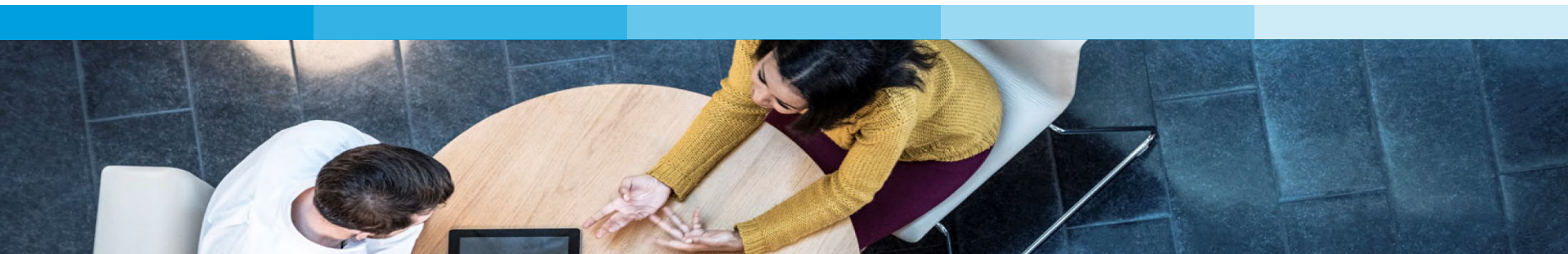


Charles Schwab ETFs and Beyond Study

September 2022



charles
SCHWAB

Asset
Management

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Background

Charles Schwab has worked with Logica Research* for over 10 years on a tracking study about ETFs. Over the years, this research study has shed light on ETF investors' knowledge and behaviors around ETFs and uncovered trends in ETF investing. In 2022, Schwab Asset Management expanded the study to focus on all investing solutions and on personalization.

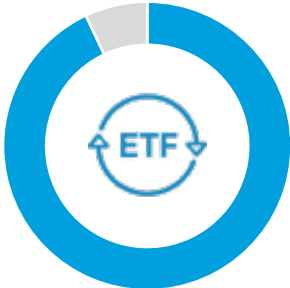
The 2022 ETFs and Beyond Study survey was fielded from June 13th to June 28th, 2022.

- 2,200 investors completed the study
 - 1,000 general ETF investors
 - 1,000 non-ETF investors
 - 200 oversample of Generation Investor (aka "Gen I" and defined as new investors who started investing since 2020)
- To qualify for the study, investors had to:
 - Be 25 to 75 years old
 - Have a minimum of \$25,000 in investable assets (ETF and non-ETF investors)
 - Have purchased or sold an ETF in the past 2 years (ETF investors)
 - Be at least somewhat familiar with ETFs (non-ETF investors)
 - Have started investing in 2020, 2021 or 2022 (Gen I)

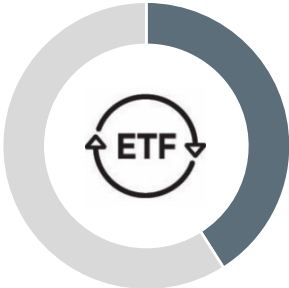
Appetite for ETFs Remains Strong and is Growing

In the next two years, almost all ETF investors and two-fifths of non-ETF investors say they are likely to buy an ETF

Likely to consider purchasing an ETF in next two years



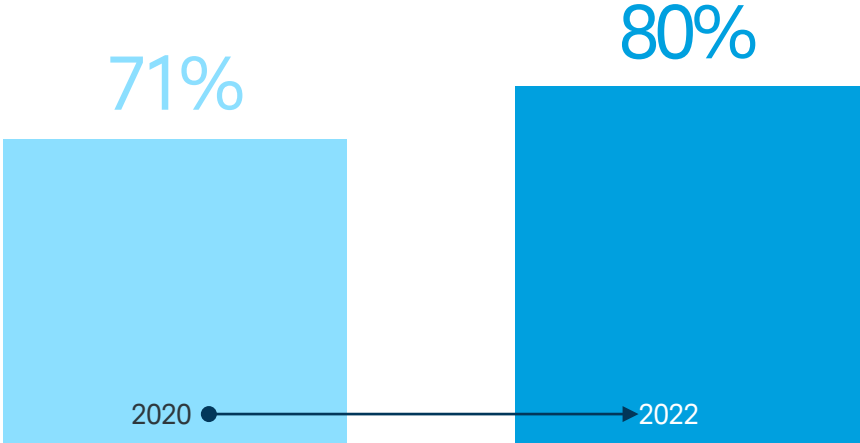
ETF Investors
93%
Likely to consider purchasing an ETF in next 2 years



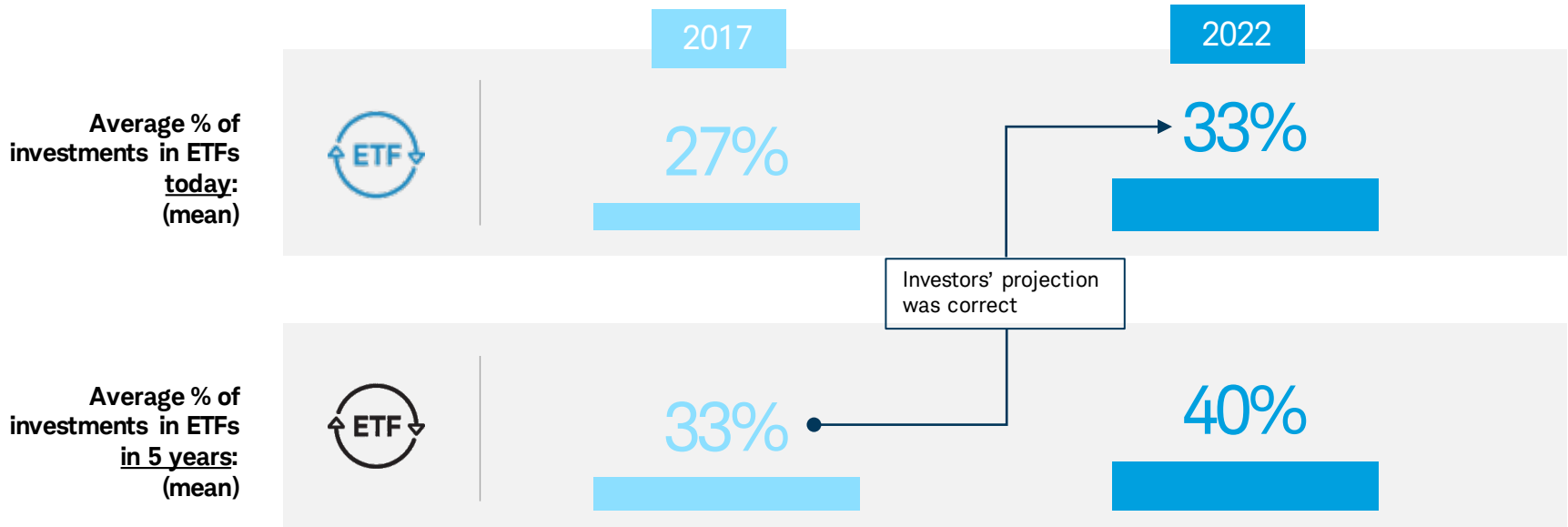
Non-ETF Investors
41%
Likely to consider purchasing an ETF in next 2 years

Most ETF investors agree that ETFs are their vehicle of choice - a bigger majority than in 2020

ETFs are my investment vehicle of choice
(Agree)

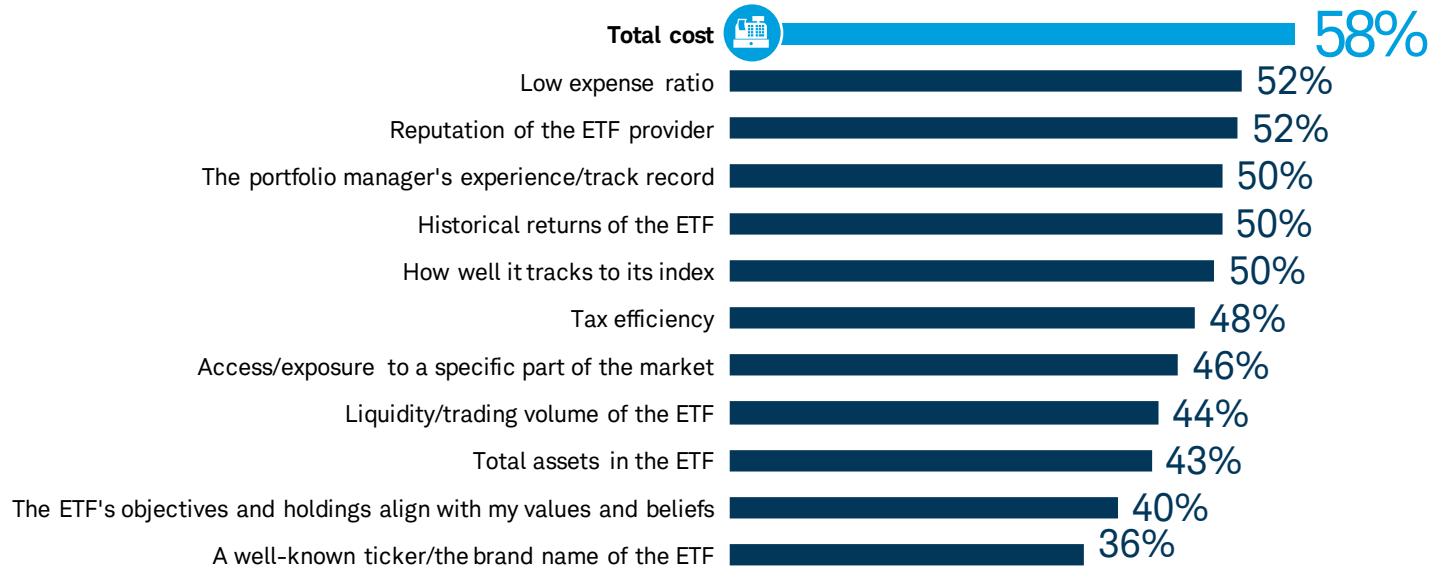


ETFs' share of portfolios continues to grow steadily and in line with what ETF investors projected five years ago



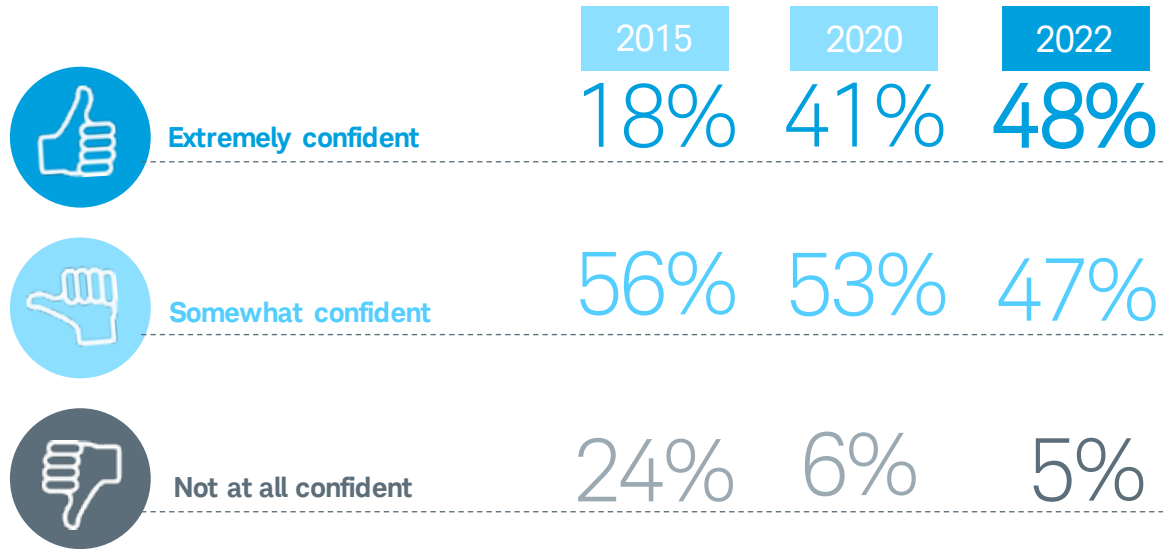
Cost remains the top factor in choosing an ETF with more than half of ETF investors calling out total cost as an extremely important consideration

Important factors in choosing an ETF (Extremely important)











The number of ETF investors who are extremely confident in their ability to choose an ETF to achieve their financial objectives continues to grow

Confidence in ability to choose an ETF to achieve financial objectives



The ability to buy and sell easily is important for ETF investors, while diversification is most important for non-ETF investors

Top reasons ETF/non-ETF investors who are likely to consider buying ETFs might do so

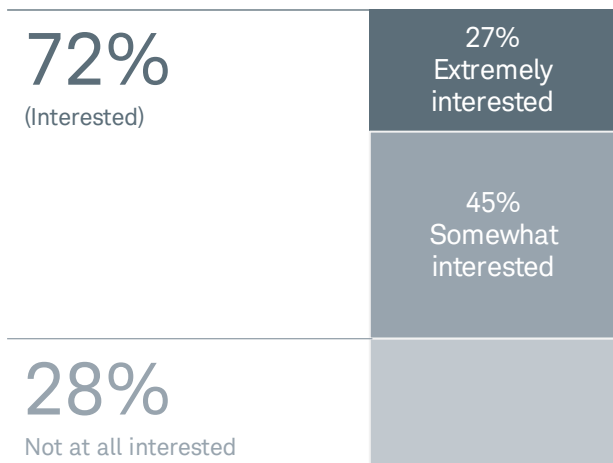
	ETF		Non-ETF
 ETFs are easy to buy and sell	71%	 To diversify portfolio	55%
 To diversify portfolio	67%	 ETFs are easy to buy and sell	44%
 ETFs are low cost	50%	 ETFs are tax efficient	33%
 ETFs are tax efficient	46%	 ETFs are low cost	33%

Lack of understanding continues to be the biggest barrier to purchasing ETFs among non-ETF investors; the majority are interested in learning more about ETFs

Top reasons non-ETF investors who are unlikely to consider buying ETFs will refrain from buying them



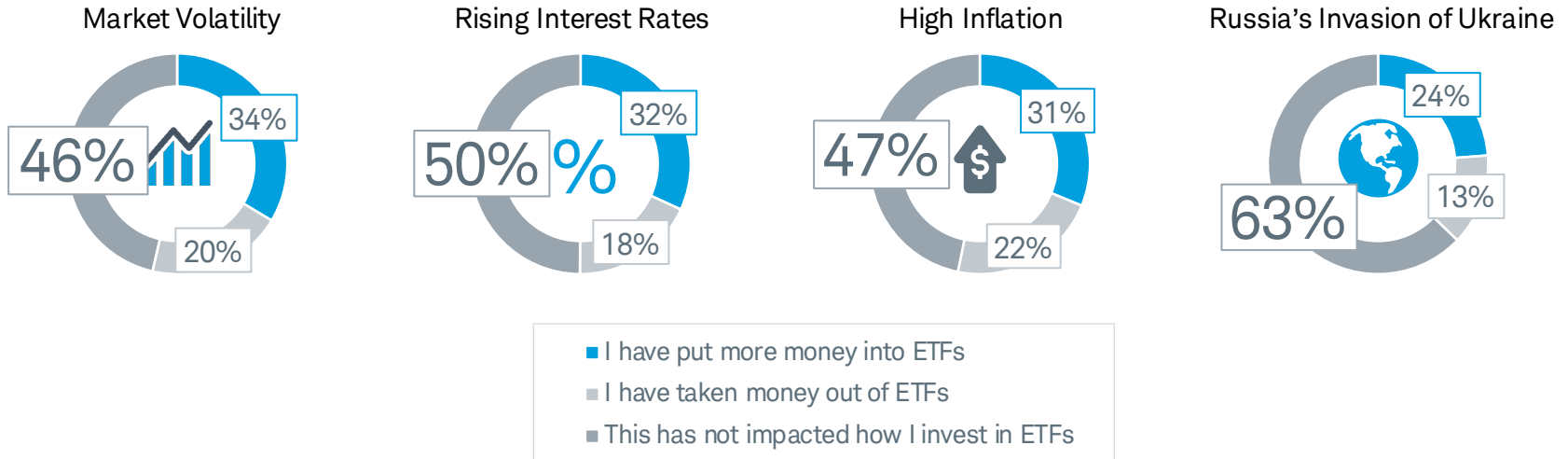
Interest in learning more about ETFs among non-ETF investors



ETF Investor Evolution

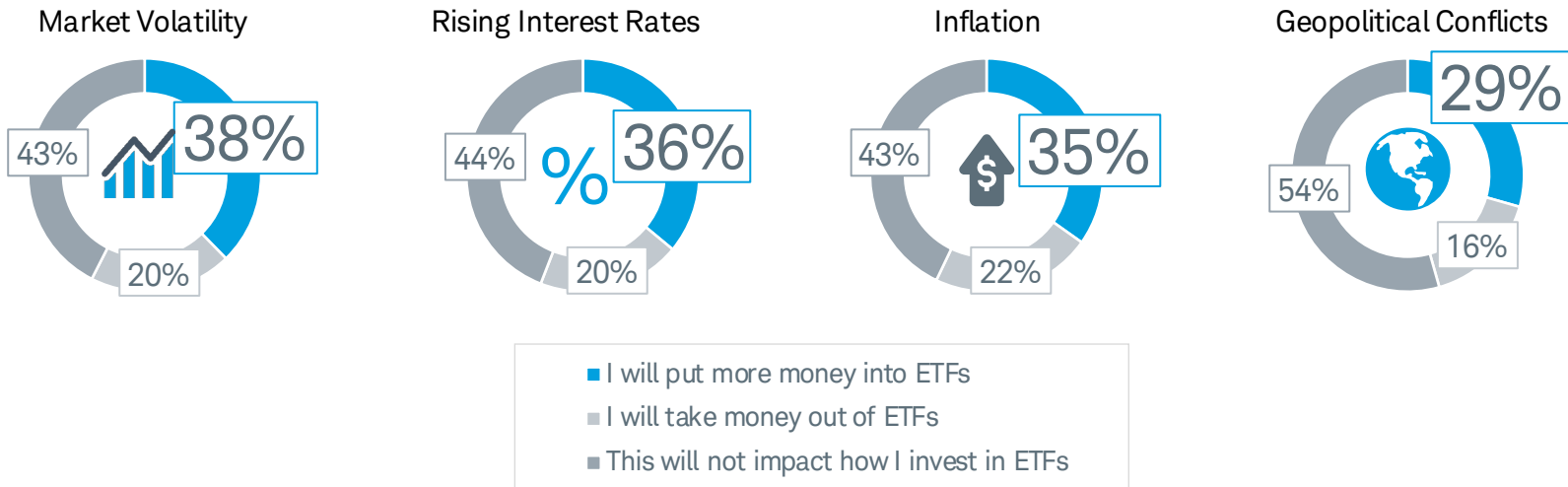
In response to market volatility, rising interest rates and high inflation in the first half of 2022, ETF investors largely stayed the course with their ETF investments

Impact of current events on ETF investing



Looking ahead, about a third of ETF investors are more likely to increase investments in ETFs in response to different market drivers in the coming months

Impact of future events on ETF investing



About half of ETF investors plan to invest in U.S. equities, real assets, bonds and crypto via ETFs in the year ahead

Types of ETFs investors plan to invest in (Top 4)



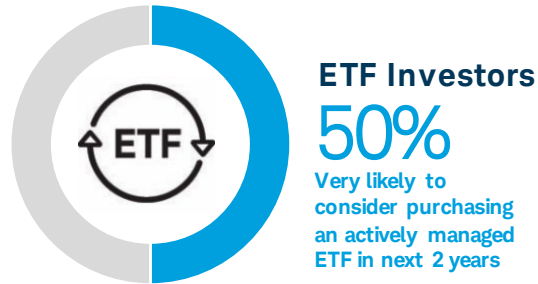
When it comes to specialty ETFs, dividend, long/short, leveraged and actively managed ETFs are expected to be the most popular in over the next year

Types of specialty ETFs investors plan to invest in



Half of ETF investors are very likely to purchase an actively managed ETF in the next two years

Very likely to consider purchasing an actively managed ETF in next two years



Almost four in 10 ETF investors invest in smart beta strategies and the majority believe that now is a good time to invest in smart beta ETFs

Currently invest in Smart Beta strategies



38%

Yes, currently invest

Believe it is a good time to invest in Smart Beta ETFs

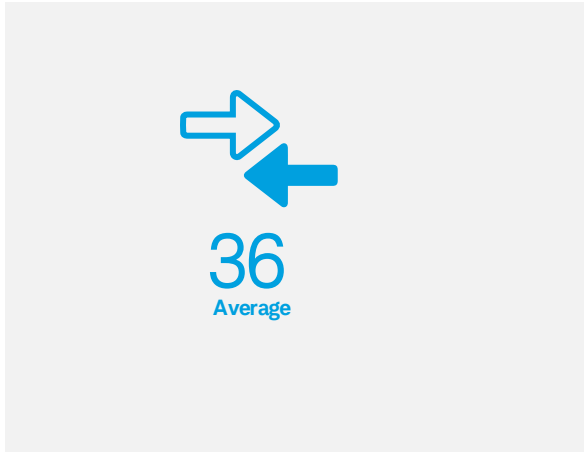


86%

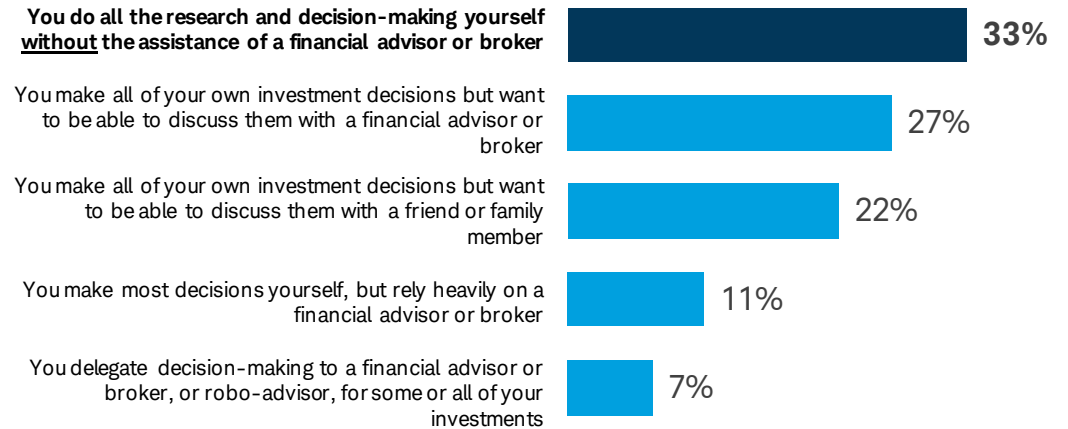
Yes, now is a good time

A third of ETF investors state that they do all the research and decision-making without the assistance of a financial advisor or broker when making investment decisions

Number of trades placed in the past year among ETF investors



How ETF investors approach investment decisions



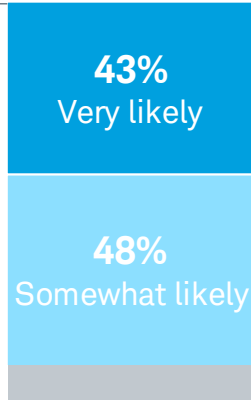
The Next Frontier: Personalization

Over two-fifths of ETF investors would be very likely to request modifications to their investment options or very likely to personalize their investment portfolio more in 2023

Likelihood to request modifications to investment options among ETF investors

91%

Likely



Likelihood to personalize investment portfolio more in 2023 among ETF investors

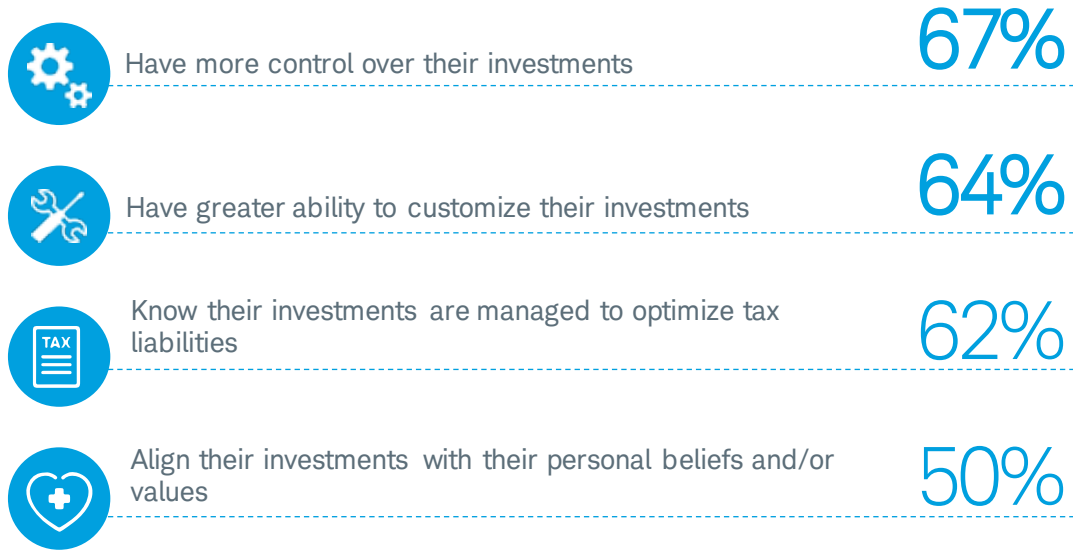
88%

Likely



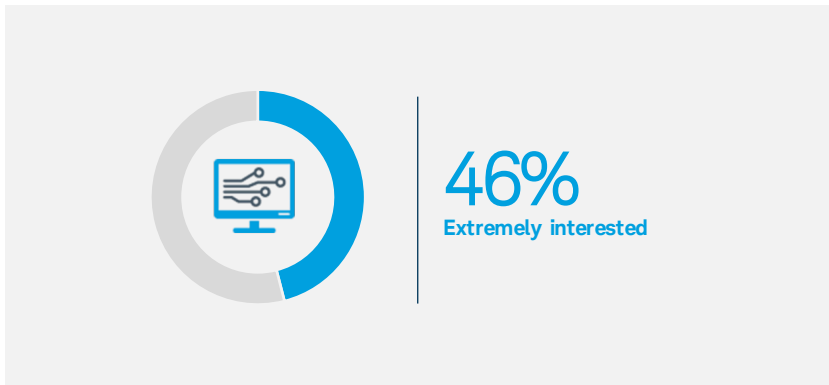
Many ETF investors feel it is extremely important to have more control and greater ability to customize their investments

Important factors when it comes to investments among ETF investors (Extremely important)

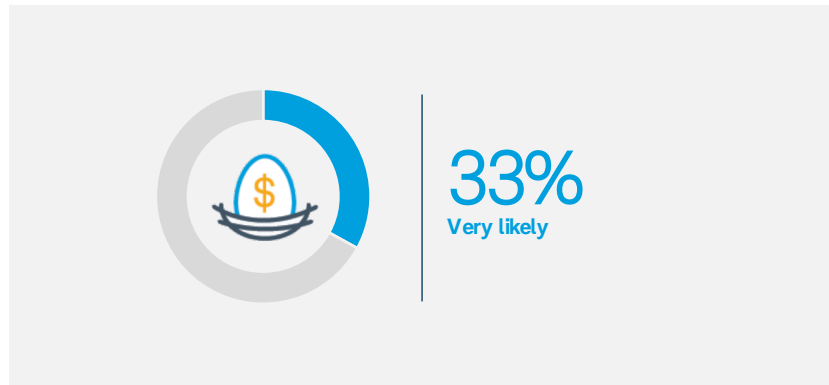


Nearly half of ETF investors are extremely interested in learning more about direct indexing with one-third saying they are very likely to invest in direct indexing in the next five years

Interest in learning more about direct indexing among ETF investors

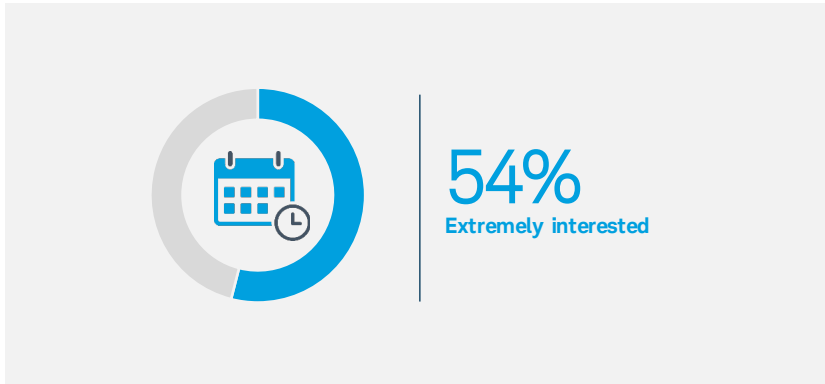


Likelihood to invest in direct indexing in the next 5 years among ETF investors

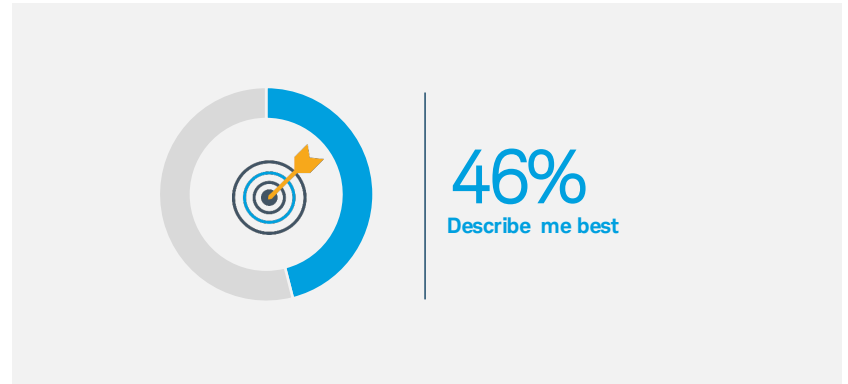


About half of ETF investors are interested in being able to invest in long-term trends or macro themes and nearly half are interested in ESG-only portfolios

Interest in investing in long-term trends or macro themes among ETF investors



Interest in ESG-only portfolios among ETF investors



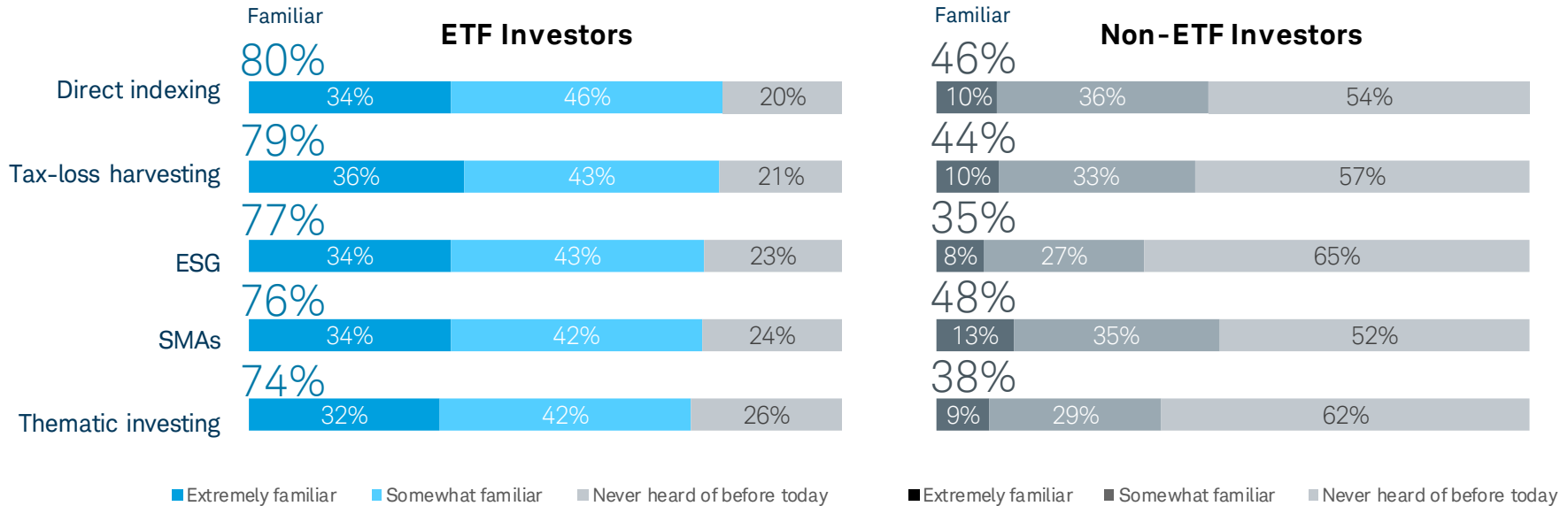
About a third of ETF investors will select investments that align with their personal values to personalize their portfolio while some will divest from those that do not

Likely to do the following in 2023 (Very likely)



ETF investors are more familiar with direct indexing and related categories and strategies than non-ETF investors




Familiarity with the following terms



Millennials: Up Close and Personal

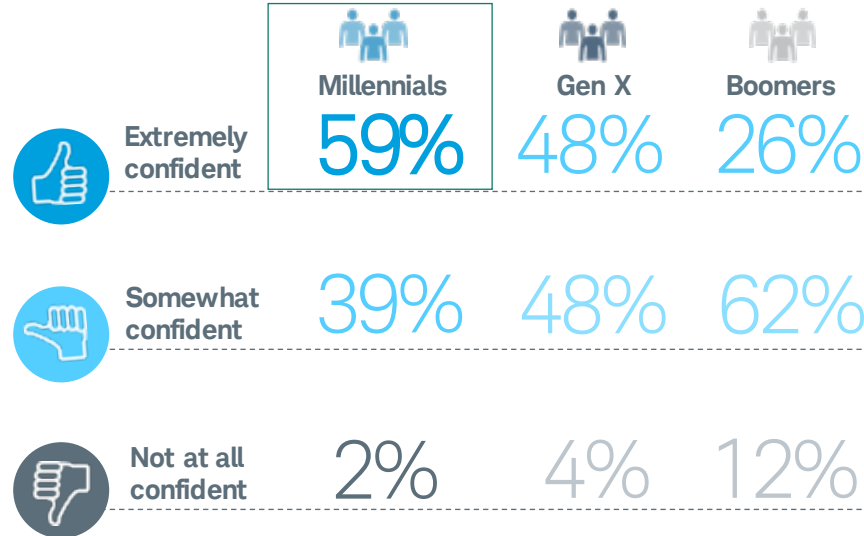
Millennial ETF investors are primarily focused on building wealth for major life milestones and saving for retirement

The top outcomes you are trying to achieve through your investments (Any rank)

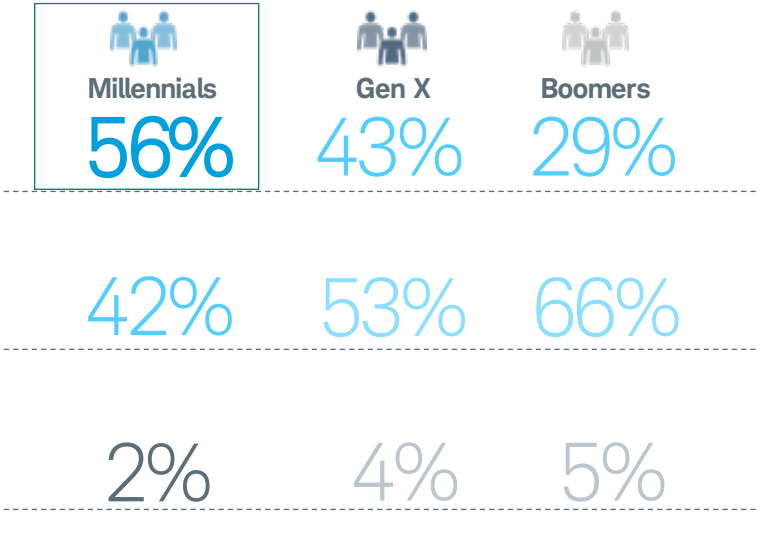
	 Millennials	 Gen X	 Boomers
Building wealth for major life milestones	66%	53%	27%
Saving for retirement	63%	73%	61%
Generating income during retirement	57%	71%	90%
Preserving wealth	55%	53%	77%
Distributing wealth	55%	45%	36%

Millennial ETF investors are more confident than other generations about their ability to choose ETFs and to meet their desired investing outcomes

Confidence in ability to choose an ETF to achieve financial objectives



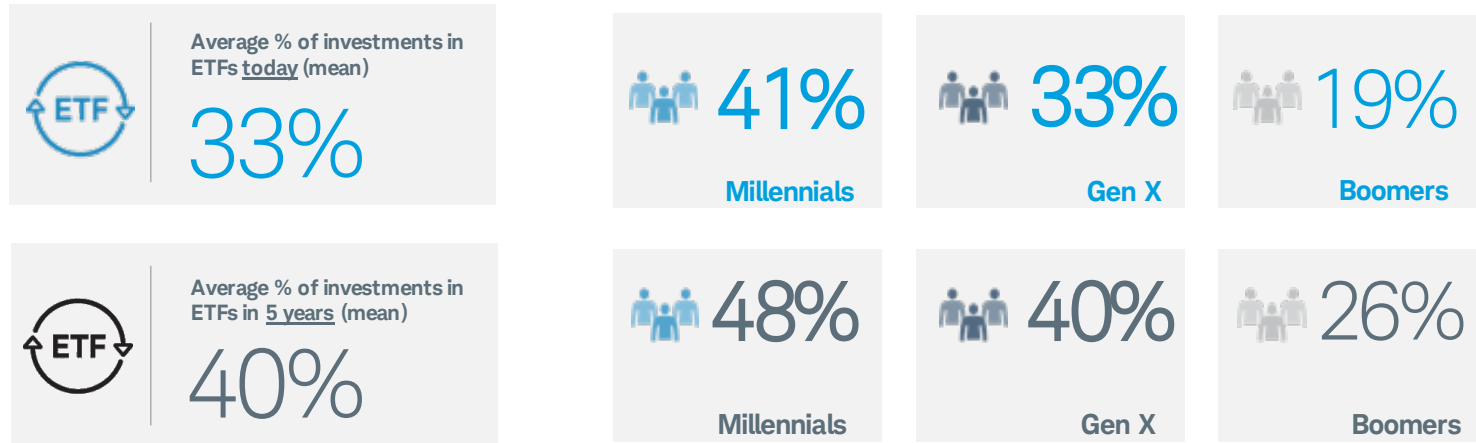
Confidence in ability to meet desired investing outcomes



Asset Management

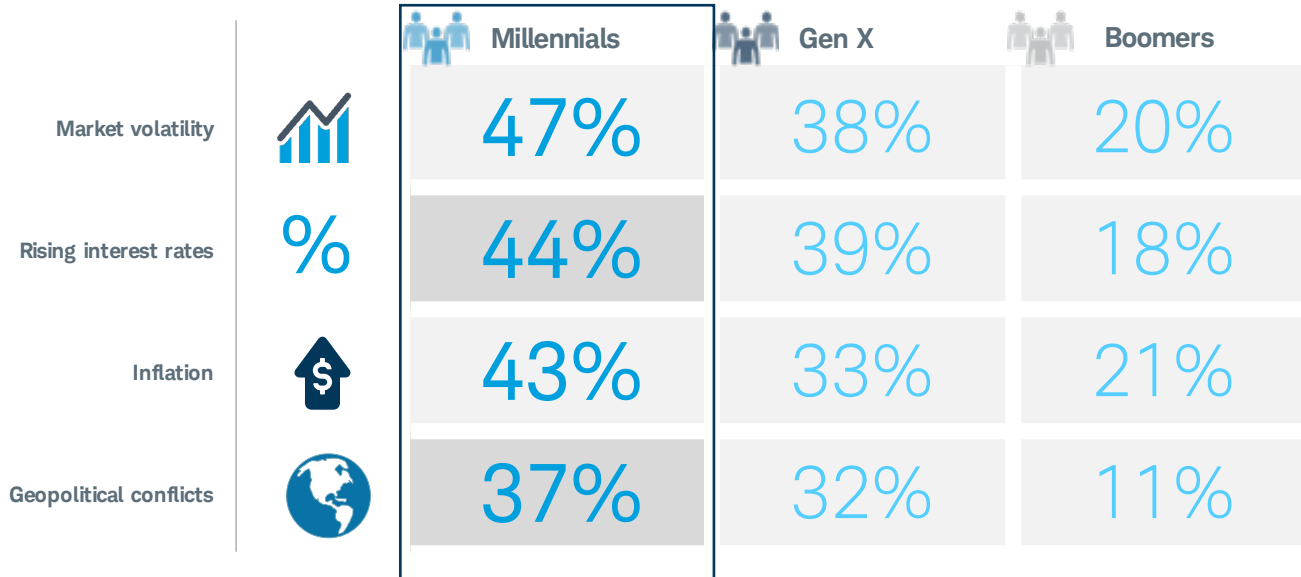
Q28. How confident are you in your ability to choose an ETF that can help you achieve your investment objectives? (Base: Millennials = 402, Gen X = 360, Boomers = 229)
 Q44. How confident are you that you can meet your desired investing outcomes? (Base: Millennials = 402, Gen X = 360, Boomers = 229)

Millennials have more of their portfolios in ETFs today than other generations and anticipate a steady rate of growth over the next five years



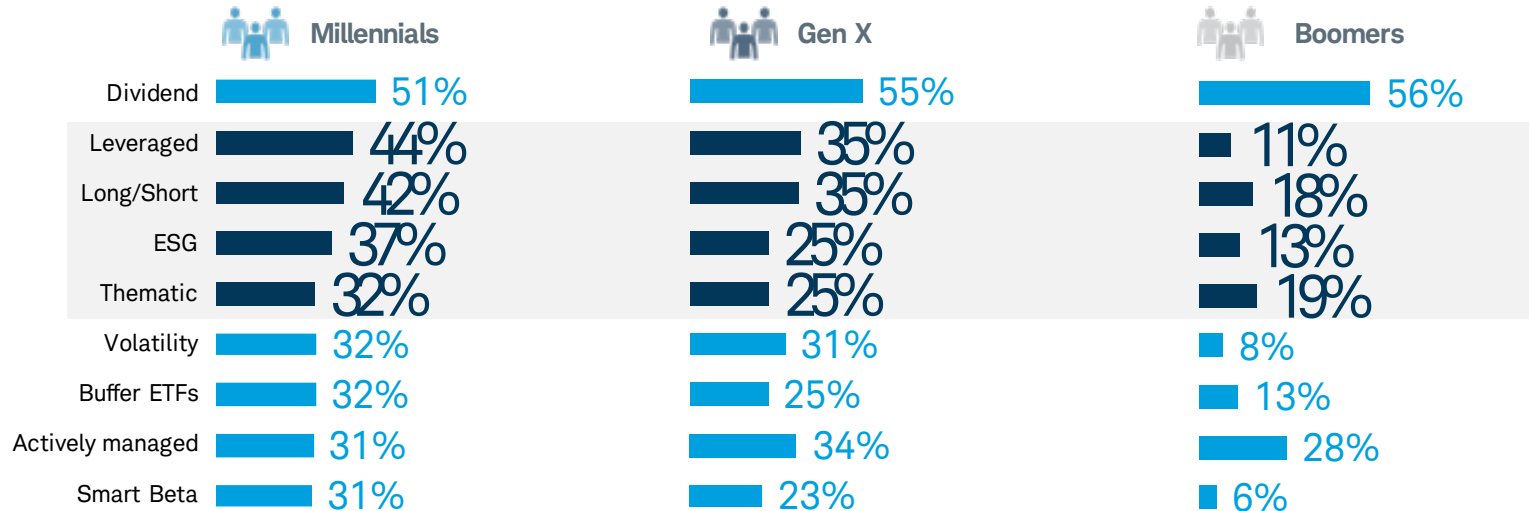
Millennials are more likely to increase ETF allocations in response to various market disruptions than older generations

Event impact on ETF investing in the coming months (I will put more money into ETFs)



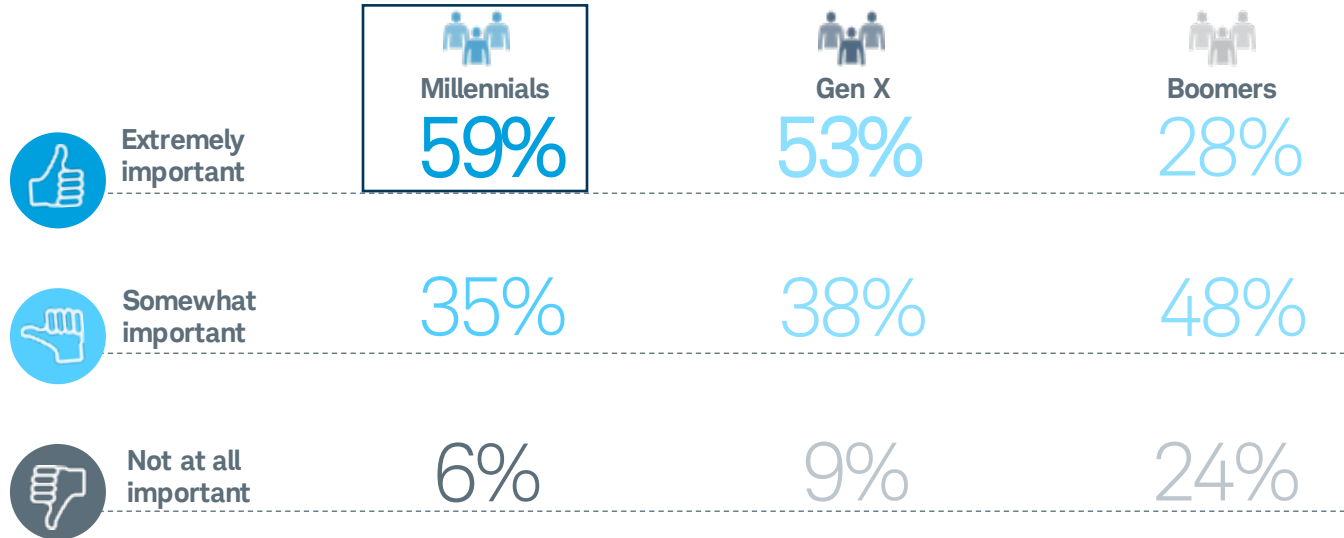
Millennial ETF investors are more likely to invest in leveraged ETFs, long/short ETFs, ESG ETFs and thematic ETFs in the next year than other generations

Types of specialty ETFs investors plan to invest in



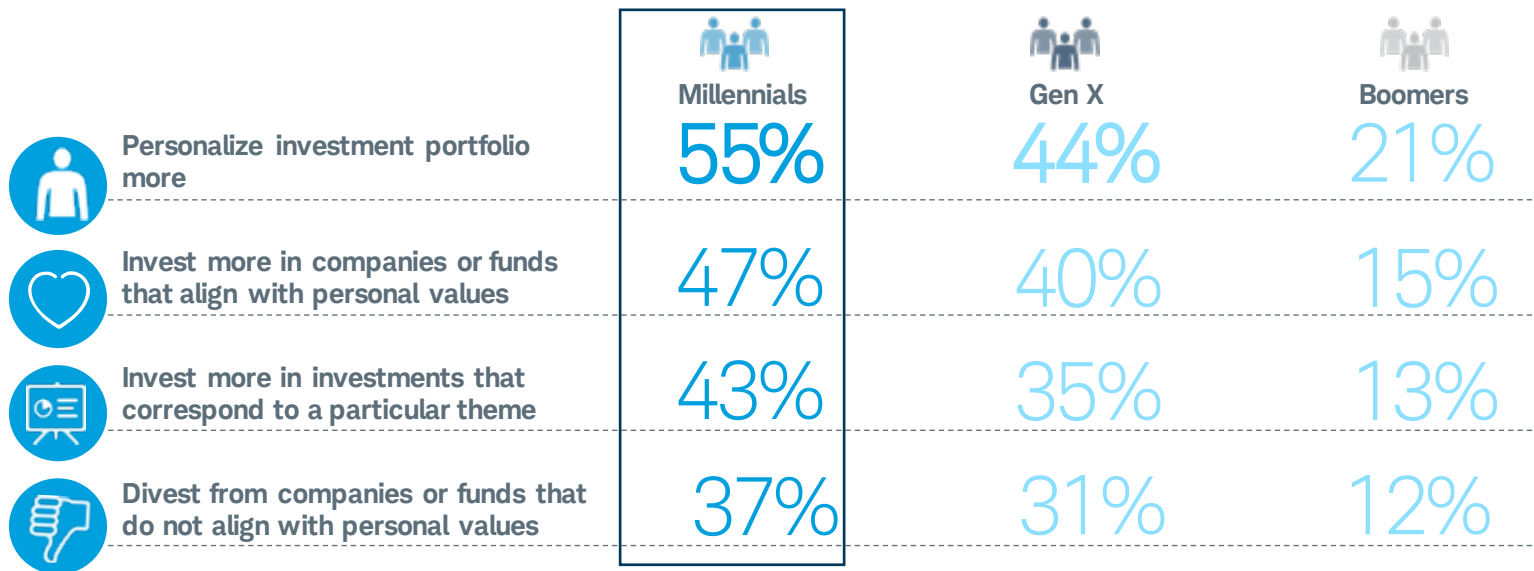
Millennials are more interested in aligning their investments with their values compared to older generations

Interested in aligning their investments with their personal beliefs and values



Millennials are more likely to personalize their portfolios in 2023

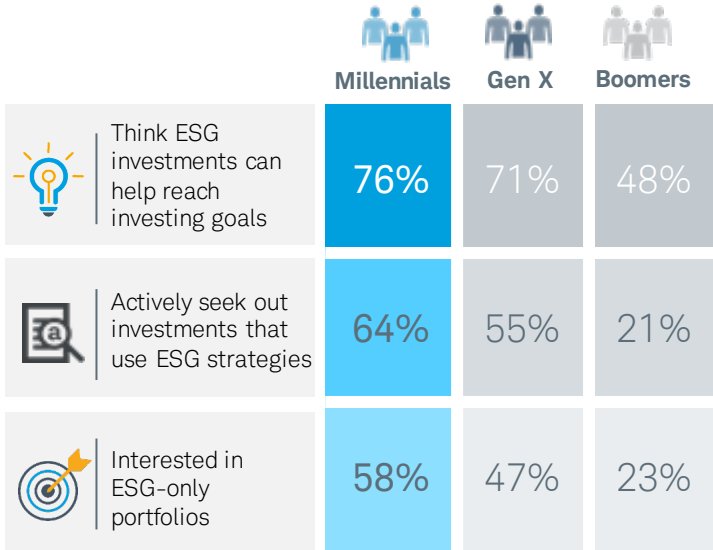
Likely to do more in 2023 (Very likely)



Millennials are more interested in newer approaches to investing that allow for the expression of personal preferences compared to other generations

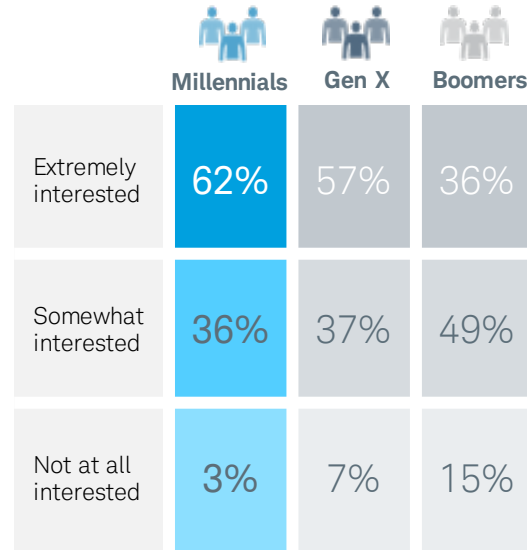
ESG

Describes me best



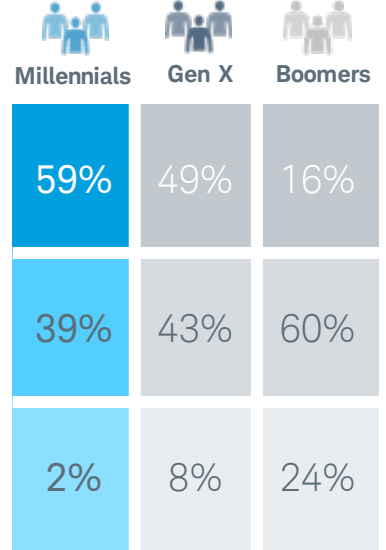
Thematic investing

Interest in investing in long-term trends or macro themes



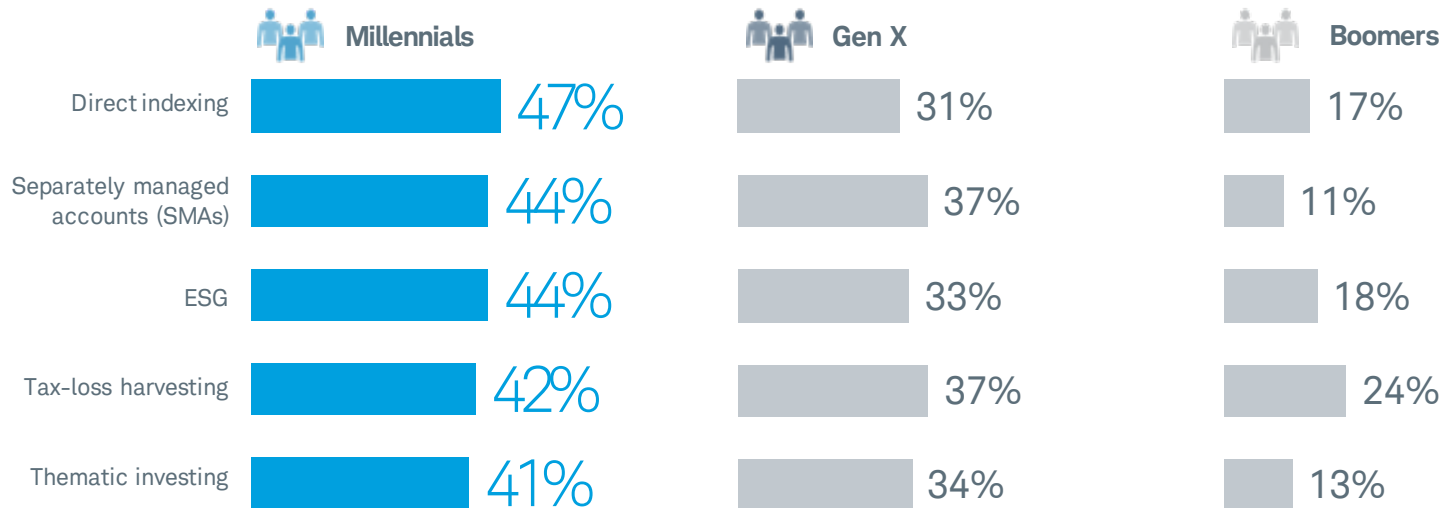
Direct indexing

Interest in learning more about direct indexing



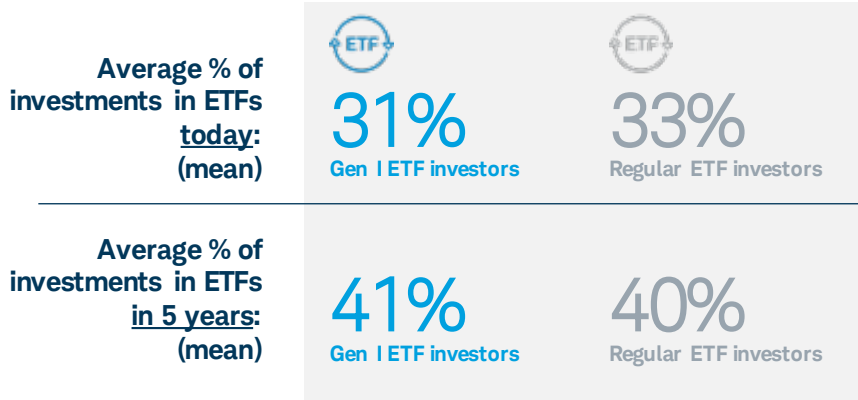
Millennials are also more familiar with investment category terms such as direct indexing, ESG and thematic investing

Familiarity with investment category terms (Extremely familiar)

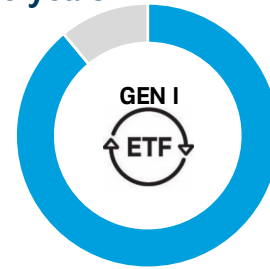


Generation Investor (Gen I): New to Investing, New to ETFs

Among ETF investors who started investing in 2020 or later (“Gen I”), ETFs already make up a large portion of their portfolios and there is a strong appetite for more



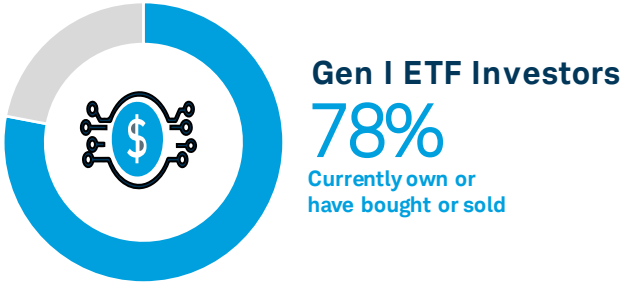
Likely to consider purchasing an ETF in next two years



Gen I ETF Investors
89%
Likely to invest in ETFs in the next two years

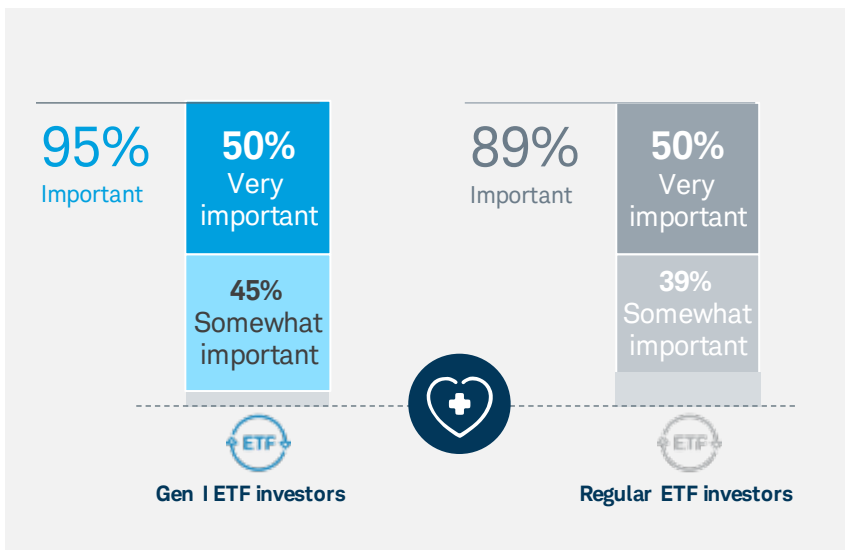
Nearly 80% of Gen I investors who started buying ETFs in the past three years have also bought or sold cryptocurrencies

Currently own or have bought or sold cryptocurrency

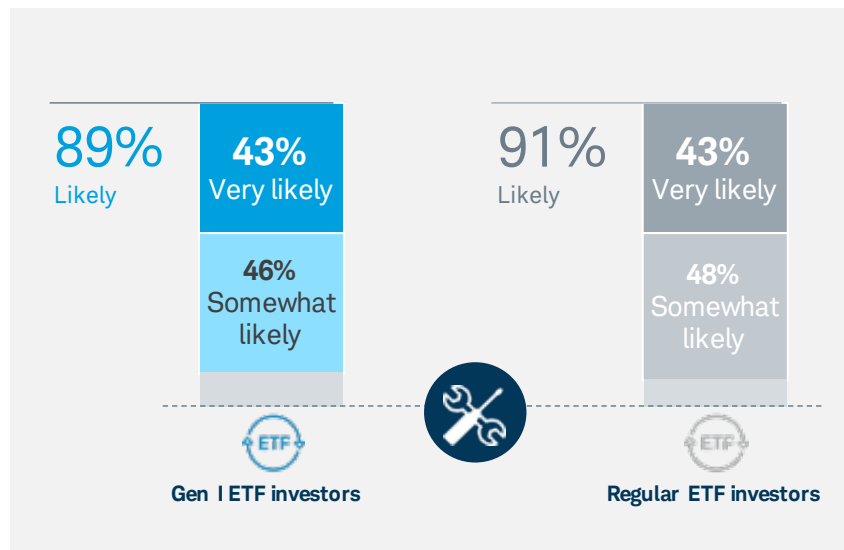


Gen I ETF investors are more interested in aligning investments with their values and equally interested in modifying their investments to better suit their preferences as experienced ETF investors

Important to align investments with personal beliefs/values



Likelihood to request modifications to investment options among ETF investors



Appendix

Demographic Snapshot

ETF investors

Gender



Male	Female
62%	38%

Generations*



40%

Millennials



36%

Gen X



23%

Boomers

Non-ETF investors

Gender



Male	Female
56%	44%

Generations*



33%

Millennials



33%

Gen X



34%

Boomers

Gen I ETF investors

Gender



Male	Female
56%	44%

Generations*



63%

Millennials



28%

Gen X



8%

Boomers

HH income



Mean	Median
\$111K	\$112K

Investable assets



Mean	Median
\$731K	\$375K

Employment



Full-time	Part-time	Retired	Other
76%	7%	13%	5%

HH income



Mean	Median
\$80K	\$62K

Investable assets



Mean	Median
\$327K	\$75K

Employment



Full-time	Part-time	Retired	Other
54%	10%	25%	12%

HH income



Mean	Median
\$74K	\$62K

Investable assets



Mean	Median
\$372K	\$75K

Employment



Full-time	Part-time	Retired	Other
68%	11%	7%	14%

Important information

The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision.

Survey respondents were not asked to indicate whether they had accounts with Schwab. All data is self-reported by study participants and is not verified or validated.

Investing involves risk including loss of principal. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETF are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

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