

*charles*  
SCHWAB

# Q3 2020 Retail Client Sentiment Report

July 2020

# Q3 2020 Executive Summary

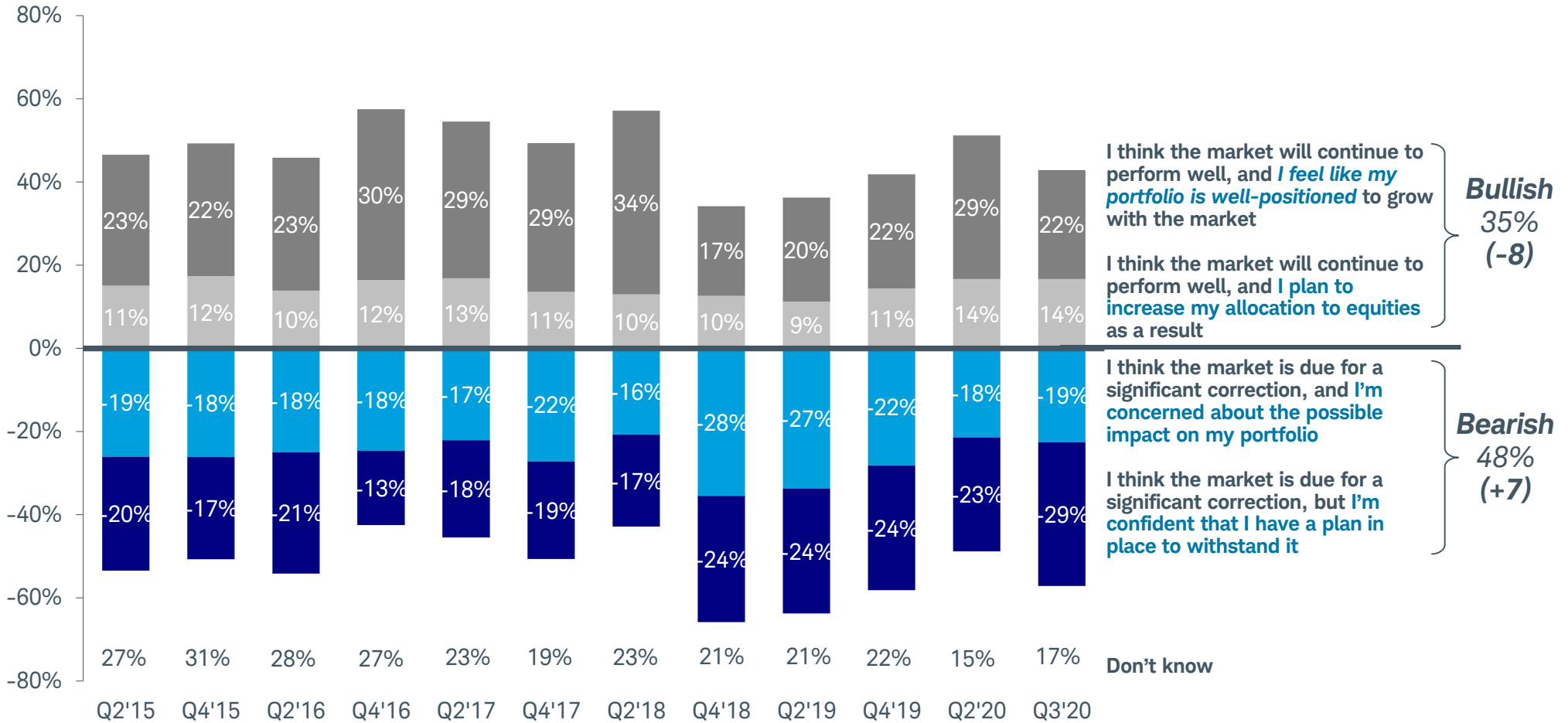
## Retail investors turn more bearish; COVID-19 and 2020 election are top concerns

### 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)

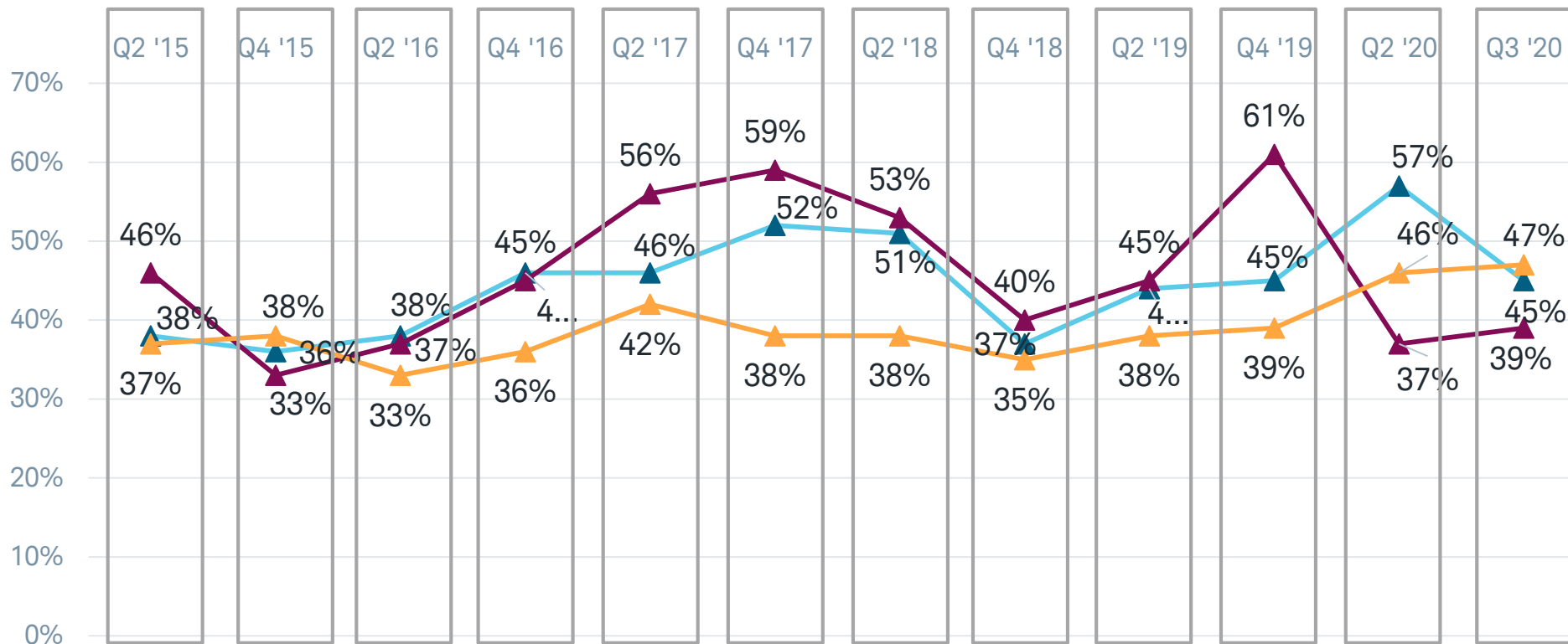


Base = Total Respondents

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



▲ % Good Time To Invest    ▼ % Better Off Financially    ▲ % Confident In Decision Making

Base = Total Respondents

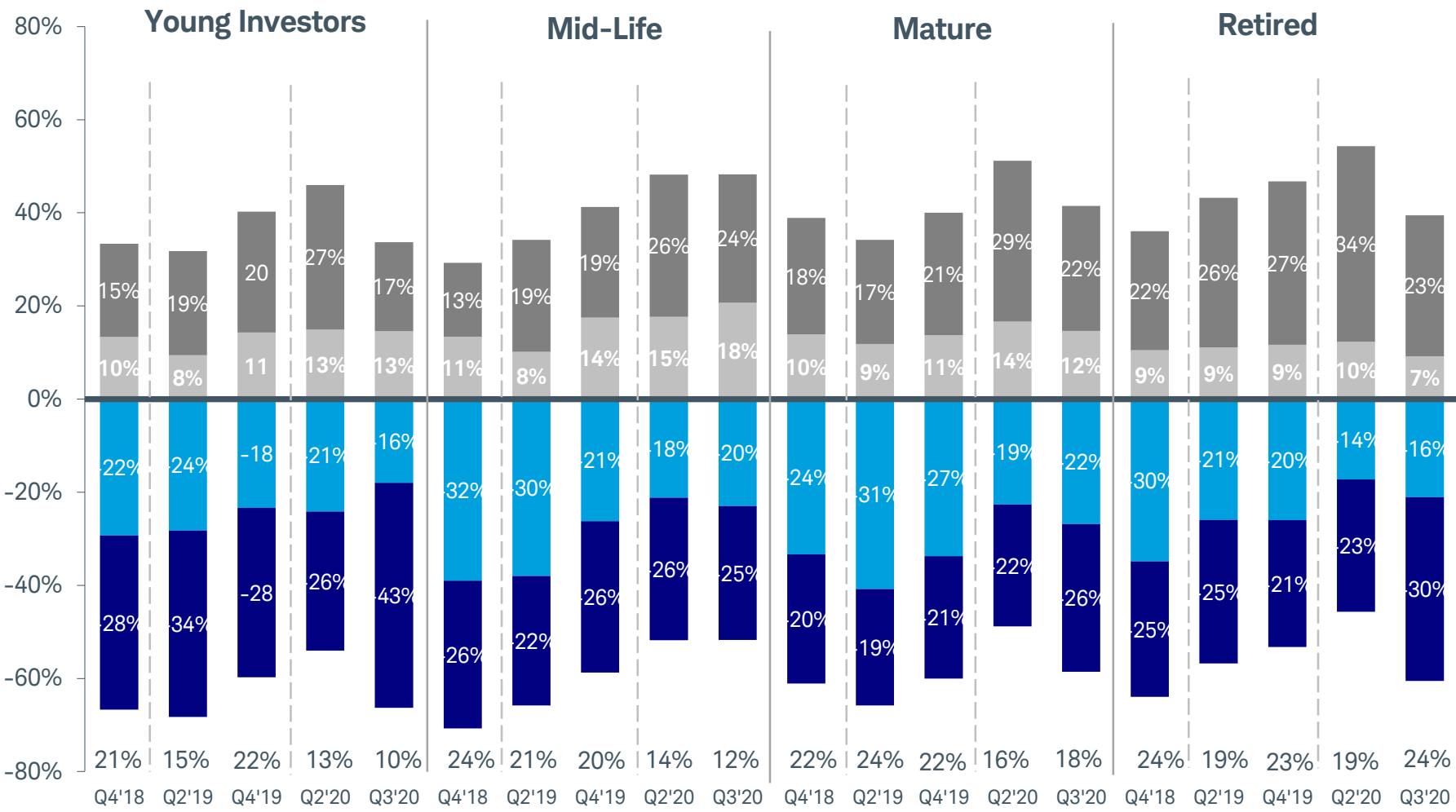
Q1. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?

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?

# Young investors most likely to feel the market is due for a significant correction

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



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.

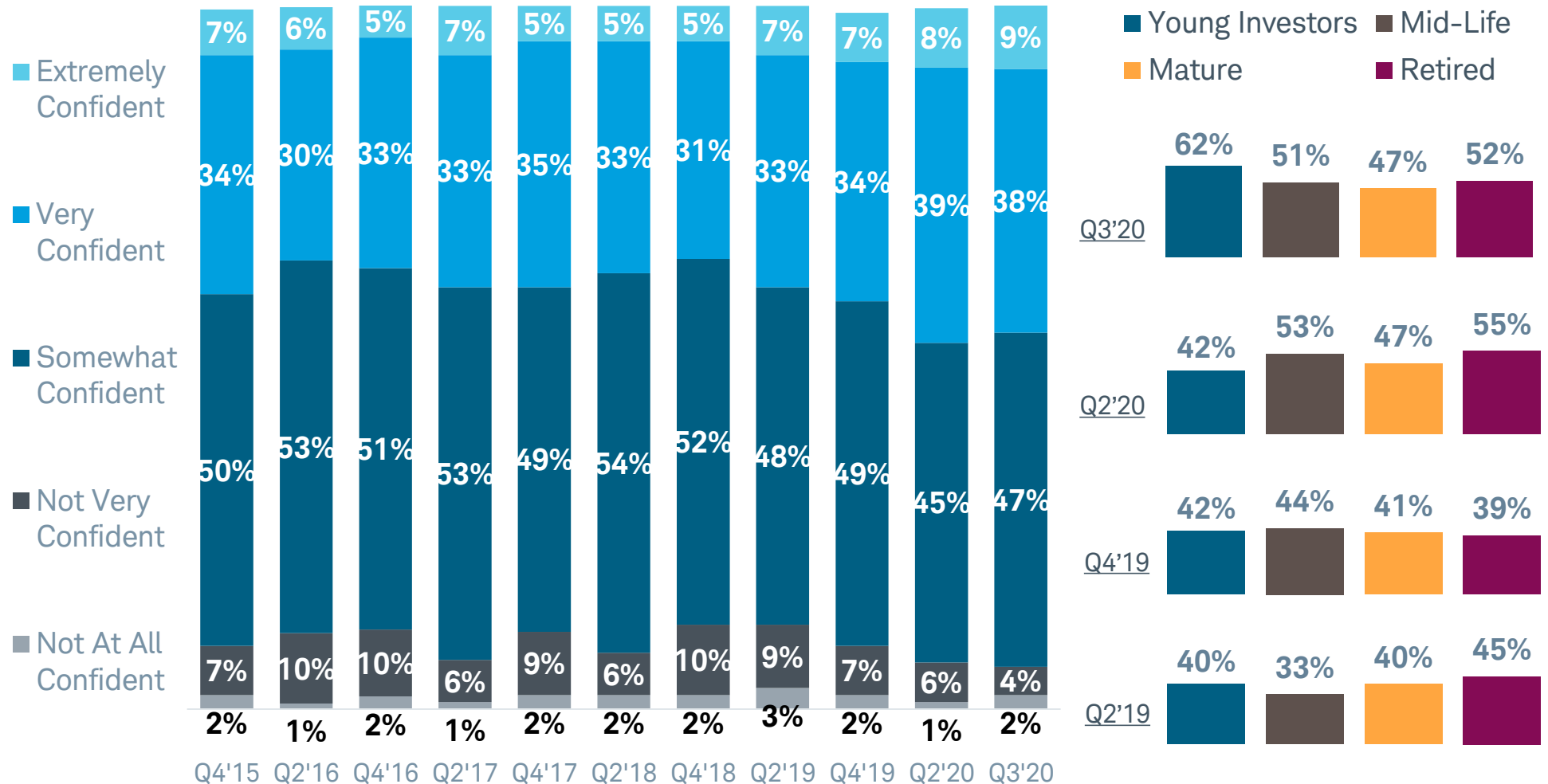
I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio.

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)

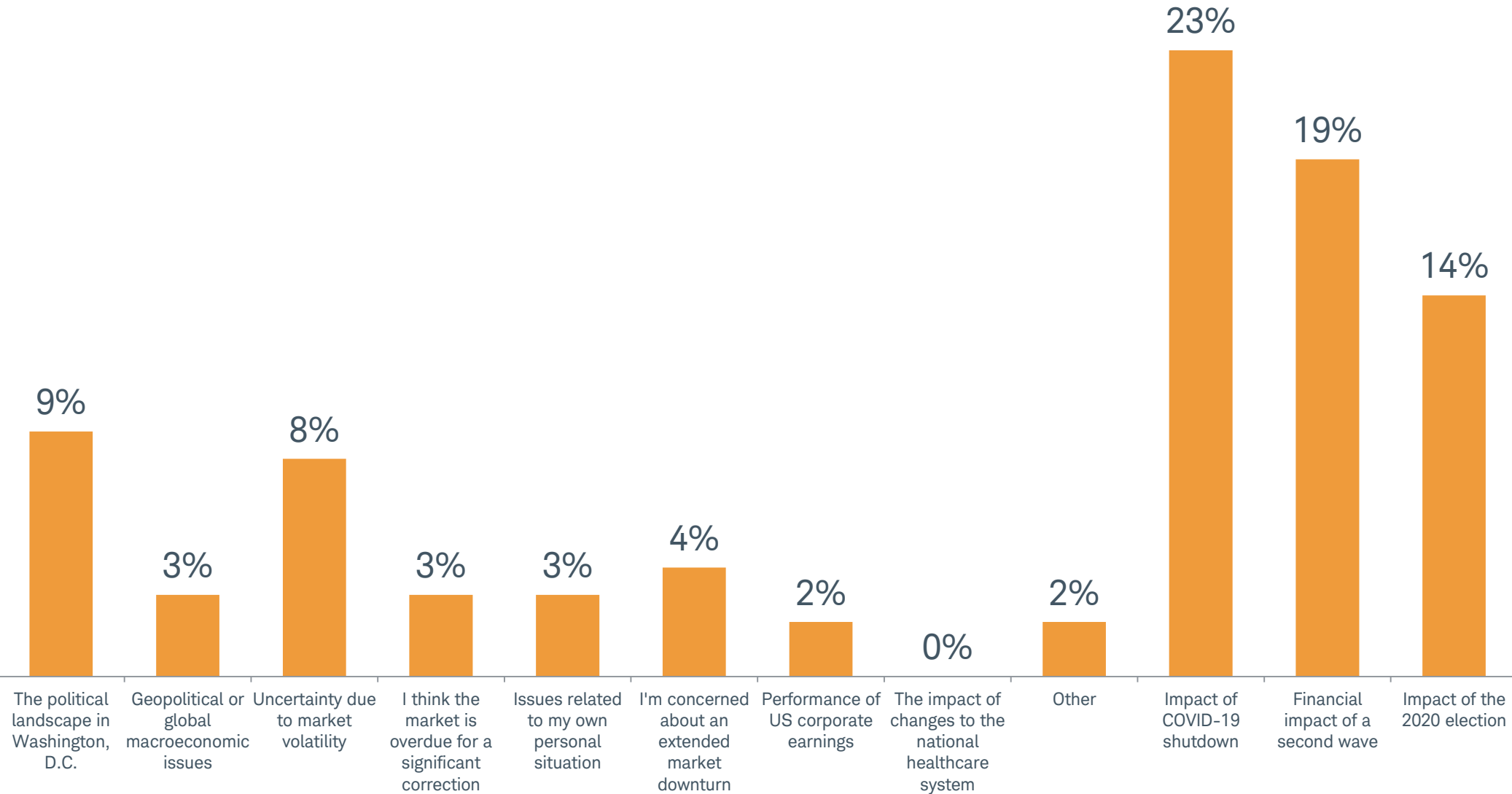


Base = Total Respondents

Q10. Which statement best describes your confidence in reaching your financial goals?

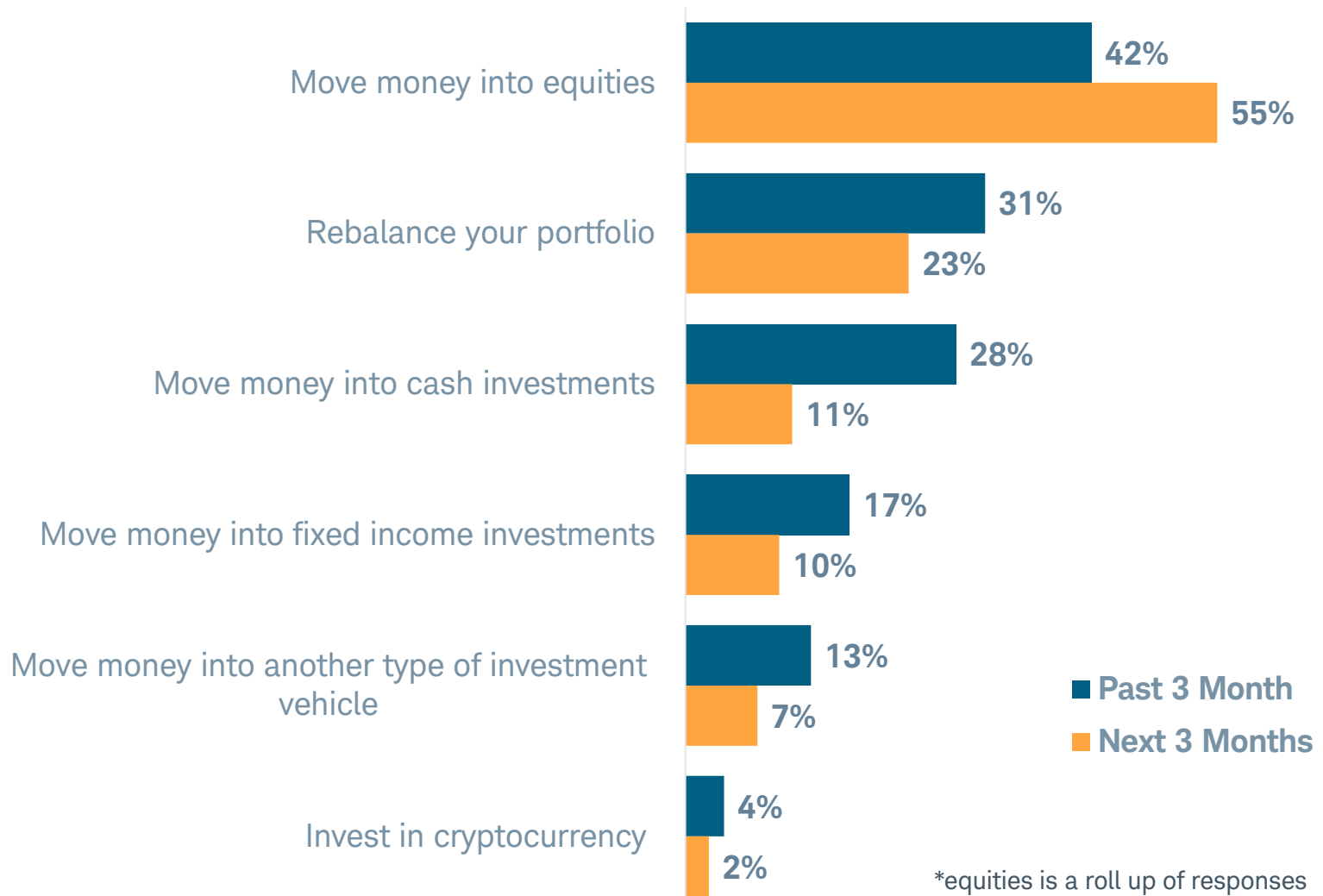
# COVID-19 and the 2020 election are investors' top concerns

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



# 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)



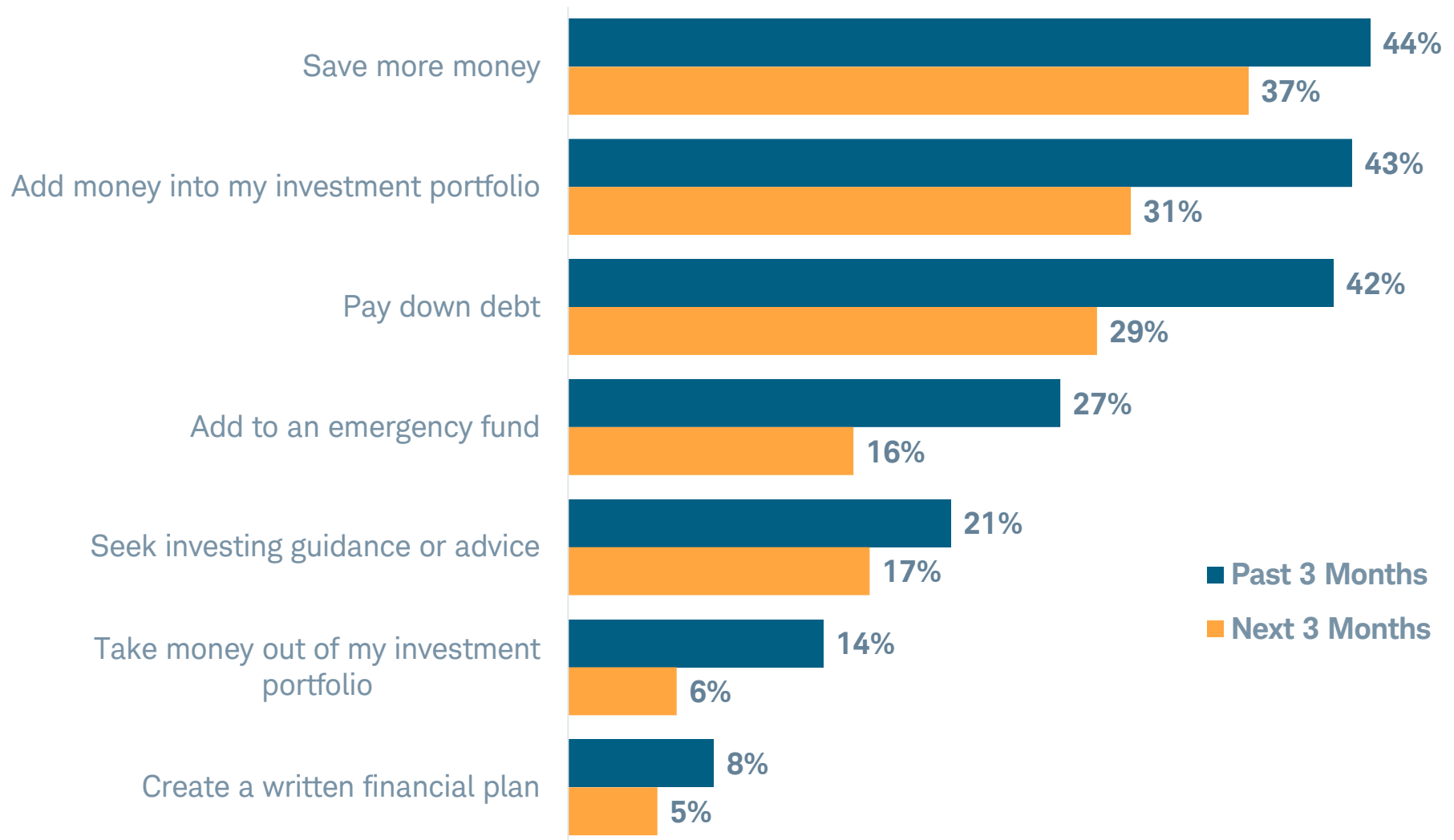
Base = Weighted Total (n=770)

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)



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



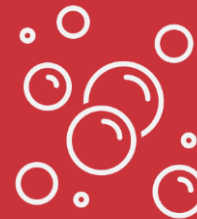
**90%**

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

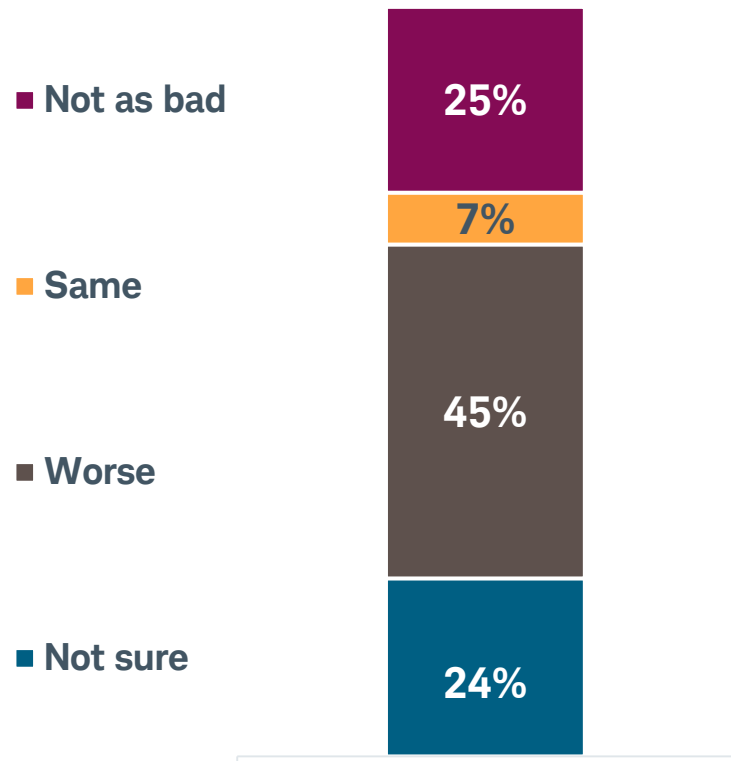
**75%** No impact on retirement plans

**55%** Confident in state of retirement accounts

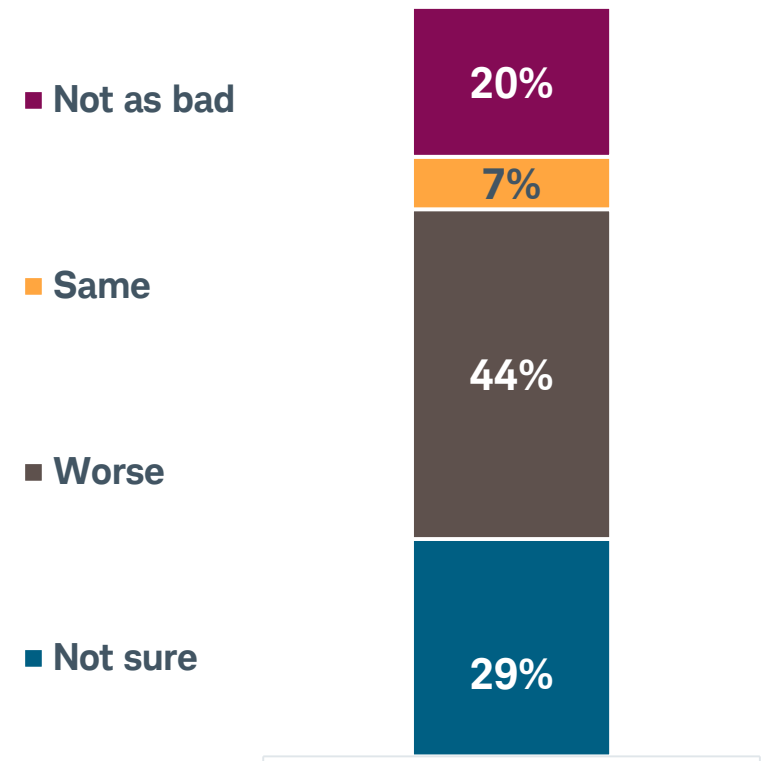


# Nearly half of clients believe the COVID-19 crisis is worse than other recent financial crises

## COVID-19 vs. 2008



## COVID-19 vs. dot com Burst



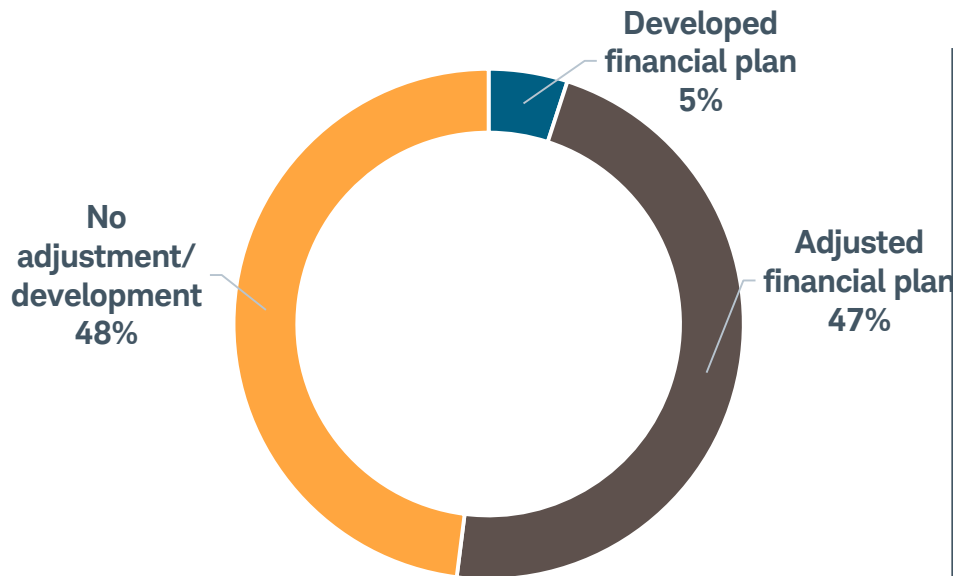
**Young Investors**, who were likely too young to have investing experience during these other crises, are less likely to be sure about how the COVID crisis compares (35% not sure about 2008; 49% not sure about the dot com bubble burst).

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

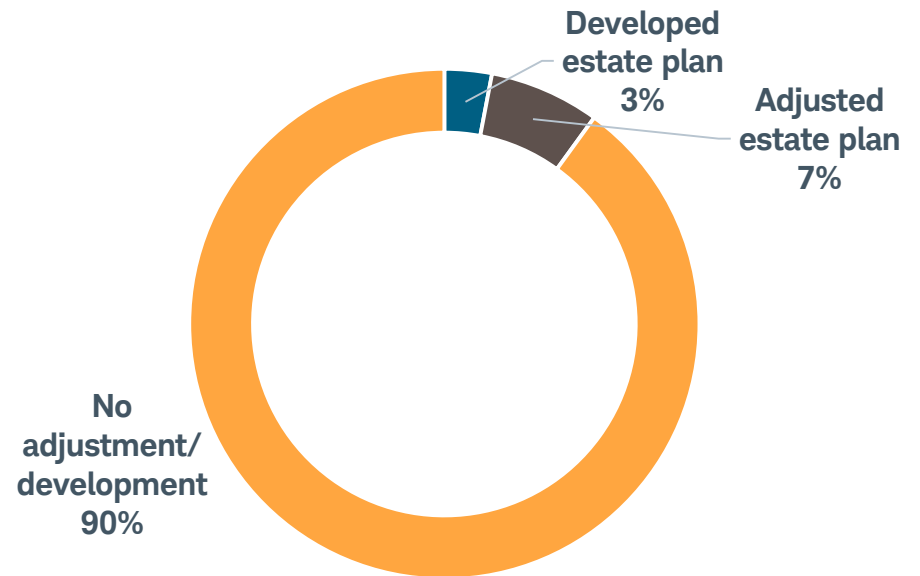
## Financial Plan Impact



### 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.”

## Estate Plan Impact



### How Adjusted

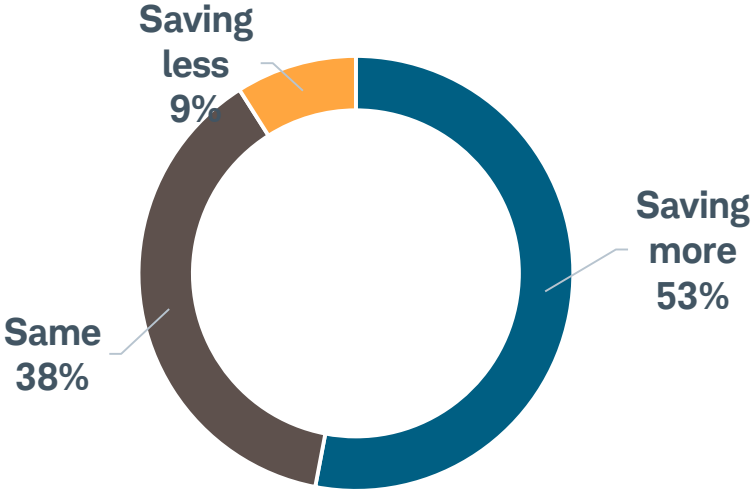
- ✓ **Updated wills**– “Used "stay-at-home" time to update wills.”
- ✓ **Refinanced mortgage** – “Refinanced mortgage to a lower rate to save money over long haul.”
- ✓ **Giving gifts to family members** – “I have made significant gifts to family members so that they can survive the COVID-19 crisis more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

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

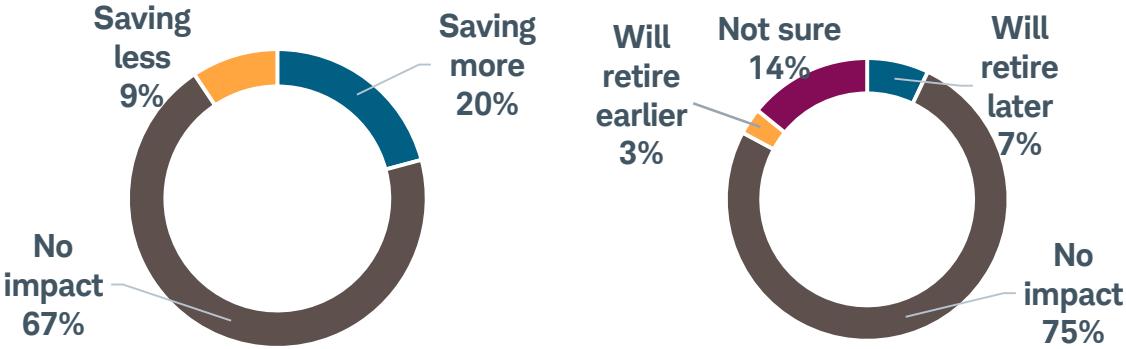
QCOV1. Has the COVID-19 crisis caused you to develop or adjust your financial plan?/QCOV2. How have you adjusted your financial plan in light of COVID-19? /QCOV3 Has the COVID-19 crisis caused you to develop or adjust your estate plan?/QCOV4. How have you adjusted your estate plan in light of COVID-19?

# Majority of clients say they are saving more due to COVID-19, with over half feeling confident about the state of their retirement accounts

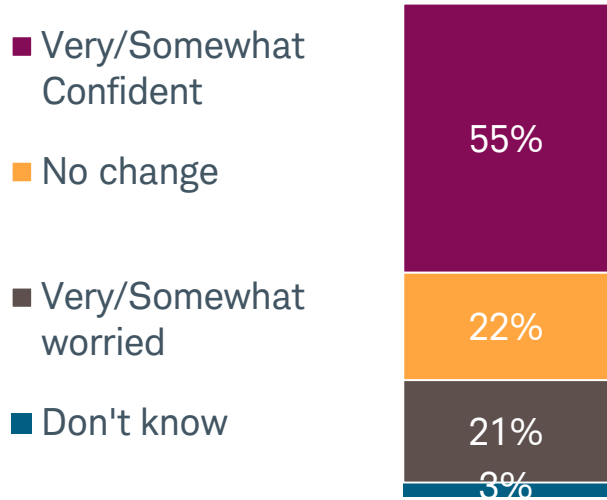
## Saving Impact



## Retirement Impact



## Confidence In Retirement Accounts

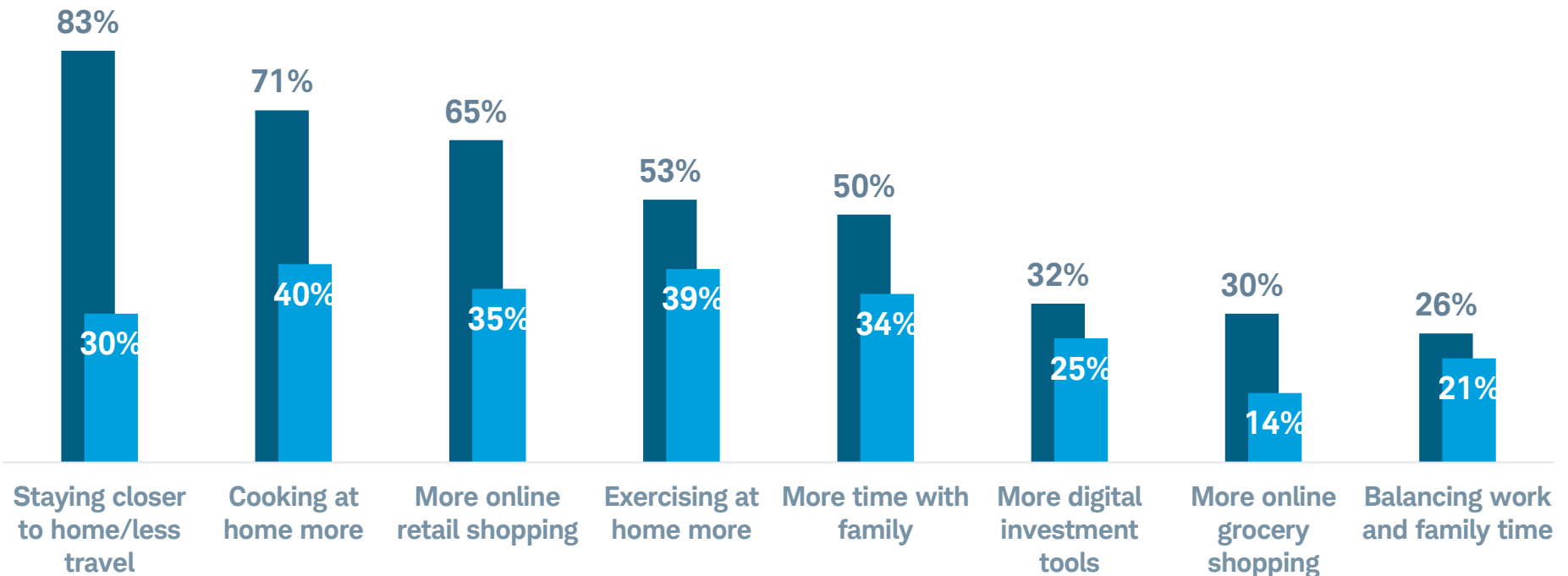


Base = Weighted Total Quarter 3 Only (n=770)  
 QCOV11. In general, would you say you are saving more, less, or the same amount of money as a result of the COVID-19 crisis?/QCOV12. How has the COVID-19 crisis impacted the amount you are saving for retirement?/QCOV14. Since the COVID-19 crisis began, 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

■ Doing ■ Will Continue Doing



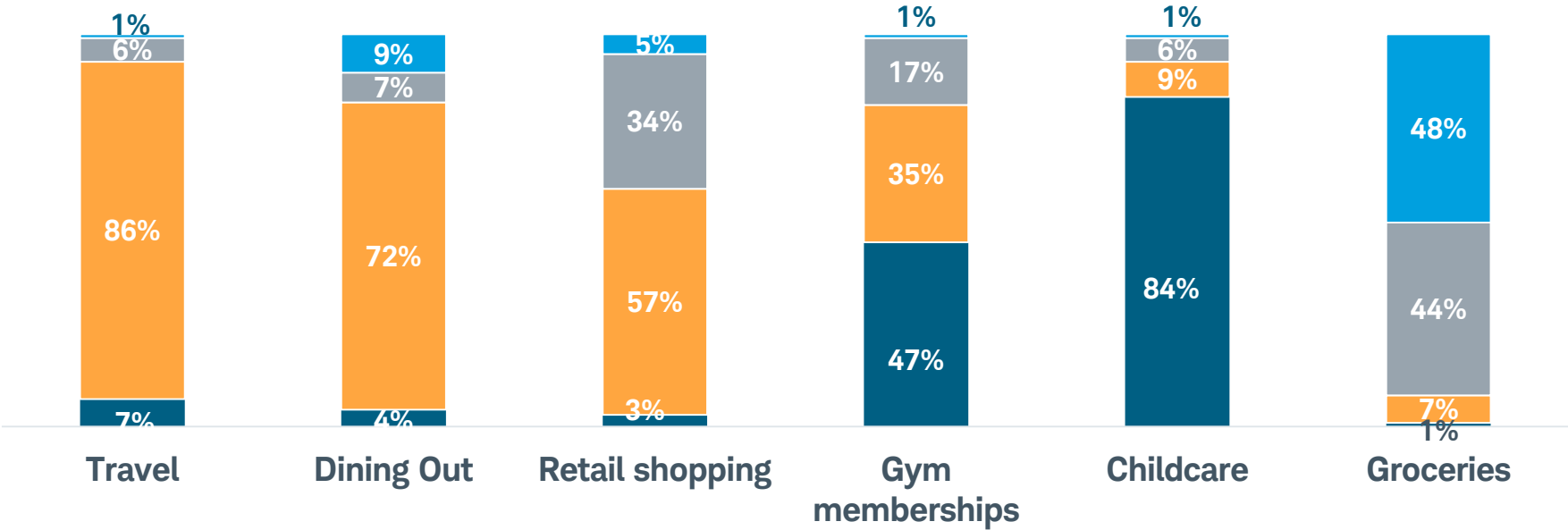
Base = Weighted Total Quarter 3 Only (n=770)

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

■ N/A   ■ Spending Less On   ■ No Change   ■ Spending More On



## Will Continue To Spend Less On

21%   25%   23%   16%   2%   2%

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

# 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 24<sup>th</sup>, 2020

<b>Gender</b> Male 565 (73%) Female 166 (22%) No answer 39 (5%)	<b>Affluence</b> Affluent (\$250K+) 447 (58%) Foundational (<\$250K) 323 (42%)	<b>Active Trader</b> Active 203 (26%) Not Active 567 (74%)
<b>Life Stage</b> Younger Investor (<40) 69 (9%) Mid-Life (40-55) 132 (17%) Mature (55+ not retired) 285 (37%) Retired 262 (34%)	<b>Financial Consultant Relationship</b> Has Financial Consultant 280 (36%) Does not have Financial Consultant 490 (64%)	<b>Tenure</b> 2-10 Yrs. 102 (13%) 11-25 Yrs. 365 (47%) 25 Yrs.+ 276 (36%)
		<b>Employment Status</b> Employed full-time 279 (36%) Employed part-time 25 (3%) Self-employed 76 (10%) Retired/semi-retired 330 (43%) Other 27 (4%) No answer 26 (3%)

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

## Disclosures:

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