

Letter from Aron Levine



Everywhere we look, millennials continue to redefine life priorities, and normalize new and different behaviors. Last fall, the Merrill Edge Report® revealed the traditional idea of retirement is becoming extinct among millennials. In this latest edition of the nationwide biannual report of mass affluent Americans, we discovered what millennials are really striving for in the long run: financial freedom.

So what exactly does financial freedom look like? According to the Spring 2017 Merrill Edge Report, we're seeing millennials save to live their desired lifestyle, not for an exit strategy to leave the workforce. This seismic shift of how millennials view their later years speaks to their broader mindset and perspective to redefine life's milestones.

The report found the 'FOMO' (fear of missing out) mentality of younger generations makes them notably more likely to prioritize personal milestones, such as landing their dream job and traveling the world. Millennials are also significantly less likely to focus on traditional priorities, such as getting married or having a family. The divide between younger generations and their elders continue to grow as it relates to saving habits and perceptions and the future of saving and investing.

Although millennials continue to change the game, Americans overall continue to struggle with saving, as many save less than 10 percent of their salary. This issue is compounded by the fact that many are not prepared for life's "what-if" moments, and most admit events, such as getting a divorce, having children or living to 100 years old, would cripple their financial goals.

We are also on the doorstep of an advent of change as it relates to technology advancements in the investment landscape, with nearly half of Americans investing through online and mobile platforms. This growth is only expected to increase in the coming years, as many Americans believe these emerging technologies will allow more people to invest.

At Merrill Edge, we recognize this is a pivotal moment for Americans' financial futures. Saving for the future is not a one-size-fits-all process, and we are committed to helping clients pursue their unique goals as their lives change and become more complex. This is one of the many driving forces behind our launch of Merrill Edge Guided Investing, and we look forward to continuing to deliver high-tech and high-touch solutions to help our clients make more informed investment decisions.

Aron Levine, head of Merrill Edge

Generational Breakdowns

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



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Millennial mindset:

It's all about freedom and flexibility

Millennials are exploring uncharted territory as the first generation to plan long-term for financial freedom over retirement. The majority (63 percent) of millennials are looking to save a set amount of money or income necessary to enjoy their desired lifestyle, compared to the majority (55 percent) of Gen Xers and baby boomers who are saving so they can leave the workforce.

This younger generation is also reprioritizing traditional lifetime milestones. When asked about their top priorities in life, today's 18-to-34-year-olds are significantly more likely than their older counterparts to focus on personal milestones of working their dream job (42 percent, compared to 23 percent) and traveling the world (37 percent, compared to 21 percent). Millennials are also far less likely to emphasize the traditional family milestones of getting married (43 percent, compared to 51 percent) and becoming a parent (36 percent, compared to 59 percent).

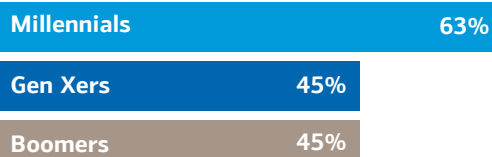
Their 'fear-of-missing-out' (FOMO) mentality is also apparent in their spending habits, as the majority say they're more likely to spend money on travel (81 percent), dining (65 percent) and fitness (55 percent) than save for their financial future.

Financial freedom

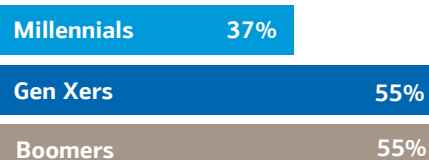
Millennials are the first generation to plan long-term for financial freedom instead of retirement



I am saving to live my desired lifestyle



I am saving to leave the workforce



Generational judgments:

Despite stereotypes, millennials save the most

Although nearly half (45 percent) of millennials ‘always’ or ‘often’ consult their parents for financial advice, perhaps parents should ask their children for advice. Every generation views their elders as being better than their own at saving. Americans believe the Greatest Generation (54 percent) does a ‘very good’ job of saving, followed by baby boomers (45 percent), Gen Xers (19 percent) and millennials (8 percent). Only 15 percent of millennials themselves think they do a ‘very good’ job at saving .

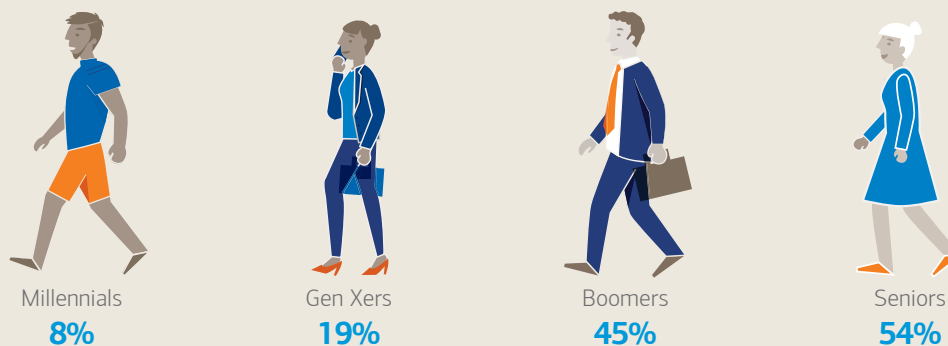
However, perception is not reality when it comes to saving. Millennials say they save 36 percent more than their counterparts, with more than one-third (36 percent) setting aside more than 20 percent of their salary per year.

Overall, many (42 percent) Americans are saving less than 10 percent of their income, and 7 percent say they’re not saving at all.

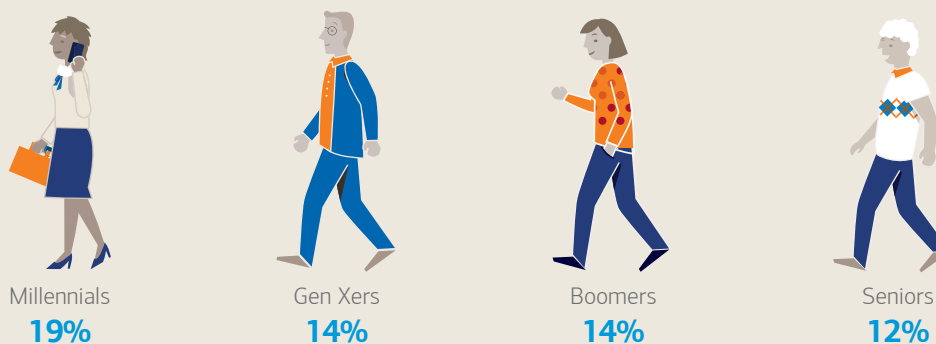
Savings perceptions vs. realities

Americans view their elders as better savers, yet in reality younger generations are saving the most

Perception as “very good savers”



Reality of average income they say they’re saving per year



No safety net:

Americans say divorce, children and living to 100 would ‘cripple’ their financial goals

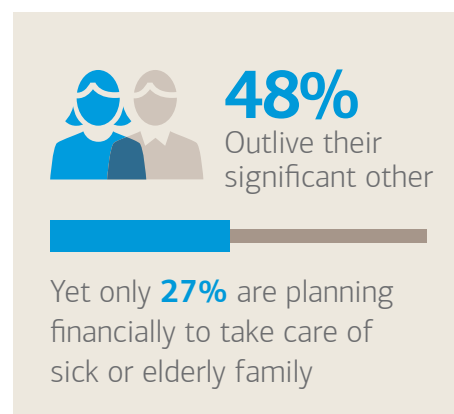
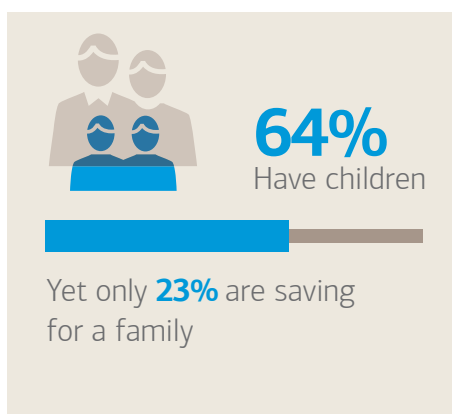
This broader savings gap may be the reason Americans don’t feel prepared for life’s “what-if” scenarios. The majority are not very confident they would be able to achieve their financial goals if they were to: get a divorce (71 percent), have children (64 percent), live to 100 years old (62 percent) or outlive their significant other (48 percent).

Further, Americans aren’t financially planning for these scenarios either, with only 5 percent saving for the possibility of divorce and 23 percent for the possibility of children.

Respondents agree they could be doing a better job to save for these situations, as the majority (59 percent) believe Americans should be required to save for their own retirement and nearly half (48 percent) required to receive financial education.

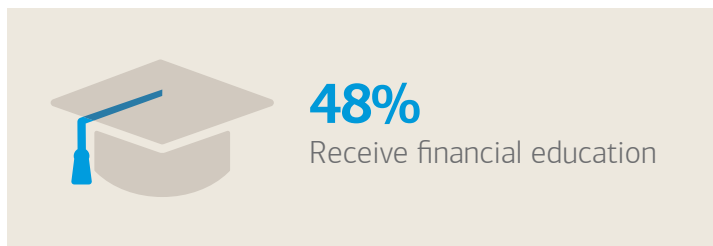
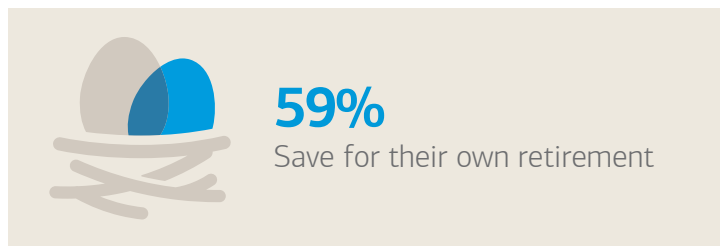
Life’s “what-ifs”

Most Americans don’t feel very confident they could achieve their financial goals if they:



Savings mandate

Americans agree they could do a better job to prepare for life’s surprises, with many believing individuals should be required to:



A new approach to investing: Technology brings welcome change

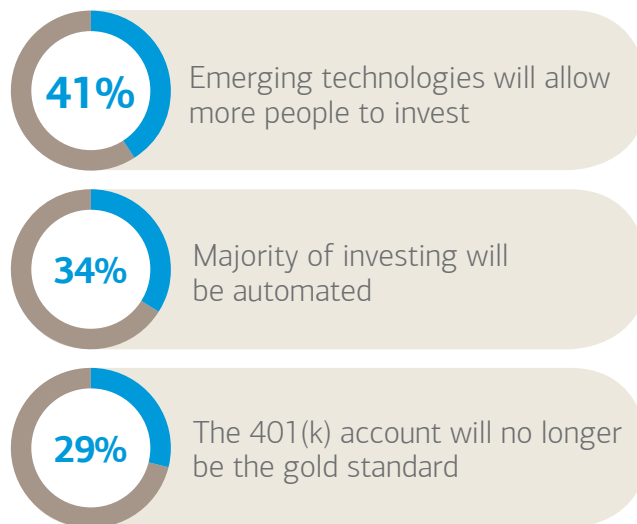
Innovations in technology are changing the investment landscape as Americans increasingly embrace emerging advancements to receive guidance and make decisions. Today, two in five (40 percent) Americans report using an online or mobile portal to manage their investments, and one in eight (13 percent) are using a robo-advisor or would consider using one in the next year. This number jumps to 22 percent among millennials.

Overall, respondents say using these platforms has a positive impact that makes users feel more knowledgeable (51 percent), empowered (31 percent) and savvy (14 percent).

In predicting what the next decade of investing may look like, many Americans believe emerging technologies will allow more people to invest (41 percent). With these innovations, respondents say a majority of investments will become automated (34 percent), the 401(k) account will no longer be the 'gold standard' (29 percent) and the market will be dominated by women (13 percent).

Future of investing

Many believe the investment landscape will continue to change drastically over the next 10 years:



Methodology

Convergys (an independent market research company) conducted a nationally representative, panel sample online survey on behalf of Merrill Edge March 21-April 5, 2017. The survey consisted of 1,023 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 consists 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: Los Angeles; Dallas; South Florida; Chicago; Atlanta; and Phoenix. The margin of error is +/- 3.1 percent for the national sample and about +/- 5.6 percent for the oversample markets, all reported at a 95 percent confidence level.

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