

# Merrill Edge® Report



Bank of America Corporation

## ADDRESSING THE FINANCIAL PRIORITIES AND CONCERNS OF THE MASS AFFLUENT

### ABOUT THE MERRILL EDGE® REPORT

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Bank of America’s Merrill Edge Report is a semi-annual study that offers an in-depth look at the financial concerns, priorities and behaviors of mass affluent consumers, defined as people with \$50,000-\$250,000 in total household investable assets. The quantitative and qualitative research reveals that this group, which consists of approximately 28 million households in the United States, shows greater concern about paying for their children’s college, and some mass affluent are questioning the value of college education. In addition, many continue to push back their retirement amid concerns about the cost of health care and funding their retirement. In spite of these financial challenges, the mass affluent are taking greater control of their finances by communicating with their spouses and seeking expert counsel.

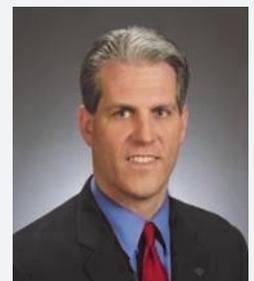
### METHODOLOGY

Bank of America, through research partners Ketchum Global Research & Analytics and Braun Research, conducted a nationally representative phone survey among mass affluent Americans to capture financial behavior and perceptions, among various other topics. The survey was conducted between August 20, 2012 and August 28, 2012.

The telephone survey consisted of 1,001 mass affluent respondents, defined as individuals with investable assets (value of all cash, savings, mutual funds, CD’s, IRA’s, stock, bonds and all other types of investments excluding primary home and other real estate investments) between \$50,000 and \$250,000, and oversampled approximately 300 mass affluent in San Francisco and Los Angeles. The margin of error is +/- 3.1 percent for the national sample, and +/-5.7 percent for the oversample markets, with both reported at a 95 percent confidence level.

*“We are beginning to see a positive shift in perspective in how mass affluent consumers view their future. This improvement is not just indicative of a changing mindset – we’re seeing our clients take action. Our mass affluent clients are working to gain more control over their future, including the education of their children, by investing more in both retirement and college savings accounts compared to last year.”*

**- Dean Athanasia, president of Preferred and Small Business Banking at Bank of America**



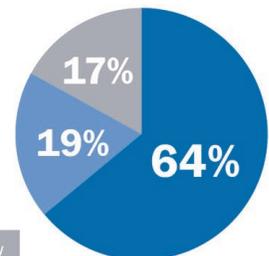
## Cost of College

With the cost of college education rising, one in five (19 percent) mass affluent Americans don't believe college is worth the investment.

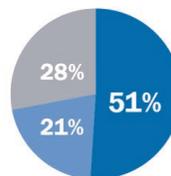
Parents continue to financially support their children's education, yet 40 percent of the mass affluent express concern over the rising cost of college.

### Questioning the Value of College

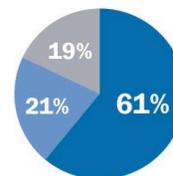
Do you think the cost of college education is worth the return on your investment?



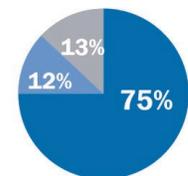
National



Married without Children



Parents with Adult Children



Parents with Young Children

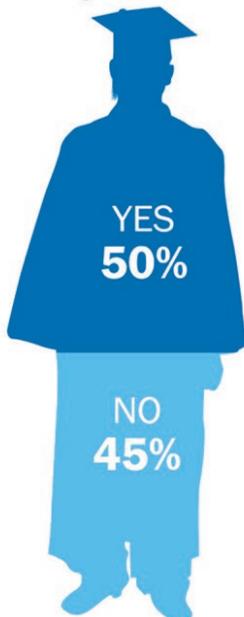
## In the Words of the Mass Affluent...

*"Costs are out of control, and there is no guarantee that they'll get a job to warrant the investment."*

\*Source: Merrill Edge Online Forum, CommuniSpace

### Saving for College

Do you wish you had started saving for your child's college education earlier?



Half of mass affluent parents with children who did or will attend college wish they had started saving for their first child's education earlier (up from 38 percent last year). However, only one-third (32 percent) of this group are actually saving differently for their second child's education than they did for their first.

Despite these concerns, saving for their children's college is one of the least discussed items among mass affluent couples, with only 12 percent of whom say that saving for their children's college education is one of the financial topics discussed most often with their spouse or partner.

## PAYING FOR COLLEGE

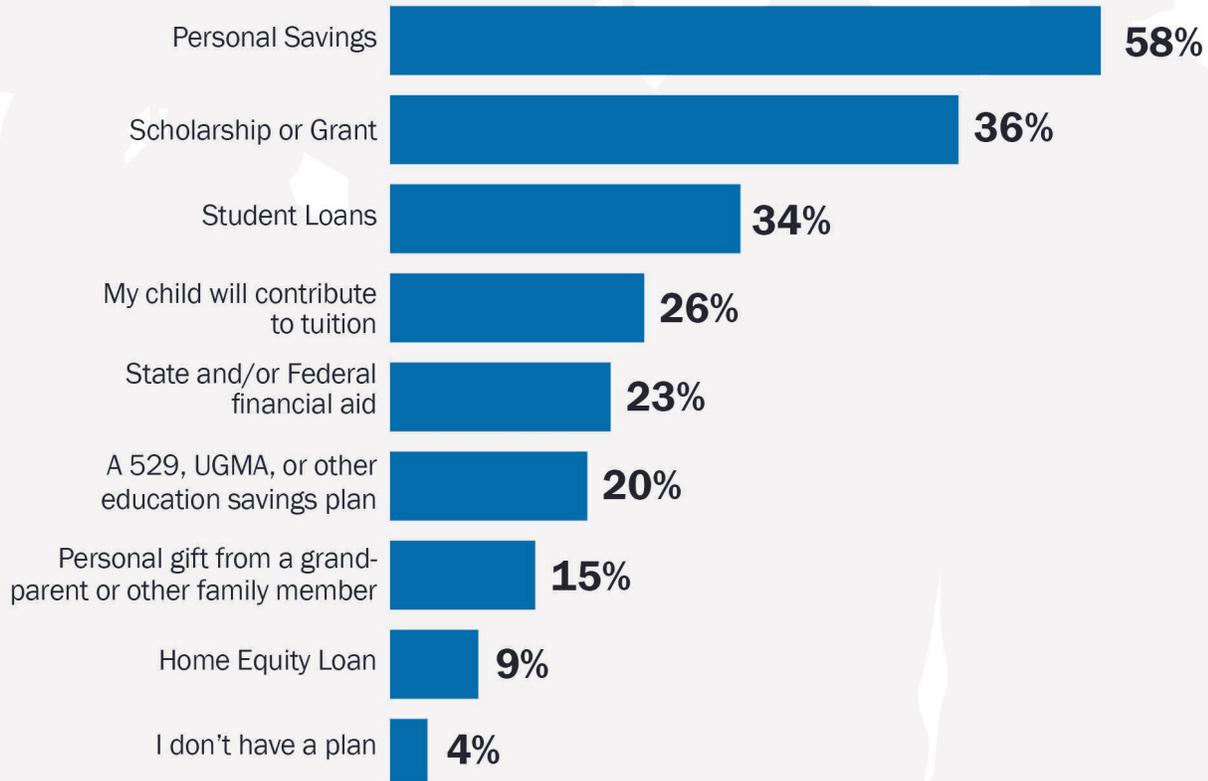
Nearly three in five (58 percent) mass affluent parents are dipping into their own personal savings to pay for their children's college, followed by:

- Scholarship or grant (36 percent)
- Student loans (34 percent)
- Asking their child to contribute to tuition (26 percent)
- A 529, Uniform Gift to Minors Act account (UGMA) or other education savings plan (20 percent)

Among those mass affluent with children who have or plan to take out loans, 47 percent plan to help pay them back, at least partially.

### Paying for College

My child's education is/will be funded by ...



## Long-term Concerns

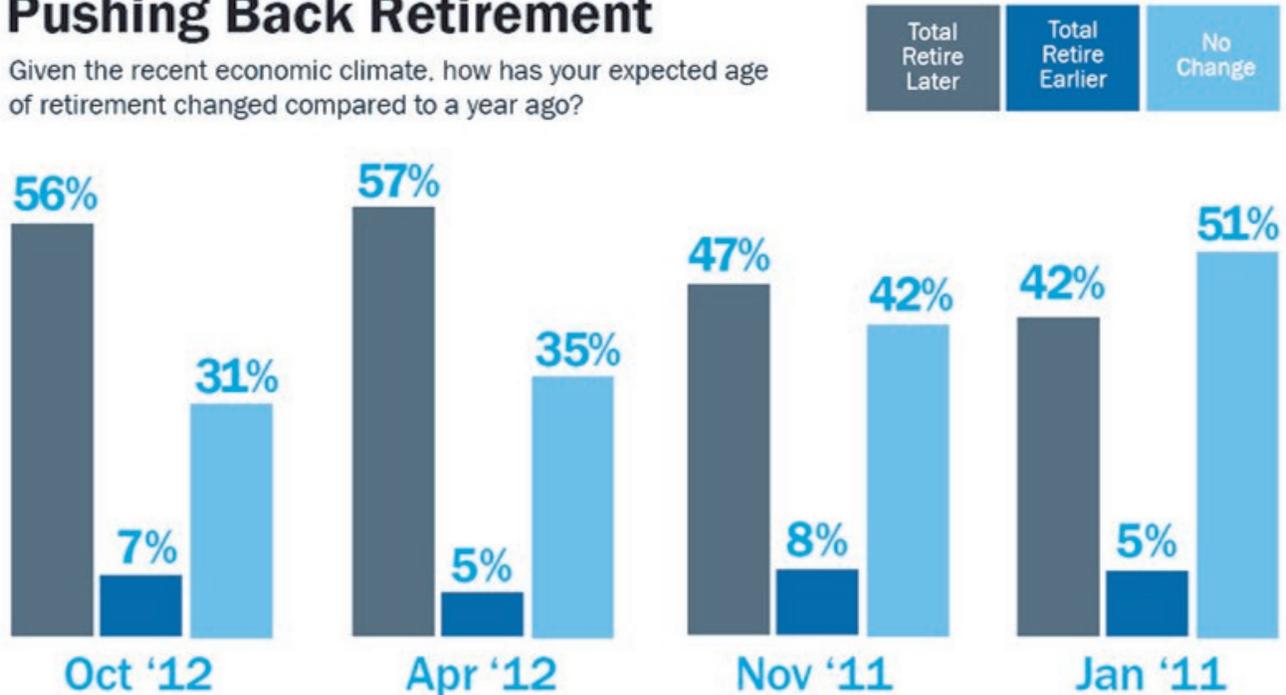
### PUSHING BACK RETIREMENT

More than half of working respondents (56 percent) are planning to retire later than they were compared to one year ago, a year-over-year increase of 19 percent from November 2011.

As the mass affluent readjust their retirement date, one-third (34 percent) have not changed the way they save for retirement. Those who are saving differently for retirement are looking both short-term, by reevaluating their day-to-day expenses to trim costs (28 percent) and paying more attention to the markets and financial news (17 percent), as well as long-term by working with a financial advisor to help them plan (16 percent).

### Pushing Back Retirement

Given the recent economic climate, how has your expected age of retirement changed compared to a year ago?



### In the Words of the Mass Affluent...

*"I think the biggest challenge is knowing how much money I should be saving in order to retire within the next 10 years and continue the type of lifestyle I have been accustomed to. I also wonder where I should be putting my money in order to make the most of it."*

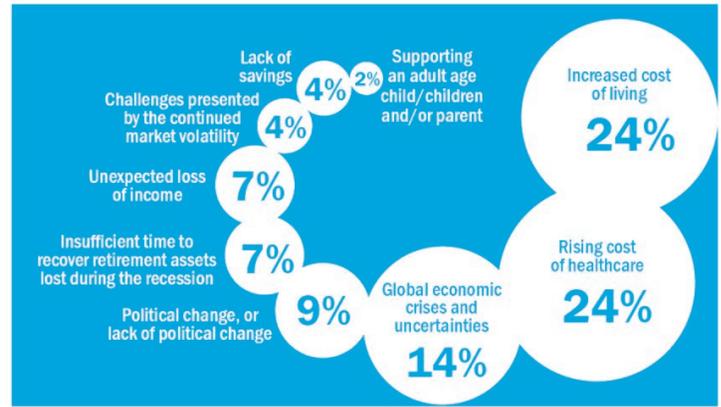
\*Source: Merrill Edge Online Forum, CommuniSpace

## SAVING FOR RETIREMENT

The survey found that half (52 percent) of mass affluent have saved less than \$250,000 for retirement. Three in five (60 percent) mass affluent are planning to fund their retirement through their personal savings and public sector programs such as Social Security or Medicare.

When considering obstacles to the life they want to live during their retirement years, mass affluent are largely threatened by the increased cost of living and health care (both 24 percent), rather than macroeconomic factors such as global economic crises and uncertainties (14 percent) or political change or lack of political change (9 percent).

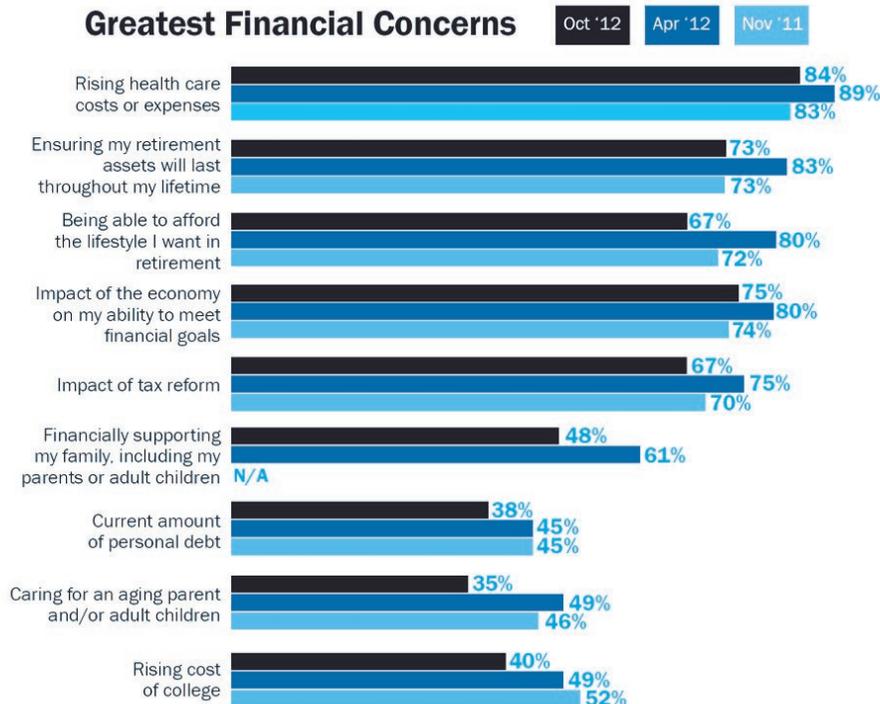
### Threats to Desired Retirement Lifestyle



The rising cost of health care continues to be the top concern among mass affluent at 84 percent, though concern is down from the April 2012 *Merrill Edge Report* (89 percent), followed by concern that their retirement assets will not last throughout their lifetime (73 percent down from 83 percent in April), and that they won't be able to afford the lifestyle they desire during retirement (67 percent down from 80 percent in April).

While concerns among mass affluent are down from April, many of this group are taking a cautious approach to saving. Forty-three percent of mass affluent describe themselves as conservative when asked to cite their tolerance for financial risk. Interestingly, those aged 35 to 50 are the least conservative age group at 28 percent.

### Greatest Financial Concerns



## Communication Among Couples

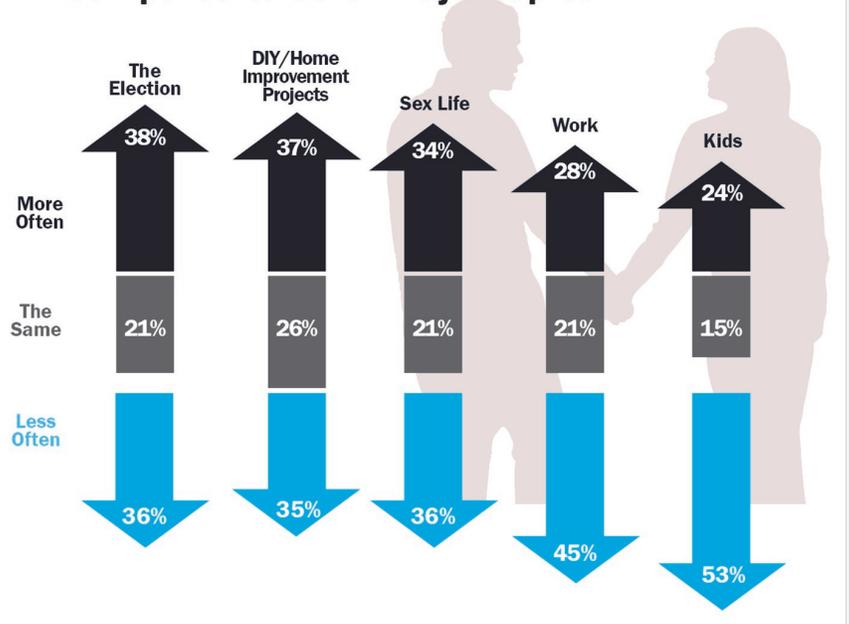
### A BOOST IN FINANCIAL CONFIDENCE

The Fall Merrill Edge Report found mass affluent couples who discussed their finances, have greater confidence that they will meet their financial goals. Sixty-nine percent of mass affluent couples are discussing their finances at least a few times per month, and 64 percent believe that these ongoing financial conversations will help them achieve their financial goals.

In some homes, financial conversation is more frequent than other aspects of daily life. For example, one-third (34 percent) of married mass affluent Americans are discussing their finances more than their sex life.

For many couples, other important life topics are put on the backburner as well, such as the upcoming election (38 percent), home improvement projects (37 percent), work (28 percent) and their children (24 percent).

### How mass affluent couples discuss finances compared to other major topics ...



## What Financial Issues Couples Talk About Most



In these conversations couples are, surprisingly, discussing day-to-day purchases, such as groceries, nearly as much as they are discussing large purchases, like a home or car:

- Large purchases, such as a home or car (41 percent)
- Day-to-day purchases, such as groceries (39 percent)
- Managing debt such as credit cards (39 percent)
- Saving for retirement (31 percent)

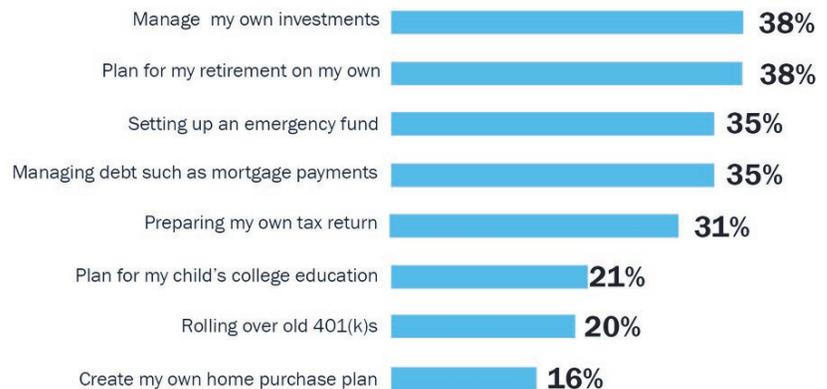
## Financial Control and Guidance

### TAKING CONTROL OF FINANCES

As the mass affluent continue to take on more complex financial responsibilities, they often seek out financial advisors to help them navigate and plan for the future. When asked what financial tasks they have taken on more responsibility for now than they have in the past, respondents cited managing their investments and planning for their retirement as the top two tasks (both 38 percent), followed closely by setting up an emergency fund and managing debt (both 35 percent).

### Taking on More Financial Responsibility

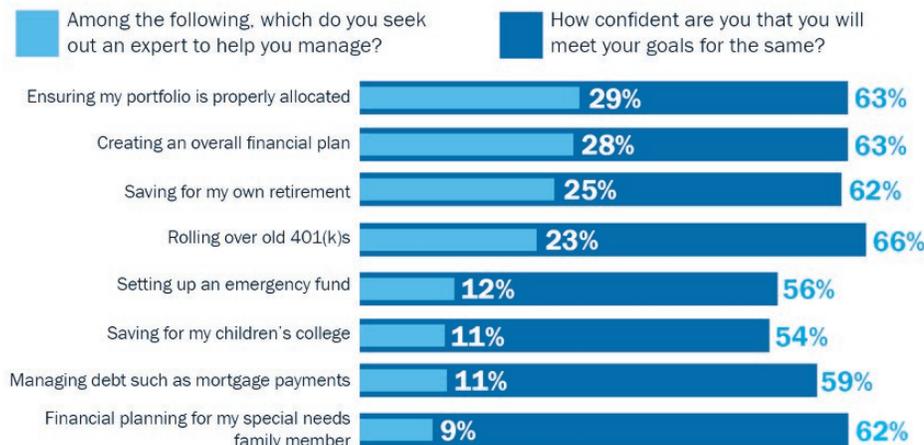
What have you taken on more responsibility for than you previously have?



### SEEKING EXPERTISE

Three-quarters (76 percent) of mass affluent Americans are seeking some type of guidance to help them manage important financial tasks. Approximately one-quarter of mass affluent are seeking out guidance to help them properly allocate their portfolio (29 percent), create an overall financial plan (28 percent) and save for their retirement (25 percent), while one in ten are consulting an expert for less complex tasks such as setting up an emergency fund (12 percent) and saving for children's college education (11 percent).

### Majority of Advice Seekers are Confident



Consequently, mass affluent are confident they will reach their financials goals for tasks in which they are seeking out guidance, including properly allocating their portfolio (63 percent), creating an overall financial plan (63 percent) and saving for retirement (62 percent).

## TURNING TO TRUSTED RESOURCES

The mass affluent are looking for simplicity in knowing who to seek out for help in managing their finances. Among those who feel managing their finances is complex, 55 percent believe “knowing what resources to tap” is particularly so. When considering resources for financial information or guidance, 55 percent noted “trustworthiness” as the most important consideration, distantly followed by “reliability” and “easily understandable,” both 15 percent.

Nearly half (45 percent) of mass affluent work with a financial advisor to help them make investment decisions. Though, the 47 percent who do not seek out investment guidance are motivated to manage their investments on their own because they feel more in control (59 percent) and they want to save money (44 percent).

## BALANCING SHORT- AND LONG-TERM GOALS

The mass affluent continue to plan for the long-term while tackling short-term goals. While only 27 percent of the mass affluent have decreased or tapped into their long-term savings or investments to meet short-term financial needs, they still look to balance these competing demands.

Over the next six months, the mass affluent are focused on protecting their current funds, while saving for the long-term by:

- Tracking and managing their money or budgeting (77 percent)
- Saving for retirement (65 percent)
- Balancing short- and long-term financial needs (61 percent)
- Ensuring their portfolio is properly allocated (56 percent)
- Managing or paying down debt such as car payments, mortgage payments or credit cards (55 percent)
- Creating an emergency fund (47 percent)

### Getting Back on Track

In the next six months, I plan to...



## TOP GOALS FOR THE END OF THE YEAR

In 2012, many mass affluent plan to focus on the short-term and invest in themselves or a cause they believe in. When asked what tasks they plan to address before year’s end, respondents said:

- Pay down my debt (50 percent)
- Make a charitable contribution (39 percent)
- Make a contribution to my retirement savings (38 percent)

## Life Stages

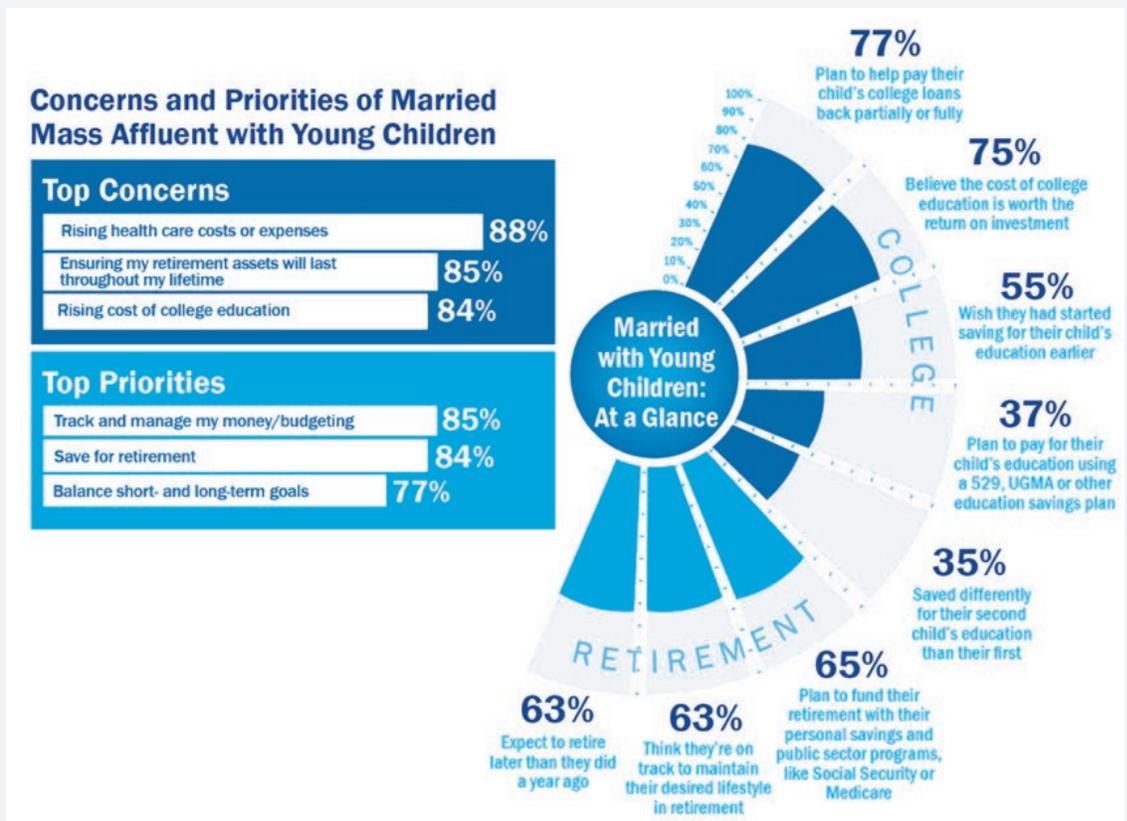
### MARRIED WITH YOUNG CHILDREN

While married mass affluent with young children are more concerned with macroeconomic issues, they are also one of the most optimistic groups when it comes to their children's college education. Seventy-five percent of this group believe that college education is worth the return on their investment, and 62 percent started saving for their child's education before the child was six years old, compared to only 32 percent of mass affluent with adult children.

Mass affluent with young children are more concerned than those who are married without children about rising health care costs or expenses (88 percent versus 79 percent), their personal debt (59 percent versus 40 percent) and financially supporting family members (69 percent versus 50 percent). In general, those who are married are more concerned about rising health care costs or expenses than single mass affluent Americans (86 percent versus 74 percent), likely because they're responsible for more than one person.

Sixty-three percent of married mass affluent with young children are already planning to retire later than they had expected compared to one year ago, and more than one-quarter of this group (29 percent) has less than \$50,000 saved for retirement.

Married mass affluent with young children seek out guidance from an advisor more than those who are married without children (54 percent versus 42 percent). Though, when they do manage their investments on their own, for many it's to save money (60 percent).



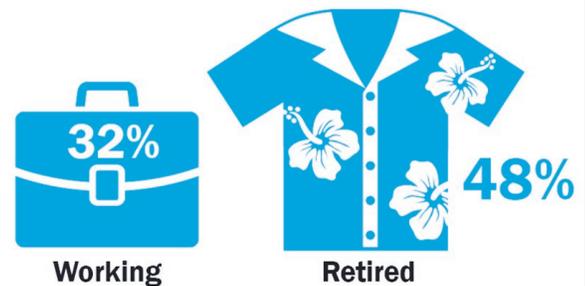
## RETIRES VS. WORKING MASS AFFLUENT

With more experience behind them, retirees generally feel their finances are more under control than working mass affluent (48 percent versus 32 percent). Working mass affluent tend to seek out more financial advice as they approach retirement. Forty-five percent of those who are more than 20 years from retirement are seeking guidance from an expert compared to 50 percent of those who are less than 10 years away.

Those less than 10 years away from retirement are more likely to believe they are on track to maintain their current lifestyle in retirement (68 percent) compared to those 20 years from retirement (55 percent), and 57 percent of those between 10 and 19 years from retirement. In addition, if their children do have to take out student loans, three in four (74 percent) mass affluent more than 20 years from retirement do plan to help pay them back, significantly higher than the national average (47 percent) and those who are less than 10 years from retirement (42 percent).

## Retirees Have Finances Under Control

Percent of those who feel they have finances under control:

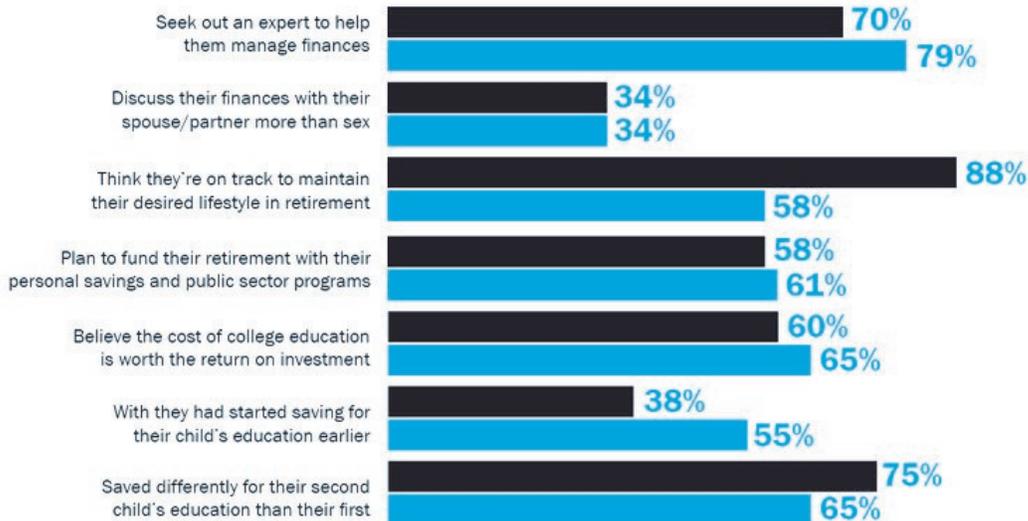


## Retirees vs. Working

Retirees

Working

Comparison of financial concerns and behaviors of working mass affluent vs. retired mass affluent



Many mass affluent who are between 10 and 19 years from retirement are relying heavily on public sector programs, with 69 percent citing that part of their retirement will be funded by such programs as Social Security or Medicare. However, three in four (73 percent) of this group have made changes to the way they save for retirement over the past year with 36 percent trimming every-day costs to bolster their savings and 21 percent starting to work with a financial advisor.

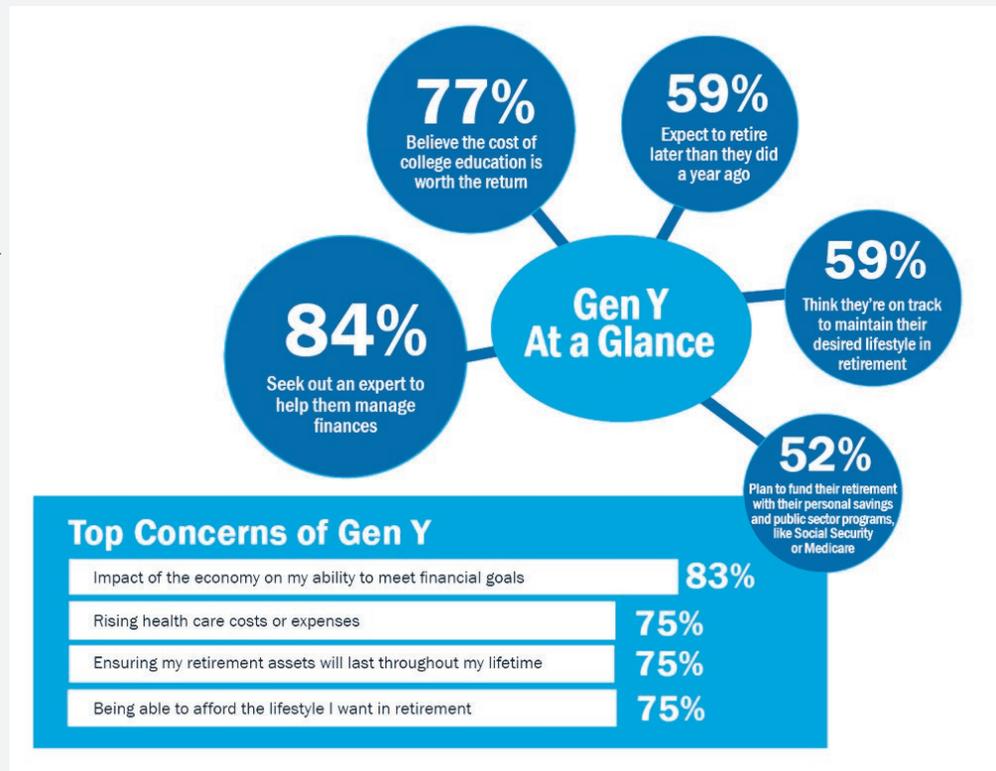
## GEN Y

Gen Y, those 18 to 34 years old, continue to have concerns about their financial future and are the most concerned generation when thinking about the impact of the economy on their ability to meet financial goals at 83 percent (compared to the national average at 75 percent). Yet, they are planning ahead and seeking out financial information and counsel to gain control.

Gen Y respondents are more likely to think college is worth the investment (77 percent) compared to 62 percent of 35 to 50 year olds, 57 percent of 51 to 64 year olds, and 66 percent of those 65 and older.

Gen Yers are most likely to seek advice from friends and family well above the national average (58 percent compared to 35 percent). The vast majority of Gen Y (84 percent) are also seeking expert guidance to help them manage financial tasks compared to the national average of mass affluent (76 percent).

When asked what would increase Gen Y's confidence in their ability to meet their financial goals today, top responses mentioned forms of information and guidance, including four in five (78 percent) who said "knowing more about financial products and services," followed by "having access to a complete picture of my finances and investments in one place" (75 percent), and "receiving advice from a qualified financial advisor" (74 percent).



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