

## Letter from Aron Levine



We are pleased to share the Merrill Edge<sup>®</sup> Report Spring 2016, a nationwide survey delivered biannually that offers an in-depth look at the financial concerns, priorities and behaviors of mass affluent Americans<sup>1</sup>.

This spring, we found that nearly half of millennials expect to retire when they hit a certain financial milestone or savings goal. In comparison, older generations are focused on leaving the workforce when they hit a certain age or can no longer work due to health concerns. Millennials also view retirement as more than a time for rest and relaxation – rather as a time full of possibilities. As a result, it's likely we'll see a redefining of what retirement means and a shift in how Americans will think about financing and spending their golden years.

In addition, our findings show this redefinition may also be compounded by the upcoming election cycle and growing uncertainty around financial support in retirement. While it's refreshing to see the evolved path to retirement paved by millennials, our data suggests there are more actions they may need to take today to pursue the retirement they envision. And, it's not just millennials who have work to do – we found the rest of the nation may also have competing priorities that need to be realigned to help them pursue their ideal retirement.

At Merrill Edge, we understand how competing priorities can get in the way of retirement goals. 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

## <sup>1</sup>Methodology

Braun Research, Inc. conducted a nationally representative telephone survey on behalf of Merrill Edge. The survey was conducted from February 12, 2016, through March 1, 2016, and consisted of 1,003 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 to \$250,000 or those aged 18 to 34 who have investable assets of between \$20,000 and under \$50,000 with an annual income of at least \$50,000; or aged 35-plus with investable assets between \$50,000 to \$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.

## Generational Breakdowns

- Millennials: Ages 18-34
- Gen Xers: Ages 35-50
- Boomers: Ages 51-64
- Seniors: Ages 65+

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## Path to Retirement: Millennials redefining the way

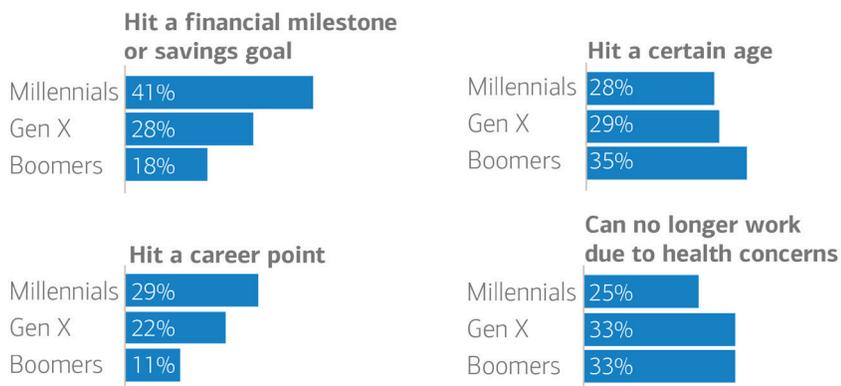
Millennials are redefining the path to retirement. Nearly half (41 percent) of the generation expects to retire when they hit a certain financial milestone or savings goal, while just 28 percent of Gen X and 18 percent of boomers expect to retire at this milestone. In addition, 29 percent of millennials, 22 percent of Gen X and 11 percent of boomers expect to retire at a specific point in their career.

More than one-third (35 percent) of boomers expect to retire when they hit a certain age, in comparison to 29 percent of Gen X and 28 percent of millennials. One-third (33 percent) of boomers and Gen X plan to retire when they can no longer work due to health concerns versus 25 percent of millennials.

Today's retirees also have a different perspective. Only 10 percent retired when they hit a financial milestone or savings goal. One-third (33 percent) retired when they hit a career point, 26 percent retired at a certain age and 22 percent retired when they could no longer work due to health concerns.



### Retirement drivers Non-retired Americans expect to retire when they:

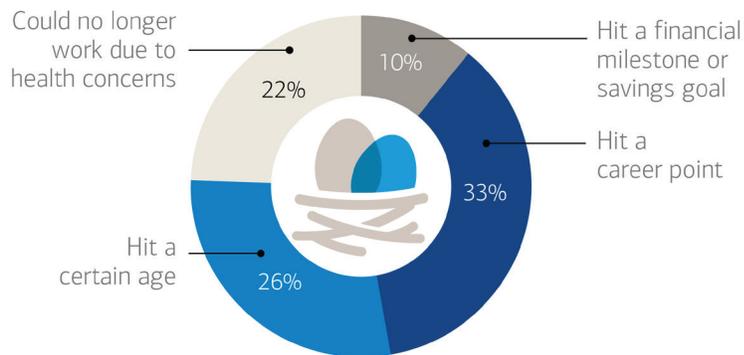


### In the words of the mass affluent...

*"Whether or not [retirement] will be fully attainable remains to be seen. I'm in my mid-30s and not sure I ever will want to 'fully' retire, but I'd like to be fortunate enough to go at a more leisurely pace without the hustle and bustle of having to perform. I want to travel, spend time with family, and be able to look back on my life with pride."\**

\*Source: Merrill Edge Online Forum 2016, C Space

### In comparison, today's retirees left the workforce when they:



## A Fresh Start: Millennials view retirement as new beginning

The majority (53 percent) of millennials view retirement as the start of something exciting. Twenty-one percent of millennials are more likely to make pursuing a passion (10 percent), furthering their education (7 percent) or starting/growing their own business (4 percent) their top priority in retirement.

Millennials are also thinking of their financial future when it comes to their voting decisions. Nearly half (47 percent) of millennials believe the outcome of the 2016 presidential election will have a positive impact on their long-term financial goals, which is higher than any other generations (34 percent of Gen X, 26 percent of boomers). Overall, more than half (53 percent) of Americans expect the 2016 presidential election to have an impact (either positive or negative) on their long-term financial goals, while 66 percent of Americans expect the election to have a positive or negative impact on the economy.

In the words of the mass affluent...

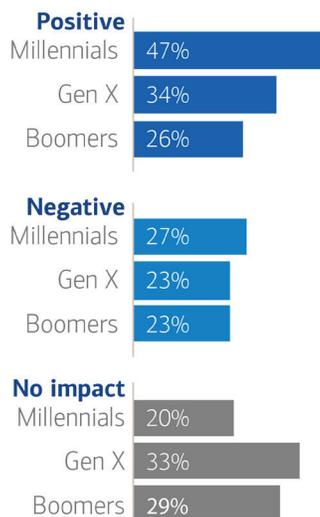
*"Retirement is a chance to breathe after years of toiling away on the workforce treadmill. My priorities will be to start and complete new projects I never had time to work on while in the 9 to 5 routine. It's a new beginning and an inspiration. I want to participate in my community and explore the world."\**

\*Source: Merrill Edge Online Forum 2016, C Space



### Presidential impact

Millennials are more likely to think the 2016 election will have a positive impact on their long-term financial goals

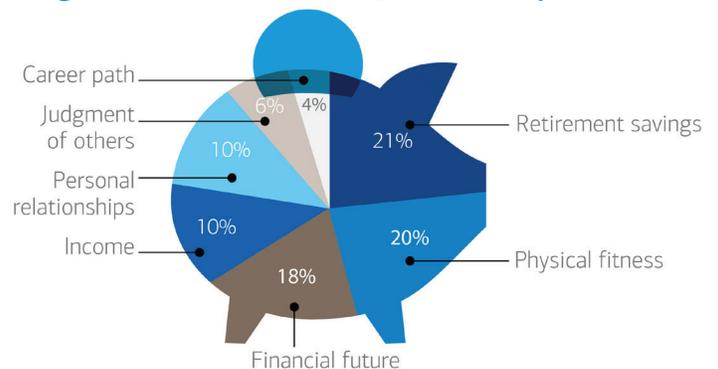


## Insecurities Loom: Acknowledging its importance, many Americans unable to prioritize retirement planning

Nearly half (48 percent) of Americans say they are most insecure about some aspect of their finances (financial future, retirement savings or income), with retirement savings (21 percent) as their top insecurity ahead of their personal relationships (10 percent), judgment of others (6 percent) and career path (4 percent). In looking toward the future, 28 percent of Americans believe daily expenses in retirement will dominate their finances, more so than managing health care expenses (17 percent) and housing expenses (17 percent).

### Savings shortcomings

Among Americans' insecurities, finances top the list:



### In the words of the mass affluent...

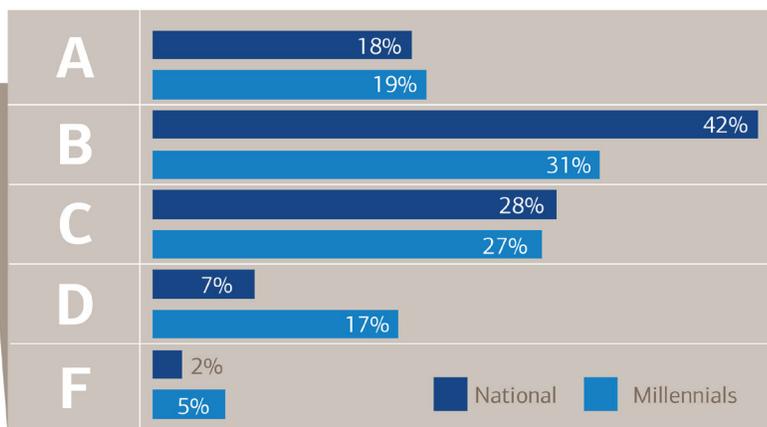
*"To me, retirement is completely unknown. There are too many uncertainties. It's impossible to know how much I need to save for retirement. Ideally, I want to be able to pursue all my interests and hobbies during retirement."\**

\*Source: Merrill Edge Online Forum 2016, C Space



### Retirement report card

When asked to grade themselves, many Americans admit they have work to do when planning for retirement



Despite these strong sentiments, Americans still don't seem to prioritize retirement savings. When asked how proactive they were about planning for retirement, nearly four in 10 (38 percent) award themselves a grade of "C" or lower and only 18 percent give themselves an "A." Generationally, 49 percent of millennials, 49 percent of Gen X and 35 percent of boomers gave themselves a grade of "C" or lower. On the opposite end of the spectrum, 19 percent of millennials, 5 percent of Gen X and 21 percent of boomers gave themselves an "A."

## Contrasting Realities: Retirees face unexpected challenges and focus on the basics

When asked what they have done in retirement that they didn't expect to, retirees' top response was spent more money than anticipated (30 percent). Retirees also unexpectedly have been able to maintain their standard of living (24 percent) and health (20 percent). Additionally, 18 percent of retirees surprisingly felt a lack of purpose and 16 percent felt bored in retirement.

Top priorities of retirees also seem to differ from those of non-retirees. Non-retired Americans expect their top priorities in retirement to include maintaining their standard of living (20 percent), traveling the world (19 percent), spending time with loved ones (19 percent), and maintaining their health (17 percent). In comparison, today's retirees say their top retirement priorities have been maintaining their standard of living (29 percent), spending time with loved ones (27 percent) and maintaining their health (23 percent). Only five percent of today's retirees have actually prioritized traveling the world in retirement.

In the words of the mass affluent...

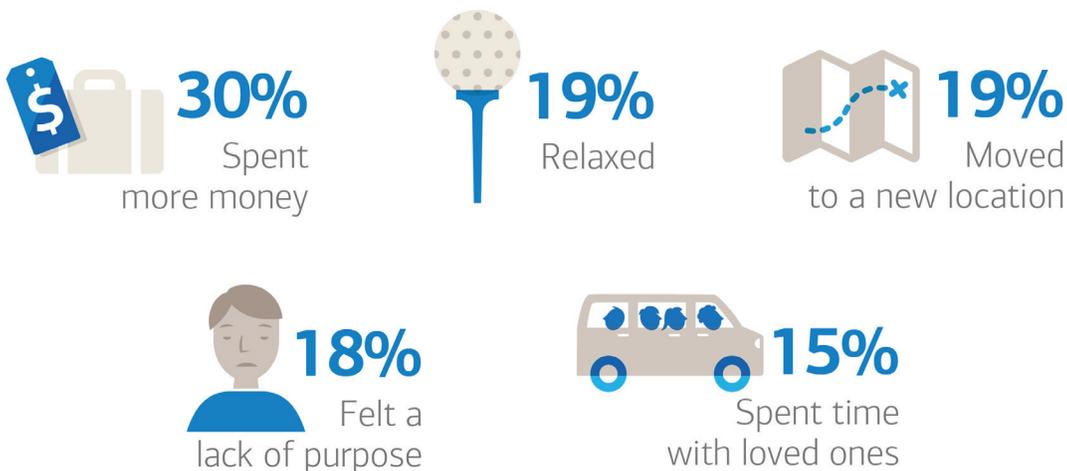
*"The debt in this case was totally worth it because we have an asset and a home to live in."\**

\*Source:

Merrill Edge Online Forum 2016, C Space

### Retiree reflections

In their golden years, today's retirees have unexpectedly:



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