherwise, it may not be beneficial because it involves more costs than other strategies. Despite the fact that Brazilians do not tend to invest in the long term, as seen in the Brazilian investor's profile section, they are investing more and more in private pension. For example, in 2013, the private pension fundraising had a growth of 10% (Clipping, 2013). Having that in mind, there are two possibilities that may explain this investment behaviour. Either Brazilians are changing their investment profile or they do not know how to best invest their surplus. This second statement re-confirms one of the main hypothesis of this research, however it is not enough to anticipate a reliable conclusion.

2.5.5 Investment funds

An investment fund is a strategy used by individuals that want to invest their surplus in financial assets. This investment is administrated and serviced by a financial institution on behalf of those investors. Besides, the key role of these institutions is to collect the money of many individual investors so in the end, by pooling these financial resources, the individual shareholder gains benefits for having the same characteristics of a large investor (Portal do Investidor, 2014).

There are two types of possible investments related to this strategy which are open and closed-end funds. On one hand, the structure of the open-end funds is more flexible as it allows new shareholders to join the fund and existing ones to redeem their shares. In addition, investors can change the amount that they want to invest in the fund. On the other hand, the structure of the closed-end fund is more restricted as it does not allow the participation of new shareholders or anticipate redemption of shares (Portal do Investidor, 2014).

The regulation of the funds needs to follow standard rules established by the CVM (The Securities Commission of Brazil) and also some specific rules attributed to the fund. This specific regulation is distributed by the institution that is administrating the fund and it

contains relevant information such as risks inherent to the investment, fees, taxes, *et cetera* (Portal do Investidor, 2014).

The risks associated with this operation are usually higher than the ones related to the strategies explained so far. The investment funds do not count with any guarantee by the Fundo Garantidor de Crédito. Besides, according to the Brazilian government, there are three perceived risks when it comes to investment funds. Firstly, there is the market risk which is that because of the volatility of the share prices it is hard to predict the future amount to be redeemed. In other words, the value of the investments may decline because of unavoidable risks that affect the entire market. Secondly, there is the credit risk which is the possibility of a bond issuer not being able to repay a bond. In this case, the funds can be a worthless investment. Thirdly, the liquidity risk that is related to the investor willing to sell the fund but not succeeding to do it because either there are no buyers inclined to pay the requested price or there are no buyers at all (Portal do Investidor, 2014).

As listed in the Portal do Investidor (2014) webpage, the CVM and the Anbima classified the different existing funds in categories that may help to explain the available product portfolio. The options are listed below, with a brief explanation of its peculiarities and in some cases, the equivalent yield of 2013:

- Short term or money market fund: Short term investments related to government bonds;
- Index fund: The most popular option is the DI option which is linked to the variations in the CDI rate, as explained in the certificate of deposit section. The yield for this strategy was 8.11% (Yazbek, 2013);
- Fixed income fund: In this case the share price variation is linked either to SELIC rate or inflation. In 2013, the gained yield related to this strategy was 6.80% (Yazbek, 2013);
- Equity funds: Generally, the investment objective of this category of funds is long-term capital growth. There are, however, many different types of equity funds because there are many different types of equities. The main equity funds are the free share funds (the yield was 1.08%);

- Share funds (the yield was -3.04%), dividend share funds (the yield was -4.14%) and Small Caps funds (the yield was -11.47%) (Yazbek, 2013);
- International/Foreign fund: This fund is an investment in the Brazilian external debt.
- Multimarket fund: This is the most risky fund option. The main funds within this category are called Macro (the yield was 7.98%), Multistrategy (the yield was 6.20%) and Interest and currency (the yield was 4.92%) (Yazbek, 2013);
- Exchange fund: This fund has its price variation linked to the volatility of foreign currencies.

Usually, there are many fees associated with investment funds. For example, there is a performance fee that is due in case the returns are higher than expected. Also, there are fees involved when making a contribution to the fund and when redeeming the capital. On top of that, the institution that is servicing the fund charges an administration fee for their service (Portal do Investidor, 2014). In addition, the IOF tax is not applicable to investments above 30 days. The due taxes, such as income tax, depend on the duration of the investment and are charged twice per year and when necessary, when the capital is redeemed. Considering a short term investment (less than 365 days), the due income tax is charged semi-annually (on May and November) and the standard rate is 20%. The complementary income tax is applied when the capital is redeemed and the rates applied are as follows (BM&F Bovespa, Investment funds: Income tax due within the short term, 2014):

Investment period	Tax rate
Up to 180 days	22.5%
More than 180 days	20%

Figure 10: Tax applicable to short term investment funds

Source: Based on BM&F Bovespa, Investment funds: Income tax due within the short term, 2014

When it comes to long term investment funds (more than 365 days), the due income tax is charged semi-annually (on May and November) and the standard rate is 15%. When the capital is redeemed, the complementary income tax applied follows the rule shown below (BM&F Bovespa, Investment funds: Income tax due within the long term, 2014):

Investment period	Tax rate
Up to 180 days	22.5%
From 181 to 360 days	20%
From 361 to 720 days	17.5%
More than 720 days	15%

Figure 11: Tax applicable to long term investment funds

Source: Based on BM&F Bovespa, Investment funds: Income tax due within the long term, 2014

Overall, investment funds are a riskier strategy and good option in case the investor is being supported by a competent financial institution. Clearly, there are some funds that despite the risk are not resulting in high returns. This kind of fund should not even be considered as a potential option by the institution that is guiding the shareholder. Therefore, if the investor is being well oriented, it is likely that the individual will end up having positive returns and more importantly, incomes higher than inflation even when all the applicable taxes and fees are discounted.

2.5.6 Stock market

In Brazil, shares are bought and sold on the BM&F Bovespa. These negotiations happen with the intervention of stockbrokers that are authorized to operate by The Securities Commission of Brazil (CVM). The main characteristics of this strategy are that shares involve a high risk and there is not a guaranteed fixed return.

The first step to invest in shares is to choose a broker that will give proper guidance throughout the investment. The second step is to choose the company that is offering the best condition for their shares. This decision needs to take some factors into account like the company's growth perspective, outstanding shares, earnings per share, dividends, *et cetera*. It is always recommendable to spread the risk which means spread betting by choosing more than just one company. The third step to best take advantage of this strategy is to sell the shares at the right moment. By doing this, it means that the investor has a real gain with this investment option (BM&F Bovespa, How to invest on the stock market, 2014).

When an investor decides to invest on the stock market, it is important to be aware that this is a long-term investment. Besides, as equities are a variable income investment, the investor cannot know the returns in advance. However, the Ibovespa, which is the main Brazilian stock index, can be used as an adequate performance benchmark and indicate an estimative idea of the gains (BM&F Bovespa, Equities, 2014). In 2013, the yield for this strategy was -15.49%. This result was exceptionally low because of some representative shares that lost its value in the Brazilian market (Yazbek, 2013).

The risk of having negative returns over the initial investment is an imminent possibility of this strategy because the investor that owns the share becomes a company's shareholder. Therefore, if the company's profit goes down, consequently, the price of the shares that this investor holds will follow the same pace (BM&F Bovespa, Risk of investing on the stock market, 2014).

The costs associated to this strategy are fees and taxes. In terms of fees, the investor has to pay a brokerage fee as a charge for the broker service and also a custody fee. Regarding the income tax, there is a standard change of 15% over the gains. Clearly, if the investor had a loss instead of having positive returns, the individual is exempted from paying taxes (BM&F Bovespa, Taxation, 2014).

The outlook for the stock market strategy is that this is a good option for the ones that are willing to take risks and as a consequence obtain significant returns. However, this option is particularly not explored per Brazilian investors. As of 2011, just 3% used to invest on

the stock market (Anbima, Investor radiograph, 2012, p. 06). Sandrini (2011) believes that this is due to the fact that investors are irrationally afraid to lose money. Hence, when the share prices are high, investors tend to buy more and more shares because they expect that the price will keep increasing. The problem of investing this way is that individuals tend to sell these same shares when the price is down. The consequence for this equation is an evident loss to the investor. Afterwards, this context makes the individual conclude that the stock market is not a good strategy. Additionally, it is common that investors look for information in the wrong places. For example, if an investor needs an assessment about how to behave on the stock market, this person is more likely to post a question on online forums rather than focus on official government platforms that have reliable information.

2.5.7 Other investment strategies

In addition to the strategies explained so far, Brazilians also use the following options as a trial to maximize their capital:

- Gold: In 2013, this strategy had a relevant devaluation of -17.35% (Yazbek, 2013).
- Foreign currencies: This strategy was pointed out as the best investment strategy for 2013. The investors who bought and sold the US dollar currency in the right moment could even achieve a valuation of up to 14.64% (Yazbek, 2013).
- Real estate market: This strategy is about investors that spend a high amount to purchase a property willing to rent it for a third party. The problem of this strategy is that it is a risky investment as there is no guarantee that someone will rent the property and also because the investor can own a property that is gradually devaluating. Brazilians are not exclusively purchasing properties in the national market but also in the United States. This strategy is favourable in terms of currency exchange because US dollars are stronger than the Brazilian Reais (Gittelsohn and Osse, 2011).

2.6 Comparison between the investment strategies

The strategies mentioned and explained so far are representative of the main investments that Brazilians prefer to pursue. Therefore, having understood the principles of savings accounts, certificate of deposits, government bonds, private pension, investment funds, stock market and the other minor strategies mentioned, it can be stated that just a few investments guaranteed a satisfactory yield for 2013. This can be affirmed because exclusive strategies were synonymous to real gain as many had returns lower than inflation. However, past performance is no guarantee of future results: in this study the past yield was used as a guide for which strategies are more advantageous (Curran, 2010). In the present conclusion, past performance was merged to the economic perspective outlined in section 2.3. Having these drivers of the study combined, it was possible to conclude which strategy is the most appropriate one within the foreseeable future.

The plausible assumption for the investments that had a negative return in 2013 is that these strategies are likely to result in the same or similar performance and it is unlikely that its yield achieve a satisfactory level, within the short term, overcoming the inflation rate. For this reason, the stock market cannot be considered an advantageous strategy within the short term. Besides, the strategies that had returns lower than the inflation rate, such as savings accounts, national treasury bills (government bonds) and private pensions, were disregarded from the study as it did not reflect real gain in 2013 and therefore, cannot be considered the most beneficial investments.

Thereby, having excluded these options that are unlikely to result in the best case scenario, the potential best strategies left are certificate of deposit, treasury financial bills (government bonds) and investment funds. As explained in Brazil's economic perspective section, it is expected that the country's interest rate and inflation will increase within the foreseeable future. Thus, it is coherent to choose a strategy that has its returns indexed to the SELIC. For this reason, the most appropriate strategies can be narrowed down to certificate of deposit with a post-determined rate of return and treasury financial bills.

As explained, treasury financial bills are less risky than certificate of deposits as it depends on government and not on financial institutions to pay the returns. Considering that the

Brazilian investor stereotype is mainly conservative, it can be stated that the best investment option currently available in the investment portfolio is the treasury financial bills. This strategy is the most appropriate one as it is consistent with the Brazilian's investor expectations, it brings real gains and it also reverses the economic condition in favour of the investor as the interest rate is expected to increase.

However, it is also relevant to state that a rational investor tends to diversify an investment portfolio. In other words, it is preferable to have multiple investment strategies as this results in less risk for the investor. Hence, Brazilians should not choose an exclusive strategy and dedicate all their savings to that investment. The ideal situation is to spread volatility and exposure by selecting more than only one asset type. This precaution guarantees that if the investor loses capital in a specific strategy, the alternative one is likely to result in significant returns (Ross, Westerfield and Jaffe, 2003, p. 298). Therefore, it can be argued that Brazilians should handle their investment by this principle. For instance, Brazilians could select either government bonds or certificate of deposits along with another strategy so their portfolio becomes a bit diversified.

CHAPTER 3: METHODOLOGY

3.1 Introduction

This third chapter explains the research design that was applied in this dissertation in order to obtain reliable and trustworthy findings. The section 3.2 contains a detailed explanation of the step by step process that was followed throughout the study, including its philosophy, approach, strategy, sampling and ethical dilemmas that were faced. In addition, section 3.3 explains the data collection instruments that were applied to the respondents, the section 3.4 relates the procedures that were carried out to analyse the collected data and lastly, section 3.5 raises potential limitations of the methodology used.

The starting point of the research methodology is to understand the key concept used in this study which was a tool called the research onion. This instrument allows a detailed and holistic comprehension of the research design as it gradually highlights the relevant information from one layer to another (Saunders, Lewis and Thornhill, 2009, p. 108). The figure below illustrates this concept:

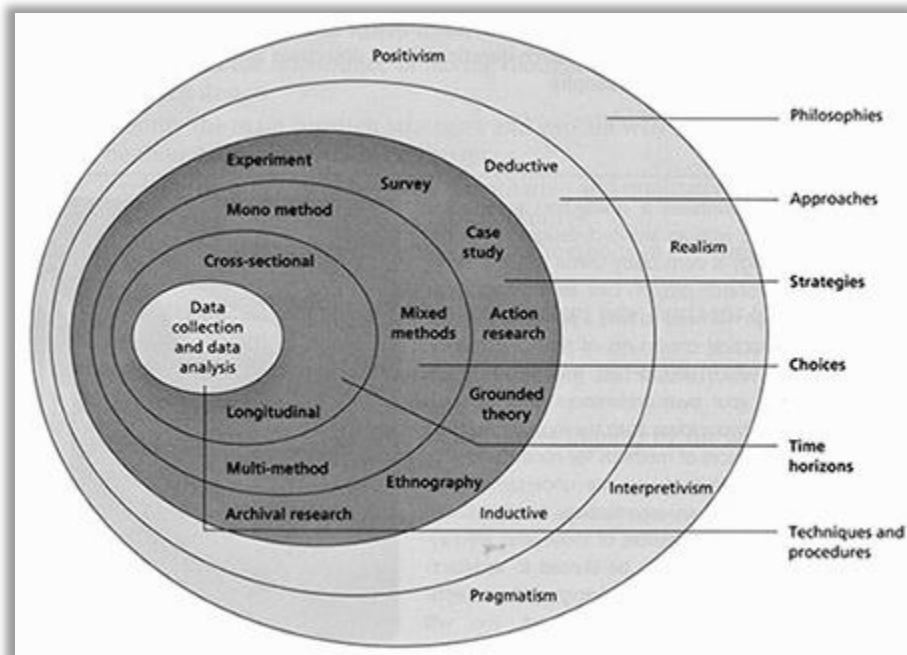


Figure 12: Research onion
Source: Saunders, Lewis and Thornhill, 2009, p. 108

3.2 Research design

3.2.1 Research philosophy

As per the research onion, it can be stated that there are four research philosophies that can guide a study: positivism, realism, interpretivism and pragmatism. In this dissertation, the most appropriate pursued philosophy is the positivism which is the scientific approach. Therefore, the intention is to generate new knowledge from some hypotheses that were created based on existing theory. In other words, the hypothesis developed will be tested and later on confirmed or refuted resulting in a new theory that may trigger further studies. Also, the research was carried out in a neutral manner. By doing so, the researcher biases and opinions do not influence the results (Saunders, Lewis and Thornhill, 2009, p. 113).

In addition, the ontology of this research is objectivist. This means that in order to end up with a meaningful conclusion, assumptions were made and were combined with realist assumptions. Hereby, the assumption of this study is that a common characteristic of all investors is that they are always willing to earn high returns but not to be exposed to excessive risk (Johnson et al, 2006).

3.2.2 Research approach

The second layer of the research onion is about the approach that was used in the research. It can be either deductive or inductive. This study, utilizes the deductive approach because this topic involves the creation of new theory that is subjected to rigorous testing. That being said, if this research was to be done all over again, the researcher would have the same results and conclusions. Therefore, the objective of this approach is to highly structure the methodology to facilitate replication (Johnson et al, 2006).

Moreover, the deductive approach explains causal relationship between variables. For this study, the relationship between Brazilian investors and investment strategies are explained. Then, the hypotheses that were elaborated based on the variables can be tested out by the

collection of quantitative data. Also, deductive approach means that the reductionism principle is being followed. This principle means that a better comprehension will be achieved if problems are reduced to simpler element. In this case, it was not possible to study the whole portfolio of investment strategies that are available to investors. For this reason, just the most common strategies were explained, studied and taken into account. Furthermore, this approach means that findings can be generalized. Thus, the researcher investigated a sufficient number of investors so the sample could be considered meaningful (Saunders, Lewis and Thornhill, 2009, p. 125).

3.2.3 Research strategy

The third layer of the research onion is about strategy. Per the illustration, it can be seen that there are many ways to conduct a research, for example: experiment, survey, case study, action research, grounded theory, ethnography and archival research. For this topic, the researcher specifically used self-completion surveys.

According to Zikmund (2003, p. 175 -178), surveys are a quick, efficient and accurate way of assessing information. However, when the surveys are not managed properly, it may lead to some problems such as respondent error in which, intentionally or not, respondents do not give truthful answers. Moreover, sampling errors might occur because of the chance of variation in the elements selected from the sample and also systematic error might happen because of sample biases which are the results' tendency to deviate in one direction from the true value of the population parameter. Nevertheless, the selection of the sample and the questionnaire design were thoroughly elaborated so the possibility of having these problems was mitigated.

Moreover, the next layer of the research onion is about the research choices that can be mono method, multi method or mixed methods. As in this study, the unique form of collecting primary data is through questionnaires; this is a mono method research (Saunders, Lewis and Thornhill, 2012, p. 152). Also, the quantitative method was used to collect these data. This method was selected because of the aim of this study which is to test out the

hypotheses presented in the first chapter (Hair et al, 2007, p. 152). In order to do so, quantitative data in a raw form was collected which means very little to people because it still cannot be interpreted. Later on, the researcher processed and analysed the information obtained from the sample and presented it through graphs, charts and statistics in general (Saunders, Lewis and Thornhill, 2012, p. 414). Once this step was finished, the researcher associated the results with the literature review findings and was able to prove whether the hypotheses were true or false.

Saunders, Lewis and Thornhill (2009, p. 389) demonstrated that when questionnaires are accompanied with covering letters, the response rate tends to be higher. For this reason, the researcher designed a covering letter explaining the purpose of this research to be seen before the questionnaire. This document also intended to explain other important information that might contribute to a respondent's willingness to attend or not such as confidentiality of the data, anonymity of the participants and how long the questionnaire would take to be answered (refer to appendix B).

The questionnaires were created in Survey Monkey and sent to respondents via the internet. Initially, a pilot questionnaire was sent to five respondents with the objective of measuring its efficiency. Later on, the final questionnaires were sent to the respondents.

In order to reach the maximum number of participants, the researcher sent e-mails to family, friends, colleagues and acquaintances and asked them to complete the questions according to their investment characteristics. Moreover, in the covering letter, the researcher asked these participants to forward the questionnaires so their relatives could also attend to this study. Afterwards, the researcher also published the hyperlink of the questionnaire through social and professional websites such as Facebook and LinkedIn.

3.2.4 Research time horizon

The second last layer that was positioned in the research onion is about time horizon. There are two possibilities that need to be considered which are the longitudinal and the cross-sectional options. According to Saunders, Lewis and Thornhill (2009, p. 155), the

longitudinal time horizon is the best method to observe people or events over time. However, it demands time to be properly accomplished. The alternative time horizon option is the one that is going to be used in this study known as cross-sectional. Due to time constraints provided that this research was conducted in a period of some months, this is the best option for collecting data. Also, it gives a “snap-shot” of the topic that is being studied which is sufficient to answer the questions proposed in this study.

3.2.5 Selecting respondents

The respondents of this research are considered the target population that the researcher considered relevant for this project. The relevancy in this case was defined based on some characteristics that were mandatory for participants.

The researcher aims to reach a population that fulfils the following criteria: to be a Brazil national, to have a surplus capital to invest and lastly, to speak English in order to understand the questions presented on the questionnaires.

When using sampling, the research can be framed either in probability or nonprobability methods. This study counts with a probability method as the sampling process is random and the bias inherent in the non-probability sampling procedure is eliminated. Furthermore, the specific technique adopted is the simple random sampling as it assures that each element in the population has an equal chance of being included in the sample (Zikmund, 2003, p. 384-386). In summation, a Brazilian individual that saves a surplus to invest and that speaks English has the same probability to attend to this research as another individual that has the same attributes.

3.2.6 Research ethics

Ethical dilemmas are likely to come across this research as it involves trust. Based on Hair *et al* (2007, p. 71 - 73), there are some rights and obligations inherent to the parts involved

in the study. The author believes that there are some ethical notions that the respondents need to follow. Firstly, the participants have the right to decline the opportunity to participate in the survey. Secondly, the participants need to be faithful, meaning that it is better to not answer the questionnaire than giving nonsense responses. Thirdly, respondents should refuse to take part in research if they are hesitant to answer the questions with honesty and lastly, privacy, which means that the researcher wants to keep the content of the questionnaire secret so the participant is not authorized to discuss the details of the research with anyone.

In this study, not differently from the explained theory, the researcher is respectful to the respondent's rights and obligations, except for the last item in which the privacy of the researcher is mentioned. The questionnaire proposed for this study is not private and, in opposition to that, the respondents are encouraged to send it to their relatives.

Moreover, Hair *et al* (2007, p. 66 - 69) argues that the researcher also has rights and obligations while conducting research. For example, the researcher should not force anyone to participate in the study; therefore, coercing participation is not acceptable. Also, participants have a general right to be protected from physical or psychological harm. The respondents also have the right to privacy and to know the exact details of the study in which they are participating. The researcher guarantees that all those criteria are rigorously obeyed and met as the data were only and exclusively handled by the researcher.

3.3 Data collection instruments

As briefly mentioned before, the primary data of this study was collected via questionnaires. The researcher initial plan was to send out at least 200 questionnaires and was estimating that at least 100 respondents would forward it to their acquaintances so other individuals could participate. This minimum number of respondents was achieved but the researcher had to change the initial plan as it ended up not being efficient. As a contingency plan, the researcher started to send out individual messages asking and encouraging each respondent

to engage to the research. When faced with a personalized correspondence, the individuals started to participate more.

In addition, the secondary data that guided this study was mainly researches that were published about investments in Brazil and Brazilians' investment profiles. When available, the researcher used the information in English (usually government associates and Central Bank of Brazil publications). However, as in some cases, there were some specific conditions for the country; the information would be given in the local language which is Portuguese. When this kind of problem came across, the researcher just translated the relevant idea and always provided the original source from where it was extracted.

3.4 Data analysis procedures

According to Saunders, Lewis and Thornhill (2009, p. 416), in order to assure the proper data analysis procedures, it is essential to follow a step by step process. The first step is to define the type of data that is being handled (scale of measurement). The second step is to become familiar with the data layout as it will be inserted in the analysis software. The third step is to code and weight the data. And the last step is to anticipate some methods that can be used to check data errors.

In this study, a qualitative procedure was used. In addition, a descriptive analysis was elaborated on. Therefore, in order to transform the raw data in useful information the cross-tabulation method was used. The researcher preference was to handle and analyse this data, mainly with SPSS and, when necessary, the researcher used Excel as a supportive and complementary tool.

3.5 Limitations of methodology

Due to time constraints, the research was carried out within some months. For this reason, it was not possible to go further in relation to obtain more questionnaires answered. The

planned number of responses was enough to generalize the theory however the study would be more in depth if time was not a limited resource.

In addition, the researcher was based in Dublin for most of the research period so it was not possible to physically hand out questionnaires to people in Brazil. Moreover, an additional constraint to this research is that it is compulsory for participants to have an understanding of the English language. Therefore, this study representatively covers Brazilians that have a surplus to invest, that are internet users and English speakers. Thus, this study excludes investors that do not speak English or that do not have access to the internet.

Furthermore, the questionnaire's respondents are predominantly based in the southeast region of Brazil, mainly São Paulo. This part of the country is where the researcher has its social networking so the potential respondents are centralized in this area. Therefore, there is a lack of information related to Brazilians that live in other areas of the country.

Finally, the questionnaire designed for this study may be overly sensitive for the participants that do not want to give details about their income. However, this kind of information is compulsory so the researcher can work and prove the hypothesis. For the purpose of not losing these potential respondents, the researcher attached to the questionnaire, a covering letter that guarantees that all the information provided will be treated carefully.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This fourth chapter exhibits the empirical findings and data analysis originated from primary research that was obtained through questionnaires. Initially, section 4.2 shows the relevant background information regarding the research participants. Later on, sections 4.3, 4.4 and 4.5 demonstrate the significance of the collected data linking it to the objectives of this study. Finally, section 4.6 closes the chapter relating the conclusions of the collected data.

4.2 Background information about respondents

The results collected from the questionnaires show that 100 participants engaged to the investment strategy survey. From this total number, it is possible to visualize and break down their monthly income after taxes, as follows:

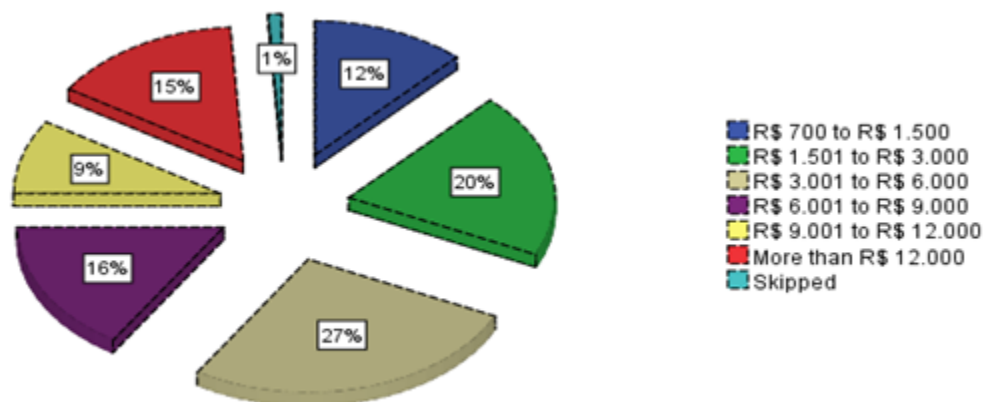


Figure 13: Question 1: What is your monthly income after taxes?
Source: Elaborated by the author

		Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid	R\$ 700 to R\$ 1.500	12	12,0	12,0	12,0
	R\$ 1.501 to R\$ 3.000	20	20,0	20,0	32,0
	R\$ 3.001 to R\$ 6.000	27	27,0	27,0	59,0
	R\$ 6.001 to R\$ 9.000	16	16,0	16,0	75,0
	R\$ 9.001 to R\$ 12.000	9	9,0	9,0	84,0
	More than R\$ 12.000	15	15,0	15,0	99,0
	Skipped	1	1,0	1,0	100,0
	Total	100	100,0	100,0	

Table 1: Question 1: Frequencies
Source: Elaborated by the author

As illustrated in the figure and table above, most of the respondents, which represents 27% of the sample, have a monthly income of R\$ 3.001 to R\$ 6.000. The second most representative category with 20% of the respondents, frames the ones that have a monthly income of R\$ 1.501 to R\$ 3.000. Moreover, 16% of the sample reported that they have a monthly income somewhere between R\$ 6.001 and R\$ 9.000 followed by 15% of the respondents that declared having a monthly income higher than R\$ 12.000. In addition, 12% of the respondents alleged that their monthly income is between R\$ 700 and R\$ 1.500. Only 9% of the sample affirmed that they have a salary between R\$ 9.000 and R\$ 12.000.

In order to classify those respondents in their respective social class, as seen in section 2.4, it is necessary to study each salary range. Therefore, the first range, which is between R\$ 700 and R\$ 1.500, frames social class DE. This class has an average income of R\$ 776. In addition, there is another social class that needs to be considered in this same range. This is social class C2 that shows a salary average of R\$ 1.147. Hence, the first range, that varies between R\$ 700 and R\$ 1.500, includes two social classes which are DE and C2. Therefore, it can be stated that 12% of the questionnaire's respondents belong to social class DE and C2. As seen in the literature review chapter, according to Anbima (Investor radiograph, 2012, p. 10), social class DE is the one that tends to have less investments and less capital saved. Social class C2 comprehends the individuals that start to save a small portion of their income and dedicate it to investments.

The following salary range is R\$ 1.5001 to R\$ 3.000. This includes social class C1 that has an average income of R\$ 1.685. It is coherent to also include social class B2 which presents an average income of R\$ 2.654. Therefore, it can be affirmed that 20% of the sample is framed in social classes C1 and B2. As seen in the literature review chapter, according to Anbima (Investor radiograph, 2012, p. 10), these classes tend to save more than social classes DE and C2.

The next range is R\$ 3.001 to R\$ 6.000 which frames social class B1. This category presents an average income of R\$ 5.241. Thus, it can be argued that 27% of the sample is framed in this classification. So it is possible to state that a significant part of the sample can be considered as belonging to social class B1. This is a pertinent observation because as seen in Anbima's study, (Investor radiograph, 2012, p. 10) this is a class that tends to invest a significant part of their income.

The range R\$ 6.001 to R\$ 9.000 can be roughly considered as social class A because there is no specific social class that frames these values. In addition, the range from R\$ 9.001 to R\$ 12.000 and also the ones that include the respondents that are earning more than R\$ 12.000 are equally considered as social class A. According to Anbima's study (Investor radiograph, 2012, p. 10), as the individuals framed in this social class have higher wages, they also tend to have higher portions dedicated to investments. Considering these three ranges as belonging to social class A, it can be noted that 40% of the sample is framed in this category. In other words, there are 16% of the respondents framed in the range R\$ 6.001 to R\$ 9.000 and there are 9% of the participants included in the range R\$ 9.001 to R\$ 12.000. In addition, 15% of the respondents earn more than R\$ 12.000. Adding all these percentages up, it is definitely clear that most part of the questionnaire's population belong to social class A.

In summation, despite the fact that some social classes are more represented than others, all social realities are included and considered in the study.

4.3 Research objective 1

As mentioned in section 1.2, the first research objective of the present research is to outline Brazilian' investors' characteristics and preferences. Towards this purpose, some questions were asked in the questionnaire in order to collect relevant and trustworthy data. Therefore, the first information that needs to be considered is how Brazilians' classify their personal attitude to investment risks. The figure below illustrates the collected answers:

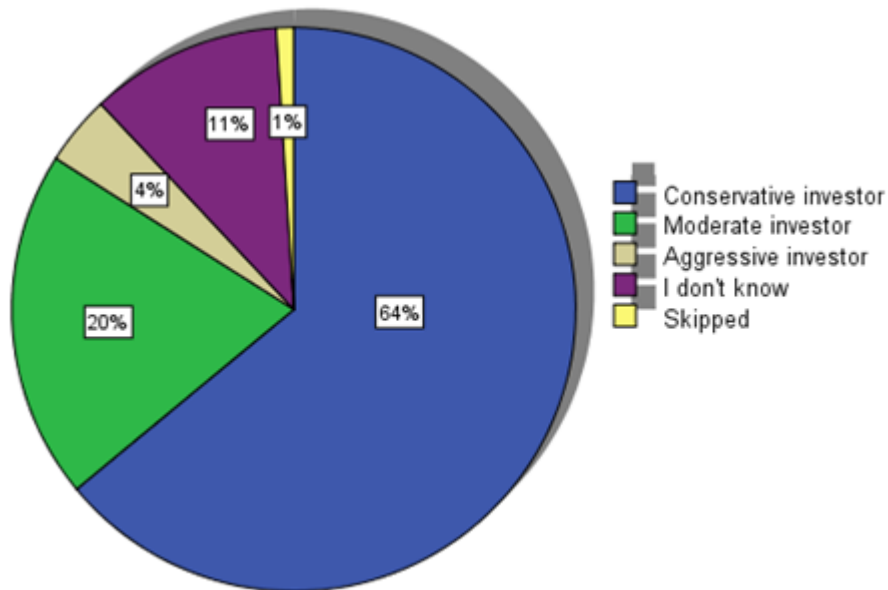


Figure 14: Question 3: Which of the following best describes your investor profile?
Source: Elaborated by the author

By the illustration, it is clear that most of the respondents, represented by 64% of the sample, consider themselves conservative investors which mean they have a low tolerance to risks. In addition, 20% reported that they have a moderate profile which can be interpreted as a risk tolerance ranging from low to moderate. A small portion reported willingness to take risks as just 4% of the sample can be considered aggressive investors. As risk and rate of return are directly related, it can be stated that only a few Brazilians are willing to take risks that will result in high returns. Furthermore, just a few Brazilians would choose investments that can end up in negative returns.

Moreover, it is surprising that 11% answered that they did not know their investor profile. This result justifies Anbima's decision, explained in section 2.4, about banks being obliged to individually analyse each investor predisposition to risks and not just offer a standard investment option. Further details about this question, such as respondents' frequencies, can be found in the appendix E.

When analysing the individual answers, it is interesting to see some respondents' contradictions. The reason for that is because a few participants reported that they have an investment profile that opposes the strategy being pursued. For instance, a respondent reported that he/she has an aggressive profile while pursuing the government bonds strategy which is pretty much conservative. In addition, another respondent answered that he/she has a conservative profile while pursuing the investment funds strategy. As seen in section 2.5.5, this strategy has some associated risks such as the market risk, the credit risk and also the liquidity risk which makes it more risky than conservative strategies. Therefore, because of some respondents that misinterpreted the present question, the answers may have possible deviations.

In addition, the respondents also reported what they most value while choosing an appropriate investment strategy. The image below illustrates the obtained answers:

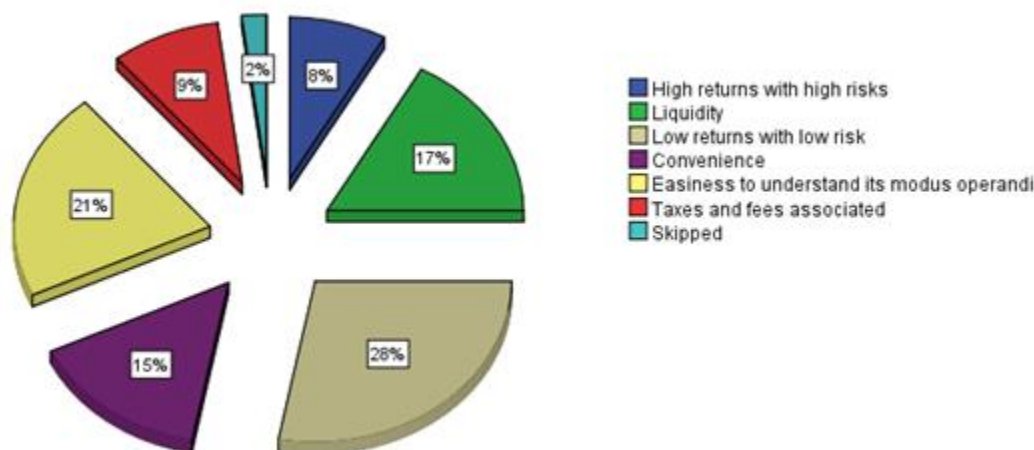


Figure 15: Question 7: What do you value the most while choosing an appropriate investment strategy?
Source: Elaborated by the author

This image confirms the conservative profile outlined in the present section as 28% of the Brazilians reported that they most value low risks, which is associated to low returns. Therefore, despite the fact that a potential investment strategy is not resulting in significant returns, apparently, Brazilians do not mind as long as they are not exposed to risks. In second place, 21% of Brazilians value the easiness to understand the investment *modus operandi*. Having that in mind, most Brazilians want the simplest strategy that is available in the market. In third place, 17% of Brazilians also value liquidity. Hence, they do not appreciate investments where investors are obliged to wait till maturity to withdraw their capital. In fourth place, 15% of Brazilians value convenience. This means that they appreciate the fact that the investment is yielding without their interference. In other words, Brazilians do not want to check on their applications daily. They basically want the convenience of only checking on it once per month. They also want to do this on their own, hence without the interference of a broker or third parties. In fifth place, 9% of Brazilians value low taxes and associated fees. Therefore, they tend to not even consider investment strategies in which the bank may charge some fees or strategies that have higher taxes. However, these charges must be analysed along with the investment returns. The reason for that is because an investment strategy may have high taxes and fees associated but it may also have higher returns that may possibly offset these charges. In sixth place, just 8% of the Brazilians want to have high returns with high risks. This result makes sense as just a few respondents presented themselves as being aggressive in their investments, as seen in figure 14.

The additional information that was collected through the questionnaire was how much Brazilians tend to dedicate to investments, per month, and how long they prefer to leave the capital invested. The figures below elucidate these two questions:

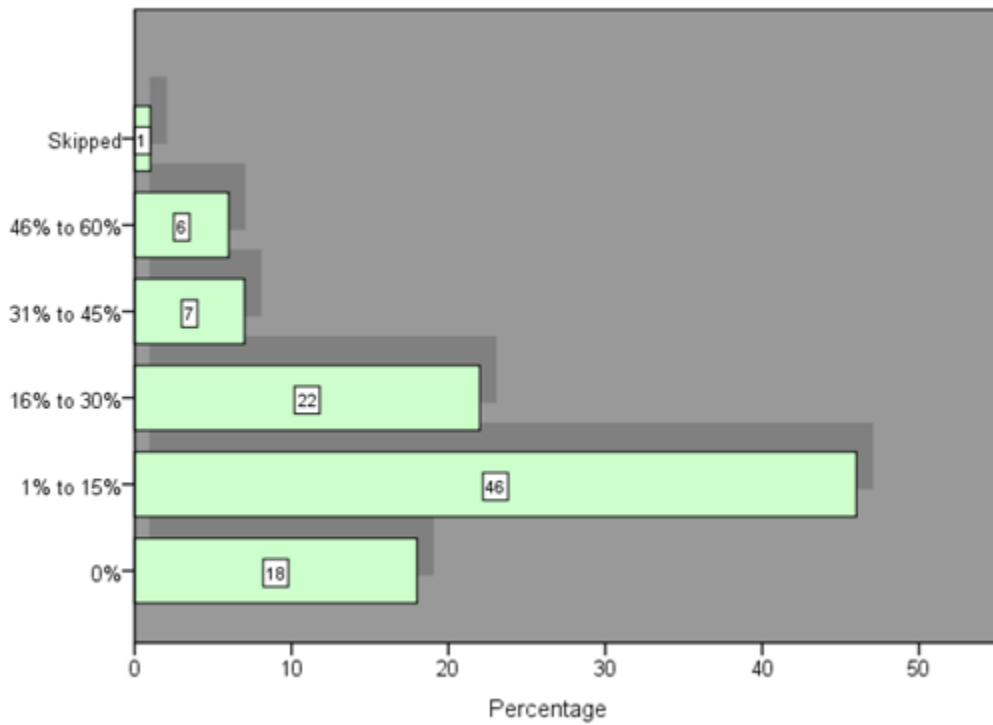


Figure 16: Question 2: How much of your income is allocated to investments?
 Source: Elaborated by the author

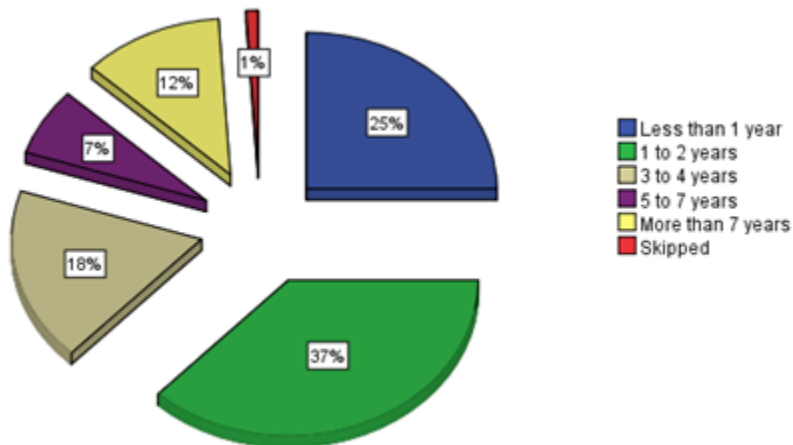


Figure 17: Question 5: Usually, how long do you keep your surplus invested before starting to withdraw the money?
 Source: Elaborated by the author

As seen in figure 16, most Brazilians tend to dedicate a monthly amount to investment's purpose. Even though, an alarming sample of 18% reported that none of their monthly income is allocated to investments. As seen in the literature review chapter, section 2.4, it is likely that this part of the sample is integrally composed by social class DE and C2 which represents 12% of the respondents as illustrated in figure 13. The difference of 6% proves that there are individuals from higher social classes that are not investing any capital at all, despite their higher income. When individually studying each answer, the fact that individuals who have higher salaries and who are not investing anything, becomes more evident. There is even a portion of respondents, surprisingly, framed in social class A (salaries from R\$ 9001 to R\$ 12.000 and more than R\$ 12.000) who are not investing nor saving anything.

However, by studying figure 16, it is still possible to argue that most Brazilians are investing their surplus somehow. Independent of the percentage of how much is being invested, 81% of the respondents confirmed that they are dedicating a portion of their income to maximization. Most part of Brazilians, which is represented by 46% tend to allocate 1% to 15% to investment, per month. Moreover, 22% of the respondents declared that they save 16% to 30% for investment reasons. Also, 7% of the sample said that they tend to allocate between 31% and 45% to investments. And just 6% of the respondents can afford to save, in average, more than half of the monthly income, from 46% to 60% and dedicate it to investment purposes.

In addition, figure 17 exhibits that most Brazilians, represented by 37% of the sample, would rather have a short-term investment as they usually start withdrawing money from their invested capital after one to two years. There is still a significant portion of 25% that would rather not wait more than one year to redeem the invested capital. Nevertheless, the sample also covers those who would rather have a medium or long term investment which is represented by 37% of the sample, considering investments that last more than three years which includes the following categories: three to four years, five to seven years and more than seven years. In details, 18% reported a preference for a period that varies from three to four years, 7% said that they want to withdraw the invested money from five to

seven years and 12% declared that they keep their capital invested for more than seven years.

When looking to the individual answers, the most alarming aspect of this question is that within the category of the investors who keep their capital invested for more than seven years, there is a portion that still prefers savings accounts. Just a few respondents, who are framed within this category, reported that they pursue private pension plans which would be the ideal strategy for future use, such as retirement, as explained in section 2.5.4.

4.4 Research objective 2

The second research objective of the present study is to determine which investment strategies are the most advantageous ones, currently, in the Brazilian market. Based on the primary research, the findings were the following:

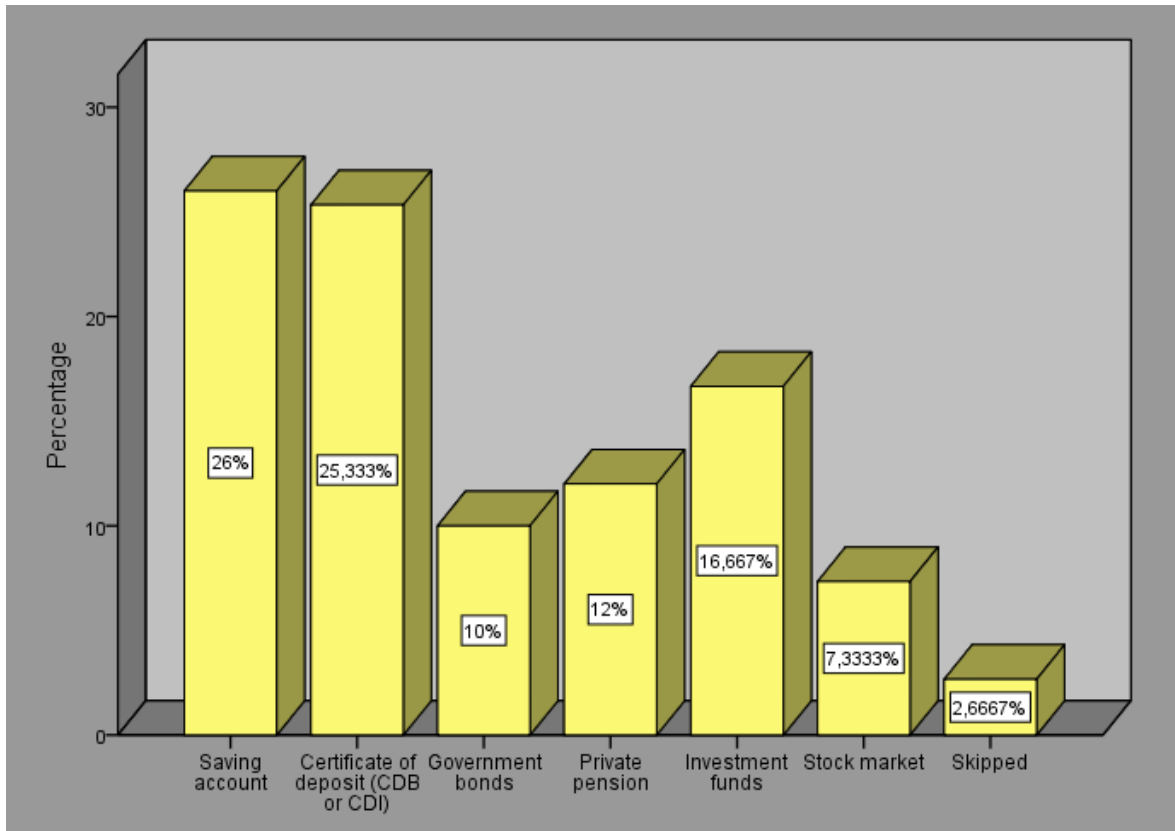


Figure 18: Question 4: Currently, which investment strategy do you believe is the most advantageous one?
Source: Elaborated by the author

Roughly, it can be stated that Brazilians believe that savings accounts and certificates of deposits are the best strategies available in the Brazilian investment portfolio. These strategies put together sum up more than half of the respondents which is 51.333%. Moreover, the other participants believe that the most advantageous investment strategies are, respectively: investment funds (16.667%), private pension (12%), government bonds (10%) and stock market (7,333%).

It is interesting to contrast the result above with the literature review chapter, section 2.6, as in this part of the study, it was stated that the strategies that are more compatible with Brazilians' profiles are certificate of deposits and government bonds. Having that in mind, it is alarming that just 10% of the respondents recognize government bonds as an effective investment strategy. Besides, in section 2.5.1 it was presented that savings accounts can be a misleading and convenient strategy but it is definitely not the one that will bring

satisfactory returns. Nevertheless, 26% of the respondents believe that this is one of the most advantageous investment strategies available in the Brazilian market.

As stated, the questionnaire's fourth question asked the respondent to select all the investment strategies that the individual considered as the most advantageous ones and it allowed multiple answers, in case the respondents believed in more than an exclusive strategy. The figure below shows the respondents' frequencies:

Currently, which investment strategy do you believe is the most advantageous one? Tick the associated boxes in case there is more than one appropriate answer.

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid Saving account	39	26,0	26,0	26,0
Certificate of deposit (CDB or CDI)	38	25,3	25,3	51,3
Government bonds	15	10,0	10,0	61,3
Private pension	18	12,0	12,0	73,3
Investment funds	25	16,7	16,7	90,0
Stock market	11	7,3	7,3	97,3
Skipped	4	2,7	2,7	100,0
Total	150	100,0	100,0	

Table 2: Question 4: Frequencies
Source: Elaborated by the author

As seen in section 2.6, Ross, Westerfield and Jaffe (2003, p. 298) argued that a rational investor tends to have a diversified investment portfolio. For this reason, it is relevant to analyse if the respondents selected more than only one strategy. In order to do so, it is necessary to analyse table 2. By seeing the frequencies, it can be noted that the main strategies considered in this present study were selected 150 times. As this study counted with only 100 respondents, it can be stated that 50 strategies were considered as an alternative option in order to diversify the investment portfolio and spread risk.

Based on this investment diversification scenario, there are two plausible assumptions for explaining the 50 extra strategies selected by the respondents. The first assumption is that half of the respondents are aware of investment diversification as they selected a secondary strategy. However, this condition is not good as more investors should be knowledgeable about this principle. The second assumption is that less than half of the respondents are aware about investment diversification. In this case, some respondents might have

answered more than two strategies. A single respondent might have answered, for example, five strategies which would compose 10% of the 50 extra answers. This also means that more investors should be conscious about diversification. Therefore, both assumptions lead to one unique end which is that just a few Brazilians consider an alternative investment strategy, in theory.

By analysing the individual answers, it is possible to verify which assumption, from the two existent ones mentioned in the last paragraph, is correct. Considering that some respondents reported more than two strategies as the most advantageous one, the second assumption is the accurate one. Therefore, less than half of the Brazilian sample is aware about the diversification principle and so they are not benefiting from it. In addition, the minority that confirmed taking advantage of a diversified investment portfolio reported some irrational answers. This is because the answerers are using strategies that have similar characteristics and risks. For example, a few respondents reported that they are diversifying their portfolio by using savings accounts and certificates of deposit. However, in order to obtain better results, this investor should count with a strategy that is a bit more risky. For instance, the investor could keep the saving account application and change the certificate of deposit for a private pension plan. In this case, the portfolio is a bit more diversified and even so, the imminent risk is not high. The respondents that reported the use of three different strategies got the diversification concept right because they intercalated the risk between two conservative and one moderate/aggressive strategy.

4.5 Research objective 3

The third objective of this research is to explore which investment strategies Brazilians are, in practice, using the most. By that end, in the questionnaire, the respondents reported all the investment strategies that they use in order to maximize their capital. The figure below presents the findings:

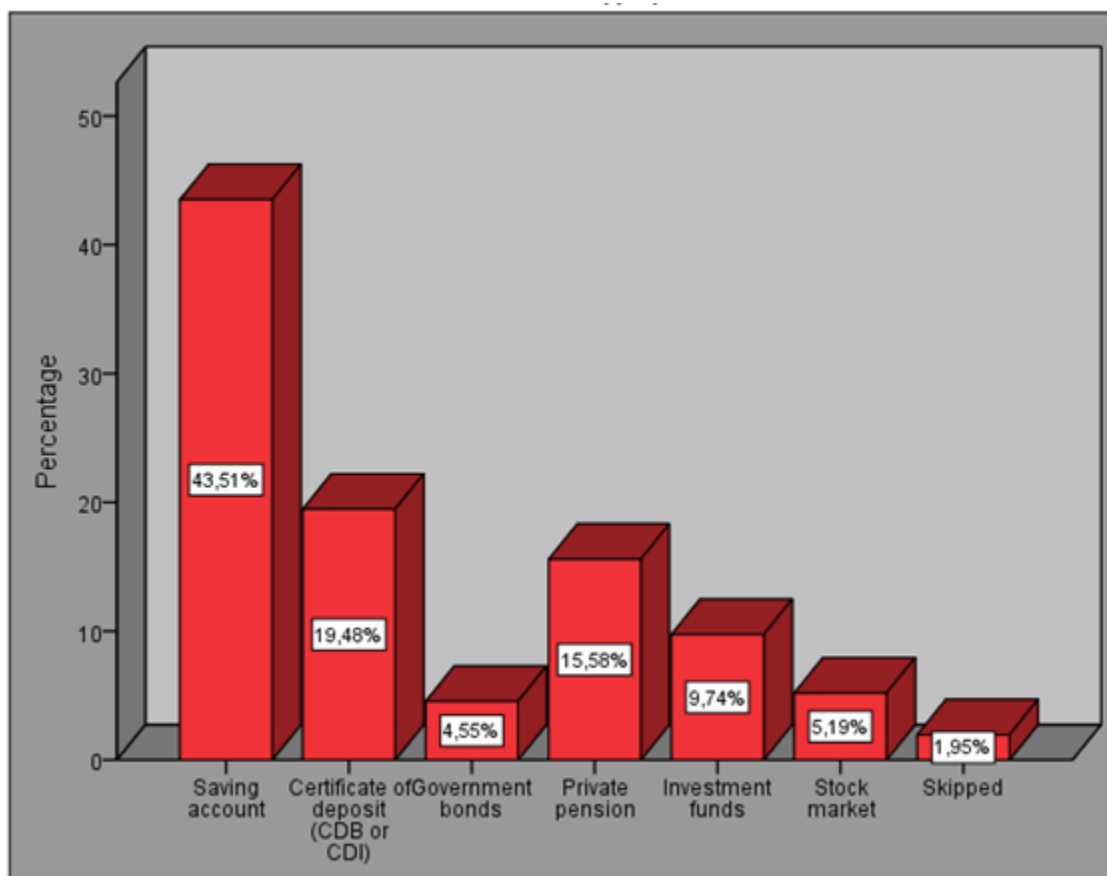


Figure 19: Question 6: Which investment strategy do you pursue?
Source: Elaborated by the author

Therefore, it is possible to state that the investment strategy that Brazilians use the most is the savings account as 43.51% reported this same method to maximize their surplus. The others' preferred strategies, respectively, are: certificate of deposit (19.48%), private pension (15.58%), investment funds (9.74%), stock market (5.19%) and government bonds (4.55%).

The result above is compatible with the Central Bank study, explained in the literature review chapter, section 2.4 in which this same strategies preference order is mentioned except for the fact that private pension, instead of being the second most used strategy is the one before the last.

As mentioned in section 2.5.1, it is relevant to point out that this favouritism to the saving account strategy is making its balance gradually increase. However, as seen before, this

strategy may not result in significant advantages. In addition, it can be stated that despite the fact that only 26% of the respondents believe that savings accounts really is the most appropriate strategy to be pursued (as shown in figure 18), the number of respondents that are actually using it, in practice, is relevantly higher. Thus, it can be concluded that a portion of the respondents that are using savings accounts, in practice, know that this is not the most beneficial strategy but they are pursuing it anyway.

In parallel, the theoretical findings of this study are conflicting with the practical ones when it comes to government bonds. In section 2.5.3, it was debated the benefits of this strategy but, surprisingly, this is the method that just a few pursue.

With regards to investment diversification, the table below presents the current situation, in practice.

Which investment strategy do you pursue? Tick the associated boxes in case there is more than one appropriate answer.

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid Saving account	67	43,5	43,5	43,5
Certificate of deposit (CDB or CDI)	30	19,5	19,5	63,0
Government bonds	7	4,5	4,5	67,5
Private pension	24	15,6	15,6	83,1
Investment funds	15	9,7	9,7	92,9
Stock market	8	5,2	5,2	98,1
Skipped	3	1,9	1,9	100,0
Total	154	100,0	100,0	

Table 3: Question 6: Frequencies
Source: Elaborated by the author

Therefore, it can be noted that besides the 100 strategies selected by the respondents as the primary ones, there are still 54 extra strategies. There are two imminent assumptions in this case. Firstly, approximately, half of the sample is using alternative strategies. Secondly, a few respondents are using more than just two strategies. It is clear that in both assumptions there is a significant number of Brazilians that are not taking advantage of investment diversification, as many did not select an alternative investment strategy. Hence, Brazilians are neither spreading their risk nor counting with the possibility of a diversified income.

When taking into account the individual answers, it is possible to state that the second assumption explained in the last paragraph is the most accurate one. This is because a few respondents reported that their investment portfolio is divided in three or in some cases, even four different strategies. This context is positive but it exclusively represents the sample's minority. This practical result is consistent with what was theoretically observed in section 4.4.

Furthermore, this question had an additional answer possibility. The other answer alternative was simply "other investment strategy" (refer to appendix C). The respondents had this option in case they counted with a different strategy than the ones listed in the questionnaire. If this was the situation, the participants were able to select this option and specify which investment strategy it was. As described in section 2.5.7, some Brazilians do believe in complementary investment strategies, such as gold, foreign currencies and real estate market. When analysing the individual answers, it was possible to conclude that out of 100 respondents, five also pursue the real estate market strategy and only one believes in investments related to other currencies (the respondent specifically stated US dollars and euros). In addition, one participant reported a complementary investment strategy that is not contemplated in the literature review section which is launching a new business. Clearly, a company start up is a good investment but it is not an asset and therefore, not the focus of this study.

4.6 Research objective 4

The fourth and main objective of this study aims to investigate whether or not Brazilians are making the right investment strategies when investing their surplus. In order to obtain this information, three questions were included in the questionnaire to collect this specific data. These questions were elaborated in a way that the respondents needed to inform a specific scale of agreement for some statements. The first question was focused on how well the investors knew the details of their investment strategies. The results for this question follow hereafter:

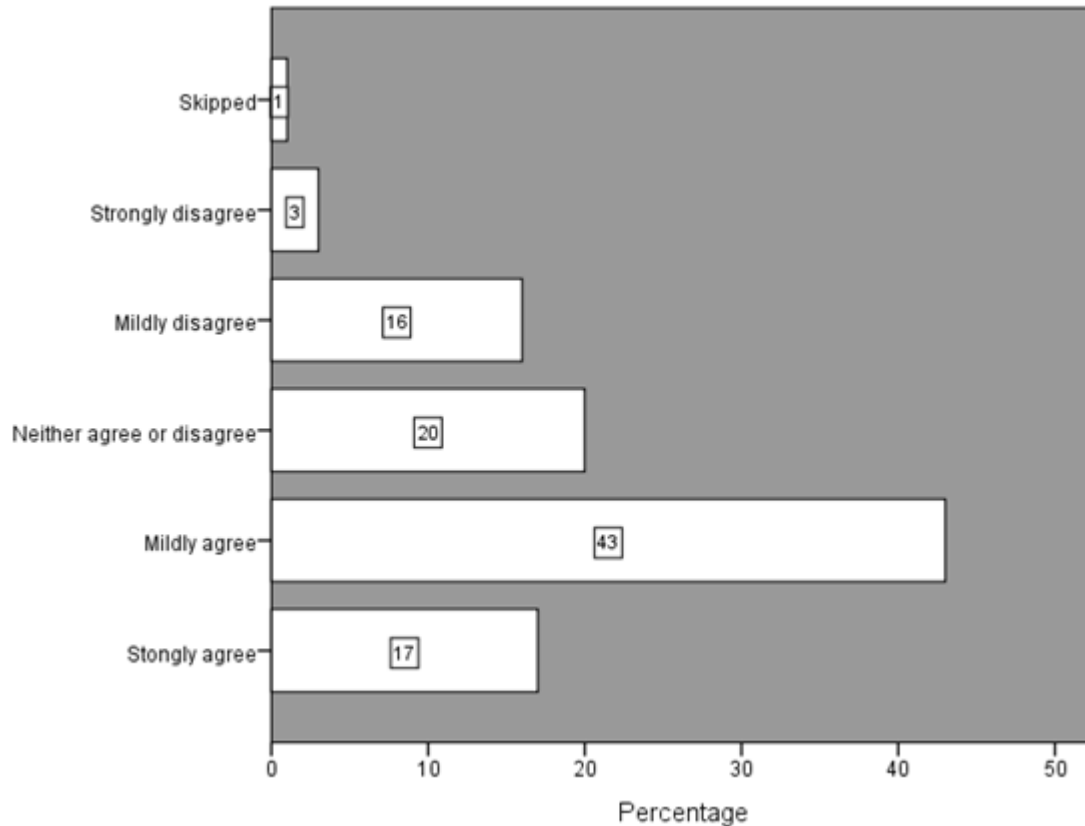


Figure 20: Question 8: I feel that I integrally know the details of my investment strategies such as taxation, liquidation, return and risk associated.

Source: Elaborated by the author

By this image, on one hand, it can be stated that only 60% of the respondents agree, in some level, that they know the details of their applications (17% of the sample reported that they strongly agree and 43% said that they mildly agree with the proposed sentence). On the other hand, 19% of the respondents consented that they lack information about the strategies that are being pursued, as they disagreed, in some level, with the affirmation (3% of the sample reported that they strongly disagree and 16% said that they mildly disagree with the proposed statement). And 20% of the participants declared that they neither agree nor disagree with the proposed statement. Considering that most of the sample is pursuing investment strategies that are not complex, such as saving account and certificate of deposit (as seen in figure 19), the results obtained in this question, in a first glance, seem relevant and coherent. Nevertheless, when studying the individual answer of each respondent, it is possible to state that a significant percentage of the respondents that reported that they do not agree, in some level, with the fact that they know the details of the investment strategy,

are surprisingly investing in basic strategies. Therefore, it is wrong to assume that Brazilians should integrally know the details of their investments, just because they are investing in a non-complex strategy such as savings accounts. Hence, the level of the investment complexity has nothing to do with the level of understanding the strategy details such as taxation, liquidation, return and associated risk. In other words, while a Brazilian investor may understand all the conditions and applicability of stocks and shares, another one may not understand savings accounts, despite the fact of having his/her capital invested in this strategy.

In addition, the sample was also proposed to answer a hypothetical question, as follows below:

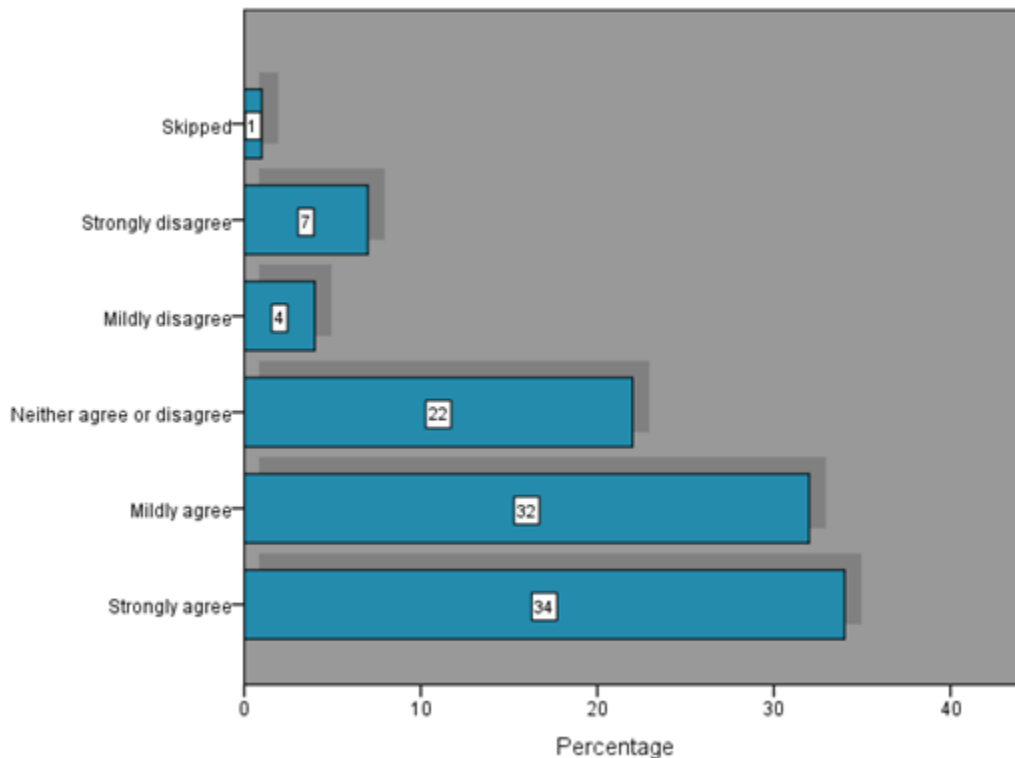


Figure 21: Question 9: If I had a deeper knowledge about investments, I would change the strategy that I am currently pursuing.

Source: Elaborated by the author

It is clear, as shown in the figure above that 66% of the sample agrees, in some level, that they would change the investment strategy that they are currently pursuing in case they had a deeper knowledge about investments markets (34% of the sample answered that they

strongly agree and 32% said that they mildly agree with the proposed sentence). Only 11% disagreed, in some level (7% of the respondents aimed that they strongly disagree and 4% reported that they mildly disagree with the proposed statement) and 22% reported that they neither agree nor disagree.

While analysing the individual answers of each respondent, it is interesting to highlight the investment choices of the participants that strongly disagree with the present statement. As mentioned, 7% of the participants are framed in this category as they reported that they would not alter their investment attitude in case he/she had a deeper knowledge about the subject. Within these participants, 4% are investing in savings accounts. With that being stated, a small portion of Brazilians are satisfied with the savings account strategy and would not change it even if they had a deeper knowledge about investments. However, it is likely that if the few participants that reported this preference actually had more expertise about the subject they would not pursue the savings account anymore.

As most of the respondents agree, in some level, that they would alter their course of action if they had investment expertise, the last question aims to verify their willingness to study their investments more in depth and therefore, become more knowledgeable. The collected results are presented in the figure:

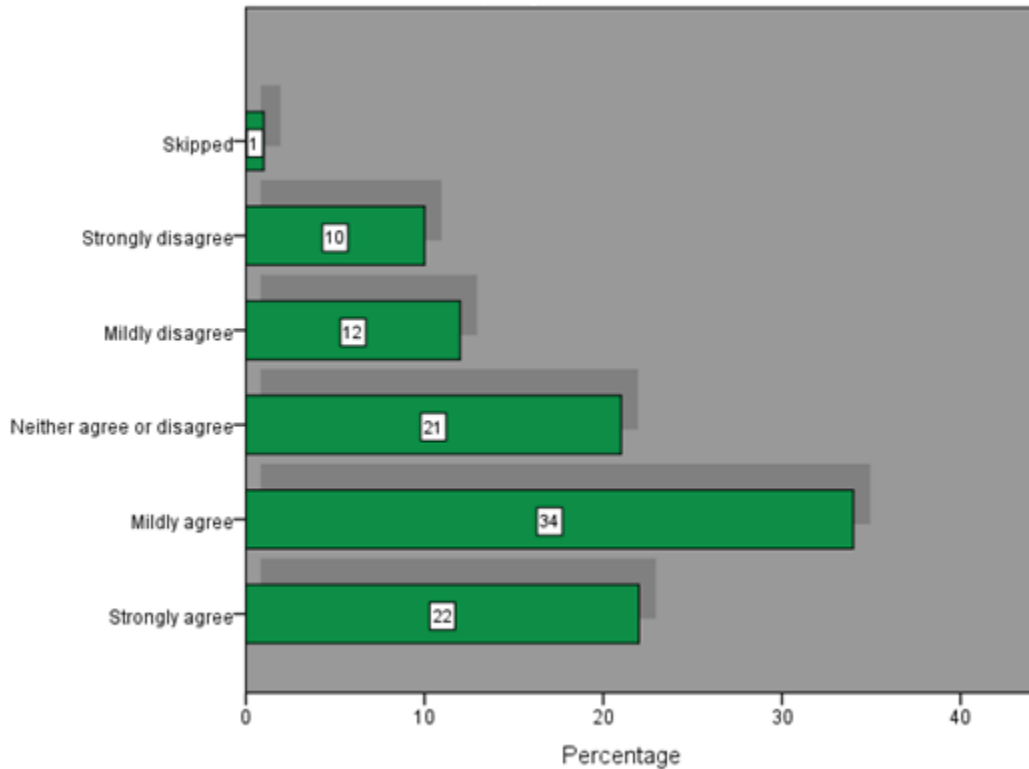


Figure 22: Question 10: I feel enthusiastic to study more in depth the investment strategies available in the Brazilian market portfolio.

Source: Elaborated by the author

Thus, it is shown in figure 22 that 56% of the sample recognizes their lack of information when it comes to investment decisions and, therefore, they agree with the statement, in some level, and feel enthusiastic to study the available possibilities in the Brazilian investment market in more depth (22% of the participants said that they strongly agree and 34% reported that they mildly agree with the proposed affirmation). Nevertheless, 21% reported that they neither agree nor disagree with the proposed statement. Finally, 22% of the respondents do not agree with the affirmation which means that they are not interested nor willing to expand their knowledge (10% of the respondents said that they strongly disagree and 12% aimed that they mildly disagree with the presented sentence).

Furthermore, it is possible to contrast question 9 with question 10. It is interesting to individually analyse what the respondents who reported, in question 9 that they strongly agree with the fact that they would change the investment strategy that they are pursuing, if they had a deeper knowledge about the subject, reported in question 10. In other words, what is the attitude towards learning investment concepts of the 34% of the sample who

confirmed that would change the strategy in case they were more knowledgeable? Most of the respondents were coherent and affirmed in question 10 that they strongly agree that they feel enthusiastic to learn more about the investment market. Nevertheless, there are still a few respondents that reported their lack of interest and pre disposition to learn quality information about investments, despite the fact that they strongly agree that they would change their investment strategy in case they were more knowledgeable.

Gathering the data presented in this section, it can be concluded that most Brazilians are not making the right investment strategies when investing their surplus. This can be argued as most respondents know the details of their applications because they representatively chose non-complex investments strategies. Moreover, most would change the strategy that is currently being pursued in case they were more knowledgeable investors and Brazilians recognize that they lack important information about investments so they are willing to study this subject in more depth.

CHAPTER 5: CONCLUSION AND RECCOMENDATION FOR FURTHER RESEARCH

5.1 Introduction

The fifth chapter relates the studied theory to the collected findings. Primarily, section 5.2 recalls the hypotheses of this study and links it to primary and secondary data. Afterwards, section 5.3 counts with a conclusion of the topic studied through a holistic point of view. And section 5.4 details some coherent recommendation for future research in this same field of study.

5.2 Hypotheses

The first hypothesis outlined for this study is that Brazilians are making the right decisions when investing their surplus. Based on the collected material, this idea can be refuted. As initially proposed in the theoretical chapter (section 2.5.1) by Anbima (Investor radiograph, 2012), a trend was observed in which Brazilians would rather invest in savings accounts than in any other investment strategies. The results of the primary research endorsed the secondary data as roughly 44% of the questionnaire's respondents were pursuing the savings account strategy. Therefore, it can be argued that most Brazilians are savings account users which is not the best decision for an investor that wants to maximize capital. As seen, a savings account is a misleading strategy in which investors strongly believe that they are risk free and that they are still gaining relevant return. Nevertheless, this was a coherent strategy for past years but not in modern times. Brazilians do need to change their opinion towards savings accounts as the ones that are opting for this strategy are possibly having losses instead of gains as their returns are not following inflation. Therefore, Brazilians are not making the right decisions when investing their surplus because they are predominantly choosing savings accounts which is not the most appropriate strategy for a rational investor.

The second hypothesis debates that Brazilians are not properly choosing the right strategies to capitalize their surplus. This idea can be confirmed and considered as the appropriate and right one for this study. As already observed, government bonds are compatible and consistent with the Brazilian's investor expectation and it also results in better gains than other strategies such as savings accounts. However, roughly 5% of the questionnaire's participants are opting for this strategy. Therefore, Brazil offers some beneficial investment choices to investors but its population is not taking advantage of it.

Besides savings accounts, the strategies that Brazilians do use are certificate of deposit, as seen in section 2.5.2, which indeed is an interesting investment alternative. Although this is the second most used strategy, the number of respondents that confirmed they are choosing this option drops down to roughly 20% which is less than half the investors that are sticking to the savings account. In addition, approximately 16% of the respondents said that they invest in private pension plans. This strategy was explained in section 2.5.4 and it was considered a risky and complex strategy to Brazilians' investment standards and so on, a non-compatible option to the Brazilian's investor profile. Hence, having private pension as the third most used strategy reconfirms the hypothesis that Brazilians are factually investing, however, not in the right strategies.

The third hypothesis suggests that Brazilians are not opting by any investment strategies as they are not investing their surplus. Nonetheless, this idea can also be confuted as it affirms that the majority of Brazilians are not investing their financial surplus. In section 2.4, it was demonstrated that a study carried out by SPC Brazil stated that eight out of 10 Brazilians do not plan nor monitor their incomes and expenditures properly which indirectly means that there is an alarming number of Brazilians not saving nor investing any capital. However, as complemented by the primary research, the Brazilians that are framed in this category are represented by 18% of the respondents. Therefore, the results show that there is a portion of Brazilians not investing their capital but it does not represent the absolute majority.

5.3 Conclusion

At this level of the study, it is relevant to compile and compare the obtained data in order to link the gathered results to the researched theory and therefore, accurately answer the research questions proposed in section 1.3.

The first outlined research question was about Brazilians' specific characteristics and preferences when investing their surplus. Based on what the majority of the respondents answered in the questionnaires, it is possible to outline a factual profile of Brazilian investors. Hence, Brazilians are conservative and they appreciate low returns with low risks. In addition, they usually allocate 1 to 15% of their income to investments and they value short term investment in which maturity is no longer than two years. These particularities are compatible with Anbima's description detailed in the literature review chapter.

The second research question, which aimed to identify the best investment strategies available in the Brazilian market, had a conflicting result because secondary research presented different findings than the primary research. The theory obtained from academic articles and relevant materials about the subject, suggested that government bonds and certificate of deposit are the right answers for the present question. However, the primary research demonstrated that Brazilians only agree that certificate of deposit is a valid answer. Moreover, instead of government bonds, they believe that savings accounts are the best strategy available within the Brazilian investment portfolio.

Regarding the third research question, the results obtained in the primary research, were already expected as the secondary data findings were exactly the same. Therefore, the strategy that Brazilians tend to use the most is the savings account because of its compatibility with their investor's profile.

Finally, the fourth research question aims to answer whether or not Brazilians are making the right decisions when investing their surplus. It can be stated that because of their extremely conservative profile and also because they lack quality and reliable information about capital maximization, they are not choosing their investment strategies properly.

Brazilians are predominantly investing in savings accounts and there is no rational explanation for that as this strategy, in its maturity, is resulting in losses instead of gains.

Based on the current findings, it is possible to state that Brazilians have more aversion to risk than to losses. The reason for that is because they prefer to have losses instead of being exposed to risks which is not a rational behaviour for any investor. However, Brazilians know that they lack proper information while investing their surplus as the majority confirmed that they would definitely change the strategy that they are pursuing if they had deeper knowledge about the subject.

Therefore, if Brazilians were properly instructed and educated in a way that they could evaluate the pros and cons of each strategy, it can be assumed that the investment context in the country would be very different as people would know how to best capitalize their surplus and not integrally rely on the strategy that is more convenient, such as the savings account strategy is in the present situation.

5.4 Recommendation for future research

As outlined in chapter 3, this study counts with some limitations that could not be integrally overcome as there are some inherent biases. However, despite this fact, the researcher believes that the findings and conclusion of this research are accurate and trustworthy. But still, there is further research needed in this field.

The first recommendation would be to start new research about this same topic and following the same study structure, but including a larger and more representative sample. I would also suggest including participants in the sample that come from different parts of Brazil, as geographically, this is a big country and it frames a lot of cultural diversity. Also, it would be significant to count with Brazilians that speak exclusively Portuguese as the majority do not speak English. Finally, it would be important to physically hand in some questionnaires as there is still a portion of the population that does not have access to internet or simply does not know how to handle a computer.

The second recommendation would be to research a potential way to spread effective investment information and educate potential investors and unprepared ones to fully understand the investment market. It might be hard to find an answer for this research proposal as in this case, there is no “one size fits all”. In other words, people have a different understanding of this topic and come from different backgrounds. Thus, specific people would need special attention and support in order to understand this subject. In addition, the traditional way of teaching such information in classes might not be as effective as it would be in other parts of the world. Therefore, the answer for this potential study field must be a method that Brazilians would strongly engage with and they must really feel like learning about investment and use it in their favour.

Once these instructions and education were given, a third research recommendation is pertinent. This would be to assess if Brazilians are being more conscious and properly choosing investment strategies or if they still prefer the most conservative strategy despite all its cons. In this potential research, it would be possible to evaluate Brazilians’ choices considering the population has the same background, differently from what was seen in this study.

Hence, there is still a lot to be developed and explored in this field. The suggestions above are just recommendations that the researcher considered relevant in order to fully understand Brazilians’ perceptions and attitudes towards investments. In addition, the researcher also thinks this is an important topic for the country as it indirectly reflects its economic situation.

CHAPTER 6: RESEARCH REFLECTIVE JOURNAL

6.1 Introduction

This chapter is a self-reflection part in which the researcher aims to describe the processes and steps that were undertaken in order to successfully finish the present dissertation. First of all, section 6.2 reflects the researcher's main challenges throughout the MBA program. Secondly, section 6.3 describes the knowledge that the researcher was able to develop thanks to the masters' course. Thirdly, the researcher details the reflections related to the division of this dissertation. Fourthly, it is outlined how the researcher intends to use the knowledge acquired in her professional life.

6.2 Reflections on the MBA program

The researcher has always wanted to pursue a post-graduation degree. Since the researcher started college, her lecturers were constantly saying that professionals with this degree level have better chances of success as important skills are developed during the course. So the researcher decided that after graduation, she would definitely enrol in a MBA course. Parallel to that, the researcher was working in a renowned company as a Finance and Purchase Analyst. She was absolutely happy with her role but even so, she decided to give up of her job in order to pursue this degree.

After some years of research about where the researcher would do her master's degree, she decided that Dublin Business School was the best option because of its location and also because of its positive reputation. In addition, as the researcher lacked some financial concepts, despite the fact that she was working in this department, she decided to pursue the finance stream in a full-time course.

Regarding the researcher learning, it can be stated that she has an active experimentation style as per Kolb's definition (1984, p.33). This style better characterizes her because, during the program, the most efficient way of learning was when the researcher was putting

the theory into practice. For example, in order to achieve the necessary outcomes for each taught module, the researcher heavily relied on study cases and assignments in which she had to study beyond the theoretical part. In addition, the dissertation was a challenge that confirmed this specific learning style because the researcher had a clear preference for activities related to experimentation.

6.3 Reflection on knowledge acquisition

During the MBA program, the researcher could feel a significant personal and professional development. Regarding the personal development, the post-graduate course provided a unique possibility in which the researcher was able to interact with so many cultures. The researcher had never being exposed to such a rich diversity and it was absolutely worth the experience. In this context, the researcher was able to understand different points of view and, most importantly, respect them. In addition, the researcher had the opportunity to work in groups, with many nationalities, and observe that each culture has its own way of dealing with obligations and responsibilities. Most of the attitudes were exactly opposed to what the researcher would do and it was really interesting to learn how to find a way to please the entire group. Therefore, this was an important challenge that the researcher faced and because of that she feels more prepared to envisage the labour market. After all, organisations are mostly formed by significant culture diversity so it is essential to properly treat and respect other people, despite any differences.

Moreover, the researcher also had a professional development as some important skills were explored. The main skill obtained was planning and organising responsibilities. The researcher was able to accomplish all the deadlines that were stipulated. Besides, during the MBA course, the researcher had daily researches to be done. Therefore, it was possible to evolve research skills and also verify the reliability of the source. Furthermore, the researcher developed a critical analysis skill as throughout the MBA course, critical thinking about specific topics was required. After doing this same exercise many times, this skill became daily practice. Overall, the researcher strongly believes that these skills combined will facilitate the achievement of a successful career. However, as noted by Kolb

(1984, p.26), learning and developing skills is a continuous progress grounded in experience. In other words, learning is a process that happens depending on the experience of each individual. Therefore, the researcher still has a lot to improve and learn and that will happen in accordance to what she will experience.

6.4 Reflection on dissertation topic and structure

The researcher had a hard time defining the topic of the present dissertation. In the beginning of the MBA course, she wanted to work on a specific Irish topic in which she would have to contact financial institutions and schedule interviews to collect primary data. Unfortunately, the researcher had no contacts within any bank that could assist her in this process and without an intermediary it would be really hard to obtain attention and time from these companies. After some months working on this potential topic, the researcher realised that it would be impossible to proceed. Then, she realised that writing about her home country would please her more than anything. Therefore, the researcher came up with the idea to better understand how Brazilians are investing their capital.

Once the topic was defined, the researcher started to research the different investment strategies available in the Brazilian market in more depth. She already had a background and superficial knowledge about the subject but it was necessary to study further. Then, the researcher started writing the secondary data. This process was very time consuming. The researcher had established a personal schedule which she strictly followed and so on she could always be on time with her dissertation.

Moreover, the primary data was another challenge that required long hours of hard work. When the researcher had finished and uploaded her questionnaire to Survey Monkey, she sent it to her entire social network with a general message, asking for their collaboration. A week later, she only had 20 respondents. At this point, the researcher decided to change her strategy. Hence, she started sending the questionnaire individually and also asked if they could forward it to their acquaintances. A week later, she had already collected 100 respondents which was the final number considered for the results collection.

Therefore, the researcher found it a pleasant experience to write about the present topic. Despite the fact that, sometimes, she had a hard time collecting primary and secondary data, it is really rewarding to see the final and consolidated result.

6.5 Conclusion

When looking back and remembering the first class of her MBA course, the researcher revives the negative impression that she had. The researcher thought that she would never be able to successfully finish the program. The conjunction of new people, new places and an abundance of new information, at first, discouraged her. Nevertheless, a week after that, when the researcher became more adapted, made some friends and started to admire her lectures, she realised that she not only had to finish the program but also take as much as she could from it and use it in her benefit. Some months later, the researcher was convinced that enrolling in this MBA course was her best decision ever. When the researcher looks back now, she feels happy and satisfied with her performance during the program and especially with the knowledge that she acquired.

Therefore, the researcher is finishing her studies with an extremely positive impression. She feels that the past months could not have been more enriching and she also strongly believes that the acquired knowledge and the obtained skills will open many doors throughout her life.

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APPENDICES

Appendix A: Dissertation meeting and progress monitoring report form**Dissertation Meeting/Progress Monitoring Report**

Name of Student: Bruna Murcia Santos Student No.: 10024675

Name of Supervisor: Andrew Quinn Meeting No.: 1

Date of Meeting: 14/04/2014 Location of Meeting: Aungier Street Library (Study Room1)

Review/Comment on Progress Made (since last meeting):

Not applicable as this this is an introductory meeting.

Topics/Issues discussed/addressed at meeting: Action Agreed/Progress expected before next meeting:

Bruna introduced and explained her topic and she also asked some questions about the thesis structure.

Andrew gave his opinion about the suggested topic, suggested some superficial changes and asked for her Research II project.

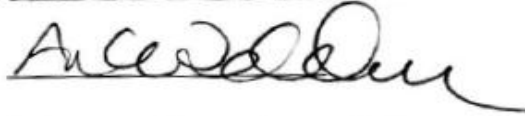
For the next meeting, it is expected that Bruna will be nearly finished with the methodology chapter.

Overall Summary/Conclusion of Meeting:

The meeting was introductory and now that both parts involved have met and explained their expectations, it will be possible to start the supervision process.

Date of next meeting: TO BE DEFINED

Signed (supervisor):



Signed (student):

Bruno J. Santos

**Note: Please complete and retain a copy report for each student meeting.
Please attach supporting documentation as appropriate.**

Dissertation Meeting/Progress Monitoring Report

Name of Student: Bruna Murcia Santos Student No.: 10024675
Name of Supervisor: Andrew Quinn Meeting No.: 2
Date of Meeting: 30/04/2014 Location of Meeting: Aungier Street Library (Study
Room1)

Review/Comment on Progress Made (since last meeting):

Bruna finished chapter one (introduction) and chapter three (methodology). In addition, she drafted a pilot questionnaire.

Topics/Issues discussed/addressed at meeting: Action Agreed/Progress expected before next meeting:

The student and the supervisor discussed about the dissertation's question, objectives and hypothesis.

Bruna is expected to continue her work on chapter two (literature review) and she will send out the pilot questionnaire to a few people to get their opinion about the structure and its efficiency.

Overall Summary/Conclusion of Meeting:

Bruna clarified her questions about bibliography rules and also about methodology. Andrew gave his opinion about the most appropriate structure that needs to be followed in the literature review chapter.

Date of next meeting: TO BE DEFINED.

Signed (supervisor): Andrew Lee

Signed (student): Bruna msomto

**Note: Please complete and retain a copy report for each student meeting.
Please attach supporting documentation as appropriate.**

Dissertation Meeting/Progress Monitoring Report

Name of Student: Bruna Murcia Santos

Student No.: 10024675

Name of Supervisor: Andrew Quinn

Meeting No.: 3

Date of Meeting: 14/05/2014

Location of Meeting: Aungier Street Library (Study Room1)

Review/Comment on Progress Made (since last meeting):

Bruna is still working on the literature review chapter. In addition, she was able to finish the final questionnaire after some opinions were given about the pilot questionnaire.

Topics/Issues discussed/addressed at meeting: Action Agreed/Progress expected before next meeting:

Bruna and Andrew reviewed the final questionnaire before Bruna started sending it out. Andrew recommended a few changes and then both agreed that the layout was good. Therefore, the student should send it to her sample in order to start the primary data collection.

Overall Summary/Conclusion of Meeting:

The meeting was really productive as Bruna is now able to start the primary data collection. In addition, the student was able to make some questions about some specifics that she was uncertain about chapter two (literature review).

Date of next meeting: TO BE DEFINED

Signed (supervisor): Alexander

Signed (student): Bruna in der

**Note: Please complete and retain a copy report for each student meeting.
Please attach supporting documentation as appropriate.**

Dissertation Meeting/Progress Monitoring Report

Name of Student: Bruna Murcia Santos Student No.: 10024675
Name of Supervisor: Andrew Quinn Meeting No.: 4
Date of Meeting: 17/06/2014 Location of Meeting: Aungier Street Library (Study
Room1)

Review/Comment on Progress Made (since last meeting):

Bruna got 100 answers/respondents for her questionnaire. The literature review chapter is done for now.

Topics/Issues discussed/addressed at meeting: Action Agreed/Progress expected before next meeting:

The student got the expected number of respondents and now she will start the primary data analysis. The student attended to a SPSS class arranged by DBS so she will have to use this software to complete this analysis.

Overall Summary/Conclusion of Meeting:

Bruna still had some minor questions about the literature review chapter which she was able to clarify and consider this part of the dissertation done for now. Andrew agreed that the students had the necessary information to start the data analysis.

Date of next meeting: TO BE DEFINED

Signed (supervisor): Andrew Dawson

Signed (student): Bruna M. Costa

**Note: Please complete and retain a copy report for each student meeting.
Please attach supporting documentation as appropriate.**

Dissertation Meeting/Progress Monitoring Report

Name of Student: Bruna Murcia Santos Student No.: 10024675

Name of Supervisor: Andrew Quinn Meeting No.: 5

Date of Meeting: 03/07/2014 Location of Meeting: Aungier Street Library (Study Room1)

Review/Comment on Progress Made (since last meeting):

Bruna was able to analyse the collected data throughout the SPSS software.

Topics/Issues discussed/addressed at meeting: Action Agreed/Progress expected before next meeting:

The student asked the supervisor if she could hire a proofread service for her thesis. The supervisor agreed. The student also had questions about the acknowledgments and about the self-reflection chapter.

Overall Summary/Conclusion of Meeting:

Supervisor and student agreed that there is not a lot to be done in the dissertation. The student just needs to finish the data analysis and self-reflection chapter and review the whole dissertation. By next week, the student is expected to send the file to the supervisor so he can overview the document.

The student is coming back to her home country so this was the last meeting. If needed, the student agreed that would contact the supervisor by e-mail or Skype.

Date of next meeting: _____

Signed (supervisor): Ade J. Ode

Signed (student): Buna m. S. Ode

**Note: Please complete and retain a copy report for each student meeting.
Please attach supporting documentation as appropriate.**

Appendix B: Questionnaires covering letter

Dear respondent,

My name is Bruna Murcia Santos and I am currently doing a Master Business Administration in finance stream at Dublin Business School. The last challenge that I am facing in this program is to successfully complete my thesis. My dissertation is about how Brazilians are investing their surplus and this questionnaire is supportive to the research. For this reason, I kindly ask for your participation.

The survey will take approximately seven to ten minutes to be completed. I guarantee that all responses are anonymous and that the data will be handled with confidentiality.

If you have any queries, I shall be happy to answer them. Hereafter, my contact details:

Mobile phone: + 353 089 979 1808

E-mail: brunamurcias@gmail.com

Can I ask you the questions now? Please, access the survey through the following link:

I would appreciate if you could forward this research to other respondents so they could complete the survey as well.

Thank you very much.

Appendix C: Questionnaire about investment strategies

1. What is your monthly income after taxes?

- R\$ 700 to R\$ 1.500
- R\$ 1.501 to R\$ 3.000
- R\$ 3.001 to R\$ 6.000
- R\$ 6.001 to R\$ 9.000
- R\$ 9.001 to R\$ 12.000
- More than R\$ 12.000

2. How much of your income is allocated to investments?

- 0%
- 1% to 15%
- 16% to 30%
- 31% to 45%
- 46% to 60%
- More than 60%

3. Which of the following options best describe your investor profile?

- Conservative investor
- Moderate investor
- Aggressive investor

I don't know

4. Currently, which investment strategy do you believe is the most advantageous one? Tick the associated boxes in case there is more than one appropriate answer.

Saving account

Certificate of deposit (CDB or CDI)

Government bonds

Private pension

Investment funds

Stock market

Other investment strategy. Specify which one:

5. Usually, how long do you keep your surplus invested before starting to withdraw money?

Less than 1 year

1 to 2 years

3 to 4 years

5 to 7 years

More than 7 years

6. Which investment strategy do you pursue? Tick the associated boxes in case there is more than one appropriate answer.

- Saving account
- Certificate of deposit (CDB or CDI)
- Government bonds
- Private pension
- Investment funds
- Stock market
- Other investment strategy. Specify which one:

7. What do you value the most while choosing for an appropriate investment strategy?

- High returns with high risks
- Liquidity
- Low returns with low risk
- Convenience
- Easiness to understand its *modus operandi*
- Taxes and fees associated

8. How do you feel about the following statements? I feel that I integrally know the details of my investments strategies such as taxation, liquidation, return and risk associated.

- Strongly agree
- Mildly agree
- Neither agree or disagree
- Mildly disagree

Strongly disagree

9. If I had a deeper knowledge about investments, I would change the strategy that I am currently pursuing.

Strongly agree

Mildly agree

Neither agree or disagree

Mildly disagree

Strongly disagree

10. I feel enthusiastic to study more in depth the investment strategies available in the Brazilian market portfolio.

Strongly agree


Mildly agree

Neither agree or disagree

Mildly disagree

Strongly disagree

Appendix D: Example of an answered questionnaire

#1		COMPLETE	Edit Delete Export
<p>Collector: Facebook Post 1 (Facebook Link) Started: Saturday, May 31, 2014 9:33:17 PM Last Modified: Saturday, May 31, 2014 9:37:45 PM Time Spent: 00:04:28 IP Address: 92.51.248.42</p>			
PAGE 2			
Q1: What is your monthly income after taxes?			
R\$ 3.001 to R\$ 6.000			
Q2: How much of your income is allocated to investments?			
46% to 60%			
Q3: Which of the following best describes your investor profile?			
Conservative investor			
Q4: Currently, which investment strategy do you believe is the most advantageous one? Tick the associated boxes in case there is more than one appropriate answer.			
Certificate of deposit (CDB or CDI)			

Q5: Usually, how long do you keep your surplus invested before starting to withdraw money?

1 to 2 years

Q6: Which investment strategy do you pursue? Tick the associated boxes in case there is more than one appropriate answer.

Saving account

Certificate of deposit (CDB or CDI)

Q7: What do you value the most while choosing an appropriate investment strategy?

Convenience

Q8: How do you feel about the following statements? I feel that I integrally know the details of my investments strategies such as taxation, liquidation, return and risk associated.

Mildly agree

Q9: If I had a deeper knowledge about investments, I would change the strategy that I am currently pursuing.

Neither agree or disagree

Q10: I feel enthusiastic to study more in depth the investment strategies available in the Brazilian market portfolio.

Neither agree or disagree

Appendix E: Further details about the collected data

Question 1

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid R\$ 700 to R\$ 1.500	12	12,0	12,0	12,0
R\$ 1.501 to R\$ 3.000	20	20,0	20,0	32,0
R\$ 3.001 to R\$ 6.000	27	27,0	27,0	59,0
R\$ 6.001 to R\$ 9.000	16	16,0	16,0	75,0
R\$ 9.001 to R\$ 12.000	9	9,0	9,0	84,0
More than R\$ 12.000	15	15,0	15,0	99,0
Skipped	1	1,0	1,0	100,0
Total	100	100,0	100,0	

Question 2

How much of your income is allocated to investments?

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid 0%	18	18,0	18,0	18,0
1% to 15%	46	46,0	46,0	64,0
16% to 30%	22	22,0	22,0	86,0
31% to 45%	7	7,0	7,0	93,0
46% to 60%	6	6,0	6,0	99,0
Skipped	1	1,0	1,0	100,0
Total	100	100,0	100,0	

Question 3

Which of the following best describes your investor profile?

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid Conservative investor	64	64,0	64,0	64,0
Moderate investor	20	20,0	20,0	84,0
Aggressive investor	4	4,0	4,0	88,0
I don't know	11	11,0	11,0	99,0
Skipped	1	1,0	1,0	100,0
Total	100	100,0	100,0	

Question 4

Currently, which investment strategy do you believe is the most advantageous one? Tick the associated boxes in case there is more than one appropriate answer.

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid Saving account	39	26,0	26,0	26,0
Certificate of deposit (CDB or CDI)	38	25,3	25,3	51,3
Government bonds	15	10,0	10,0	61,3
Private pension	18	12,0	12,0	73,3
Investment funds	25	16,7	16,7	90,0
Stock market	11	7,3	7,3	97,3
Skipped	4	2,7	2,7	100,0
Total	150	100,0	100,0	

Question 5

Usually, how long do you keep your surplus invested before starting to withdraw money?

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid Less than 1 year	25	25,0	25,0	25,0
1 to 2 years	37	37,0	37,0	62,0
3 to 4 years	18	18,0	18,0	80,0
5 to 7 years	7	7,0	7,0	87,0
More than 7 years	12	12,0	12,0	99,0
Skipped	1	1,0	1,0	100,0
Total	100	100,0	100,0	

Question 6

Which investment strategy do you pursue? Tick the associated boxes in case there is more than one appropriate answer.

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid Saving account	67	43,5	43,5	43,5
Certificate of deposit (CDB or CDI)	30	19,5	19,5	63,0
Government bonds	7	4,5	4,5	67,5
Private pension	24	15,6	15,6	83,1
Investment funds	15	9,7	9,7	92,9
Stock market	8	5,2	5,2	98,1
Skipped	3	1,9	1,9	100,0
Total	154	100,0	100,0	

Question 7

What do you value the most while choosing an appropriate investment strategy?

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Válido High returns with high risks	8	8,0	8,0	8,0
Liquidity	17	17,0	17,0	25,0
Low returns with low risk	28	28,0	28,0	53,0
Convenience	15	15,0	15,0	68,0
Easiness to understand its modus operandi	21	21,0	21,0	89,0
Taxes and fees associated	9	9,0	9,0	98,0
Skipped	2	2,0	2,0	100,0
Total	100	100,0	100,0	

Question 8

I feel that I integrally know the details of my investment strategies such as taxation, liquidation, return and risk associated.

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Válido Strongly agree	17	17,0	17,0	17,0
Mildly agree	43	43,0	43,0	60,0
Neither agree or disagree	20	20,0	20,0	80,0
Mildly disagree	16	16,0	16,0	96,0
Strongly disagree	3	3,0	3,0	99,0
Skipped	1	1,0	1,0	100,0
Total	100	100,0	100,0	

Question 9

If I had a deeper knowledge about investment, I would change the strategy that I am currently pursuing.

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid Strongly agree	34	34,0	34,0	34,0
Mildly agree	32	32,0	32,0	66,0
Neither agree or disagree	22	22,0	22,0	88,0
Mildly disagree	4	4,0	4,0	92,0
Strongly disagree	7	7,0	7,0	99,0
Skipped	1	1,0	1,0	100,0
Total	100	100,0	100,0	

Question 10

I feel enthusiastic to study more in depth the investment strategies available in the Brazilian market portfolio.

	Frequency	Percentage	Valid Percent	Cumulative Percentage
Valid Strongly agree	22	22,0	22,0	22,0
Mildly agree	34	34,0	34,0	56,0
Neither agree or disagree	21	21,0	21,0	77,0
Mildly disagree	12	12,0	12,0	89,0
Strongly disagree	10	10,0	10,0	99,0
Skipped	1	1,0	1,0	100,0
Total	100	100,0	100,0	

GLOSSARY

Anbima: Brazilian Financial and Capital Markets Association;

BRICS: Brazil, Russia, India, China and South Africa;

CVM: The Securities Commission of Brazil;

IBOVESPA: The main Brazilian stock index;

IOF: Tax over financial operations;

IPCA: Inflation (the broad consumer price index);

Reference Rate: Measure determined by the Central Bank and it is based on the monthly certificate of bank deposits of the 30 largest Brazilian financial institutions;

SELIC: Special System for Settlement and Custody.