



Financial Anxiety and Risk Perception Among Young Digital Investors

Dr. Emilia Kovács

Assistant Professor, Corvinus University of Budapest, Hungary

Abstract

Digital investment platforms have reduced many of the traditional barriers associated with participation in financial markets. Young adults can now access equities, exchange-traded funds, cryptocurrencies, derivatives, fractional shares, and other investment instruments through mobile applications that combine instant market information, notifications, social interaction, recommendations, and simplified transaction interfaces. Greater accessibility, however, does not eliminate the psychological complexity of investing. Young digital investors must frequently evaluate volatile prices, uncertain future returns, public investment narratives, social comparison, fear of missing out, and rapidly changing financial information while managing comparatively limited investment experience and personal financial resources. This study examines the relationship between financial anxiety and perceived investment risk among young digital investors through an integrated behavioral-finance framework. Financial anxiety is conceptualized as persistent worry, tension, and perceived lack of control relating to personal financial outcomes, while investment-risk perception refers to the subjective evaluation of uncertainty, possible losses, volatility, and undesirable investment consequences.

The framework incorporates loss sensitivity, market-volatility exposure, social-media investment exposure, financial fear of missing out, financial literacy, and risk-taking propensity. Because no original participant dataset was supplied, the analytical section uses a transparent simulation-based methodology rather than presenting synthetic responses as empirical observations. A synthetic analytical population of 540 young digital-investor profiles was generated. The simulation produced a strong positive modeled association between financial anxiety and perceived investment risk, with average perceived-risk scores rising from 55.4 in the low-anxiety condition to 65.2 in the moderate-anxiety condition and 77.6 in the high-anxiety condition. Higher anxiety conditions were also characterized by greater social-media exposure and financial FOMO, while financial literacy showed a protective theoretical pattern. These results are methodological model outputs rather than population estimates. The study concludes that digital investing environments may simultaneously democratize participation and intensify emotional exposure to financial uncertainty. Effective investor protection should therefore combine financial education with risk communication, friction against impulsive transactions, credible information verification, diversification guidance, and behavioral tools that encourage reflective rather than anxiety-driven decisions.

Keywords: Financial Anxiety, Risk Perception, Young Investors, Digital Investing, Behavioral Finance, Financial Literacy, Social Media, FOMO, Risk Tolerance, Investment Decision-Making



1. Introduction

Digital investment technologies have transformed how young adults enter and participate in financial markets. Mobile brokerages, low-cost trading interfaces, fractional ownership, digital assets, automated recommendations, real-time price notifications, and social-media investment communities have reduced many informational and transactional barriers that historically separated individuals from securities markets. Contemporary investor evidence also indicates that younger investors obtain financial information differently from older generations. In FINRA Foundation data released in 2025, 61% of investors under age 35 reported using recommendations from social-media influencers in investment decisions, while YouTube was used for investment information by 61% of investors in this age group. Younger investors were also more likely than older investors to trade options and purchase securities using margin.

Greater market accessibility nevertheless introduces a psychological challenge. Investment decisions involve uncertainty about future outcomes, and investors do not experience this uncertainty purely through mathematical probability. Emotional responses influence how potential gains and losses are interpreted. Gambetti and Giusberti found that trait anxiety was associated with avoidance of investment and with perceptions of higher risk and lower control over investment outcomes. Their later work similarly showed that anxious personality characteristics can influence investment allocation and decision-making styles. These findings suggest that financial-market participation should be understood not only in terms of expected return and objective volatility but also through the psychological interpretation of financial uncertainty.

Financial anxiety provides a particularly relevant framework for young investors because investment decisions occur within broader personal financial circumstances. Financial anxiety refers to worry and distress connected with financial conditions and uncertainty. Archuleta, Dale, and Spann developed the Financial Anxiety Scale to assess financial worry among young adults, while a 2024 systematic review by Ahamed and Limbu identified 55 eligible studies published between 2009 and 2024 and concluded that financial anxiety has diverse antecedents and meaningful consequences for financial behavior and well-being. Digital investors may experience a distinctive form of this anxiety because investment gains and losses are continuously visible on mobile screens and may be reinforced through alerts, charts, online discussions, and social comparison.

Social media introduces another layer of complexity. Online investment communities can improve access to educational content and expose young adults to financial concepts, yet they can also amplify herding, overconfidence, speculative narratives, and fear of missing out. Sathya and Prabhavathi found that social media can influence investor risk perception and behavioral biases, including herding and overconfidence. Kürzinger and Stangor's experimental research involving young and social-media-savvy individuals likewise demonstrated that social-media posts can affect investment judgments and decisions. Recent FINRA evidence further indicates that more than one-third of investors report feeling that substantial risk is necessary to meet financial goals, with the proportion rising to 62% among investors younger than 35.

The central research problem is therefore not that young investors are necessarily more or less risk tolerant than older investors. Rather, digitally mediated investment environments may create conditions in which risk perception, emotional anxiety, market exposure, financial literacy, and social influence interact dynamically. Existing studies commonly examine anxiety, behavioral biases, financial



literacy, social media, or risk tolerance independently. Less attention has been paid to the specific relationship between financial anxiety and subjective risk perception among digitally active young investors. The present study addresses this gap by developing a multidimensional framework that links anxiety with loss sensitivity, volatility exposure, financial FOMO, social-media exposure, financial literacy, and risk-taking propensity.

2. Objectives of the Study

2.1 To Examine Financial Anxiety as an Investment-Decision Variable

The first objective is to examine financial anxiety as a behavioral factor influencing how young digital investors interpret market uncertainty. Rather than treating anxiety simply as a general psychological condition, the study focuses specifically on financial worry associated with investment losses, uncertainty, insufficient financial control, and the consequences of poor investment decisions.

2.2 To Assess the Relationship Between Anxiety and Perceived Investment Risk

The second objective is to analyze whether higher levels of financial anxiety correspond with higher subjective perceptions of investment risk. The study additionally examines the potential roles of loss sensitivity, market volatility, social-media exposure, financial FOMO, and financial literacy in shaping this relationship.

2.3 To Develop a Behavioral Framework for Digital Investor Protection

The third objective is to develop a transparent analytical framework suitable for future validation using real young-investor samples. The framework is intended to inform investor education, platform design, risk communication, and behavioral interventions that reduce impulsive or anxiety-driven financial decisions without discouraging responsible long-term investing.

3. Review of Literature

3.1 Financial Anxiety and Investment Decision-Making

Financial anxiety is increasingly recognized as a distinct component of personal financial behavior. Ahamed and Limbu's systematic review demonstrates that financial anxiety has been investigated across several research domains and is associated with financial conditions, personality characteristics, financial behavior, psychological outcomes, and financial well-being. The review also documents continued use of the Financial Anxiety Scale originally developed by Archuleta and colleagues.

Investment behavior provides a particularly relevant setting for anxiety because financial markets involve uncertainty that cannot be completely eliminated. Gambetti and Giusberti found that individuals characterized by greater trait anxiety were more likely to avoid investing. Their later research reported that anxious individuals tend to perceive investments as involving greater risk, reduced control, and lower expected returns.

This behavioral mechanism is important because objective market risk and perceived risk are not identical. Two investors exposed to the same price movement may interpret the event differently depending on personal financial capacity, experience, confidence, emotional state, prior losses, and tolerance for uncertainty.



Financial anxiety may consequently operate through several pathways. It may increase attention to possible losses, magnify perceived uncertainty, encourage premature selling, produce avoidance of otherwise suitable investments, or create excessive monitoring of portfolios.

At the same time, anxiety does not necessarily lead to lower risk-taking in every situation. Digital environments may create competing pressures. An investor may simultaneously fear financial loss and fear missing an opportunity for unusually high returns. This tension makes young digital investors particularly relevant for behavioral investigation.

3.2 Risk Perception, Loss Sensitivity, and Financial Literacy

Behavioral-finance research demonstrates that investment decisions are influenced by perceptions and biases that extend beyond rational expected-return calculations. Recent empirical work continues to connect behavioral biases with financial risk propensity and investment decisions. Islam and colleagues found that prospect-related, herding, and heuristic biases influenced financial-risk propensity, which in turn affected investment decisions.

Mahmood and colleagues similarly reported that behavioral biases influenced investment decisions and that financial literacy moderated some of these relationships, indicating that knowledge can reduce the strength of biased decision processes.

Financial literacy should nevertheless not be interpreted as a complete solution to emotional investment behavior. An individual can understand diversification, expected return, and volatility while still experiencing anxiety during a substantial portfolio decline. Financial literacy may instead function as a regulatory resource by improving interpretation of risk.

3.3 Social Media, FOMO, and Digital Investment Environments

The modern investment environment is increasingly social.

Market information is communicated through YouTube, X, Reddit, TikTok, Instagram, messaging applications, investment forums, live streams, and brokerage-community features. These environments can reduce information-search costs but can also change the psychological salience of market movements.

Sathya and Prabhavathi's research indicates that social media can amplify behavioral biases and affect investor risk perception. Kürzinger and Stangor likewise experimentally examined positive and negative investment-related social-media posts among young and digitally active individuals and found that such information can influence investment decisions.

Regulatory and investor-education evidence underscores the importance of this mechanism. FINRA's 2025 investor research found that social-media-influenced investors may have knowledge gaps and elevated exposure to investment fraud. Separate FINRA data show substantial influencer usage among younger investors and comparatively high participation in options, margin purchases, meme stocks, and other higher-risk activities.

Fear of missing out can further complicate the relationship between anxiety and investment risk. A young investor may perceive a cryptocurrency or rapidly rising equity as highly risky while simultaneously believing that failing to participate could result in missing an economically transformative opportunity.

The resulting behavior may include impulsive entry, frequent portfolio checking, trend chasing, increased trading frequency, or emotional reversal after price declines.

The literature therefore suggests that digital-investor risk behavior should not be modeled using risk tolerance alone. A more complete approach needs to consider financial anxiety, subjective risk perception, social influence, financial literacy, loss sensitivity, and FOMO simultaneously.

4. Research Methodology

4.1 Research Design

The present study adopts a conceptual-methodological and simulation-based research design.

No actual young investors were recruited. No brokerage accounts, transaction histories, portfolio records, interviews, questionnaires, social-media histories, or personally identifiable financial information were collected.

A synthetic analytical population of 540 young digital-investor profiles was generated for methodological demonstration.

The model was designed to represent variation in:

financial anxiety, perceived investment risk, financial literacy, social-media investment exposure, financial FOMO, loss sensitivity, market-volatility exposure, and risk-taking propensity.

4.2 Operationalization of Variables

Table 1: Operational Framework of the Study

Construct	Operational Interpretation	Analytical Scale	Expected Relationship
Financial Anxiety	Financial worry, tension, uncertainty, and perceived lack of control relating to investment outcomes	0–100	Principal Explanatory Variable
Perceived Investment Risk	Subjective assessment of possible loss, uncertainty, volatility, and unfavorable financial outcomes	0–100	Principal Outcome
Loss Sensitivity	Degree of psychological sensitivity to portfolio decline and potential financial loss	0–100	Positive
Market-Volatility Exposure	Frequency and intensity with which the investor encounters rapidly changing market values	0–100	Positive
Social-Media Investment Exposure	Exposure to market commentary, influencers, online communities, recommendations, and investment narratives	0–100	Contextual/Positive

Construct	Operational Interpretation	Analytical Scale	Expected Relationship
Financial FOMO	Fear of missing profitable opportunities observed among peers or online communities	0–100	Positive
Financial Literacy	Understanding of diversification, return, risk, investment products, and long-term financial principles	0–100	Potentially Protective
Risk-Taking Propensity	Willingness to accept uncertainty and possible financial losses in pursuit of return	0–100	Behavioral Outcome

4.3 Simulation and Analytical Procedure

Synthetic values were generated on standardized 0–100 scales using a fixed random seed to improve reproducibility.

Financial Anxiety was modeled conceptually as a function of loss sensitivity, volatility exposure, social-media exposure, financial FOMO, and inverse financial literacy:

$$FA = 0.27(LS) + 0.20(MV) + 0.16(SM) + 0.14(FOMO) + 0.23(100 - FL) + \varepsilon$$

where:

FA = Financial Anxiety LS = Loss Sensitivity MV = Market-Volatility Exposure SM = Social-Media Investment Exposure FOMO = Financial Fear of Missing Out FL = Financial Literacy ε = controlled unmodeled variation

Perceived Investment Risk was then modeled as a function of financial anxiety, loss sensitivity, market-volatility exposure, and financial literacy. These coefficients are theoretical simulation weights rather than statistically estimated empirical effects.

For descriptive analysis, synthetic profiles were categorized into:

Low Financial Anxiety: $FA \leq 52$ Moderate Financial Anxiety: $FA > 52$ to 68 High Financial Anxiety: $FA > 68$

The purpose is to demonstrate expected model behavior and generate empirically testable propositions rather than establish population prevalence.

5. Analysis

5.1 Anxiety-Level Differences in Digital Investor Behavior

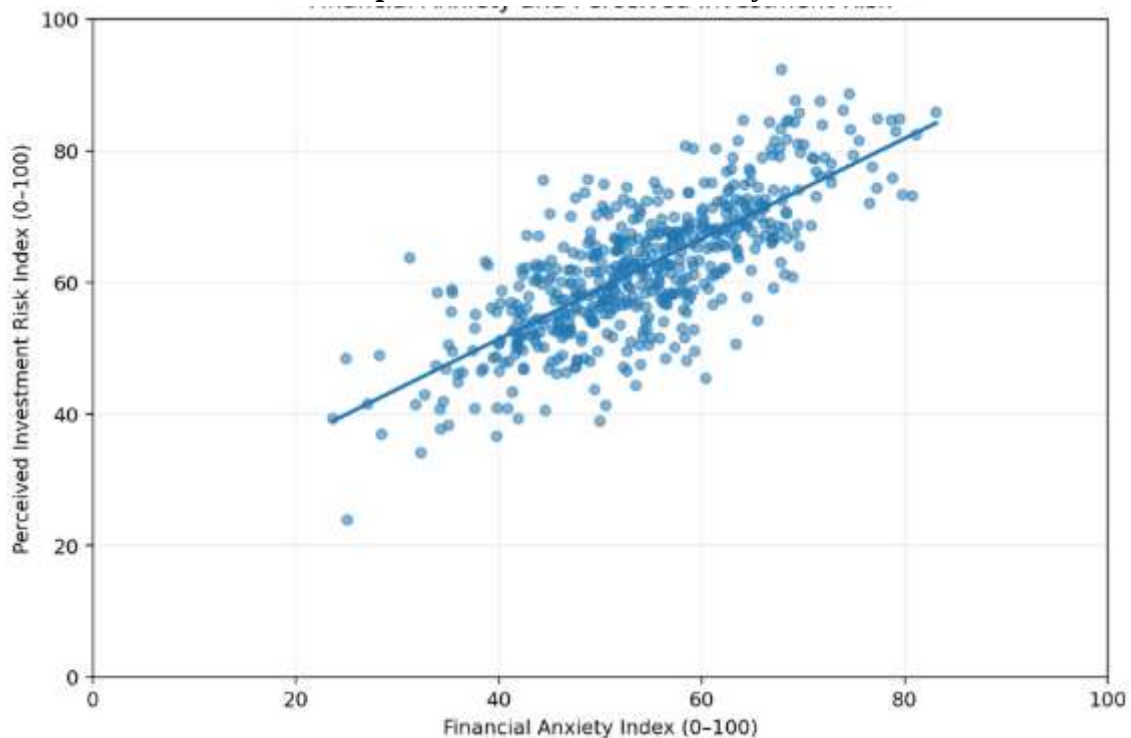
The simulation produced consistent variation across financial-anxiety conditions.

Table 2: Simulated Behavioral Profiles Across Financial-Anxiety Conditions

Analytical Indicator	Low Anxiety	Moderate Anxiety	High Anxiety
Financial Anxiety Index	44.6	59.1	72.7
Perceived Investment Risk	55.4	65.2	77.6
Financial Literacy	70.7	64.5	63.7
Social-Media Exposure	55.7	63.4	72.6
Financial FOMO	51.4	60.1	66.3
Risk-Taking Propensity	72.4	68.8	65.5

5.2 Financial Anxiety and Perceived Investment Risk

Figure 1: Simulated Relationship Between Financial Anxiety and Perceived Investment Risk



The scatter graph shows the relationship across all 540 synthetic investor profiles rather than only group averages.

The simulation generated a strong positive descriptive correlation of approximately $r = 0.75$ between Financial Anxiety and Perceived Investment Risk. Because the dataset is synthetic, this coefficient should not be presented as empirical evidence that the real-world relationship has the same magnitude.



The theoretical interpretation is nevertheless clear:

as financial anxiety increases, investors may become more attentive to uncertainty and potential loss, increasing their subjective assessment of market risk.

This pattern is consistent with previous research showing that anxiety is associated with higher perceived investment risk and lower perceived control.

5.3 The Digital Anxiety Paradox

The analysis reveals an important digital anxiety paradox in which higher-anxiety profiles demonstrate greater exposure to social-media investment content and stronger financial FOMO, while simultaneously showing lower modeled willingness to take financial risks. Social-media exposure increased from 55.7 in the low-anxiety group to 72.6 in the high-anxiety group, while FOMO increased from 51.4 to 66.3. In contrast, risk-taking propensity declined from 72.4 to 65.5.

This pattern suggests that digitally anxious investors may experience greater exposure to speculative opportunities while becoming increasingly concerned about potential financial losses. Such individuals may alternate between risk-seeking and risk-avoidant decisions, producing unstable investment behavior. FOMO may encourage impulsive purchasing during market enthusiasm, whereas subsequent declines may trigger excessive risk perception and premature selling. Thus, digital exposure may increase trading instability without necessarily strengthening long-term risk tolerance.

6. Discussion

6.1 Financial Anxiety Changes the Meaning of Market Risk

The findings support an important distinction between objective market risk and subjective risk perception. Market volatility can be measured through observable price movements, but financial anxiety influences how those movements are psychologically interpreted. Two investors may experience the same 10% decline, yet one may view it as normal short-term volatility while another may interpret it as a serious threat to financial security. Differences in financial capacity, investment knowledge, previous losses, uncertainty tolerance, portfolio concentration, and emotional regulation may contribute to these contrasting responses.

This distinction has practical implications for investor assessment. Conventional risk questionnaires may capture stated willingness to tolerate losses but may not fully reflect emotional reactions during actual market declines. Financial decision-making may therefore benefit from distinguishing risk capacity, risk tolerance, and current risk perception. Risk capacity concerns the amount of loss an investor can financially absorb, while risk tolerance reflects stated willingness to accept uncertainty. Financial anxiety may particularly influence perceived risk even when financial capacity and stated tolerance remain relatively stable.

6.2 Social Media Can Intensify Both Opportunity and Uncertainty

Digital financial communities provide genuine informational opportunities by allowing young investors to access educational materials, market commentary, company analysis, professional opinions, and peer experiences. However, social-media environments can also influence which types of financial information receive attention. Content emphasizing dramatic gains, severe losses, rapidly rising assets, urgent opportunities, or exceptional trading outcomes may attract stronger engagement than balanced



explanations of long-term investment principles. Consequently, social platforms can simultaneously expand financial access and increase exposure to emotionally stimulating information.

This environment may allow financial anxiety and FOMO to coexist within the same investor. Individuals may simultaneously worry about losing money and fear missing profitable opportunities. These concerns can encourage short-term and emotionally driven decisions, particularly when platforms provide persistent notifications, trending investment lists, social comparisons, real-time price movements, and simplified trading processes. Investor protection should therefore extend beyond traditional disclosure. Digital platforms could incorporate clearer downside-risk information, diversification indicators, leverage warnings, cooling-off prompts, volatility explanations, and greater separation between educational content and promotional material.

6.3 Financial Literacy as a Buffer, Not a Guarantee

The modeled findings indicate comparatively lower financial literacy among higher-anxiety profiles. Although this pattern does not establish that limited financial literacy causes anxiety, it supports a theoretically plausible relationship between financial understanding and emotional investment responses. Financially literate investors may have stronger frameworks for interpreting diversification, compounding, volatility, liquidity, leverage, and risk–return relationships. Such knowledge may help investors evaluate market information more systematically rather than responding primarily to emotionally salient digital content.

However, financial literacy should not be considered an automatic solution to emotional investing. Knowledge cannot eliminate uncertainty or prevent anxiety when investment amounts exceed financial capacity, portfolios are highly concentrated, borrowed funds are involved, or essential financial obligations depend on invested capital. Investor education should therefore combine technical knowledge with behavioral preparedness. Investors should understand their objectives, investment horizon, acceptable losses, liquidity needs, diversification principles, selling conditions, and reliable information sources before stressful market conditions occur. This form of precommitment may support more consistent and deliberate decision-making.

7. Conclusion

Digital investment platforms have created unprecedented opportunities for young adults to participate directly in financial markets, but easier market access does not remove the psychological challenges associated with uncertainty and financial loss. This study examined financial anxiety and perceived investment risk through a multidimensional behavioral framework incorporating loss sensitivity, market-volatility exposure, social-media investment exposure, financial FOMO, financial literacy, and risk-taking propensity. The simulation indicated an increase in perceived investment risk from 55.4 under low financial anxiety to 65.2 under moderate anxiety and 77.6 under high anxiety. Because the dataset was synthetic, these values should be interpreted as theoretical illustrations rather than population estimates.

The findings further suggest that higher financial anxiety may coexist with greater social-media investment exposure, stronger FOMO, and comparatively lower financial literacy. This combination highlights a potential dual emotional pressure in digital investing: young investors may simultaneously fear financial losses and worry about missing profitable opportunities. Such competing concerns may



contribute to unstable transitions between speculative participation and excessive risk avoidance. Responsible digital investing therefore requires more than market access or basic financial knowledge. Financial literacy, realistic return expectations, diversification, risk-capacity awareness, reliable information sources, and behavioral strategies for managing uncertainty are also important.

Future empirical research should validate the proposed framework using actual young-investor populations and longitudinal evidence. Researchers could examine whether financial anxiety predicts trading frequency, portfolio concentration, speculative-asset exposure, panic selling, leverage use, investment persistence, and financial well-being. Experience-sampling approaches may be particularly valuable because anxiety and perceived risk can change with market conditions and portfolio fluctuations. Ultimately, sustainable investment participation requires young investors to understand not only how financial markets operate but also how their emotional responses can influence the way market risk is perceived and acted upon.

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