

Making Fundamental Analysis Accessible for Retail Investors

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Abstract

This paper identifies a widening gap between access and understanding in modern investing. Many individuals trade on technical signals and narratives highlighted in media, while ignoring financial statements and core valuation metrics. Academic and Industry evidence (e.g., JpMorgan Chase Institute, 2025; Betterment, 2025; Amundi, 2025; Singh, Kediya, Shukla, & Dhale, 2023; McClure & Nikolaev, 2022) reveal that investors increasingly self-direct on digital platforms, remain skeptical of information sources, and often neglect decision-useful accounting data. This paper argues for a hybrid, AI-assisted platform that computes a thorough fundamental analysis, explains the results in plain English, and reduces the awareness, acquisition, and integration costs that keep retail investors over-indexed on technical analysis. The solution both democratizes competence and positions education as the next durable edge in consumer FinTech.

1. Introduction

The democratization of investing through digital trading platforms has substantially increased participation in financial markets from retail investors; individual non-professional investors who engage in the buying and selling of securities, mutual funds, and ETFs using brokerage accounts (Hayes, 2020). Retail investing flows rose by 50% during 2023-2025, rivaling the pandemic savings surge (Wheat & Eckerd, 2025). We've also seen investor demographics expand, with younger and more diverse groups entering the markets (Guild, 2025)

Despite a larger pool of participants, we have yet to see an increase in financial literacy at the same rate. Research consistently points towards underperformance amongst retail investors relative to institutional benchmarks, often due to emotional decision-making and a lack of analytical rigor (Barber & Odean, 2000; Dalbar Inc. 2024). Many retail investors are capable of executing trades, but cannot explain a balance sheet, interpret an earnings statement, or compute a price-to-earnings ratio. The absence of foundational accounting knowledge has contributed to a misplaced reliance on technical indicators and short-term price patterns, a phenomenon documented in recent studies showing that retail traders “tend to rely on technical analysis in trading decisions” and “ignore value-relevant accounting information in their trading decisions” (“Accounting Information Usage and Trading by Retail Investors,” 2025, p. 1).

An overemphasis on technical analysis has cultivated a generation of investors skilled at chart reading, but detached from the financial fundamentals that define a company's true investment potential. This imbalance encourages a culture of speculative gambling over strategic decision-making, leaving all who choose to employ such methods vulnerable to hype cycles, influencer commentary, and sentiment-driven markets.

This paper argues that this knowledge gap is both a systemic disposition and massive opportunity. As trillions in wealth transfer to younger, digitally-native investors, financial literacy will be more important and in higher demand than ever before. This new frontier of FinTech will demand that such platforms will not merely execute trades, but educate investors, translating the language of Wall Street into insights that empower data-based decision making that empower investors to combine technical intuition with fundamental understanding.

2. Literature Review

2.1 Retail Participation and Digital Adoption

Participation in financial markets has broadened and skewed younger. JPMorgan Chase Institute (2025) documented a 50% rise in retail flows from 2023-2025, and a dramatic shift in the number of 25-year olds using investment accounts (37% in 2024 vs only 6% in 2015). When looking at investors as a whole, Amundi (2025) points out that digital platforms are now the norm, illustrating that “y, 77% of investors hold at least some of their portfolio on a digital platform or app” (p. 12), “nearly three in-four retail investors globally (73%) source investment information, advice or guidance through digital means (p. 18), and “of all digital investors globally, nearly half (47%) expect to increase the number of investments they make digitally without professional advice over the next five years (p. 16). Schwab’s 2025 survey similarly highlights that 43% of investors increased trading activity because of better platforms and tools where most also acknowledge the need for long-term discipline (Charles Schwab, 2025).

2.2 Financial Literacy Deficits

Despite widespread access to financial markets, general understanding still remains low. Using data from the FINRA Investor Education Foundation (2025), the National Average for answering five or more questions pertaining to financial literacy correctly was 27.97%. TIAA

(2025) finds that only 37% of U.S. adults understood the concept of risk diversification, highlighting how limited comprehension of basic investment principles remains. Structural factors only compound this deficit. Corporate filings remain long and difficult to parse, which raises the awareness of, acquisition, and integration costs of using accounting data in investment decision-making (Dyer, Lang, & Stice-Lawrence, 2017). Betterment (2025) notes that while 53% use generative AI monthly for finances, only 30% trust AI advice and 52% say they rely on personal research to sort conflicting guidance (pp. 3, 13). In sum, we can infer that retail investors want autonomy and education without heavy cognitive burdens and time constraints.

2.3 Over-Reliance on Technical Analysis; Neglect of Fundamental Analysis

Research pertaining to the methods of retail investors consistently points towards an over reliance on technical analysis while neglecting value-relevant earnings information. An integrated-platform study in Contemporary Accounting Research (Chau, 2025) reveals that retail traders “tend to rely on technical analysis in trading decisions” (e.g. Grinblatt & Keloharju, 2000; Barber & Odeon, 2008; Kaniel, Saar, & Titman, 2008) and “appear to ignore value-relevant earnings information” due to corporate filings that are long and hard to read. Thus, investors default to methods that have lower cognitive barriers including shorter press summaries and expert opinions (“Accounting Information Usage and Trading by Retail Investors,” 2025). Singh et al. (2023) caution that “Investment decisions made without considering the fundamentals as well as technical research are more likely to be mistaken and perilous” (p. 3) and find that using analytical tools significantly improves decision efficiency (p. 5). This information is further cemented when considering findings from McClure and Nikolaev (2022), which indicate that for households, demand shows no statistically significant association with core profit metrics (p. 4), while institutions rely more on fundamentals (p. 16). Finally, new

empirical work on literacy among retail investors does link higher literacy to better sensitivity to earnings events, (Cao, Xu, Li, & Meng, 2024), further emphasizing how the usage of fundamentals helps correct mispricing.

2.4 Demographics, Wealth Transfer, and Trust

Over the next 23 years we will witness the greatest wealth transfer in history, with approximately ~\$106 trillion transferring to younger cohorts (Cerulli Associates, as cited in Merrill Lynch, 2025; see also Fortune, 2025). The World Economic Forum (2025) reports that younger, more diverse and traditionally underserved groups are participating more and in greater numbers. They prefer tech-enabled guidance and are “hungry for financial advice” with 40% of Gen Z using AI chatbots for coaching vs 8% of boomers. Trust still remains a hurdle, with 77% believing social media exaggerates uncertainty; 64% say the same for traditional media (Betterment, 2025, p. 13). The direction is clear: hybrid models that pair automation with credible education are emerging as the preferred path for financial literacy (Amundi, 2025, pp. 4-5, 31; World Economic Forum, 2025).

3. Problem Statement: Access without Understanding

Access to the infrastructure and knowledge that allow individuals to invest in the market has dramatically scaled over the past decade. Comprehension pertaining to these resources has not. Due to the cognitive hurdle that fundamental analysis demands, retail investors often default to chart-driven information, headlines, and influencers due to the time commitment(s) parsing 10-ks demand. Households show little to no linkage between investment decisions and profitability metrics (McClure & Nikolaev, 2022, p. 4). This deficit in information creates a systematic disadvantage when measured against institutions that integrate accrual-based accounting details into portfolio construction (McClure & Niuckolaev, 2022, p. 16). The JP

Morgan Institute (2025) makes it clear that younger participation will make tailored financial education more crucial, as broader populations experience the effects of capital gains and compounding earlier in life. Without interpretation, retail investors risk confusing their access to the markets for insights.

4. Evidence of Demand for an Educational Analysis Platform

4.1 What Investors Say They Want

Amundi (2025) outlines that investors explicitly want more comprehensive performance data and greater adoption of AI (pp. 58-59). Betterment (2025) reports that 52% of investors rely on their own personal research, and that confidence does rise when technology is combined with insight pulled from manual research (p. 25). Schwab (2025) shows that tool access increases engagement (43%), while 60-70% say today's market demands discipline, signaling openness to structured educational tools. This perspective is even echoed amongst Gen Z, with six in 10 Gen Z investors saying they are more patient now than when they began. This kind of personal growth signals a willingness to learn and implement new methods that assist in investor success.

4.2 Where Investors Struggle Today

The "Integrated-Platform" study by Chau (2025) details challenges faced by investors when reading corporate filings. Length and low readability raise the cost of effectively retaining information. The majority of retail investors prefer digests and analyst summaries as many lack the expertise to properly integrate disclosures into their investment decision-making, leading them to simply ignore value relevant accounting information, or outsource the information all together ("Accounting Information Usage and Trading by Retail Investors," 2025). Singh et al. (2023) empirically link tool-usage to better decision efficacy (p. 5). This is a textbook product-market fit for an interpreter that collapses those costs.

4.3 Why now: Shifting Demographics and Wealth Transfer

As Millennials and Gen Z inherit and build wealth, we can infer that a self-directed investment journey will take place, implementing values-aligned investing and tech enabled advice (Merrill Lynch, 2025; Fortune, 2025; World Economic Forum, 2025). If 70% would invest more with more learning opportunities (World Economic Forum, 2025), then education-embedded analysis is not a feature, it's a solution.

5. Proposed Solution: An AI-Assisted Fundamental Analysis & Education Engine

The goal of this platform is to turn financial statements into guidance ordinary investors can use, without neglecting valuation metrics. The core functions will:

1. **Acquire:** Pull structured data from corporate filings and reputable sources
2. **Compute:** Liquidity, Solvency/Leverage, Profitability, Efficiency, Cash-flow Health, and Valuation ratios.
3. **Interpret:** Plain-english narratives absent of institutional jargon
4. **Educate:** Micro-lessons inline (“What a 2.0 current ratio means in practice), linking to deeper modules.
5. **Guide:** Surface “why this changed” insights around earnings events; flag red flags (e.g., deteriorating FCF coverage).

The Technical/Fundamental imbalance will be addressed by

- Reducing awareness costs: highlighting vital metrics and why they matter
- Reducing acquisition costs: automating data collection (no hunting across filings)

- Reducing integration costs: turns ratios into decisions with context, shifting the emphasis from charts alone to fundamentals in addition to technicals (“Accounting Information Usage and Trading by Retail Investors,” 2025).

This directly answers Singh et al.’s (2023) suggestion to leverage technology. By developing this tool, retail investors will have the opportunity to employ fundamental (and technical) analysis (p. 6). It also reiterates Amundi’s (2025) push for hybrid, education-rich digital experiences (pp. 4-5, 31).

6. Impact, Risks, and Mitigation

This product has the potential to meaningfully improve the financial decision-making of retail investors by providing a space where they can perform a complete fundamental analysis and receive unbiased insights derived from corporate filings. It removes traditional barriers of complexity, time, and technical expertise that have historically prevented investors’ ability to interpret financial disclosures. By translating accounting data into clear explanations, the platform helps users understand not only individual metrics within a company’s financial statements, but also how those components interrelate to form a holistic picture of corporate health.

The primary goals include elevating investor competence, reducing avoidable behavioral errors, and enhancing long-term performance by anchoring decisions in earnings, cash flows, and balance-sheet fundamentals rather than sentiment or speculation.

Potential risks include overconfidence stemming from accessible analytical tools (Betterment, 2025), users misinterpreting educational narratives as investment recommendations, or misunderstanding the platform’s purpose and role. This product will be designed to guide

users toward informed decision making. It is not a crystal ball that tells them which companies are worth investing in.

The mitigation of such risks will be executed through an education-first framework supported by “explain-your-work” transparency, conservative default assumptions, and scenario-based learning modules. Periodic “teach-back” checkpoints will assess user understanding before integrating advanced analytical features, further reinforcing comprehension.

7. Conclusion

Retail investing is now universal; understanding is not. Evidence pertaining to investor methodology shows a persistent over-reliance on technical analysis and neglect of fundamentals. This deficit is driven by literacy gaps and information processing difficulties. Younger investors are asking for trustworthy tools that enrich their performance data and education. A platform that computes fundamentals and teaches them in context can shift market access into market understanding, turning speculation into ownership and users into informed investors.

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