

# Charles Schwab Wealth Management Monitor

Retail Investor Behavior and  
Sentiment Report

Q3 & Q4 2017

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

*charles*  
SCHWAB

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## Q3 & Q4 2017 Executive Summary

Retail investors feel good about their financial situation, but stock market caution is on the rise

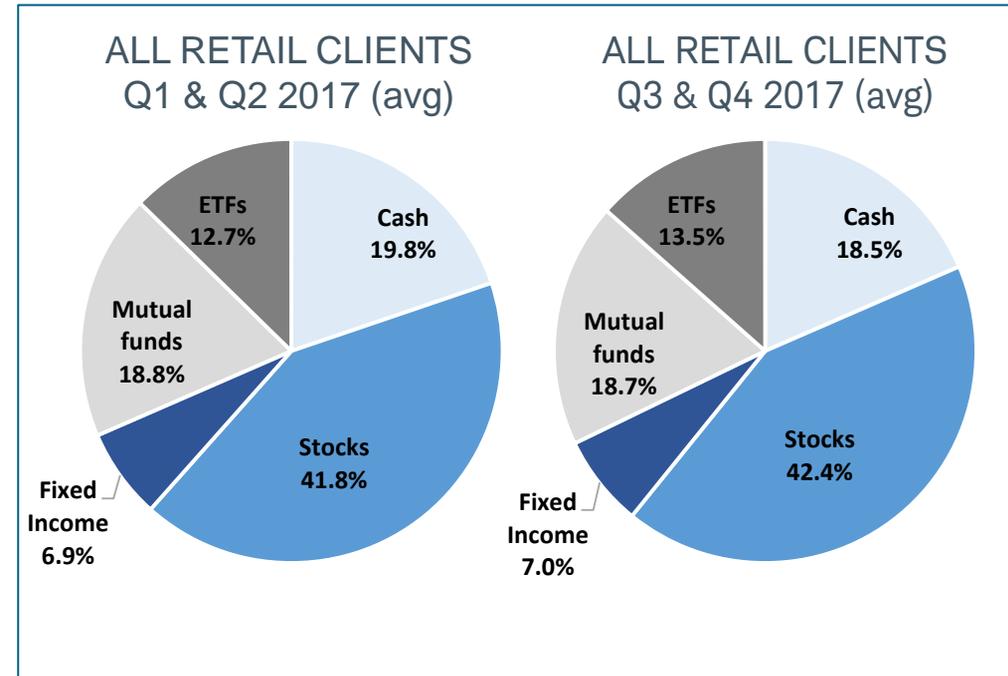
Key themes:

- Schwab retail clients overall were net buyers during the second half of 2017.
- Average cash allocation across all retail clients decreased to 18.5% (from 21.1% a year ago).
- Nearly 60% of Schwab clients feel better off financially compared to a year ago – the highest rating in five years.
- Client outlook for the U.S. stock market is down slightly with 40% feeling bullish compared to 42% a year ago; 41% now feel bearish – a 10% increase from a year ago.
- The political landscape in Washington and the possibility of a stock market correction are the top investor concerns.

The Q3/Q4 2017 Charles Schwab Wealth Management Monitor report represents more than **7 million retail client accounts** and more than **\$1.2 trillion in assets**.

# Retail clients were net buyers in the second half of 2017

- Schwab retail clients were net buyers in Q3/Q4 with a buy/sell ratio of 1.11.
- The top three investment vehicles for clients overall were **stocks** (42.4%), **mutual funds** (18.7%) and **cash** (18.5%).
- Average cash allocation across all retail clients decreased slightly to 18.5% from 19.8% (and 21.1% in Q4 2016).



Source: Schwab retail client data



**Terri Kallsen**

Charles Schwab Executive Vice President & Head of Investor Services



There are signs of continued positivity from retail investors with an increasing number of clients feeling better off compared to a year ago, but we're also seeing some bears come out of hibernation due to concerns about a possible stock market correction and uncertainty in Washington D.C.



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

## Millennials

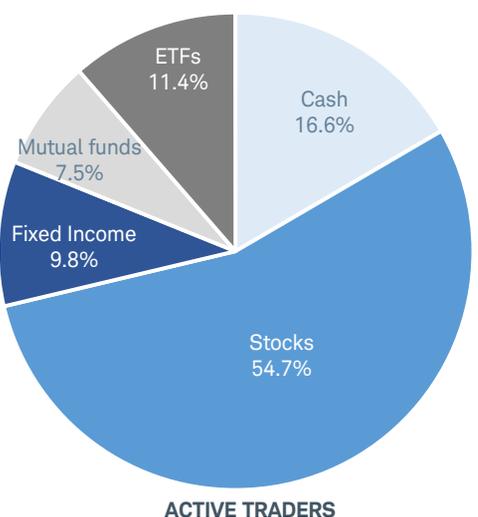
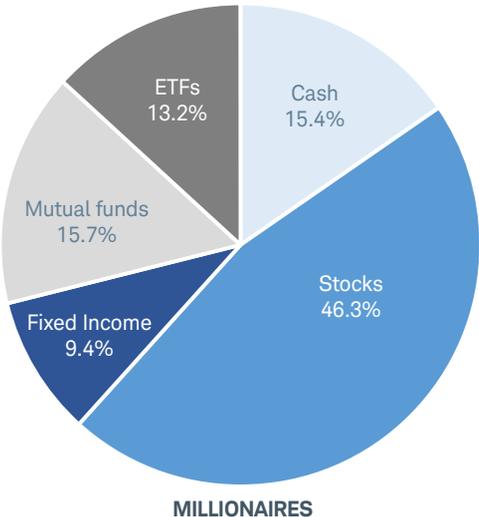
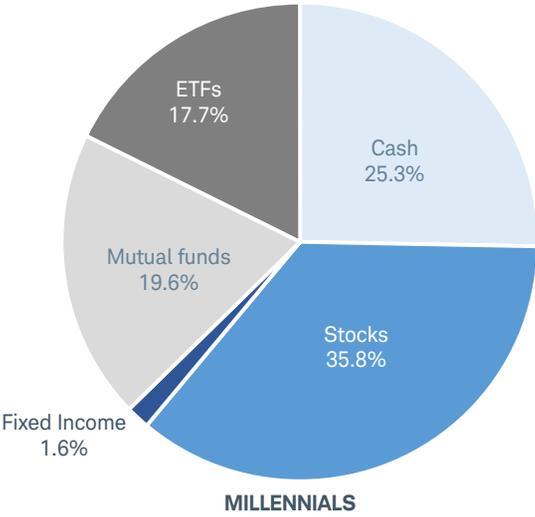
- Millennial clients buy/sell ratio = 1.09
- Millennial clients held more cash (25.3%) compared to clients overall (18.5%)

## \$1 Million+

- Millionaire clients buy/sell ratio = 1.16
- Millionaire clients held less cash (15.4%) compared to clients overall (18.5%)

## Active Traders

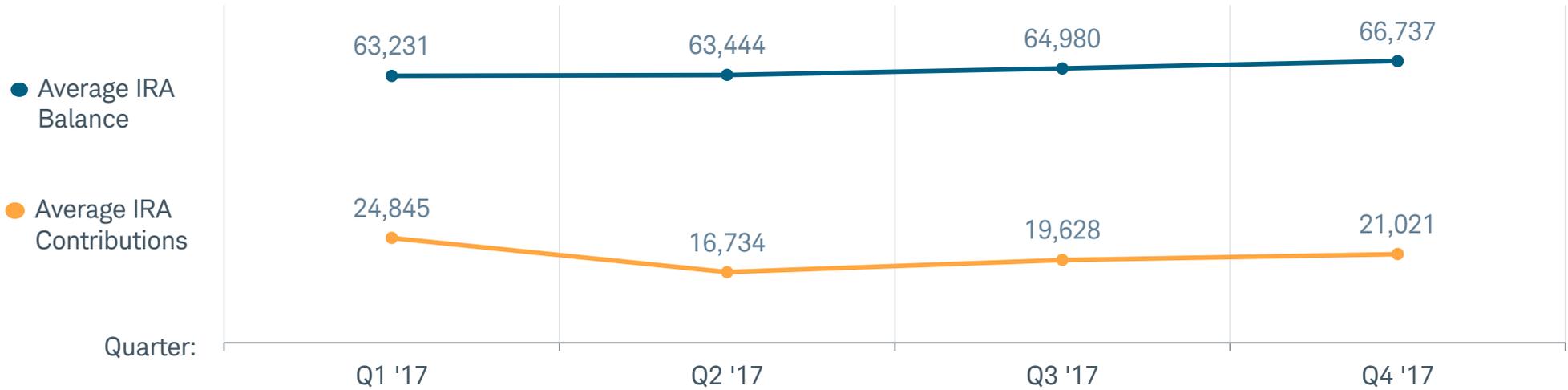
- Active trader clients buy/sell ratio = 1.03
- Over half of active trader client portfolios were allocated to stocks (54.7%)



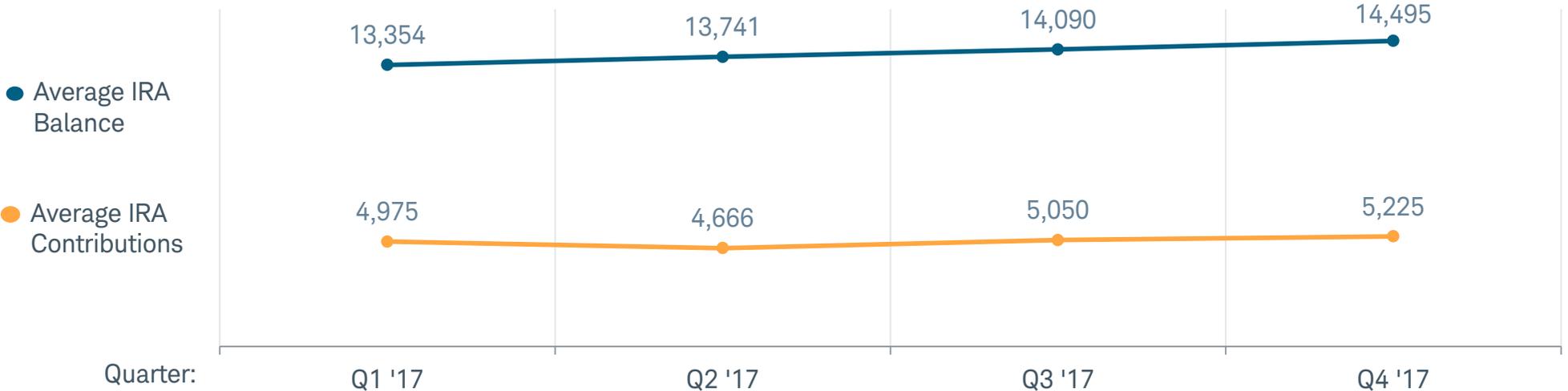
Source: Schwab retail client data

# Average IRA balances increased for all clients; millennials' average contributions increased slightly

## All Clients



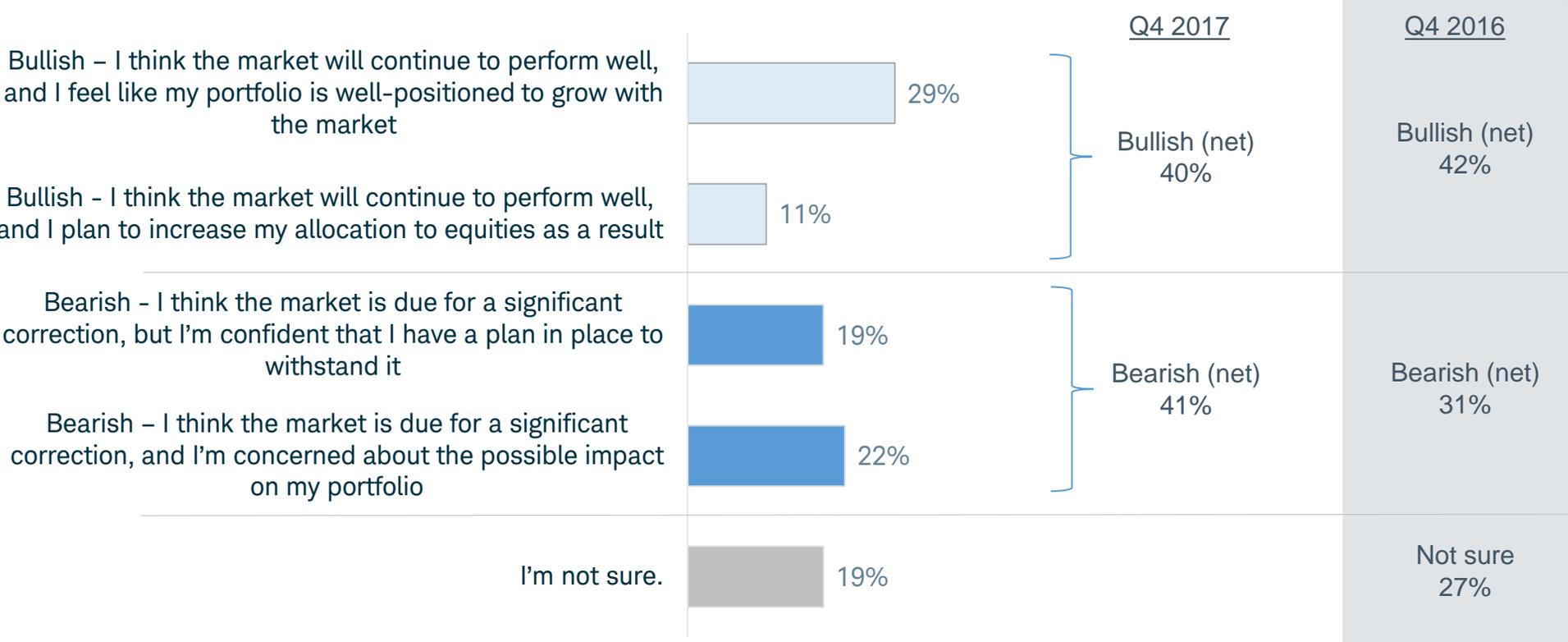
## Millennials



Source: Schwab retail client data

# Client outlook for the U.S. stock market is down slightly with 40% feeling bullish; More than 40% now feel bearish – a 10% jump

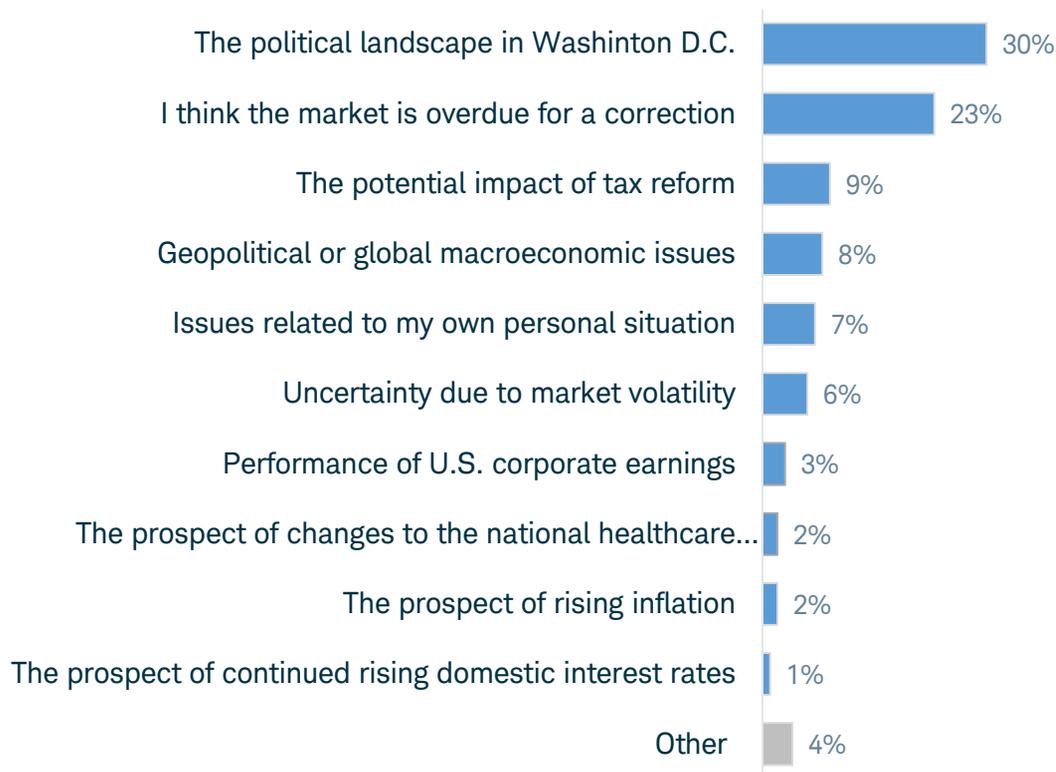
Looking ahead to 2018, which statement best describes your outlook for the U.S. stock market?



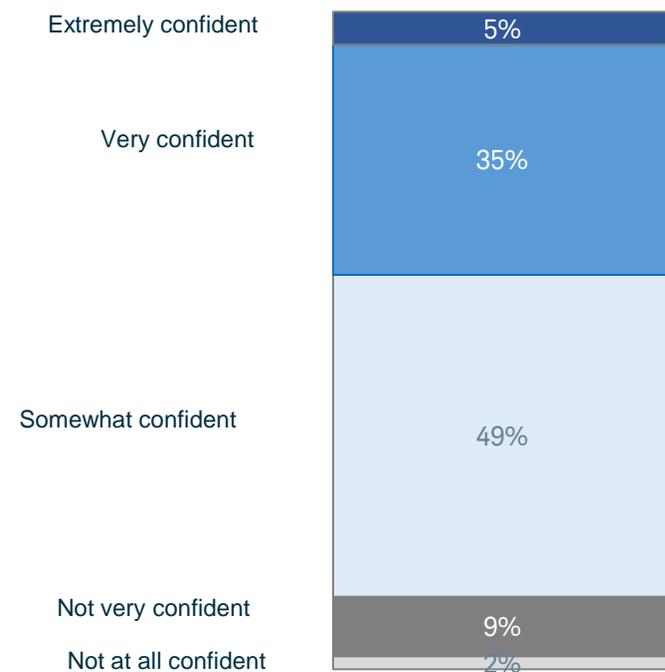
Source: Survey of 1,067 Schwab Investor Services clients between December 4-14, 2017.

# The political landscape in Washington D.C. is clients' top concern, but confidence in reaching financial goals is high

What is your primary concern around money and investing looking ahead to 2018?



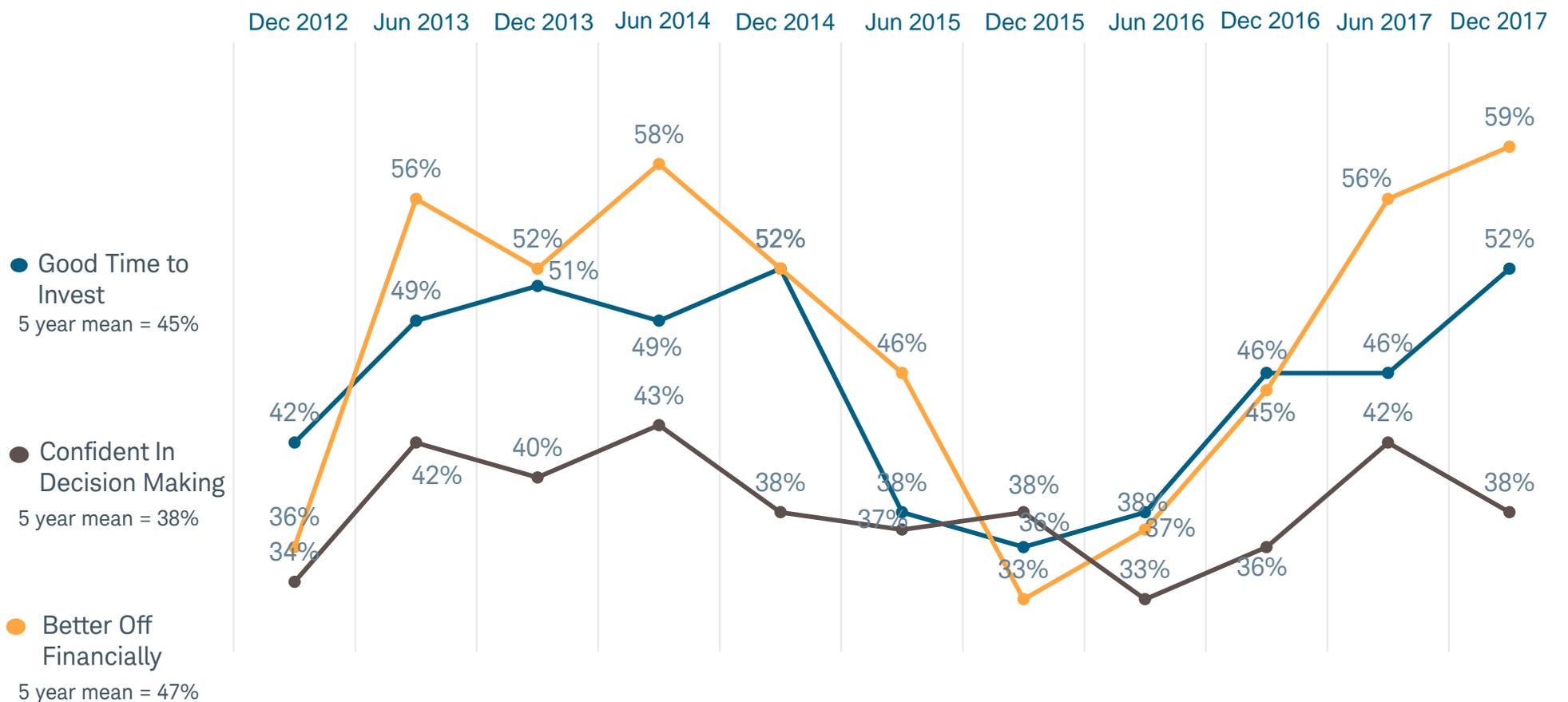
Which statement best describes your confidence in reaching your financial goals?



Source: Survey of 1,067 Schwab Investor Services clients between December 4-14, 2017.

# Nearly 60% of clients feel better off financially compared to a year ago – the highest rating in five years

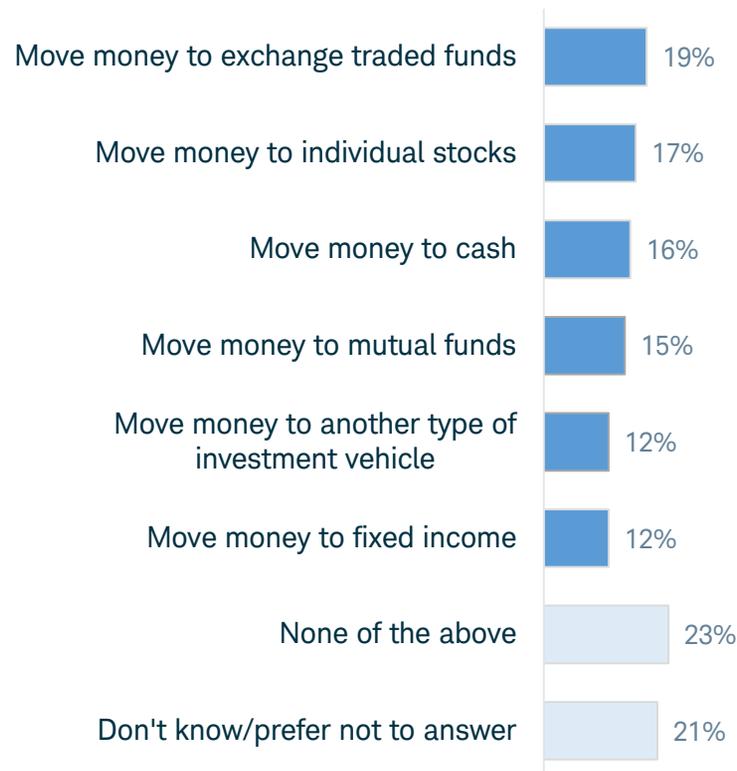
## Investor Confidence Trends: December 2012 – December 2017



Source: Survey of 1,067 Schwab Investor Services clients between December 4-14, 2017.

# One-fifth of clients expect to move money to ETFs over the next three months; nearly a quarter expect to hold steady

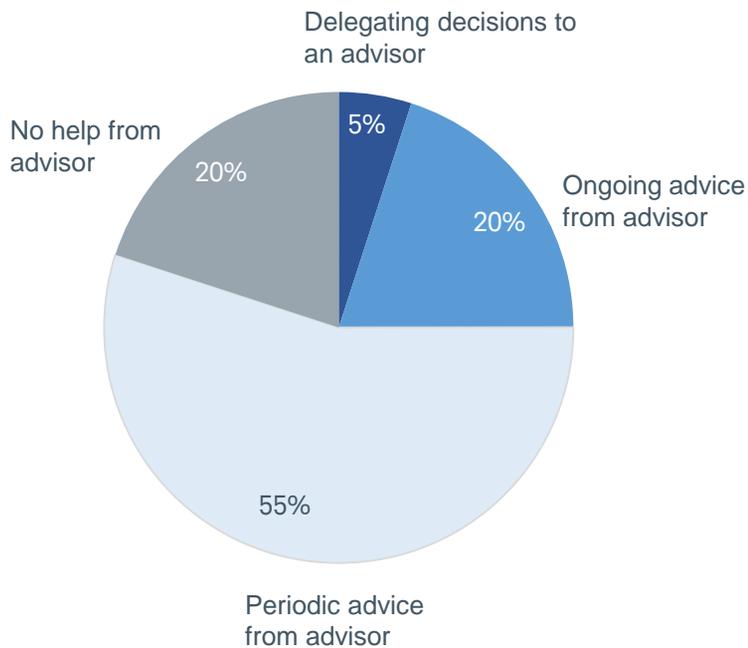
**Which of the following investment portfolio actions do you expect to take over the next three months?**



Source: Survey of 1,067 Schwab Investor Services clients between December 4-14, 2017.

# 80% of clients are most confident when receiving some form of advice

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



Source: Survey of 1,067 Schwab Investor Services clients between December 4-14, 2017.

Total Accounts in Retail Advisory Solutions (thousands)



- Total accounts in retail advisory solutions were up 18% year-over-year.
- Advised clients were net buyers in the second half of 2017 with a 1.25 buy/sell ratio.

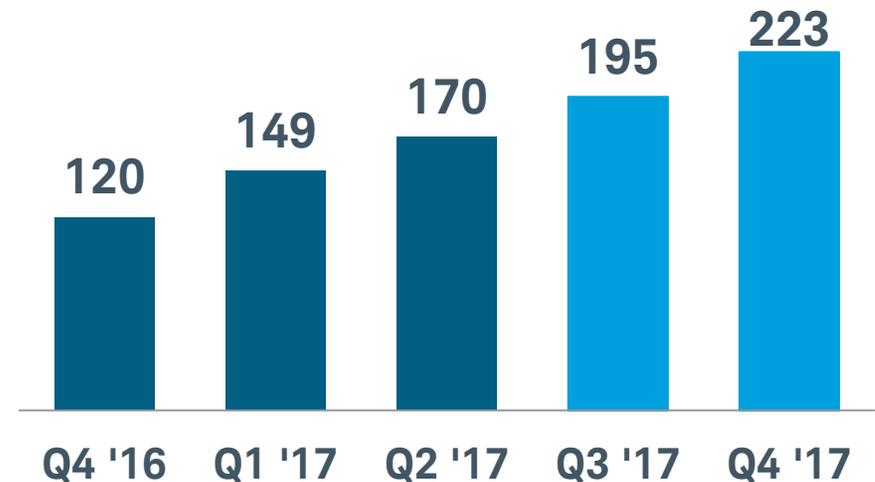
Source: Schwab retail client data

# Schwab's digital advisory solutions continue to grow

Client assets managed by one of Schwab's digital advisory solutions (billions)



Total accounts in digital advisory solutions (thousands)



- Digital advisory clients' top three goals are future retirement, building long-term wealth, and retirement income

Source: Schwab client data for Schwab Intelligent Portfolios®, Institutional Intelligent Portfolios®, and Schwab Intelligent Advisory®

\*Beginning Q4 2017, data includes Schwab Intelligent Advisory assets and accounts

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**Disclosures**

Information based on internal data and an online Schwab survey of 1,067 retail clients with at least \$2,000 in statement equity conducted December 4 -14, 2017. Data analyzed by Koski Research which is not affiliated with the Charles Schwab Corporation or its affiliates.

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