Q4 2022 Retail Client Sentiment Report

Survey fielded October 7-17, 2022

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Q4 2022 Executive Summary

The majority of retail investors remain bearish about the U.S. stock market amid concerns about rising inflation and the potential of a recession. In fact, more than 90 percent of retail clients believe a recession is likely, with most predicting it will officially happen in the first half of 2023 or sooner. Still, clients remain engaged—they’re doing more research and taking advantage of investor education resources, and nearly 90 percent remain confident in reaching their financial goals.

Key Q4 themes
• The majority (74 percent) of retail investors feel bearish about the U.S. stock market, particularly about the real estate and consumer discretionary sectors.
• Inflation-related concerns are high among investors, followed by worries about a looming recession. Nearly 70 percent of clients say lower inflation would make them more bullish about the U.S. stock market.
• Although less than half of retail investors believe now is a good time to invest in equities, more than a quarter still plan to move money into individual stocks in the months ahead and only 11 percent plan to take money out of their portfolio.
The majority of retail investors remain bearish on the U.S. stock market

Base = Weighted Total (n=832)

Q6. Thinking about the next 3 months, which statement best describes your outlook for the U.S. stock market?

- 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 confi dent that I have a plan in place to withstand it
- Don’t know
Younger retail investors lean the most bearish, but more than half are confident in their plans to withstand a potential correction.

**Outlook For U.S. Stock Market By Life Stage**
*(Single response only; Among Client 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 to withstand it.

**Don't know**
Retail investors are most bearish on the real estate and consumer discretionary sectors and most bullish on energy.

Base = Weighted Total (n=832)
Q23A. In your opinion, which term best describes the U.S. stock market for each of the following sectors over the next three months?
Client Confidence Trends
June 2019 – October 2022
(Among Client Sample)

Fewer than half of retail investors believe now is a good time to invest in equities, and there’s been a significant drop in how investors feel about their overall financial situation in the current environment.
A vast majority of retail investors remain confident in reaching their financial goals, particularly younger investors.

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

Q10. Which statement best describes your confidence in reaching your financial goals?

- Extremely Confident
- Very Confident
- Somewhat Confident
- Not Very Confident
- Not At All Confident

Top 2 Box Confident

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Recession fears and inflation top the list of retail investor concerns as we close out 2022, although just 4% think the market is due for a significant correction.

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

- **27% Inflation/Increase Rate Related Concerns**
- 18% The potential of a recession
- 16% Inflation
- 13% The political landscape in Washington D.C.
- 11% Geopolitical or global macroeconomic issues
- 11% The Fed continuing to raise interest rates
- 11% Uncertainty due to market volatility
- 4% Potential for increased market volatility
- 4% I think the market is overdue for a significant correction

- 3% Issues related to my own personal situation
- 2% Performance of U.S. corporate earnings
- 1% The state of the real estate market
- 1% Impact of weather-related/natural disasters
- 1% The economic impact of COVID-19 and the emergence of additional variants
- <1% The possibility of the U.S. defaulting on its debt/not raising the debt limit
- <1% The possibility of the U.S. raising the debt limit
- <1% The Fed keeping interest rates low
- 4% Other
- 3% I do not have any concerns around money and investing in the next 3 months

Base = Weighted Total (n=832)
Q7. What is your primary concern around money and investing within the next 3 months?
More than 90 percent of retail investors believe the U.S. is headed into a recession, but they remain engaged – doing more research and taking advantage of investor education resources.
Nearly 70 percent of clients say lower inflation would make them more bullish about the U.S. stock market.
About half of retail investors added money to their portfolio in recent months, while fewer than 20 percent took money out.

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

*(Multiple responses allowed; Among Client Sample)*

<table>
<thead>
<tr>
<th>Action</th>
<th>Past 3 Month</th>
<th>Next 3 Months</th>
<th>Last Year (n=1521)</th>
<th>Last Quarter (n=1313)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Added money to investment portfolio</td>
<td>39%</td>
<td>48%</td>
<td>51%</td>
<td>46%</td>
</tr>
<tr>
<td>Seek investing guidance or advice</td>
<td>23%</td>
<td>18%</td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>Take money out of my investment portfolio</td>
<td>17%</td>
<td>11%</td>
<td>21%</td>
<td>17%</td>
</tr>
<tr>
<td>Create a written financial plan</td>
<td>8%</td>
<td>4%</td>
<td>9%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Base = Weighted Total (n=832)

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?
In the months ahead, nearly 60 percent of retail investors plan to adjust their portfolio allocation, with more than a quarter planning to move money into individual stocks.

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

*(Multiple responses allowed; Among Client Sample)*

<table>
<thead>
<tr>
<th>Action</th>
<th>Past 3 Month</th>
<th>Next 3 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Into individual stocks</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>Into ETFs</td>
<td>30%</td>
<td>24%</td>
</tr>
<tr>
<td>Into cash investments</td>
<td>29%</td>
<td>17%</td>
</tr>
<tr>
<td>Into mutual funds</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>Into fixed income investments</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Into another type of investment vehicle</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Invested in cryptocurrency</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Base = Weighted Total (n=832)**

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?
Methodology and Respondent Demographics

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.
- Q4 study was fielded at the beginning of the quarter: October 7th-17th, 2022

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>593 (71%)</th>
<th>Female</th>
<th>209 (25%)</th>
<th>No answer</th>
<th>30 (4%)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Affluence</th>
<th>HNW ($1M+)</th>
<th>125 (15%)</th>
<th>Affluent ($250K-$1M)</th>
<th>193 (23%)</th>
<th>Foundational (&lt;$250K)</th>
<th>514 (62%)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Employed full-time</th>
<th>412 (50%)</th>
<th>Employed part-time</th>
<th>27 (3%)</th>
<th>Self-employed</th>
<th>68 (8%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retired/semi-retired</td>
<td>262 (32%)</td>
<td>Other</td>
<td>43 (5%)</td>
<td>No answer</td>
<td>20 (2%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Life Stage</th>
<th>Younger Investor (&lt;40)</th>
<th>172 (21%)</th>
<th>Mid-Life (40-55)</th>
<th>219 (26%)</th>
<th>Mature (55+ not retired)</th>
<th>218 (26%)</th>
<th>Retired</th>
<th>223 (27%)</th>
</tr>
</thead>
</table>

| Financial Consultant Relationship | Has Financial Consultant | 135 (16%) | Does not have Financial Consultant | 697 (84%) |

Sample sizes for respondents who were asked the Investment Sentiment section of the survey (n=832)

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