

Letter from Aron Levine



Everywhere we look, millennials continue to redefine life priorities, and as we seek to understand how Americans are shaping their financial futures, the Merrill Edge Report continues to debunk millennial stereotypes. Through this biannual survey, we've discovered new trends about this powerhouse generation that remain the topic of wonder and conversation for many.

This fall, we found the largest generation in today's workforce is more self-sufficient and self-reliant than any other when it comes to savings. Uniquely shaped by their coming of age during the Great Recession, millennials appear determined to achieve their future goals with their "do-it-myself" attitude.

In stark contrast to older generations who are relying on outside sources for their future financial security, millennials are looking to their self-created savings years down the line. Millennials place even greater trust in their own stewardship than they do in their personal relationships with their significant other and friends.

This outlook further explains the tendency millennials have to make sacrificial spending decisions, including saving more than half of their salaries, and even rethink life priorities, like delaying buying a house or putting off getting married and having children. Many even consider themselves more financially conservative than their parents and grandparents.

As younger generations continue to change the game in the short term, the definition of success appears to be evolving for all Americans in the long term. We learned that success is no longer defined as a monetary amount. When defining success, most Americans place greater value in helping family members and making an impact on their communities.

And as we near the decade mark since the start of the Great Recession, Americans overall appear optimistic about their financial futures, feeling more responsible, forward-looking and successful about their investment decisions than they were 10 years ago. Perhaps due to a decade of recession lessons coupled with technological advancements and a growing economy, Americans are unified in thinking success and even wealth are in the cards for them.

At Bank of America and Merrill Edge, we recognize the world is changing and the path to financial freedom is different for everyone. Our purpose is to help make financial lives better, empowering our clients by providing advice, services and solutions tailored to their full financial needs and aspirations.

Aron Levine, head of Merrill Edge

Generational Breakdowns

- Gen Z: Ages 13-17
- Millennials: Ages 18-34
- Gen X: Ages 35-52
- Baby boomers: Ages 53-71
- Seniors: Ages 72+

Investment products:

Are Not FDIC Insured

Are Not Bank Guaranteed

May Lose Value



Contents

2 ‘Do-it-myself’ mentality:

Millennials take matters into their own hands and make sacrifices to save

3 10 years later:

Effects of the Great Recession lead millennials to ‘play it safe’

4 Making a difference:

Americans prioritize giving back and providing for family over becoming a millionaire

5 A bright future:

Success and wealth are in the cards for Americans

‘Do-it-myself’ mentality:

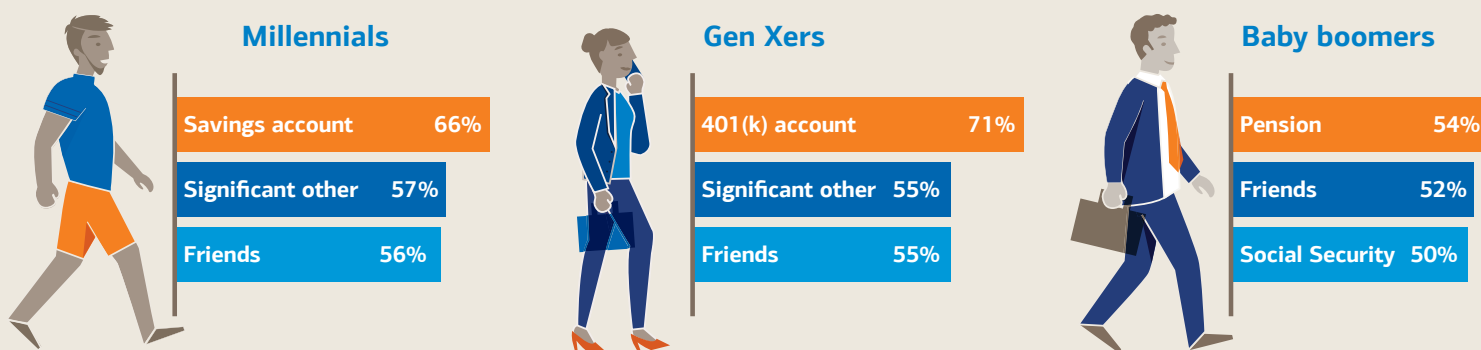
Millennials take matters into their own hands and make sacrifices to save

Millennials embrace a unique, self-sufficient “do-it-myself” mentality as they pursue financial independence. When asked what they can rely on in 20 years, millennials’ top response was their savings account (66 percent), a self-created and funded source. In fact, millennials place greater trust in their own stewardship than they do their personal relationships with their significant other (57 percent) and friends (56 percent).

Furthering this sentiment, millennials are also willing to make sacrificial day-to-day financial decisions to save more money in the long run, including saving more than half of their paycheck (38 percent), cutting back on going out (54 percent) and skipping vacation for a year (42 percent), so they can build up their nest egg.

Older generations, on the contrary, are much more likely to depend on outside sources. When asked what they will be able to rely on in 20 years, most Gen Xers reported their 401(k) account (71 percent) while baby boomers reported pensions (54 percent) and Social Security (50 percent).

Generations’ thinking varies on the top three things they’ll be able to rely on most in 20 years:



10 years later:

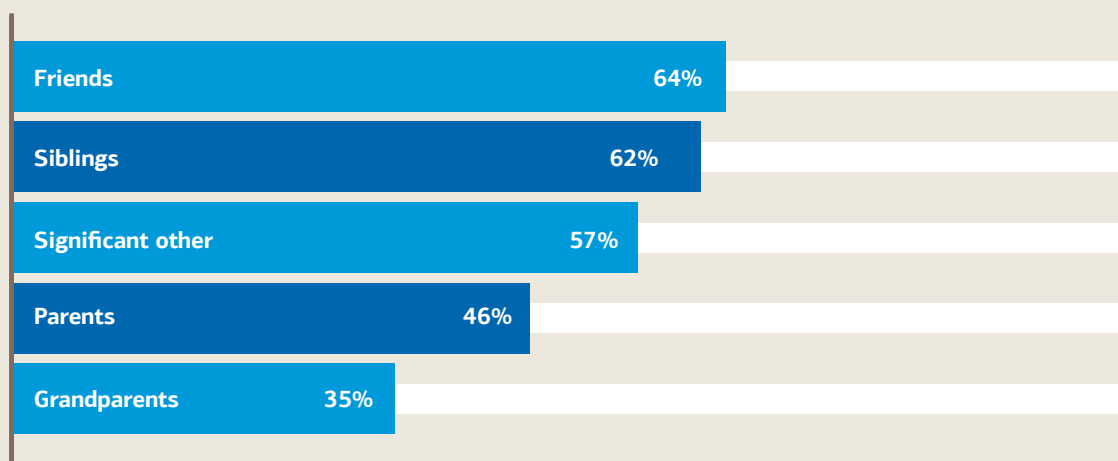
Effects of the Great Recession lead millennials to ‘play it safe’

Nearly 10 years later, the Great Recession continues to impact how younger generations approach their finances. After witnessing how the recession affected their older counterparts, 85 percent of millennials are likely to “play it safe” with their day-to-day investments. They are less likely to take this approach with other aspects of life, such as career (80 percent), romance (73 percent) and travel (55 percent).

In addition, the effects of the recession influence millennials’ decisions about big life milestones like buying real estate (78 percent), pursuing education (58 percent) and having children (53 percent). This may be because they fear a potential future downturn, as 80 percent of millennials predict they’ll see another recession in their lifetime, and three in 10 think it will happen in the next five years.

This anticipation may be driving millennials to take a conservative approach to their finances as they view themselves as more financially conservative than their parents (46 percent) and even their grandparents (35 percent). However, they are not letting the Great Recession or potential future recessions hinder their financial futures. Instead, millennials are feeling more “responsible” (64 percent, compared to 54 percent of other generations), “forward-looking” (64 percent, compared to 52 percent of other generations) and “successful” (54 percent, compared to 48 percent of other generations).

Millennials see themselves as more financially conservative than their:



Making a difference:

Americans prioritize giving back and providing for family over becoming a millionaire

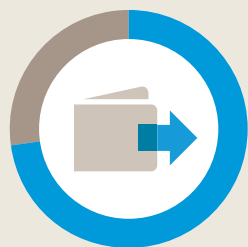
Americans are redefining the idea of success by prioritizing their ability to have a positive impact on their communities and families over their personal accomplishments. Making a difference in the lives of those in need (41 percent) is of greater influence in defining success than having an impressive resume (11 percent) or being a millionaire (9 percent).

Family also contributes to Americans' definitions of success and wealth. In fact, the majority say having a family (52 percent) is essential to success, and being able to provide for family is even more important (73 percent). When defining wealth, being able to provide for family (72 percent) is equally essential, as is the ability to give back (40 percent).

In addition, 80 percent of Americans report making day-to-day financial and spending decisions on behalf of their family. Americans say they provide input on decisions related to their family members' health (80 percent), travel (78 percent) and housing decisions (75 percent).

Americans appear to be closely observing their family members, as 47 percent report they plan to emulate their parents by following in their footsteps versus learning from their mistakes (41 percent).

What is essential to the definition of "success?"



Providing for family

73%



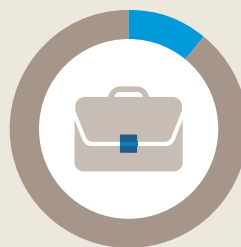
Having a family

52%



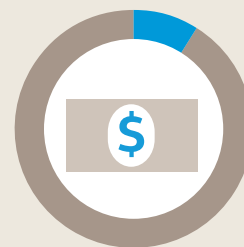
Making a difference in the lives of those in need

41%



Having an impressive resume

11%



Having a million dollars

9%

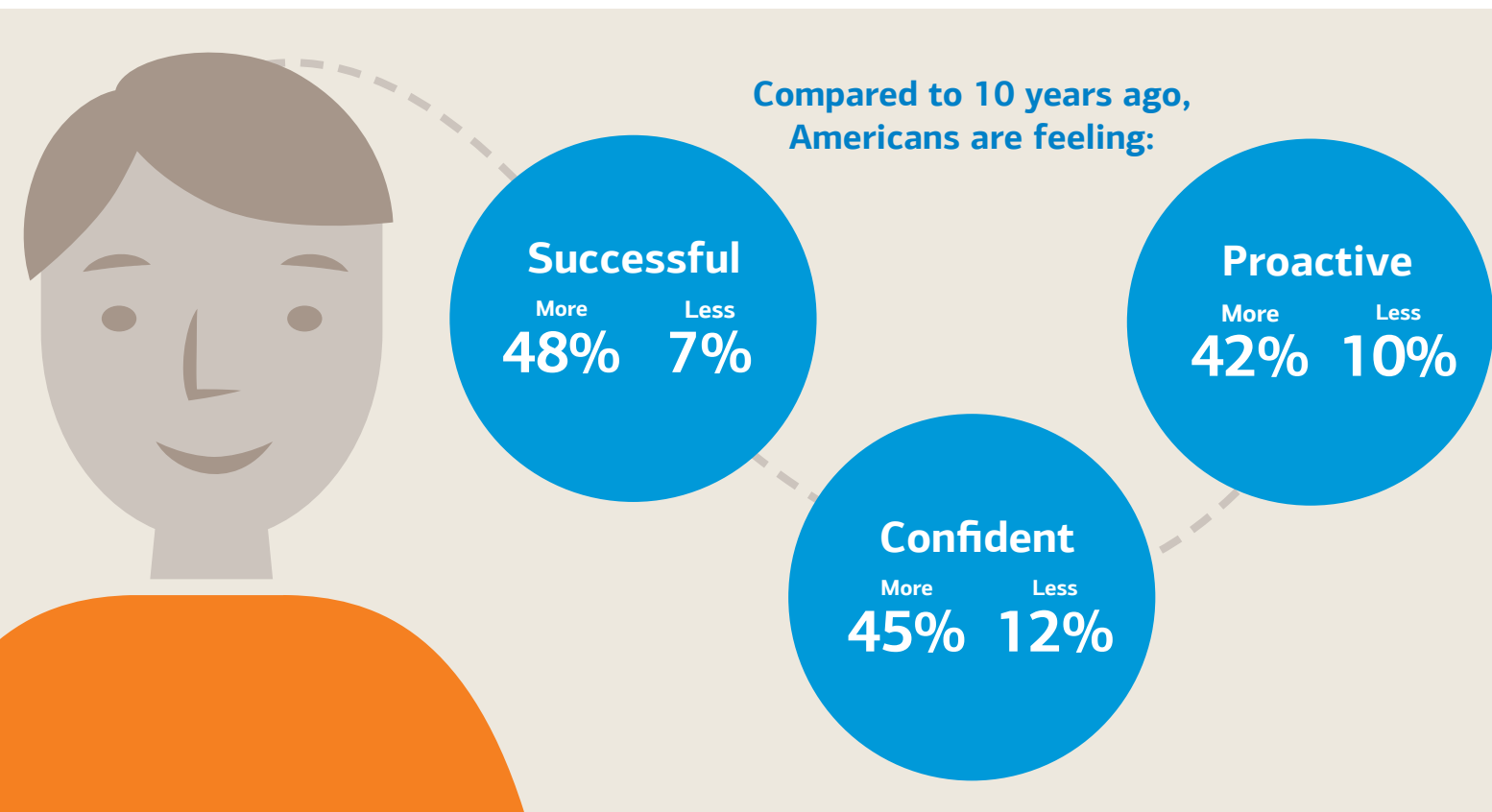
A bright future:

Success and wealth are in the cards for Americans

In looking to the future, 96 percent of Americans believe they will be successful, with 52 percent already feeling they've achieved success. The same goes for wealth, with 54 percent of respondents thinking they will be wealthy during their lifetime, including 8 percent who already consider themselves to be.

Similarly, Americans are feeling good about their investment habits. Compared to 10 years ago, Americans are feeling more successful (48 percent), more confident (45 percent) and more proactive (42 percent).

The ability to check their finances on the go may be contributing to this confidence as 54 percent of Americans report they feel their investment habits are more responsible, closely followed by many who feel more vigilant (47 percent), more confident (45 percent), more secure (45 percent) and more proactive (42 percent) today than they were 10 years ago.



Methodology

Convergys (an independent market research company) conducted a nationally representative, panel-sample online survey on behalf of Merrill Edge Sept. 6–24, 2017. The survey consisted of 1,010 mass affluent respondents throughout the U.S. 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. For this purpose, investable assets consist of the value of all cash, savings, mutual funds, CDs, IRAs, stocks, bonds and all other types of investments excluding primary home and other real estate investments. We conducted an oversampling of 300 mass affluents in the following markets: Southern California, Dallas, Chicago, Atlanta, and Phoenix. An additional group of 205 Generation Z respondents was surveyed. The margin of error is +/- 3.1 percent for the national sample, about +/- 5.6 percent for the oversample markets, and +/- 6.8 percent for the Gen Z group, all reported at a 95 percent confidence level.

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