

# Merrill Edge<sup>®</sup> Report: Fall 2013



ADDRESSING THE FINANCIAL PRIORITIES AND CONCERNS OF THE MASS AFFLUENT

## Table of Contents

<b>Introduction.....</b>	<b>1</b>
<b>Aggressive Retirement Goals.....</b>	<b>2</b>
Men Anticipate Saving More.....	2
Retirement Pushed Back.....	3
<b>Financial Lessons.....</b>	<b>4</b>
Managing Finances.....	4
Financial Knowledge.....	5
<b>Financial Priorities.....</b>	<b>6</b>
Financing the Long-Term.....	6
Investing in Financial Goals.....	7
<b>Supporting the Next Generation.....</b>	<b>8</b>
Paying for Rising College Costs.....	8
Financially Assisting Children.....	9

## ABOUT THE MERRILL EDGE<sup>®</sup> REPORT

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 research reveals that this group, which consists of approximately 33 million households in the United States, is finding its financial equilibrium as investing in retirement moves to the top of the financial to-do list and paying off debt slides to second place. While preparing for retirement is a priority for both men and women, and they both plan to retire at age 66, there is one major difference: men are planning to save \$232,000 more than women.

## METHODOLOGY

Braun Research, Inc. conducted the Merrill Edge Report survey by phone between September 9, 2013 and September 17, 2013 on behalf of Merrill Edge. Braun contacted a nationally representative sample of 1016 Americans in the United States with investable assets between \$50,000 and \$249,999, and oversampled 300 mass affluent in Los Angeles, Orange County, San Francisco, Dallas, Northern New Jersey and South Florida. 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.

*"It's encouraging to see that mass affluent investors are switching to a long-term view of their finances and are looking to place debt behind them. While many are focused on planning for financial security throughout retirement years there are interesting differences between the retirement goals of women and men in various regions across the U.S."*

**- Alok Prasad, Head of Merrill Edge**



# Merrill Edge<sup>®</sup> Report: Fall 2013



## Aggressive Retirement Goals

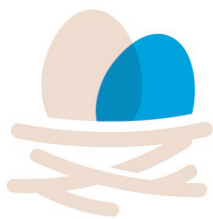
### MEN ANTICIPATE SAVING MORE

In preparing for retirement, men are more aggressive with their retirement savings plan as they anticipate saving \$855,000 on average while women anticipate saving only \$623,000. Overall, respondents anticipate saving \$736,000 on average for their retirement, but currently only have an average of \$161,000 saved.

Retirement goals varied widely region to region in the U.S. Respondents in the West anticipate saving the most (\$1,499,000) for retirement as compared to other regions in the U.S. Southern respondents anticipate saving \$780,000, Midwest respondents anticipate saving \$595,000, and Northeast respondents anticipate saving \$491,000. Retirement goals also varied among men and women regionally throughout the U.S.

## Most Men More Aggressive on Retirement Goals

Nationally, men anticipate saving \$232,000 more for retirement than women. Regionally, this trend continues aside from the Southern U.S...



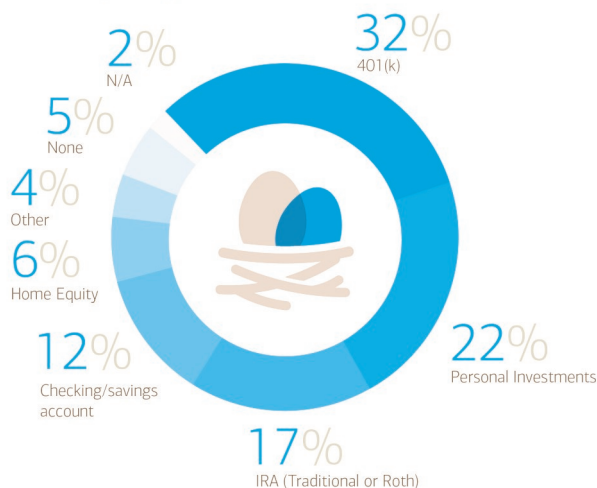
	Men	Women
National	\$855,000	\$623,000
West Region	\$1,499,000	\$484,000
Northeast Region	\$846,000	\$220,000
Midwest Region	\$715,000	\$468,000
South Region	\$540,000	\$1,001,000

# Merrill Edge® Report: Fall 2013

## DESPITE AGGRESSIVE GOALS, RETIREMENT IS BEING PUSHED BACK

### Investing for Retirement

Mass affluent use a variety of vehicles for their retirement investments, their primary investments are:



Although many Gen Y (43%) respondents (18-34 years old) have less than \$50,000 currently saved, they anticipate saving \$822,000 on average. Twenty-three percent of Gen X (35-50 years old) has less than \$50,000 currently saved, however, they anticipate saving \$617,000 on average. Twenty-four percent of Boomers (51-64 years old) have at least \$150,000 currently saved and anticipate saving \$645,000 on average.

Even as the economy improves, the number of respondents who anticipate delaying retirement is still growing. A full 61 percent of respondents intend to retire later than anticipated, a 6% increase from the Merrill Edge Report Spring 2013. Respondents anticipate retiring at 66-years-old.

When asked what retirement investments respondents are primarily using for retirement, 32 percent said a 401(k), 22 percent said personal investments (such as stocks, bonds, etc.) and 17 percent said an IRA (either Traditional or Roth).

On average, 69 percent of the mass affluent say they anticipate relying on the public sector to contribute to their retirement plan: 66% of Gen Y, 72% of Gen X and 70% of Boomers anticipate using the public sector.

### Pushing Back Retirement

Although mass affluent on average plan to retire at 66 years old, a large number of respondents continue to delay their retirement:



Fall 2013	61%	9%	29%
Fall 2012	56%	7%	31%
Fall 2011	47%	8%	42%
	Retire Later	Retire Earlier	No Change

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

*"We've finally worked our way back from the downturn and now are looking at pushing back our original [Retirement] plans. But we are fortunate to have planned young."*

*\*Source: Merrill Edge Online Forum, CommuniSpace*

## Financial Lessons









### MANAGING FINANCES THROUGH TRIAL AND ERROR

A majority of mass affluent say they learned to manage their finances the hard way; now they believe that parents and grandparents should play a more active role in imparting financial knowledge to their children.

While the mass affluent demonstrate a self-sufficient attitude about finances, with 50 percent having learned to manage their finances through trial and error, 88 percent think this responsibility should fall to parents and grandparents. The majority of Gen Y (60%) and Gen X (53%) respondents learned to manage their finances from their parents/grandparents while the majority of Boomers (53%) and 65+ (61%) learned on their own.

## Learning Finances

The majority (88%) of mass affluent respondents think parents or grandparents should teach children about financial management. However, older generations largely taught themselves, while younger generations learned from their elders:

	Gen Y	Gen X	Boomers	65+
First response	 <b>60%</b> Parents/Grandparents	 <b>53%</b> Parents/Grandparents	 <b>53%</b> Myself - trial and error	 <b>61%</b> Myself - trial and error
Second response	 <b>30%</b> Myself - trial and error	 <b>45%</b> Myself - trial and error	 <b>45%</b> Parents/Grandparents	 <b>41%</b> Parents/Grandparents

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## PASSING ALONG FINANCIAL KNOWLEDGE

### Passing Along Financial Knowledge

Seventy-one percent of mass affluent think it is important to impart foundational financial literacy to children before they turn 18. They believe in teaching their children...

Responsible use of credit/debt



55%

Paying bills on time



46%

Importance of saving



46%

How to follow a budget



43%

Seventy-one percent of respondents think it is important to impart foundational financial literacy to children before they turn 18. Learning how to manage credit/debt was chosen as the most important (55%) financial literacy skill.

When it comes to the day-to-day behaviors that may lead to long-term financial success, of the 68 percent of respondents who have a monthly budget and 87 percent said they stick to it. With the majority of the mass affluent focused on long-term goals the top strategies to meet these targets are living a more frugal lifestyle (53%) and emulating their financial role models who live within their means (68%).

Eighty-three percent of Gen Y respondents live by a budget, while only 57 percent of those over 65 do. Both Gen Y and those over 65 are focused on living a more frugal lifestyle (37% Gen Y and 61% 65+) and paying off their credit card bill each month (39% Gen Y and 60% 65+) to meet their long-term financial goals.

Many (40%) mass affluent get their financial information and guidance from a financial advisor, while 28 percent get it from friends and family. This trend remains consistent with findings from the Merrill Edge Report Spring 2013.

### Receiving Financial Information and Guidance

Most mass affluent get their financial information and guidance from a financial advisor, some get it from other resources:



40%

28%

24%

24%

Financial Advisor

Family/Friends

Brokerage  
Provided  
Resources

Banks









## Financial Priorities

### FINANCING THE LONG-TERM

Mass affluent Americans are shifting their financial priorities from shorter-term debt obligations to longer-term investments. Retirement is a top financial focus today for the mass affluent (39%), followed by paying down debt (26%), representing a major shift since the recent financial recession. Paying down debt (33%) was the primary focus following the recession, while saving for retirement (25%) was a secondary goal.

## Top Financial Priorities have Shifted from 2008 to 2013

Across generations, the mass affluent's financial priorities have shifted from the start of the recession to today:

	Gen Y	Gen X	Boomers
2008	 22% Securing a job	 34% Paying off debt	 37% Paying off debt
2013	 21% Saving for retirement	 44% Saving for retirement	 50% Saving for retirement

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

*"My greatest concern is having enough money for retirement."*

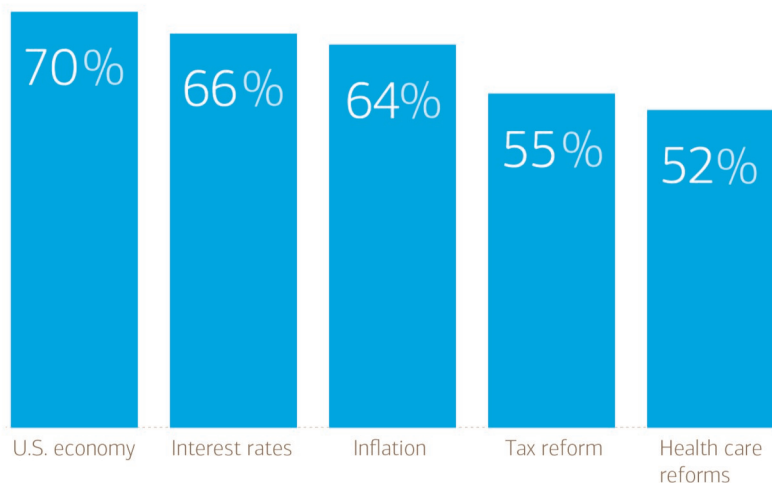
\*Source: Merrill Edge Online Forum, CommuniSpace

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## INVESTING IN FINANCIAL GOALS

### Economic Effect on Investments

Mass affluent's investment decisions are significantly influenced by a number of economic issues:



Signaling a greater influence of the economy on the outlook of mass affluent, the health of the U.S. economy plays the largest role in the making of investment decisions (70%), followed by interest rates (66%) and inflation (64%).

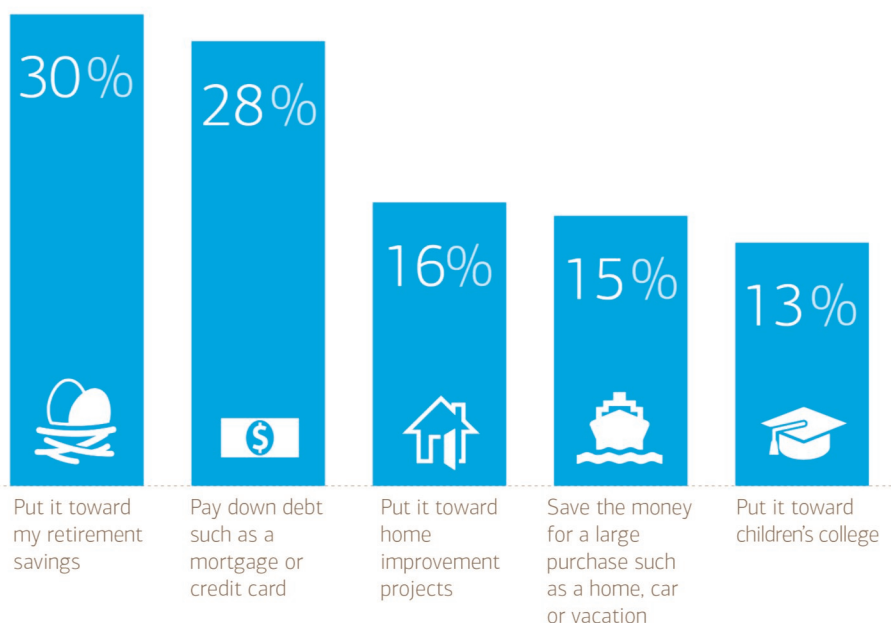
While the mass affluent are committed to investing for retirement, they haven't forgotten about lingering debt. In fact, 44 percent listed paying down debt as their top financial accomplishment within the past year. In terms of how the mass affluent measure their financial success, the top response was paying down debt (26%) followed by how much money is in their savings/checking accounts (22%).

Fifty-two percent of respondents are continuing to pay down large debts such as their mortgage in the next 12 months, while 28 percent anticipate using their tax refund toward paying down debt.

Not only is retirement top-of-mind for the mass affluent, but they are becoming more aggressive in planning for retirement. In the short term, the majority (77%) of the mass affluent are looking to actively grow their retirement nest egg in the next 12 months, with 30 percent who anticipate putting their tax refund toward retirement.

### Investing a Tax Refund

Mass affluent are most likely to use their tax refund to...

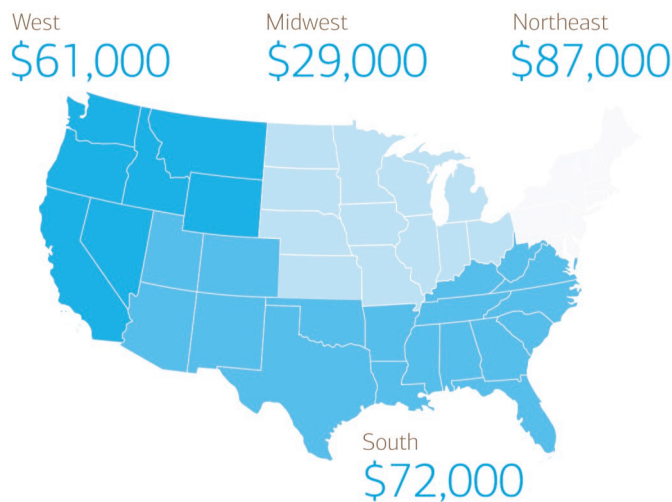


## Supporting the Next Generation

### PAYING FOR RISING COLLEGE COSTS

#### Saving for a College Education

Nationally, mass affluent parents plan to/did save \$63,000 for their child's college. However, regionally savings vary:



On average, mass affluent respondents have saved or are planning to save around \$63,000 toward their child's college education. Savings plans vary regionally as Northeast parents plan to or did save \$87,000, those in the South plan to/did save \$72,000, respondents in the West plan to/did save \$61,000 and those in the Midwest plan to/did save \$29,000.

Across generations, mass affluent Americans agree that a college education is worth going into debt for and nearly a third plan to rely heavily on student loans.

Despite rising costs of a four-year college education, the majority of the mass affluent (63%) think it's worthwhile for a parent and/or child to take on debt to attend college.

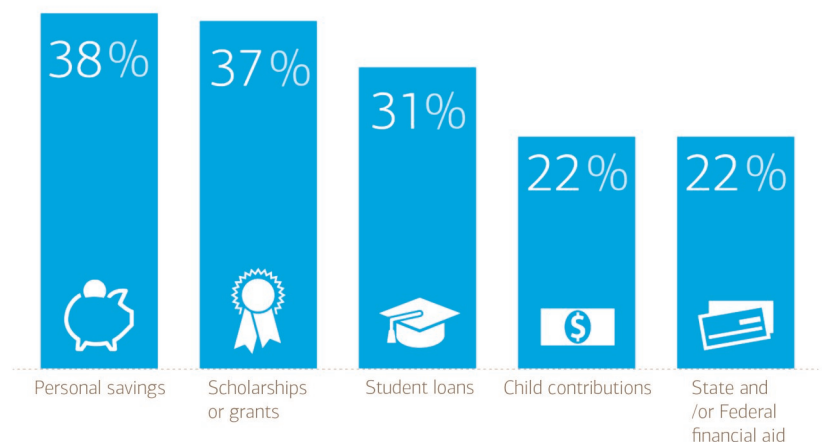
There does not appear to be a generational divide on the subject:

- Large majorities of mass affluent Gen Y (70%), Gen X (67%) and Boomers (64%) believe a college education is worth a student going into debt.
- Most mass affluent Gen Y (77%), Gen X (72%) and Boomers (63%) also believe a college education is worth a parent going into debt.

Parents plan to fund their child's college education with a combination of personal savings (38%), scholarships or grants (37%) and student loans (31%).

#### Supplementing College Savings

According to the college board, an average in-state college education costs \$89,044\* and mass affluent parents are only saving \$63,000 on average. They plan to fund their child's college with a combination of...



\*According to the College Board, tuition for the 2012-2013 academic year averaged \$22,261 per year while private college averaged \$43,289 per year



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## FINANCIALLY ASSISTING CHILDREN

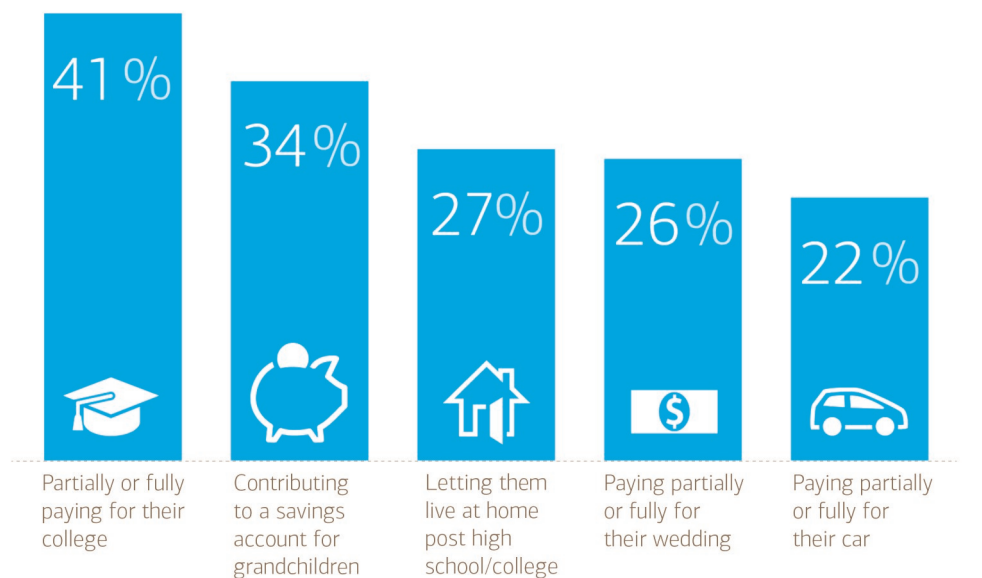
Many mass affluent are supporting their children and grandchildren financially and letting adult children live at home.

Respondents plan to contribute financially to their family members by helping pay for their children's college (41%), establishing a savings account for their grandchildren (34%) and letting their children live at home after high school or college (27%).

Gen Y respondents would be more willing (44%) to let their future adult children live at home than other generations (42% Gen X, 31% Boomers, 9% 65+). Respondents over 65 are most likely (32%) to contribute to a savings account for their grandchildren.

## Financially Supporting Adult Children

Mass affluent are most likely to financially assist their children in adulthood by...



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