

E*TRADE Financial Q3 2017 StreetWise Report

Insights from E*TRADE'S quarterly tracking study of
900+ experienced investors



Q3 2017 survey methodology and background

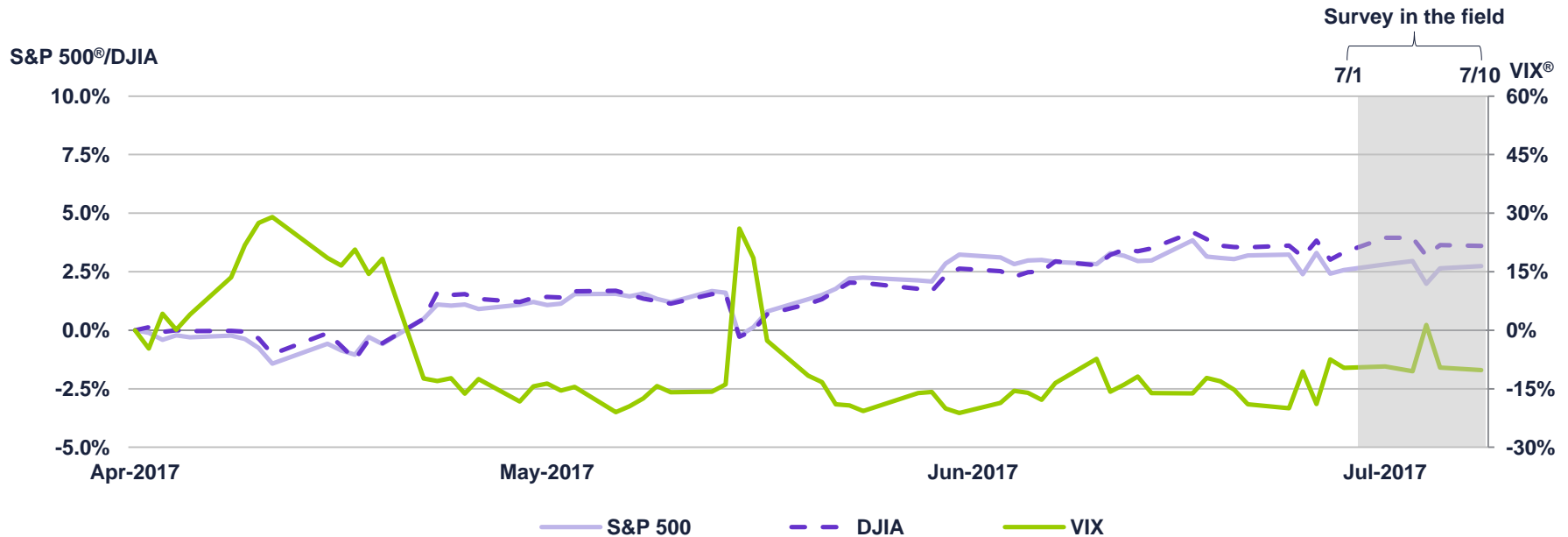
Methodology

This wave of the survey was conducted from July 1 to July 10 of 2017 among an online U.S. sample of 959 self-directed active investors who manage at least \$10,000 in an online brokerage account. The survey has a margin of error of ± 3.16 percent at the 95 percent confidence level. It was fielded and administered by Research Now. The panel is broken into thirds of active (trade more than once a week), swing (trade less than once a week but more than once a month), and passive (trade less than once a month). The panel is 60 percent male and 40 percent female with an even distribution across online brokerages, geographic regions, and age bands.

This study looks into the minds and behaviors of self-identified experienced investors

- They self-select as having moderate to professional investing experience
- They have taken charge of their investments
- They believe they understand the markets, investment products, and asset classes

Q3 2017 survey timing mapped against major market indexes



Sentiment

VIEWS ON THE MARKET AND WHERE
THE OPPORTUNITIES LIE

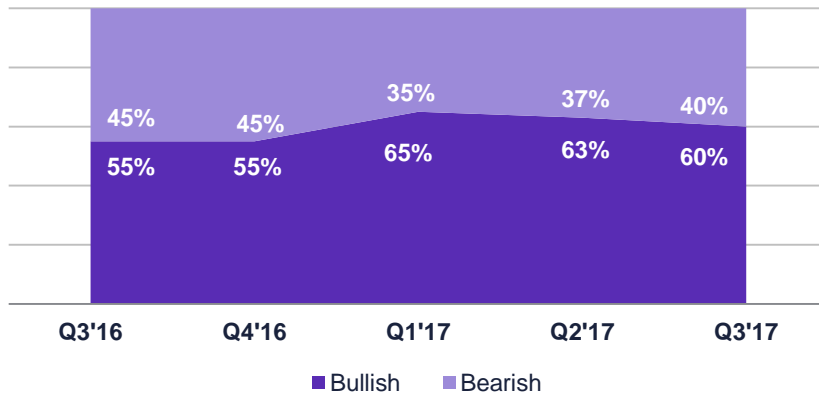




Views on the market

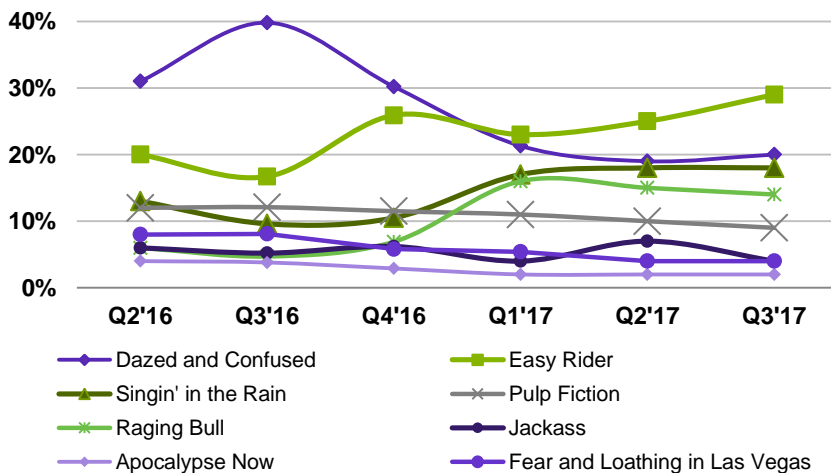
Bullish sentiment continues to slide from Q1 peak

When it comes to the current market, are you...?

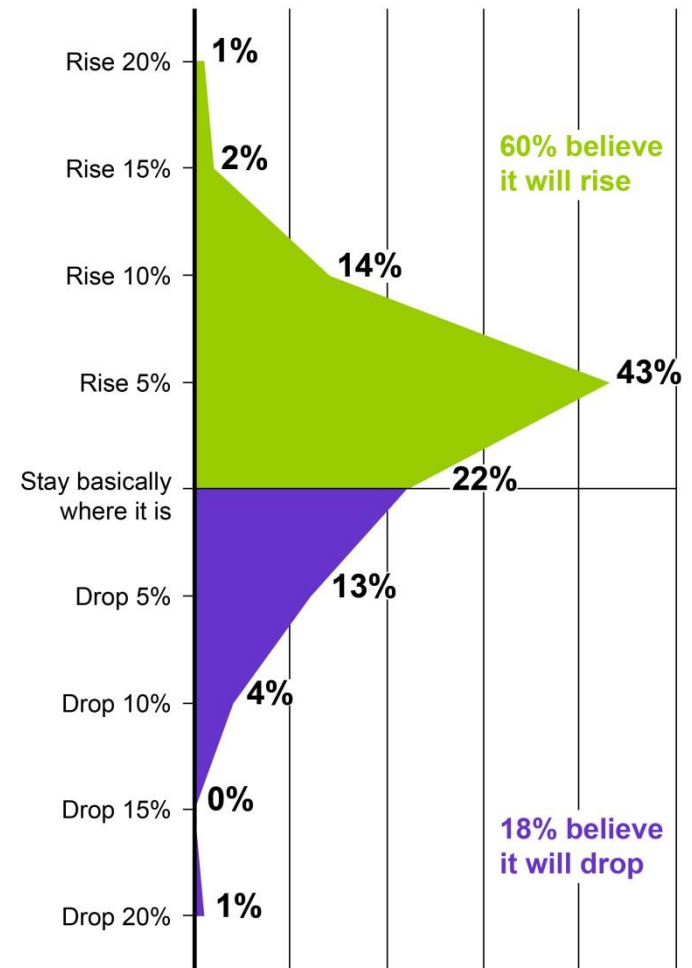


Investors are feeling more *Easy Rider* and slightly less *Raging Bull*

Which movie title best describes how you feel about the market?



Majority still believe the market will rise in Q3 2017

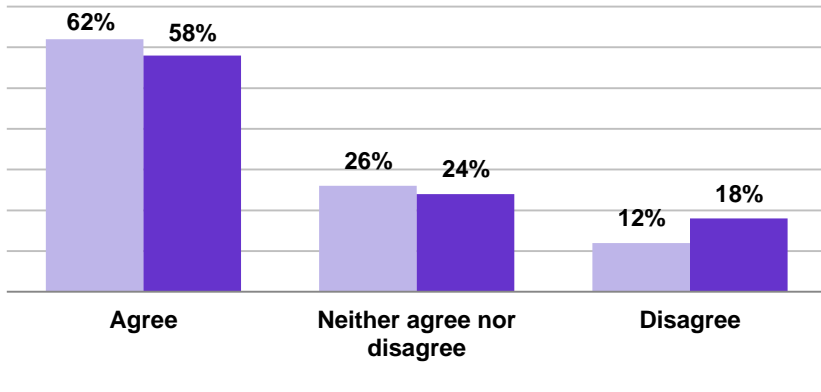




Views on the economy and rates

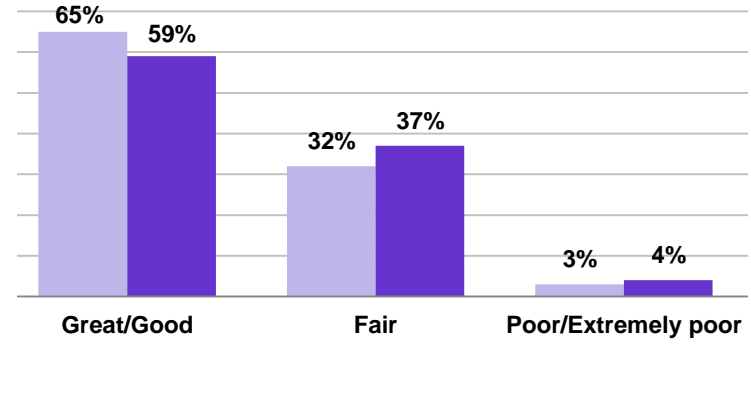
Investors slightly less likely to think more rate hikes are justified

Is the U.S. economy healthy enough for the Fed to enact additional rate hikes this quarter? (%=Strongly/Somewhat)



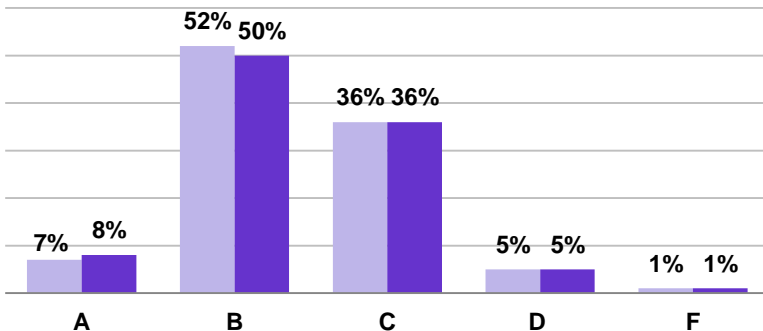
Nearly all feel the economy is in fair shape or better

How do you think the U.S. economy is doing?



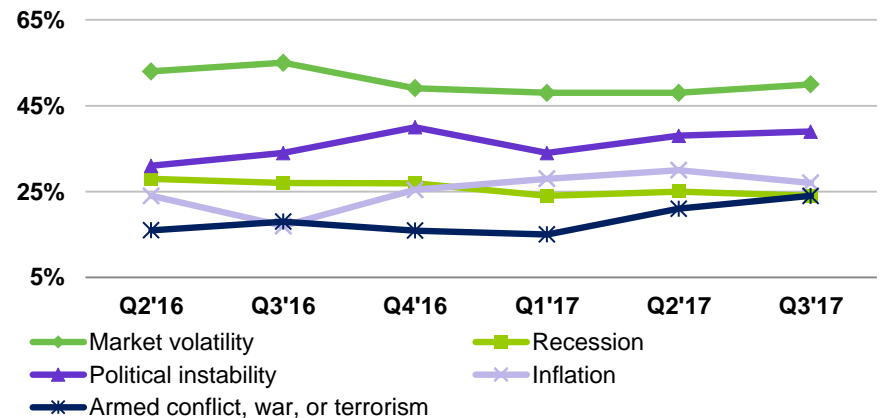
A majority of investors gave the economy an A or B rating

What grade would you give the U.S. economy right now?



Market volatility, political instability, and armed conflict concerns ticked up

What risks are you actively managing right now when it comes to your portfolio?

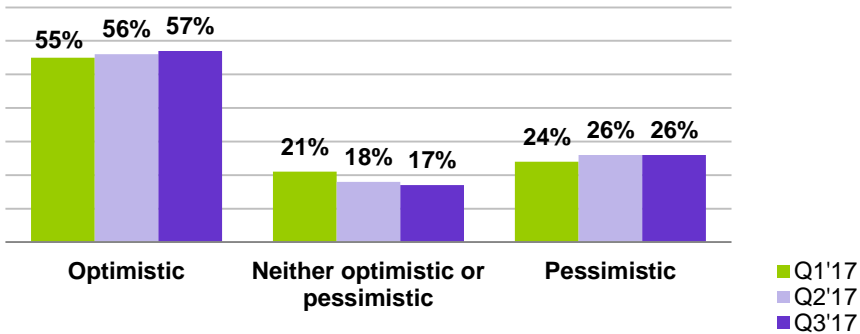




Views on the Trump administration

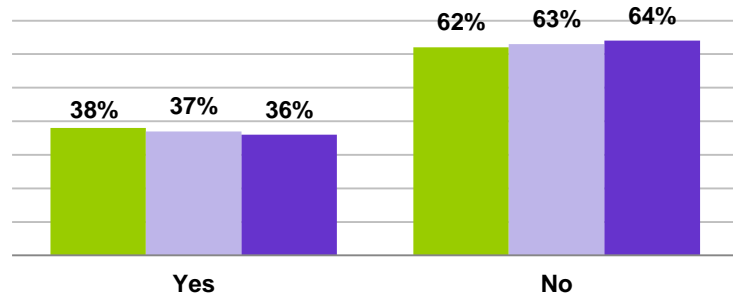
Majority remains optimistic about the U.S. economy under President Trump

Regardless of your feelings about the individual, how would you describe your feelings about the future of the U.S. economy since Donald Trump has taken office? (%=Strongly/Somewhat)



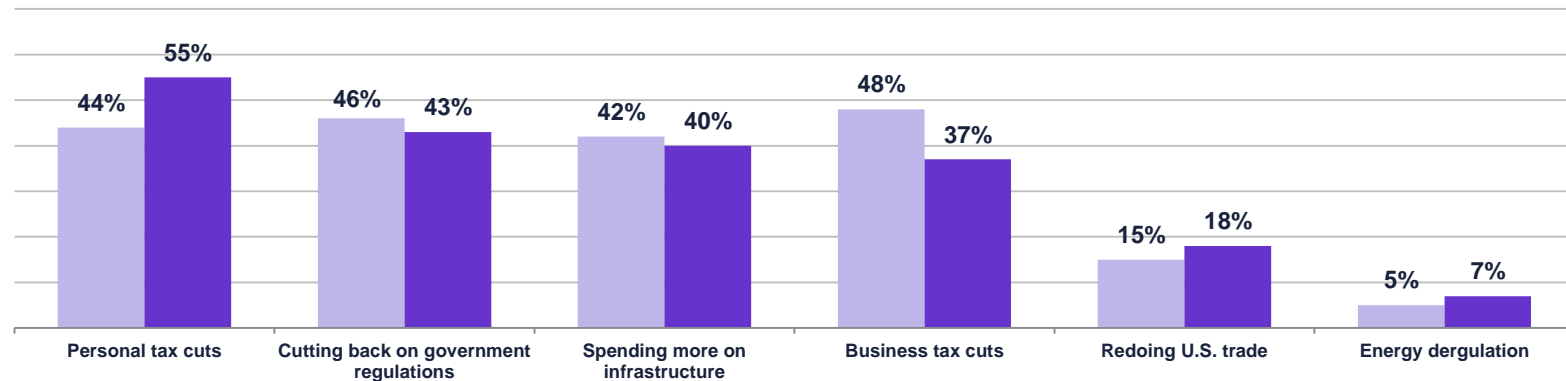
More than a third have traded off a Trump tweet

Have you traded off of a Trump tweet in the past quarter?



Personal tax cuts have come into closer focus

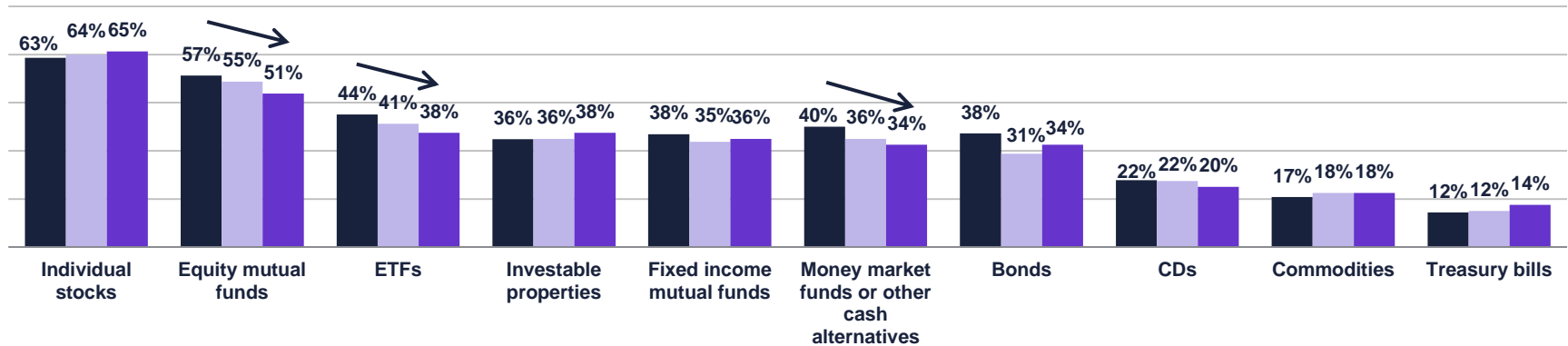
Which Trump administration economic proposals do you think offer the most investing opportunity for you personally? *Select top two.*



Asset class interest

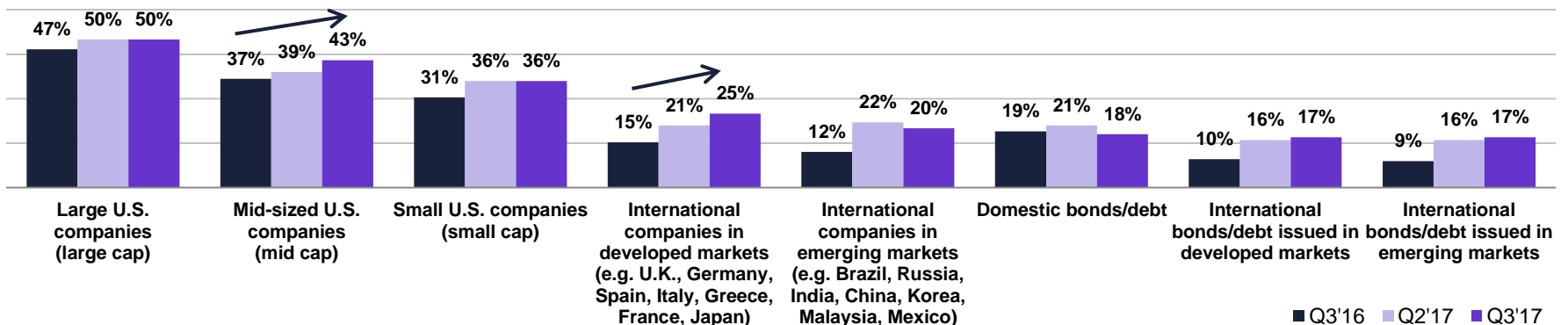
While individual stocks remain in favor, equity mutual funds, ETFs, and money market funds declined q/q and y/y

If you could give one piece of advice to a friend or family member who is thinking of investing right now, would it be to get into...
Select your top four.⁽¹⁾ (Top 10 shown.)



Interest ticked up in U.S. mid caps, along with international companies in developed markets

How interested are you in investing in each of the following, without taking into account the investment products which you can invest through?⁽¹⁾
(% very/extremely interested; base=all)



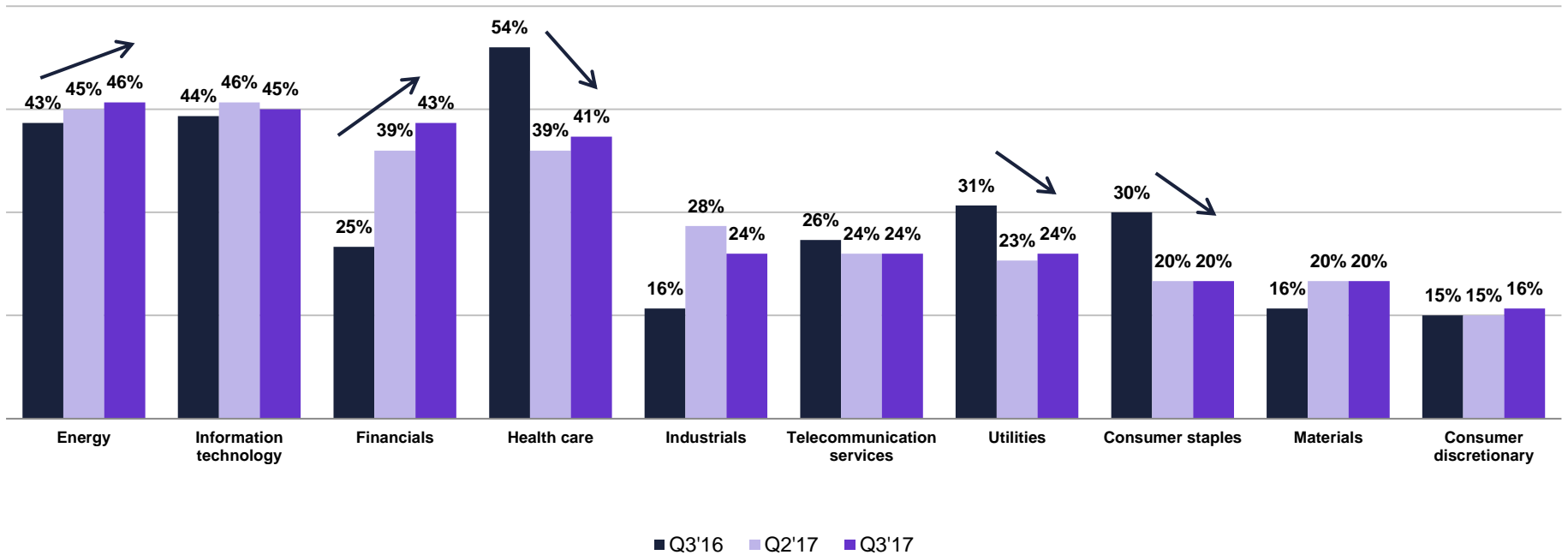
⁽¹⁾ Focuses on y/y and q/q—other quarters available on request



U.S. sector interest

Health care, utilities, and consumer staples are down y/y, while interest in financials and energy increased y/y and q/q

What industries do you think offer the most potential this quarter? Select your top three.⁽¹⁾ (Top 10 shown.)



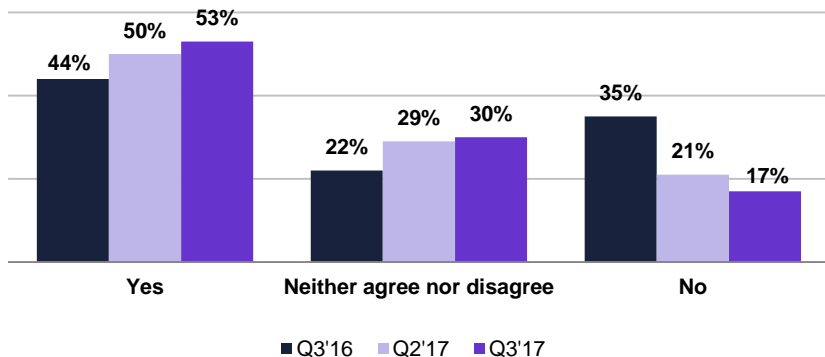
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International and emerging market interest

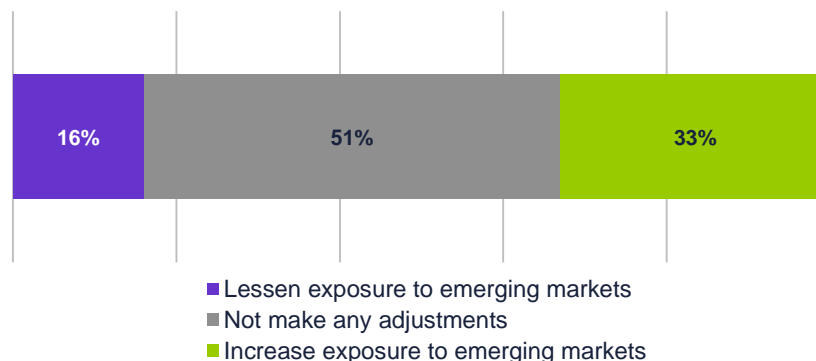
Investors more likely to see opportunity abroad

Does the health of markets outside the U.S. appeal to you as an investor? (% = strongly/somewhat)



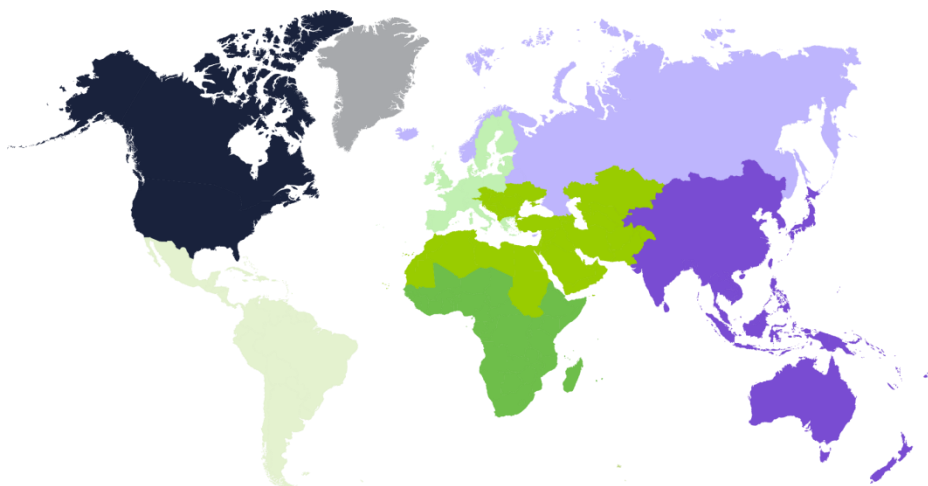
One third will increase exposure

Which of the following adjustments do you plan to make over the next quarter?



Interest in North America remains on top

Which regions do you think offer the greatest investment potential this quarter? ⁽¹⁾ (% = top two box)



	% Interested	Q/Q Δ
United States and Canada	70%	0%
Asia and Pacific	45%	+1%
European Union	34%	+3%
Central, Eastern, and Southeastern Europe (including Russia)	13%	(-3%)
Latin America and the Caribbean	13%	(-3%)
Middle East and Central Asia Region (including North Africa)	10%	0%
Sub-Saharan Africa	4%	(-1%)

⁽¹⁾ Change shown q/q from Q2'17.

Portfolio management

A LOOK INTO HOW DIFFERENT AGE
GROUPS MANAGE THEIR INVESTMENTS

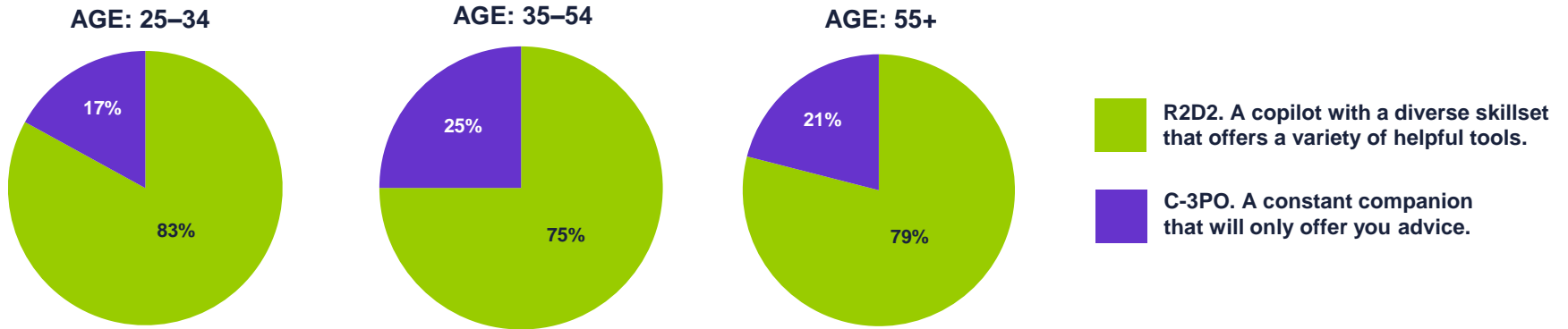




Millennial, Gen X, and Baby Boomer broker preferences and portfolio management

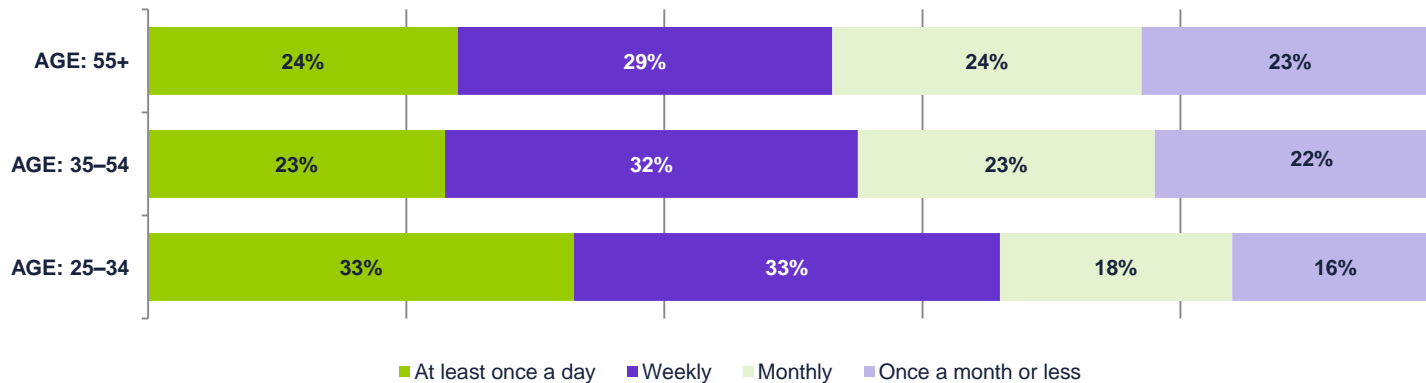
Investors of all ages prefer a broker like R2D2, offering a variety of helpful tools

Which of the following characters better represents the type of relationship you want with your broker?



Majority check their portfolio at least weekly

How often do you evaluate the positions in your portfolio?



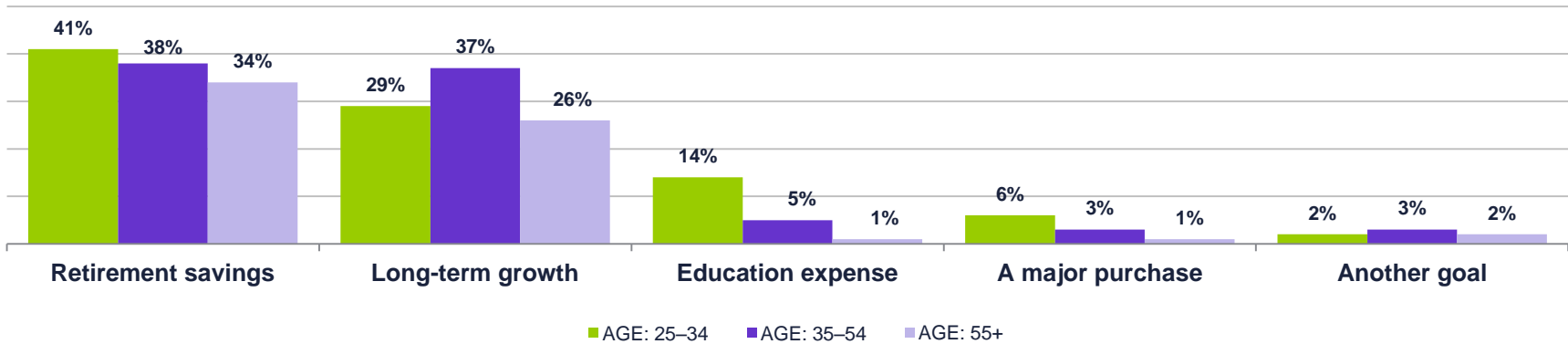
"Millennials" defined as age 25-34, "Gen X" defined as age 35-54, "Baby Boomers" defined as age 55+.



What Millennials, Gen X, and Baby Boomers want from their robo

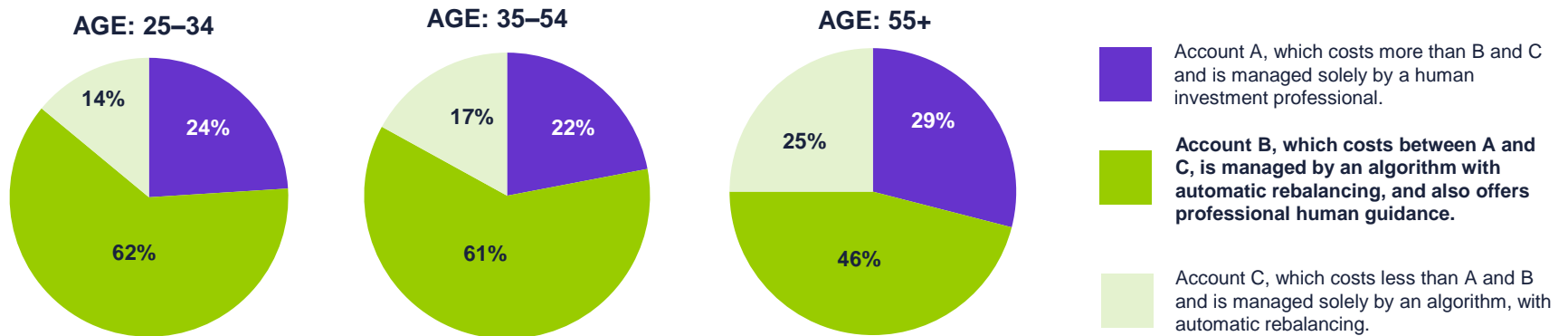
Majority are likely to use a robo for long-term investment planning

For what would you be most likely to use an automatic investing solution that uses algorithms to rebalance?



Millennials and Gen X are more likely to prefer a hybrid model that offers auto rebalancing and human support

If you had to choose, in which of the following managed accounts are you most interested?



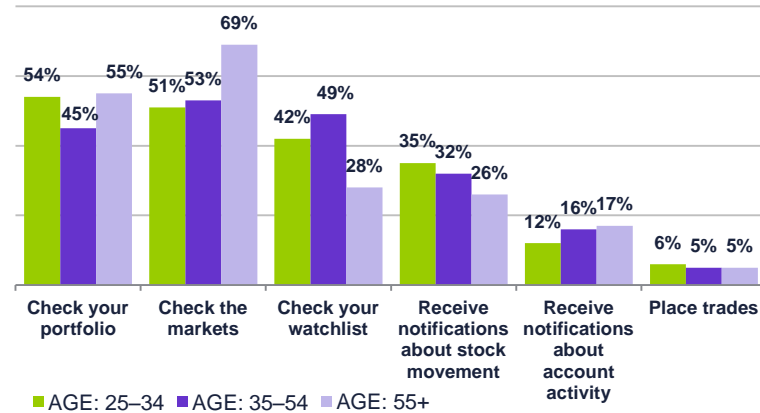
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Mobile usage among Millennials, Gen X, and Baby Boomers

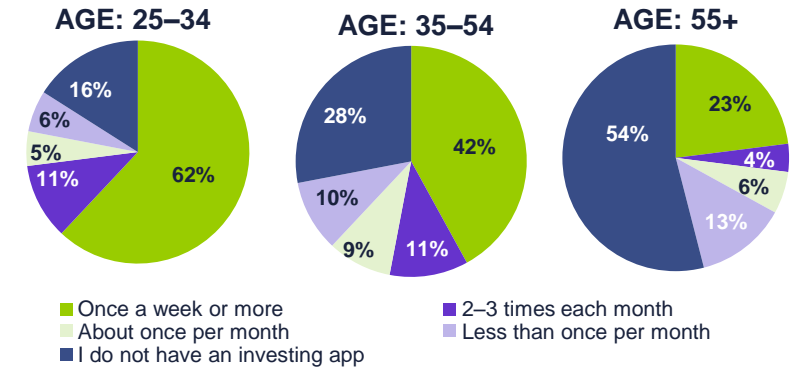
Top investing priority for wearables varies by age

Which of the following would you be most likely to use a wearable device to do? (Select top two)



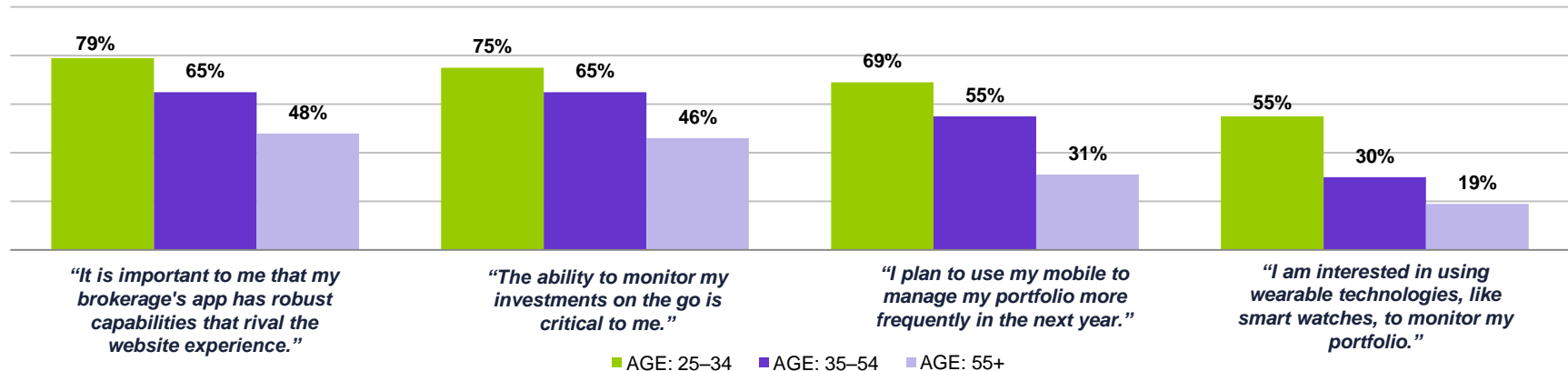
More than three out of five Millennials use investing and trading apps once a week or more

Approximately how often do you use an investing and trading app on your smartphone?



A robust mobile experience is most important for Millennial investors

To what extent do you agree or disagree with the following statements... (% = Strongly/Somewhat agree)



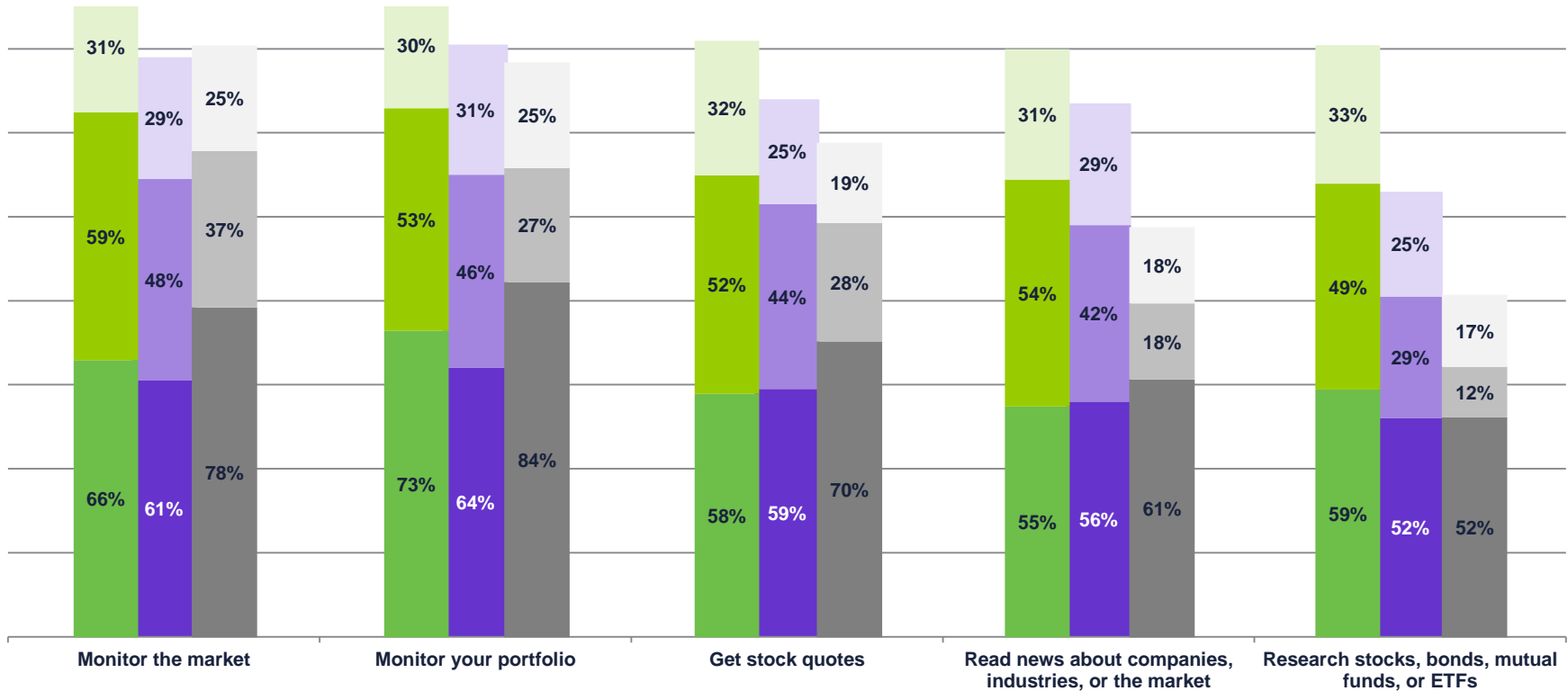
"Millennials" defined as age 25-34, "Gen X" defined as age 35-54, "Baby Boomers" defined as age 55+.



Platform usage: Top five activities

For Millennials and Gen X, smartphone usage rivals desktop usage across several core activities

How often do you use your computer/smartphone/tablet to...(%=Very/Somewhat frequently)



	Millennials	Gen X	Boomers
Tablet			
Mobile			
Desktop			

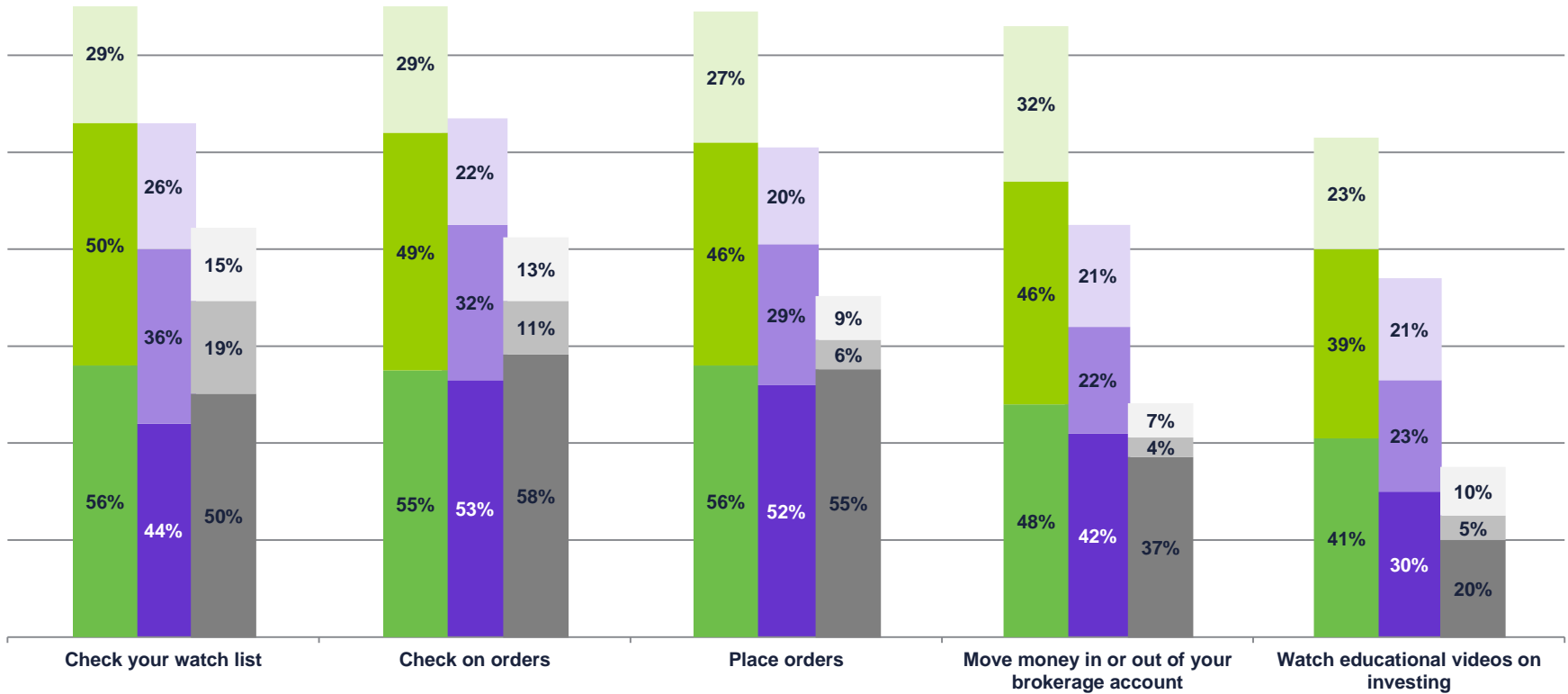
"Millennials" defined as age 25–34, "Gen X" defined as age 35–54, "Baby Boomers" defined as age 55+.



Platform usage: Bottom five activities

Millennials are nearly as likely to use smartphones for activities traditionally reserved for desktops or tablets

How often do you use your computer/smartphone/tablet to... (%=Very/Somewhat frequently)



	Millennials	Gen X	Boomers
Tablet			
Mobile			
Desktop			

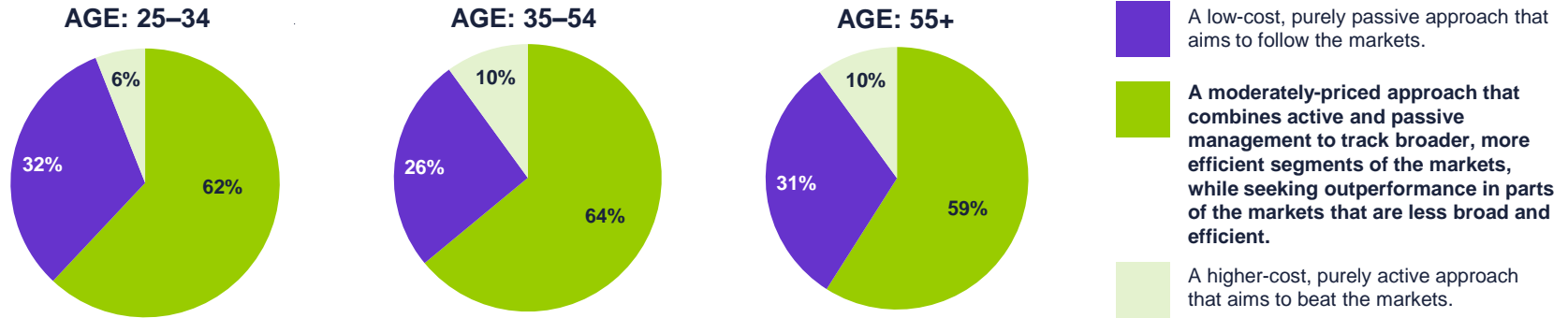
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Active vs. passive investing

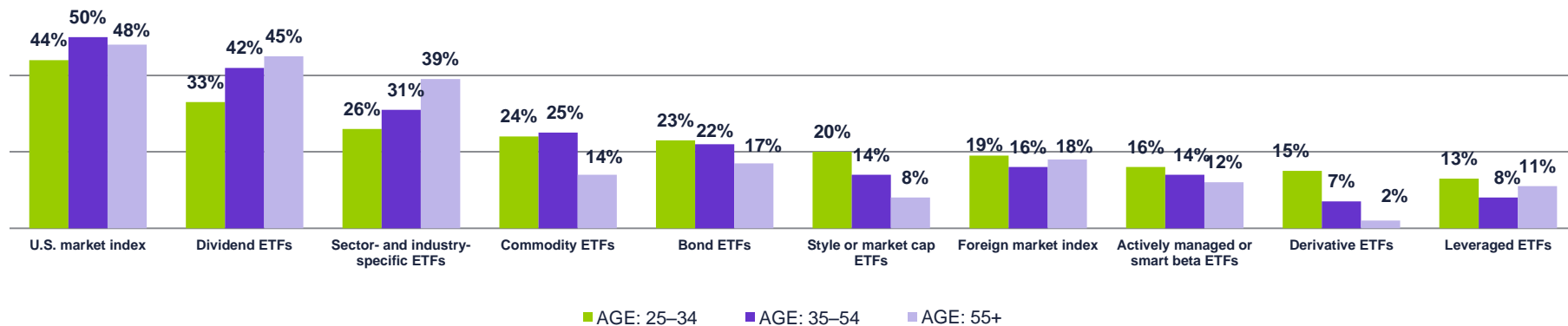
Active vs. passive is not either/or: The majority believe both play a role

If you had to choose, which of the following approaches would you be most interested in for your portfolio?



Investors of all ages are most interested in U.S. market index, dividend, and sector- and industry- specific ETFs

In what types of ETFs are you most interested? Please choose your top three. (Top 10 shown)



"Millennials" defined as age 25-34, "Gen X" defined as age 35-54, "Baby Boomers" defined as age 55+.

Views on retirement

HOW EXPERIENCED INVESTORS THINK ABOUT RETIREMENT INVESTING

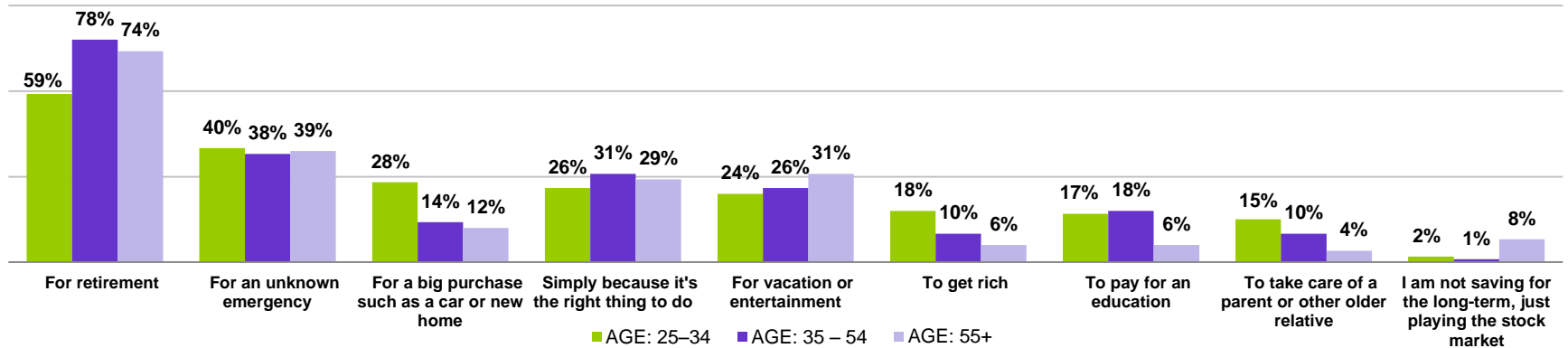




Retirement investing among Millennials, Gen X, and Baby Boomers

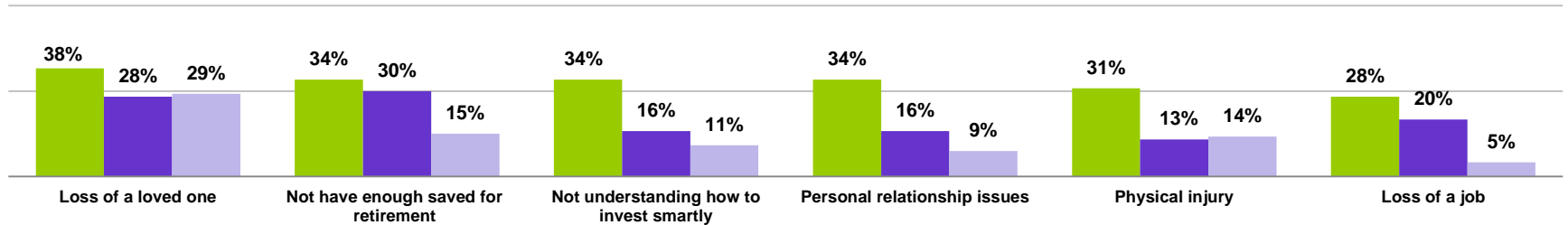
Retirement is the highest single priority for long-term saving, although less so for Millennials

What are the main reasons you are saving for the long term? (% = Selected as a top three choice.)



Worry about retirement and the loss of a loved one weigh the most on Gen X

How often do you worry about each of the following? (% = Always/Frequently)



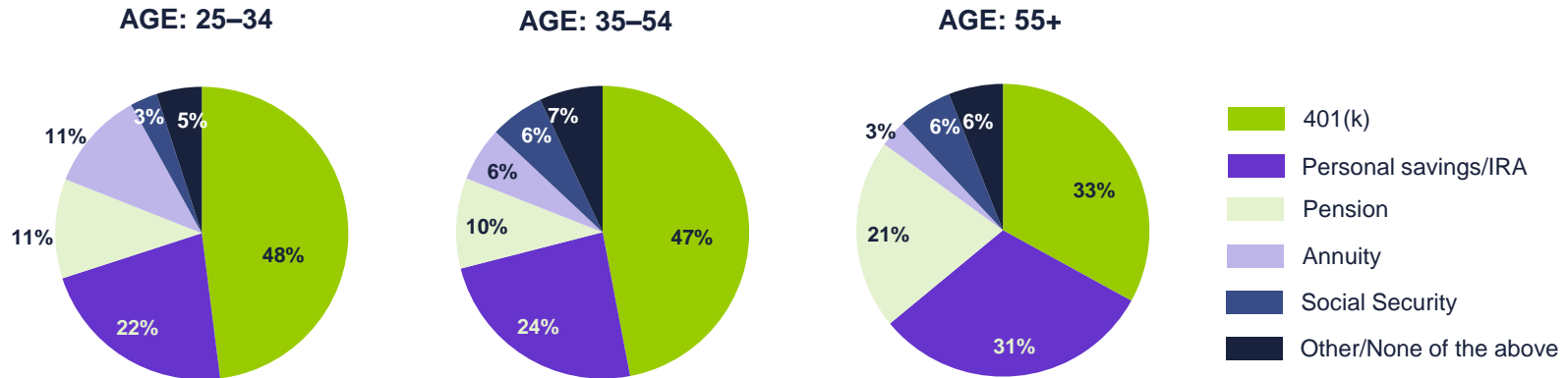
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Retirement investing among Millennials, Gen X, and Baby Boomers

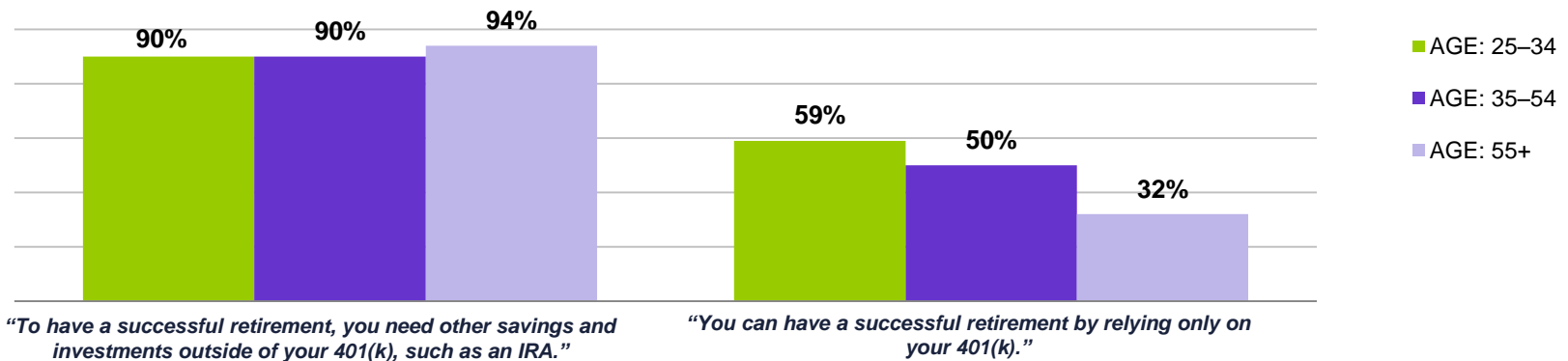
Gen X and Millennials are more reliant on their 401(k) for retirement

How important are each of the following in meeting your retirement goal? (% = selected as most important)



While Millennials value a diversified approach, they are more likely than other age groups to believe you can successfully retire with just a 401k

Do you agree or disagree with the following statements? (% = Strongly/Somewhat agree)

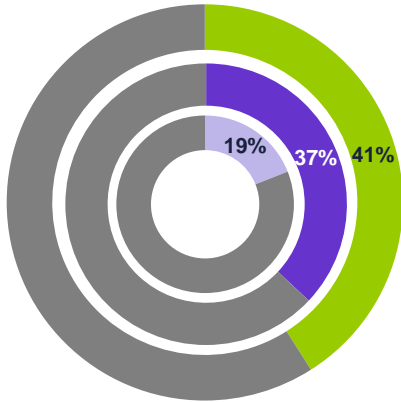


"Millennials" defined as age 25-34, "Gen X" defined as age 35-54, "Baby Boomers" defined as age 55+.



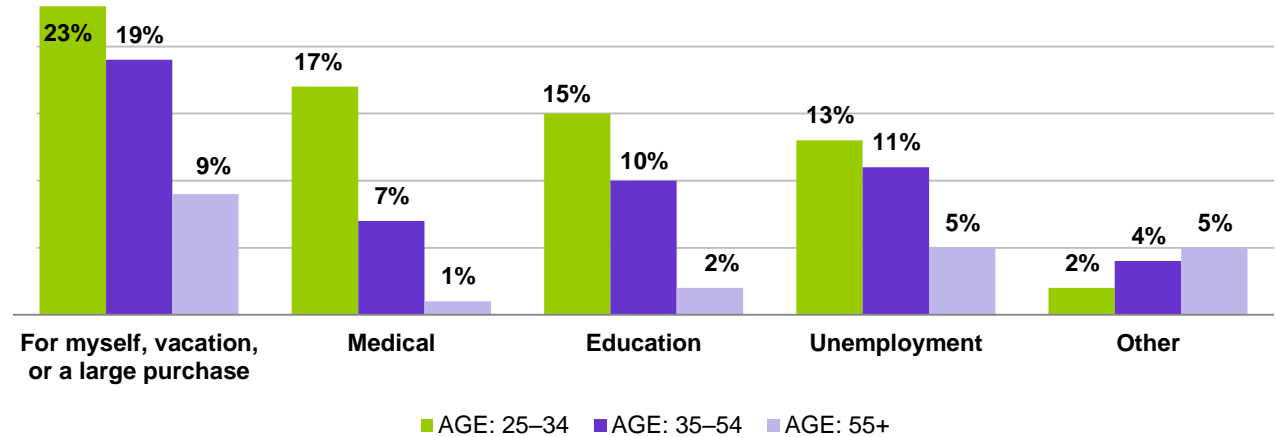
Retirement investing among Millennials, Gen X, and Baby Boomers

Despite their reliance on retirement accounts, slightly more than two in five Millennials have already taken out money from an IRA or 401(k)



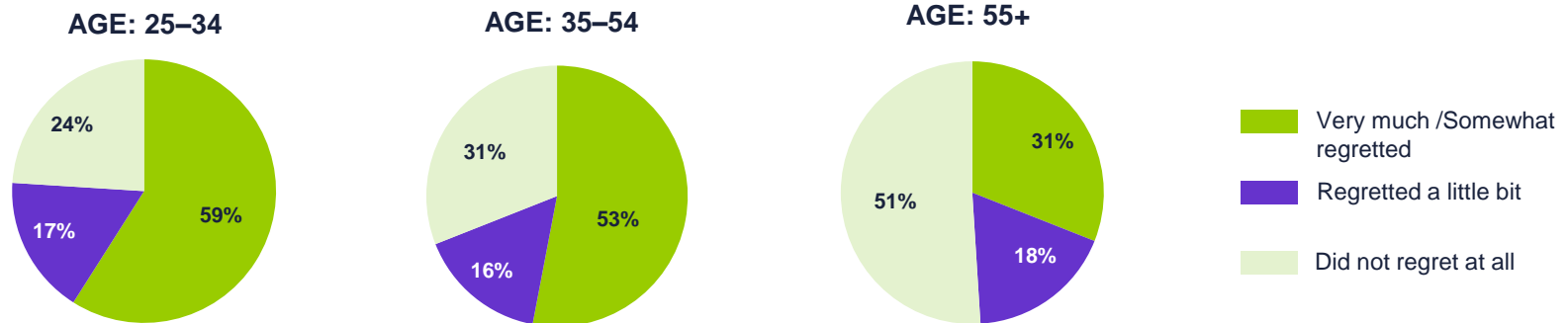
Percentage who have taken out money from an IRA or 401(k) before the age of 59½.

For what did you make the early withdrawal(s)? (Select all that apply)



Majority of Millennial and Gen X investors later regret the decision to take early withdrawals

Did you regret the early withdrawal?



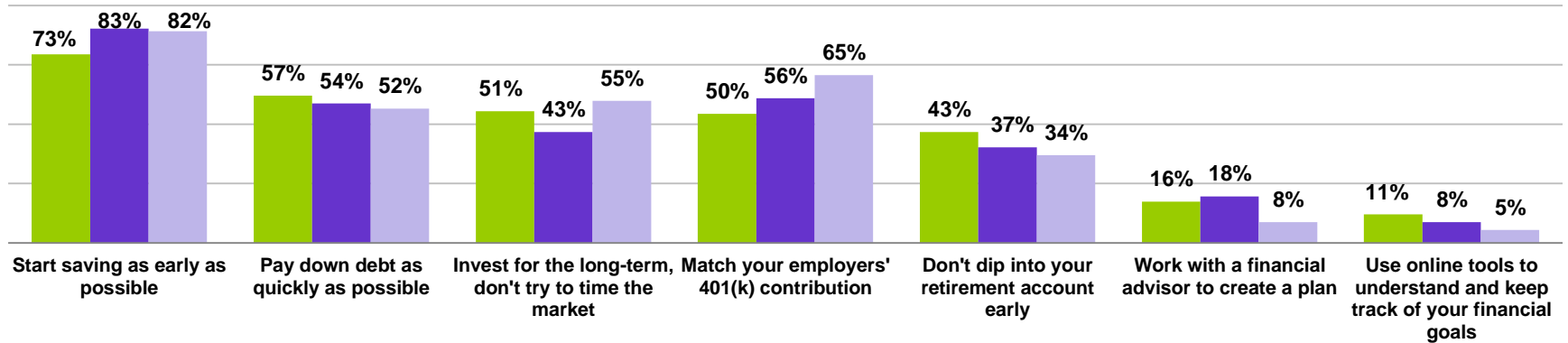
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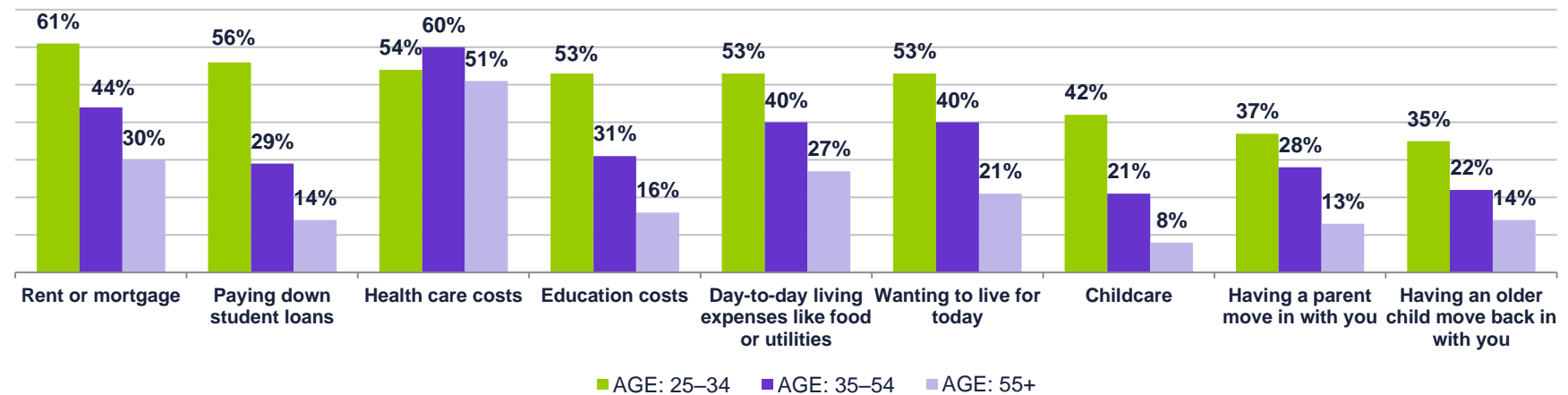
Boomers recommend starting early, get the match, and don't time the market

If you could offer a younger investor advice, what would it be? (Select top three.)



Health care is a retirement saving roadblock for all ages, while millennials are also more likely to be bogged down by a broad range of expenses

When it comes to saving what you want for retirement, how much of a barrier is each of the following? (% = Significant/Somewhat of a barrier)



"Millennials" defined as age 25-34, "Gen X" defined as age 35-54, "Baby Boomers" defined as age 55+.

Please read the important disclosures below

This presentation presents data from July 1–July 10, 2017.

The data from this and past quarters reflects the opinions of this population only from the time of fielding, which is typically the first two weeks of each quarter. It does not represent opinions of the full quarter.

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Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Dow Jones Industrial Average: Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value—one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities.

S&P 500® Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the US stock market.

All components of the S&P 500 are assigned to at least one of eleven S&P Select Sector Indexes, which track major economic segments and are highly liquid benchmarks. Stock classifications are based on the Global Industry Classification Standard. The Select Sector Indexes are: Consumer Discretionary Select Sector; Consumer Staples Select Sector; Energy Select Sector; Financials Select Sector; Health Care Select Sector; Industrials Select Sector; Technology Select Sector; Materials Select Sector; Telecommunication Services; and Utilities Select Sector.

VIX® is the ticker symbol for Chicago Board Options Exchange (CBOE) Volatility Index®. The index, also called the fear index, is calculated by CBOE and generally measures expected volatility of the U.S. market in the next 30 days. The higher the number, the more bearish the market is in general. The VIX is used to calculate the put/call ratio.

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