

# News Release

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## **L.A. RESIDENTS DEFINE WEALTH IN VERY DIFFERENT WAYS ACCORDING TO NEW RESEARCH FROM CHARLES SCHWAB**

### **Locals say it takes \$2.6 million to be considered wealthy in Los Angeles**

**LOS ANGELES, July 11, 2017** — When Los Angeles 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 500 Angelenos are:

1. Being able to afford anything they want (26 percent)
2. Having a lot of money (25 percent)
3. Enjoying life's experiences (23 percent)
4. Living stress-free and having peace of mind (16 percent)
5. Financial security and stability (11 percent)

When asked how much money is required to be considered “wealthy” in Los Angeles, L.A. area residents say it’s an average of \$2.6 million, or more than 30 times the actual median net worth of U.S. households according to the U.S. Census Bureau.<sup>1</sup>

And for most Angelenos, that feels out of reach. While 43 percent of those surveyed say they are already millionaires or believe they can reach that level, the majority (57 percent) say they don’t have any hope.

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

- Sixty-five percent equate wealth with having good physical health vs. having lots of money (35 percent)
- Fifty-seven percent say wealth is about having gratitude vs. having money (43 percent)
- Seventy-six percent believe wealth is about spending time with family now vs. leaving an inheritance for them (24 percent)

“Wealth is often thought of as an inaccessible amount of money, but that’s really an outdated concept,” said Casey Mervine, financial consultant at the Charles Schwab branch in [Torrance](#). “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, is the only way to build wealth over time to reach your personal goals.”

### **Modern Wealth Index: Angelenos outscore average Americans**

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 a scale of 1-100, Angelenos received a Modern Wealth Index score of 53, slightly above the average national score of 49. Among the four factors of the Index, L.A. 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>Los Angeles Average</b>	<b>National Average</b>
Modern Wealth Index score	53	49
Goal setting and financial planning	51	43
Saving and investing	52	52
Staying on track	29	24
Confidence in reaching financial goals	73	64

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

“With an average score of 53, Angelenos are doing slightly better than average Americans, but there’s still plenty of room for improvement,” said Mervine. “According to the Index, financial planning is a critical factor – 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, so that’s where L.A. residents should focus most.”

According to Schwab’s survey, just 28 percent of Angelenos say they have a financial plan in writing. Millennials, however, stand out as planners. Almost half (45 percent) of L.A. area millennials say they have a written financial plan, compared to 14 percent of Gen X and 11 percent of boomers.

### **L.A. millennials display many exemplary financial behaviors**

With a Modern Wealth Index score of 85, L.A. millennials score higher than Gen X and Boomers and are setting a good example when it comes to managing their wealth and staying engaged:

- Nearly 40 percent stick to their monthly savings goal, compared to 21 percent of Gen X and 10 percent of boomers
- Sixty-five percent have increased their 401(k) contribution in the past year, compared to about a third of Gen X and boomers, and 71 percent have rebalanced their 401(k) portfolios, compared to about 30 percent of Gen X and boomers
- Eighty-five percent are aware of the investing fees they pay vs. about 60 percent of Gen X and boomers

One area where all L.A. residents, including millennials, can improve is in their daily spending habits:

<b>I spend money on...</b>	<b>Average L.A. Millennials</b>	<b>Average Angelenos</b>	<b>Average Americans</b>
Taxis and Ubers	68%	48%	31%
Coffee that costs more than \$4 each	71%	57%	42%
Live music and sports	79%	72%	64%
Eating at one of the hot restaurants in town	83%	75%	67%
Clothes I don’t necessarily need	74%	61%	55%

“Angelenos appear to be looser with their wallets than the country as a whole, and yet more than half (54 percent) also say they live paycheck to paycheck,” said Mervine. “The cost of living here is certainly more challenging than other areas of the country, and that makes it even more crucial for people to stay focused on factors they can control, like their spending and savings habits, to help manage their wealth and stay on track toward their goals,” said Mervine.

### **Local economy seen as a bright spot**

Angelenos are optimistic about the local economy, with nine in 10 saying the L.A. area economy is in better shape than or comparable to the U.S. economy. In fact, locals say L.A. is one of the hottest areas in the country for the technology industry (58 percent) and career opportunities (49 percent). Survey respondents also cite the following favorable aspects of living in Los Angeles:

- Sixty-eight percent rate the area as one of the best for food and dining
- Sixty percent say the area boasts one of the top arts and culture scenes
- Fifty-nine percent say L.A. is among the best areas of the country for its quality of life

Angelenos are least pleased with the area's cost of living, with almost half (47 percent) saying it's one of the worst in the country. In fact, 43 percent say living in Los Angeles hurts their ability to reach their financial goals.

### **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 aged 21 to 75 and 500 Los Angeles area residents. 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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<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.

### **Disclosures**

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