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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.

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

- 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)

* Logica Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc.
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)

- **2020**: 71%
- **2022**: 80%
- **2023**: 80%

Q26: Please select how much you agree or disagree with the following statements. (Base: Total ETF Investors = 1,000)
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: 95% of ETF investors
- ETF allocation adjustments in 2023: 52% of ETF investors 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)

2020: 29%
2022: 33%
2023: 29%

Q12: What percent of all of your investments are in ETFs today, if any? (Base: Total ETF Investors = 1,000)
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

Q10: When it comes to your understanding of ETFs, do you consider yourself...? (Base: Total ETF Investors = 1,000; Total Non-ETF Investors = 1,000)
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

- 2022: 41%
- 2023: 48%

Extremely interested in learning more about ETFs
Non-ETF investors

- 2022: 27%
- 2023: 34%

Q7: How likely are you to consider purchasing an ETF in the next two years? (Base: Total Non-ETF Investors = 1,000)
Q11. How interested are you in learning more about ETFs? (Base: Total Non-ETF Investors = 1,000)
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**

<table>
<thead>
<tr>
<th>Reason</th>
<th>ETF investors</th>
<th>Non-ETF investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>To diversify portfolio</td>
<td>71%</td>
<td>62%</td>
</tr>
<tr>
<td>ETFs are easy to buy and sell</td>
<td>71%</td>
<td>47%</td>
</tr>
<tr>
<td>ETFs are low cost</td>
<td>47%</td>
<td>36%</td>
</tr>
<tr>
<td>ETFs are tax efficient</td>
<td>43%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Q9: You indicated you are likely to consider buying ETFs in the next two years. Which of the following reasons describe why?

(Base: Those who are likely to consider buying ETFs in the next two years: ETF Investors = 948, Non-ETF Investors = 483)
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

<table>
<thead>
<tr>
<th>Types of Cars</th>
<th>ETF Investors (%)</th>
<th>Non-ETF Investors (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mid-size</strong></td>
<td>58</td>
<td>63</td>
</tr>
<tr>
<td>I want a reliable portfolio that gets me where I want to go without unnecessary bells and whistles.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Self-driving</strong></td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>I want a portfolio with technology that lets me remain mostly hands off.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Luxury</strong></td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>I want a portfolio that is customized to my personal preferences from top to bottom.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q46: Which of the following types of cars best describes the type of investor you are? (Base: Total ETF Investors = 1,000; Total Non-ETF Investors = 1,000)
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

<table>
<thead>
<tr>
<th></th>
<th>ETF investors</th>
<th>Non-ETF investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving for retirement</td>
<td>72%</td>
<td>72%</td>
</tr>
<tr>
<td>Generating income during retirement</td>
<td>65%</td>
<td>71%</td>
</tr>
<tr>
<td>Preserving wealth</td>
<td>57%</td>
<td>52%</td>
</tr>
<tr>
<td>Building wealth for major life milestones</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Distributing wealth</td>
<td>43%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Q43: What are the top outcomes you are trying to achieve through your investments? (Base: Total ETF Investors = 1,000; Total Non-ETF Investors = 1,000)
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)

Q27: When choosing an ETF, how important to you is each of the following? (Base: Total ETF Investors = 1,000)

- **Total cost**: 58%
- Low expense ratio: 52%
- Reputation of the ETF provider: 52%
- How well it tracks to its index: 51%
- Tax efficiency: 49%
- Historical returns of the ETF: 48%
- The portfolio manager’s experience/track record: 46%
- Liquidity/trading volume of the ETF: 46%
- Access/exposure to a specific part of the market: 45%
- Total assets in the ETF: 42%
- The ETF's objectives and holdings align with my values and beliefs: 38%
- A well-known ticker/the brand name of the ETF: 34%
- Approach to investment stewardship/proxy voting: 32%
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

Market Volatility
- 45% I have put more money into ETFs
- 34% I have taken money out of ETFs
- 21% This has not impacted how I invest in ETFs

High Inflation
- 48% I have put more money into ETFs
- 20% This has not impacted how I invest in ETFs

High Interest Rates
- 49% I have put more money into ETFs
- 19% I have taken money out of ETFs

Recession Fears
- 51% I have put more money into ETFs
- 23% This has not impacted how I invest in ETFs

Geopolitical Conflicts
- 61% I have put more money into ETFs
- 17% This has not impacted how I invest in ETFs

Q18. How much have each of the following events impacted your ETF investing so far in 2023? (Base: Total ETF Investors = 1,000)
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

- Market Volatility: 37%
  - I will put more money into ETFs: 43%
  - I will take money out of ETFs: 20%
  - This will not impact how I invest in ETFs: 22%

- High Inflation: 33%
  - I will put more money into ETFs: 45%
  - I will take money out of ETFs: 22%
  - This will not impact how I invest in ETFs: 21%

- High Interest Rates: 34%
  - I will put more money into ETFs: 47%
  - I will take money out of ETFs: 21%
  - This will not impact how I invest in ETFs: 21%

- Recession Fears: 32%
  - I will put more money into ETFs: 57%
  - I will take money out of ETFs: 21%
  - This will not impact how I invest in ETFs: 18%

- Geopolitical Conflicts: 25%
  - I will put more money into ETFs: 18%
  - I will take money out of ETFs: 20%
  - This will not impact how I invest in ETFs: 57%

Q30. How do you expect each of the following events to impact your ETF investing in the coming months? (Base: Total ETF Investors = 1,000)
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

- U.S. Equity: 55%
- Bonds/Fixed Income: 47%
- Real Assets: 43%
- Cryptocurrencies: 38%
- International Equity: 32%
- Alternatives: 19%

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

Q36A: When it comes to your level of understanding of investing in bonds/fixed income, do you consider yourself...? (Base: Total ETF Investors = 1,000)
Q36D: How interested are you in learning more about fixed income products? (Base: Total ETF Investors = 1,000)
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

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

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)

<table>
<thead>
<tr>
<th></th>
<th>Millennial ETF investors</th>
<th>Gen X ETF investors</th>
<th>Boomer ETF investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean in Bonds/Fixed Income</td>
<td>39%</td>
<td>55%</td>
<td>31%</td>
</tr>
<tr>
<td>Mean in Equities</td>
<td>61%</td>
<td>63%</td>
<td>69%</td>
</tr>
</tbody>
</table>

Q36E: Approximately what percentage of your portfolio is in equities and how much is in bonds/fixed income? (Base: Total ETF Investors = 1,000, Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)
Over the next year, Millennial ETF investors plan to invest in bonds/fixed income products more than other generations

<table>
<thead>
<tr>
<th>Asset Classes</th>
<th>Millennial ETF Investors</th>
<th>Gen X ETF Investors</th>
<th>Boomer ETF Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds/ Fixed Income</td>
<td>47%</td>
<td>51%</td>
<td>45%</td>
</tr>
</tbody>
</table>

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

- **Very likely**: 88% in 2022, 89% in 2023
- **Somewhat Likely**: 50% in 2022, 43% in 2023

Q25B: How likely are you to consider purchasing an actively managed ETF in the next two years? (Base: Total ETF Investors = 1,000)
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

<table>
<thead>
<tr>
<th>ETF Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>53%</td>
</tr>
<tr>
<td>Long/Short</td>
<td>37%</td>
</tr>
<tr>
<td>Leveraged</td>
<td>27%</td>
</tr>
<tr>
<td>Thematic</td>
<td>27%</td>
</tr>
<tr>
<td>ESG</td>
<td>26%</td>
</tr>
<tr>
<td>Buffer</td>
<td>24%</td>
</tr>
<tr>
<td>Volatility</td>
<td>23%</td>
</tr>
<tr>
<td>Smart Beta</td>
<td>20%</td>
</tr>
</tbody>
</table>
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

Q33A: Do you believe now is a good time to invest in Smart Beta ETFs? (Base: Those who currently invest in smart beta strategies: ETF Investors = 396)
Q34: In the next year, which one do you expect to do, if any? (Base: Those who currently invest in smart beta strategies: ETF Investors = 396)
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

Q26: Please select how much you agree or disagree with the following statements.
(Base: Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)
Millennial ETF investors also continue to be more heavily invested in ETFs than older investors

Average percent of investment portfolio in ETFs
(Mean)

- **Millennial ETF investors**: 37%
- **Gen X ETF investors**: 25%
- **Boomer ETF investors**: 21%

Q12: What percent of all of your investments are in ETFs today, if any?
(Base: Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)
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**: 22%
- **Gen X ETF investors**: 10%
- **Boomer ETF investors**: 3%

Q16. In the next year, which of the following do you expect to do, if any?  
(Base: Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)
Millennial ETF investors remain extremely confident in their ability to choose ETFs that can help them achieve their investment objectives.

Confidence in choosing ETFs

Q28: How confident are you in your ability to choose an ETF that can help you achieve your investment objectives? (Base: Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)
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)

- I will personalize my investment portfolio more: 88%
- 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

- Have more control over their investments: 65%
- Know their investments are managed to optimize tax liabilities: 61%
- Have greater ability to customize their investments: 61%

Q37D: When thinking about your investments, how important to you is each of the following? (Base: Total ETF Investors = 1,000)
ETF investors and non-ETF investors alike are becoming more familiar with direct indexing.

Extremely or somewhat familiar with direct indexing

<table>
<thead>
<tr>
<th>Year</th>
<th>ETF Investors</th>
<th>Non-ETF Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>80% 34% 46%</td>
<td>46% 10% 36%</td>
</tr>
<tr>
<td>2023</td>
<td>87% 38% 49%</td>
<td>57% 13% 44%</td>
</tr>
</tbody>
</table>

Q46A: How familiar are you with the following terms? (Base: Total ETF Investors = 1,000; Total Non-ETF Investors = 1,000)
Most ETF investors and non-ETF investors are interested in learning more about direct indexing

Interest in learning more about direct indexing

ETF investors

- Extremely interested: 50%
- Somewhat interested: 39%
- Not interested: 11%

Non-ETF investors

- Extremely interested: 24%
- Somewhat interested: 53%
- Not interested: 23%

Q46B: How interested are you in learning more about this product? (Base: Total ETF Investors = 1,000: Total Non-ETF Investors = 1,000)
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: 69%
- Somewhat likely in the next 12 months: 29%
- 40% (NET) Likely to invest in direct indexing

Q46C: How likely are you to invest in direct indexing in the next... (Base: Total ETF Investors = 1,000)
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

- I want to get a better understanding of how it works before diving in: 50%
- High expenses: 36%
- I’m waiting until it has more of a track record: 26%
- High minimums: 26%
- My current portfolio has accumulated significant capital gains and I’m worried about the tax consequences of transitioning those investments: 25%
- I don’t understand how it would fit into my portfolio: 17%
- I don’t have access to it through my advisor or brokerage: 10%

Q46D: If you are interested in direct indexing, but not ready to invest in it yet, what is holding you back? (Base: Those who are interested in direct indexing but not currently investing in it: ETF investors = 893)
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

<table>
<thead>
<tr>
<th></th>
<th>Millennial ETF investors</th>
<th>Gen X ETF investors</th>
<th>Boomer ETF investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>I will personalize my</td>
<td>51%</td>
<td>36%</td>
<td>21%</td>
</tr>
<tr>
<td>investment portfolio</td>
<td>Very likely</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Importance of investments aligning with personal beliefs and/or values</td>
<td>57%</td>
<td>36%</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>Extremely important</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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**

<table>
<thead>
<tr>
<th></th>
<th>Millennial ETF investors</th>
<th>Gen X ETF investors</th>
<th>Boomer ETF investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely interested</td>
<td>53%</td>
<td>34%</td>
<td>22%</td>
</tr>
<tr>
<td>Likely to invest</td>
<td>80%</td>
<td>68%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Q46B: How interested are you in learning more about this product? (Base: Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)

Q46C: How likely are you to invest in direct indexing in the next... (Base: Millennial ETF Investors = 437, Gen X ETF Investors = 321, Boomer ETF Investors = 242)
## Demographic Snapshot

### ETF investors

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>37%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Generations*</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>44%</td>
<td>32%</td>
<td>24%</td>
</tr>
<tr>
<td>Female</td>
<td>56%</td>
<td>68%</td>
<td>76%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HH income</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETF investors</td>
<td>$113K</td>
<td>$122K</td>
</tr>
<tr>
<td>Non-ETF investors</td>
<td>$90K</td>
<td>$88K</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investable assets</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETF investors</td>
<td>$679K</td>
<td>$375K</td>
</tr>
<tr>
<td>Non-ETF investors</td>
<td>$280K</td>
<td>$75K</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment</th>
<th>Full-time</th>
<th>Part-time</th>
<th>Retired</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETF investors</td>
<td>94%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Non-ETF investors</td>
<td>76%</td>
<td>5%</td>
<td>10%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Base: Total ETF Investors = 1,000; Total Non-ETF Investors = 1,000

Important information

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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