Q2 2019 Executive Summary

Key themes:

- Client outlook for the U.S. stock market remains slightly bearish, but the proportion of clients who think they are “better off financially” and it’s a “good time to invest” has increased since December 2018.

- The U.S. political landscape is overwhelmingly the leading concern about investing among clients. Additionally, a third of clients believe the next economic downturn will occur in the next year.

- Confidence among clients overall remains steady but has declined slightly among younger and mid-life clients.

“Following the extreme volatility we saw at the end of 2018, our retail clients became slightly bearish in their outlook for the U.S. stock market, and we’re seeing that sentiment hold through the first half of 2019. They have their eyes on Washington and express some concern about an economic downturn, but despite those factors, overall investor confidence is stable.”

Joe Vietri
Charles Schwab Branch Network Leader
The proportion of clients who think they are “better off financially” and it’s a “good time to invest” increased since December 2018.

Client Confidence Trends
December 2014 – June 2019

Q. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?

Q. In terms of how you are getting along financially, would you say you are better off, about the same or worse off than you were a year ago?

Q. How confident would you say you feel in making investment decisions for your household?
Client outlook for the U.S. stock market continues to lean bearish.

**Outlook For U.S. Stock Market**
*(Single response only; Among Total Sample)*

Q. Looking ahead to the rest of 2019, which statement best describes your outlook for the U.S. stock market?

- I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.
- I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio.
- I think the market is due for a significant correction, but I'm confident that I have a plan in place to withstand it.
- Don't know.
By life stage, younger and mid-life clients are most bearish.

**Outlook For U.S. Stock Market by Life Stage**

By life stage, younger and mid-life clients are most bearish. The chart shows the percentage distribution of clients' outlooks for the U.S. stock market by life stage, with the following categories:

- **Young Investors**
  - I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.
  - I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio.
  - Don't know
- **Mid-Life**
  - I think the market will continue to perform well, and I plan to increase my allocation to equities as a result.
  - I think the market is due for a significant correction, but I'm confident that I have a plan to withstand it.
  - Don't know
- **Mature**
  - I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.
  - I think the market is due for a significant correction, but I'm confident that I have a plan to withstand it.
  - Don't know
- **Retired**
  - I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.
  - I think the market is due for a significant correction, but I'm confident that I have a plan to withstand it.
  - Don't know

Q. Looking ahead to the rest of 2019, which statement best describes your outlook for the U.S. stock market?
Clients are most bullish on technology stocks and most bearish on the consumer discretionary sector.

Q. In your opinion, which term “bullish” or “bearish” best describes the U.S. stock market for each of the following sectors?
Confidence among clients overall remains steady but has declined slightly among younger and mid-life clients.

Confidence in Reaching Financial Goals
(Single response only; Among Total Sample)

Q. Which statement best describes your confidence in reaching your financial goals?

- Extremely Confident
- Very Confident
- Somewhat Confident
- Not Very Confident
- Not At All Confident

% Extremely/Very Confident by Life Stage

Q2'19
- Young Investors: 40%
- Mid-Life: 33%
- Mature: 40%
- Retired: 45%

Q4'18
- Young Investors: 44%
- Mid-Life: 37%
- Mature: 34%
- Retired: 33%

Q2'19
- Young Investors: 39%
- Mid-Life: 33%
- Mature: 38%
- Retired: 45%
The U.S. political landscape is overwhelming the leading concern about investing among clients.

Primary Concern About Investing
(Single response only; Among Total Sample)

Q2'18: What is your primary concern around money and investing looking ahead to the rest of 2018?
Q4'18: What is your primary concern around money and investing looking ahead to 2019?
Q2'19: What is your primary concern around money and investing looking ahead to the rest of 2019?
A third of clients believe the next economic downturn will occur in the next year.
While more clients indicate they’re doing more research when selecting investments, few have changed their philosophy during the past quarter.

<table>
<thead>
<tr>
<th>Change in Investing Philosophy (Among Total Sample)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4’14</td>
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<tr>
<td>11%</td>
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</tbody>
</table>

**Investing Philosophy Changed Past 3 Months**
*(Single response only; Total Sample)*

<table>
<thead>
<tr>
<th>Actions Taken in Past 3 Months (Multiple responses allowed; Total Sample)</th>
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<tbody>
<tr>
<td>21%</td>
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<tr>
<td>25%</td>
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<td>18%</td>
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<tr>
<td>19%</td>
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<td>2%</td>
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<td>1%</td>
</tr>
<tr>
<td>1%</td>
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<tr>
<td>33%</td>
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Fewer clients anticipate moving money to fixed income investments in the next three months compared to six months ago.

Changes to Portfolio Anticipated In Next 3 Months

(Multiple responses allowed; Among Total Sample)

- Move money to individual stocks: 18% Q2'19, 15% Q4'18
- Move money to exchange traded funds: 17% Q2'19, 17% Q4'18
- Move money to cash: 15% Q2'19, 15% Q4'18
- Move money to mutual funds: 14% Q2'19, 16% Q4'18
- Move money to fixed income: 11% Q2'19, 14% Q4'18
- Move money to another type of investment vehicle: 10% Q2'19, 11% Q4'18
- Invest in cryptocurrency: 2% Q2'19, 2% Q4'18
- None of the above: 28% Q2'19, 25% Q4'18
- Don’t know/prefer not to answer: 21% Q2'19, 21% Q4'18
A majority of clients continue to prefer receiving periodic advice from an advisor.

**Scenario Offering Most Confidence in Achieving Investing Goals** *(Among Total Sample)*

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Q4'14</th>
<th>Q2'15</th>
<th>Q4'15</th>
<th>Q2'16</th>
<th>Q4'16</th>
<th>Q2'17</th>
<th>Q4'17</th>
<th>Q2'18</th>
<th>Q4'18</th>
<th>Q2'19</th>
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</thead>
<tbody>
<tr>
<td>No help from advisor</td>
<td>21%</td>
<td>20%</td>
<td>24%</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
<td>20%</td>
<td>23%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Periodic advice from advisor</td>
<td>57%</td>
<td>59%</td>
<td>50%</td>
<td>55%</td>
<td>54%</td>
<td>56%</td>
<td>55%</td>
<td>52%</td>
<td>54%</td>
<td>48%</td>
</tr>
<tr>
<td>Ongoing advice from advisor</td>
<td>17%</td>
<td>17%</td>
<td>20%</td>
<td>19%</td>
<td>20%</td>
<td>18%</td>
<td>20%</td>
<td>20%</td>
<td>19%</td>
<td>20%</td>
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<tr>
<td>Delegating decisions to advisor</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
<td>4%</td>
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Q. Which of the following decision-making scenarios would give you the **most confidence** in reaching your financial goals?
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Disclosures
Information based on internal data and an online Schwab survey of 1,000 retail clients with at least $2,000 in statement equity conducted June 3 -13, 2019.

Life Stage
Younger Investor (<40): 177 (18%)
Mid-Life (40-55): 225 (23%)
Mature (55+ not retired): 319 (32%)
Retired: 279 (28%)

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