Hindsight is 20/20 Personal Finance Report

Letter from Aron Levine

For our inaugural *Bank of America Preferred Insights: Hindsight is 20/20 Personal Finance Report,* we asked affluent Americans to reflect on their financial decisions over the past two decades and share their thoughts and feelings about how their past financial decisions could help inform their financial future. The study revealed that many feel confident about how they have managed their finances over the years. In fact, many Americans have reached or expect to reach financial milestones earlier than their parents, despite challenges imposed by the pandemic. However, given the events of the past year, many are still anxious about factors outside their control that may impact their financial situation in years to come.

This uncertainty about the future and ongoing concerns about the pandemic may be why many Americans are re-evaluating their financial lives and re-committing to saving. Our report found that over the past year, many Americans took the time to get their finances in order, scaled back their discretionary spending and reallocated those funds toward savings accounts and emergency funds.

In light of the shifting economy and their renewed focus on financial goals, Americans are turning to professional guidance, digital tools and resources to help manage their banking and investing needs. Many are taking a self-directed approach to investing, while others seek expert advice through a combination of in-person help and digital tools. In addition, the report found many investors are now considering sustainable and impact investing — a trend that is particularly prevalent among younger generations.

At Bank of America, we are committed to helping our clients navigate their unique financial needs in support of their life priorities and become more informed and confident investors. Through a full range of banking, lending and investing capabilities, personalized experiences and educational resources, we provide advice and guidance that evolve as our clients' needs change throughout their lifetime.

While hindsight is 20/20, the lessons learned from the past can help us plot a course for our future. As we look at the possibilities ahead, and set new and exciting goals for ourselves and our families, we can make more informed decisions that will empower us to pursue our best financial lives.

Aron Levine

President, Preferred and Consumer Banking & Investments

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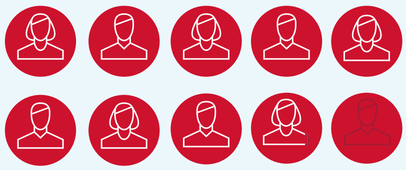
Generational Breakdowns

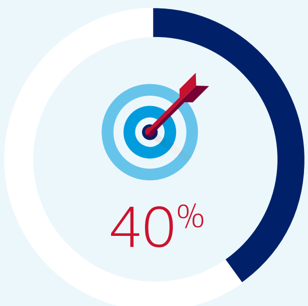
Gen Z:	Millennials:	Gen X:	Baby boomers:	Seniors:
born 1996—2001	born 1978—1995	born 1965—1977	born 1946—1964	born before 1946

Hindsight is 20/20

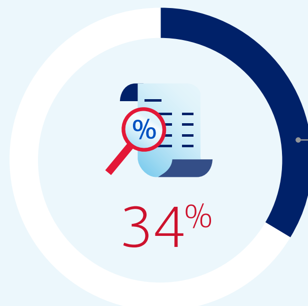
Affluent Americans feel good about the financial decisions they have made in the past, though they are anxious about future factors outside of their control.



Looking back over the past two decades, nearly nine out of 10 (89%) affluent Gen Xers, baby boomers and seniors are satisfied with their financial decision making up to this point and how it may impact their goals over the coming decades.



Would go as far as saying they are *very* satisfied with their choices over the last 20 years



Would have done things differently

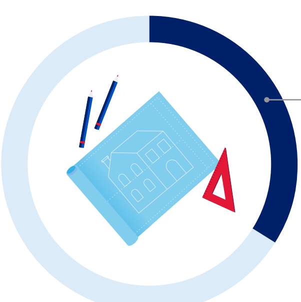
They wish they had...

- 66% saved more
- 61% invested earlier
- 59% saved earlier

When asked about the most prominent threats to their financial success, affluent Americans indicated the following factors are most worrisome:

- 62% Economic recession
- 55% Stock market volatility
- 50% The rising cost of healthcare
- 44% Global health emergency/pandemic

In careers, sometimes a paycheck is not the most important thing.



34% prioritize a job they enjoy over a higher paycheck

39% prioritize work life balance over a higher paycheck

Millennials are among those most likely to have taken jobs they enjoyed (49%) or jobs with better work life balance (50%) **even when it meant a smaller paycheck.**

Over the last 20 years, money has increasingly made its way into conversation.

Affluent Gen Xers, baby boomers and seniors have long been comfortable talking to friends about real estate decision making, healthcare costs and saving for retirement. Over the last two decades, they have also become more comfortable talking to friends about:

How market volatility impacts personal investments

Changing life plans due to financial concerns

Amount of personal debt

How much they pay in taxes

	How market volatility impacts personal investments	Changing life plans due to financial concerns	Amount of personal debt	How much they pay in taxes
Now	71%	72%	62%	61%
20 yrs ago	63%	66%	57%	56%

Now 20 yrs ago

Compared to other generations, millennials are most likely to be comfortable discussing their personal finances with their close friends, including:

	Millennials	All national respondents
Changing life plans due to financial concerns	85%	75%
Real estate decision making	84%	80%
Healthcare costs	84%	79%
Possible risks to employment	80%	74%
Bills and expenses	80%	69%
Salary	77%	59%

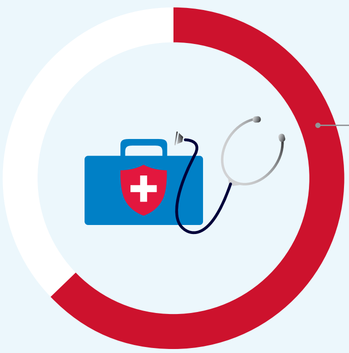
Measuring Success

Most affluent Americans are prioritizing traditional milestones including the value of home ownership and, despite challenges imposed by the pandemic, many think they are on track to hit milestones earlier than their parents.

Most have achieved or would like to achieve:

Owning a car	98%
Owning a home	97%
Saving their goal amount for retirement	95%
Paying off credit card debt	94%

At the same time, affluent Americans are prioritizing these measures of success over all others:



63% Good health

59% Loving and supportive family and friends

Younger generations are showing an entrepreneurial spirit. Many hope to start or have already started their own business.

Gen Z	85%
Millennials	67%
All national respondents	37%

84% of respondents plan to **achieve or have already achieved** one or more financial milestones earlier than their parents.

Of this group, **53%** would go so far as saying they already achieved or plan to achieve five or more financial milestones before their parents.

Affluent Americans have reached or expect to reach the following financial milestones at a younger age than their parents:

Opening an investing account	54%
Starting to save for retirement	53%
Saving their goal amount for retirement	48%

The Pandemic's Impact on Spending & Investing Behaviors

The pandemic has caused many affluent Americans to re-evaluate the way they save, spend and invest.

46% of survey respondents are using this time to get their finances in order

35% say they are optimizing or actively managing their finances more often

Four out of five respondents (81%) have taken money they normally spend on entertainment, travel and dining and set it aside – namely toward:

- **52%** Savings accounts
- **25%** Emergency funds

Many investors have maintained their investment approach through the pandemic, seeking guidance from a variety of resources.

Nearly half (48%) of affluent Americans say they have made no changes to their investment risk tolerance, as a result of the pandemic. During this period, respondents turned to the following to learn about the market and manage their investments:

- **45%** Financial advisors
- **37%** Online investment management platforms
- **32%** Informational websites and/or blogs
- **30%** Friends or family

Among the 44% of investors who have made changes to their risk tolerance, they are split in their response to market volatility — with **23% indicating they have been more aggressive** and **21% more cautious.**

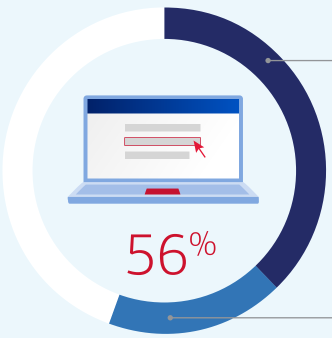
When life returns to "normal" after the pandemic, affluent Americans plan to spend more on:

- **30%** Grocery delivery
- **27%** Food prep/meal-kits
- **26%** Restaurant delivery
- **25%** House cleaning
- **22%** Laundry services

The Modern Investor

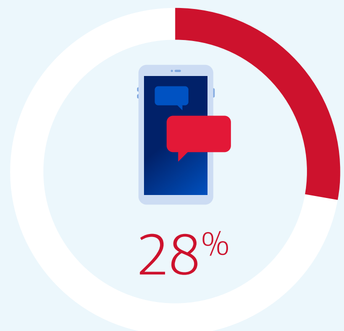
At the start of this new decade, more than half (56%) of respondents are taking a self-directed approach to investing.

Affluent Americans are using a combination of high tech and high touch tools to manage their investments:



40%
Conduct their own research and fully manage their investments using online platforms

16%
Use a combination of self-directed investing and consult a financial advisor for guidance



Consult only a financial advisor for investment advice

EDUCATION & PERSONALIZATION DRIVING ENGAGEMENT

Since March 2020, Merrill Edge Self-Directed clients have **engaged 25x more** with educational resources and research from the Chief Investment Office compared to all of 2019.

Bank of America's latest digital experience, **Life Plan**, helps clients set and track near- and long-term goals based on their life priorities, and better understand and act on steps toward achieving them. Since launching nationally in October 2020, **more than 3 million Life Plans have been created**, making it one of the most rapidly-adopted offerings in company history.

Source: Bank of America and Merrill internal data

Reputation and word of mouth go a long way when choosing investment services.

Priorities when choosing a financial advisor or online brokerage:

63% Credible reputation

53% Brokerage fees

42% Personal recommendation

41% Accessibility

Priorities when choosing investments:

Cost to invest 50%

Volatility if the market moves 48%

One out of five prioritize socially responsible investing. Among those respondents, top considerations include:

50% Environmental impact/ conservation

43% Personal interest/use of the company's products

41% Equity for racial minorities

Two out of five affluent Americans would be more likely to consider investing in a company that provides pay equity for all employees and supports charitable efforts that align with their own.

40% of affluent Americans check their portfolio quarterly, annually or less frequently.

Millennials are more likely to actively manage their investments several times a day

23% Millennials

10% All national respondents

Methodology

Concentrix (an independent market research company) conducted a panel-sample online survey on behalf of Bank of America/Merrill from Oct. 28 – Nov. 5, 2020. The survey consisted of 2,000 affluent respondents throughout the U.S. Respondents in the study were defined as aged 18 to 24 (Gen Z) with investable assets between $50,000 and $1,000,000 or aged 25-plus with investable assets between $100,000 and $1,000,000. For this purpose, investable assets consist of the value of all cash, savings, mutual funds, CDs, IRAs, stocks, bonds and all other types of investments such as a 401(k), 403(B), and Roth IRA, but excluding primary home and other real estate investments. Concentrix also conducted an oversampling of 300 affluent respondents in each of the following six regions: Atlanta, Chicago, Houston, North Carolina's Triangle, Phoenix and Seattle. Regional oversampling took place from Nov. 9 – Nov. 30, 2020. The margin of error is +/- 2.2 percent for the national sample and about +/- 5.6 percent for each of the oversample markets, reported at a 95 percent confidence level.

Investing involves risk. There is always the potential of losing money when you invest in securities.

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