Merrill Edge® Report

Fall 2015

Letter from Aron Levine

We are pleased to share the Merrill Edge® Report Fall 2015, a nationwide survey delivered biannually that offers an in-depth look at the financial concerns, priorities and behaviors of mass affluent Americans, defined as people with $50,000-$250,000 in total household investable assets.

In the fall of 2014, many Americans told us they were planning to save for retirement in 2015. However, the Fall 2015 survey shows that so far this year, less than one-third have achieved this goal. The survey also shows that not only are Americans procrastinating saving another year, but they are expecting to have a lifestyle upgrade in retirement. The good news is that many are optimistic about the upcoming year as most respondents said they are planning to save more in 2016.

In addition, the survey indicates the broader economy has significantly influenced Americans' spending habits. And, respondents are justifying a wide variety of significant expenses and taking on debt. Yet, regardless of the type of financial burden, many deem the spending to be genuinely "worth it."

At Merrill Edge, we understand the strong desire to have a "lifestyle upgrade" during retirement, but external pressures can get in the way of saving for the future. We are committed to exploring the evolving attitudes and actions surrounding financial behaviors through this report, and ultimately using this illuminating information to help Americans make more informed investment decisions.

Aron Levine, head of Merrill Edge

Methodology

Braun Research, Inc. conducted a nationally-representative telephone survey on behalf of Merrill Edge. The survey was conducted from September 8, 2015, through September 20, 2015, and consisted of 1,001 mass affluent respondents throughout the U.S., defined as individuals with investable assets (value of all cash, savings, mutual funds, CDs, IRAs, stock, bonds and all other types of investments excluding primary home and other real estate investments). Respondents in the study were defined as aged 18 to 34 (millennials) with investable assets between $50,000 and $250,000 or those aged 18 to 34 who have investable assets between $20,000 and $50,000 with an annual income of at least $50,000; or aged 35-plus with investable assets between $50,000 and $250,000. We conducted an oversampling of 300 mass affluents in the following markets: San Francisco; Los Angeles; Orange County, California; Dallas; the State of New Jersey; South Florida; Chicago; and Phoenix. The markets of Chicago and Phoenix were newly-surveyed this wave. The margin of error is +/- 3.0 percent for the national sample; about +/- 5.7 percent for the oversample markets, all reported at a 95 percent confidence level.

Generational Breakdowns

- Millennials: Ages 18-34
- Gen Xers: Ages 35-49
- Boomers: Ages 50-68
- Seniors: Ages 68+

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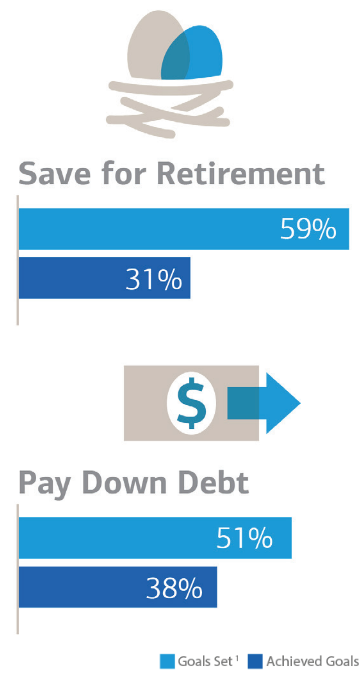
Optimistic Outlook: Americans look to spend less and save more in 2016

This year, some Americans fell short of the financial goals they set towards the end of 2014. For 2015, 59 percent of respondents set a goal of saving for retirement – but only 31 percent have achieved that goal so far this year. Along similar lines, 51 percent agreed that paying down debt was a goal they had set for 2015. Yet, only 38 percent have achieved this goal so far in 2015.

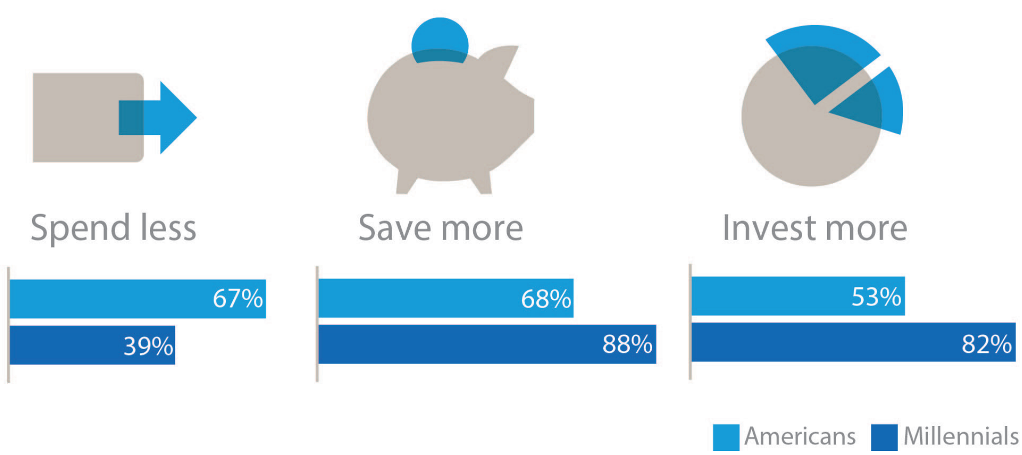
Some Americans admit their finances could have been in better shape recently. Almost four in 10 (36 percent) wish that they had stuck to a budget more in the last five years. However, a majority are looking to turn this around in 2016 as more than half of Americans believe they'll save more (68 percent), spend less (67 percent) and invest more (53 percent).

Millennials are more confident than their older counterparts that they'll save more (88 percent vs. 64 percent) and invest more (82 percent vs. 48 percent) in 2016. However, they differ from Gen Xers, baby boomers and seniors (61 percent vs. 26 percent) in thinking that 2016 will also bring an uptick in their spending.

2015 Financial Goals



In 2016, many plan to:



In the words of the mass affluent…

*"I am spending less now, since I want to be in a stage to build my retirement savings."**

*Source: Merrill Edge Online Forum, C Space

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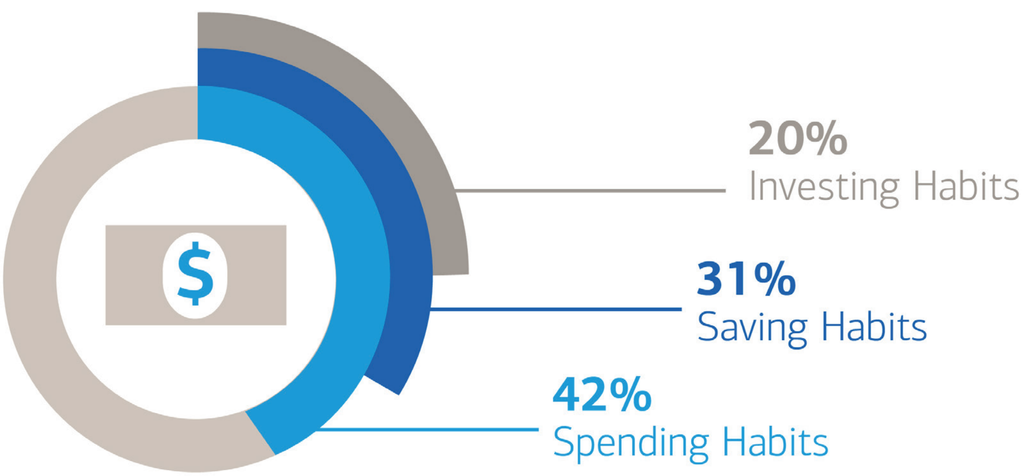
Retirement Expectations: Many view retirement as a time for a lifestyle upgrade

Half (50 percent) of non-retirees say they're saving for retirement to improve their standard of living when they reach that stage of their lives, not to just afford the basics. Perhaps with this in mind, 89 percent of those currently saving for retirement wouldn't be comfortable putting off this task today. Furthermore, almost half (47 percent) of people currently saving for retirement wish they had saved more for retirement over the last five years.

With high expectations for their retirement, Americans still struggle with external pressures on their finances. More than four in 10 (42 percent) report that the economy most impacts their current spending habits, as opposed to their saving or investing behaviors. Further, almost all (95 percent) of Americans contend they wouldn't be comfortable spending beyond their means today, and most (79 percent) exhibit the same discomfort about dipping into their savings.

The economy most impacts Americans' current:



In the words of the mass affluent...

*"I'm trying to be as frugal as possible. I'm getting closer to retirement age and I want to make sure I have enough money to be comfortable. Every little bit I can save and invest gives me greater peace of mind."**

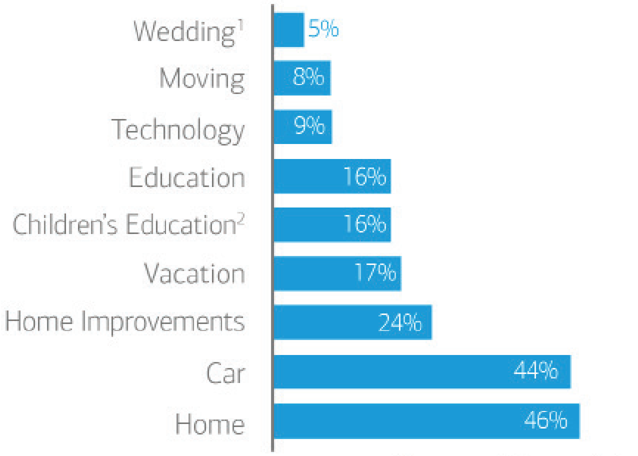
*Source: Merrill Edge Online Forum, C Space

Being retired often changes financial habits:

- More retirees than non-retirees believe they'll invest less (71 percent vs. 31 percent) and save less (49 percent vs. 21 percent) in 2016.
- It's more common for retirees than non-retirees to believe that a big purchase is worthwhile as long as it doesn't put them into debt (73 percent vs. 52 percent).
- Retirees are also less likely than non-retirees to wish they had spent less on eating out (17 percent vs. 46 percent), clothes (10 percent vs. 28 percent), technology (8 percent vs. 20 percent), cars (7 percent vs. 17 percent) and vacations (5 percent vs. 19 percent) in the last five years.

Worthwhile Debt: Justifying today's purchases

Have gone into debt for



[1]Among married respondents
[2]Among parent respondents

Although 84 percent of respondents wouldn't be comfortable making expensive purchases today, many believe that a big expense or purchase is worthwhile if it lasts a long time (57 percent), has more value in the future (42 percent) or creates lasting memories (27 percent). Millennials in particular are more apt than older generations to justify large expenses or purchases if they generate lasting memories (61 percent vs. 21 percent) or feel like a "once in a lifetime" opportunity (55 percent vs. 28 percent).

Similar to memorable purchases, many Americans think debt can often be "worth it." A majority of those who have incurred debt to pay for expenses like their child's education (91 percent), their own education (88 percent) and cars (80 percent) agree that these particular financial obligations have been worthwhile. Most also believe that it was justifiable when they went into debt to afford a move to a new area (66 percent) or a vacation (60 percent).

In order to make a big purchase they can't afford, nearly three in 10 (28 percent) would be most likely to take money out of savings or investments. More millennials than older generations (44 percent vs. 25 percent) and more non-parents than parents (38 percent vs. 24 percent) would choose to dig into their savings or investments if considering a big purchase they couldn't afford.

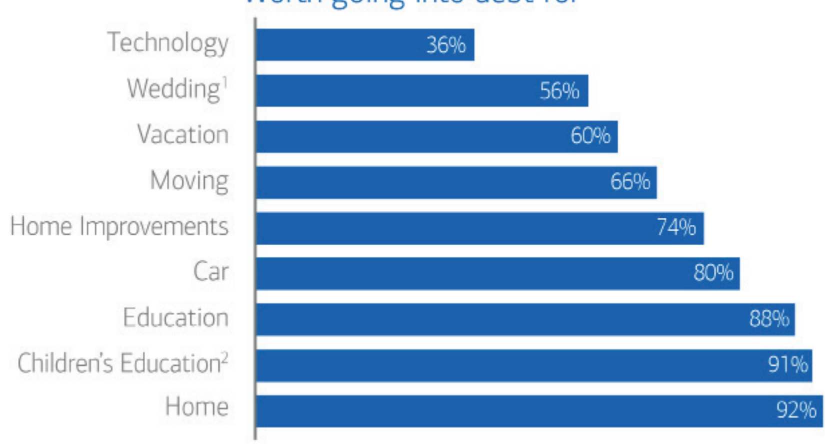
More than four in 10 (41 percent) would either take out loans or carry the balance on a credit card if making a big purchase they can't afford. However, in the last five years, many wish they'd paid off debt faster (31 percent) and avoided going into debt (22 percent) altogether. Despite how many have gone into debt, in general, 94 percent wouldn't be comfortable going into debt today.

In the words of the mass affluent...

*"We haven't been able to allocate as much to our retirement, however, we are working on balancing more funds toward retirement."**

*Source: Merrill Edge Online Forum, C Space

Worth going into debt for



[1]Among married respondents
[2]Among parent respondents

Home Sweet Home: Americans invest in the home, don't plan to downsize in retirement

Real estate in particular stands out as a category of spending where people perceive debt as an investment. In fact, almost all (94 percent) Americans do not regret what they spent on real estate in the last five years. And, most of those who have gone into debt to pay for homes (92 percent) and home improvements or renovations (74 percent) feel that these debts were worthwhile.

94% of Americans do not wish they had spent less on real estate

To minimize expenses in retirement, Americans are not willing to:

54% Move in with Family or Friends

26% Move to a Cheaper Area

23% Move to a Smaller Home

21% Work Part-Time

20% Set a Budget

In the words of the mass affluent...

*"The debt in this case was totally worth it because we have an asset and a home to live in."**

*Source: Merrill Edge Online Forum, C Space

Along similar lines, Americans are not willing to compromise their home, nor independence. In retirement, many wouldn't be willing to move in with loved ones (54 percent), move to a cheaper area (26 percent) or move to a smaller home (23 percent) to minimize expenses during this stage of their lives.

Although respondents are clearly willing to invest heavily in their homes, many don't feel they need to keep stretching past their financial boundaries in order to live there. More than nine in 10 (96 percent) admit they wouldn't be comfortable living in a home that costs more than they can afford today.

In the words of the mass affluent...

*"Going into debt was worth it since I have received a return on my education and am building equity in my home, which we have enjoyed as a family."**

*Source: Merrill Edge Online Forum, C Space

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