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.

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.

Joe Vietri
Charles Schwab Branch Network Leader
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

Legend

- % Good Time to Invest
- 5 year mean = 45%
- % Better Off Financially
- 5 year mean = 48%
- % Confident In Decision Making
- 5 year mean = 38%

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?
Client outlook for the U.S. stock market is shifting with 52% feeling bearish, compared to 41% a year ago.
By life stage, Mid-Life and Retired clients are most bearish.

Q. Looking ahead to 2019, which statement best describes your outlook for the U.S. stock market?
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?

- Bullish
- Bearish
- Don’t Know
Confidence among clients overall remains steady but has declined significantly among retired clients.

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

% Extremely/Very Confident by Live Stage

- Young Investors
- Mid-Life
- Mature
- Retired

Q4'18
- Extremely Confident: 44%
- Very Confident: 37%
- Somewhat Confident: 34%
- Not Very Confident: 33%
- Not At All Confident: 46%

Q2'18
- Extremely Confident: 39%
- Very Confident: 33%
- Somewhat Confident: 38%
- Not Very Confident: 43%
- Not At All Confident: 46%

Q4'17
- Extremely Confident: 43%
- Very Confident: 35%
- Somewhat Confident: 40%
- Not Very Confident: 46%
- Not At All Confident: 46%

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

- **The political landscape in Washington, D.C.**
  - Q4'17: 30%
  - Q2'18: 28%
  - Q4'18: 28%

- **Uncertainty due to market volatility**
  - Q4'17: 12%
  - Q2'18: 12%
  - Q4'18: 11%

- **I think the market is overdue for a significant correction**
  - Q4'17: 9%
  - Q2'18: 13%
  - Q4'18: 13%

- **Geopolitical or global macroeconomic issues**
  - Q4'17: 11%
  - Q2'18: 11%
  - Q4'18: 11%

- **Issues related to my own personal situation**
  - Q4'17: 10%
  - Q2'18: 7%
  - Q4'18: 10%

- **I'm concerned about an extended market downturn**
  - Q4'17: NA
  - Q2'18: NA
  - Q4'18: NA

- **The prospect of continued rising domestic interest rates**
  - Q4'17: 4%
  - Q2'18: 3%
  - Q4'18: 4%

- **The prospect of rising inflation**
  - Q4'17: 4%
  - Q2'18: 4%
  - Q4'18: 4%

- **Performance of US corporate earnings**
  - Q4'17: 4%
  - Q2'18: 3%
  - Q4'18: 3%

- **The impact of changes to the national healthcare system**
  - Q4'17: 2%
  - Q2'18: 2%
  - Q4'18: 2%

- **Other**
  - Q4'17: 5%
  - Q2'18: 5%
  - Q4'18: 5%
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)

- In the next year: 30%
- 2-3 years: 28%
- 3-5 years: 5%
- 5-10 years: 3%
- Don't know/Prefer not to answer: 35%

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

- Significant Impact: 10%
- Somewhat of an Impact: 29%
- Not Much of an Impact: 31%
- No Impact at All: 11%
- Don't Know/Prefer not to Answer: 20%

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 makeup of 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*

<table>
<thead>
<tr>
<th>Q2’14</th>
<th>Q4’14</th>
<th>Q2’15</th>
<th>Q4’15</th>
<th>Q2’16</th>
<th>Q4’16</th>
<th>Q2’17</th>
<th>Q4’17</th>
<th>Q2’18</th>
<th>Q4’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>11%</td>
<td>16%</td>
<td>15%</td>
<td>14%</td>
<td>16%</td>
<td>17%</td>
<td>18%</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
</table>

### Investing Philosophy Changed Past 3 Months (Yes)

*Single response only; Total Sample*

- Rebalancing portfolio: 22%
- More care in researching/selecting investments: 19%
- Sought investing guidance/advice: 18%
- Moved money into cash: 18%
- Moved money into fixed income investments: 12%
- Moved to the sidelines: 9%
- Traded equities for short term gains: 8%
- Moved money into alternative investments: 5%
- Traded more options: 4%
- Moved money into gold/commodities: 2%
- Traded less on margin: 1%
- Have taken no action: 36%

Q. Has your investing philosophy changed at all over the past 3 months?
Q. Which of the following actions have you taken, if any, in the past 3 months?
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)*

<table>
<thead>
<tr>
<th>Financial Strategy Behaviors</th>
<th>Q4'17</th>
<th>Q2'18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review my existing financial plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add money into my investment portfolio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Save more money</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay down debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spend less money</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speak with a financial professional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add to an emergency fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Take money out of my investment portfolio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create a written financial plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None of the above</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don’t know/prefer not to answer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Q. Which of the following actions do you plan to take over the next three months?**
- **Q. Which of the following investment portfolio actions do you expect to take over the next three months?**

<table>
<thead>
<tr>
<th>Changes to Portfolio</th>
<th>Q4'17</th>
<th>Q2'18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move money to exchange traded funds</td>
<td>25%</td>
<td>17%</td>
</tr>
<tr>
<td>Move money to mutual funds</td>
<td></td>
<td>16%</td>
</tr>
<tr>
<td>Move money to individual stocks</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Move money to cash</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Move money to fixed income</td>
<td></td>
<td>14%</td>
</tr>
<tr>
<td>Move money to another type of investment vehicle</td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>Invest in cryptocurrency</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>None of the above</td>
<td></td>
<td>25%</td>
</tr>
<tr>
<td>Don’t know/prefer not to answer</td>
<td></td>
<td>21%</td>
</tr>
</tbody>
</table>
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.

**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)
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*

<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving for retirement</td>
<td>45%</td>
</tr>
<tr>
<td>Understanding how tax laws apply to me</td>
<td>29%</td>
</tr>
<tr>
<td>Paying for health insurance</td>
<td>20%</td>
</tr>
<tr>
<td>Saving for an early retirement</td>
<td>19%</td>
</tr>
<tr>
<td>Paying off credit card bills</td>
<td>15%</td>
</tr>
<tr>
<td>Affording college for my kids</td>
<td>10%</td>
</tr>
<tr>
<td>Leaving a traditional job to pursue a passion</td>
<td>8%</td>
</tr>
<tr>
<td>Paying down student debt</td>
<td>6%</td>
</tr>
<tr>
<td>Funding care for aging family members</td>
<td>5%</td>
</tr>
<tr>
<td>Affording quality childcare</td>
<td>3%</td>
</tr>
<tr>
<td>None</td>
<td>20%</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>2%</td>
</tr>
</tbody>
</table>

*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**
- Saving for retirement: 63%
- Saving for an early retirement: 37%
- Understanding how tax laws apply to me: 34%
- Paying for health insurance: 18%
- Paying down student debt: 18%

**Mid-Life**
- Saving for retirement: 62%
- Saving for an early retirement: 29%
- Understanding how tax laws apply to me: 27%
- Paying for health insurance: 21%
- Paying off credit card bills: 20%

**Matures**
- Saving for retirement: 41%
- Understanding how tax laws apply to me: 29%
- Paying for health insurance: 20%
- Paying off credit card bills: 15%
- Paying down student debt: 13%

**Retired**
- Understanding how tax laws apply to me: 27%
- Paying for health insurance: 19%
- Saving for retirement: 15%
- Paying off my credit card bills: 9%
- Funding care for an aging family member: 6%

*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)

- No help from advisor: 20% (Q2'14), 21% (Q4'14), 20% (Q2'15), 24% (Q4'15), 22% (Q2'16), 22% (Q4'16), 22% (Q2'17), 20% (Q4'17), 23% (Q2'18), 21% (Q4'18)
- Periodic advice from advisor: 59% (Q2'14), 57% (Q4'14), 59% (Q2'15), 50% (Q4'15), 55% (Q2'16), 54% (Q4'16), 56% (Q2'17), 55% (Q4'17), 52% (Q2'18), 54% (Q4'18)
- Ongoing advice from advisor: 17% (Q2'14), 17% (Q4'14), 17% (Q2'15), 20% (Q4'15), 19% (Q2'16), 20% (Q4'16), 18% (Q2'17), 20% (Q4'17), 20% (Q2'18), 19% (Q4'18)
- Delegating decisions to advisor: 4% (Q2'14), 5% (Q4'14), 4% (Q2'15), 6% (Q4'15), 4% (Q2'16), 5% (Q4'16), 4% (Q2'17), 5% (Q4'17), 5% (Q2'18), 6% (Q4'18)

Q. Which of the following decision-making scenarios would give you the most confidence in reaching your financial goals?
Media Contacts:
Michael Cianfrocca        Hibah Shariff
Charles Schwab            Charles Schwab
(415) 667-0344            (415) 667-0507
michael.cianfrocca@schwab.com hibah.shariff@schwab.com

About Schwab
At Charles Schwab we believe in the power of investing to help individuals create a better future. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, championing our clients’ goals with passion and integrity.

More information is available at www.aboutschwab.com. Follow us on Twitter, Facebook, YouTube, and LinkedIn.

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%)

Through its operating subsidiaries, The Charles Schwab Corporation (NYSE: SCHW) provides a full range of securities brokerage, banking, money management and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member SIPC, www.sipc.org), and affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; compliance and trade monitoring solutions; referrals to independent fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through Schwab Advisor Services. Its banking subsidiary, Charles Schwab Bank (member FDIC and an Equal Housing Lender), provides banking and lending services and products. More information is available at www.schwab.com and www.aboutschwab.com.

Brokerage Products: Not FDIC Insured • No Bank Guarantee • May Lose Value

©2019 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.

(0119-9G8H)