



Q4 2018 Charles Schwab Retail Investor Sentiment Report

January 2019

Q4 2018 Executive Summary

Retail investors are shifting from bullish to bearish, but remain confident in reaching their financial goals.

Key themes:

- Client outlook for the U.S. stock market is shifting with 52% feeling bearish, compared to 41% a year ago.
- Confidence among clients overall remains steady but has declined significantly among retired clients.
- The leading concern about investing remains the U.S. political landscape, but clients are divided about how the new makeup of Congress will impact their investment strategy.
- Saving for retirement is the most common concern among most clients; for retired clients, it's understanding how the new tax laws apply to them.
- Nearly 10 years since the March '09 lows, most clients feel fully recovered financially and are investing more than they did 10 years ago, but with less risk.



Joe Vietri

Charles Schwab Branch Network Leader

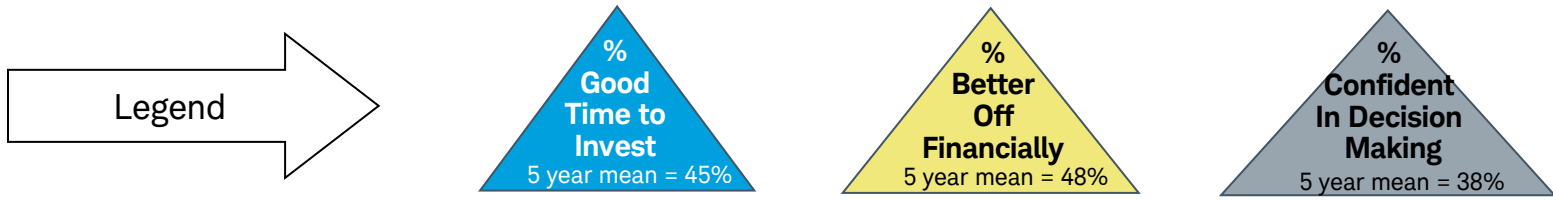
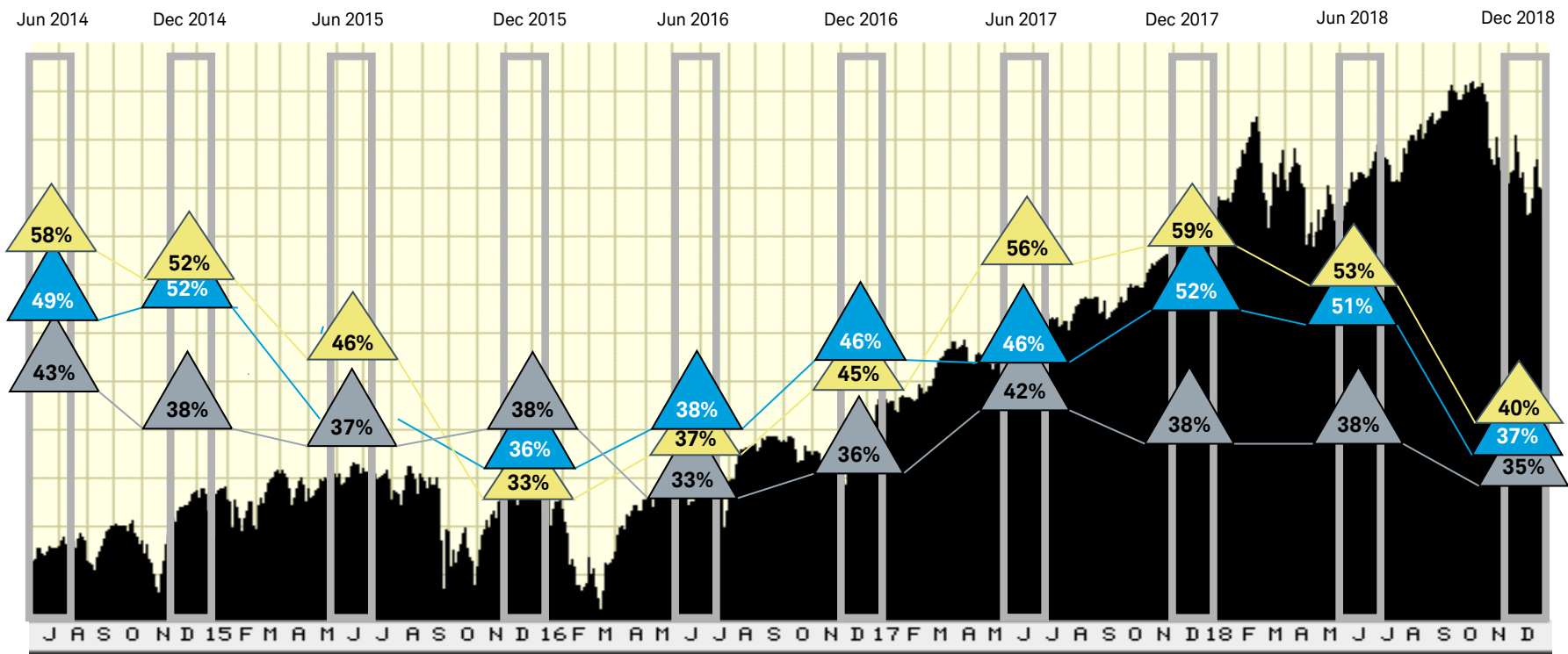
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Increasing market volatility and drama in our political landscape have been catalysts for a downshift in client sentiment from bullish to bearish. But there's hope on the horizon as many investors tell us they plan to review their financial plan this quarter. That's always an important step but particularly so in an environment like this.

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The proportion of clients who think it is a “good time to invest” declined to the lowest level since December 2015.

Client Confidence Trends in Relation to the S&P Composite Index
June 2014 – December 2018

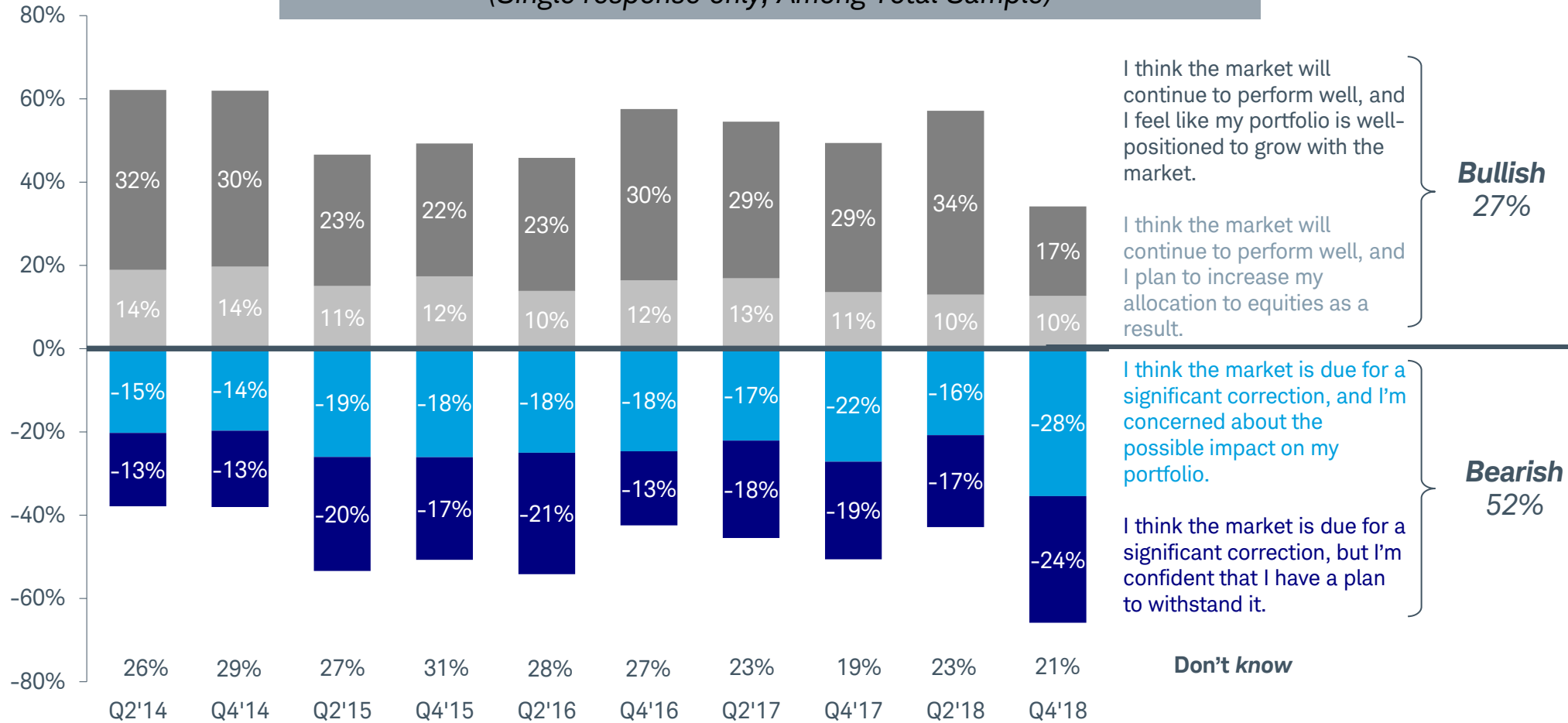


Q. In your opinion, is this a good time or bad time to invest in stocks, mutual funds and other equity-based investments?
 Q. In terms of how you are getting along financially, would you say you are better off, about the same or worse off than you were a year ago?
 Q. How confident would you say you feel in making investment decisions for your household?

Public

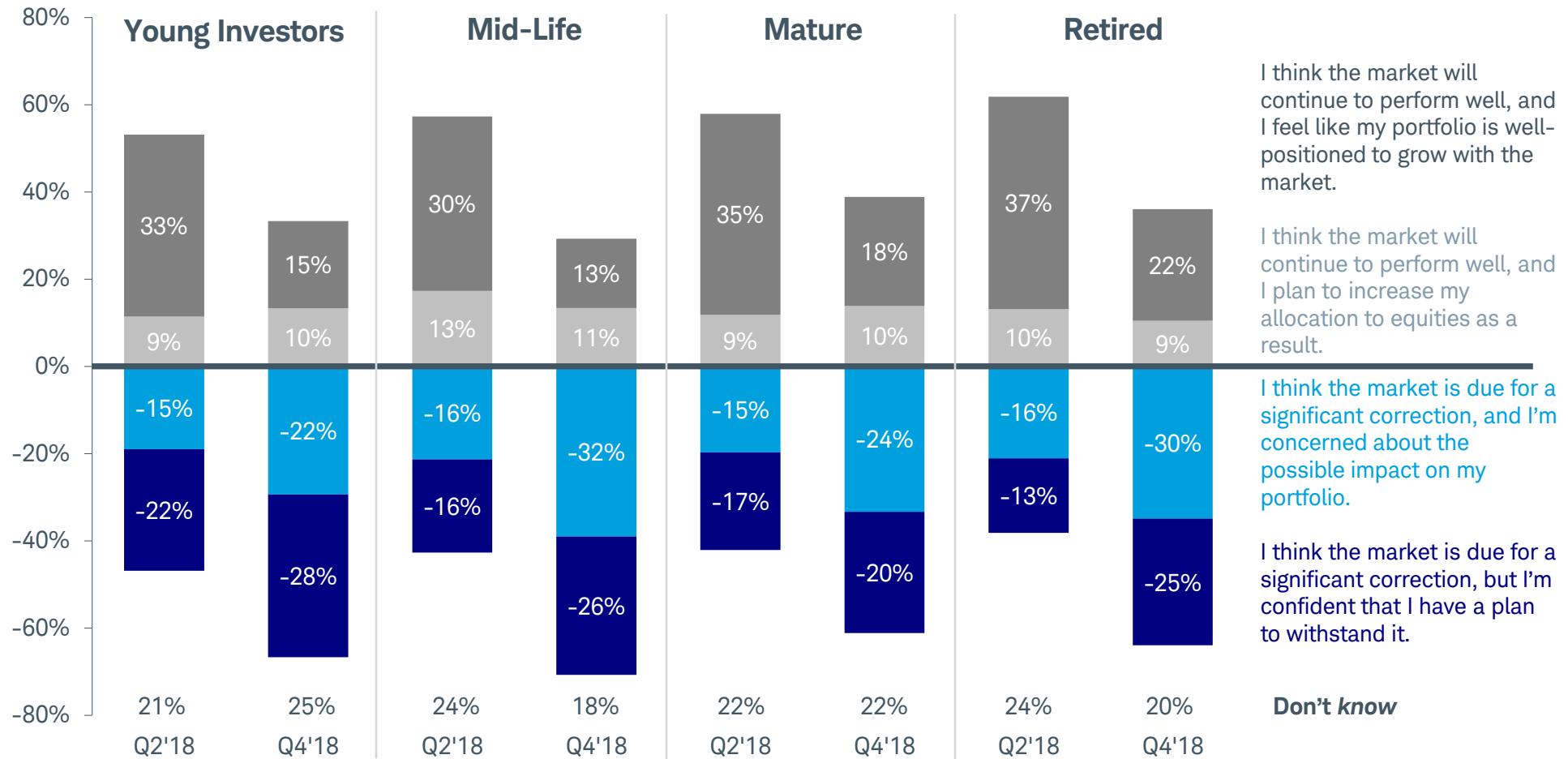
Client outlook for the U.S. stock market is shifting with 52% feeling bearish, compared to 41% a year ago.

Outlook For U.S. Stock Market (Single response only; Among Total Sample)



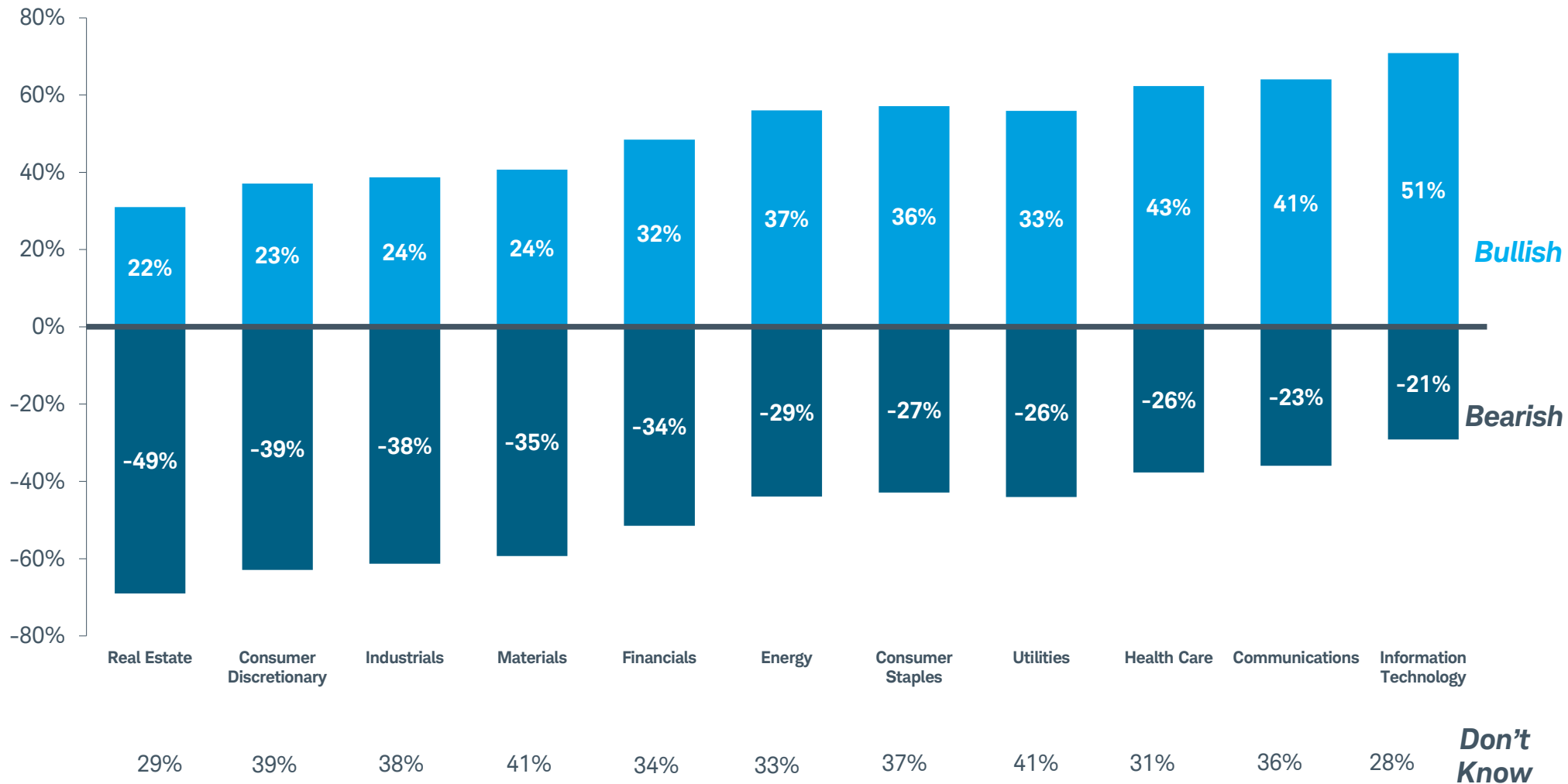
By life stage, Mid-Life and Retired clients are most bearish.

Outlook For U.S. Stock Market by Life Stage



Despite the increased volatility in technology stocks, clients are still mostly bullish on the sector.

Stock Market Outlook for Sectors*
(Among Total Sample)

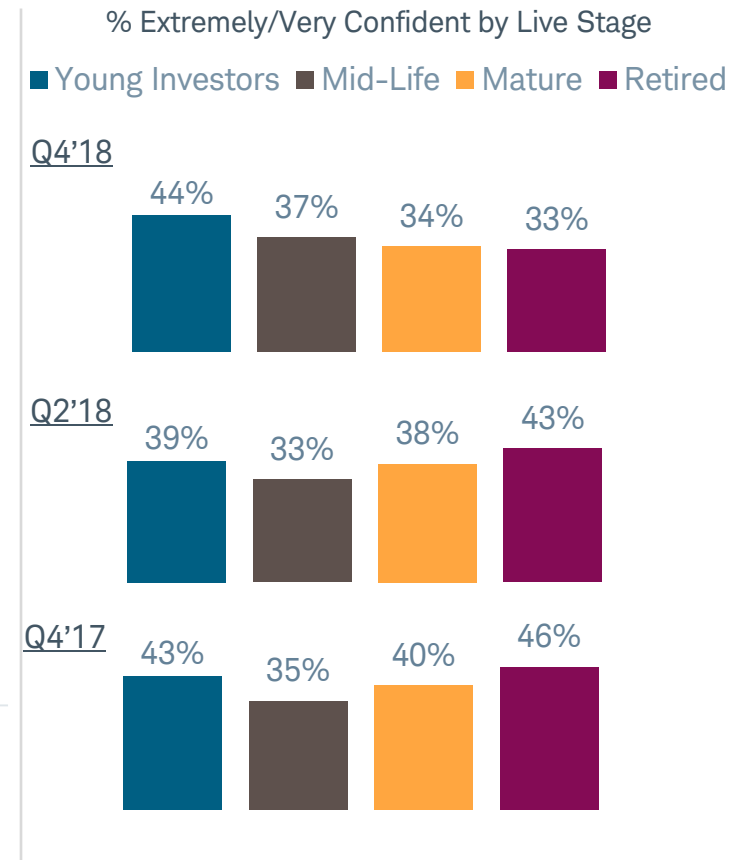
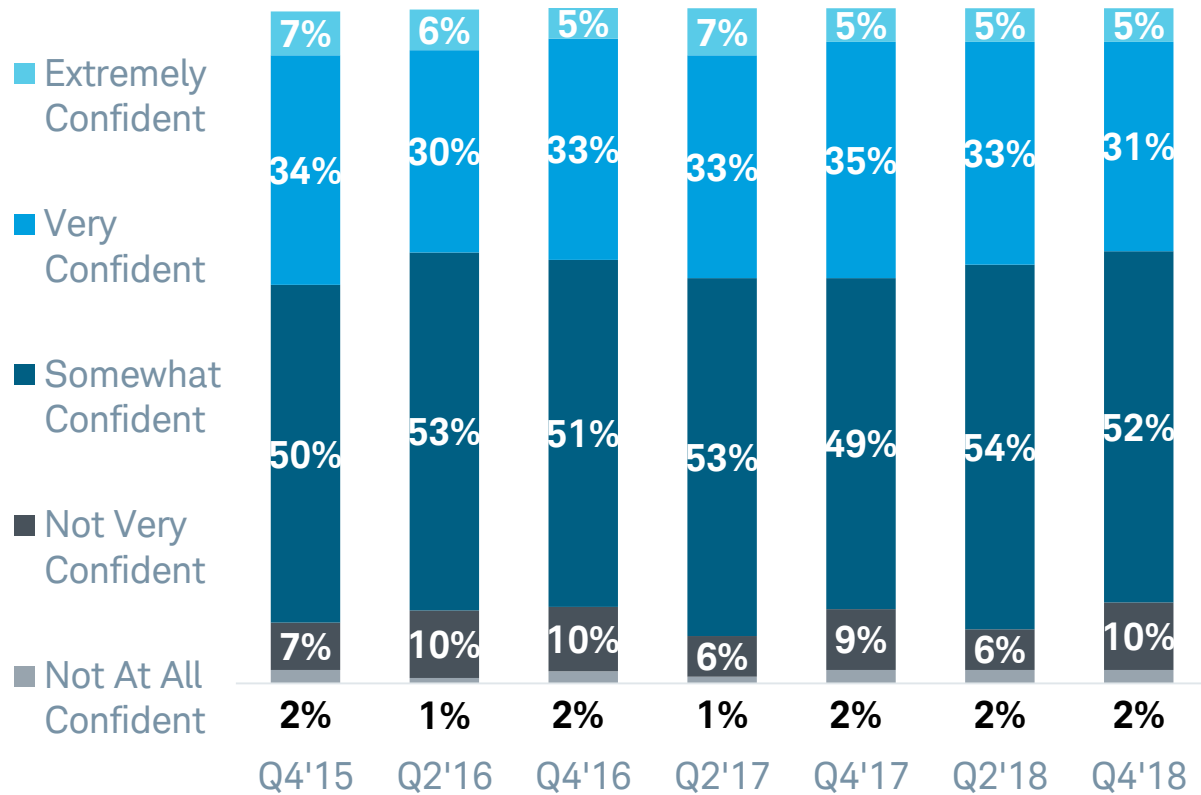


* New question in Q4 2018

Q. In your opinion, which term “bullish” or “bearish” best describes the U.S. stock market for each of the following sectors? ^{Public}

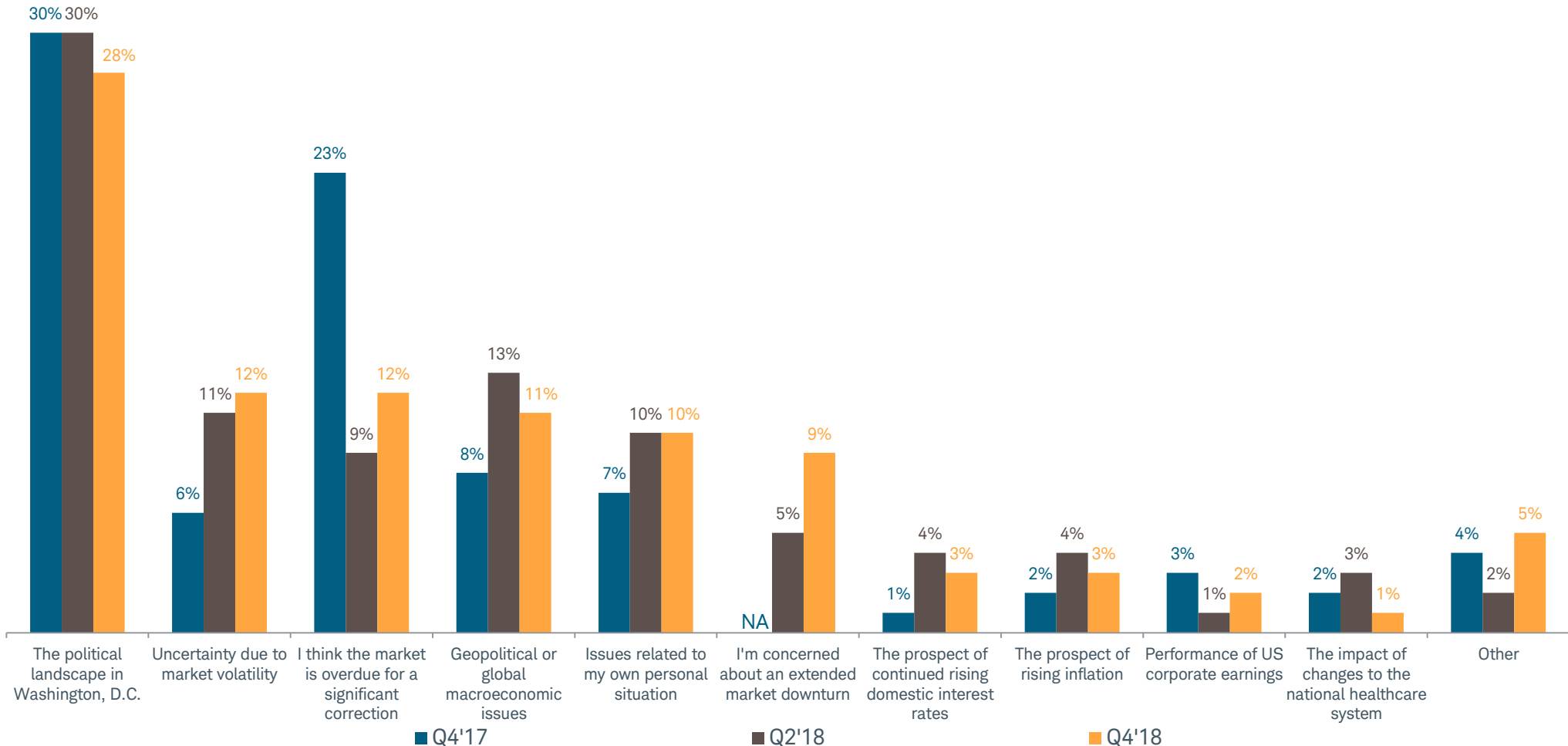
Confidence among clients overall remains steady but has declined significantly among retired clients.

Confidence in Reaching Financial Goals (Single response only; Among Total Sample)



The U.S. political landscape remains the leading concern about investing among clients, but worries about an extended market downturn and uncertainty due to market volatility are on the rise.

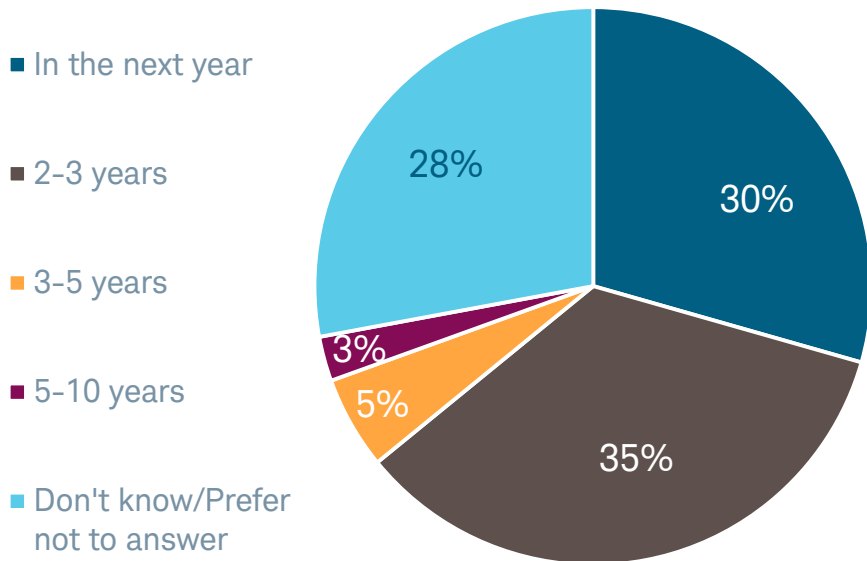
Primary Concern About Investing (Single response only; Among Total Sample)



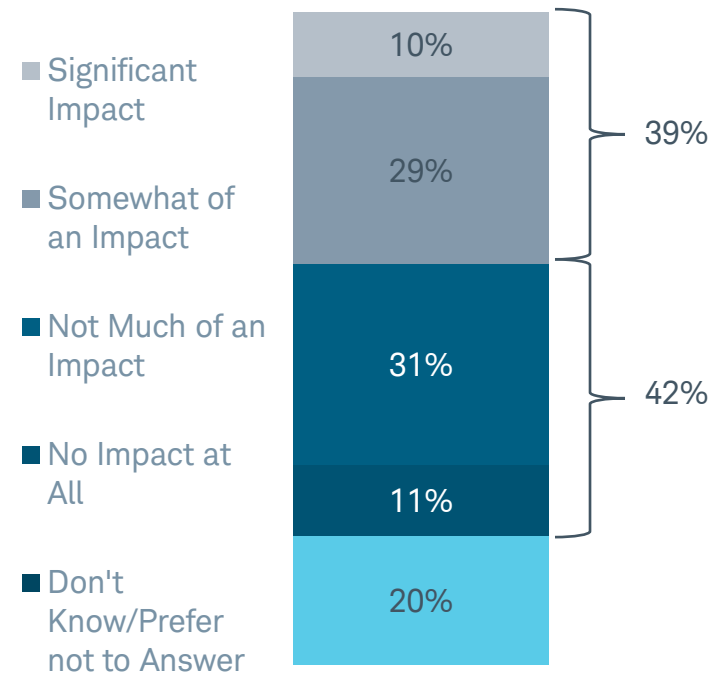
Q4'17: What is your primary concern around money and investing looking ahead to 2018?
 Q2'18: What is your primary concern around money and investing looking ahead to the rest of 2018?
 Q4'18: What is your primary concern around money and investing looking ahead to 2019?

The majority of clients believe the next economic downturn will occur in the next few years. They are divided about how the new makeup of Congress will impact their investment strategy.

Anticipated Timeframe of Next Economic Downturn (Among Total Sample)



Impact of new Congress on Investment Strategy (Among Total Sample)



New question added Q4 2018 asked to all respondents (n=861)
 Q. When do you think the next economic downturn will happen?
 Q. How do you think the new Congress will impact your investment strategy?

Compared to earlier in 2018, more clients indicate moving money into cash or the sidelines.

Change in Investing Philosophy (Among Total Sample)

Q2'14	Q4'14	Q2'15	Q4'15	Q2'16	Q4'16	Q2'17	Q4'17	Q2'18	Q4'18	
Investing Philosophy Changed Past 3 Months (Yes) <i>(Single response only; Total Sample)</i>										
10%	11%	16%	15%	14%	16%	17%	18%	15%	20%	
Actions Taken in Past 3 Months <i>(Multiple responses allowed; Total Sample)</i>										
26%	25%	27%	23%	21%	22%	25%	26%	25%	Rebalancing portfolio	22%
18%	21%	23%	20%	20%	16%	24%	24%	20%	More care in researching/selecting investments	19%
17%	19%	22%	17%	17%	17%	19%	21%	20%	Sought investing guidance/advice	18%
16%	18%	18%	20%	14%	15%	16%	16%	14%	Moved money into cash	18%
8%	8%	9%	7%	8%	7%	10%	11%	10%	Moved money into fixed income investments	12%
7%	5%	7%	8%	9%	10%	6%	7%	6%	Moved to the sidelines	9%
8%	9%	6%	7%	7%	9%	12%	12%	10%	Traded equities for short term gains	8%
5%	6%	5%	3%	5%	4%	5%	7%	6%	Moved money into alternative investments	5%
3%	2%	2%	2%	3%	4%	4%	4%	4%	Traded more options	4%
3%	1%	3%	3%	3%	4%	3%	2%	3%	Moved money into gold/commodities	2%
1%	1%	1%	1%	1%	1%	1%	1%	1%	Traded less on margin	1%
38%	33%	31%	33%	39%	39%	32%	30%	36%	Have taken no action	36%

Looking ahead, clients expect to move money into a variety of vehicles and more than a third say they will review their financial plans.

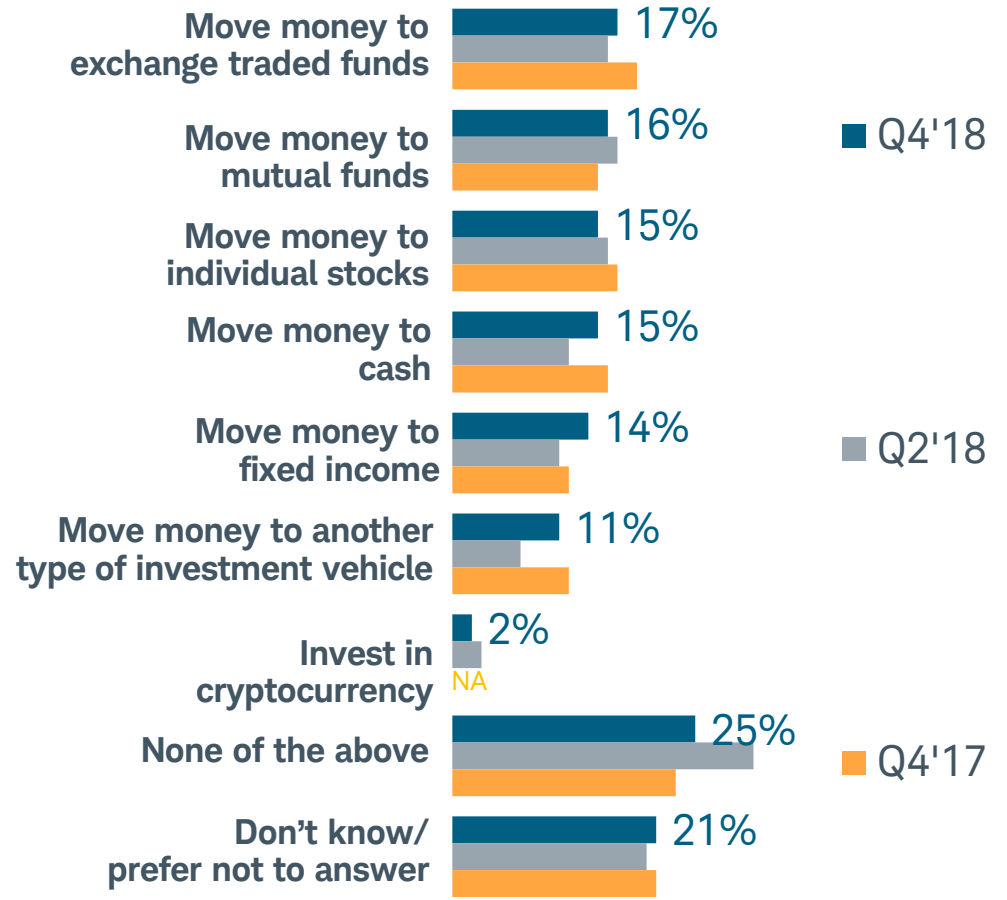
Actions Anticipated In Next 3 Months

(Multiple responses allowed; Among Total Sample)

Financial Strategy Behaviors

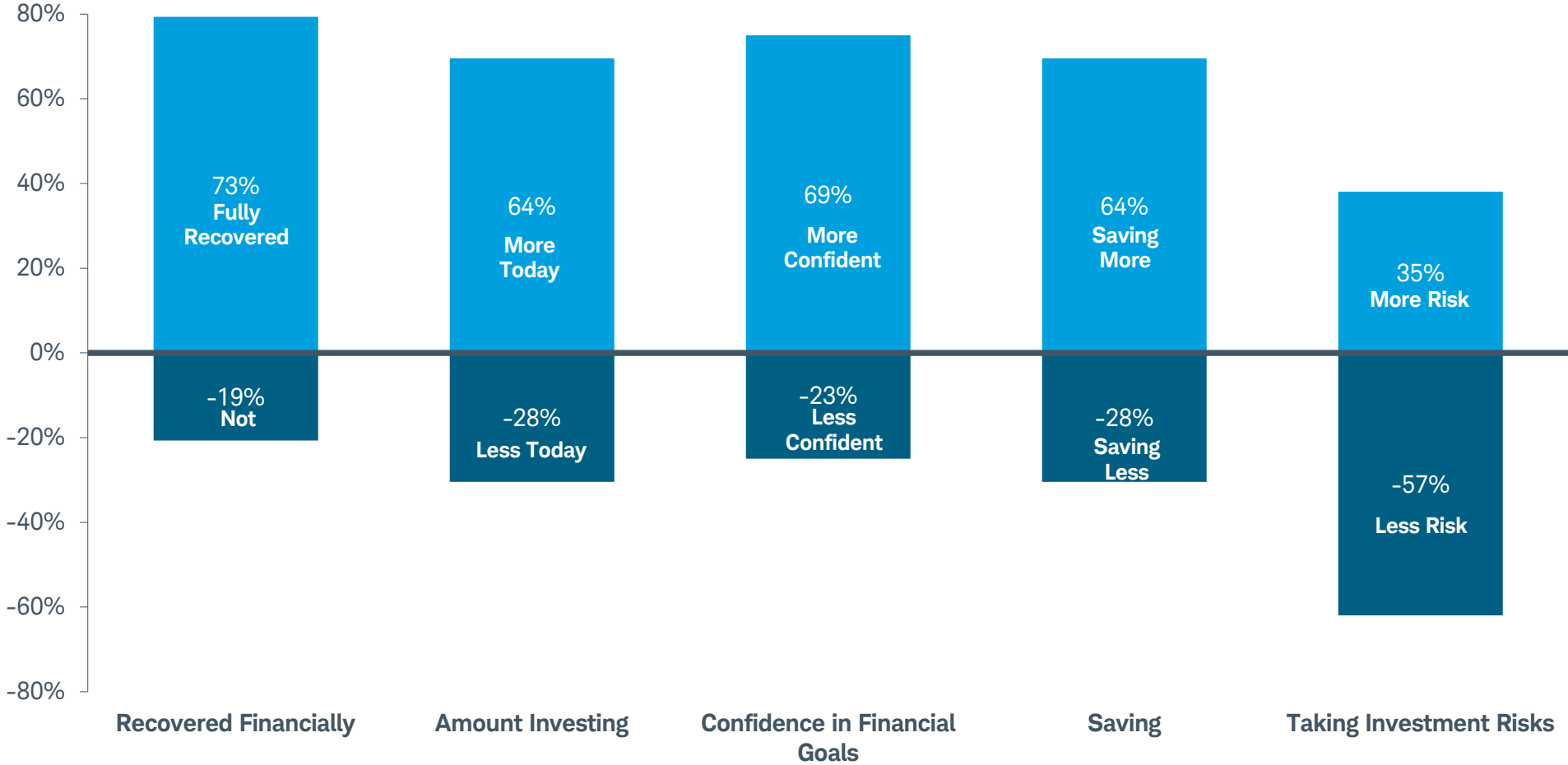


Changes to Portfolio



Nearly 10 years since the March '09 lows, most clients feel fully recovered financially and are investing more than they did 10 years ago, but with less risk.

Investor Sentiments Compared to Stock Market Downturn of March 2009
(Among Total Sample)**

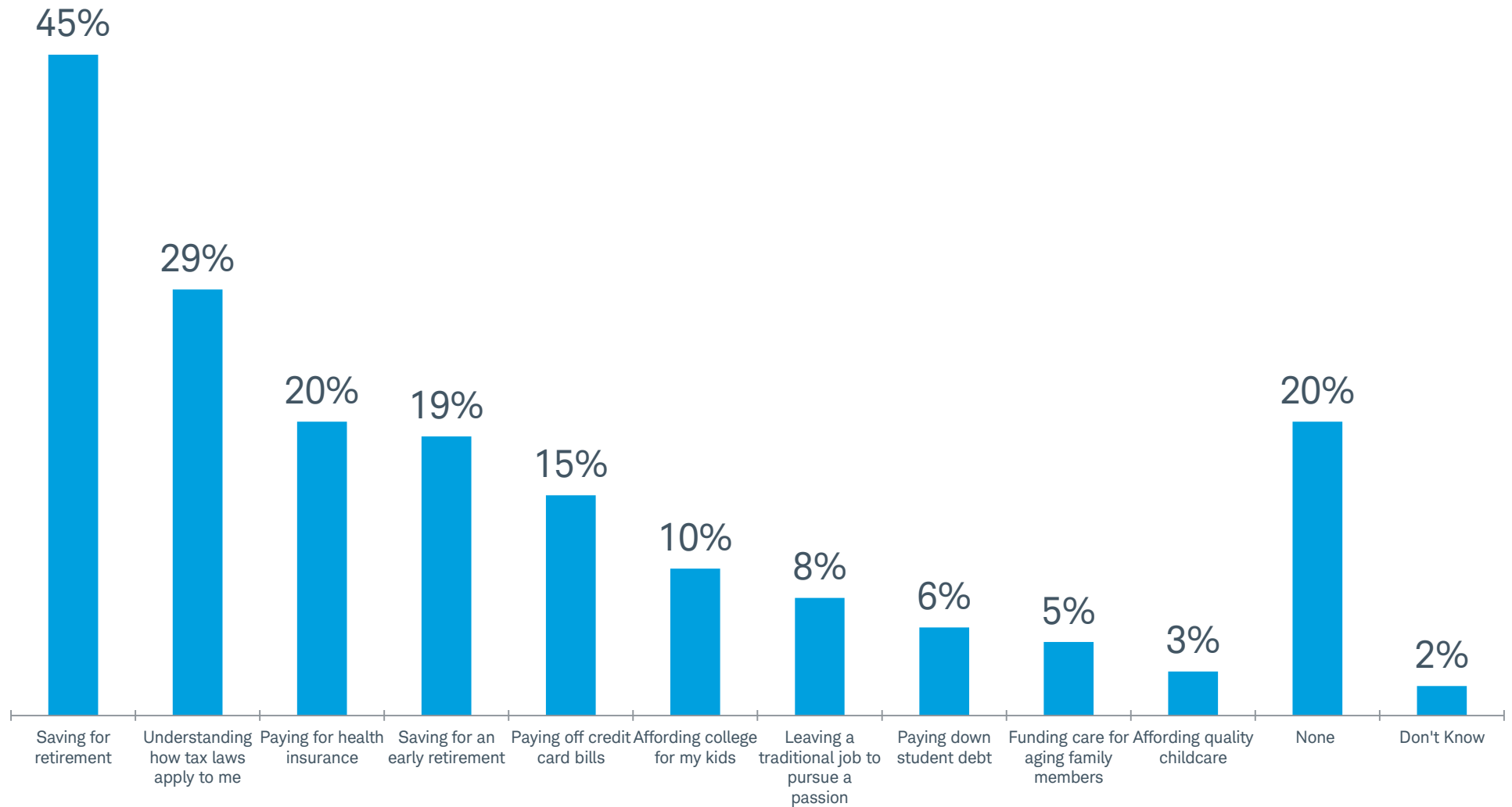


**New question added in Q4 2018

Note: Does not show clients answering "Don't Know" or "Prefer not to answer". Question asked to all respondents this quarter (n=861)
Q. It's been 10 years since the stock market experienced a severe downturn, bottoming out in March 2009:

Saving for retirement is the top concern among clients, as well as tax laws and health insurance costs.

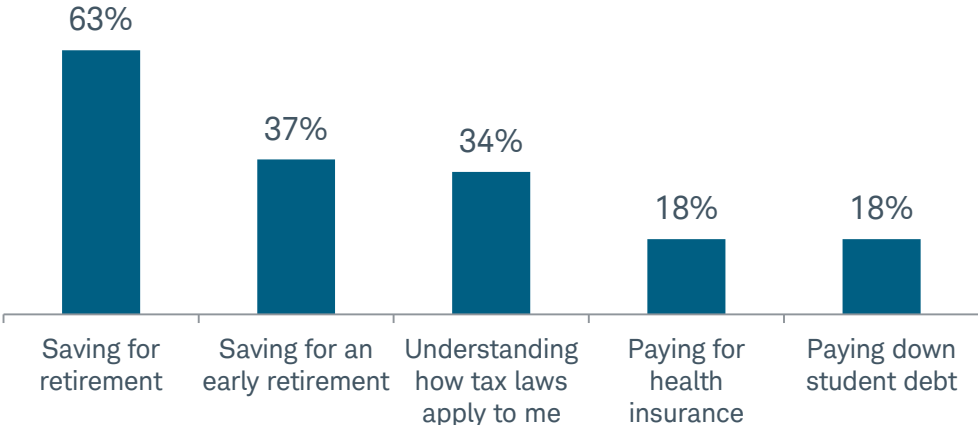
Personal Finance Concerns for 2019 (Among Total Sample)



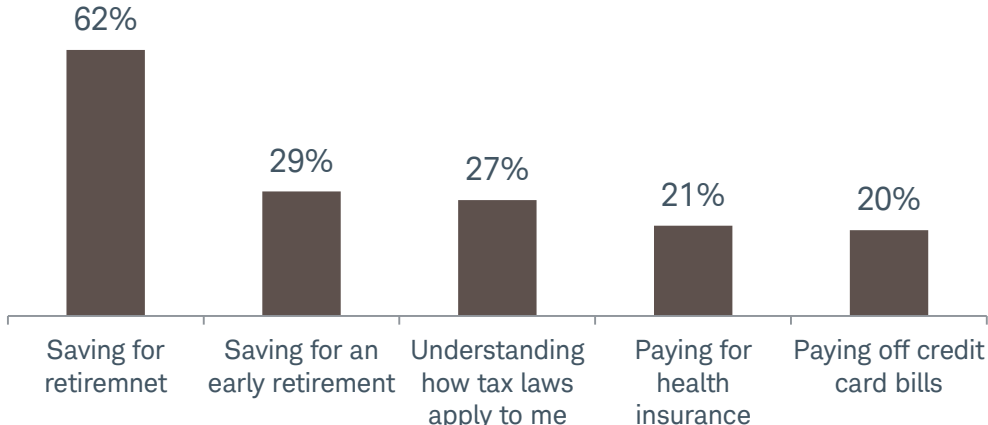
*New question added Q4 2018 asked to all respondents (n=861)
Q. Looking ahead to 2019, what are your primary concerns when it comes to your personal finances?

Among retired clients, the top personal finance concern is understanding how the new tax laws apply to them.

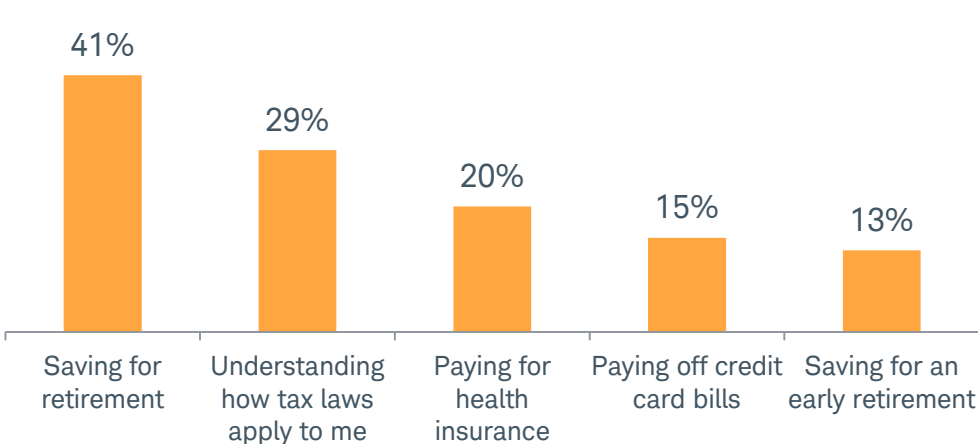
Young Investors



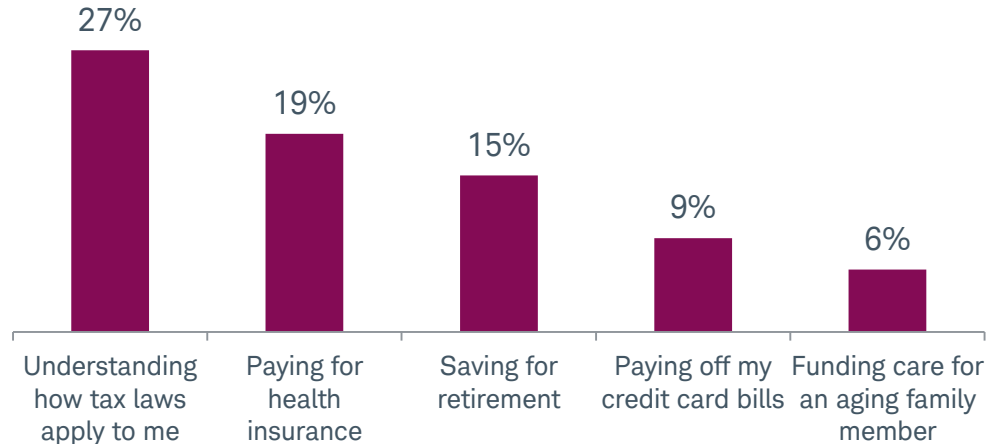
Mid-Life



Matures



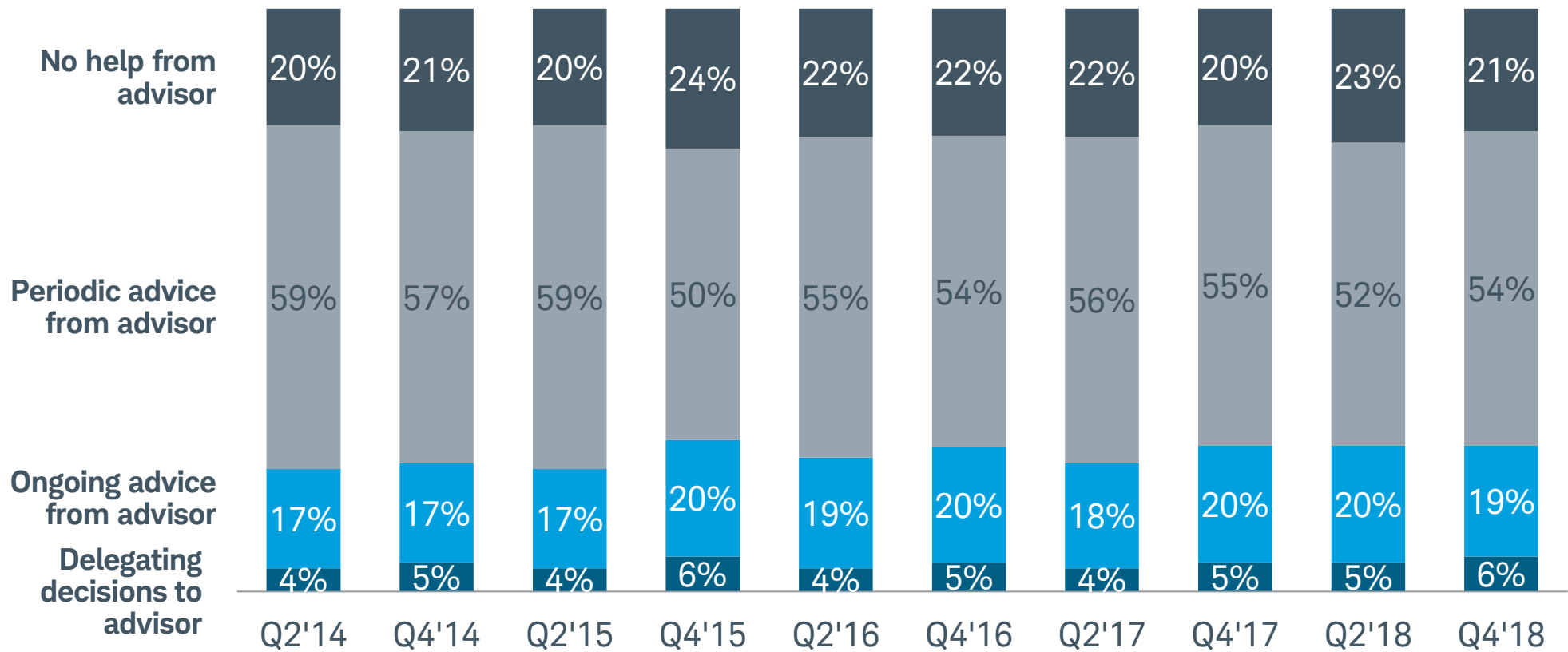
Retired



*New question added Q4 2018 asked to all respondents (n=861)
 Q. Looking ahead to 2019, what are your primary concerns when it comes to your personal finances?

A majority of clients continue to prefer receiving periodic advice from an advisor

Scenario Offering Most Confidence in Achieving Investing Goals (Among Total Sample)



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Disclosures

Information based on internal data and an online Schwab survey of 861 retail clients with at least \$2,000 in statement equity conducted December 3 -17, 2018.

Life Stage

Younger Investor (<40): 186 (22%)

Mid-Life (40-55): 202 (24%)

Mature (55+ not retired): 246 (29%)

Retired: 227 (26%)

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