Charles Schwab Wealth Management Monitor
Retail Investor Behavior and Sentiment Report
Q1 & Q2 2017
Q1 & Q2 2017 Executive Summary

Retail investor behavior underpinned by growing positivity and optimism about the stock market

Key themes:

• Schwab retail clients overall were net buyers during the first half of 2017.
• Average cash allocation across all retail clients decreased slightly to 19.8% (from 21.1% at the end of 2016).
• Clients are seeking planning and advice with planning conversations up 9% year-over-year and number of Schwab retail advisory accounts up 15% year-over-year.
• Client outlook for the U.S. stock market is up, with 42% feeling bullish compared to 33% in Q2 2016.
• 56% of Schwab clients feel better off financially compared to a year ago – the highest reading since the end of 2014.

The Q1/Q2 2017 Charles Schwab Wealth Management Monitor report represents more than **7 million retail client accounts** and approximately **$1.5 trillion in assets**.
Retail clients were net buyers in the first half of 2017

- Schwab retail clients were net buyers in Q1/Q2 with a buy/sell ratio of 1.12.
- The top three investment vehicles for clients overall were **stocks** (41.8%), **cash** (19.8%) and **mutual funds** (18.8%).
- Average cash allocation across all retail clients decreased slightly to 19.8% from 21.1% at the end of 2016.

Source: Schwab retail client data

---

Our retail clients are increasingly optimistic and have spent the first half of the year expanding their exposure to the market. They have their eyes on Washington and express some concern about the possibility of a market correction, but despite those factors, investor confidence is at a three-year high.

*Terri Kallsen*
Charles Schwab Executive Vice President & Head of Investor Services
Millennials, Millionaires and Active Traders were all net buyers; Millennials holding on to more cash

**Millennials**
- Millennial clients buy/sell ratio = 1.09
- Millennial clients held more cash (27.0%) compared to clients overall (19.8%)

**$1 Million+**
- Millionaire clients buy/sell ratio = 1.18
- Millionaire clients held slightly less cash (16.6%) compared to clients overall (19.8%)

**Active Traders**
- Active trader clients buy/sell ratio = 1.04
- Over half of active trader client portfolios were allocated to stocks (53.3%)

Source: Schwab retail client data
Schwab clients are seeking planning and advice

- Approximately 73,000 planning conversations were held during the first six months of 2017, up 9% year-over-year.

- Advised clients were net buyers in the first half of 2017 with a 1.21 buy/sell ratio

- Total accounts in retail advisory solutions were up 15% year-over-year.

Source: Schwab retail client data
Among all retirement investors, average IRA balance was over $60,000 and average contribution was more than $20,000

<table>
<thead>
<tr>
<th>ALL CLIENTS</th>
<th>MILLENNIALS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Q1/Q2 IRA balances</strong></td>
<td><strong>Total Q1/Q2 IRA balances</strong></td>
</tr>
<tr>
<td>• Average IRA balance in Q1/Q2 = $62,838</td>
<td>• Average IRA balance in Q1/Q2 = $13,548</td>
</tr>
<tr>
<td>• Average Traditional IRA balance = $78,059</td>
<td>• Average Traditional IRA balance = $13,811</td>
</tr>
<tr>
<td>• Average Roth IRA balance = $47,617</td>
<td>• Average Roth IRA balance = $13,285</td>
</tr>
<tr>
<td><strong>Q1/Q2 IRA contributions</strong></td>
<td><strong>Q1/Q2 IRA contributions</strong></td>
</tr>
<tr>
<td>• Average IRA contribution in Q1/Q2 = $20,790</td>
<td>• Average IRA contribution in Q1/Q2 = $4,821</td>
</tr>
<tr>
<td>• Average Traditional IRA contribution = $25,746</td>
<td>• Average Traditional IRA contribution = $7,077</td>
</tr>
<tr>
<td>• Average Roth IRA contribution = $15,833</td>
<td>• Average Roth IRA contribution = $2,565</td>
</tr>
<tr>
<td><strong>Q1/Q2 IRA distributions</strong></td>
<td><strong>Q1/Q2 IRA distributions</strong></td>
</tr>
<tr>
<td>• Average IRA distribution in Q1/Q2 = $14,248</td>
<td>• Average IRA distribution in Q1/Q2 = $6,062</td>
</tr>
<tr>
<td>• Average Traditional IRA distribution = $15,771</td>
<td>• Average Traditional IRA distribution = $7,589</td>
</tr>
<tr>
<td>• Average Roth IRA distribution = $12,725</td>
<td>• Average Roth IRA distribution = $4,534</td>
</tr>
</tbody>
</table>

Source: Schwab retail client data
Client outlook for the U.S. stock market is up, with 42% now feeling Bullish compared to 33% in Q2 2016

Looking ahead to the rest of 2017, which statement best describes your outlook for the U.S. stock market?

Bullish – I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market

Bullish – I think the market will continue to perform well, and I plan to increase my allocation to equities as a result

Bearish - I think the market is due for a significant correction, but I'm confident that I have a plan in place to withstand it

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

I’m not sure.

Source: Survey of 988 Schwab Investor Services clients between June 5-14, 2017.
The performance of the new administration is clients’ top concern, but confidence in reaching financial goals is high

What is your primary concern around money and investing for the remainder of 2017?

- The performance of President Trump's administration: 33%
- I think the market is overdue for a correction: 18%
- Geopolitical or global macroeconomic issues: 12%
- Issues related to my own personal situation: 9%
- Uncertainty due to market volatility: 7%
- Performance of U.S. corporate earnings: 4%
- The prospect of changes to the national healthcare system: 3%
- The prospect of rising inflation: 3%
- The prospect of continued rising domestic interest rates: 2%
- Other: 4%

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

- Extremely confident: 7%
- Very confident: 33%
- Somewhat confident: 53%
- Not very confident: 6%
- Not at all confident: 1%

Source: Survey of 988 Schwab Investor Services clients between June 5-14, 2017.
After hitting low points in 2015 and 2016, client confidence in decision making and perceptions about their personal financial situation are trending up.

Investor Confidence Trends: June 2012 – June 2017

Source: Survey of 988 Schwab Investor Services clients between June 5-14, 2017.
One-fifth of clients expect to move money to individual stocks over the next three months; nearly a third expect to hold steady.

Which of the following decision-making scenarios would give you the most confidence in reaching your financial goals?

- Ongoing advice from advisor: 18%
- Periodic advice from advisor: 56%
- No help from advisor: 22%
- Delegating decisions to an advisor: 4%

Which of the following investment portfolio actions do you expect to take over the next three months?

- Move money to individual stocks: 20%
- Move money to ETFs: 16%
- Move money to another type of investment vehicle: 9%
- Move money to mutual funds: 14%
- Move money to cash: 13%
- Move money to fixed income: 8%
- None of the above: 30%
- Don't know/prefer not to answer: 21%

Source: Survey of 988 Schwab Investor Services clients between June 5-14, 2017.