



# The Schwab Self-Directed Brokerage Account Indicators™

An industry-leading benchmark on retirement plan participant investment activity within self-directed brokerage accounts.

All Participants  
Quarter Ending 12/31/2018

# **The Schwab Self-Directed Brokerage Account Indicators**<sup>TM</sup>

## **Key Schwab Observations for the Fourth Quarter 2018:**

### **Asset Balance Summary**

The fourth quarter of 2018 brought a sharp downturn for many markets on concerns about slowing global growth, the effects of Fed interest rate increases, trade disputes, and a partial government shutdown. The stock swoon resulted in the second U.S. equity market correction in 2018, a year book-ended by corrections in both the first and fourth quarters. Possible rising interest rates, declining liquidity, and sluggish global growth – with trade conflicts as an additional headwind – may weigh on economic growth and market performance in 2019.

As a result, the average account balance for all participants in the Schwab Personal Choice Retirement Account® (PCRA) was down by 6.3% to \$246,153 from \$262,683 a year ago and also down by 10.6% from \$275,362 last quarter. Trading volumes were slightly up from last quarter at 6.6%. Participants made the most trades in their equities holdings, followed by mutual funds and ETFs.

On average, participants held 9.8 positions in their PCRA, very similar to last year and the same as last quarter. Participants aged 54 and over (part of the Baby Boomer generation) were at 40.5%, while the Gen X (age 38-53) participants were almost the same with 40.9% and Millennials (age 25-37) at 11.6 %.

### **Investing Behavior and General Investing Characteristics**

#### **Asset Allocation**

There was a major change in the Equities sector as the Telecommunication Services Sector was renamed to Communication Services and expanded to include companies from Consumer Discretionary and Information Technology sectors. The new sector includes companies from media, advertising, broadcasting, cable & satellite, movie & entertainment, publishing, internet software & services, interactive home entertainment, and interactive media & services. The new Communication Services sector will represent roughly 10% of the S&P 500® Index market cap.

Mutual Funds held the majority of participant assets and were largely unchanged from last year at 37.3%. That included a 18.9% allocation for OneSource Mutual Funds and an 18.4% allocation for transaction fee and other Mutual Funds. Equities were the second largest holding at 27.9%, with ETFs coming in at 16.7%, Cash & Equivalents at 14.7% and Fixed Income at 3.3%. Overall, participant holdings slightly decreased from last quarter, due to the market slowdown and cash holdings increased.

#### **Mutual Funds**

Large Cap Stock Funds had the largest allocation at 27.9%, very similar to last year. They were followed by Taxable Bond Funds at 21.2% and International funds at 16.3%. Overall, the market value allocation was very similar to last year.

#### **Equities**

The largest equity sector holding was Information Technology at 23.2% , which was down from 32.12% from last quarter. Apple stock, which is part of the Information Technology sector and the largest individual stock holding in PCRA at 8.8%, experienced a 30% drop in the fourth quarter and as a result, participant account balances suffered as well. Other equity holdings remained similar to last quarter and to a year ago. Consumer Discretionary was at 14.9% and Financials was third at 11.7%, followed by Healthcare (11.2%). The new Communication Services sector was fifth at 10.5%.

#### **Exchange-Traded Funds (ETFs)**

U.S. Equity ETFs, comprised of Large Caps, the most popular segment, Mid Caps and Small Caps, continued to be the top ETF holding in participant accounts and was very similar to last year at 47.8%, followed by International Equity ETFs at 16.2%, U.S. Fixed Income at 14.9% and Sector ETFs at 11.1%.

#### **Asset Flows**

The largest asset net flow class was again Fixed Income, followed by Equities, Mutual Funds (OneSource) and ETFs.

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## **Key Schwab Observations for the Fourth Quarter 2018 (continued):**

### **Investing Behavior Across Generations: Millennials, Gen X and Baby Boomers**

As expected, the older generation ended the quarter with the largest balance (\$342,810), although it was down from \$380,787 last quarter. They were followed by Gen X (\$181,972) and finally Millennials (\$58,547).

All three generations had very similar equity holdings, with Apple, Amazon, Berkshire Hathaway, Microsoft, Netflix and Facebook coming in at the top.

As for the top ETF holdings, they were very similar across generations: Schwab US Broad Market ETF, SPDR S&P 500 ETF, Vanguard and Schwab International Equity were at the top for all.

All continued to hold Schwab S&P 500 Index as their top Mutual Fund holding, followed by Schwab Total Stock Market Index.

Millennials and Gen X again had the same percentage of mobile trades at 21%, and Baby Boomers came in slightly higher than last quarter at 14.5%. Millennials once again had the highest percentage in cash out of the three generations- 18.0%, which was higher than last quarter's 15.3%. The cash holdings for Gen X and Baby Boomers also increased to 14.8% and 14.2% from 12.8% and 12.03% respectively.

### **Investing Behavior: Roth vs non-Roth Accounts**

The Roth PCRA account holder balance was much lower than the non-Roth PCRA: \$59,784 vs \$249,528. Gen X once again had the most Roth Accounts as a percentage of accounts in their respective generations, and they were very similar to Baby Boomers in non-Roth accounts. Those with Roth accounts also had lower trade volumes- 3.8 vs. 6.7.

While non-Roth account holders' equity holdings were the standard holdings across all accounts such as Apple, Amazon and Berkshire Hathaway, the Roth PCRA accounts continued to hold Glenview Offshore equity at the top.

### **Investing Behavior: Advised vs. non-Advised Accounts**

Baby Boomers had the largest PCRA account balances and the most advised accounts at 44.9%, and Gen X was not far behind at 42.8%, while only 8.6% of the Millennials chose to use an advisor. The average participant balance for advised accounts was down to \$402,866 from \$449,552 last quarter, while non-advised accounts were at \$208,882, almost half of advised accounts. Those with advised accounts also had more average trades-9.6 total vs. 5.9 for non-advised accounts. Overall, the trading volume remained very similar to last quarter and to last year.

Those participants who used advisors, displayed a more diversified asset allocation mix and had a lower concentration of assets in particular securities, with Apple being the top one for everyone; advised participants only had 5.9% of their equity assets with Apple, while non-advised participants had 9.6%. Advised participants also had a lower percentage in cash: 5.8% vs. 18.8% for non-advised, showing a good balance among all the advised investments.

As for ETF holdings, advised participants again had more balance among all the holdings, not having more than 3.7% of any one ETF, with the Schwab U.S. Broad Market ETF being the top one. Advisors preferred DFA as a top fund family and the DFA US Core Equity Institutional fund as a top holding, with a 19.5% mutual fund asset allocation. Non-advised participants had Schwab S&P 500 Index as the top mutual fund holding and 17.5% of the mutual fund asset allocation went to the Vanguard fund family, followed by Schwab.

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## All Participants, Quarter Ending 12/31/2018

PCRA Profile Information				Average Positions/Trades Per Account		
Account Balances and Types		Participant Demographics			Positions	Trades
Average PCRA Balance	\$246,153	Male Participants	76.4%	Total	9.8	6.6
Advised Participants	19.2%	Female Participants	23.6%	Equities	4.3	2.9
Average Advised Balance	\$402,886	Average Age	51	ETFs	1.5	1.4
Self-Directed Participants	80.8%	Millennial* (Age 26-37)	11.6%	Fixed Income	0.3	0.1
Average Self-Directed Balance	\$208,882	Gen X** (Age 38-53)	40.9%	Mutual Funds	2.7	2.0
Traditional Accounts	98.2%	Baby Boomer*** (Age 54-71)	40.5%	Other	0.0	0.2
Roth Accounts	1.8%	<i>Birth years: *1981-1992, **1965-1980, ***1947-1964</i>		Cash Investments	1.0	n/a

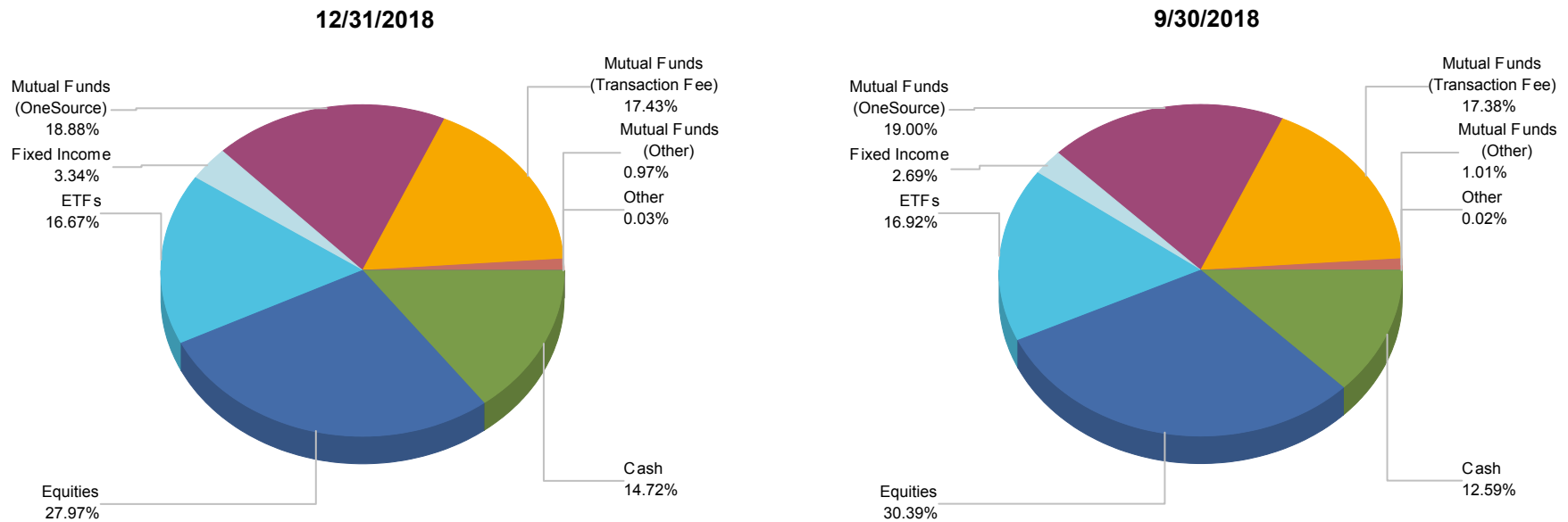
Top 10 Equity Holdings		%EQ Assets	Top 10 ETF Holdings		%EQ Assets
APPLE INC		8.82%	VANGUARD TOTAL STOCK MARKET ETF		4.13%
AMAZON.COM INC		6.46%	SPDR S&P 500 ETF @		4.07%
BERKSHIRE HATHAWAY CLASS		2.97%	SCHWAB US BROAD MARKET ETF		3.77%
MICROSOFT CORP		2.09%	SCHWAB US LARGE CAP ETF		2.68%
FACEBOOK INC CLASS		1.75%	INVESCO QQQ TRUST		2.54%
NETFLIX INC		1.34%	SCHWAB INTERNATIONAL EQUITY ETF		2.18%
ALPHABET INC. CLASS		1.29%	VANGUARD S&P 500 ETF		2.17%
BANK OF AMERICA CORP		1.16%	ISHARES CORE S&P 500 ETF		1.87%
VISA INC CLASS		1.10%	SPDR GOLD SHARES ETF		1.58%
ALPHABET INC. CLASS		1.09%	SCHWAB US AGGREGATE BONDETF		1.57%

Top 10 Mutual Fund Holdings**		% MF Assets	Top 10 Fund Families		% MF Assets
SCHWAB S&P 500 INDEX FD		3.88%	VANGUARD		13.22%
SCHWAB TOTAL STOCK MKT INDEX		2.01%	SCHWAB		10.83%
PIMCO INCM INST CL		0.92%	DFA		8.79%
VANGUARD 500 INDEX FD INVESTOR SHS		0.83%	PIMCO FUNDS		4.12%
PIMCO INCM CL A		0.82%	T ROWE PRICE		3.55%
DOUBLELINE TOTAL RETURN BD FD CL I		0.81%	FIDELITY		2.74%
DFA US CORE EQTY 2 PORT INSTL		0.80%	AMERICAN FUNDS		2.52%
SCHWAB INTL INDEX FUND		0.71%	DOUBLELINE FUNDS		1.76%
DFA INTL CORE EQTY PORT INSTL		0.68%	JANUS		1.71%
VANGUARD TOTAL STOCK MKT INDEX FD INVEST		0.65%	DODGE & COX		1.67%

\*\*Top 10 Mutual Funds does not include Money Market Funds.

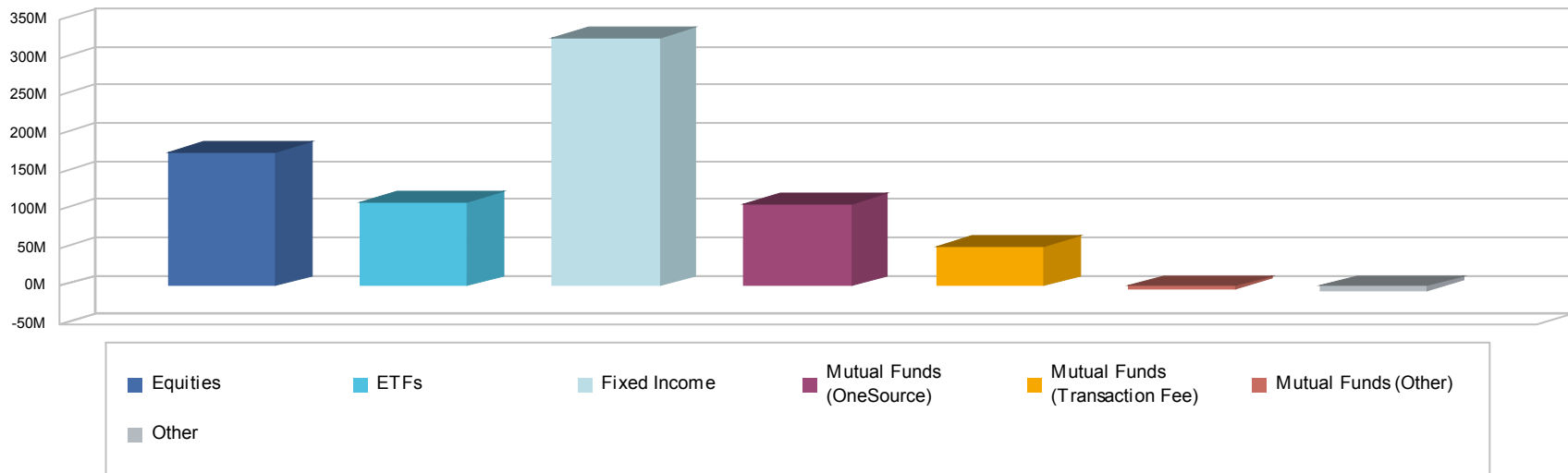
# The Schwab Self-Directed Brokerage Account Indicators™ All Participants, Quarter Ending 12/31/2018

## Market Value Allocation - All Assets (Quarter over Quarter)



The above charts illustrate the percent of PCRA participant assets in each noted asset class as percentage of total PCRA assets. Percentages are calculated as of quarter-end. Money Market Funds are classified under Mutual Funds.

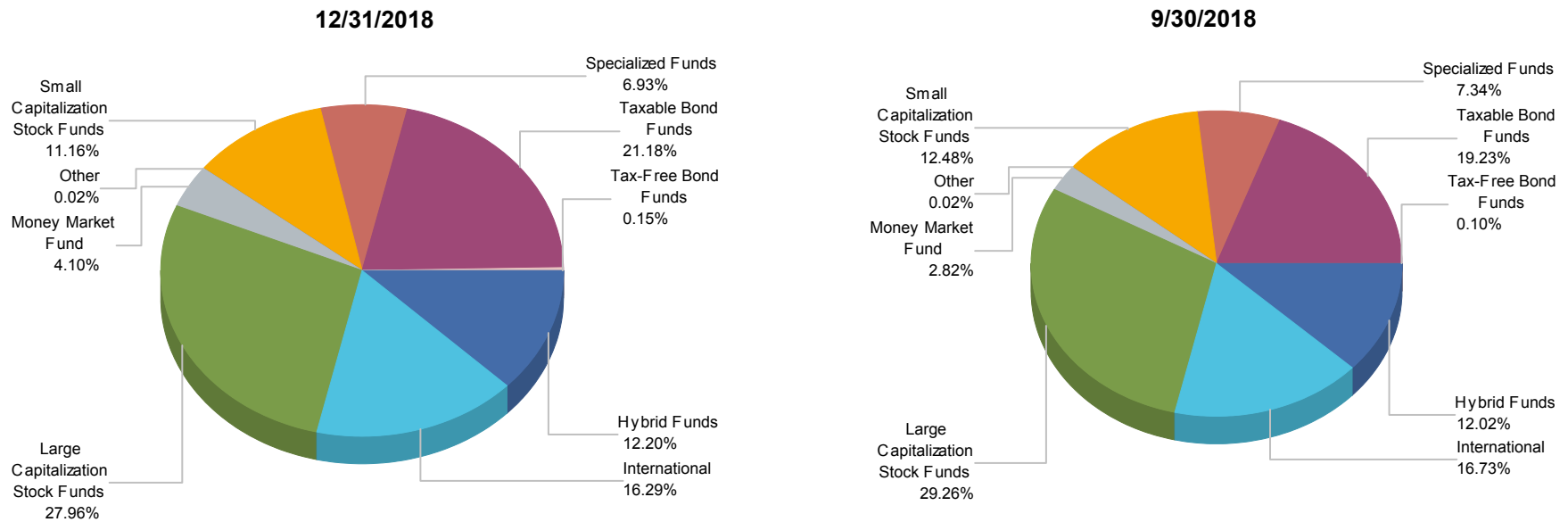
## Net Flow - All Non-Cash Assets (3-Month Period Ending 12/31/2018)



Net Flow is the net of all cash inflows and outflows in and out of financial assets; the performance of an asset or fund is not taken into account, only share redemptions, or outflows, and share purchases, or inflows.

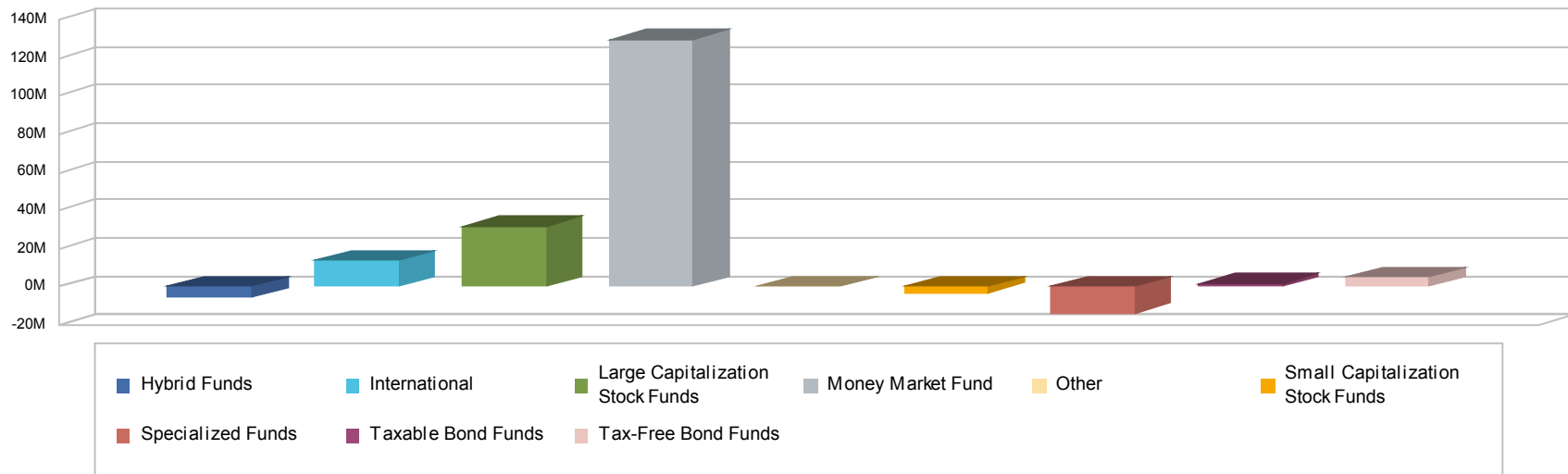
# The Schwab Self-Directed Brokerage Account Indicators™ All Participants, Quarter Ending 12/31/2018

## Market Value Allocation - Mutual Funds (Quarter over Quarter)



The above charts illustrate the percent of PCRA participant assets in each noted asset class as percentage of total PCRA assets. Percentages are calculated as of quarter-end. Money Market Funds are classified under Mutual Funds.

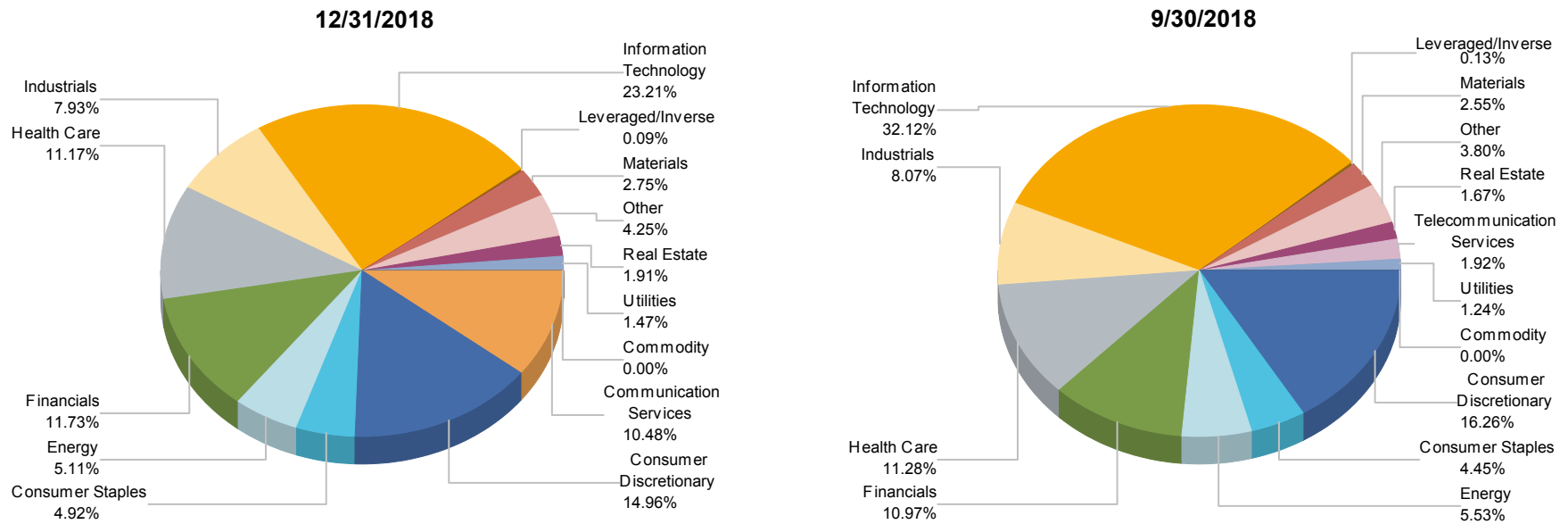
## Net Flow by Sector - Mutual Funds (3-Month Period Ending 12/31/2018)



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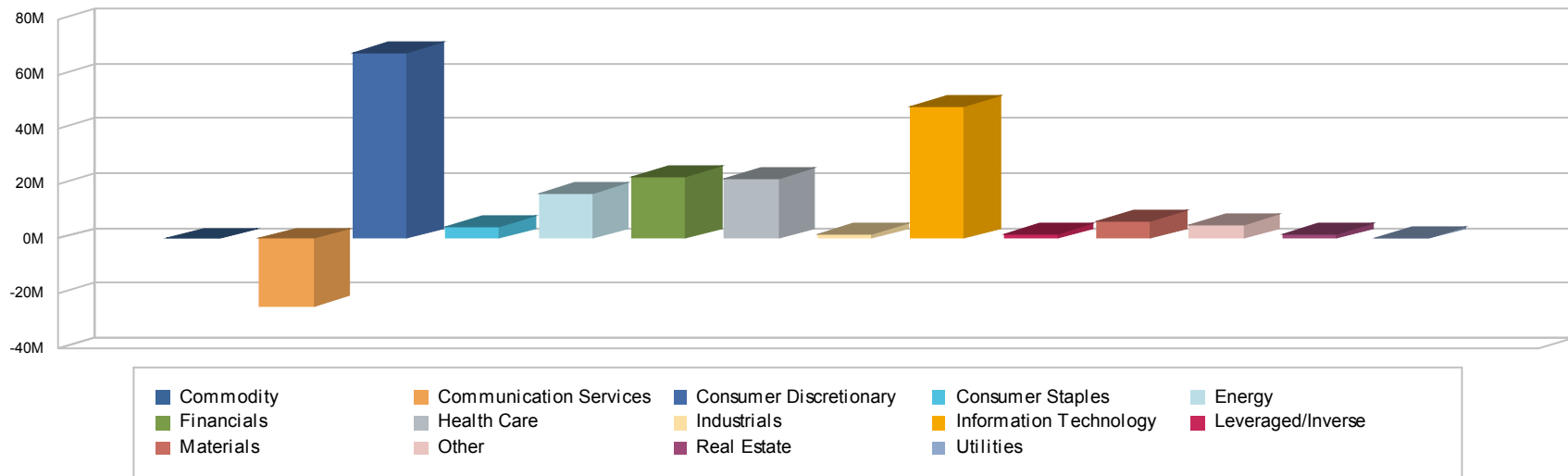
# The Schwab Self-Directed Brokerage Account Indicators™ All Participants, Quarter Ending 12/31/2018

## Market Value Allocation - Equities (Quarter over Quarter)



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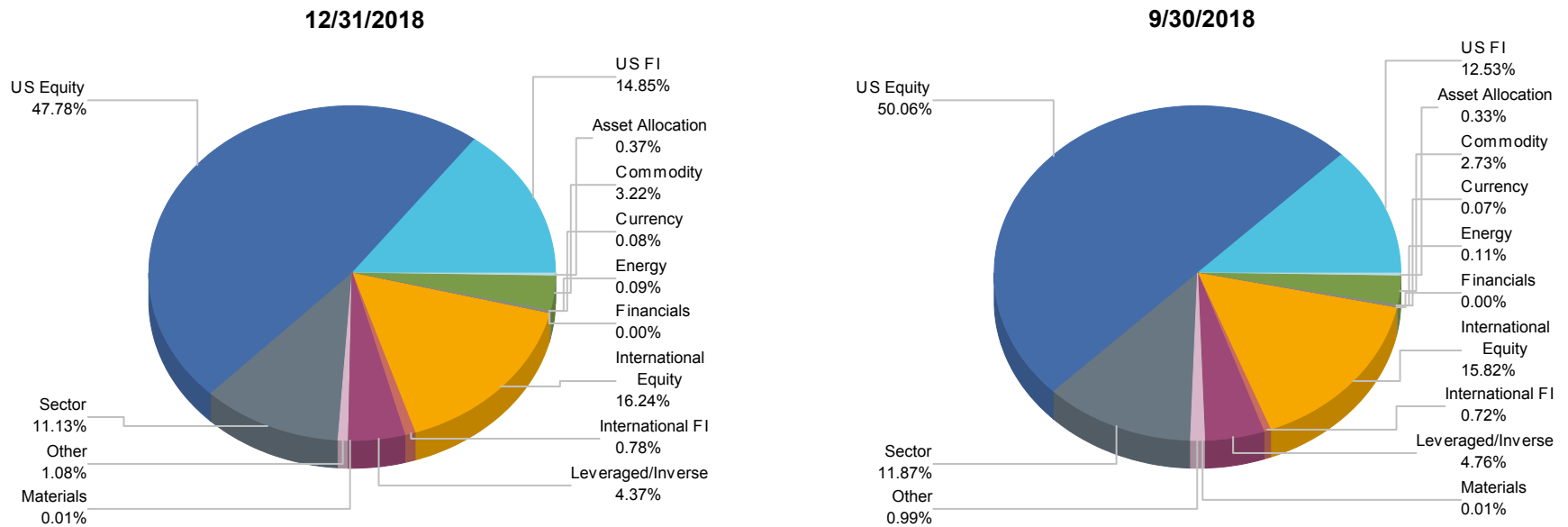
## Net Flow by Sector - Equities (3-Month Period Ending 12/31/2018)



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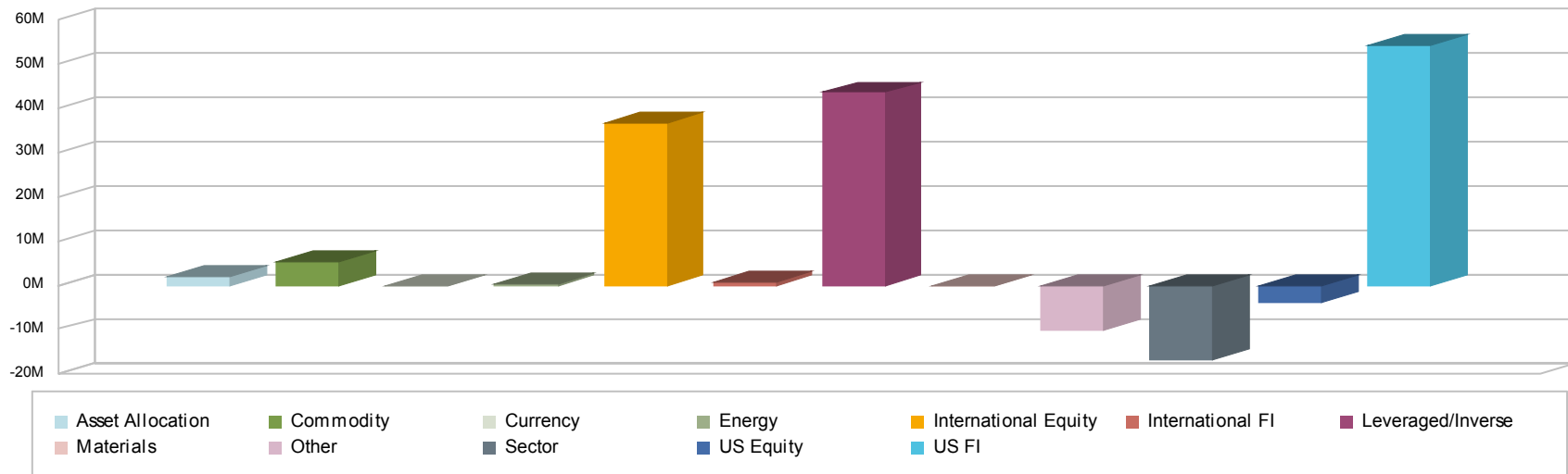
# The Schwab Self-Directed Brokerage Account Indicators™ All Participants, Quarter Ending 12/31/2018

## Market Value Allocation - ETF (Quarter over Quarter)



The above charts illustrate the percent of PCRA participant assets in each noted asset class as percentage of total PCRA assets. Percentages are calculated as of quarter-end. Money Market Funds are classified under Mutual Funds.

## Net Flow by Sector - ETF (3-Month Period Ending 12/31/2018)



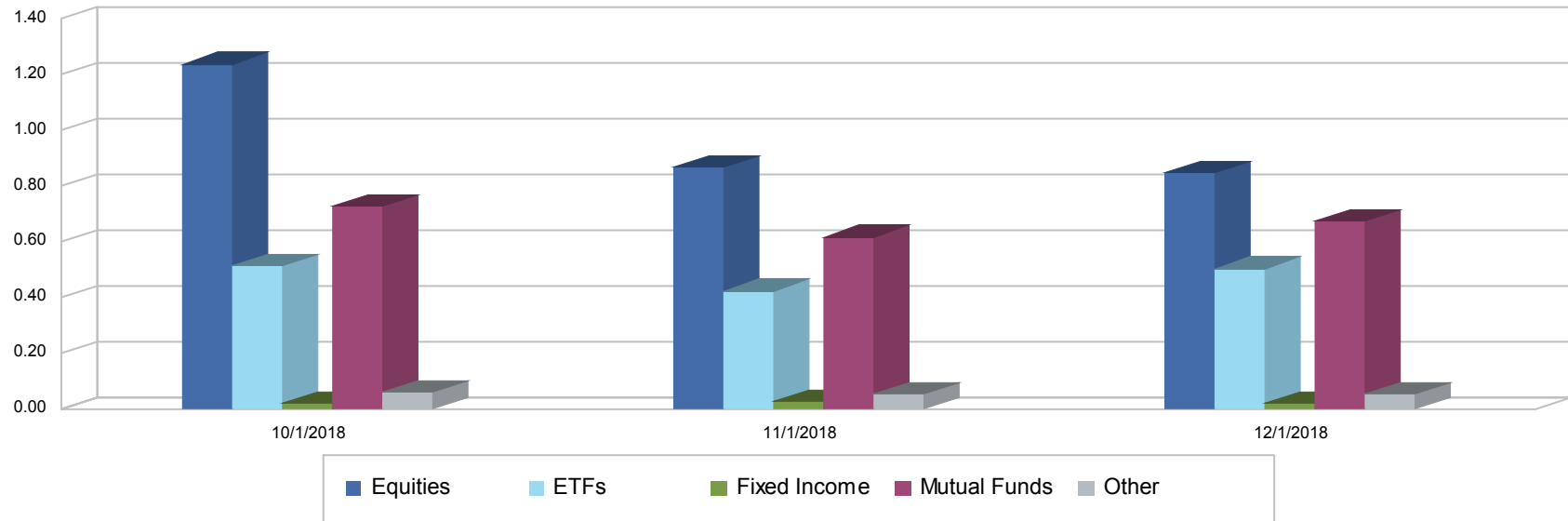
Net Flow is the net of all cash inflows and outflows in and out of financial assets; the performance of an asset or fund is not taken into account, only share redemptions, or outflows, and share purchases, or inflows.



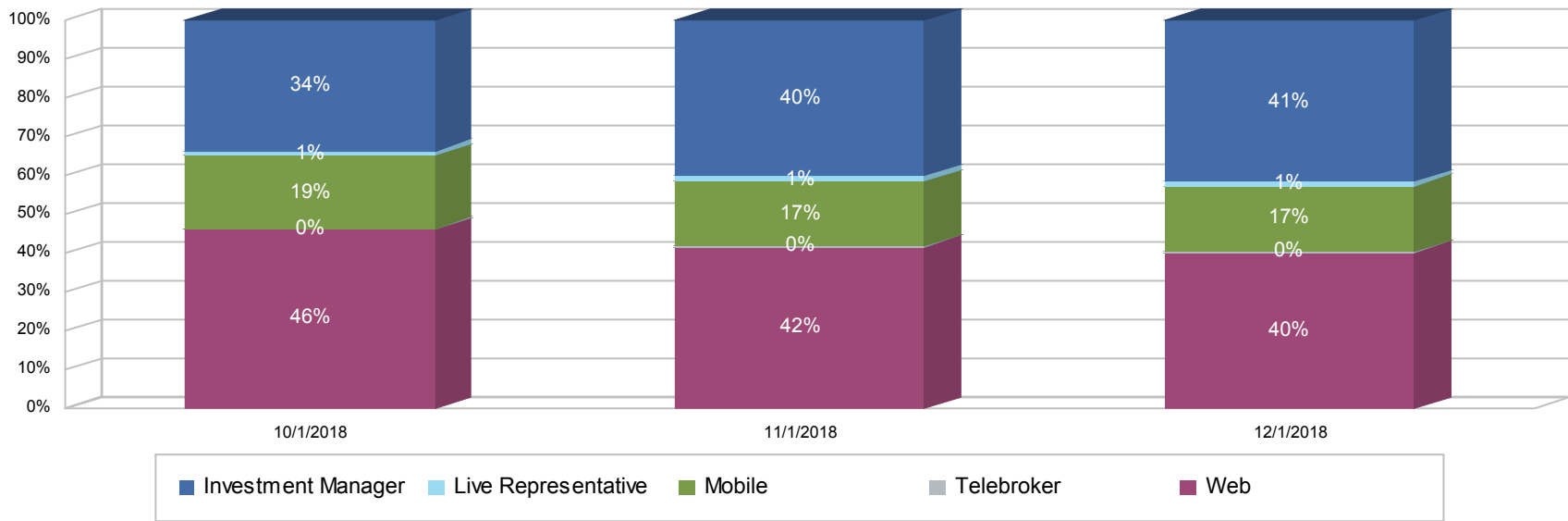
# The Schwab Self-Directed Brokerage Account Indicators™

## All Participants, Quarter Ending 12/31/2018

### Average Monthly Trades Per Account (3-Month Period Ending 12/31/2018)



### Trading Channel Mix (Month over Month)



# The Schwab Self-Directed Brokerage Account Indicators™

## All Participants, Quarter Ending 12/31/2018

### Important Disclosures

Schwab Personal Choice Retirement Account (PCRA) is offered through Charles Schwab & Co., Inc. (Member SIPC), the registered broker/dealer, which also provides other brokerage and custody services to its customers.

For participants who utilize the Personal Choice Retirement Account (PCRA), the following fees and conditions may apply: Schwab's short term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource® service (and certain other funds with no transaction fee) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds®, which may charge a separate redemption fee, and funds that accommodate short-term trading.

Trades in no-load mutual funds available through Mutual Funds OneSource service (including Schwab Funds) as well as certain other funds, are available without transaction fees when placed through schwab.com or our automated phone channels. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Funds are also subject to management fees and expenses.

Figures are based on all PCRA participants with a minimum balance of \$5,000 and a maximum balance of \$10,000,000 in their PCRA account. All data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

**Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses. You can request a prospectus by calling 800-435-4000. Please read the prospectus carefully before investing. Money Market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.**

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