Merrill Edge® Report

Fall 2016

Letter from Aron Levine

We are excited to share the Merrill Edge® Report Fall 2016, a nationwide survey we release twice each year that provides an in-depth look at the financial concerns, priorities and behaviors of mass affluent Americans. Earlier this year, we found millennials are redefining the path to retirement. In the latest report, we dug deeper into this growing trend to learn how Americans are approaching retirement through the lens of work and career and how it may be impacting their financial planning.

This fall, we found retirement as we know it may become extinct. Younger generations tell us they plan to work well into retirement, which is a complete 180 of today's retirees' attitudes towards employment. This disruption signals a significant shift in how the largest generation in today's workforce will plan and save for their later years.

Feelings of insecurity and uncertainty compound this mindset, as the majority of Americans are unable to articulate or underestimate how much they need to save for their retirement years. Many of our survey participants find themselves part of the "Sandwich Generation," looking to balance short-term needs, such as caring for aging parents and children, with the long-term need of saving for their own retirement or children's education.

The good news is that we're seeing a prominent trend of Americans, particularly millennials and Gen Xers, who want to be more hands on with their investment approach and play a more active role in driving their financial futures.

At Merrill Edge, we understand the challenges in navigating the evolving financial landscape and recognize there is no uniform approach to saving money. We remain committed to continuously exploring the changing financial attitudes and behaviors of mass affluent Americans, and using the insights found in this report to help Americans make more informed investment decisions.

Aron Levine, head of Merrill Edge

Generational Breakdowns

- Millennials: Ages 18-34
- Gen X: Ages 35-50
- Baby boomers: Ages 51-64
- Seniors: Ages 65+

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In it for the long haul:
Millennials may never see an end to their working days

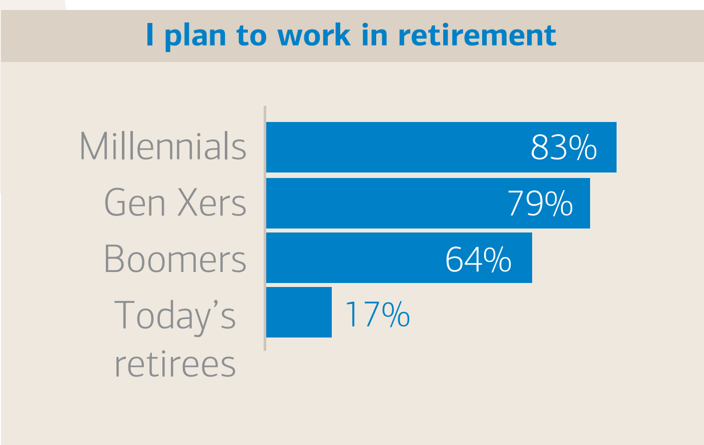
Younger generations may never experience a traditional retirement. While most of today's retirees (83 percent) are not currently working or never have during their golden years, the majority (83 percent) of millennials plan to work in retirement whether for income, to keep busy or to pursue a passion.

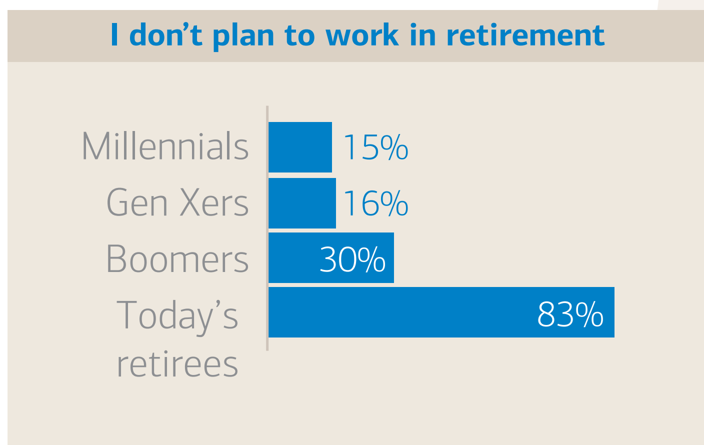
What's more, exactly half of younger millennials, ages 18-24, believe they need to take on a side job to reach their retirement goals, compared to only 25 percent of all respondents.

The rise of the "gig economy" – an environment where temporary positions and short-term projects are more prevalent – and longer-term careers may be why millennials (15 percent) are three times more likely than Gen Xers and baby boomers (5 percent) to rank an employer's retirement plan as the most important factor when taking a new job.

Upending retirement

Americans plan to work through retirement years





In the words of the mass affluent…

"Ah, retirement. I'm not sure I'll ever meet you, but one can hope… I'm skeptical that I'll ever be able to fully retire, and I'm a bit frightened about not having enough money to get by. I expect to work as I have a huge fear that I won't have enough money to support myself otherwise."*

*Source: Merrill Edge Online Forum 2016, C Space

Increasing insecurities:
Americans struggle with savings challenges

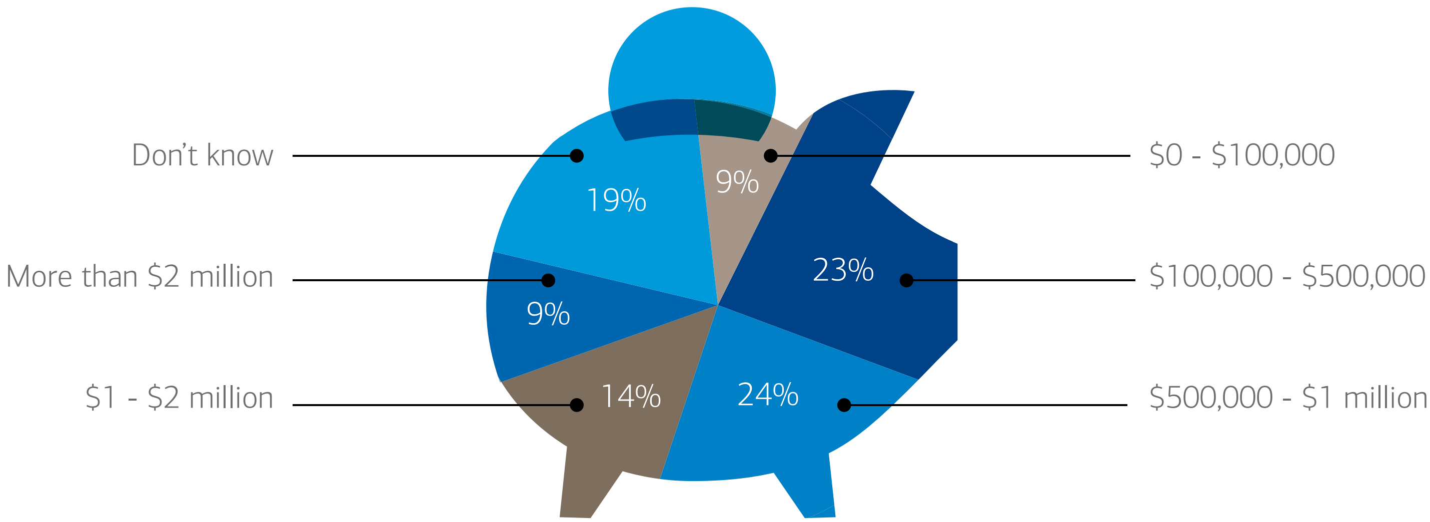
Many Americans feel uncertain or underestimate their “magic number” – the amount of money they think they need to live their desired retirement. More than half (56 percent) of respondents don’t anticipate needing more than $1 million, and nearly one in five (19 percent) simply ‘don’t know’ their number.

And even with these estimates, two in five (40 percent) of today’s non-retirees say reaching their magic number by retirement will either be “difficult” or “virtually unattainable.”

In order to reach their retirement goals, nearly one in five (17 percent) respondents are relying on luck, saying they would need to win the lottery.

Magic number

Majority think they will need less than $1 million in savings to retire, and many simply “don’t know”



In the words of the mass affluent...

“I’m very uncertain about my retirement saving. I don’t know how much is enough. I’m planning so I can have a reasonable living after retirement.”*

*Source: Merrill Edge Online Forum 2016, C Space

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A taboo topic:
Americans hesitant to discuss savings with closest confidants

When asked why they save for retirement, affording daily life (57 percent) and taking care of family (45 percent) are both at the top of the list, but this doesn't mean Americans are comfortable disclosing their number with their closest relationships.

The only person the majority (54 percent) of respondents feel comfortable discussing their current retirement savings with is their spouse or partner. This is followed by those who would turn to their financial advisor (39 percent) or family (36 percent), and only 22 percent would confide in their friends.

However, even with growing insecurities, many still believe they are better at saving than their friends (43 percent), co-workers (28 percent) and spouse/partner (27 percent).

Savings insecurities

Many demonstrate growing discomfort to discuss retirement savings, even with their closest relationships

I'd discuss my current retirement savings with my...

Spouse/partner	Financial advisor	Family	Friends	Co-workers
54%	**39%**	**36%**	**22%**	**6%**

Despite their insecurities, Americans still believe they are better at saving than their...

Friends	Co-workers	Spouse/partner	Parents	Siblings
43%	**28%**	**27%**	**27%**	**24%**

In the words of the mass affluent...

"I hope to be able to support my children and grandchildren financially and emotionally during retirement while my wife and I also travel. Some unexpected road bumps may come along, such as sicknesses or crisis of a family member that will put a dent in our retirement funds, so we need a rainy day fund."*

*Source: Merrill Edge Online Forum 2016, C Space

Taking the reins:
Younger generations lead trend to DIY investments

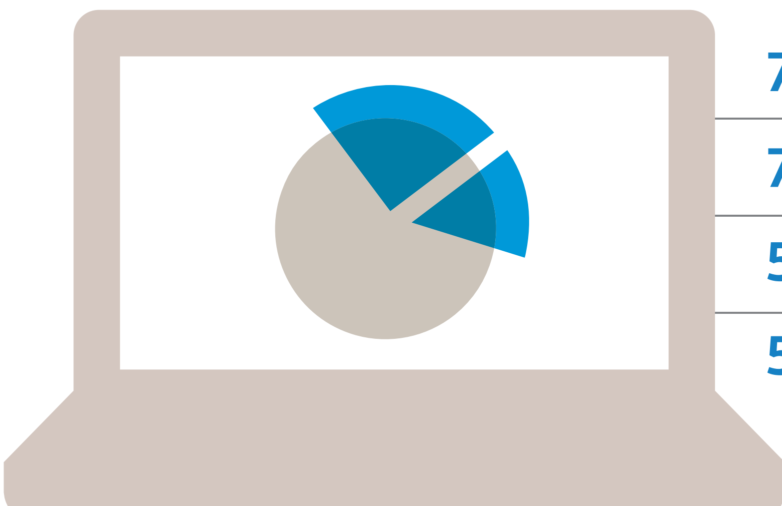
The majority (70 percent) of millennials describe their investment approach as “hands on,” compared to 60 percent of all respondents. Millennials are also most likely to describe their investment personality as “DIY,” with nearly one-third (32 percent) making their own rules when it comes to investments, compared to 19 percent of all respondents.

Gen Xers (29 percent) and seniors (44 percent) most closely identify as “traditionalists,” following all the rules; whereas, baby boomers (36 percent) are most likely to consider themselves “knowledge seekers.”

This growing sense of self-reliance among millennials, however, seems to be increasing the desire for further financial guidance and validation from professionals. Millennials are most likely to plan to hire a financial advisor within the next five years (31 percent), compared to any other generation, and are the most open to receiving financial advice online (42 percent).

DIY investments

Americans increasingly take a “hands-on” approach to investments, with younger generations leading the charge



70%	Millennials
72%	Gen Xers
57%	Boomers
51%	Seniors

In the words of the mass affluent…

“I max out Roth IRA and 401K each year. I save a certain amount each month that goes into my brokerage account. This will be more liquid, and I can use it if needed. I’m comfortable with my plan, and I think it is making good progress.”*

*Source: Merrill Edge Online Forum 2016, C Space

Methodology

Braun Research, Inc. conducted a nationally representative telephone survey on behalf of Merrill Edge. The survey was conducted from September 24, 2016 through October 5, 2016, and consisted of 1,045 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; New Jersey; South Florida; Chicago; Atlanta; and Phoenix. The margin of error is +/- 3.0 percent for the national sample and about +/- 5.7 percent for the oversample markets, all reported at a 95 percent confidence level.

ARXQ6Y5Y | December 2, 2016

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