

## Letter from Aron Levine



We are pleased to share the Spring 2015 Merrill Edge® Report, a nationwide survey delivered biannually that offers an in-depth perspective at the financial concerns, priorities and behaviors of mass affluent Americans, defined as investors with \$50,000-\$250,000 in total household investable assets.

The survey shows a significant difference in the way retirees planned for and perceive their golden years compared to those who are not yet retired and planning for this key life milestone. As the financial landscape of retirement becomes more complex with rising healthcare costs and uncertainty around

Social Security, survey respondents predict they will be stressed in life after work, and recognize they will likely need to rely on their own savings and investments in their golden years.

Surprisingly, the survey shows that younger people – Gen Xers and millennials – are particularly focused on financial strain in retirement, while many retirees appear to be demonstrating that a stress-free retirement is attainable through ample planning and saving. The good news is that there has been a dramatic increase in prioritizing future finances, and we believe this is being driven by the fear of a financially stressful retirement that many non-retirees share.

At Merrill Edge, we understand the strong desire to live stress-free during retirement. 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 Preferred Banking & Merrill Edge

## Methodology

Braun Research conducted the Merrill Edge Report survey by phone in March 2015, on behalf of Merrill Edge. Braun contacted a nationally representative sample of 1,000 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. In addition, 300 mass affluent were also surveyed in eight target markets: San Francisco, Los Angeles, Orange County, Dallas, the state of New Jersey, South Florida, Phoenix and Chicago. The margin of error for the national sample is +/- 3.0 percent; the margin of error for the oversampled markets (where n=300) is +/- 5.7 percent; with each reported at a 95 percent confidence level.

## Generational Breakdowns

- Millennials: Ages 18-34
- Gen-Xers: Ages 35-49
- Boomers: Ages 50-68

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## Generational Retirement Divide: Youngest generations most likely to predict a stressful retirement

Two out of three non-retired mass affluent Americans (66 percent) expect to be stressed about money in retirement based on how they are currently saving.

The Merrill Edge Report shows that those with the most time to prepare for retirement are more likely to anticipate a financially rocky retirement. Gen Xers (74 percent) and millennials (67 percent) are the most likely to anticipate financial stress in retirement based on how they're saving now, while 59 percent of current retirees say they are not stressed about finances because of how they saved for this life milestone. Only 57 percent of non-retired respondents think they will have enough money throughout retirement based on how they're saving today; whereas, 73 percent of retirees who have saved believe they will have enough money to last through retirement.

### Retirees vs. Non-Retirees



	RETIREES	NON-RETIREES
Saved for retirement	95%	85%
<b>Based on savings...</b>	<b>THINK THEY ARE...</b>	<b>THINK THEY WILL BE...</b>
Going to have enough money in retirement	73%	57%
At least somewhat stressed about finances in retirement	40%	66%
Not stressed about finances in retirement	59%	33%

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

*“Unknown factors scare me the most about retirement. Will Social Security still be around? Will my employer change or eliminate my pension plan or cut retiree benefits? What will medical costs be like or will a family member have a catastrophic illness?”\**

\*Source: Merrill Edge Online Forum, Communispace

There is more consensus among survey respondents of all generations around financial stress points. Most respondents (65 percent) believe that unexpected healthcare costs would cause the greatest stress on their finances, followed by lack of Social Security funds (38 percent) and having to take a loan from a 401(k) account (25 percent).

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

*“The most stressful part about planning for retirement for me is all summed up into one word - uncertainty.”\**

\*Source: Merrill Edge Online Forum, Communispace

## Ideal Retirement: All ages agree on the same end goal, but strategies vary across generations

# 90%

of Americans agree that an ideal retirement would include financial stability.\*

# 70%

of Americans agree that an ideal retirement would be stress-free.

In the Words of the Mass Affluent...

*"I feel that what has made my retirement secure is during my productive years I lived below my income and invested wisely"\**

\*Source: Merrill Edge Online Forum, Communispace

While respondents appear to have the same ideals, they are applying different strategies for reaching their retirement goals. The most popular actions among non-retired survey respondents for achieving a stress-free retirement are funding retirement accounts (57 percent) and paying off debt (54 percent).

### To live stress-free in retirement...

**RETIREES**  
SPENT TIME BEFORE  
THEY RETIRED...

**VS.**

**NON-RETIREES**  
ARE CURRENTLY...

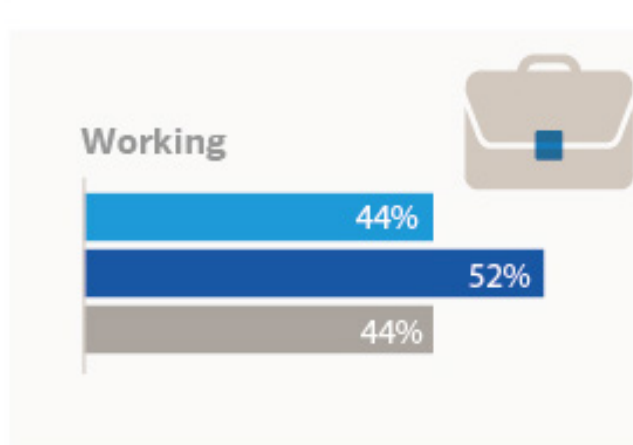
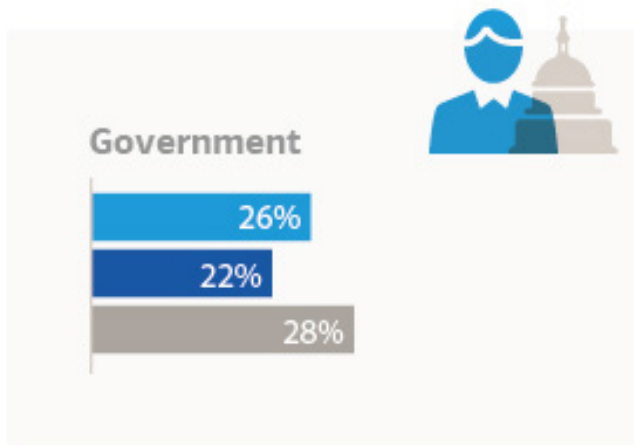
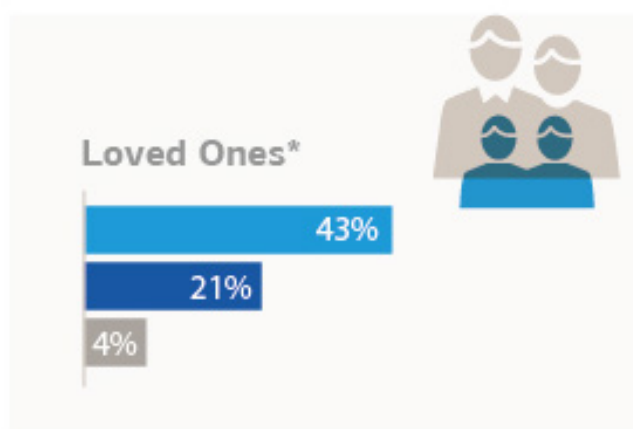
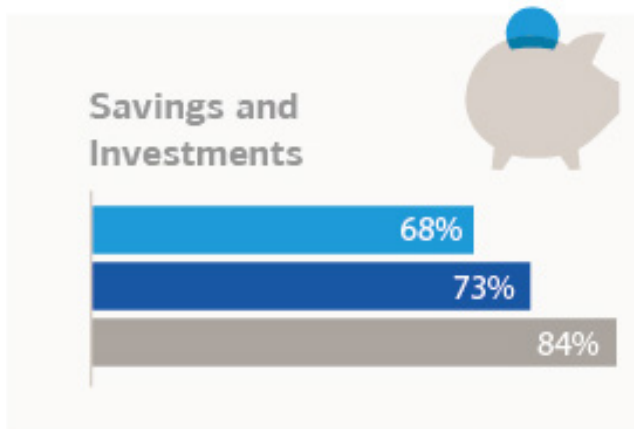
To live stress-free in retirement...	RETIREES SPENT TIME BEFORE THEY RETIRED...	VS.	NON-RETIREES ARE CURRENTLY...
Paying off debt	68%		54%
Funding a retirement account	63%		57%
Spending less	42%		48%
Investing in a non-retirement account	42%		24%
Working with a financial advisor	38%		24%
Using websites or apps to manage money	3%		15%

Many of those who have yet to retire are also turning to websites or apps to help them manage their money (15 percent) with the goal of living a stress-free retirement, while only three percent of retirees have looked to websites or apps to assist them with their finances with this goal in mind. Yet, more retirees than non-retirees have addressed the goal of a worry-free retirement by investing in a non-retirement account (42 percent vs. 24 percent) or working with a financial advisor (38 percent vs. 24 percent).

## Support in Retirement: Generations differ in plans for financial help in golden years

Anticipated means of financial support in retirement varies by generation. Of those who are not yet retired, nearly half (49 percent) say they plan to work in retirement to help themselves out financially, and 28 percent plan to rely on help from the government for the same reason. In comparison, only 20 percent of retired respondents plan to rely on work for financial help in their golden years, while 41 percent say they currently rely on financial help from the government for their retirement. At the same time, more than four in 10 (43 percent) millennials said they are counting on financial assistance from loved ones in retirement, which is significantly greater than the 9 percent of all other respondents combined, and may signal a larger trend in retirement planning in years to come.

### When asked what they are planning on for financial help in retirement respondents said...



\*Net current/future children, family, or close friends

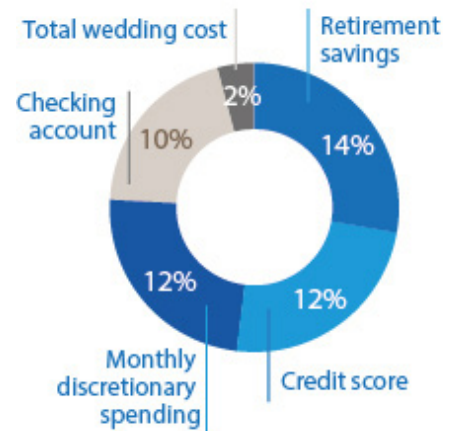
■ Millennial ■ Gen-X ■ Boomer

## Financial Reality: With strong savings behaviors, older generations show feelings of embarrassment and jealousy fade with age

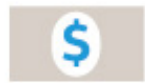
While the overwhelming majority (85 percent) of non-retired Americans are investing for retirement, nearly one-third (29 percent) of all respondents would still be embarrassed if their close friends or family knew intimate details of their finances, specifically their retirement savings, checking account balance, credit score, total wedding cost or monthly discretionary spending.

# 29%

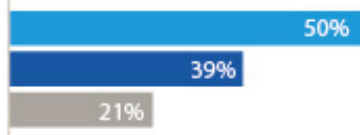
of Americans would be embarrassed if their close friends or family saw their finances specifically their:



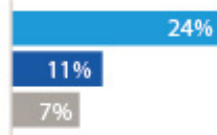
### Embarrassment fades with age...



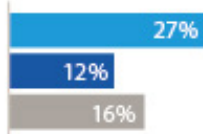
Finances\*



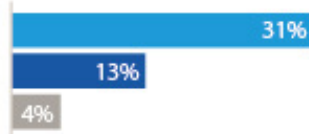
Internet History



Weight



Personal texts or emails



\* Net retirement savings, credit score, monthly discretionary spending, checking account and total wedding cost

■ Millennial ■ Gen-X ■ Boomer

However, financial embarrassment appears to fade with age. Half (50 percent) of millennials said they would be embarrassed if their close friends or family knew these particular details of their finances, in comparison to 39 percent of Gen Xers and only 21 percent of baby boomers.

Along similar lines, 43 percent of millennials and 48 percent of Gen Xers feel they lag behind most people their age in terms of their finances (specifically financial stability, saving for the future or income), in comparison to only 34 percent of baby boomers.

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

*"I feel I am currently ahead with my retirement planning. I started early with investment planning and savings, and that has helped me to stay ahead of the game."\**

\*Source: Merrill Edge Online Forum, Communispace



## Motivational Emotions: Strong feelings of fear and stress today lead to positive financial actions for tomorrow

Nearly one-third (32 percent) of non-retirees (25% of all respondents) report that they have been motivated by either financial stress, financial embarrassment or the feeling that they are behind their peers to make positive financial decisions. And while motives vary across generations, more millennials than those in any other generation have been influenced to make a positive financial decision based on their parents' financial successes or failures (40 percent vs. 12 percent) and by the influence of social media (22 percent vs. 3 percent).

# 1/4

of Americans have made positive financial decisions due to negative emotions including...



**16%** Financial stress

**11%** Feeling behind most people their age

**6%** Embarrassment around finances

In 2014, the Merrill Edge Report uncovered many worries among Americans about the state of their long-term finances, including fear of running out of money in retirement and regrets about not saving more. Based on the results of the 2015 survey, however, it appears that some of these negative feelings could turn into positive actions.

	SPRING 2015	SPRING 2014
Saving more for the future	61%	48%
Having enough money to live comfortably today	61%	63%
Getting the most out of investments	49%	49%
Providing for others, like children or elderly parents	30%	27%
Saving for a dream vacation	19%	9%
Affording a nice car	14%	9%

According to the latest results, for example, respondents are just as likely to prioritize saving more for the future (61 percent) as living comfortably today (61 percent). In the 2014 survey, 63 percent of respondents said living comfortably today was a top priority, and 48 percent

said saving for future was a priority, creating a disparity of 13 percent. Respondents' investment confidence also appears to be positive: 69 percent of those participating in the 2015 survey say they trust their own judgment in managing retirement savings.

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

*"We both started saving for retirement when we started our first jobs out of college. We've continued to save and live well below our means. I think those two factors are the biggest contributors to feeling confident about retirement."\**

\*Source: Merrill Edge Online Forum, Communispace

Merrill Edge<sup>®</sup> is available through Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S), and consists of the Merrill Edge Advisory Center (investment guidance) and self-directed online investing.

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