Q3 2020 Executive Summary

Retail investors turn more bearish; COVID-19 and 2020 election are top concerns

Key themes:

- Clients are increasingly concerned about the U.S. stock market – 48% now feel bearish compared to 41% in Q2.

- Clients remain confident in their decision making, but far fewer feel better off financially compared to before the pandemic outbreak.

- Younger clients are most likely to believe the market is due for a correction, but they remain confident in reaching their financial goals.

- Top concerns about investing include the impact of COVID-19, the potential for a “second wave” outbreak, and the upcoming 2020 election.

- Nearly half of clients have adjusted their financial plans due to COVID-19, and spending behaviors have significantly changed.
Bearish market sentiment is on the rise in Q3

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

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 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, 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

Base = Total Respondents
Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?
Confidence in investment decision making holds steady, while fewer investors feel better of financially compared to Q4 2019

**Client Confidence Trends**

*June 2015 – July 2020*

<table>
<thead>
<tr>
<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>
<th>Q4 '19</th>
<th>Q2 '20</th>
<th>Q3 '20</th>
</tr>
</thead>
<tbody>
<tr>
<td>46%</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
<td>45%</td>
<td>56%</td>
<td>59%</td>
<td>53%</td>
<td>45%</td>
<td>61%</td>
<td>57%</td>
<td>46%</td>
</tr>
<tr>
<td>37%</td>
<td>33%</td>
<td>33%</td>
<td>36%</td>
<td>42%</td>
<td>38%</td>
<td>38%</td>
<td>35%</td>
<td>38%</td>
<td>39%</td>
<td>37%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Base = Total Respondents

Q1. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?

Q3. In terms of how you are getting along financially, compared to a year ago, are you...?

Q4. How confident are you in making investment decisions for your household?
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 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, 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 to withstand it.

Don't know
Young investors feel most confident in reaching their financial goals, up significantly from Q2

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

Base = Total Respondents
Q10. Which statement best describes your confidence in reaching your financial goals?
COVID-19 and the 2020 election are investors’ top concerns

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

- Impact of COVID-19 shutdown: 23%
- Financial impact of a second wave: 19%
- Impact of the 2020 election: 14%
- The political landscape in Washington, D.C.: 9%
- Geopolitical or global macroeconomic issues: 3%
- Uncertainty due to market volatility: 8%
- I think the market is overdue for a significant correction: 3%
- Issues related to my own personal situation: 3%
- I'm concerned about an extended market downturn: 4%
- Performance of US corporate earnings: 2%
- The impact of changes to the national healthcare system: 0%
- Other: 2%
More clients planning to move money into equities in Q3

Portfolio Allocation Changes Made During Past 3 Months & Planned in Next 3 Months
(Multiple responses allowed; Total Sample)

- **Move money into equities**: Past 3 Month - 42% | Next 3 Months - 55%
- **Rebalance your portfolio**: Past 3 Month - 31% | Next 3 Months - 23%
- **Move money into cash investments**: Past 3 Month - 28% | Next 3 Months - 11%
- **Move money into fixed income investments**: Past 3 Month - 17% | Next 3 Months - 10%
- **Move money into another type of investment vehicle**: Past 3 Month - 13% | Next 3 Months - 7%
- **Invest in cryptocurrency**: Past 3 Month - 4% | Next 3 Months - 2%

*equities is a roll up of responses including: stocks, mutual funds, ETFs

Base = Weighted Total (n=770)
Q5. Which of the following actions have you taken, if any, in the past 3 months? Which of the following actions do you plan to do over the next 3 months?
Fewer clients planning to add new money to investment portfolios over next three months

Financial Habit Changes Made During Past 3 Months & Planned in Next 3 Months
(Multiple responses allowed; Total Sample)

- Save more money: 44% Past 3 Months, 37% Next 3 Months
- Add money into my investment portfolio: 43% Past 3 Months, 31% Next 3 Months
- Pay down debt: 42% Past 3 Months, 29% Next 3 Months
- Add to an emergency fund: 27% Past 3 Months, 16% Next 3 Months
- Seek investing guidance or advice: 21% Past 3 Months, 17% Next 3 Months
- Take money out of my investment portfolio: 14% Past 3 Months, 6% Next 3 Months
- Create a written financial plan: 8% Past 3 Months, 5% Next 3 Months

Base = Weighted Total (n=770)
Q5. Which of the following actions have you taken, if any, in the past 3 months? Which of the following actions do you plan to do over the next 3 months?
Financial Impact of COVID-19
COVID-19 Investor Impact Snapshot

47% adjusted financial plans

90% did not adjust or make an estate plan

45% Say COVID-19 crisis is worse than 2008 market decline

44% Say COVID-19 crisis is worse than “dot com” bubble burst

Doing more of...
83% staying closer to home
71% cooking at home
65% online retail shopping
53% exercising at home
50% spending more time with family
30% using digital investment tools

Spending less on ...
86% travel
72% dining out
57% retail shopping

53% Saving more due to the COVID crisis

75% No impact on retirement plans

55% Confident in state of retirement accounts
Nearly half of clients believe the COVID-19 crisis is worse than other recent financial crises

Young Investors, who were likely too young to have investing experience during these other crises, are less likely to be sure about how the COVID crisis compares (35% not sure about 2008; 49% not sure about the dot com bubble burst).

Base = Weighted Total Quarter 3 Only (n=770)
QCOV5. In your opinion, how does the current COVID-19 crisis compare to the 2008 financial crisis? QCOV6. In your opinion, how does the current COVID-19 crisis compare to the “dot com” bubble burst?
Roughly half of clients have adjusted their financial plans due to COVID-19; few have changed their estate plans.

**Financial Plan Impact**
- Developed financial plan: 5%
- Adjusted financial plan: 47%
- No adjustment/development: 48%

**Estate Plan Impact**
- Developed estate plan: 3%
- Adjusted estate plan: 7%
- No adjustment/development: 90%

**How Adjusted**
- **Saving more** – “We have increased the amount we are putting back into savings. We have paid off all debt... keeping any new debt at a bare minimum. Investing more in stocks as we can.”
- **Reallocated stock investments** – “Sought out stocks which will survive the shut-ins and shifts in types of business. Also saving more because of lack of opportunity to spend.”
- **Paying off debt** – “Paid off debts so that there are no worries in case I don't get any income.”
- **Becoming more conservative** – “Moved to more conservative mix in the short term.”

**How Adjusted**
- **Updated wills** – “Used "stay-at-home" time to update wills.”
- **Refinanced mortgage** – “Refinanced mortgage to a lower rate to save money over long haul.”
- **Giving gifts to family members** – “I have made significant gifts to family members so that they can survive the COVID-19 crisis more easily.”

Base = Weighted Total Quarter 3 Only (n=770)
Majority of clients say they are saving more due to COVID-19, with over half feeling confident about the state of their retirement accounts.

**Saving Impact**
- Saving more: 53%
- Saving less: 9%
- Same: 38%

**Retirement Impact**
- Saving less: 9%
- Saving more: 20%
- Will retire earlier: 3%
- Not sure: 14%
- Will retire later: 7%
- No impact: 67%

**Confidence In Retirement Accounts**
- Very/Somewhat Confident: 55%
- No change: 22%
- Very/Somewhat worried: 21%
- Don't know: 3%

Base = Weighted Total Quarter 3 Only (n=770)
QCOV11: In general, would you say you are saving more, less, or the same amount of money as a result of the COVID-19 crisis?/QCOV12: How has the COVID-19 crisis impacted the amount you are saving for retirement?/QCOV14: Since the COVID-19 crisis began, how confident are you about the state of your retirement accounts?
Clients are doing more activities from home as a result of COVID-19; majority of those now using more digital investing tools are likely to maintain this change in behavior.

**Behavioral Changes**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Doing</th>
<th>Will Continue Doing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staying closer to home/less travel</td>
<td>83%</td>
<td>30%</td>
</tr>
<tr>
<td>Cooking at home more</td>
<td>71%</td>
<td>40%</td>
</tr>
<tr>
<td>More online retail shopping</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>Exercising at home more</td>
<td>53%</td>
<td>39%</td>
</tr>
<tr>
<td>More time with family</td>
<td>50%</td>
<td>34%</td>
</tr>
<tr>
<td>More digital investment tools</td>
<td>32%</td>
<td>25%</td>
</tr>
<tr>
<td>More online grocery shopping</td>
<td>30%</td>
<td>14%</td>
</tr>
<tr>
<td>Balancing work and family time</td>
<td>26%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Base = Weighted Total Quarter 3 Only (n=770)

QCOV7. Which of the following are you doing as a result of the COVID-19 crisis?/QCOV8. Which of the following do you intend to continue doing after the COVID-19 crisis has passed?
COVID-19 is having a significant impact on spending behavior with some changes in spending potentially sticking into the future.

Change In Spend

<table>
<thead>
<tr>
<th>Category</th>
<th>N/A</th>
<th>Spending Less On</th>
<th>No Change</th>
<th>Spending More On</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>1%</td>
<td>9%</td>
<td>5%</td>
<td>96%</td>
</tr>
<tr>
<td>Dining Out</td>
<td>7%</td>
<td>72%</td>
<td>34%</td>
<td>7%</td>
</tr>
<tr>
<td>Retail shopping</td>
<td>3%</td>
<td>57%</td>
<td>3%</td>
<td>47%</td>
</tr>
<tr>
<td>Gym memberships</td>
<td>1%</td>
<td>17%</td>
<td>35%</td>
<td>47%</td>
</tr>
<tr>
<td>Childcare</td>
<td>1%</td>
<td>6%</td>
<td>9%</td>
<td>84%</td>
</tr>
<tr>
<td>Groceries</td>
<td>48%</td>
<td></td>
<td>44%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Will Continue To Spend Less On

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>21%</td>
</tr>
<tr>
<td>Dining Out</td>
<td>25%</td>
</tr>
<tr>
<td>Retail shopping</td>
<td>23%</td>
</tr>
<tr>
<td>Gym memberships</td>
<td>16%</td>
</tr>
<tr>
<td>Childcare</td>
<td>2%</td>
</tr>
<tr>
<td>Groceries</td>
<td>2%</td>
</tr>
</tbody>
</table>

Base = Weighted Total Quarter 3 Only (n=770)
QCOV9. How have your spending habits on each of the following changed as a result of the COVID-19 crisis?/QCOV10. You mentioned you are spending less money on the following. After the COVID-19 crisis has passed, which of the following do you intend to continue spending LESS money on (compared to your pre-COVID-19 habits)?
Methodology and Respondent Demographic Profile

Methodology:
- This data is collected quarterly via an online survey among clients with Retail Assets of at least $2,000 (excluding Chairman’s Club clients)
- Note: There is oversampling in order to achieve adequate sample sizes for sub-group analysis, and then application of a weighting scheme to create a total respondent population that is representative of Schwab’s client base. Counts noted below are prior to weighting to show the sample sizes used for the subgroup analysis.
- Q3 study was fielded at the beginning of the quarter: July 14–July 24th, 2020

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>565 (73%)</th>
<th>Female</th>
<th>166 (22%)</th>
<th>No answer</th>
<th>39 (5%)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Affluence</th>
<th>Active Trader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affluent ($250K+)</td>
<td>Active</td>
</tr>
<tr>
<td>Foundational (&lt;$250K)</td>
<td>Not Active</td>
</tr>
<tr>
<td>447 (58%)</td>
<td>203 (26%)</td>
</tr>
<tr>
<td>323 (42%)</td>
<td>567 (74%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Life Stage</th>
<th>Financial Consultant Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger Investor (&lt;40)</td>
<td>Has Financial Consultant</td>
</tr>
<tr>
<td>69 (9%)</td>
<td>280 (36%)</td>
</tr>
<tr>
<td>Mid-Life (40-55)</td>
<td>Does not have Financial Consultant</td>
</tr>
<tr>
<td>132 (17%)</td>
<td>490 (64%)</td>
</tr>
<tr>
<td>Mature (55+ not retired)</td>
<td></td>
</tr>
<tr>
<td>285 (37%)</td>
<td></td>
</tr>
<tr>
<td>Retired</td>
<td></td>
</tr>
<tr>
<td>262 (34%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Employment Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-10 Yrs.</td>
<td>Employed full-time</td>
</tr>
<tr>
<td>102 (13%)</td>
<td>279 (36%)</td>
</tr>
<tr>
<td>11-25 Yrs.</td>
<td>Employed part-time</td>
</tr>
<tr>
<td>365 (47%)</td>
<td>25 (3%)</td>
</tr>
<tr>
<td>25 Yrs.+</td>
<td>Self-employed</td>
</tr>
<tr>
<td>276 (36%)</td>
<td>76 (10%)</td>
</tr>
<tr>
<td>Other</td>
<td>Retired/semi-retired</td>
</tr>
<tr>
<td>27 (4%)</td>
<td>330 (43%)</td>
</tr>
<tr>
<td>No answer</td>
<td>Other</td>
</tr>
<tr>
<td>26 (3%)</td>
<td>27 (4%)</td>
</tr>
</tbody>
</table>

Sample sizes for respondents who were asked the Investment Sentiment section of the survey (n=770)
Disclosures:

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