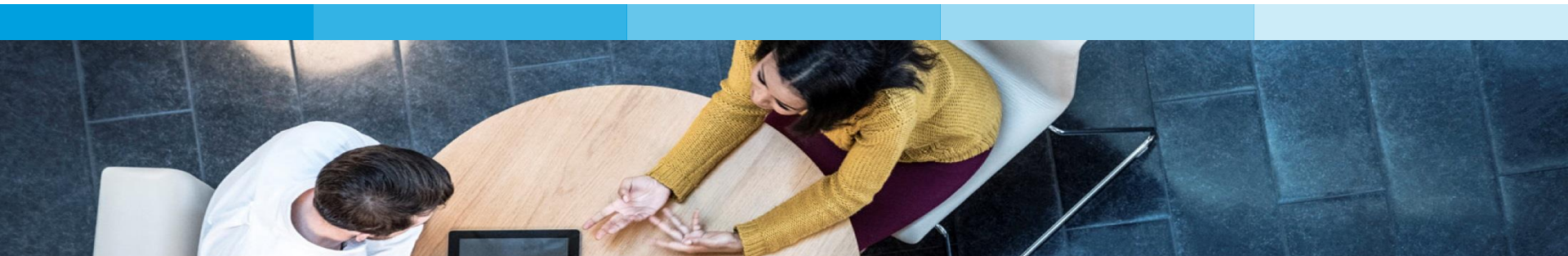


# Charles Schwab ETFs and Beyond Study

October 2023



*charles*  
**SCHWAB**

Asset  
Management

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# Background

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Charles Schwab has conducted a study about ETF investing for over 10 years with independent research company, Logica Research\*. This ongoing research study has uncovered trends in ETF investing and shed light on investors' knowledge of, and behaviors around, ETFs. In 2023, the study took a deeper dive on fixed income investing and direct indexing.

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The 2023 ETFs and Beyond Study survey was fielded from June 13<sup>th</sup> to June 28<sup>th</sup>, 2023.

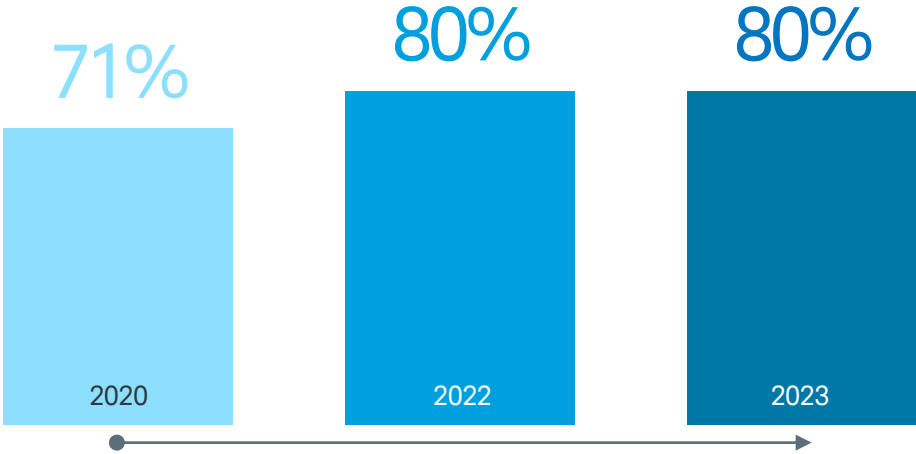
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- 2,200 investors completed the study
  - 1,000 ETF investors
  - 1,000 Non-ETF investors
  - 200 oversample of Generation Investor (aka “Gen I” and defined as new investors who started investing since 2020)
- To qualify for the study, investors had to:
  - Be 25 to 75 years old
  - Have a minimum of \$25,000 in investable assets (ETF and Non-ETF investors)
  - Have purchased or sold an ETF in the past 2 years (ETF investors)
  - Be at least somewhat familiar with ETFs (Non-ETF investors)
  - Have started investing in 2020, 2021 or 2022 (Gen I)

# Appetite for ETFs

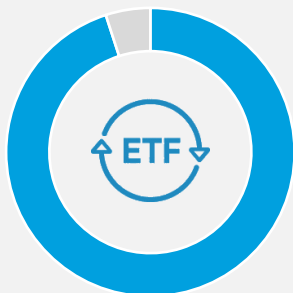
# Most ETF investors agree that ETFs are their investment vehicle of choice, significantly higher than in 2020

ETFs are my investment vehicle of choice  
ETF investors (Agree)



# In the next two years, the overwhelming majority of ETF investors are likely to consider purchasing an ETF and this year many have increased their allocations to ETFs

## Likely to consider purchasing an ETF in the next two years ETF investors



**95%**  
Likely to consider  
purchasing an ETF in  
next two years

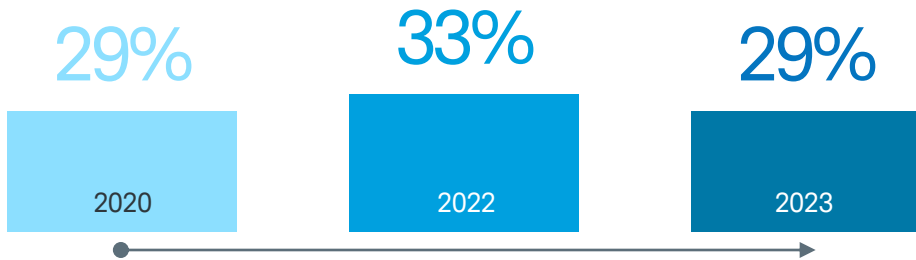
## ETF allocation adjustments in 2023 ETF investors



**52%**  
Increased ETF  
allocations in 2023

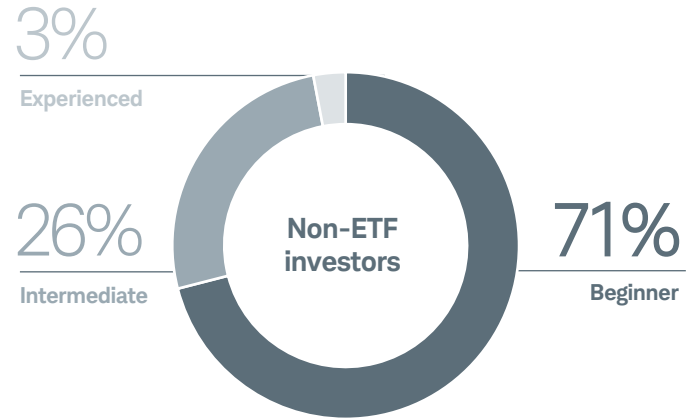
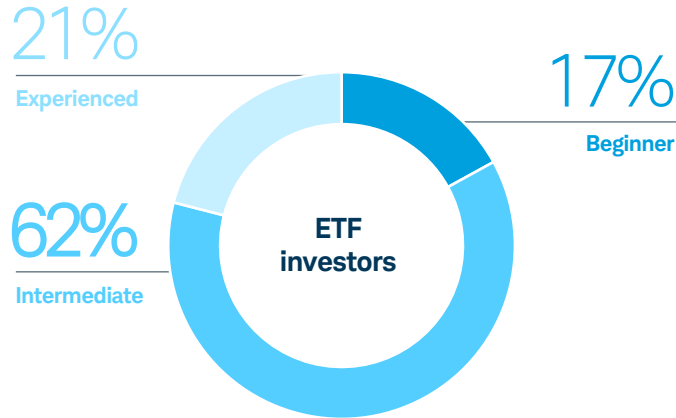
# That said, ETFs' share of portfolio has declined from a peak reached last year and is level with 2020

**Average % of investments in ETFs today**  
ETF investors (Mean)



# While most ETF investors have an experienced or intermediate understanding of ETFs, most non-ETF investors still consider themselves beginners when it comes to ETFs

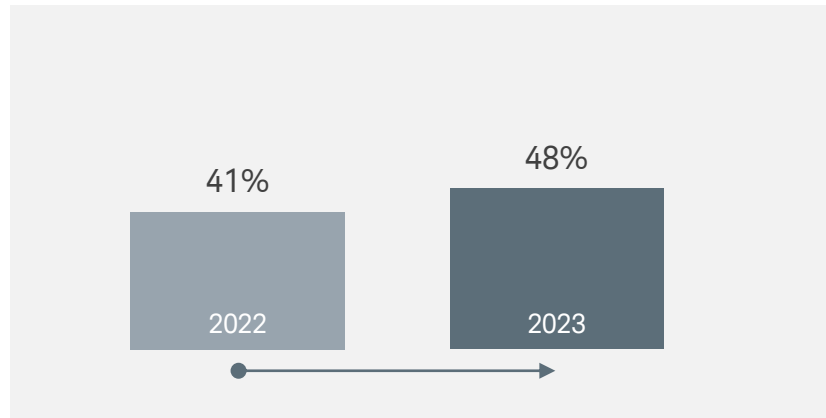
## Understanding of ETFs



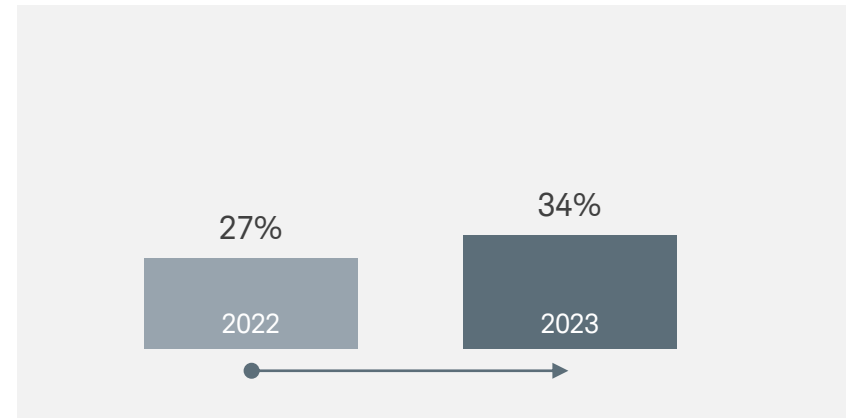


# Non-ETF investors demonstrate significantly more interest in purchasing ETFs and learning more about them this year

## Likely to consider purchasing an ETF in next two years Non-ETF investors







## Extremely interested in learning more about ETFs Non-ETF investors



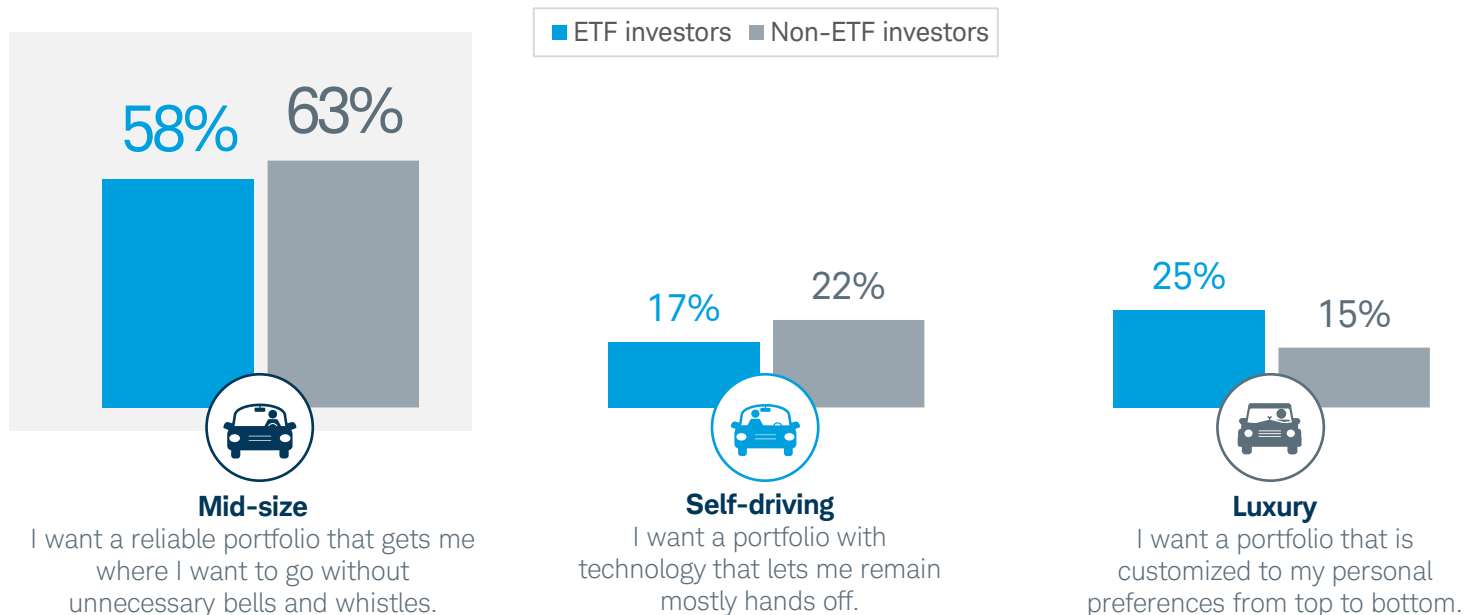
# Diversification and the ability to easily buy and sell are most important to both ETF investors and non-ETF investors who are likely to purchase an ETF in the next two years

## Top reasons to consider buying ETFs

	ETF investors	Non-ETF investors
 To diversify portfolio	71%	62%
 ETFs are easy to buy and sell	71%	47%
 ETFs are low cost	47%	36%
 ETFs are tax efficient	43%	34%






# Most ETF investors and non-ETF investors are practical investors who describe themselves as mid-sized SUVs, representative of a reliable portfolio without unnecessary bells and whistles

## Types of cars that best represent ETF and non-ETF investors



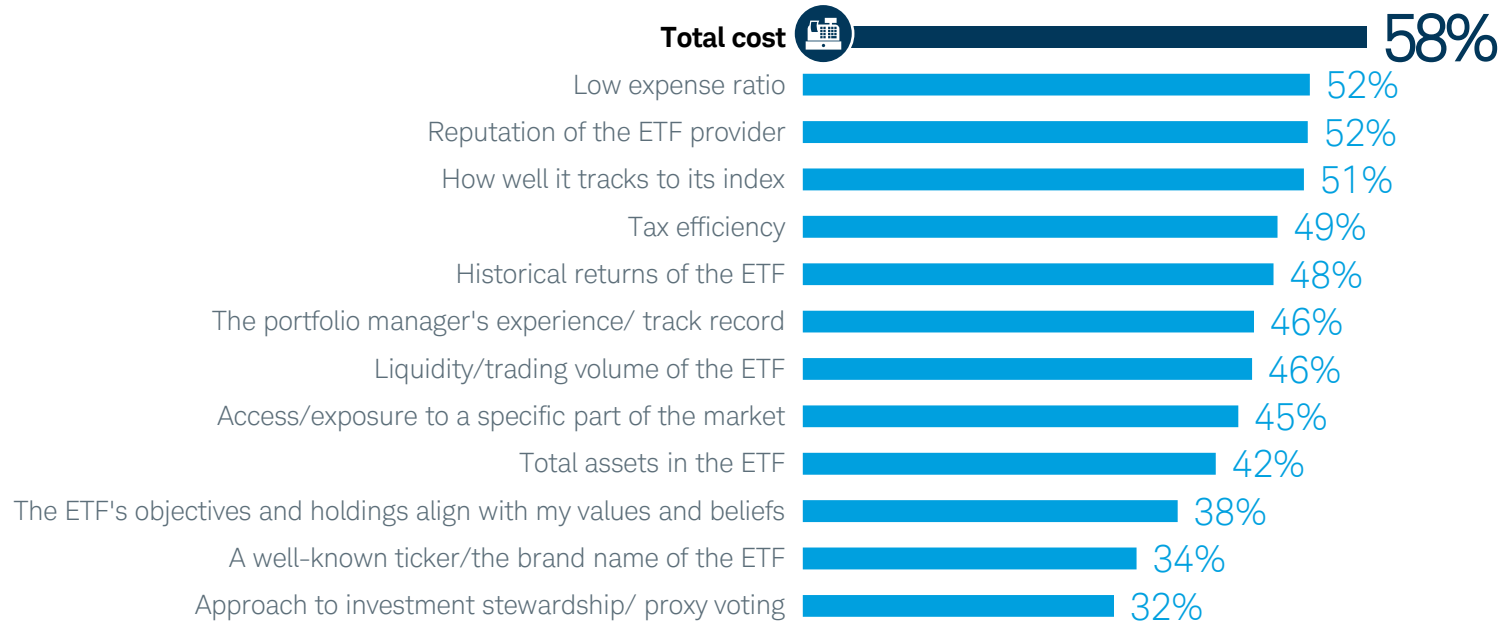
# Most ETF investors and non-ETF investors are focused on saving for retirement or generating income during retirement through their investments

## Top outcomes trying to achieve through investments

		ETF investors	Non-ETF investors
Saving for retirement		72%	72%
Generating income during retirement		65%	71%
Preserving wealth		57%	52%
Building wealth for major life milestones		53%	47%
Distributing wealth		43%	39%

# For those already invested in ETFs, cost remains the top factor when choosing an ETF

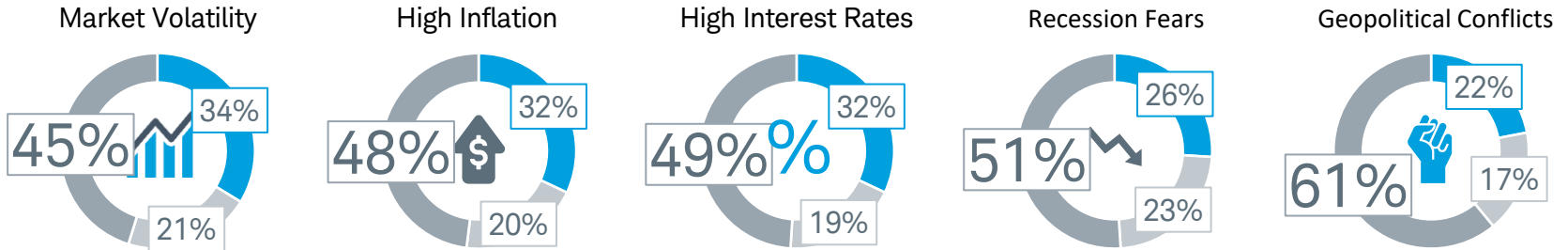
## Important factors in choosing an ETF ETF investors (Extremely important)



# Market Environment, Asset Class and Product Trends

# In the face of this year's market challenges, many ETF investors have stayed the course with their ETF investing plans

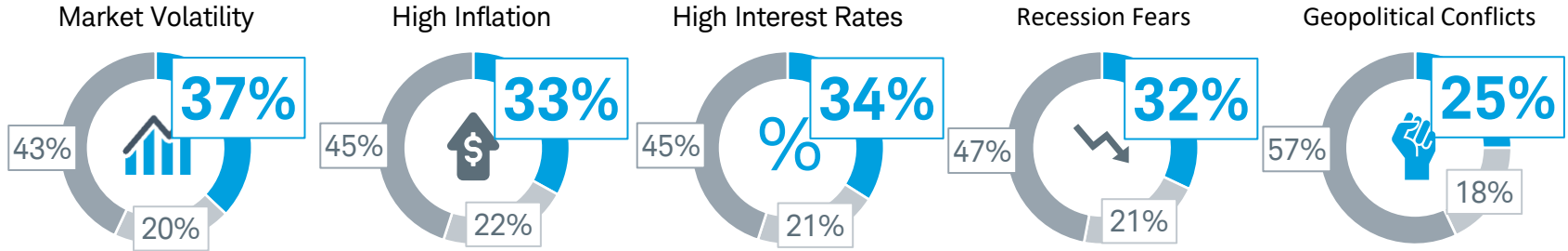
## Impact of current events on ETF investing ETF investors



- I have put more money into ETFs
- I have taken money out of ETFs
- This has not impacted how I invest in ETFs

# A portion of ETF investors see these market challenges as opportunities to invest more in ETFs in the coming months

## Impact of future events on ETF investing ETF investors

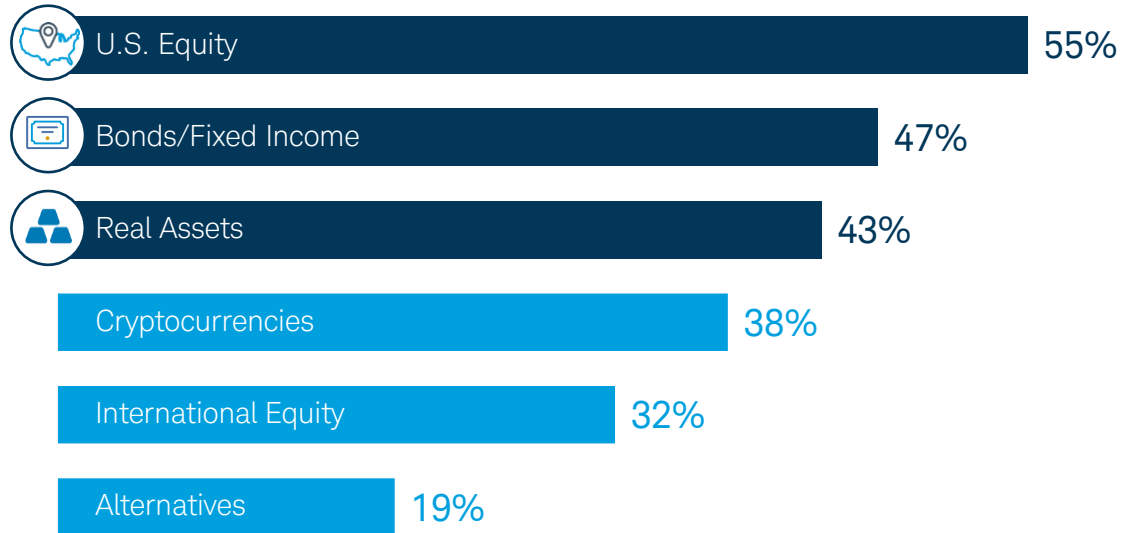


- I will put more money into ETFs
- I will take money out of ETFs
- This will not impact how I invest in ETFs



# The top three asset classes ETF investors plan to invest in over the next year are U.S. equities, bonds/fixed income, and real assets

## Types of ETFs investors plan to invest in ETF investors



# About a third of ETF investors consider themselves experienced in bond/fixed income products, and more ETF investors are very interested in learning more

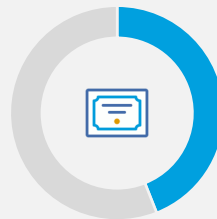
## Bonds and fixed income level of understanding ETF investors



35%

Say they are highly  
experienced or  
experienced

## Interest in learning more about fixed income products ETF investors

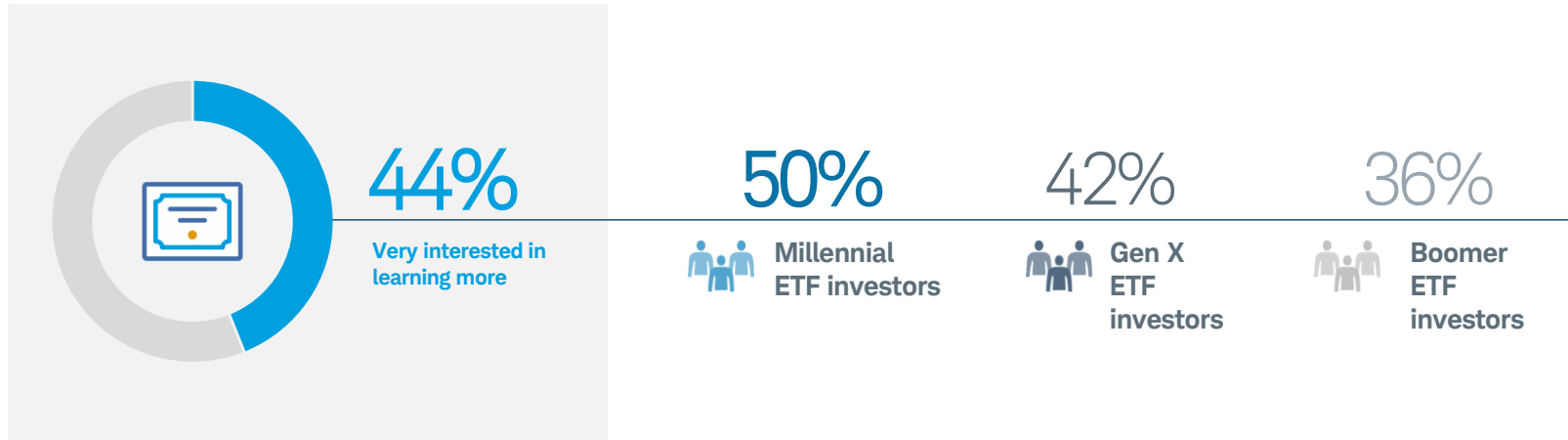


44%

Very interested in  
learning more

# Millennial ETF investors are the most interested in learning more about fixed income products compared to other generations

## Interest in learning more about fixed income products ETF investors



Asset Management

Q36D: How interested are you in learning more about fixed income products?  
(Base: Total ETF Investors = 1,000, Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)

# The majority of ETF investors agree that the classic 60/40 portfolio is the right mix for them

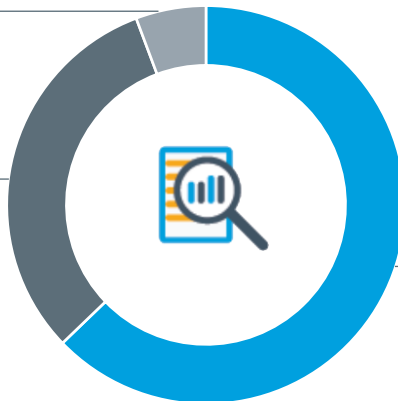
## 60/40 portfolio mix to meet investing goals ETF investors

6%

Don't know

31%

No, I don't think the 60/40 portfolio is the right mix to meet my investing goals



63%

Yes, I think the 60/40 portfolio is the right mix to meet my investing goals



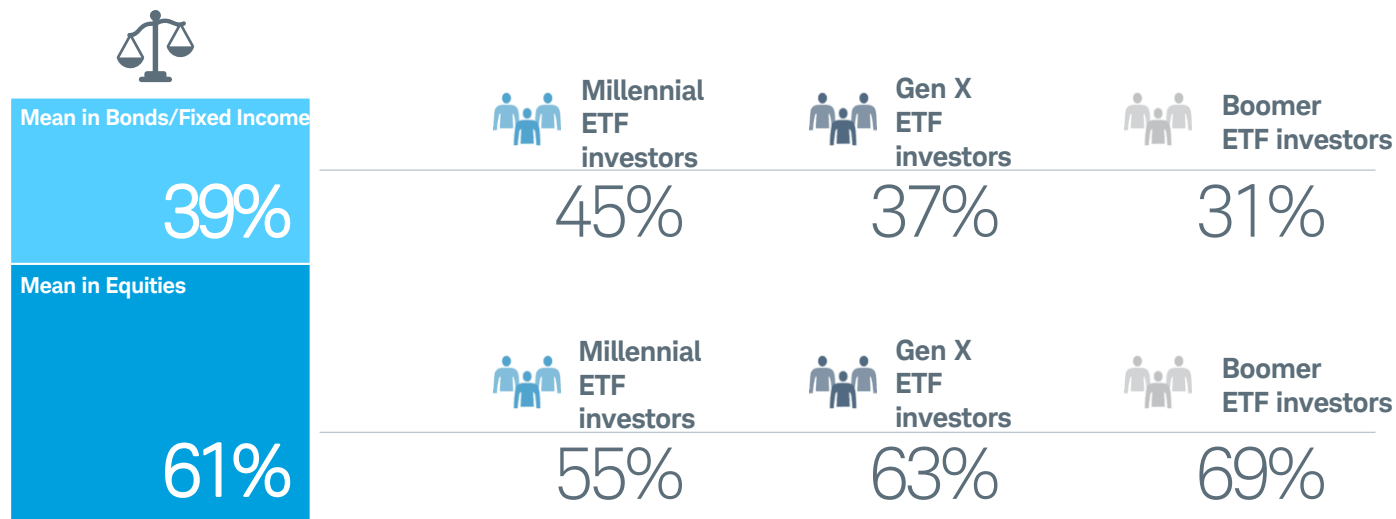
Asset  
Management

Q36F: Do you view the classic 60/40 portfolio as a good option for you? (Base: Total ETF Investors = 1,000)

# Most ETF investors align their portfolios with the classic 60/40 portfolio mix

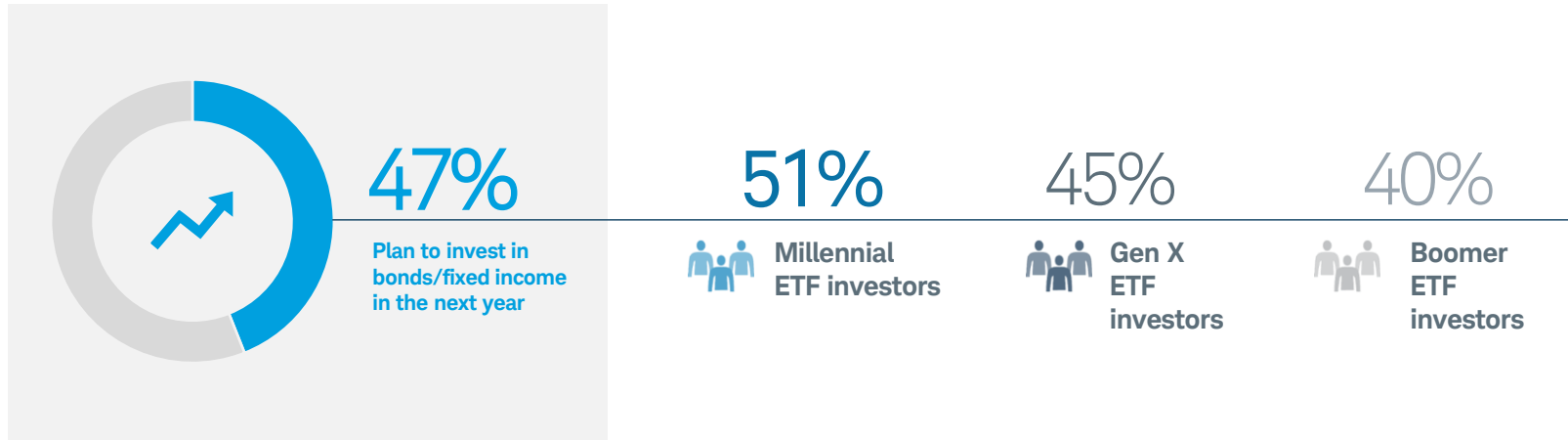
## Average portfolio breakdown of ETF investors

ETF investors (Mean)



# Over the next year, Millennial ETF investors plan to invest in bonds/fixed income products more than other generations

## Planning to invest in bonds/fixed income products in the next year ETF investors

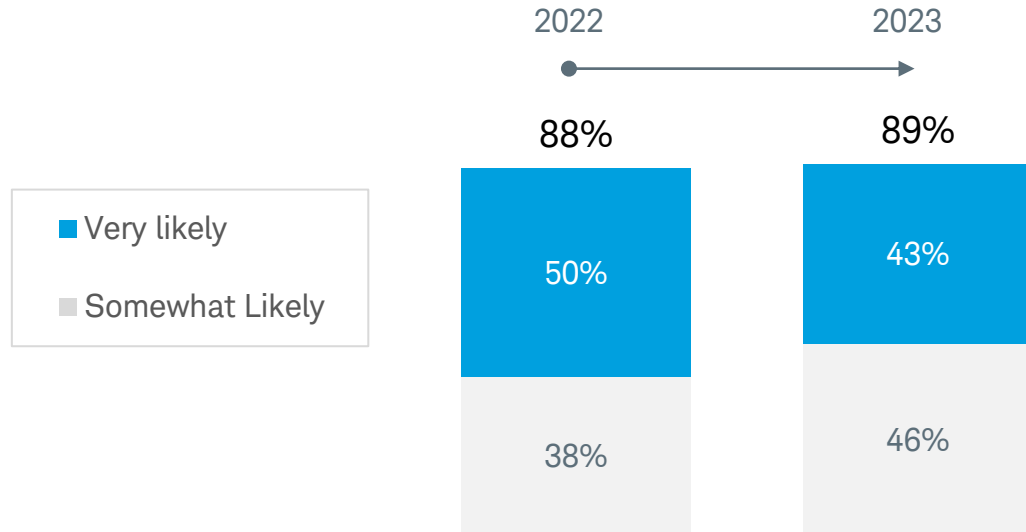


Asset Management

Q21: Which asset classes do you plan to invest in over the next year via ETFs?  
(Base: Total ETF Investors = 1,000, Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)

# Most ETF investors are very or somewhat likely to purchase an actively managed ETF in the next two years, but fewer say they are very likely – down from half of ETF investors in 2022

## Likelihood to consider purchasing an actively managed ETF in next two years ETF investors



# When it comes to specialty ETFs, ETF investors' top picks for the next year are dividend, long/short, leveraged, and thematic ETFs

## Types of specialty ETFs investors plan to invest in

ETF investors





# ETF investors who currently invest in smart beta strategies believe now is a good time to invest in smart beta ETFs and many plan to invest more in smart beta products in the next year

## Believe it is a good time to invest in smart beta ETFs

ETF investors currently invested in smart beta strategies

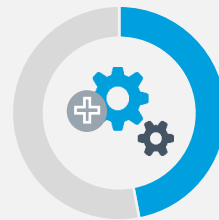


78%

Yes, currently a good time to invest

## Plan to increase smart beta ETF investments

ETF investors currently invested in smart beta strategies



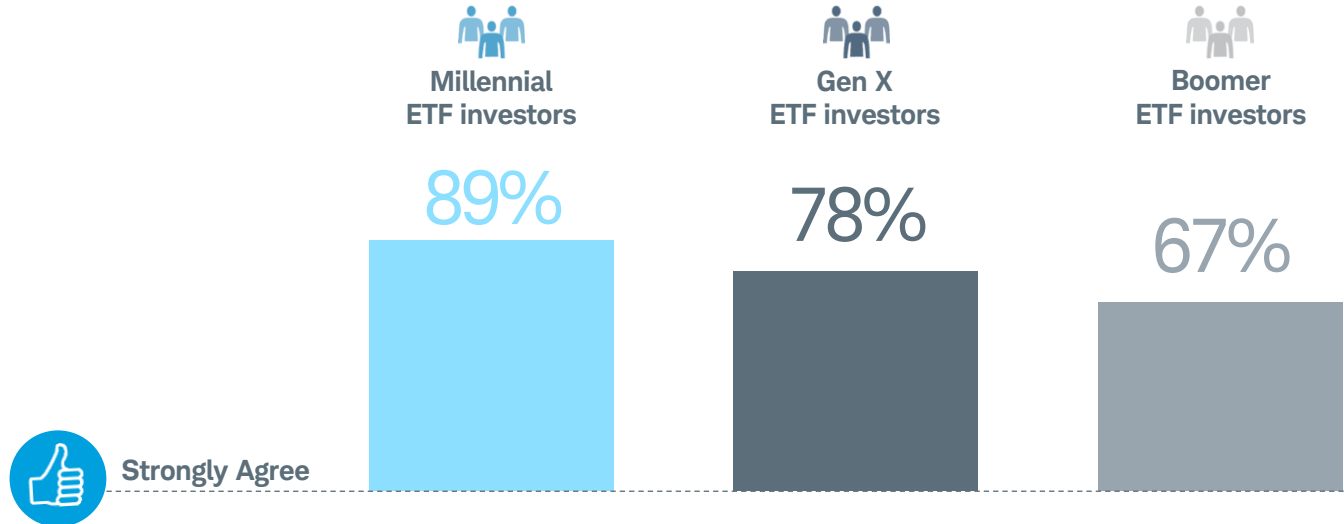
47%

Increase investments

# Millennials and ETFs – Still BFFs

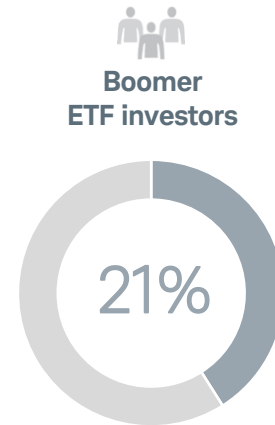
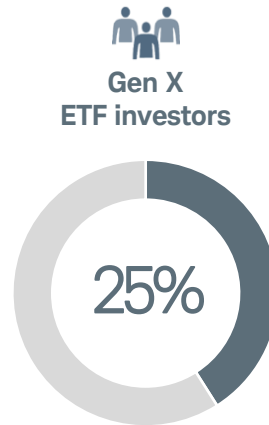
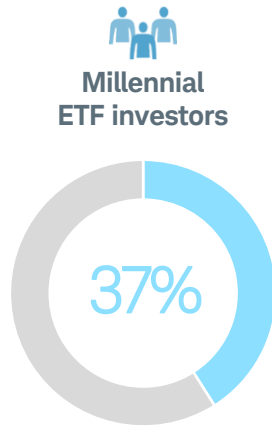
# Millennial ETF investors continue to have a greater affinity for ETFs and say ETFs are their investment vehicle of choice more than Gen X and Boomer ETF investors

## ETFs are my investment vehicle of choice



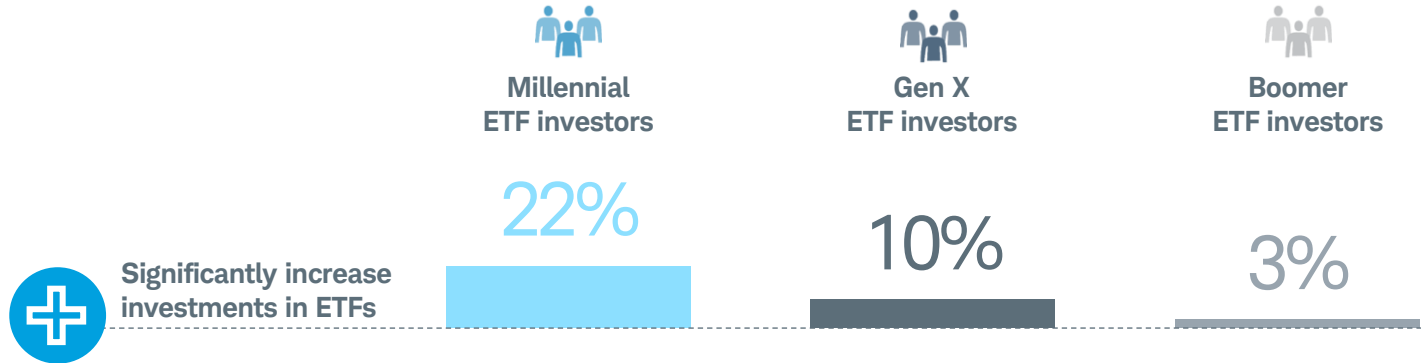
# Millennial ETF investors also continue to be more heavily invested in ETFs than older investors

## Average percent of investment portfolio in ETFs (Mean)



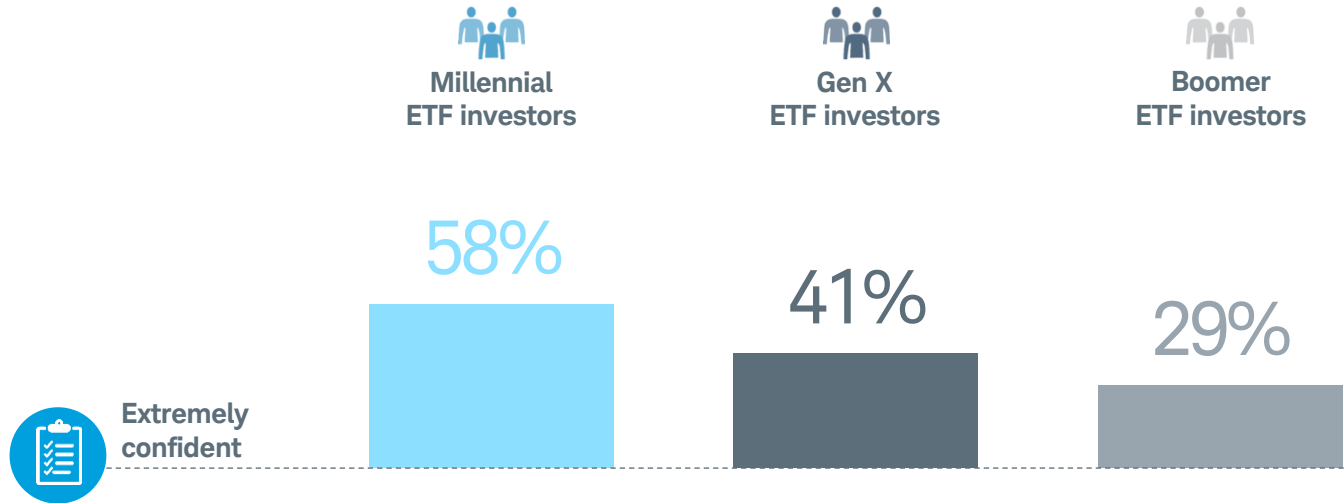
# In the next year, more Millennial ETF investors plan to significantly increase their investments in ETFs compared to Gen X and Boomer ETF investors

## ETF investment plans within the next year



# Millennial ETF investors remain extremely confident in their ability to choose ETFs that can help them achieve their investment objectives

## Confidence in choosing ETFs



# Personalization

# The trend toward personalization remains strong. ETF investors are increasingly personalizing their portfolios and investing with their personal values

**Likely to do the following in 2023**  
ETF investors (Very or somewhat likely)



88%

I will personalize my investment portfolio more



I will invest more in companies or funds that align with my personal values

78%



I will invest more in investments that correspond to a particular theme

74%



I will divest from companies or funds that do not align with my personal values

67%



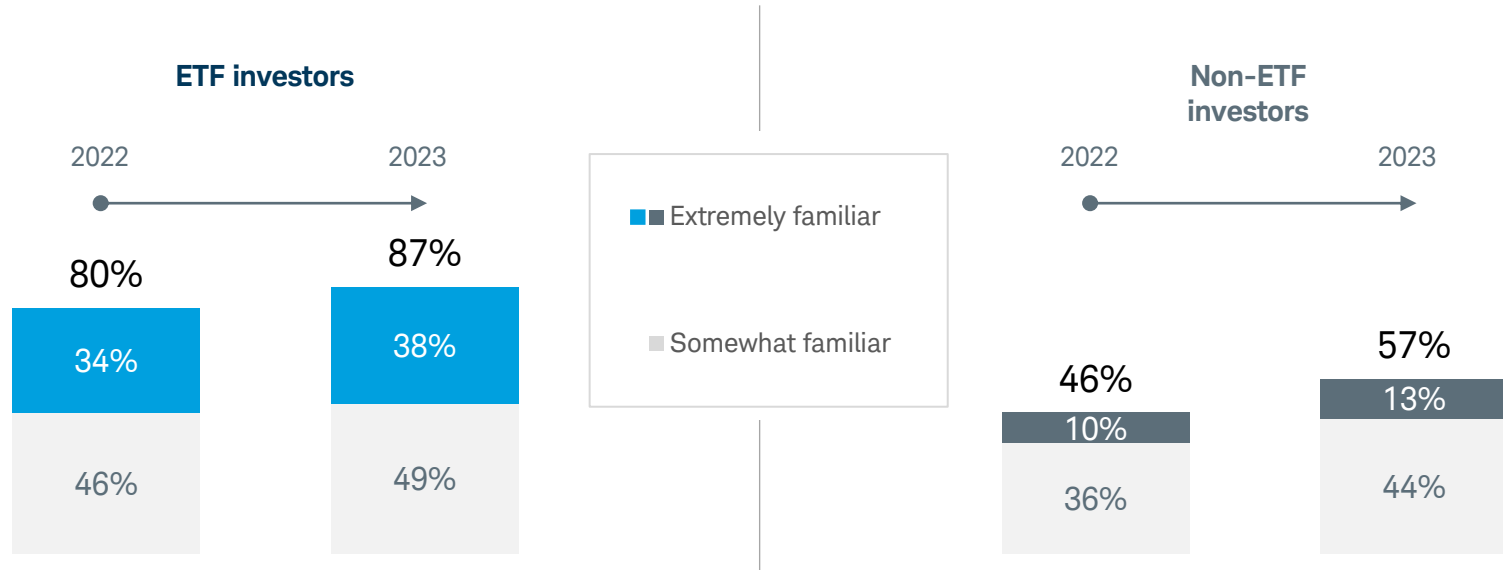
# ETF investors value control, customization, and tax optimization of their investments

## Factors rated extremely important when it comes to investments ETF investors



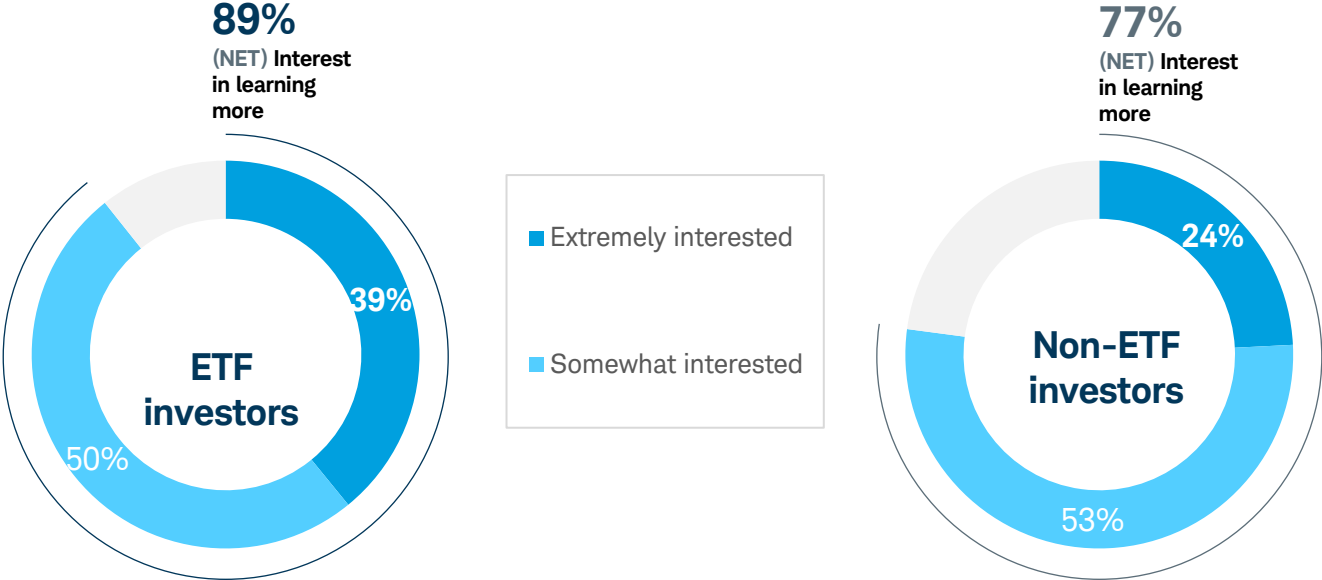
# ETF investors and non-ETF investors alike are becoming more familiar with direct indexing

## Extremely or somewhat familiar with direct indexing



# Most ETF investors and non-ETF investors are interested in learning more about direct indexing

## Interest in learning more about direct indexing

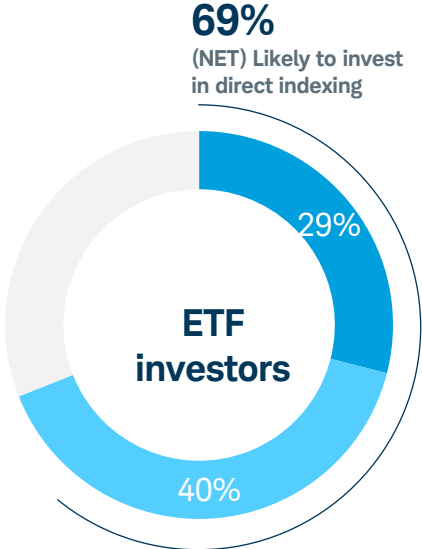


# Most ETF investors who are not already invested in a direct indexing solution believe they are likely to invest in a direct indexing offering in the next 12 months

## Likelihood to invest in direct indexing in the next 12 months

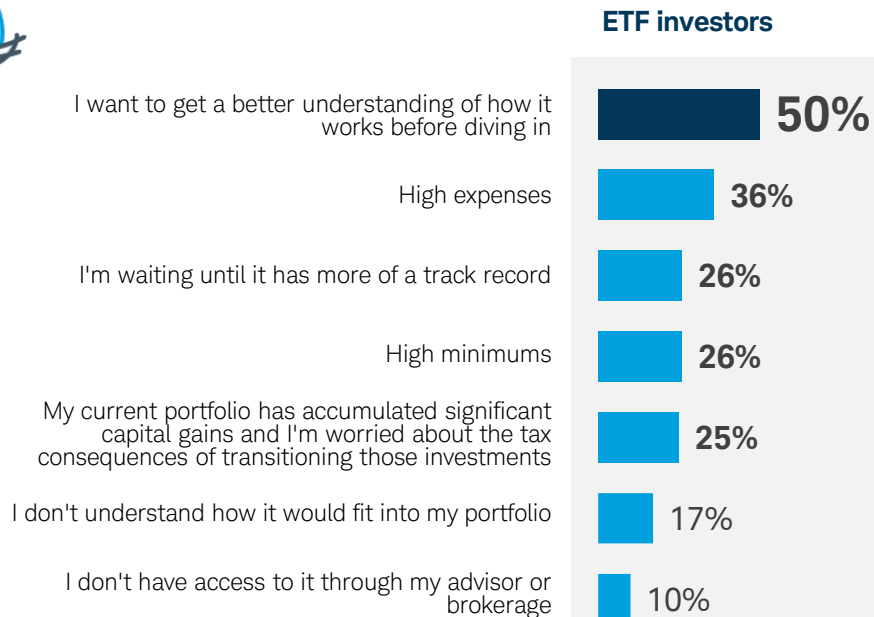


- Very likely in the next 12 months
- Somewhat likely in the next 12 months



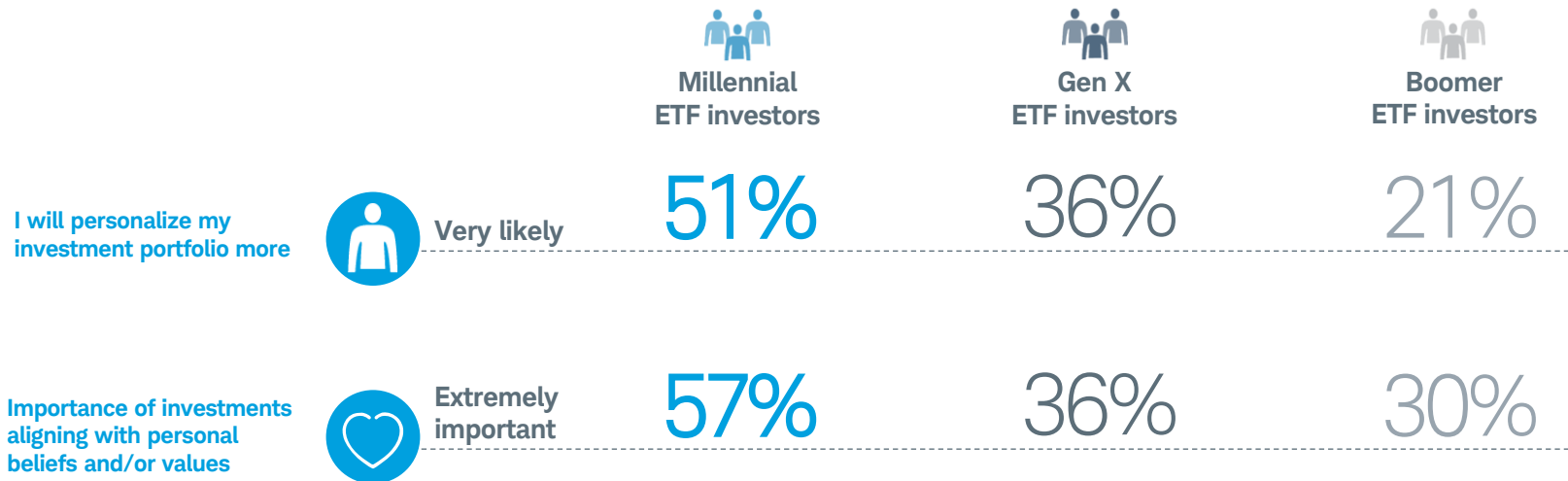
# ETF investors who are interested but not ready to invest in direct indexing yet want to get a better understanding of how it works first

## Reasons interested but not ready to invest in direct indexing yet



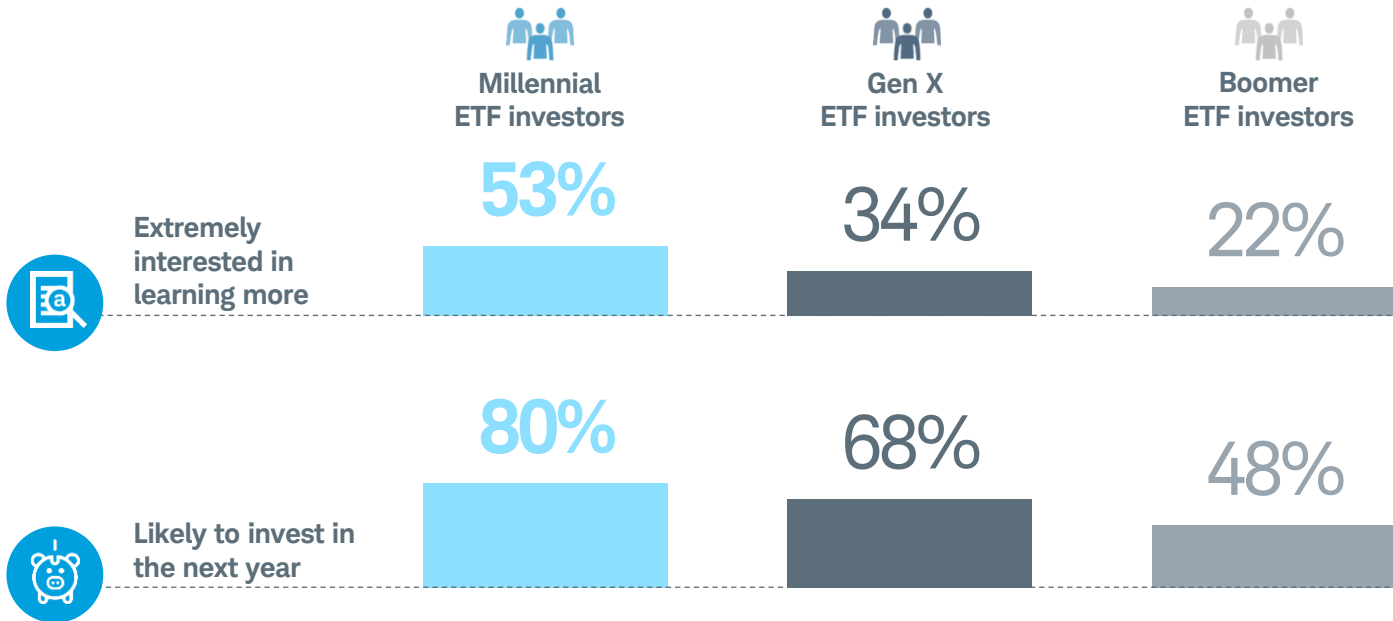
# Millennial ETF investors are more likely to personalize their portfolios in the year ahead and find it more important to align their investments with their values and beliefs than other generations

## Likelihood to personalize; importance of aligning investments with beliefs/values



# Reflecting their interest in personalization, Millennial ETF investors are more likely to be interested in learning about direct indexing and many are ready to invest in direct indexing

## Interest and likelihood to invest in direct indexing



# Demographic Snapshot

## ETF investors

### Gender



Male	Female
63%	37%

### Generations\*



44%

Millennials



32%

Gen X



24%

Boomers

### HH income



Mean	Median
\$122K	\$113K

### Investable assets



Mean	Median
\$679K	\$375K

### Employment



Full-time	Part-time	Retired	Other
94%	2%	2%	2%

## Non-ETF investors

### Gender



Male	Female
60%	40%

### Generations\*



40%

Millennials



31%

Gen X



29%

Boomers

### HH income



Mean	Median
\$90K	\$88K

### Investable assets



Mean	Median
\$280K	\$75K

### Employment



Full-time	Part-time	Retired	Other
76%	5%	10%	9%



## Important information

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Investing involves risk including loss of principal. The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision.

Survey respondents were not asked to indicate whether they had accounts with Schwab. All data is self-reported by study participants and is not verified or validated.

Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Shares of ETFs are not individually redeemable directly with the ETF. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

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