

ABSTRACT

Traditional economics describes human beings as rational decision makers, but it has been observed that investors do not always act rationally. Behavioral finance is a new emerging science which focuses on understanding how psychology affects investment decision. During investment decision making, investor's behavior is influenced by many factors. Demographic profile of investors is one of the factors that influenced the behavior of investor. The aim of this study is to find out whether there are differences in risk tolerance based on demographic variables, such as gender, age, marital status, education, and income. The data was collected by using RBS Morgan: *Risk Profile Questionnaire*, which was distributed online to investor through several investment groups. There are 100 investors who were sampled in this study. Mann Whitney U Test and Kruskal Wallis was used to determine the differences in the level of risk tolerance and investment choice based on demographics variables.

This study found that there are the differences on risk tolerance according to age and marital status. >50 year-old investors have a lower risk tolerance level compared to younger investor. Married investors have a lower risk tolerance compared to single investors. This study also found that there is the differences on investment choice according to age, marital status, and education. Stocks and bonds are preferred by investors aged 21-30 years compared to other age groups, while property is preferred by groups of investor aged 41-50 years. Stocks and bonds are also preferred by single investor compared to married investors. Based on education variables, mutual funds are preferred by groups of investors who have a diploma education level, compared to investors in other education level groups.

Key words: Behavioral finance, demographic variabel, risk tolerance, and investment choice.