

Merrill Edge® Report: Spring 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 bi-annual survey that offers an in-depth look at the financial concerns, priorities and behaviors of mass affluent Americans, defined as individuals with \$50,000-\$250,000 in total household investable assets. The research reveals that this group fears running out of money in retirement more than other stress-inducing situations such as public speaking, gaining weight and going to the dentist. Despite the prospect of not having enough money to live the lifestyle they desire later in life, many are unwilling to cut spending on indulgences now in order to invest for retirement. Yet, when it comes to spending money on their children, the majority of parents are quick to cut back spending on themselves.

METHODOLOGY

Braun Research, Inc. (an independent market research company) and Kelton (an independent global insights firm), conducted a nationally-representative telephone survey on behalf of Merrill Edge. The survey was conducted from April 8, 2014, through April 22, 2014, and consisted 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. An oversampling of 300 mass affluent were surveyed in San Francisco, Los Angeles, Orange County, CA, Dallas, New Jersey and South Florida. The margin of error is +/- 3.1 percent for the national sample and about +/- 5.7 percent for the oversample markets, with both reported at a 95 percent confidence level.

“Many mass affluent investors are taking a bit more of ‘a live for today’ financial approach than you might expect given their fear of running out of money in retirement. That kind of disconnect might have a significant impact on the long-term financial well-being of these investors.”

- Aron Levine, Head of Preferred Banking & Investments



Retirement Fears Don't Inspire Sacrifices

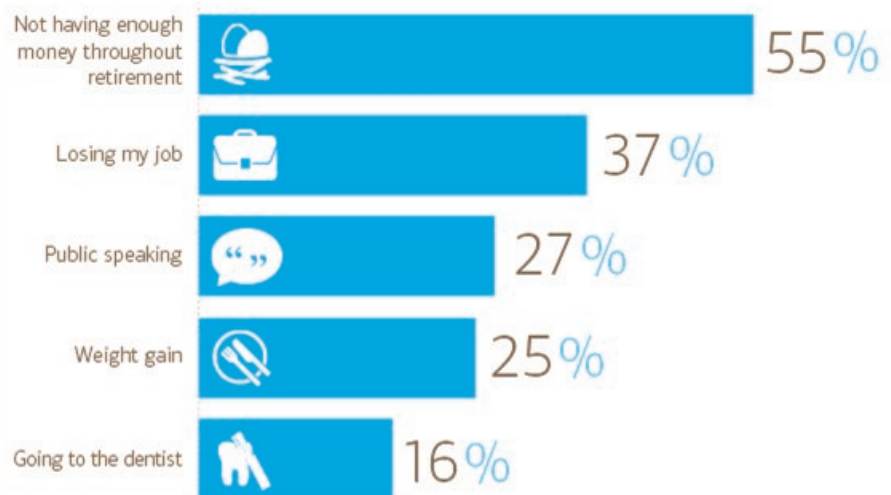
MONEY AND SECURITY

More than half (55%) of the mass affluent fear going broke during retirement – far more common than other stress-inducing situations and pressures, such as losing their job (37%), public speaking (27%), weight gain (25%), visiting a dentist (16%) or flying in an airplane (12%).

The Merrill Edge Report shows that more women than men (59% vs. 51%) are frightened about the possibility of not having enough money throughout retirement, and the fear of an uncertain retirement is also most common among 61 percent of Gen Xers (aged 35 to 50) and 61 percent of Boomers (aged 51-64); only 41 percent of Millennials (aged 18 to 34) feel this way.

Americans Fear Going Broke in Retirement More Than Public Speaking

Unstable retirement trumps other common fears.



STICKING TO THINGS THEY LOVE

Despite their fears about future finances, many mass affluent won't consider cutting back on indulgences today to save for retirement – from entertainment (33%) to eating out (30%) to vacations (28%).

Women are more reluctant than men to curb their spending on dining out (33% vs. 26%), clothing (32% vs. 23%) or even technology (32% vs. 23%) to save more for retirement. More Millennials than any other generation combined would not want to reduce what they spend on coffee (26% vs. 20%) or technology (34% vs. 27%) to save for retirement.

In The Words of the Mass Affluent...

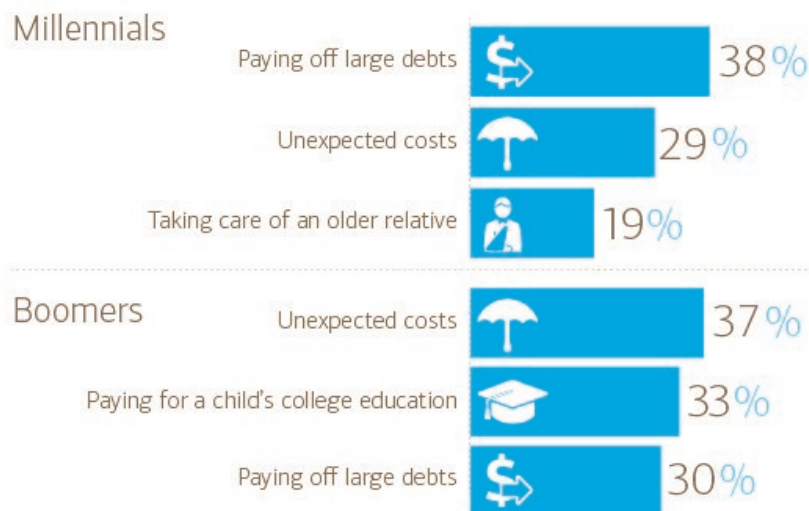
"The most frightening [situation] to me is not having enough money throughout my retirement. There are so many factors that can change and affect what you have invested and saved. If you live longer than you planned for where does the money come from to live on? This is the time when you want to enjoy your life and not worry."

*Source: Merrill Edge Online Forum, CommuniSpace

PUTTING RETIREMENT ON THE BACK BURNER

Millennials Climbing a Mountain of Debt, Boomers Struggle with Unexpected Costs

When asked what competes with retirement savings, responses varied between millennials and boomers...



Even if they were faced with a hypothetical million-dollar windfall, fewer than one in five (19%) would make it a priority to set aside the “found money” for their retirement years.

More Boomers (22%) than Gen Xers (16%) and Millennials (6%) would first consider allocating a million-dollar lottery prize to their retirement funds.

Additionally, the most common factors competing with respondents’ regular retirement savings are unexpected costs (33%) and paying off big debts (31%). Paying off large debts (such as student loans) has competed with the retirement savings of more Millennials (38%) than any other generation.

In The Words of the Mass Affluent...

“Of course, college educations for two children at private colleges had a large impact on our retirement savings. And recently, medical issues have taken a big bite out of the money we had precious saved.”

**Source: Merrill Edge Online Forum, CommuniSpace*

Planning for Retirement

ESTIMATING WHEN AND HOW MUCH

On average, retired respondents stopped working at age 68, however, those who have not retired plan to at age 65. Single mass affluent on average plan to retire or have retired at age 62. More than two in five (41%) mass affluent who have not retired yet imagine that they’ll need an annual income somewhere in the \$50,000-\$99,999 range when they retire.

About a quarter of Millennials (24%) and Gen Xers (25%) believe they’ll need at least \$150,000 annually when they retire—far more than Boomers, with just 11 percent believing they’ll need that much income in retirement.

KICKING OFF RETIREMENT SAVINGS

Most (90%) mass affluent have retirement savings and began saving at 33 years old, but Millennials are planning for the future at a much younger age, with more than half (54%) starting between the ages of 18-24. Eighty percent of Millennials currently have retirement savings.

The most common trigger for those with retirement savings to begin investing for retirement was an account/401(k) being offered at work (48%). Far fewer were spurred to invest due to major life events like getting married (18%) or having their first child (12%).

For the Millennial generation, many work-related milestones make all the difference in their retirement planning:

- More Millennials (36%) and Gen Xers (32%) than Boomers (15%) and Seniors (12%) were motivated to save for retirement when they started their first jobs.
- Almost three in ten (28%) Millennials first started saving for retirement after a raise or promotion at work, vs. 10 percent of older generations.

Financially Prioritizing for Today

FINANCIALLY PREPARED FOR PARENTHOOD

One in five (20%) mass affluent underestimate how much it would cost to raise a child in the U.S. today from birth to age 18, guessing the figure is below \$200,000; almost half (48%) overestimate the total cost at \$300,000 or more. Fewer than three in ten (27%) correctly estimate the cost of raising a child at \$200,000-\$300,000 and could be prepared to budget for the long-term expense. According to an annual report from the U.S. Department of Agriculture, the average cost to raise a child born in 2012 is \$241,080, not including college expenses.

In The Words of the Mass Affluent...

"Having kids especially young ones are a big competition with saving for retirement. Raising young kids (given I have a newborn) is very expensive."

**Source: Merrill Edge Online Forum, CommuniSpace*

More non-parents than parents (58% vs. 44%) overestimate this possible amount as \$300,000 or higher.

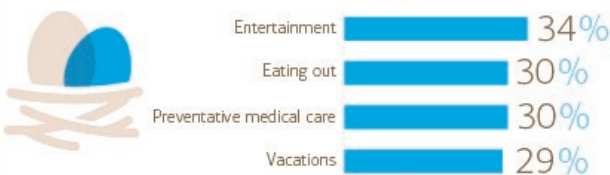
Among married mass affluent without children, four in ten (41%) believe that it costs \$500,000 or more to raise a child today. Only 21 percent of their counterparts who already have children estimate such a high cost.

Parents Cut Back Spending to Cover Child Costs, but Unwilling to Do So for Their Own Retirement

To cover child-related expenses American parents have ...



To save for retirement, American parents are unwilling to spend less on...



MIXED PRIORITIES

Perhaps with child-related costs in mind, parents have cut back on the money they spend on themselves (68%), dining out (45%), and vacations (45%) to cover child-related expenses, and more than a third (35%) have also withdrawn from existing savings to pay expenses for their kids.

More mothers than fathers have proactively opened college savings accounts (34% vs. 21%) or curbed spending on themselves (71% vs. 65%) to provide for their children, while more fathers than mothers have delayed their own retirements (16% vs. 9%), or withdrawn from savings accounts (38% vs. 33%).

SHORT-SIGHTED SAVINGS

In terms of daily financial management, having enough money to live comfortably “in the here and now” (63%) is a more popular priority than getting the most out of their investments (49%) or saving more for the future (48%). More Gen Xers (52%) than any other generation say that providing for others is a current priority for them. More Millennials than any other generation are prioritizing their funds for a nice car (25%) or a dream vacation (23%).

URGENT PRIORITIES

With so many factors influencing daily financial priorities the first move many would make if they won a million dollars would be to pay off big debts (34%) or save and invest it (32%); very few (4%) would spend it on something extravagant. More Gen Xers than any other generation combined (44% vs. 31%) would first pay off large debts if they won a million dollars.

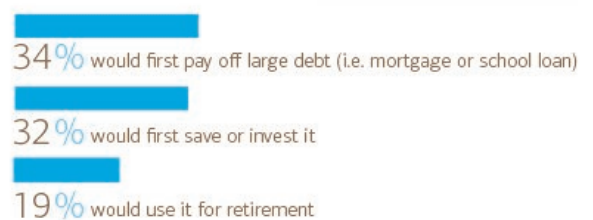
Americans Have Good, but Short-Sighted Financial Instincts

When choosing what to fund, most Americans focused on today instead of tomorrow.

Current Priorities



After Winning a Million Dollars

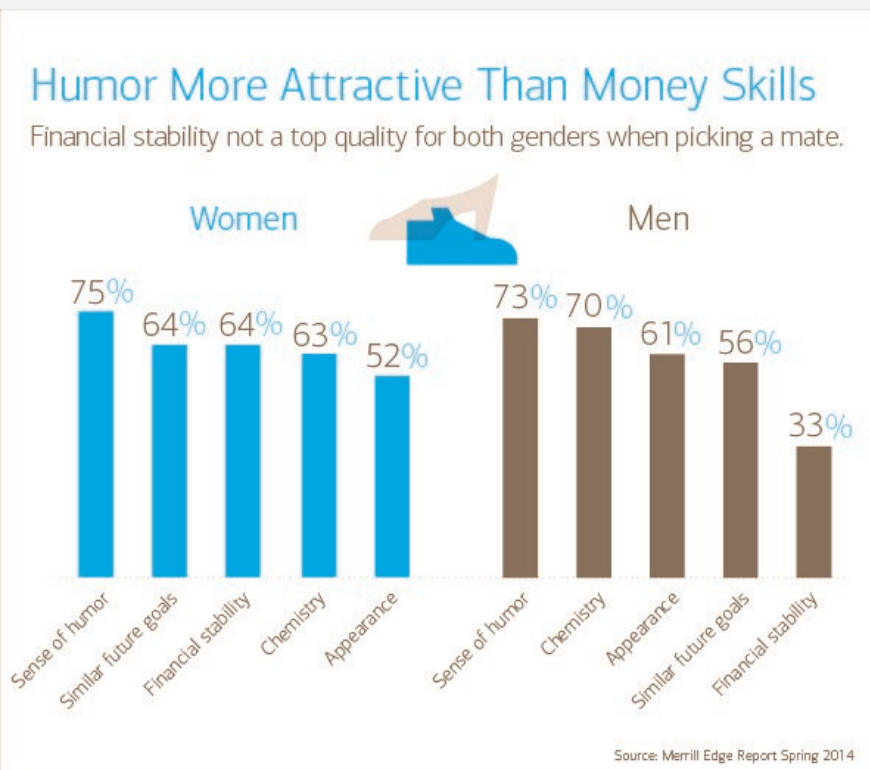


MONEY MANAGEMENT COMPLEX

Almost nine in ten (89%) mass affluent set a household budget, but almost two-thirds (66%) of them are unable to consistently stay within their budget parameters. For 43 percent of mass affluent, choosing among different investment products such as stocks, bonds and exchange-traded funds is the most complicated part of investing. Others say the most difficult part of investing is handling changes in the stock market (33%) or understanding how 401(k)s and IRAs work (9%).

Finances and Relationships

GENDER DIFFERENCES IN THE DATING GAME



Priorities vary widely between men and women, especially when it comes to the effects of finances on relationships. Although financial stability is not considered the top quality for mass affluent when choosing a mate, it carries some influence among women. In fact, women are more than twice as likely as men to be attracted to someone with a stable job (51% vs. 24%) and almost twice as likely to be attracted to someone who has financial stability (64% vs. 33%).

Overall, the mass affluent are most likely to be drawn to an appealing sense of humor (74%) or someone with whom they have chemistry with (66%), while many are attracted to those with financial stability (49%) or money saved (20%).

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Millennials (37%) more than any other generation are likely to be attracted to someone who has some money saved, while more Gen Xers (59%) than members of other generations surveyed (47%) are drawn to someone with financial stability.

The status of a romantic relationship can also fuel financial concerns as well as be a trigger to save for retirement:

- Almost seven in ten (68%) mass affluent who are divorced are afraid about not having enough money during retirement, vs. 53 percent of those who are single, married or widowed.
- Almost one in four (22%) married mass affluent would make retirement savings their first priority in the event that they won a million dollars, vs. 13 percent of single, divorced or widowed individuals.
- Major life events like getting married spurred more men than women (21% vs. 15%) to start saving for retirement.

Merrill Edge[®] 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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