

Charles Schwab Wealth Management Monitor

Retail Investor Behavior and
Sentiment Report

Q1 & Q2 2017

The logo consists of a blue square containing the text "charles" in a white, lowercase, serif font, and "SCHWAB" in a white, uppercase, sans-serif font below it.

charles
SCHWAB

Own your tomorrow[®]

Q1 & Q2 2017 Executive Summary

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

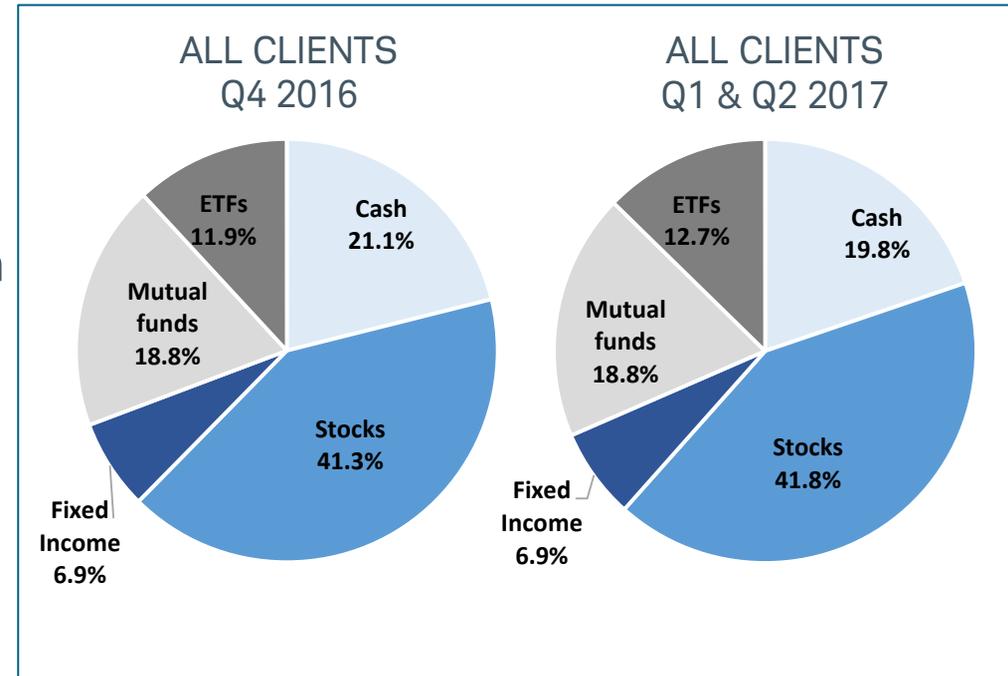
Key themes:

- 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



Terri Kallsen

Charles Schwab Executive Vice President & Head of Investor Services



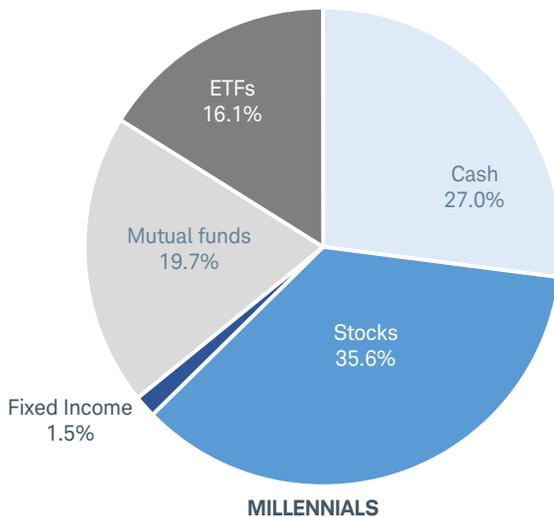
Our retail clients are increasingly optimistic and have spent the first half of the year expanding their exposure to the market. They have their eyes on Washington and express some concern about the possibility of a market correction, but despite those factors, investor confidence is at a three-year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



Millennials, Millionaires and Active Traders were all net buyers; Millennials holding on to more cash

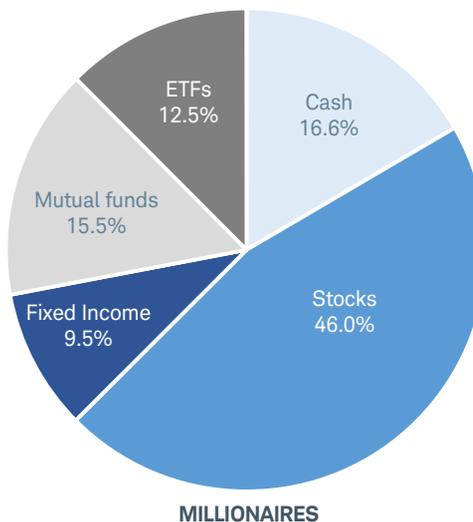
Millennials

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



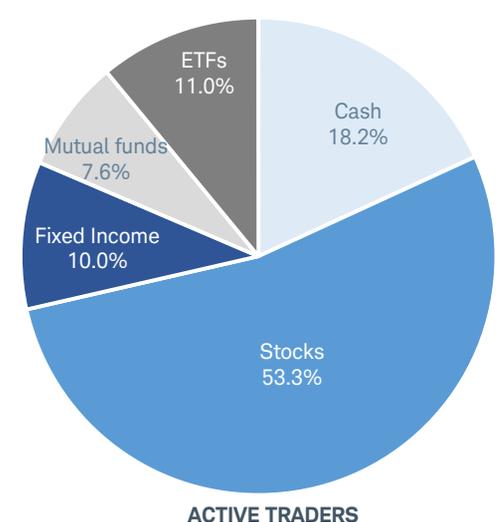
\$1 Million+

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



Active Traders

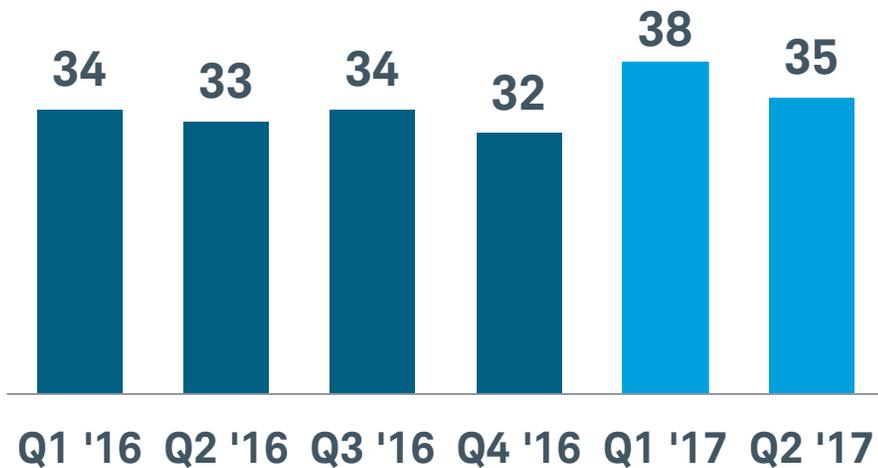
- Active trader clients buy/sell ratio = 1.04
- Over half of active trader client portfolios were allocated to stocks (53.3%)



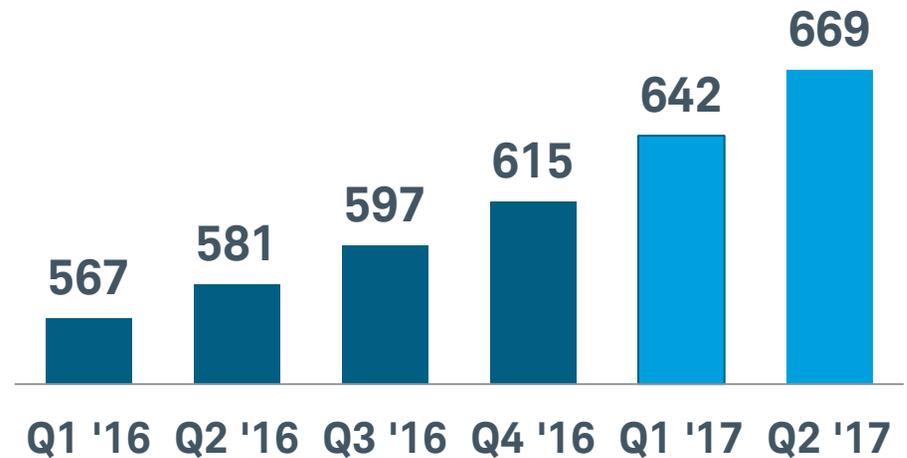
Source: Schwab retail client data

Schwab clients are seeking planning and advice

Quarterly Planning Conversations
(clients in thousands)



Total Accounts in Retail Advisory Solutions
(thousands)



- Approximately 73,000 planning conversations were held during the first six months of 2017, up 9% year-over-year.
- Total accounts in retail advisory solutions were up 15% year-over-year.
- Advised clients were net buyers in the first half of 2017 with a 1.21 buy/sell ratio

Among all retirement investors, average IRA balance was over \$60,000 and average contribution was more than \$20,000

ALL CLIENTS

Total Q1/Q2 IRA balances

- Average IRA balance in Q1/Q2 = \$62,838
- Average Traditional IRA balance = \$78,059
- Average Roth IRA balance = \$47,617

Q1/Q2 IRA contributions

- Average IRA contribution in Q1/Q2 = \$20,790
- Average Traditional IRA contribution = \$25,746
- Average Roth IRA contribution = \$15,833

Q1/Q2 IRA distributions

- Average IRA distribution in Q1/Q2 = \$14,248
- Average Traditional IRA distribution = \$15,771
- Average Roth IRA distribution = \$12,725

MILLENNIALS

Total Q1/Q2 IRA balances

- Average IRA balance in Q1/Q2 = \$13,548
- Average Traditional IRA balance = \$13,811
- Average Roth IRA balance = \$13,285

Q1/Q2 IRA contributions

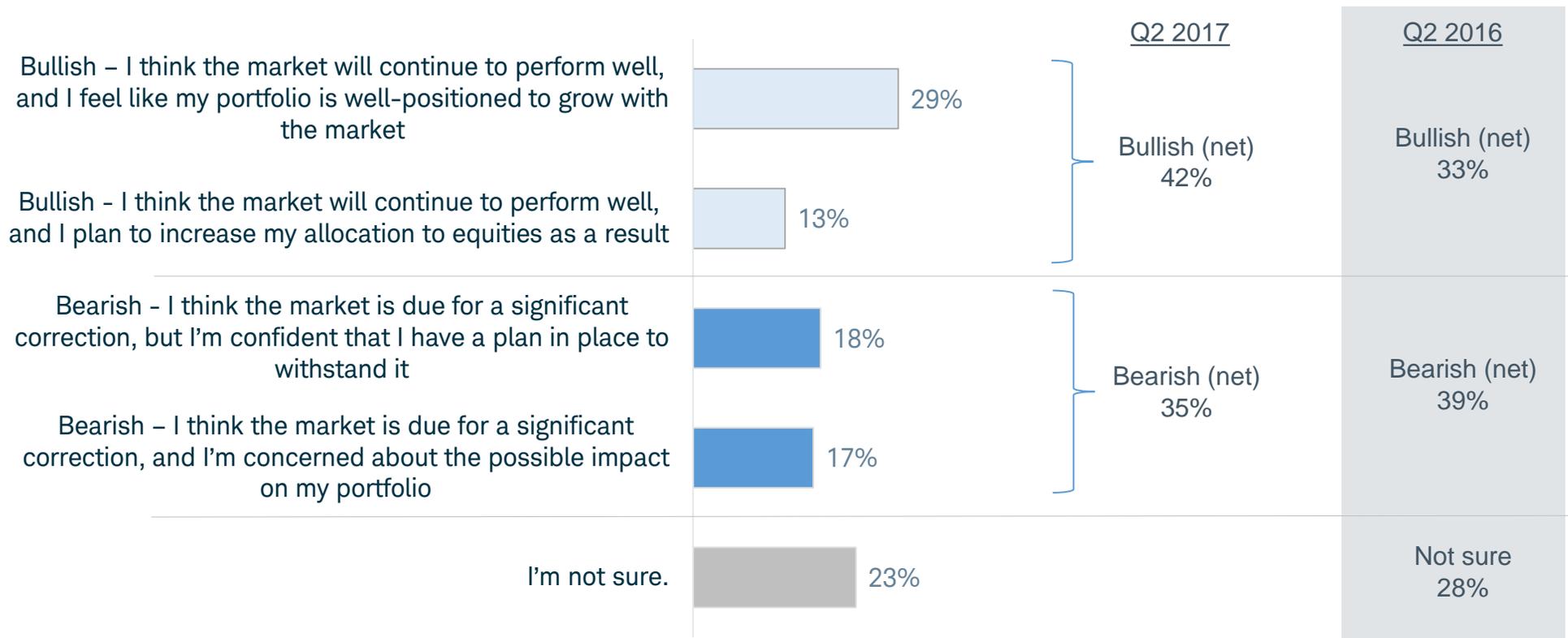
- Average IRA contribution in Q1/Q2 = \$4,821
- Average Traditional IRA contribution = \$7,077
- Average Roth IRA contribution = \$2,565

Q1/Q2 IRA distributions

- Average IRA distribution in Q1/Q2 = \$6,062
- Average Traditional IRA distribution = \$7,589
- Average Roth IRA distribution = \$4,534

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

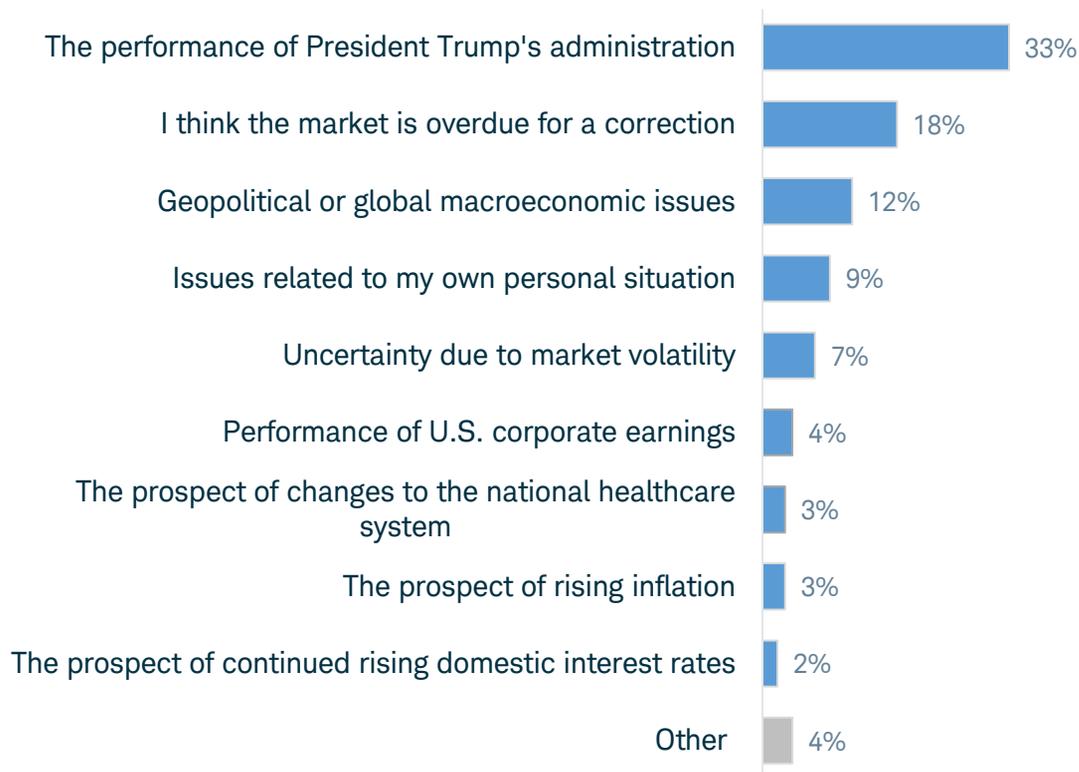
Looking ahead to the rest of 2017, which statement best describes your outlook for the U.S. stock market?



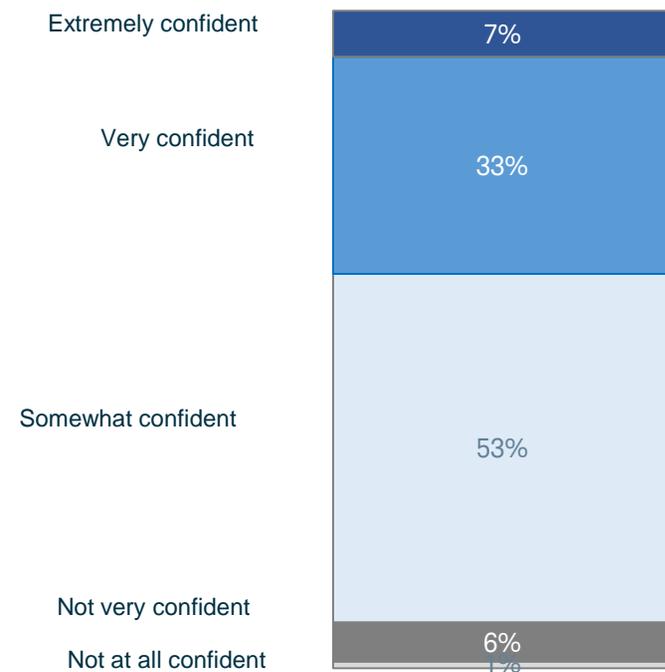
Source: Survey of 988 Schwab Investor Services clients between June 5-14, 2017.

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?



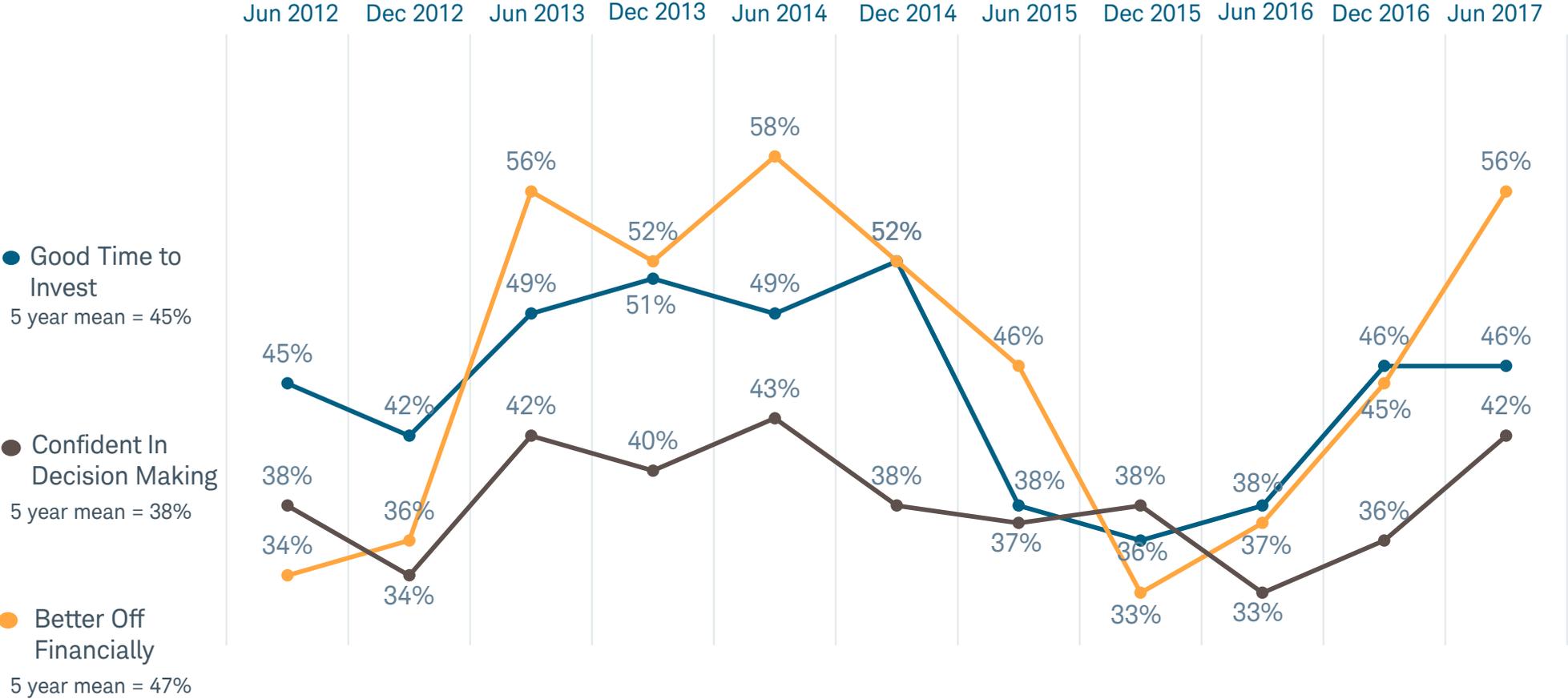
Which statement best describes your confidence in reaching your financial goals?



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

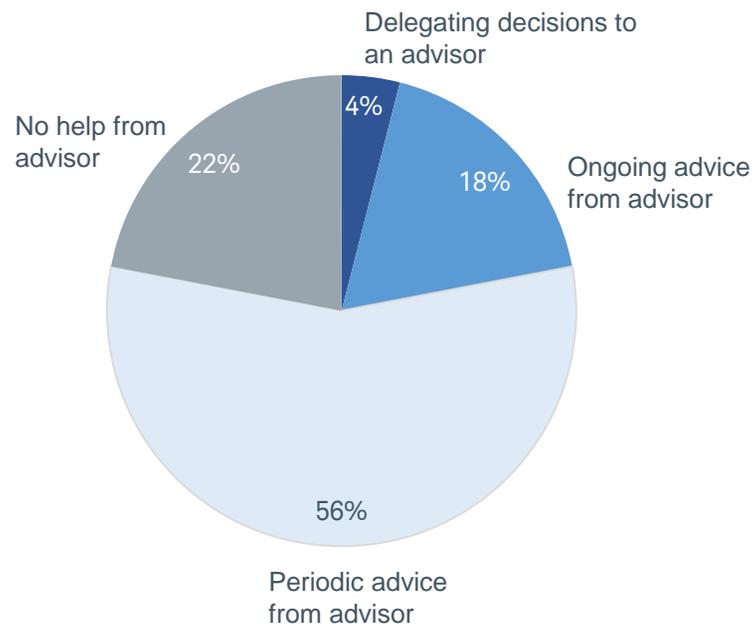
Investor Confidence Trends: June 2012 – June 2017



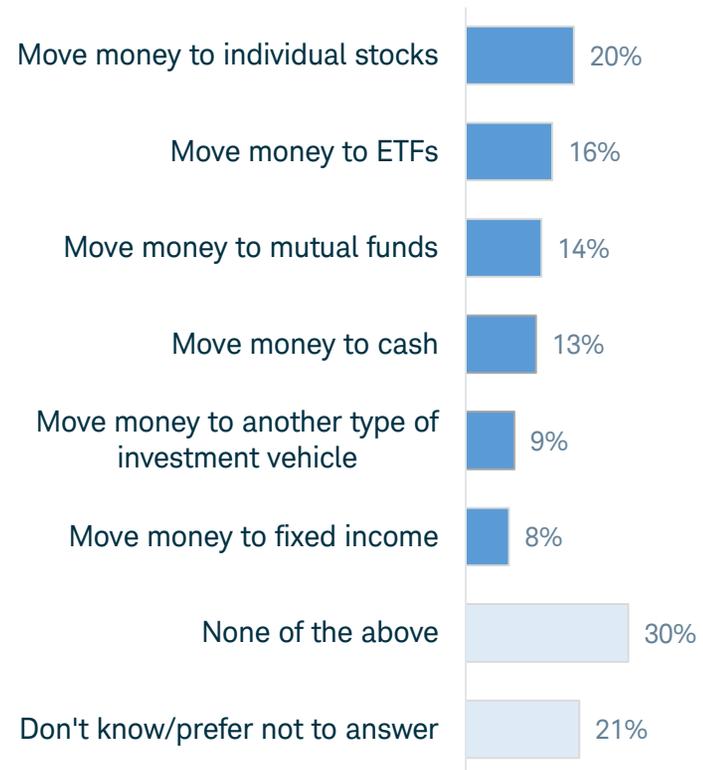
Source: Survey of 988 Schwab Investor Services clients between June 5-14, 2017.

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?



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



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

Media Contacts:

Michael Cianfrocca
Charles Schwab
(415) 667-0344
michael.cianfrocca@schwab.com

Hibah Shariff
Charles Schwab
(415) 667-0507
hibah.shariff@schwab.com

About Schwab

At Charles Schwab we believe in the power of investing to help individuals create a better future. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, championing our clients' goals with passion and integrity.

More information is available at www.aboutschwab.com. Follow us on [Twitter](#), [Facebook](#), [YouTube](#), and [LinkedIn](#).

Disclosures

Information based on internal data and an online Schwab survey of 988 retail clients with at least \$2,000 in statement equity conducted June 5-14, 2017. Data analyzed by Koski Research which is not affiliated with the Charles Schwab Corporation or its affiliates.

Through its operating subsidiaries, The Charles Schwab Corporation (NYSE: SCHW) provides a full range of securities brokerage, banking, money management and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member [SIPC](#), www.sipc.org), and affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; compliance and trade monitoring solutions; referrals to independent fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through Schwab Advisor Services. Its banking subsidiary, Charles Schwab Bank (member FDIC and an Equal Housing Lender), provides banking and lending services and products. More information is available at www.schwab.com and www.aboutschwab.com.

Brokerage Products: Not FDIC Insured ■ No Bank Guarantee ■ May Lose Value

©2017 Charles Schwab & Co., Inc. All rights reserved. Member [SIPC](#).

(0717-7YA9)