

Merrill Edge® Report: Fall 2014



Addressing the Financial Priorities and Concerns of the Mass Affluent

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About the Merrill Edge Report

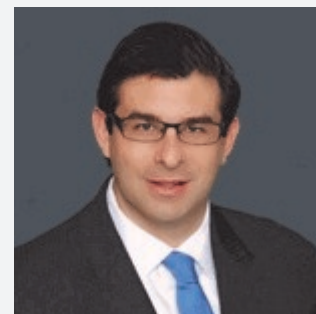
Bank of America's [Merrill Edge Report](#) is a semi-annual study that offers an in-depth look at the financial concerns, priorities and behaviors of mass affluent consumers, defined as people with \$50,000-\$250,000 in total household investable assets. The research reveals that many people in this group regret their 2014 financial decisions, but they are focusing on improving their financial future by investing more in the next year.

Methodology

Braun Research, Inc. (an independent market research company) conducted a nationally-representative telephone survey on behalf of Merrill Edge. The survey was conducted from September 10, 2014, through September 18, 2014, and consisted of 1,046 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. An oversampling of 300 mass affluent were surveyed in San Francisco, Los Angeles, Orange County, CA, Dallas, the State of New Jersey and South Florida. Also, as part of this study, we interviewed a total of 502 Millennials (defined as 18-34 years old) in the national U.S. sample. The n=502 Millennials are comprised of n=201 completes that came from the main, national sample. The remaining n=301 were obtained from an oversample of additional Millennials to achieve the total n of 502. The margin of error is +/- 3.0 percent for the national sample; about +/- 5.7 percent for the oversample markets; and about +/-4.4 percent for the national Millennial group, with each reported at a 95 percent confidence level. Kelton (an independent global insights firm) consulted with Merrill Edge and Braun Research, Inc., on the study implementation.

"Many mass affluent Americans feel they didn't do enough this year to put themselves in a good place for the financial future they desire. Millennials, in particular, feel they are held back from investing enough for retirement because of debts from unpaid student loans. The good news is investors of all ages are rethinking their priorities and plan to make saving for retirement a top goal in 2015."

- Aron Levine, head of Preferred Banking & Merrill Edge



A Year in Review

Financial Regret and Reflection

One third of the mass affluent (33%) feel guilty that they didn't invest enough in 2014 – a more common regret than their food and drink decisions (18%) or lack of time spent with loved ones (17%). Millennials specifically are just as likely to feel guilty about their lack of investments (37%) as the amount of money they spent on themselves (37%) when they look back over the past year.

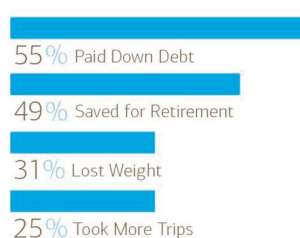
The Merrill Edge Report shows that more than half of respondents (51%) did not save for retirement at all in 2014. Moreover, only one third (35%) of those who did not save for retirement in 2014 plan to save next year. Conversely, 83 percent of those who did save for retirement in 2014 plan to save next year.

Debt may be hindering retirement investing. Sixty-five percent of those who are dealing with student debt are waiting to save more for retirement until their balances are paid off. Those dealing with student debt are also more apt than those not in the red (45% vs. 27%) to express guilt over not investing enough in 2014. For Millennials, debt and saving for retirement may be even more strongly correlated as 75 percent of Millennials are dealing with student debt.

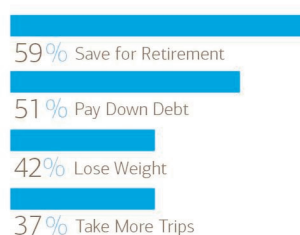
2014 Achievements Inspire Similar New Year's Resolutions

Finances top the list of 2014 achievements and 2015 goals.

2014 Goals Achieved



2015 Goals



New Year Financial Goals

Fortunately, nearly six in 10 (59%) overall plan to make saving for retirement a goal for themselves in 2015, which is more than the 42 percent who are aiming to lose weight. Generationally, more Gen Xers (78%) than Boomers (68%) or Millennials (56%) plan to save and invest for their retirement next year.

Millennials are more likely than members of older generations to have set a 2015 goal of buying a home (36% vs. 6%), but 38 percent of Millennials with student debt are waiting to buy a home until they pay off their debt.

In the Words of the Mass Affluent...

"I'm motivated to improve my finances because retirement is sneaking up on me and I want to enjoy it and want to leave something for my grandkids."

*Source: Merrill Edge Online Forum, Communispace

Using the Present to Plan Ahead

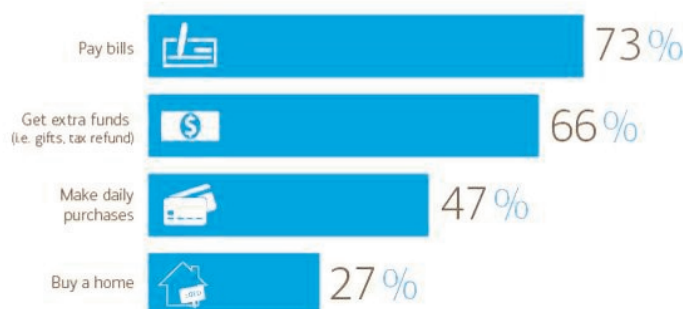
Daily Financial Decisions

Although almost three in four (73%) Americans think about their long-term finances when they pay bills, more than half (53%) don't have this in mind when making daily purchases. Generationally, Millennials are more likely than their older counterparts to consider long-term finances while paying bills (80% vs. 72%), making daily purchases (63% vs. 45%), and even showering (31% vs. 12%).

Many Americans also are not convinced short-term decisions can have an effect on their long-term finances. A majority of people do not think that what they spend on entertainment (67%), eating out (63%), or gas (62%) could have an impact on their finances in the long run. Furthermore, of those who buy coffee daily, 87 percent don't believe that the expense might affect their long-term financial state.

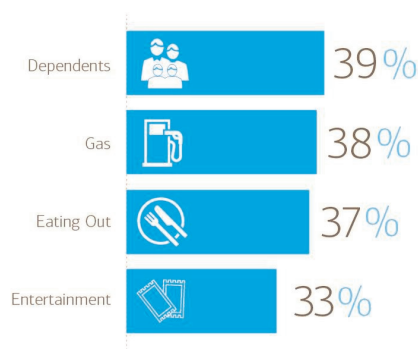
Short-Term Tasks Yield Long-Term Financial Thought

Daily financial tasks trigger reflection about the financial future for most respondents...



Americans Feel Long-Term Financial Impact

When asked what they think impacts their long-term finances, many respondents are feeling the effect of everyday costs.



Financial Success

A majority of people define financial success by long-term, stable goals, such as having enough for their desired retirement (83%) and being debt-free (68%). When looking at how they can get there, nine in 10 (90%) believe that financial success is mostly due to saving or investing properly, rather than factors such as luck or advice from others.

Men are almost twice as likely as women (19% vs. 10%) to define financial success by a high income. More men than women (70% vs. 60%) also believe financial success means living comfortably now, while more women than men (74% vs. 61%) equate financial success with staying out of debt.

More than one in two (51%) respondents also link financial success to growing their investments. This is a stronger sentiment among Millennials than older generations (57% vs. 50%). Millennials are also likely to define financial success by not having any debt (73%) and having enough money for the retirement they want (70%).

In the Words of the Mass Affluent...

"Financial success to me means being able to stick to a monthly budget, remain debt free and also save for future needs."

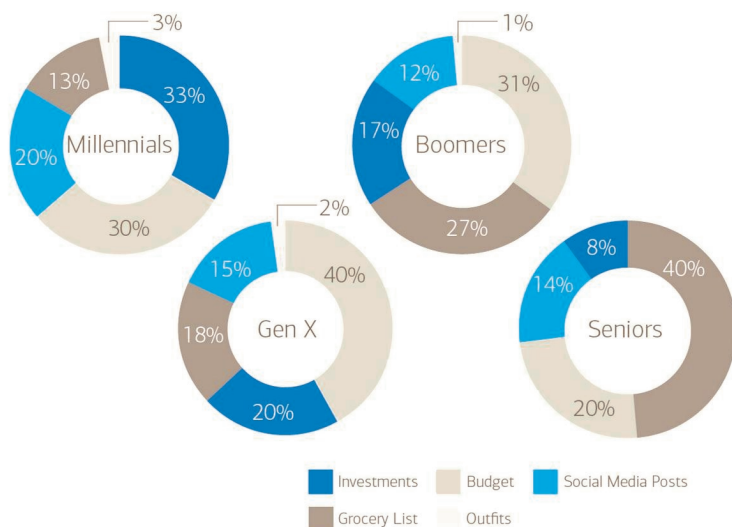
*Source: Merrill Edge Online Forum, Communispace

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Determined to Invest in a Better Future

Millennials Spend More Time Investing Than Other Generations

While Millennials focus on investments, older generations are making budgets and compiling grocery lists.



Financial Feelings

Fewer than one in four (23%) can boast that they feel proud about how they handled their money this year and only half (50%) of respondents say they are content with the financial decisions they made in 2014.

The majority (82%) of those who saved for retirement in 2014 feel content or proud about the financial choices they made this year, compared to 63 percent of those who didn't save in 2014. Millennials (31%) are the age group most likely to feel proud about this year's financial choices and Seniors (19%) are the least likely. More than half (52%) of Millennials currently seek investment advice online (compared to 30 percent of older generations). Additionally, 43 percent of Millennials consult a financial advisor.

Furthermore, when asked about how much time spent on daily tasks in a typical week, 30 percent of Millennials spend most of their time on budgeting compared to other activities, while only 20 percent of this generation spends most of their time each week on social media in relation to other tasks. Four in 10 (40%) Seniors spend the most time on their grocery lists over other weekly tasks.

In general, the mass affluent are just as likely to spend most of their time each week on their budget (29%) as they are on their grocery list (28%), vs other regular tasks.

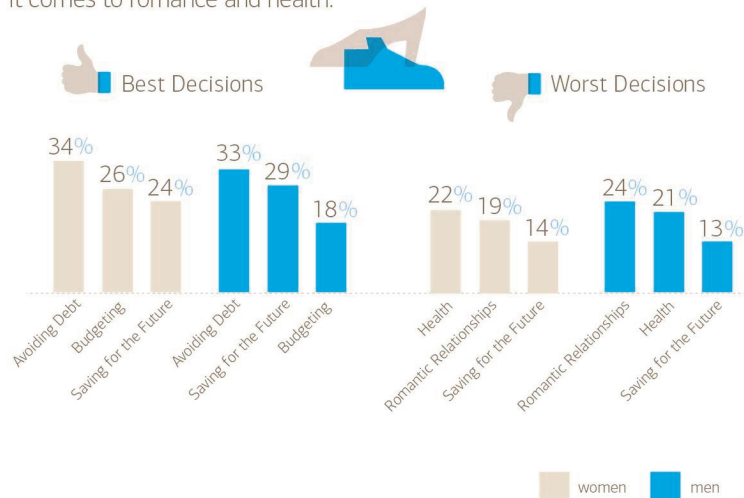
Best and Worst Decisions

The majority (82%) of respondents believe that some of the best decisions they're making today are financial, specifically in the areas of debt avoidance, saving for the future, or budgeting. On the opposite side of the spectrum, respondents believe they're making some of their worst decisions when it comes to health (22%) and romantic relationships (21%).

More than a quarter of Millennials believe that they are making some of their best decisions today when it comes to budgeting (26%) and some of their worst decisions when it comes to romantic relationships (28%).

Men and Women: Their Best and Worst Decisions

While everyone believes they're making some of their best decisions to avoid debt, both men and women admit that they could be smarter when it comes to romance and health.



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Financial Motivators

Retirement on the horizon (41%) is the most common motivator for people to improve their finances. However, Millennials are far more likely to cite a big life change, such as getting married or having a child, than the onset of retirement (33% vs. 4%) as their top reason to improve their finances, perhaps because it seems to be so far away.

Fewer than half (40%) of respondents are in the habit of consulting with a financial advisor, and even fewer (32%) seek investment advice online. Yet those who are willing to take these steps are reaping the benefits – most respondents who work with a financial advisor (63%) and seek online investment advice (60%) were able to save for retirement in 2014.

Almost two in five of those who get investment advice online (39%) and have a trusted financial advisor (36%) feel they are making some of their best decisions when it comes to investing for the future.

In the Words of the Mass Affluent...

"Maintaining a quality of life beyond my working years motivates me to improve my finances."

**Source: Merrill Edge Online Forum, Communispace*

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