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Bargain Hunting for Bonds: How Investors Shop

July 2013

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Methodology

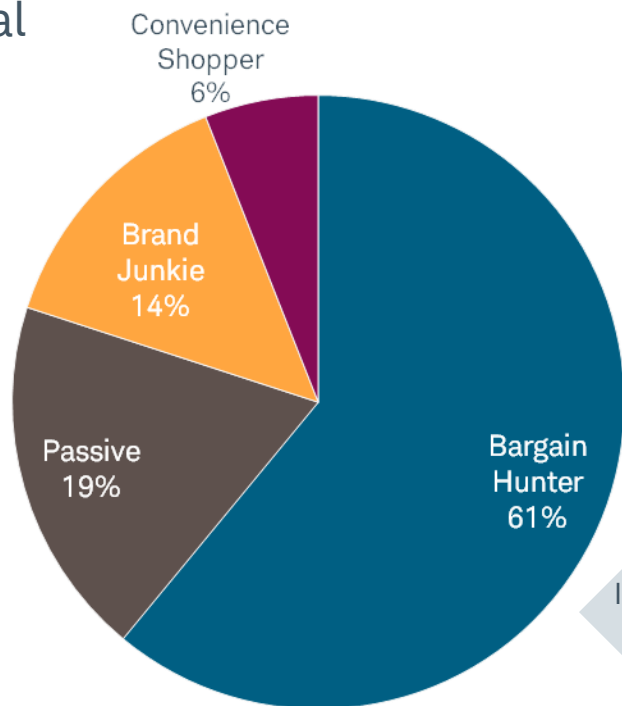
What	<ul style="list-style-type: none">• This online study was conducted for Charles Schwab by Koski Research• Koski Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc.• The sampling error is +/-4.4 percentage points at the 95% confidence level
When	<ul style="list-style-type: none">• The study was conducted from May 16 to June 1, 2013
Who	<ul style="list-style-type: none">• 514 investors who meet the following criteria:<ul style="list-style-type: none">• Ages 25-75• Have \$100,000+ in investable assets• Do investing on their own, i.e., make all or some of their investment decisions (though they may use an advisor)• Have heard of bonds or fixed income investments

Majority of investors surveyed describe themselves as “bargain hunters”

And finding the best price is important to all

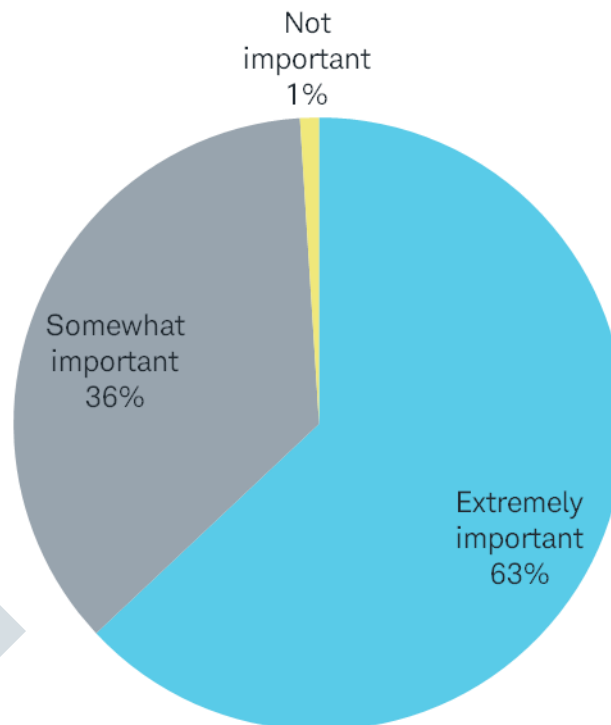
Self-described “purchasing personality”

Total



Importance of finding the best price

Total



Investors are committed to finding the best prices for the things they buy

Bargain Hunter: I'll spend time researching my purchases and go to as many stores and/or online sites as it takes to get the best price

Passive: I don't have the shopping gene

Brand Junkie: I'll buy the brand I know and trust, even if it costs more

Convenience Shopper: I'll buy the first thing I see to save time, even if it costs more

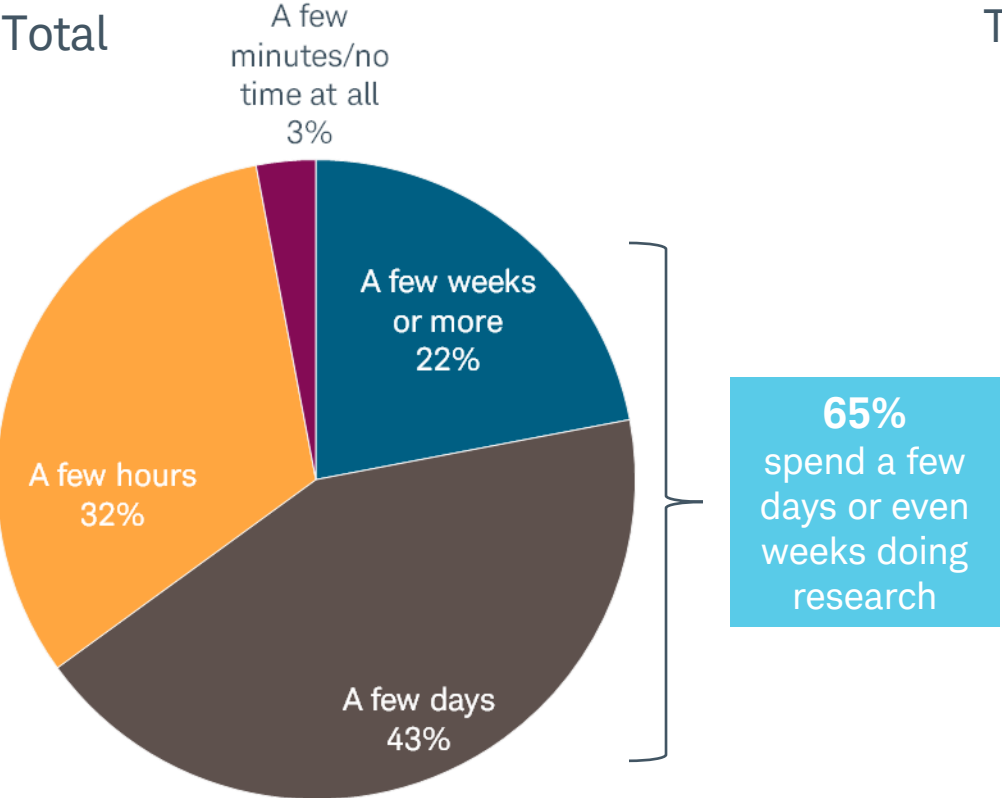
Q8 Overall, how would you describe your “purchasing personality” when it comes to shopping?

Q12 How important is it for you to find the best price when making purchases for your household that cost more than \$1,000 (e.g., furniture, appliances, electronics?) (Base: Total = 514)

These informed shoppers do their homework before committing to large purchases

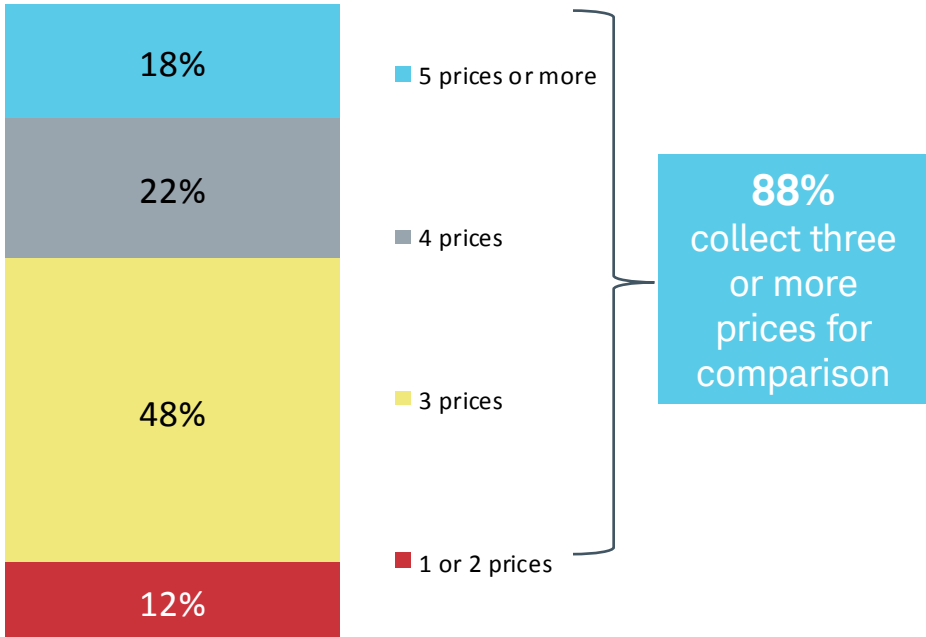
Time spent researching a purchase that costs more than \$1,000

Total



of comparison prices sought before purchasing an item that costs more than \$1,000

Total



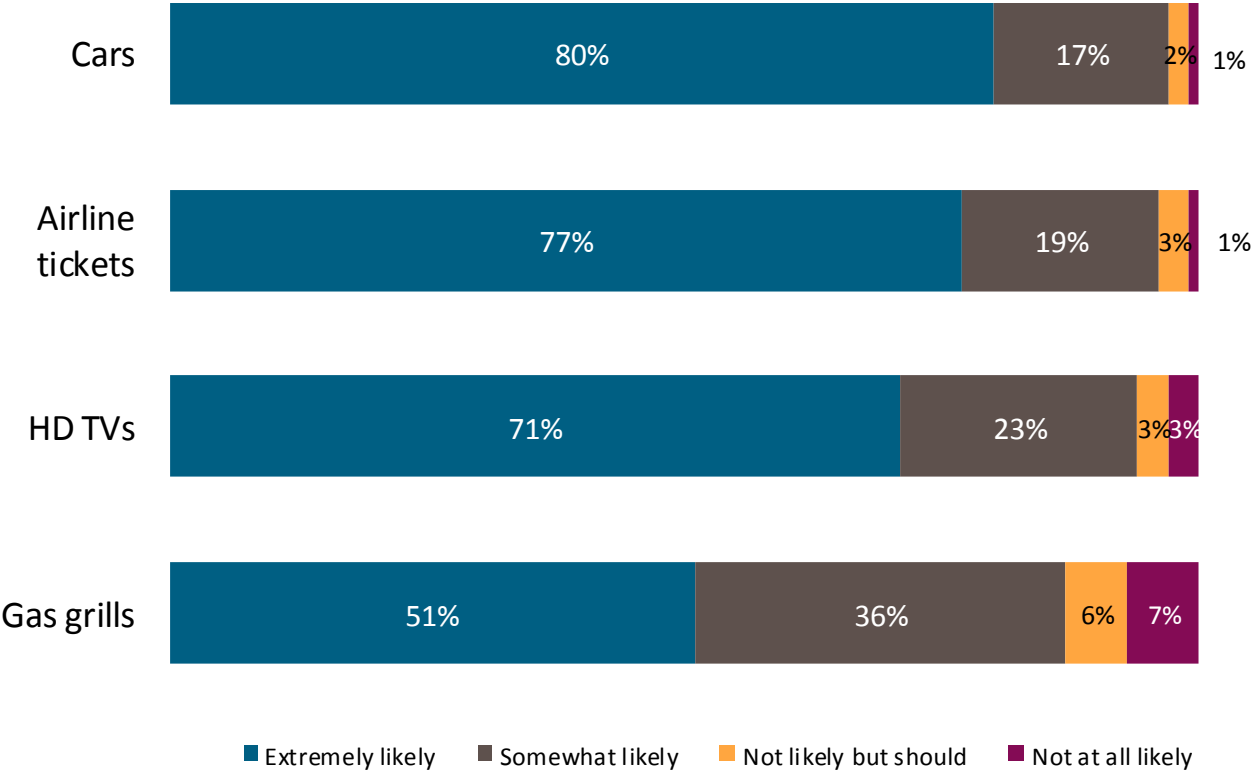
Q13 If you were making purchases for your household that cost more than \$1,000 (e.g., furniture, appliances, electronics), how much time would you invest in research before making a purchase?

Q14 If you were making purchases for your household that cost more than \$1,000 (e.g., furniture, appliances, electronics), how many different comparison prices would you want to have before making a decision? (Base: Total = 514)

Investors surveyed are informed shoppers who seek the best deal...

Likelihood of comparing prices and finding the best deal

Total

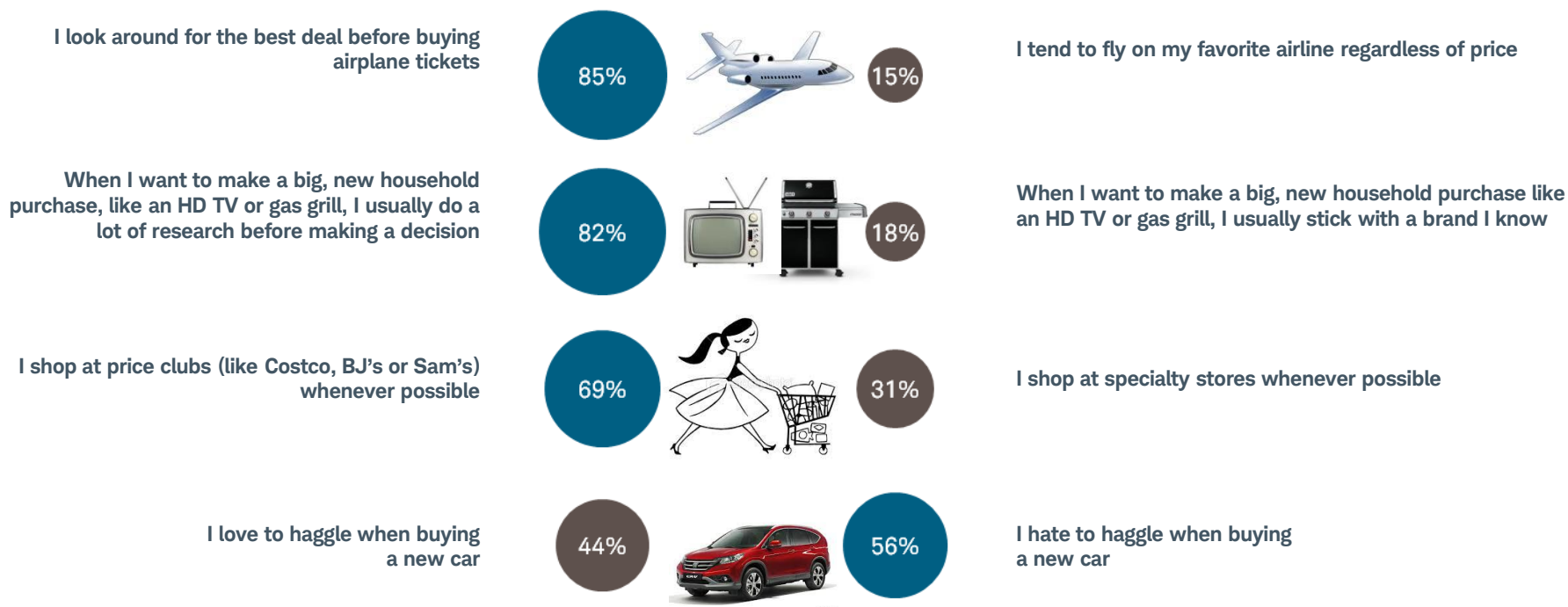


Q9 How likely are you to compare prices and find the best deal for the following types of purchases? (Base: Total = 514)

...and their shopping behavior reflects their “bargain hunter” mindset

Shopping Tendencies

Total

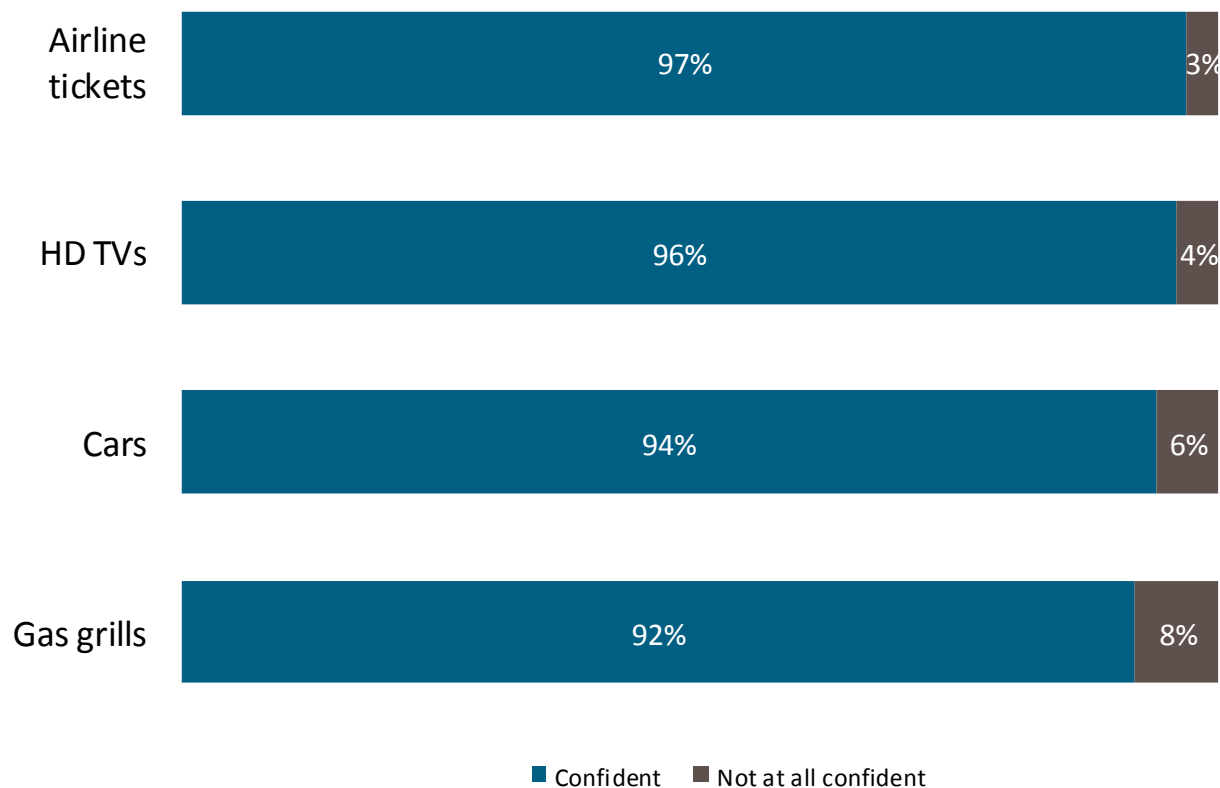


Q11 Below are several pairs of statements. Please read each pair and choose the one that comes closer to describing you. (Base: Total = 514)

Most investors surveyed are confident in their ability to find the best price on household items and consumer goods

Confidence in ability to find best price

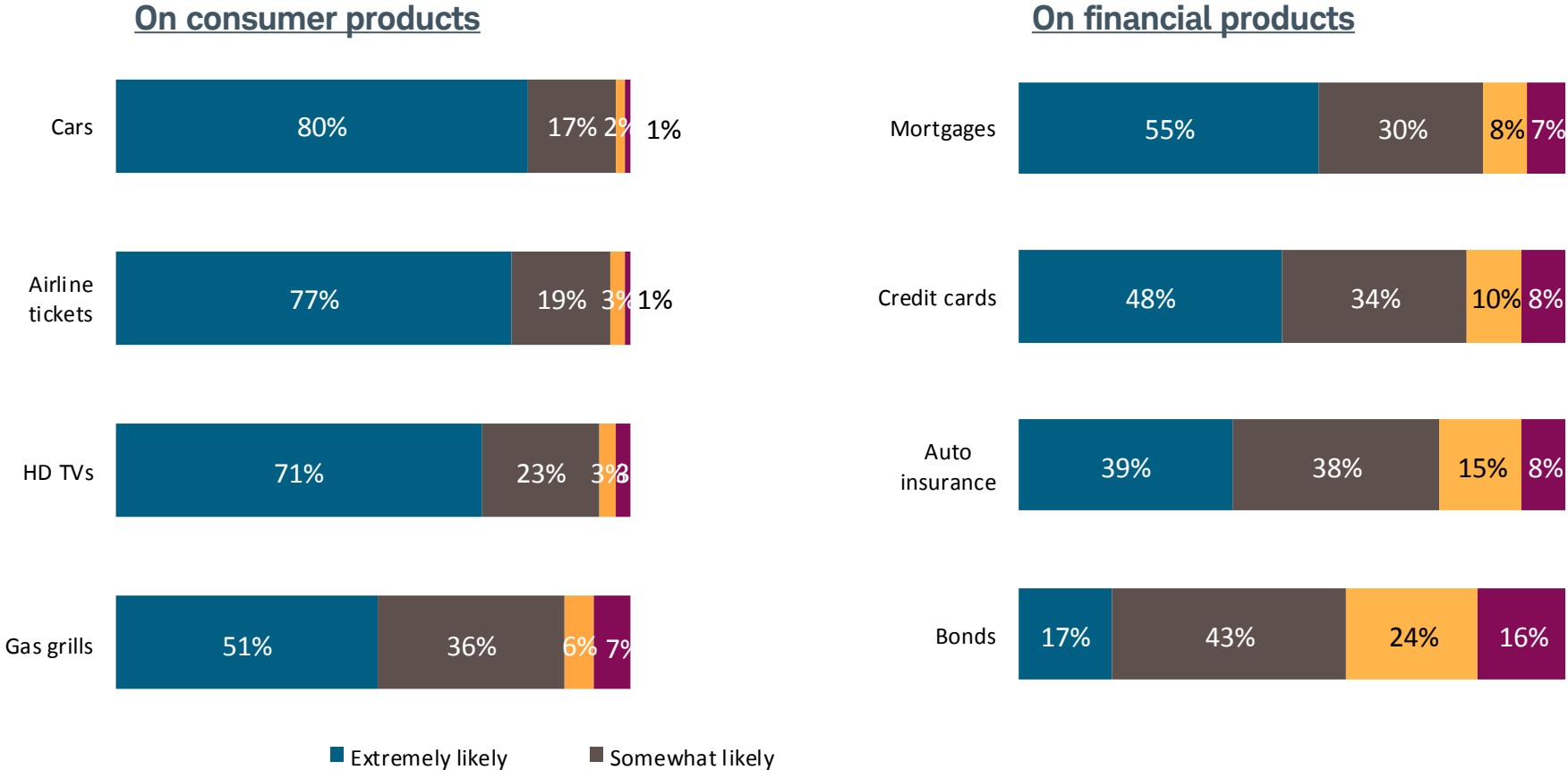
Total



Q10 For each of the following, how confident are you in your ability to find the best price? (Base: Total = 514)

Despite “bargain hunter” mindset, these investors aren’t as likely to comparison shop for financial products – particularly bonds

Likelihood of comparing prices and finding the best deal

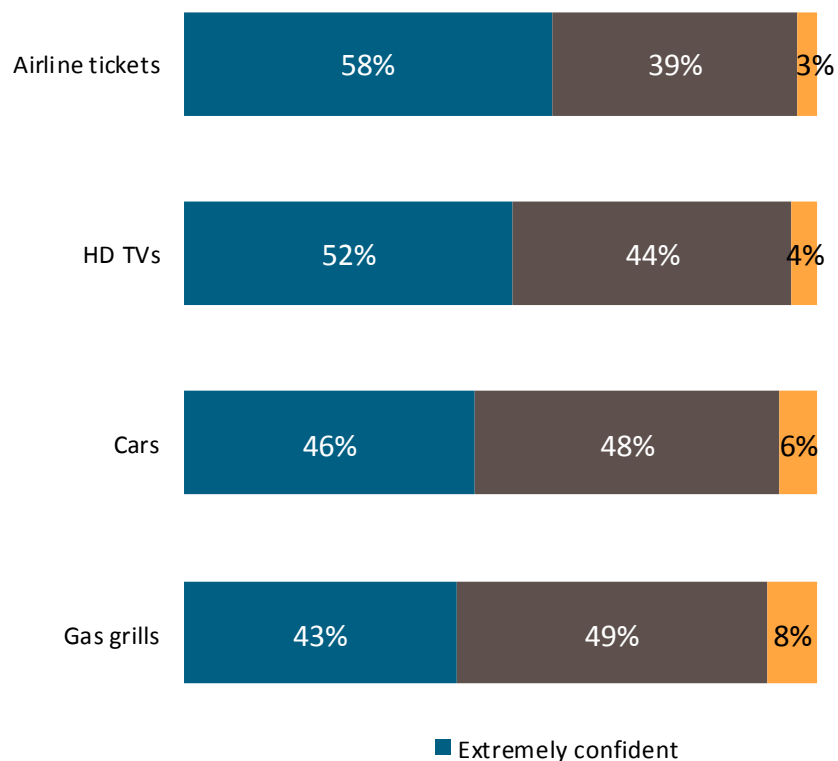


Q9 How likely are you to compare prices and find the best deal for the following types of purchases?
 Q17 How likely are you to compare prices and find the best deal for the following? (Base: Total = 514)

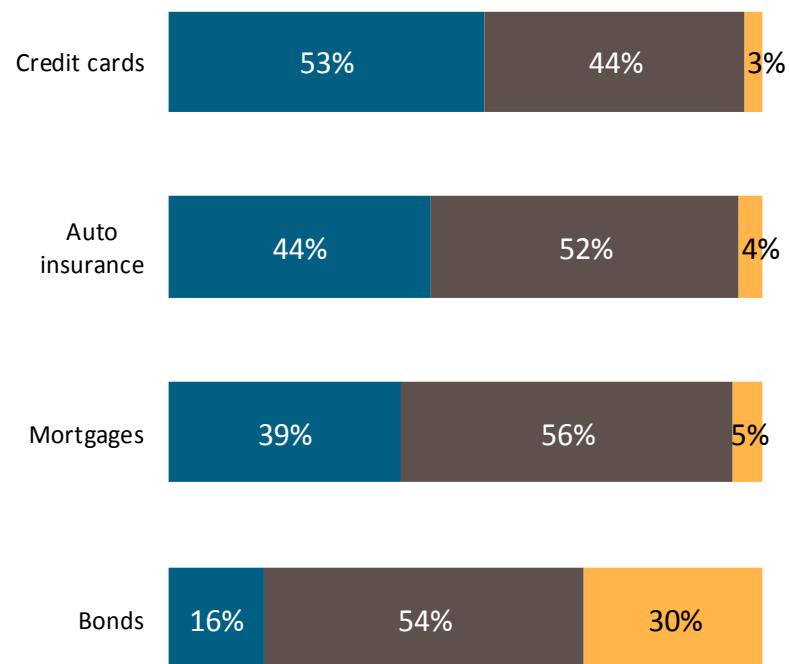
Investors surveyed also are less confident that they can find the best prices for financial products – particularly bonds

Confidence in ability to find best price

On consumer products



On financial products



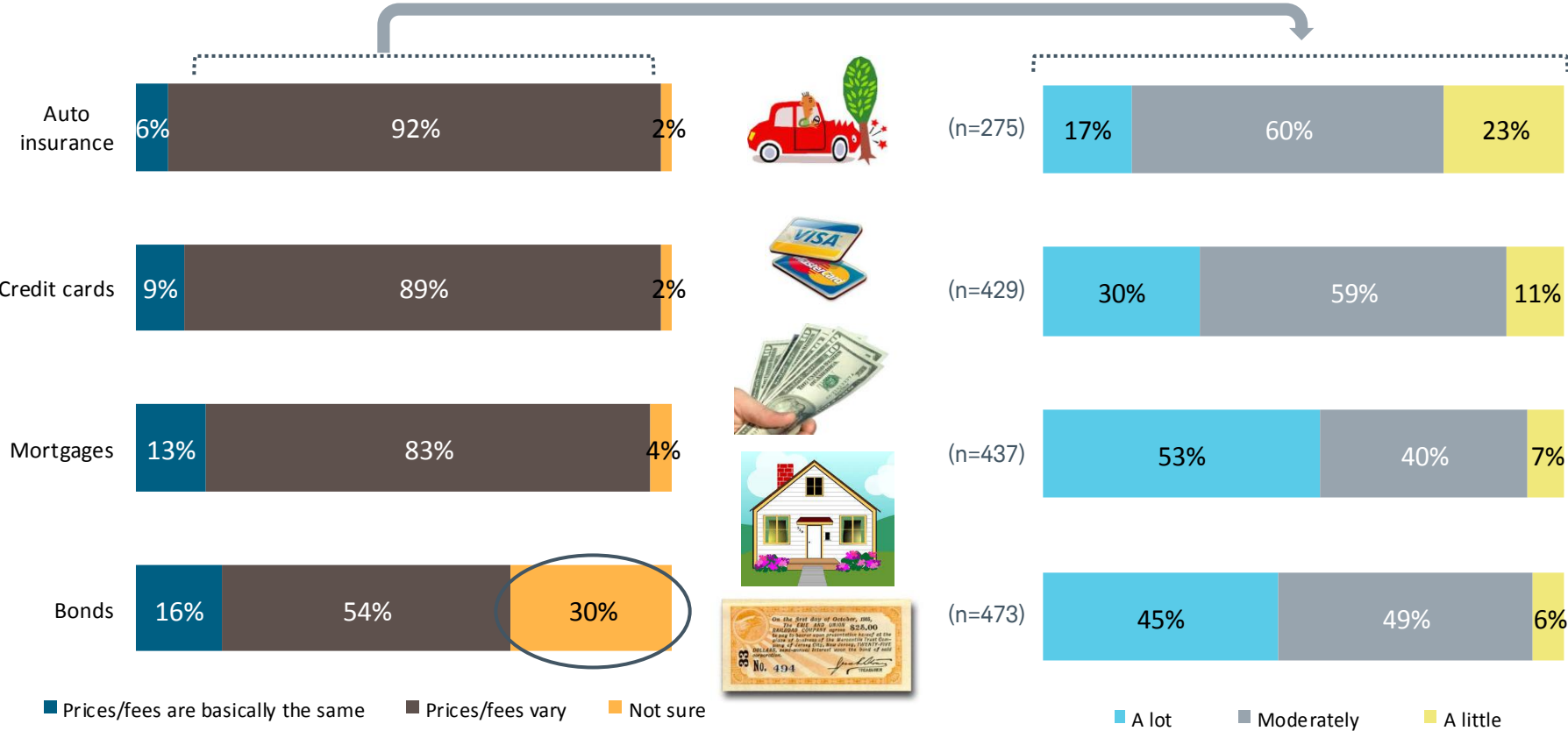
Q10 For each of the following, how confident are you in your ability to find the best price?

Q19 For each of the following, how confident are you in your ability to find the best price? (Base: Total = 514)

Confusion about bonds abounds: almost a third of investors surveyed aren't sure if bond prices vary from firm to firm

Believe prices/fees are the same or vary from company to company

How much prices/fees vary If believe they vary

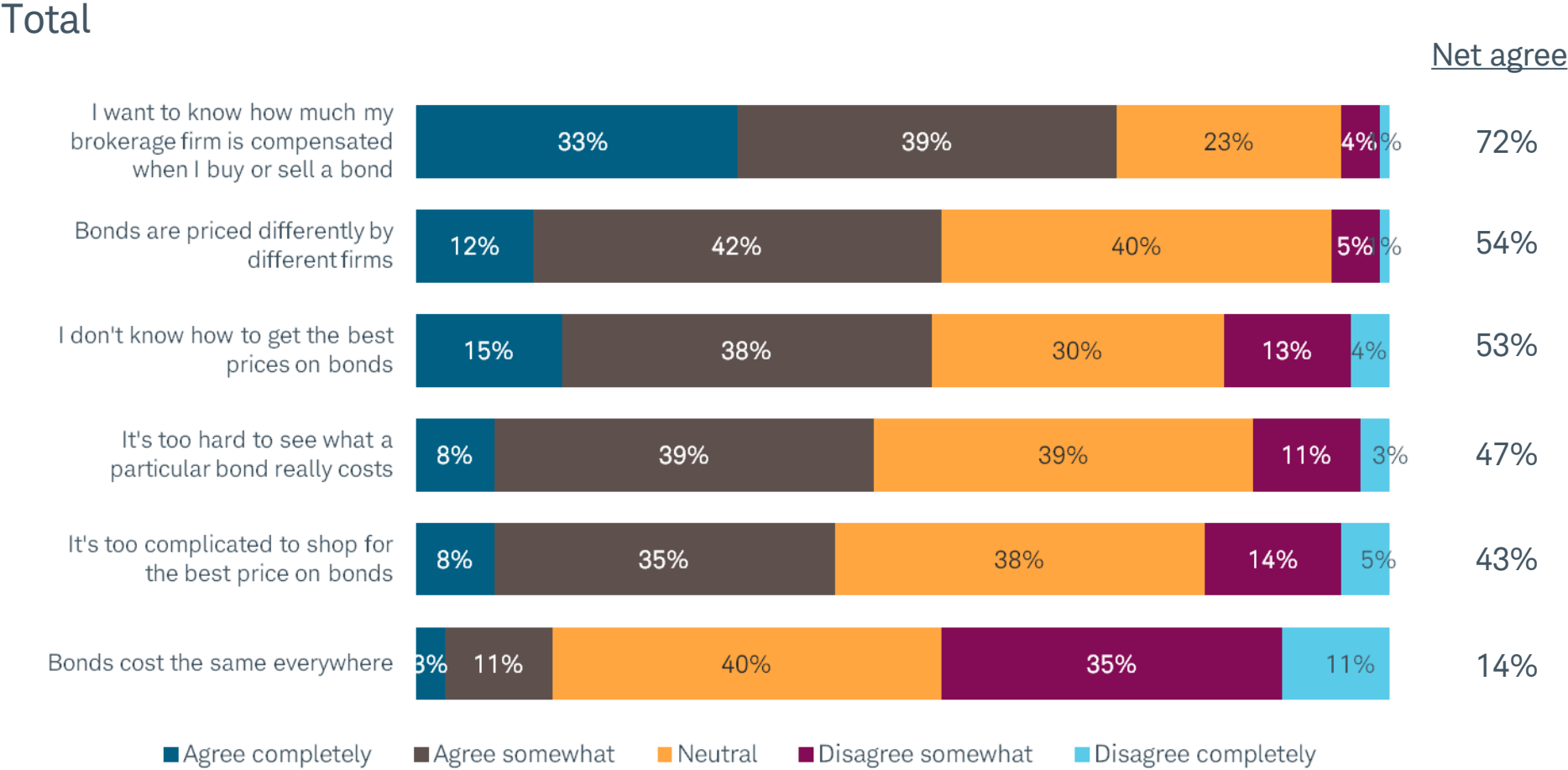


Q15 For each of the items below, do you believe that prices/fees vary or are the same for every company/firm? (Base: Total = 514)

Q16 How much do you think prices/fees vary from company to company for each of the items below? (Base: Believe prices vary from company to company = varied)

Investors surveyed don't know how to find the best prices on bonds

Agreement with statements about the cost of bonds



Q20 How much do you agree or disagree with the following statements? (Base: Total = 514)

Demographic Profile

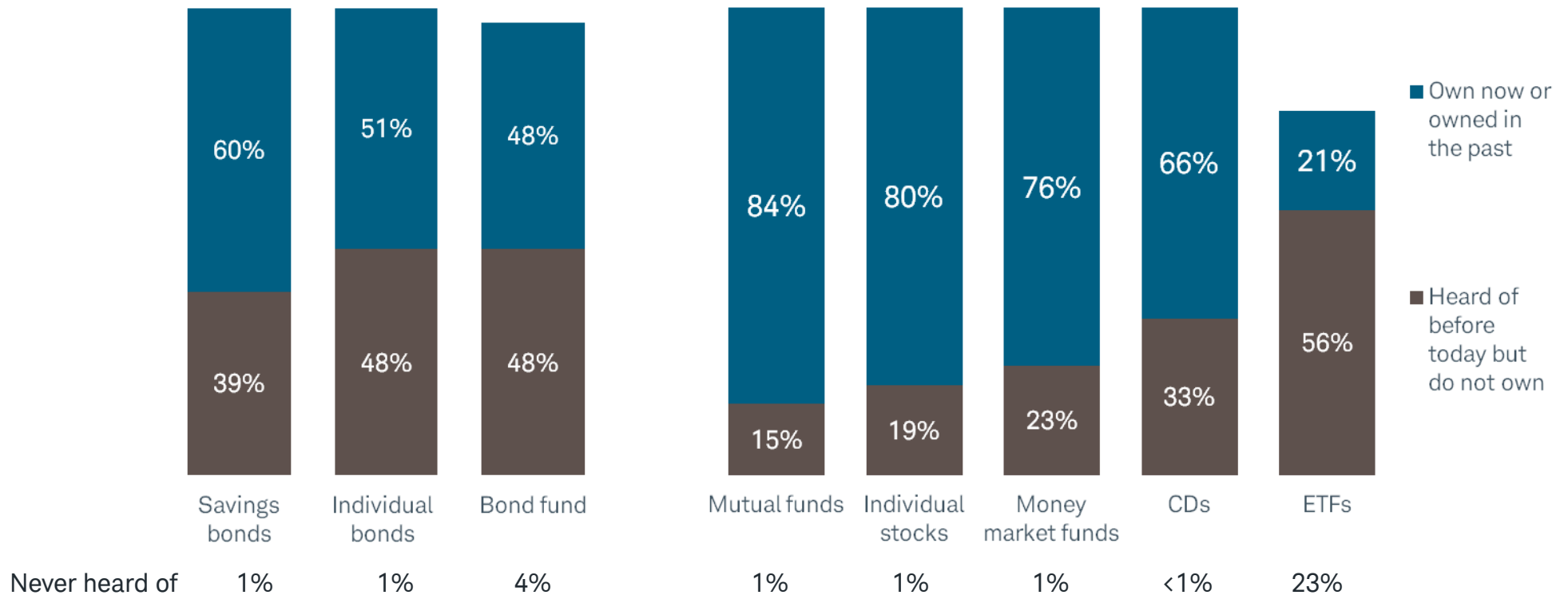
	Total (n=514)
Gender	
Male	55%
Female	45%
Age	
Under 50	38%
50+	62%
MEAN	54
Role in HH Investment Decisions	
I am the primary decision-maker for the household	54%
I share in decision-making for the household	41%
Someone else makes most of the decisions, but I am involved	5%
Household Income in 2012	
Less than \$75K	20%
\$75K to less than \$100K	22%
\$100K to less than \$125K	22%
\$125K to less than \$150K	13%
\$150 or more	23%
MEAN	\$123K

	Total (n=514)
Total Household Investable Assets	
Less than \$250K	37%
\$250K to \$499K	23%
\$500K to \$999K	22%
\$1M or more	18%
MEAN	\$731K
Marital Status	
Married/living with partner	79%
Single	11%
Separated/widowed/divorced	10%
Employment Status	
Employed	59%
Not employed	7%
Retired	34%
Region	
Northeast	19%
Midwest	25%
South	30%
West	26%

About half of investors surveyed have bond investments

Awareness and Ownership of Financial Products

Total



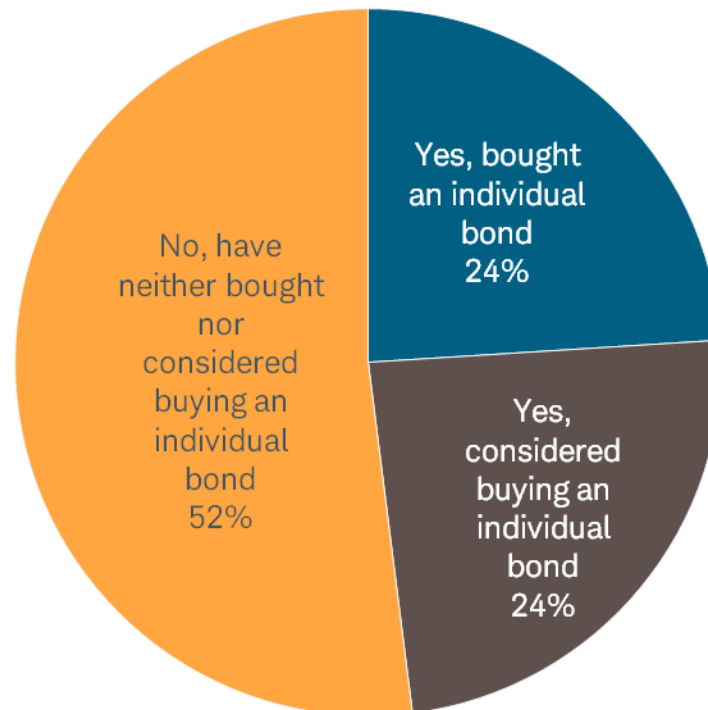
QS7 For each of the investment products below, please select the answer that best applies to you. (Base: Total = 514)

And half of investors surveyed have bought or considered buying individual bonds

Have bought/considered buying individual bonds

Total

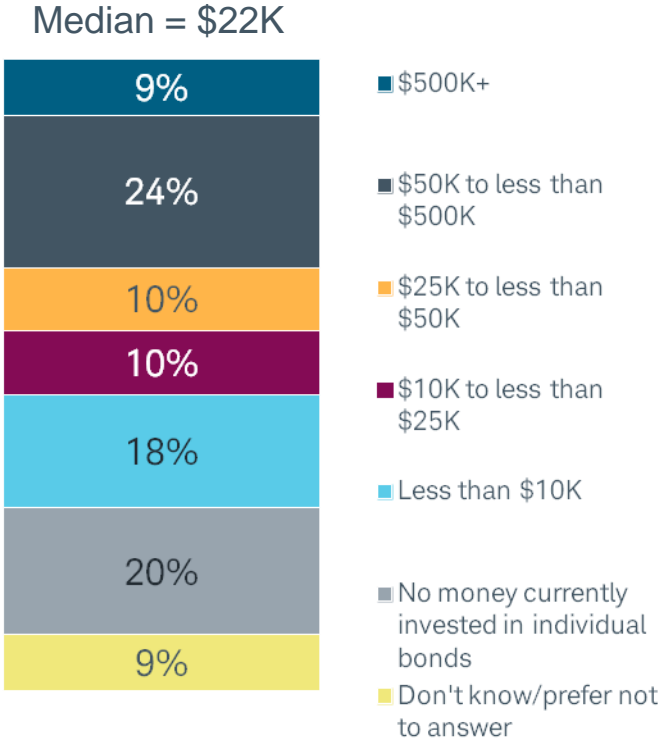
51% own individual bonds



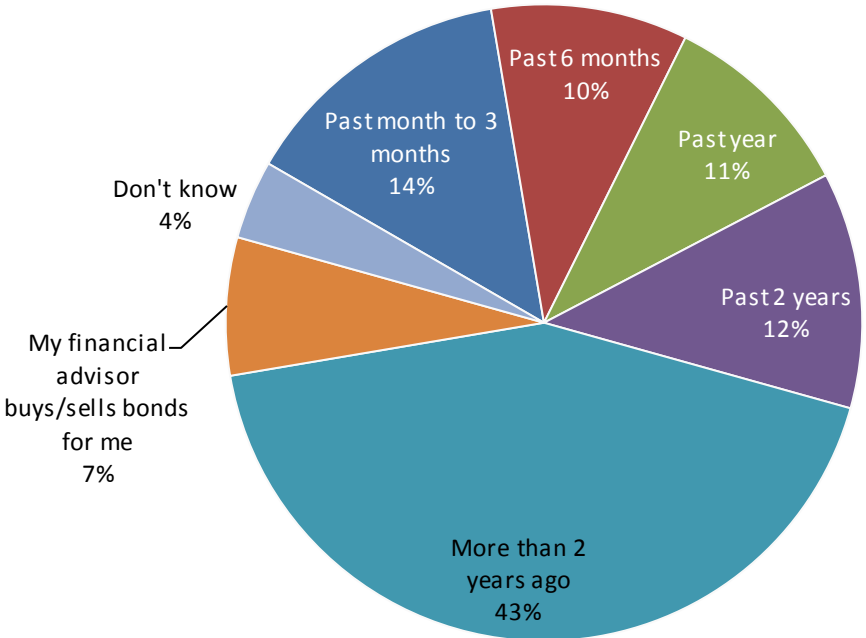
Q23 Have you ever bought or considered buying an individual bond? (Base: Total = 514)

The median amount individual bond owners surveyed have invested is \$22,000

Amount currently invested in individual bonds



Last time personally bought or sold an individual bond



Q24 How much do you currently have invested in individual bonds? Please include Treasuries, corporate and municipal, and mortgage-backed and agency securities, but do not include CDs and savings bonds.

Q25 When is the last time you personally bought or sold an individual bond? (Base: Have bought an individual bond = 123)

Disclosures

Bargain Hunting For Bonds: How Investors Shop was an online survey of U.S. investors conducted by Koski Research for Charles Schwab. The study has a 4.4 percent margin of error at the 95% confidence level. A total of 514 respondents completed interviews. Survey respondents had a minimum of \$100,000 in total investable assets, ranged in age between 25 and 75, do investing on their own and have heard of bonds or fixed income investments. Fifty-one percent of survey respondents own or have owned individual bonds. Survey respondents were not asked to indicate whether they had accounts with Charles Schwab. All data is self-reported by study participants and is not verified or validated. Investors participated in the study between May 16 and June 1, 2013.

Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors.

Schwab reserves the right to act as principal on any Bond transaction. In secondary market principal transactions the price will be subject to our standard mark-up in the case of purchases and a mark-down in the case of sales, and also may include a profit or loss to Schwab. When trading as principal, Schwab may hold the security in its own account prior to selling it to you, or may resell it after buying from you and, therefore, may make (or lose) money separately from the mark-up on the transaction.

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