

News Release

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**BAY AREA RESIDENTS DEFINE WEALTH IN VERY DIFFERENT WAYS
ACCORDING TO NEW RESEARCH FROM CHARLES SCHWAB
Locals say it takes \$4.2 million to be considered wealthy in the Bay Area**

SAN FRANCISCO, October 3, 2017 — When San Francisco Bay Area residents think about wealth, they are split about what it means, according to new research from Charles Schwab, with some describing wealth as a specific sum of money and others describing it more as a state of mind.

The top five definitions of wealth among 750 Bay Area residents are:

1. Being able to afford anything they want (32 percent)
2. Having a lot of money (28 percent)
3. Enjoying life's experiences (25 percent)
4. Living stress-free and having peace of mind (19 percent)
5. Having loving relationships with family and friends (12 percent)

When asked how much money is required to be considered “wealthy” in the Bay Area, respondents say it’s an average of \$4.2 million, or more than 50 times greater than the actual median net worth of U.S. households according to the U.S. Census Bureau.¹

And for the majority of Bay Area residents, that feels out of reach. While 43 percent of those surveyed say they are already millionaires or believe they can reach that level, 57 percent don’t think they have any hope.

However, when asked to compare two opposing ideas of wealth at a more personal level, Bay Area residents lean into things that money can’t buy:

- Eighty-seven percent believe wealth is not having to stress over money vs. having more money than most people (13 percent)
- Seventy-three percent say wealth is about spending time with family now vs. leaving an inheritance for them (27 percent)
- Sixty-three percent equate wealth with having good physical health over having a lot of money (38 percent)

“Wealth is often thought of as a lofty, unattainable amount of money, but that’s really an outdated definition,” said Richard Zak, CFP®, Charles Schwab regional market executive based in San Mateo. “We believe people should think about wealth as the money they have now, whether that’s a lot or a little, and what matters is that you pay attention to it. Being engaged, even when you’re just getting started, can be imperative to help build wealth over time and reach your personal goals.”

Modern Wealth Index: Bay Area residents on par with Americans, need to increase focus on planning

To help track how well Americans across the wealth spectrum are planning, managing and engaging with their wealth, Schwab developed the [Modern Wealth Index](#). The Index, which is grounded in Schwab's [Investing Principles](#), assesses Americans across four factors: 1) goal setting and financial planning, 2) saving and investing, 3) staying on track and 4) confidence in reaching financial goals.

On the 1-100 scale, Bay Area residents surveyed received a Modern Wealth Index score of 50, one point above the average national score of 49. Among the four factors of the Index, Bay Area residents score highest when it comes to confidence in reaching their goals, while the actions it takes to stay on track—such as checking account balances and rebalancing investments—was the largest drag on their overall Index score.

	Bay Area Average	National Average
Modern Wealth Index score	50	49
Goal setting and financial planning	41	43
Saving and investing	55	52
Staying on track	27	24
Confidence in reaching financial goals	59	64

Overall and sub-factors scores are each on a scale of 1-100.

“With an average score of 50, Bay Area residents appear to be on par with average Americans when it comes to managing and engaging with their wealth,” Zak said. “But when we dig into that score a bit more, we find that Bay Area residents are trailing average Americans in confidence, and more importantly, in what may be the most critical area: goal setting and financial planning.”

Written financial plans unlock positive behavior

According to the Index, those who put pen to paper with written financial plans are more confident, more engaged with their wealth and demonstrate more positive saving and investing behaviors than average residents, with an index score of 85. They also score above the Bay Area average across all four sub factors of the Index:

- 1) Goal setting and financial planning: 100
- 2) Confidence in reaching financial goals: 95
- 3) Saving and investing: 78
- 4) Staying on track: 54

There is also significant difference in specific behaviors when comparing those with a written plan to those without:

	Those with a written plan compared to...	...those without it
Rebalanced 401(k) portfolio in the past year	43%	28%
Increased contribution to retirement account outside of work (e.g. IRA) in the past year	47%	20%
Have a household budget	51%	33%
Have an emergency fund	56%	29%
Aware of fees in brokerage account	86%	72%

According to Schwab's survey, just 22 percent of Bay Area residents say they have a financial plan in writing. When asked why they don't have a plan in writing, Bay Area residents believe there are a number of reasons:

- They don't have enough money to work with a financial planner (38 percent)
- They don't have enough money to warrant a plan (27 percent)

- It's not a priority for them (26 percent)
- They don't have time (17 percent)
- It's too complicated (15 percent)
- It's too expensive (15 percent)

"We know planning is one of the most important factors of successful investing and positive financial behaviors," Zak said. "But there is a clear need to make planning and professional advice more accessible and engaging for people, because not enough Bay Area residents—or Americans for that matter—have written financial plans. It's one of the most important issues for our industry to address today."

In comparing generations, the Modern Wealth Index revealed that Bay Area millennials model some of the better financial habits:

- Twenty-eight percent have a written financial plan, compared to 20% of Generation X and 18% of boomers.
- Forty-two percent say they have a monthly savings goal, compared to 27 percent of Generation X and 21 percent of boomers in the Bay Area.
- Forty-two percent say they increased their 401(k) contribution level in the past year, compared to 33 percent of Gen X and 31 percent of boomers.

¹ Smith, Adam, R. Chenevert, J. Eggleston. Improvements to Measuring Net Worth of Households: 2013. Current Population Reports P70BR-143. U.S. Census Bureau, Washington, DC. 2017.

About the survey and Modern Wealth Index methodology

The Modern Wealth Index, developed in partnership with Koski Research and the Schwab Center for Financial Research, is based on Schwab's Investing Principles and composed of 60 financial behaviors and attitudes – each assigned a varying amount of points depending on their importance. The Index broadly assesses Americans across four factors: 1) goal setting and financial planning, 2) saving and investing, 3) staying on track, and 4) confidence in reaching financial goals. Based on the total number of points received, respondents were indexed on a 1-100 scale for each of the four factors and an overall score.

The online survey was conducted by Koski Research from April 12 to April 20, 2017 among 1,000 Americans nationwide and from July 24 to August 10, 2017 among 775 Bay Area residents, all aged 21 to 75. The geographical area of the sample included counties in the Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, and Solano areas. Quotas were set so that the sample is as demographically representative as possible. The margin of error for the total survey sample is three percentage points.

About Charles Schwab

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