

# News Release

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## **CHICAGOANS DEFINE WEALTH IN VERY DIFFERENT WAYS ACCORDING TO NEW RESEARCH FROM CHARLES SCHWAB Locals say it takes \$2 million to be considered wealthy in Chicago**

**CHICAGO, September 13, 2017** — When Chicagoland residents think about wealth, they are split about what it means, according to new research from Charles Schwab, with some describing wealth as a specific sum of money and others describing it more as a state of mind.

The top five definitions of wealth among 750 Chicago residents are:

1. Having a lot of money (28 percent)
2. Enjoying life's experiences (28 percent)
3. Being able to afford anything they want (26 percent)
4. Living stress-free and having peace of mind (18 percent)
5. Financial security and stability (10 percent)

When asked how much money is required to be considered “wealthy” in Chicago, respondents say it’s an average of \$2 million, or 25 times greater than the actual median net worth of U.S. households according to the U.S. Census Bureau.<sup>1</sup>

And for the majority of Chicagoans, that feels out of reach. While 34 percent of those surveyed say they are already millionaires or believe they can reach that level, 66 percent don’t think they have any hope.

However, when asked to compare two opposing ideas of wealth at a more personal level, Chicago residents lean into things that money can’t buy:

- Seventy-four percent believe wealth is about spending time with family now vs. leaving an inheritance for them (26 percent)
- Sixty-six percent equate wealth with having good physical health vs. having lots of money (34 percent)
- Fifty-seven percent say wealth is about being with friends vs. making lots of money (43 percent)

“Wealth is often thought of as a lofty, unattainable amount of money, but that’s really an outdated concept,” said Kenneth Novak, financial consultant at the Charles Schwab branch on [Michigan Avenue](#). “We believe people should think about wealth as the money they have now, whether that’s a lot or a little, and what matters is that you pay attention to it. Being engaged, even when you’re just getting started, can be crucial to help build wealth over time and reach your personal goals.”

### **Modern Wealth Index: Chicagoans trail average Americans, need to increase focus on planning**

To help track how well Americans across the wealth spectrum are planning, managing and engaging with their wealth, Schwab developed the [Modern Wealth Index](#). The Index, which is grounded in Schwab’s

Investing Principles, assesses Americans across four factors: 1) goal setting and financial planning, 2) saving and investing, 3) staying on track and 4) confidence in reaching financial goals.

On the 0-100 scale, Chicagoland residents surveyed received a Modern Wealth Index score of 45, slightly below the average national score of 49. Among the four factors of the Index, Chicago area residents score highest when it comes to confidence in reaching their goals, while the actions it takes to stay on track—such as checking account balances and rebalancing investments—was the largest drag on their overall index score.

	<b>Chicago Average</b>	<b>National Average</b>
Modern Wealth Index score	45	49
Goal setting and financial planning	39	43
Saving and investing	48	52
Staying on track	22	24
Confidence in reaching financial goals	63	64

*Overall and sub-factors scores are each on a scale of 1-100.*

“With an average score of 45, Chicagoans appear to be a bit behind average Americans when it comes to managing and engaging with their wealth,” said Novak. “In fact, when we dig into that score a bit, we find that confidence among Chicago residents is relatively on par with average Americans, yet they may be lagging when it comes to some of the basics of saving and investing.”

In particular, Chicagoans score was slightly lower when it comes to budgeting, noted Novak. Only 39 percent of Chicagoans say they have a household budget, compared to 43 percent of Americans nationwide. Twenty-eight percent of Chicagoans say they have a monthly saving goal, compared to 31 percent of Americans nationwide. Almost three in five Chicagoans (57 percent) say they live paycheck to paycheck.

In comparing generations, Chicago millennials model some of the better financial habits:

- Forty-one percent say they have a monthly savings goal, compared to 25 percent of Generation X and 16 percent of boomers in Chicago.
- Forty-nine percent say they increased their 401(k) contribution level in the past year, compared to 37 percent of Gen X and 26 percent of boomers
- Sixty-five percent are aware of the fees on their checking account, compared to about half of Gen X (49 percent) and boomers (45 percent)

### **Written financial plans unlock positive behavior**

One area all Chicagoans should focus on is financial planning. According to the Index, those who put pen to paper with written financial plans are more confident, more engaged with their wealth and demonstrate more positive saving and investing behaviors than average Chicagoans, with an index score of 77. They also score above the Chicago average across all four sub factors of the index:

- 1) Goal setting and financial planning: 100
- 2) Saving and investing: 69
- 3) Staying on track: 46
- 4) Confidence in reaching financial goals: 87

There is also significant difference in specific behaviors when comparing those with a written plan to those without:

	<b>Those with a written plan compared to...</b>	<b>...those without it</b>
Increased 401(k) contribution in the past year	48%	34%
Rebalanced 401(k) portfolio	46%	29%

Make loan payments on time/have no loans	59%	37%
Have an emergency fund	43%	22%
Aware of fees in brokerage account	86%	72%

According to Schwab's survey, just 20 percent of Chicagoans say they have a financial plan in writing. When asked why they don't have a plan in writing, Chicagoans believe there are a number of reasons:

- They don't have enough money to work with a financial planner (43 percent)
- They don't have enough money to warrant a plan (26 percent)
- It's not a priority for them (24 percent)
- They don't have time (18 percent)
- It's too complicated (12 percent)
- It's too expensive (11 percent)

"We know planning is one of the most fundamental factors of successful investing and positive financial behaviors," said Novak. "But there is a clear need to make planning and professional advice more accessible and engaging for people, because not enough Chicagoans—or Americans for that matter—have written financial plans. It's one of the most important issues for our industry to address today."

<sup>1</sup> Smith, Adam, R. Chenevert, J. Eggleston. Improvements to Measuring Net Worth of Households: 2013. Current Population Reports P70BR-143. U.S. Census Bureau, Washington, DC. 2017.

### **About the survey and Modern Wealth Index methodology**

The Modern Wealth Index, developed in partnership with Koski Research and the Schwab Center for Financial Research, is based on Schwab's Investing Principles and composed of 60 financial behaviors and attitudes – each assigned a varying amount of points depending on their importance. The Index broadly assesses Americans across four factors: 1) goal setting and financial planning, 2) saving and investing, 3) staying on track, and 4) confidence in reaching financial goals. Based on the total number of points received, respondents were indexed on a 1-100 scale for each of the four factors and an overall score.

The online survey was conducted by Koski Research from April 12 to April 20, 2017 among 1,000 Americans nationwide and from July 24 to August 10, 2017 among 750 Chicago area residents, all aged 21 to 75. The geographical area of the sample is defined by the Chicago-Naperville-Elgin Metropolitan Statistical Area. Quotas were set so that the sample is as demographically representative as possible. The margin of error for the total survey sample is three percentage points.

### **About Charles Schwab**

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