

# 2018 ETF Investor Study by Charles Schwab

June 2018

*charles*  
SCHWAB

*Own your tomorrow™*

# Table of Contents

	Page
About the Study	3
Millennials are Mad for ETFs	4
ETFs and the current market environment	13
Technology fuels ETF growth	18
Focus on costs	21
ETF investor profile	26
Disclosures	28

# About the Study

## What

- An online study among a national sample of ETF Investors was conducted by Koski Research
- Koski Research is neither affiliated with, nor employed by, Charles Schwab & Co., Inc.

## When

- The ETF Investor survey was fielded April 28 to May 15, 2018

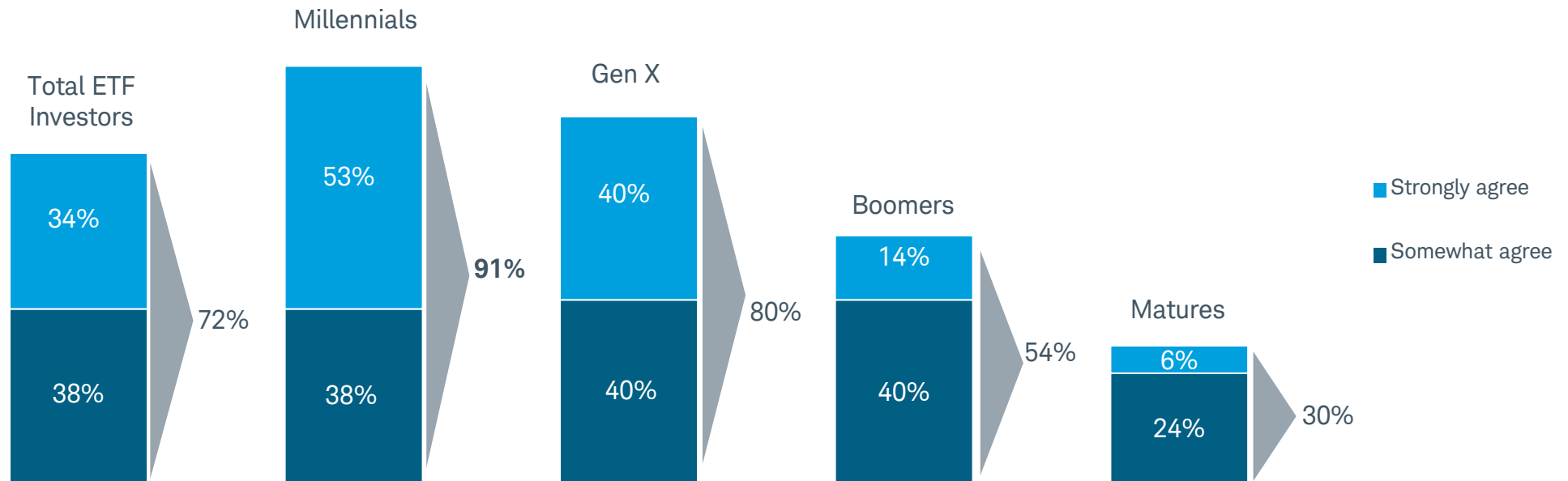
## Who

- 1,500 ETF Investors completed the study
  - 1,000 General ETF Investors
  - Oversample of Millennial ETF Investors to reach 500
  - Oversample of Women ETF Investors to reach 500
- To qualify for the study, ETF Investors had to
  - Be 25 to 75 years old
  - Have a minimum of \$25,000 in investable assets
  - Have purchased an ETF in the past 2 years
  - Be at least somewhat familiar with ETFs
- Generation definitions
  - Millennials: age 25-37
  - Gen X: age 38-53
  - Boomers: age 54-72
  - Matures: age 73+

# Millennials are Mad for ETFs

# ETFs are investment vehicle of choice for 91% of Millennial investors...

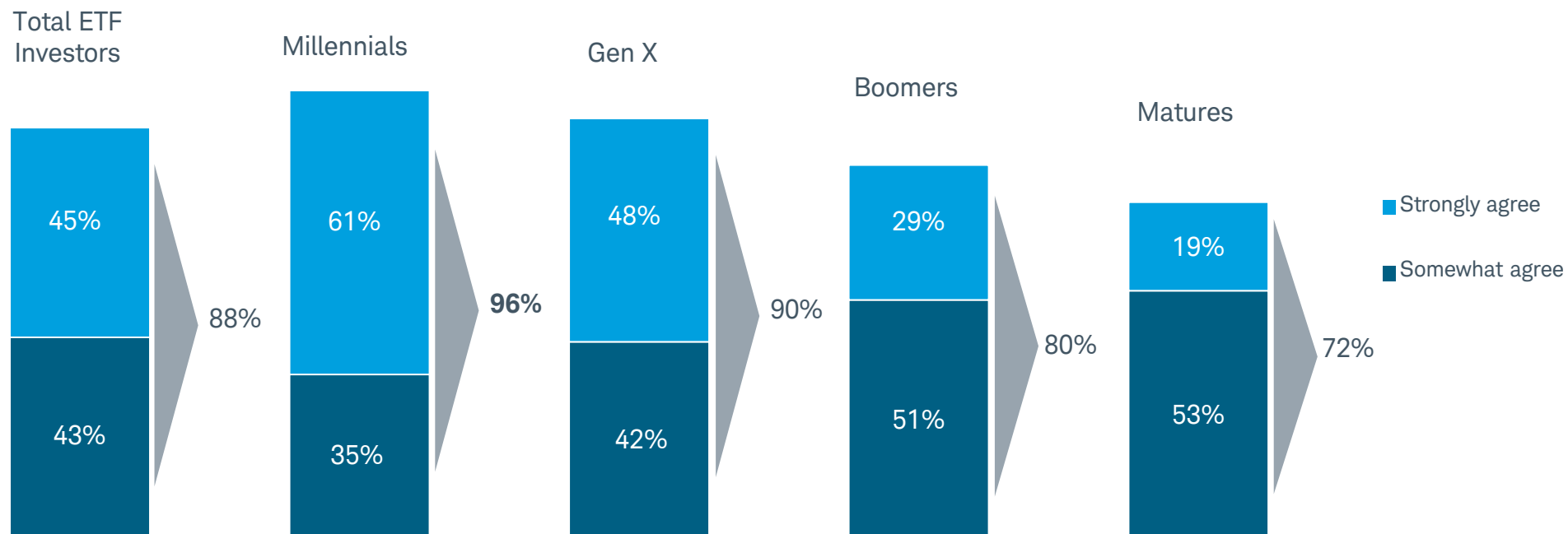
## ETFs are my investment vehicle of choice



Q23. Please select how much you agree or disagree with the following statements: ETFs are my investment vehicle of choice. (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)

# ...and nearly all Millennial investors say ETFs are a necessary part of their portfolio

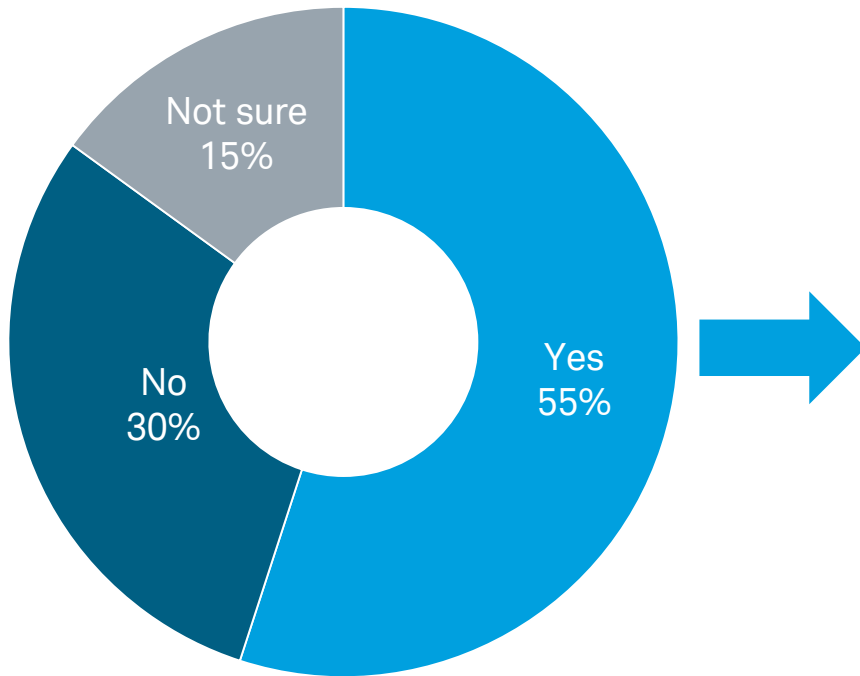
## ETFs are a necessary part of my portfolio



Q23. Please select how much you agree or disagree with the following statements: ETFs are a necessary part of my portfolio. (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)

# More than three quarters of Millennials can see ETFs as the primary investment type in their future portfolio

ETFs expected to be primary investment in portfolio in the future



## Detail on investors who answered yes

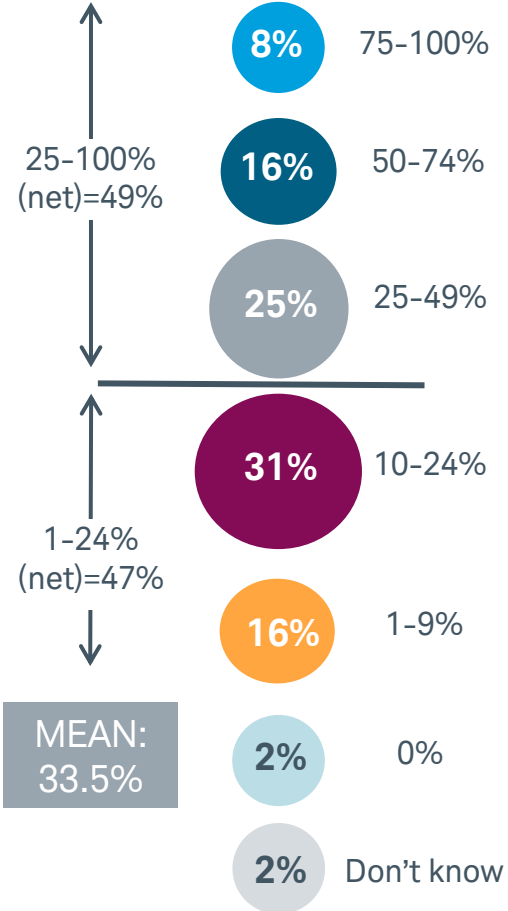
Millennials a		Gen X b		Boomers c		Matures d	
79% bcd		64% cd		33% d		14%	
Male e	Female f	Male g	Female h	Male i	Female j	Male k	Female l
80%	79%	69% h	53%	33%	32%	14%	26%
2015 w		2016 x		2017 y		2018 z	
30%		28%		42% wx		56% wxy	

Letter notations indicate statistically significant differences from the categories shown with letters at the 95% confidence level

Q15. Do you see ETFs as being the primary investment type in your portfolio in the future? (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)

# Millennials currently hold more ETFs in their portfolios than any other generation

## Percentage of Portfolio in ETFs



Currently

## Mean Percentage of Portfolio in ETFs

Millennials a		Gen X b		Boomers c		Matures d	
41.9% cd		38.9% cd		23.2% d		17.4%	
Male e	Female f	Male g	Female h	Male i	Female j	Male k	Female l
42.9%	40.5%	40.0% h	33.1%	23.3%	22.0%	16.4%	25.0%

2015 w	2016 x	2017 y	2018 z
20.8%	23.5% w	28.0% wx	33.5% wxy

Letter notations indicate statistically significant differences from the categories shown with letters at the 95% confidence level  
 Q8 What percent of all of your investments is in ETFs today, if any? (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)



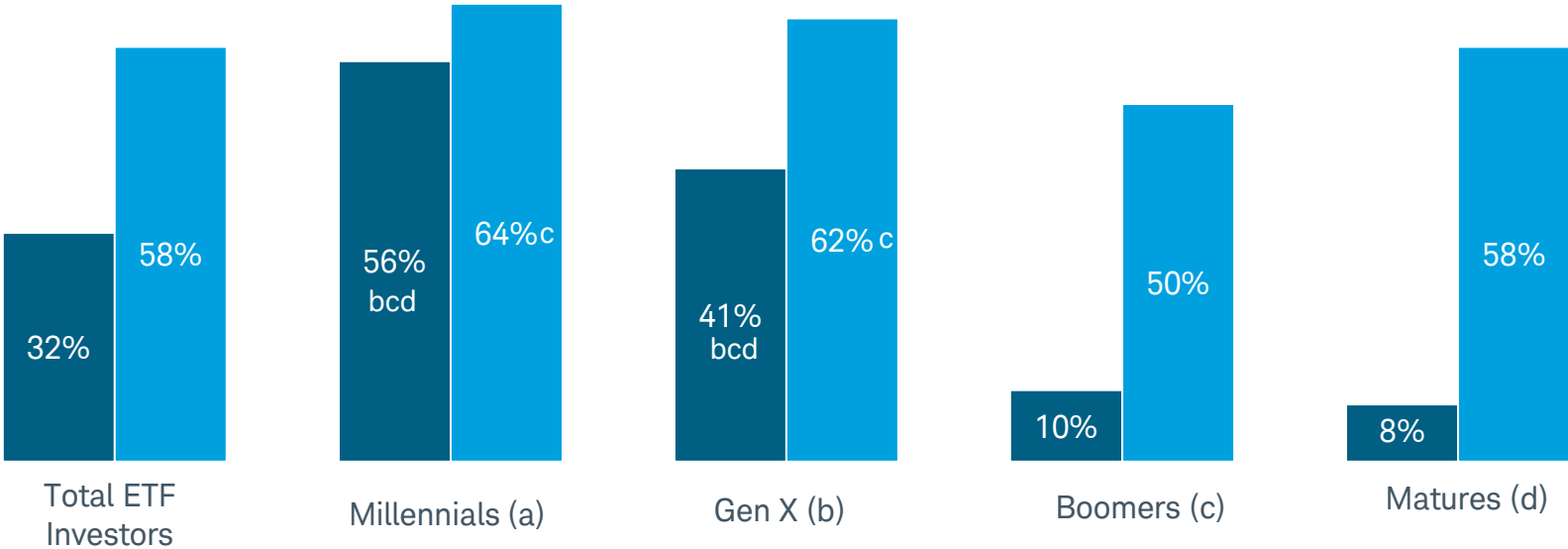
# And Millennials lead other generations in replacing individual securities with ETFs in their portfolios

Have replaced/considering replacing individual securities with ETFs  
 Among those who own individual stocks

**I have done this**

I have replaced all individual securities with ETFs

I have replaced some individual securities with ETFs

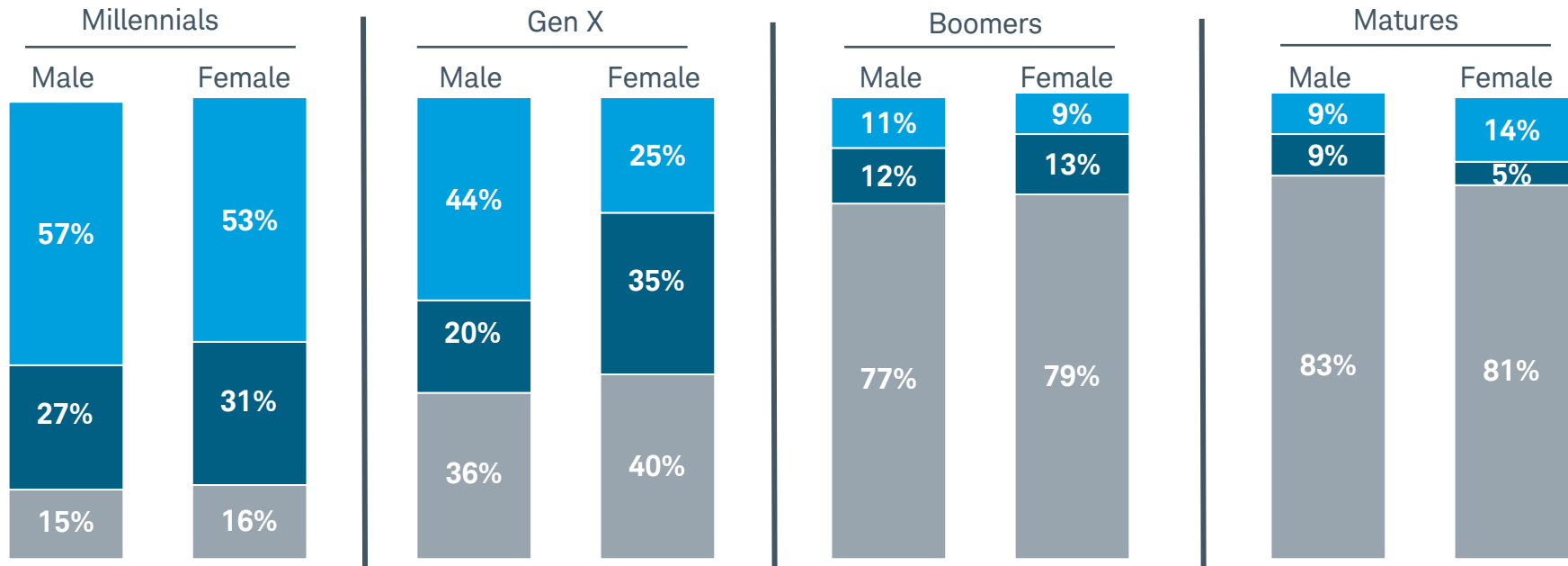
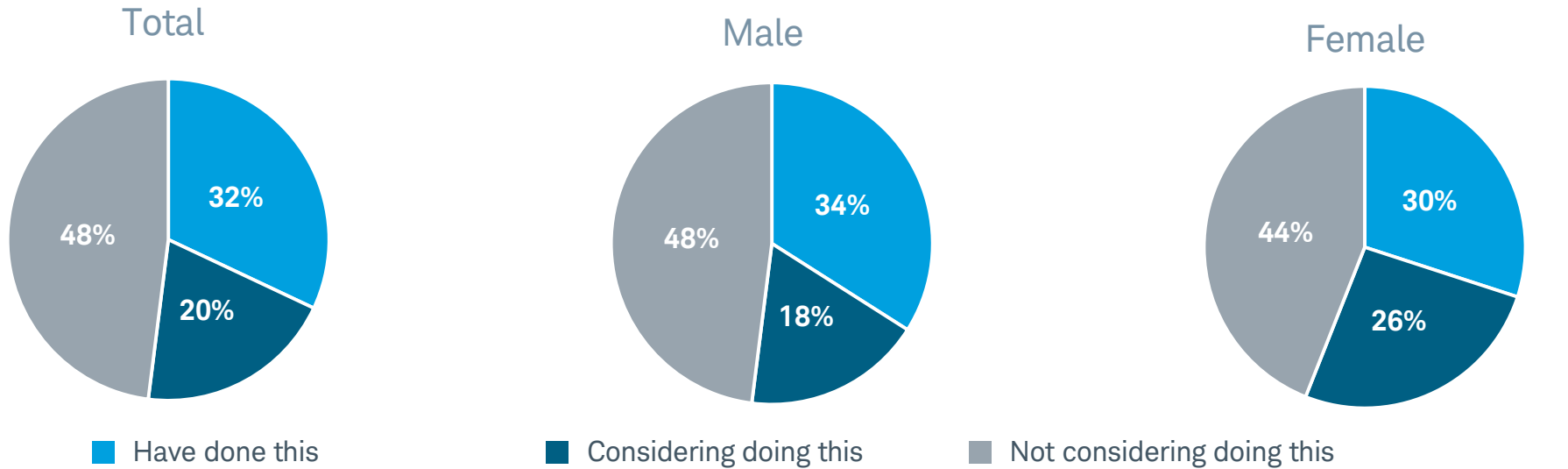


Letter notations indicate statistically significant differences from the categories shown with letters at the 95% confidence level

Q22. Please select the response which best describes how you have used ETFs in your portfolio.  
 (Base: ETF Investors Who Own Individual Stocks=854, Millennials=392; Gen X=216; Boomers=304; Matures=64)

# Detail on responses to whether investors have replaced all individual securities with ETFs

Have replaced all individual securities with ETFs

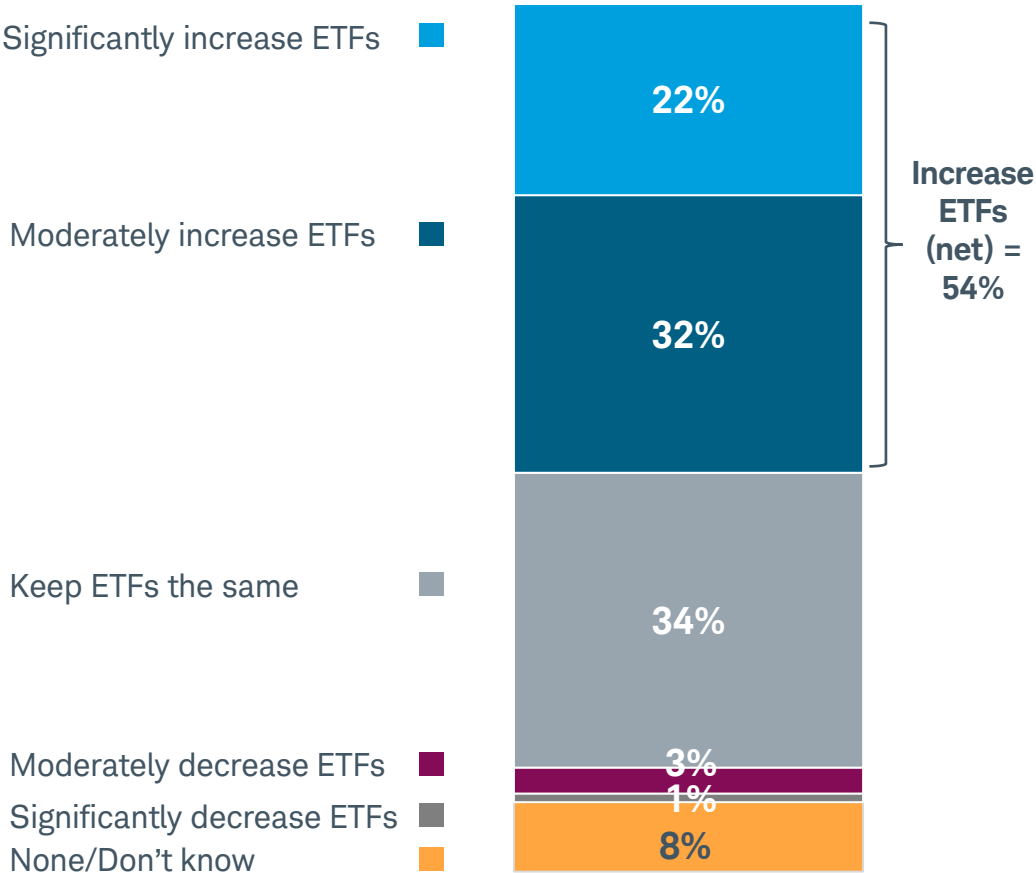


Q22. Please select the response which best describes how you have used ETFs in your portfolio.

(Base: ETF Investors Who Own Individual Stocks=854, Millennials=392; Gen X=216; Boomers=304; Matures=64)

# More than half of all ETF Investors and nearly three-quarters of Millennials plan to increase their ETF investments in the next year

## Change in Investments Expected in the Next Year in Your Portfolio



### Expect to increase ETFs

Millennials a		Gen X b		Boomers c		Matures d	
74% bcd		63% cd		33% d		21%	
Male e	Female f	Male g	Female h	Male i	Female j	Male k	Female l
74%	71%	65%	61%	35%	36%	23%	30%

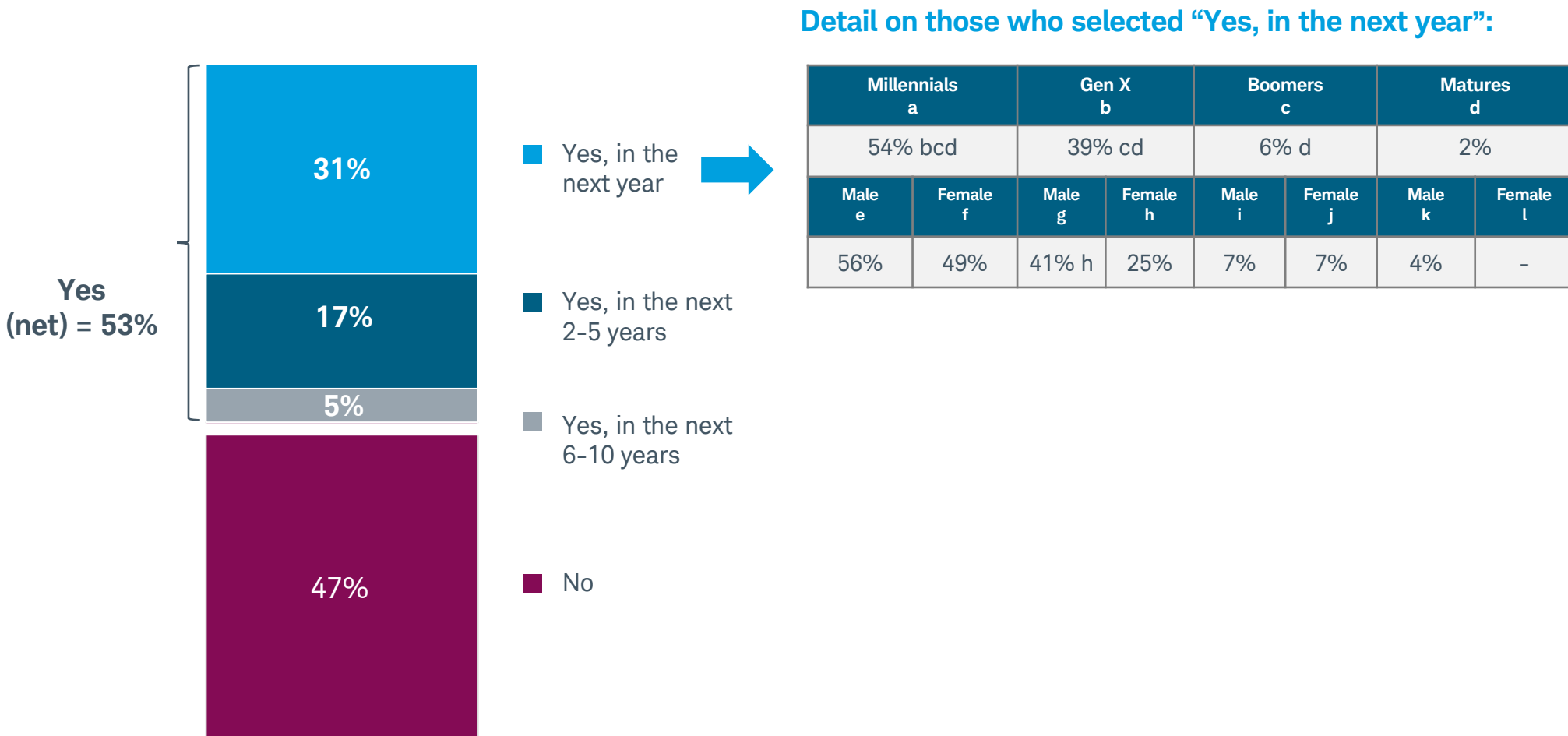
2015 w	2016 x	2017 y	2018 z
-	43%	45%	54% xy

Letter notations indicate statistically significant differences from the categories shown with letters at the 95% confidence level

Q13. In the next year, which of the following do you expect to do, if any? (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)

# More than half of Millennials say they would consider placing their entire investment portfolio in ETFs in the next year

Would consider placing entire portfolio in ETFs (excluding cash holdings)

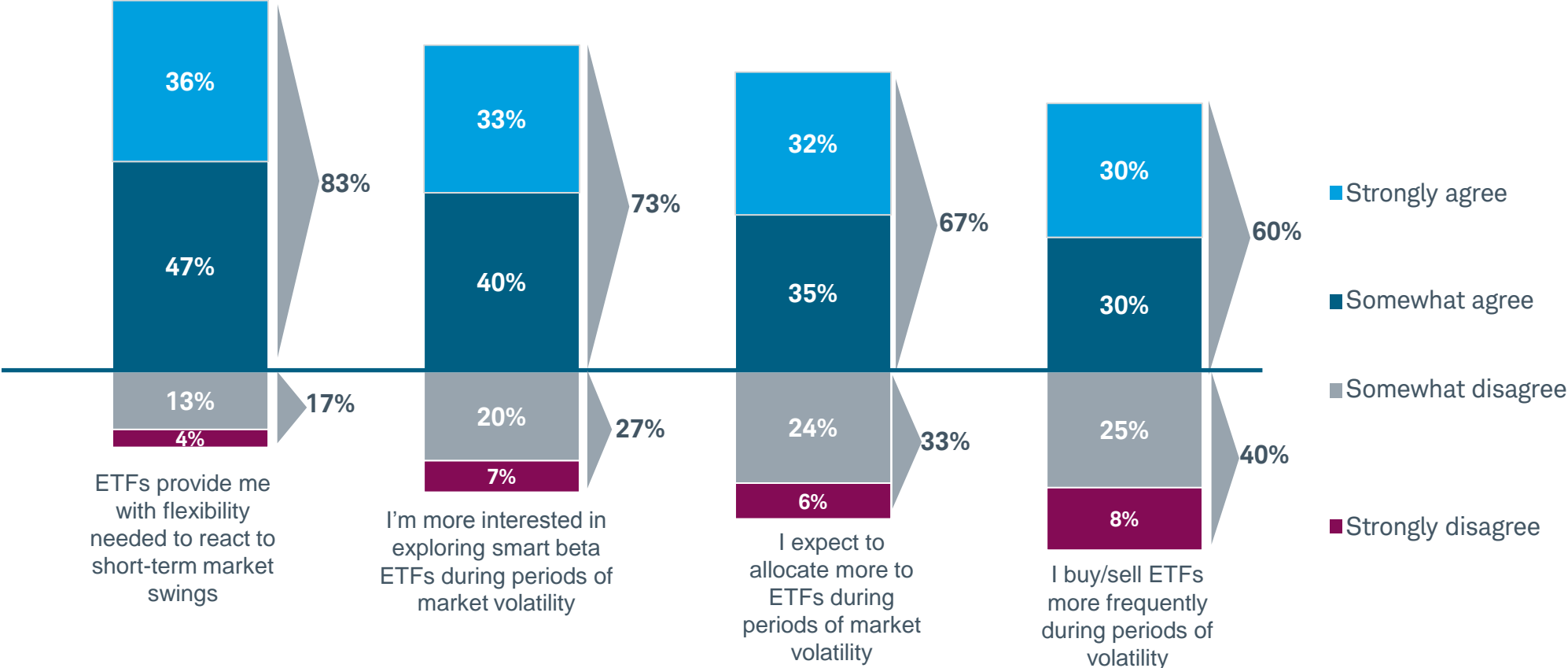


Letter notations indicate statistically significant differences from the categories shown with letters at the 95% confidence level

Q18. Would you consider placing your entire investment portfolio (excluding cash holdings) in ETFs? This means it would not include any individual stock, bond or mutual fund holdings. (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)

# ETFs and the current market environment

# Investors remain positive on ETFs in periods of market volatility



Q31. Please rate how much you agree or disagree with each statement below. (Base: ETF Investors=1,000)

# Millennials are more active and more interested in ETFs during periods of market volatility than other generations

## Agreement with statements about market volatility

% Agree with statement	Millennials			Gen X			Boomers			Matures		
	Total	Male e	Female f	Total	Male g	Female h	Total	Male i	Female j	Total	Male k	Female l
ETFs provide me with the flexibility I need to react to short-term swings in the market.	95%	93%	96%	87%	89%	86%	73%	70%	79%	59%	59%	74%
I am more interested in exploring smart beta ETFs during periods of market volatility.	92%	94% f	88%	81%	80%	80%	53%	53%	56%	33%	34%	43%
I expect to allocate more of my portfolio to ETFs during periods of market volatility.	89%	88%	89%	79%	81%	77%	41%	42%	44%	28%	29%	35%

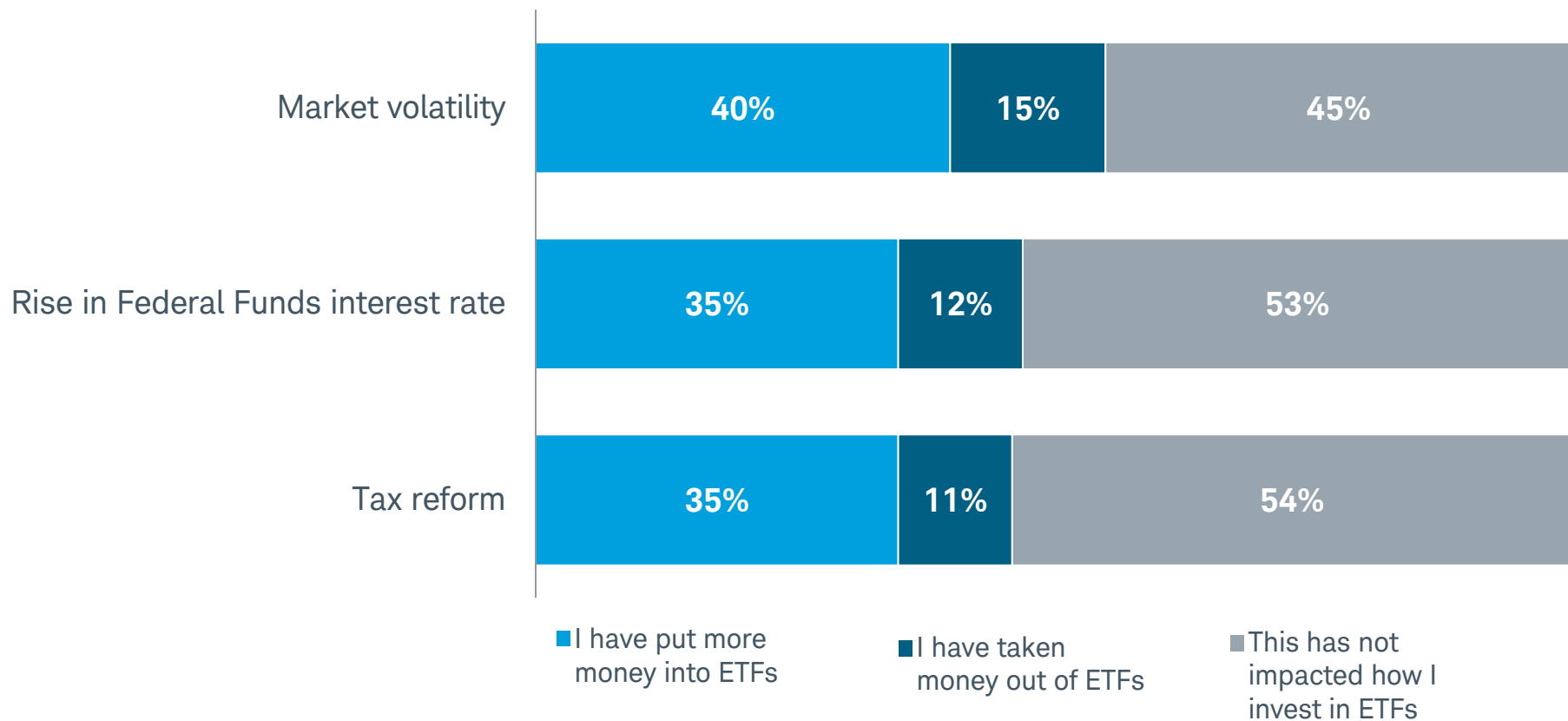
% Agree with statement	Investors: Gender	
	Male (a) (n=639)	Female (b) (n=500)
ETFs provide me with the flexibility I need to react to short-term swings in the market.	82%	88% a
I am more interested in exploring smart beta ETFs during periods of market volatility	72%	75%
I expect to allocate more of my portfolio to ETFs during periods of market volatility.	66%	72% a

Letter notations indicate statistically significant differences from the categories shown with letters at the 95% confidence level

Q31. Please rate how much you agree or disagree with each statement below.  
 (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)

# More than one-third of ETF investors have put more money in ETFs in periods of volatility and in response to market-moving events

Impact of events on ETF investing

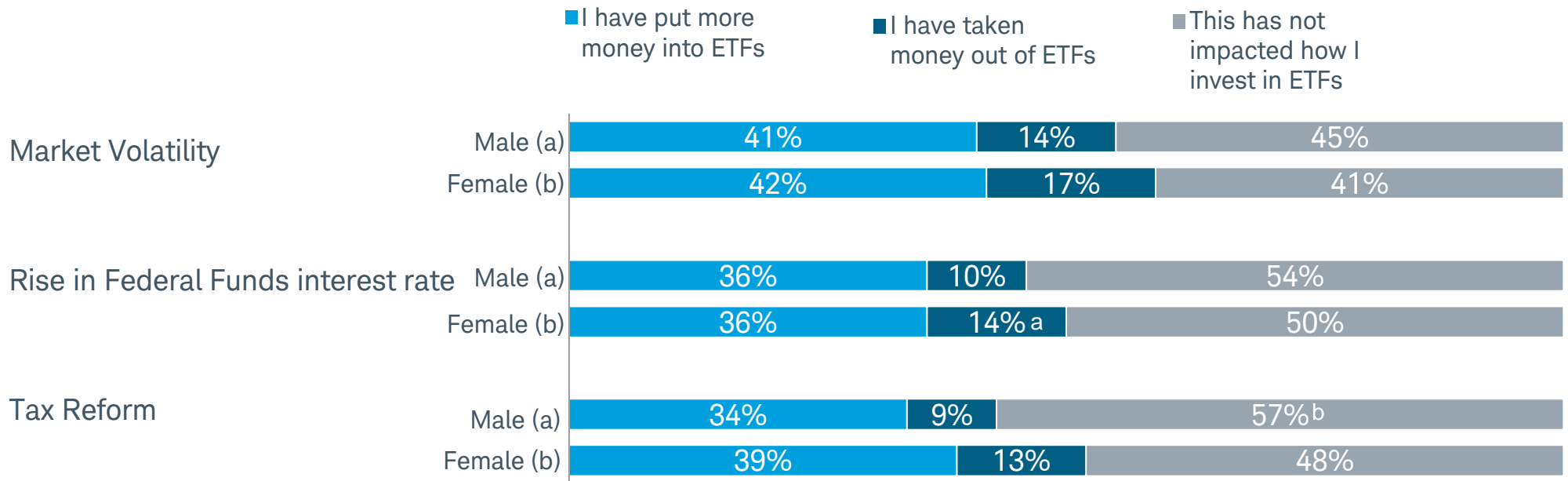


Q17. How have each of the following events had an impact on your ETF investing? (Base: ETF Investors=1,000)



# Detail on the impact of current events on ETF investing

## Impact of events on ETF investing



Market volatility	Millennials			Gen X			Boomers			Matures		
	Total	Male e	Female f	Total	Male g	Female h	Total	Male i	Female j	Total	Male k	Female l
I have put more money into ETFs	60%	60%	57%	48%	49%	41%	21%	21%	23%	5%	6%	9%
I have taken money out of ETFs	20%	21%	20%	16%	18%	17%	13%	8%	17% i	3%	4%	4%
This has not impacted how invest in ETFs	20%	19%	22%	36%	34%	42%	67%	71% j	59%	92%	89%	87%

Letter notations indicate statistically significant differences from the categories shown with letters at the 95% confidence level

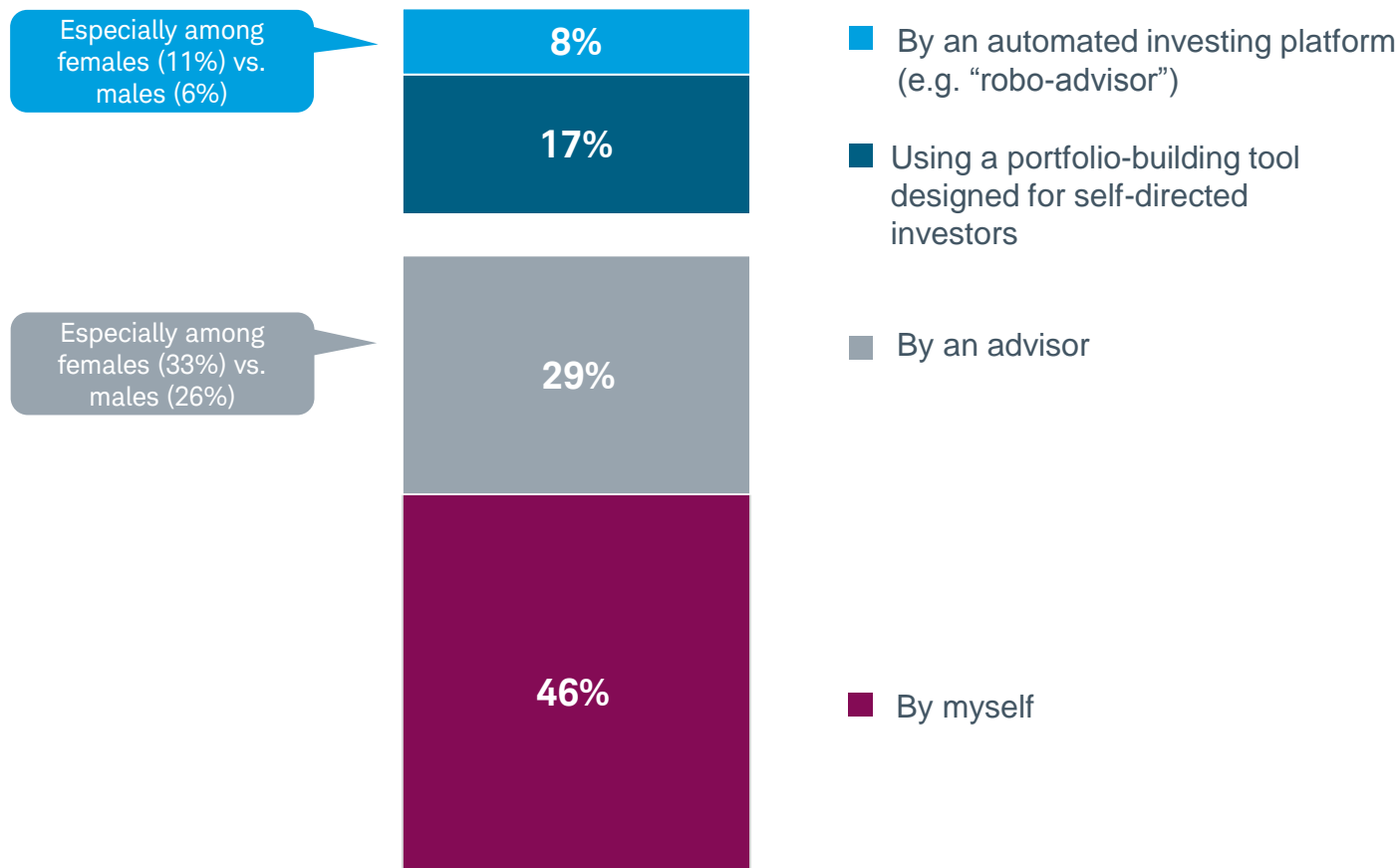
Q17. How have each of the following events had an impact on your ETF investing?

(Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)

# Technology fuels ETF growth

# A quarter of investors use technology to select ETFs

## How most ETFs are selected



Q9. How are most of the ETFs in your portfolio selected? (Base: ETF Investors=1,000)

# Focus on how most ETFs are selected

## How most ETFs are selected

	Millennials			Gen X			Boomers			Matures		
	Total	Male e	Female f	Total	Male g	Female h	Total	Male i	Female j	Total	Male k	Female l
By an automated investing platform (e.g. "robo-advisor")	<b>12%</b>	9%	15%	<b>11%</b>	7%	10%	<b>3%</b>	3%	3%	<b>3%</b>	2%	-
Using a portfolio-building tool designed for self-directed investors (e.g. a tool with interactive input/output but not an automated investing platform or "robo-advisor")	<b>26%</b>	25%	29%	<b>20%</b>	24%	17%	<b>7%</b>	7%	9%	<b>2%</b>	1%	4%
By myself	<b>40%</b>	46% f	33%	<b>46%</b>	51%	41%	<b>52%</b>	61% j	40%	<b>47%</b>	54%	48%
By an advisor	<b>22%</b>	20%	23%	<b>22%</b>	18%	31% g	<b>36%</b>	30%	47% i	<b>48%</b>	43%	48%

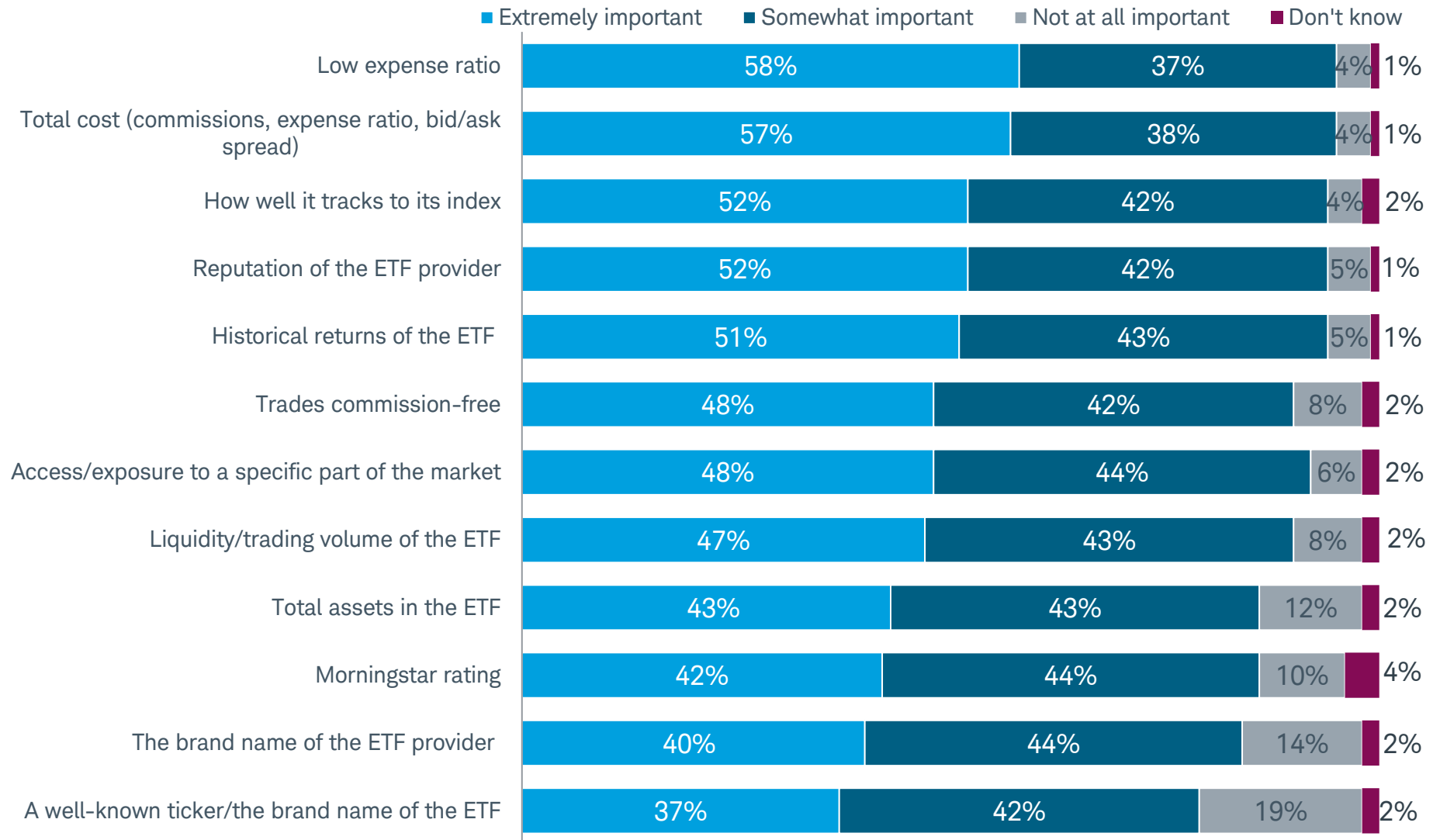
	Investors: Gender	
	Male (a) (n=639)	Female (b) (n=500)
<b>How most ETF in portfolio are selected:</b>		
By an automated investing platform (e.g. "robo-advisor")	6%	11% a
Using a portfolio-building tool designed for self-directed investors	17%	19%
By myself	51% b	37%
By an advisor	26%	33% a

Letter notations indicate statistically significant differences from the categories shown with letters at the 95% confidence level

Q9. How are most of the ETFs in your portfolio selected? (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)

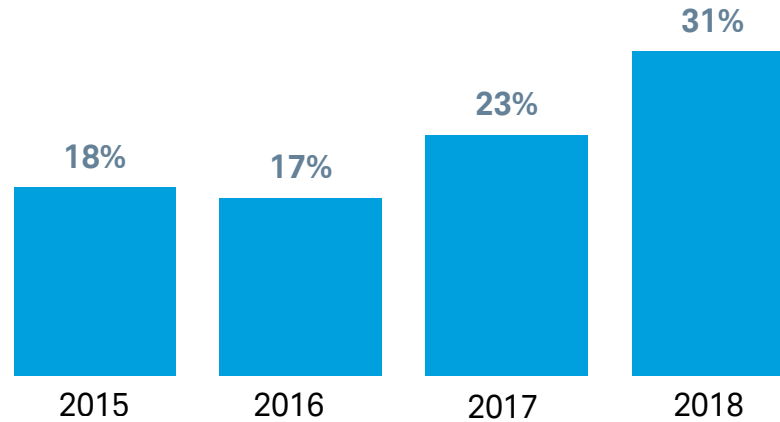
# Focus on costs

# When evaluating ETFs, investors prioritize low expense ratio and total cost

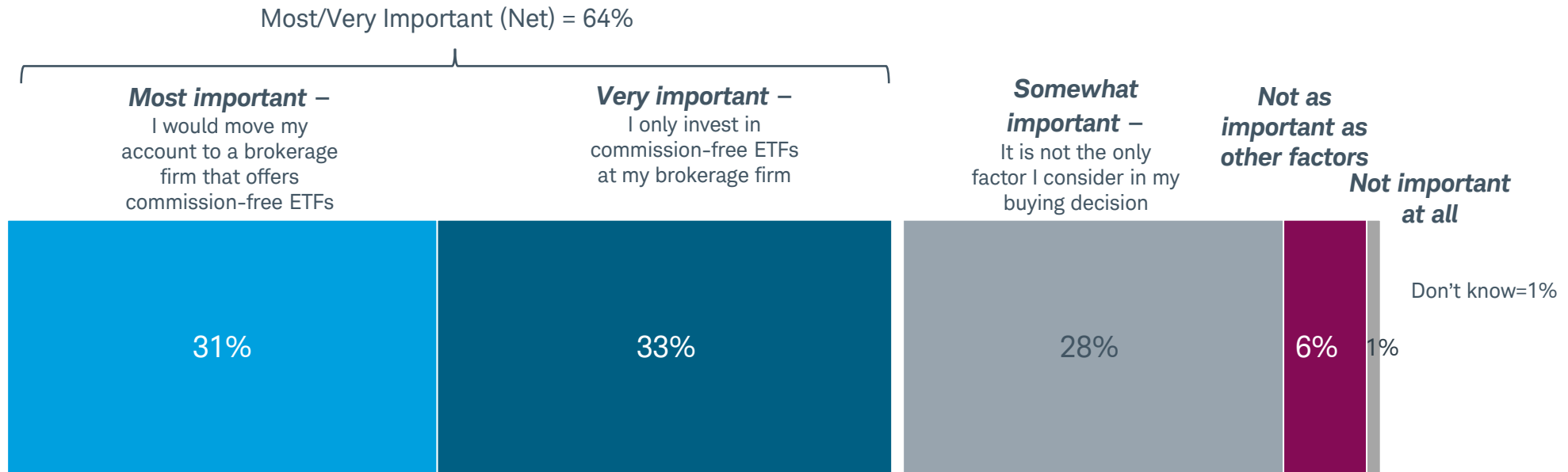


# The importance of commission-free ETF trading has grown over time

Investors who say that commission-free ETFs are “most important” and they’d move their account to a brokerage firm that offers commission-free ETFs:



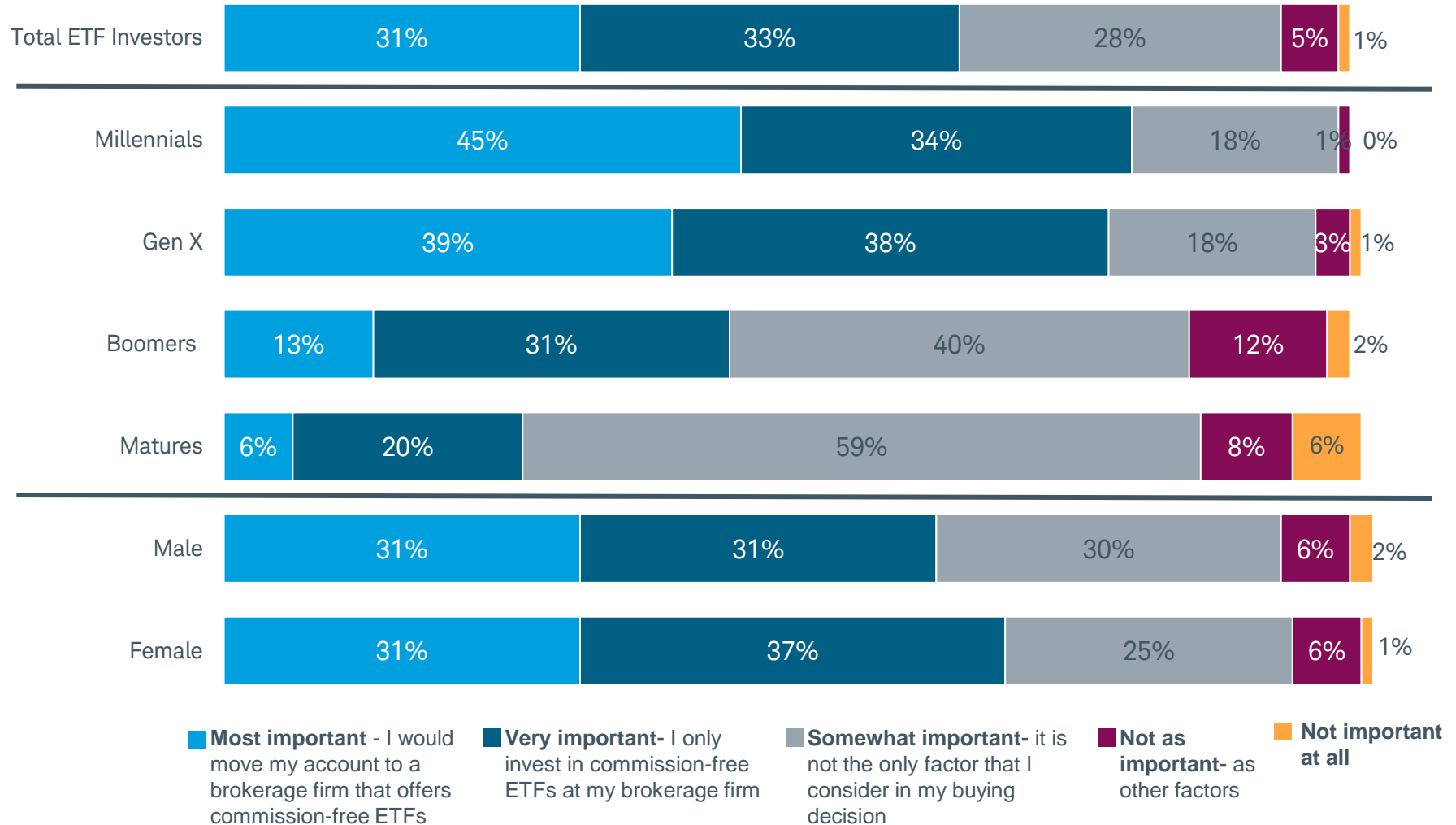
## Importance of ability to trade ETFs without commissions or fees – 2018 detail



Q25. How important is the ability to trade ETFs without commissions or other brokerage firm fees? (Base: ETF Investors=1,000)

# Focus on the importance of commission-free ETF trading

## Importance of ability to trade ETFs without commissions or other brokerage firm fees

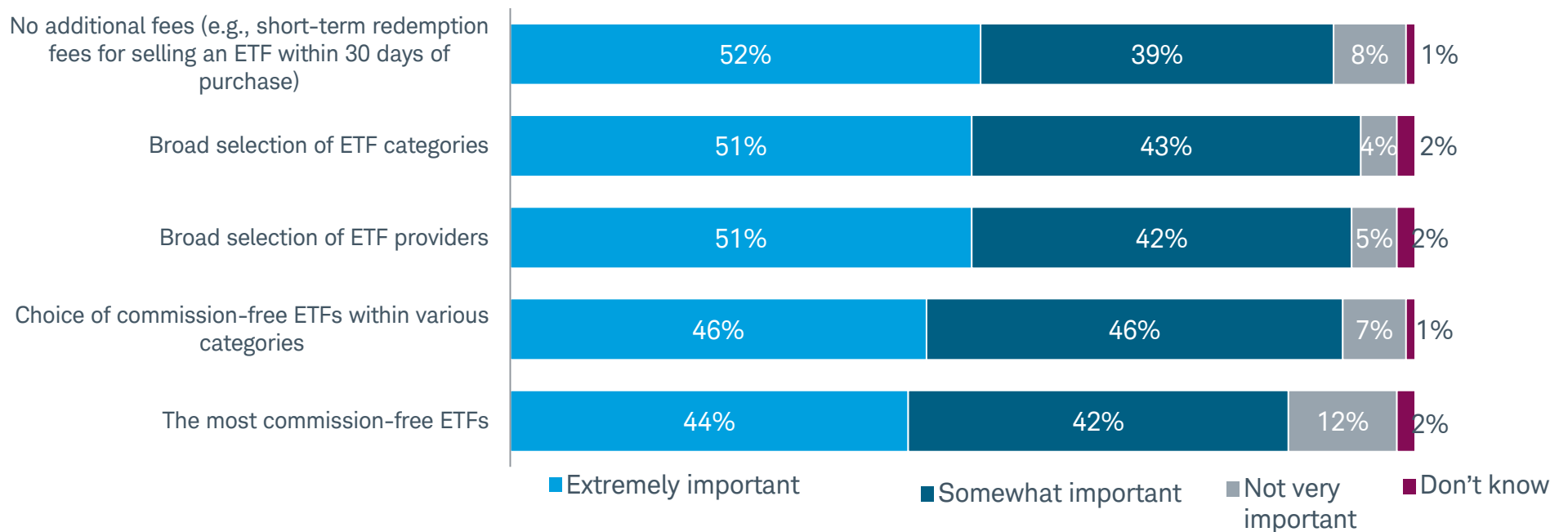


Q25. How important is the ability to trade ETFs without commissions or other brokerage firm fees? (Base: ETF Investors=1,000; Millennials=500; Gen X=261; Boomers=326; Matures=64)



# No additional fees and broad selection of ETF categories/providers are most important when evaluating brokerages with commission-free ETFs

## Importance When Evaluating Brokerages That Offer Commission-Free ETFs



Q26. How important to you is each of the following when evaluating brokerages that offer commission-free ETFs/a commission-free ETF platform? (Base: ETF Investors=1,000)

# ETF Investor Profile

# ETF Investor Profile

	ETF Investors (n=1,000)
<b>Gender</b>	
Male	64%
Female	36%
<b>Age</b>	
Millennials	35%
Generation X	26%
Boomers	33%
Matures	6%
Mean	48
<b>Employed</b>	
Full-time	65%
Part-time	11%
Retired	19%
Other	5%
<b>Region</b>	
Northeast	25%
Midwest	19%
South	33%
West	23%
<b>Decision Making</b>	
You do all the research and decision-making yourself without the assistance of a financial advisor or broker	45%
You make all of your own investment decisions but want to be able to discuss them with a friend or family member	14%
You make all of your own investment decisions but want to be able to discuss them with a financial advisor or broker	18%
You make most decisions yourself, but rely heavily on a financial advisor or broker	13%
You delegate decision-making to a financial advisor or broker for some or all of your investments	10%

	ETF Investors (n=1,000)
<b>Personal Income</b>	
<\$50K	12%
\$50K-\$74.9K	20%
\$75K-\$99.9K	24%
\$100K-\$149.9K	27%
\$150K+	17%
Mean (in thousands)	\$106.2
<b>Investable Assets</b>	
<\$100K	23%
\$100K-\$499.9K	34%
\$500K-\$999.9K	22%
\$1M+	21%
Mean (in thousands)	\$783.8
<b>Amount of Times Placed Trade in Past Year</b>	
None	4%
1-11 times	29%
12-23 times	20%
24-35 times	24%
36-119 times	14%
120 or more times	7%
Don't know	2%
MEAN	34 trades

# Disclosures

Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

© 2018 Charles Schwab & Co., Inc. (Member [SIPC](#)) All rights reserved.

(0618-8W4M)



*Own your tomorrow™*