Q3 2022 Retail Client Sentiment Report
Survey fielded July 6-18, 2022

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Q3 2022 Executive Summary

The majority of retail investors are bearish amid inflation, a potential recession, and ongoing market uncertainty. At the same time, 51% of Schwab retail clients believe now is a good time to invest, and 48% of those who believe a recession is likely are responding by doing more of their own research on the market, economy, and investments.

Key Q3 themes

• The majority (70%) of retail investors have a bearish outlook on the U.S. stock market for Q3 2022, doubling this time last year.
• Despite bearish sentiment, almost 60% of Schwab retail clients report that they are holding steady with their current asset allocation, and only 7% of respondents say they will take money out of their investment portfolios in the next three months.
• 51% of retail investors believe now is a good time to invest, an increase of 10% from Q2 2022. Schwab retail clients are currently most bullish on the healthcare sector (43%) followed by energy (42%) and utilities (38%).
• The potential of a recession is retail investors' primary money and investing concern (20%), followed closely by inflation (19%) and domestic politics (12%).
• The majority (90%) of retail investors feel the United States is headed into a recession, but of those who believe a recession is likely, only 21% say this has had a significant impact on their portfolio allocation decisions.
The majority of retail investors have a bearish outlook on the U.S. stock market

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

I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market

I think the market will continue to perform well, and I plan to increase my allocation to equities as a result

I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio

I think the market is due for a significant correction, but I'm confident that I have a plan in place to withstand it

Don't know
Younger retail investors are most confident in their plans to withstand a potential market correction.

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

**Young Investors**
- I think the market will continue to perform well, and I feel like my portfolio is well-positioned to grow with the market.
- I think the market will continue to perform well, and I plan to increase my allocation to equities as a result.
- I think the market is due for a significant correction, and I'm concerned about the possible impact on my portfolio.
- I think the market is due for a significant correction, but I'm confident that I have a plan to withstand it.

**Mid-Life**
- Don't know

**Mature**
- Bullish Net
- Bearish Net
- Don't know

**Retired**
- Bullish Net
- Bearish Net
- Don't know

Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?
Retail investors are most bullish on the healthcare and energy sectors followed by utilities.
Reflecting bearish sentiment, only 21% of retail investors feel better off financially compared with a year ago, but 51% of respondents believe now is a good time to invest.
88% of Schwab retail clients are confident that they will reach their financial goals

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

Top 2 Box Confident

Q3'22
- 48% Extremely Confident
- 43% Very Confident
- 34% Somewhat Confident
- 38% Not Very Confident
- 2% Not At All Confident

Q2'22
- 55% Extremely Confident
- 46% Very Confident
- 43% Somewhat Confident
- 53% Not Very Confident
- 2% Not At All Confident

Q1'22
- 52% Extremely Confident
- 46% Very Confident
- 48% Somewhat Confident
- 49% Not Very Confident
- 2% Not At All Confident

Q4'21
- 53% Extremely Confident
- 49% Very Confident
- 52% Somewhat Confident
- 47% Not Very Confident
- 2% Not At All Confident

Q3'21
- 55% Extremely Confident
- 41% Very Confident
- 58% Somewhat Confident
- 54% Not Very Confident
- 2% Not At All Confident

Base = Weighted Total (n=1313)
Q10. Which statement best describes your confidence in reaching your financial goals?

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More than 40% of Schwab retail clients plan to add money to their portfolios, up substantially from a year ago, and only 7% plan to take money out.

### Portfolio Changes - Past 3 Months & Planned in Next 3 Months

(Multiple responses allowed; Total Client Sample)

<table>
<thead>
<tr>
<th>Action</th>
<th>Past 3 Month</th>
<th>Next 3 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Added money to investment portfolio</td>
<td>46%</td>
<td>41%</td>
</tr>
<tr>
<td>Seek investing guidance or advice</td>
<td>24%</td>
<td>19%</td>
</tr>
<tr>
<td>Take money out of my investment portfolio</td>
<td>17%</td>
<td>7%</td>
</tr>
<tr>
<td>Create a written financial plan</td>
<td>7%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Last Year (n=882) | Last Quarter (n=870)
------------------|------------------
45%               | 50%              |
33%               | 42%              |
19%               | 16%              |
16%               | 26%              |
7%                | 8%               |
5%                | 6%               |
42%               | 20%              |
17%               | 9%               |
7%                | 8%               |
5%                | 6%               |

**Base = Weighted Total (n=1313)**

Q5. Which of the following actions have you taken, if any, in the past 3 months? / Q20. Which of the following actions do you plan to do over the next 3 months?
Almost a third of Schwab retail clients will move money into individual stocks, and half as many respondents plan to move money into cash compared with last quarter.

Portfolio Changes - Past 3 Months & Planned in Next 3 Months
(Multiple responses allowed; Total Client Sample)

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Past 3 Month</th>
<th>Next 3 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Into individual stocks</td>
<td>39%</td>
<td>56%</td>
</tr>
<tr>
<td>Into ETFs</td>
<td>29%</td>
<td>26%</td>
</tr>
<tr>
<td>Into cash investments</td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>Into mutual funds</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>Into fixed income investments</td>
<td>18%</td>
<td>13%</td>
</tr>
<tr>
<td>Into another type of investment vehicle</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Invested in cryptocurrency</td>
<td>6%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Last Year (n=882)
- 64% into individual stocks
- 37% into ETFs
- 12% into cash investments
- 18% into mutual funds
- 10% into fixed income investments
- 16% into another type of investment vehicle
- 6% invested in cryptocurrency

Last Quarter (n=870)
- 70% into individual stocks
- 45% into ETFs
- 22% into cash investments
- 20% into mutual funds
- 17% into fixed income investments
- 16% into another type of investment vehicle
- 9% invested in cryptocurrency
The potential of a recession is retail investors’ primary money and investing concern, followed closely by inflation and domestic politics.

### Primary Concern About Investing
*(Single response only; Among Those With A Concern)*

<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The potential of a recession</td>
<td>20%</td>
</tr>
<tr>
<td>Inflation</td>
<td>19%</td>
</tr>
<tr>
<td>The political landscape in Washington D.C.</td>
<td>12%</td>
</tr>
<tr>
<td>Uncertainty due to market volatility</td>
<td>10%</td>
</tr>
<tr>
<td>Geopolitical or global macroeconomic issues</td>
<td>9%</td>
</tr>
<tr>
<td>Potential for increased market volatility</td>
<td>6%</td>
</tr>
<tr>
<td>I think the market is overdue for a significant correction</td>
<td>5%</td>
</tr>
<tr>
<td>Issues related to my own personal situation</td>
<td>4%</td>
</tr>
<tr>
<td>The Fed deciding to increase interest rates in 2022</td>
<td>3%</td>
</tr>
<tr>
<td>The state of the real estate market</td>
<td>2%</td>
</tr>
<tr>
<td>Performance of U.S. corporate earnings</td>
<td>2%</td>
</tr>
<tr>
<td>The Fed keeping interest rates low</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>The economic impact of COVID-19 and the emergence of additional variants [Quarter 4, 2021 and after]</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Impact of weather-related / natural disasters (Wildfires, Hurricanes, Earthquakes, etc.)</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>The possibility of the U.S. raising the debt limit</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>The possibility of the U.S. defaulting on its debt/not raising the debt limit</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
<tr>
<td>I do not have any concerns around money and investing in the next 3 months</td>
<td>5%</td>
</tr>
</tbody>
</table>

Note: Percentages based among those with a concern.

Base = Weighted Total (n=1313)

Q7. What is your primary concern around money and investing within the next 3 months?
The majority of retail investors feel the United States is headed into a recession, but of those who believe a recession is likely, only 21% say this has had a significant impact on their portfolio allocation decisions.

**Likelihood U.S Headed Into Official Recession**

(Single response only; Among Client Sample)

- Highly likely: 33%
- Likely: 30%
- Somewhat likely: 27%
- Somewhat unlikely: 4%
- Unlikely: 1%
- Highly unlikely: 1%
- Don't Know: 5%

**Impending Recession Impact On Portfolio Allocation**

(Single response only; Among Client Sample)

- Significant Impact: 21%
- Moderate Impact: 45%
- No Impact: 35%

**Actions Taken**

(Multiple response; Among Client Sample)

- Doing more of my own research on the market, economy, and investments: 48%
- Checking my investment portfolio more frequently: 40%
- Taking more advantage of investor education tools and resources available to me: 21%
- Seeking the advice of a financial professional more frequently (or for the first time): 19%
- None of the above: 26%

Base = Weighted Total (n=1,313); Base = Recession Is At Least Somewhat Likely (n=1,185)^

QSI_Q322_2. What do you feel is the likelihood that the United States is headed into an official recession?

QSI_Q322_3. How big of an impact has the likelihood of an impending recession had on your portfolio allocation decisions?

QSI_Q322_4. Previously, you said that you feel a recession in the United States is likely. Which of the following actions, if any, are you taking in response to this situation?
When it comes to inflation, almost half of Schwab retail clients are concerned about the higher cost of living, yet almost 60% of Schwab retail clients report that they are holding steady with their current asset allocation.

### Biggest Concern With Continued Inflation

**Approach To Risk Over Next 3 Months**

<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher cost of living</td>
<td>48%</td>
</tr>
<tr>
<td>Decreased value of savings</td>
<td>23%</td>
</tr>
<tr>
<td>Inflation risk in my portfolio</td>
<td>16%</td>
</tr>
<tr>
<td>Higher borrowing rates</td>
<td>6%</td>
</tr>
<tr>
<td>Higher taxes</td>
<td>3%</td>
</tr>
<tr>
<td>Not concerned about any of the above</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Investing Approach In Current Market Environment

<table>
<thead>
<tr>
<th>Approach</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am mostly holding steady with my current asset allocation</td>
<td>58%</td>
</tr>
<tr>
<td>I am buying equities because I see a long-term opportunity in the current market downturn</td>
<td>20%</td>
</tr>
<tr>
<td>I am pulling some money out of equities and allocating it to cash or cash equivalents because I’m concerned about the current market downturn</td>
<td>11%</td>
</tr>
<tr>
<td>I am moving money into alternative investments to further diversify my portfolio</td>
<td>5%</td>
</tr>
<tr>
<td>Something else</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Base = Weighted Total (n=1,313)**

QSI_Q322_1. What is your biggest concern with continued inflation?

QSI_Q322_6. Which of the following best describes your approach to the level of risk you will take in your investment portfolio over the next three months?

QSI_Q322_7. How would you describe Which of the following best describes your investing approach in the current market environment?
**Methodology and Respondent Demographic Profile**

**Methodology:**
- This data is collected quarterly via an online survey among clients with Retail Assets of at least $2,000
- Note: There is oversampling in order to achieve adequate sample sizes for sub-group analysis, and then application of a weighting scheme to create a total respondent population that is representative of Schwab’s client base. Counts noted below are prior to weighting to show the sample sizes used for the subgroup analysis.
- The data was weighted by Life Stage and Investible Assets/Affluence to reflect the Schwab client population.
- Q3 study was fielded at the beginning of the quarter: July 6–18, 2022

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>932 (71%)</td>
<td>311 (24%)</td>
<td>70 (5%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Affluence</th>
<th>HNW ($1M+)</th>
<th>Affluent ($250K–&lt;$1M)</th>
<th>Foundational (&lt;$250K)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>143 (11%)</td>
<td>331 (25%)</td>
<td>839 (64%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Employed full-time</th>
<th>Employed part-time</th>
<th>Self-employed</th>
<th>Retired/semi-retired</th>
<th>Other</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>724 (55%)</td>
<td>47 (4%)</td>
<td>110 (8%)</td>
<td>330 (25%)</td>
<td>54 (4%)</td>
<td>48 (4%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Life Stage</th>
<th>Younger Investor (&lt;40)</th>
<th>Mid-Life (40–55)</th>
<th>Mature (55+ not retired)</th>
<th>Retired</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>329 (25%)</td>
<td>395 (30%)</td>
<td>333 (25%)</td>
<td>256 (20%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Consultant Relationship</th>
<th>Has Financial Consultant</th>
<th>Does not have Financial Consultant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>181 (14%)</td>
<td>1132 (86%)</td>
</tr>
</tbody>
</table>

Sample sizes for respondents who were asked the Investment Sentiment section of the survey (n=1,313)
Disclosures

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