



# The Schwab Self-Directed Brokerage Account Indicators™

An industry-leading benchmark on retirement plan participant investment activity within self-directed brokerage accounts.

All Participants  
Quarter Ending 9/30/2019

# **The Schwab Self-Directed Brokerage Account Indicators**<sup>TM</sup>

## **Key Schwab Observations for the Third Quarter 2019:**

### **Asset Balance Summary**

As we head into the final months of 2019, U.S. equities have performed positively, with the S&P 500 index up about 20% year to date. However, most of that gain occurred early in the year, as stocks rebounded from a sharp drop in late 2018. Stock market action has been choppy since then.

A few key points will be important to monitor, such as U.S. stocks, which are up so far this year, but the global economy remains vulnerable and recession fears have increased. The outcome of U.S. and China trade negotiations will likely have a strong impact on economic and market direction. Discipline around diversification and rebalancing remains important for investors.

The average account balance for all participants in the Schwab Personal Choice Retirement Account® (PCRA) was up less than 1% to \$276,929 from \$275,362 a year ago and almost identical \$276,547 from last quarter. Trading volumes were even with last quarter at an average of 6.7 trades per account. Participants made the most trades in their equities holdings, followed by mutual funds and ETFs.

On average, participants held 10 positions in their PCRA, very similar to last year and the same as last quarter. SDBA participants aged 55 and over (part of the Baby Boomer generation) were 38.6% out of all participants, while the Gen X (age 39-54) participants were slightly higher at 41.8% and Millennials (age 27-38) at 12.9 %.

### **Investing Behavior and General Investing Characteristics**

#### **Asset Allocation**

There was a major change in the Global Industry Classification Standard (GICS) structure in 2018. The Telecommunication Services Sector was renamed to Communication Services and expanded to include companies from Consumer Discretionary and Information Technology sectors. The new sector includes companies from media, advertising, broadcasting, cable & satellite, movie & entertainment, publishing, internet software & services, interactive home entertainment, and interactive media & services. The new Communication Services sector represents roughly 10% of the S&P 500® Index market cap.

Mutual Funds held the majority of participant assets and were largely unchanged from last year at 37.58%. That included a 19.37% allocation for OneSource Mutual Funds and a 18.21% allocation for transaction fee and other Mutual Funds. Equities were the second largest holding at 28.15%, with ETFs coming in at 17.83%, Cash & Equivalents at 13.19% and Fixed Income at 3.23%. Overall, participant holdings remained very similar to last quarter, due to the uncertainty in the market for Q3 2019.

#### **Mutual Funds**

Large Cap Stock Funds had the largest allocation at 29.85%, very similar to last year. They were followed by Taxable Bond Funds at 20.80% and International funds at 15.45%. Overall, the market value allocation was very similar to last year.

#### **Equities**

The largest equity sector holding was Information Technology at 25.56%, which was very close to last quarter. Apple stock, which is part of the Information Technology sector and the largest individual stock holding in PCRA at 9.48%, experienced a slight holdings increase from the second quarter. Other equity holdings remained similar to last quarter and to a year ago. Consumer Discretionary was at 14.36% and Financials was third at 11.17%, followed by the new Communication Services sector at 10.17% and Health Care at 10.15%.

#### **Exchange-Traded Funds(ETFs)**

U.S. Equity ETFs, comprised of Large Caps, the most popular segment, Mid Caps and Small Caps, continued to be the top ETF holding in participant accounts and was very similar to last year and last quarter at 49%, followed by International Equity ETFs at 13.67%, U.S. Fixed Income at 13.84% and Sector ETFs at 11.03%.

#### **Asset Flows**

The largest asset net flow class was again Fixed Income, followed by ETFs, Mutual Funds (OneSource) and Equities.

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## **Key Schwab Observations for the Second Quarter 2019 (continued):**

### **Investing Behavior Across Generations: Millennials, Gen X and Baby Boomers**

As expected, the older generation ended the quarter with the largest balance \$394,064, which was up from \$391,526 last quarter. They were followed by Gen X at \$213,018 and finally Millennials at \$68,756.

All three generations had very similar equity holdings, with Apple, Amazon, Berkshire Hathaway, Microsoft, Facebook and Alphabet Inc., coming in at the top.

As for the top ETF holdings, they were very similar across generations: Schwab US Broad Market ETF, SPDR, S&P 500 ETF, Vanguard and Schwab International Equity were at the top for all.

All continued to hold Schwab S&P 500 Index as their top Mutual Fund holding, followed by Schwab Total Stock Market Index.

Millennials and Gen X again had the same percentage of mobile trades at 22%, and Baby Boomers came in slightly higher than last quarter at 16%. Millennials once again had the highest percentage in cash out of the three generations at 16.40%, which was higher than last quarter's 15.66%. The cash holdings for Gen X and Baby Boomers also increased to 13.95% and 12.31% from 13.08% and 11.86% respectively.

### **Investing Behavior: Roth vs non-Roth Accounts**

The Roth PCRA account holder balance was much lower than the non-Roth PCRA: \$67,370 vs \$281,179. Gen X once again had the most Roth Accounts as a percentage of accounts in their respective generations, and they were very similar to Baby Boomers in non-Roth accounts. Those with Roth accounts also had lower trade volumes: 4.4 vs. 6.7.

While non-Roth account holders' equity holdings were the standard holdings across all accounts such as Apple, Amazon and Berkshire Hathaway, the Roth PCRA accounts continued to hold Glenview Offshore equity at the top followed by Apple and Amazon.

### **Investing Behavior: Advised vs. non-Advised Accounts**

Gen X had the the most PCRA advised accounts at 44.2%, and Baby Boomers was not far behind at 42.5%, while only 9.9% of the Millennials chose to use an advisor. The average participant balance for advised accounts was up to \$449,972 from \$448,515 last quarter, while non-advised accounts were at \$234,087, almost half of advised accounts. Those with advised accounts also had more average trades-10 total vs. 5.8 for non-advised accounts. Overall, the trading volume remained very similar to last quarter and to last year.

Those participants who used advisors, displayed a more diversified asset allocation mix and had a lower concentration of assets in particular securities, with Apple being the top one for everyone; advised participants only had 6.26% of their equity assets with Apple, while non-advised participants had 10.39%. Advised participants also had a lower percentage in cash: 3.93% vs. 17.60% for non-advised, showing a good balance among all the advised investments.

As for ETF holdings, advised participants again had more balance among all the holdings, not having more than 4% of any one ETF, with the Schwab US Large Cap ETF being the top one. Advisors preferred DFA as a top fund family and the DFA US Core Equity Institutional fund as a top holding, with a 19.28% mutual fund asset allocation. Non-advised participants had Schwab S&P 500 Index as the top mutual fund holding and 17.21% of the mutual fund asset allocation went to the Vanguard fund family, followed by Schwab.

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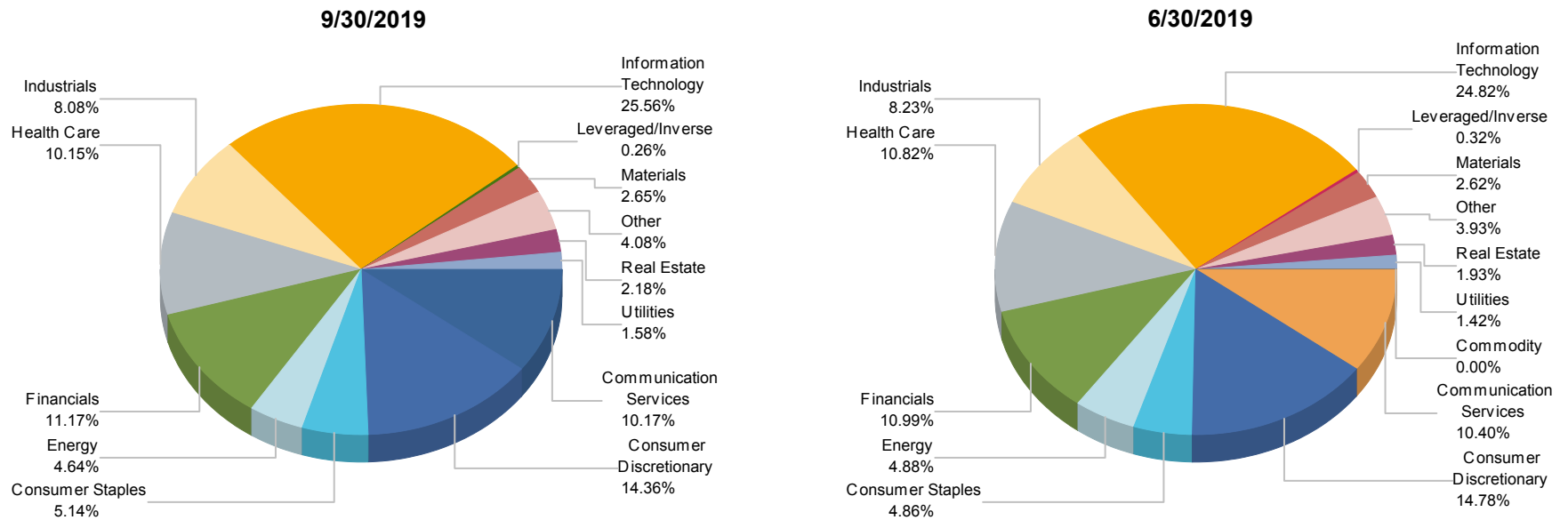






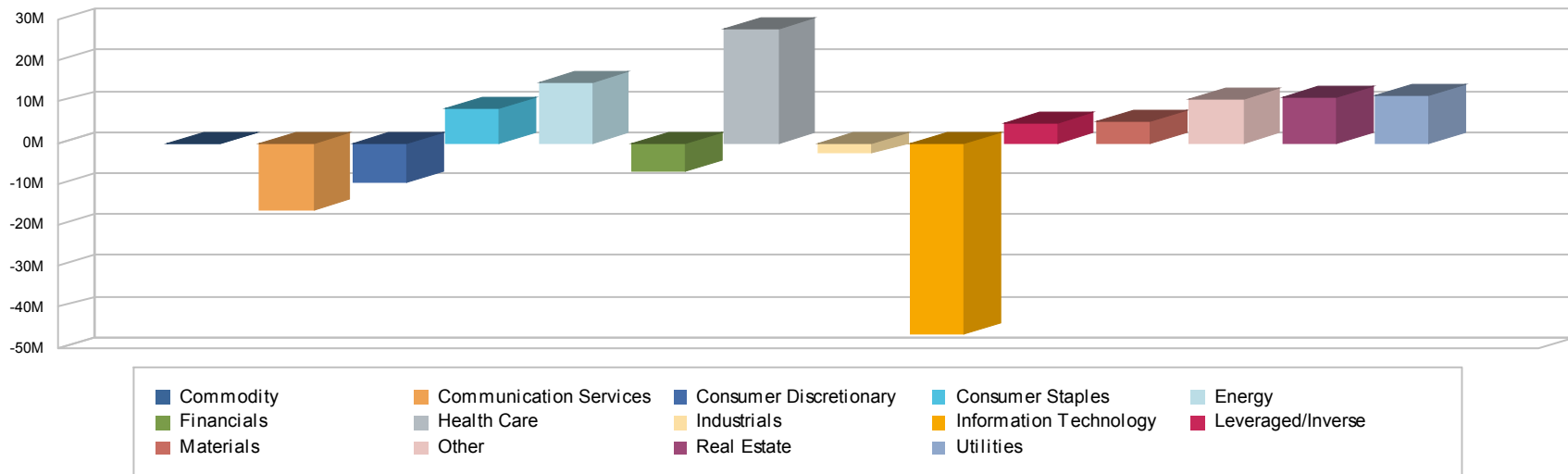
# The Schwab Self-Directed Brokerage Account Indicators™ All Participants, Quarter Ending 9/30/2019

## Market Value Allocation - Equities (Quarter over Quarter)



The above charts illustrate the percent of PCRA participant assets in each noted asset class as percentage of total PCRA assets. Percentages are calculated as of quarter-end. Money Market Funds are classified under Mutual Funds.

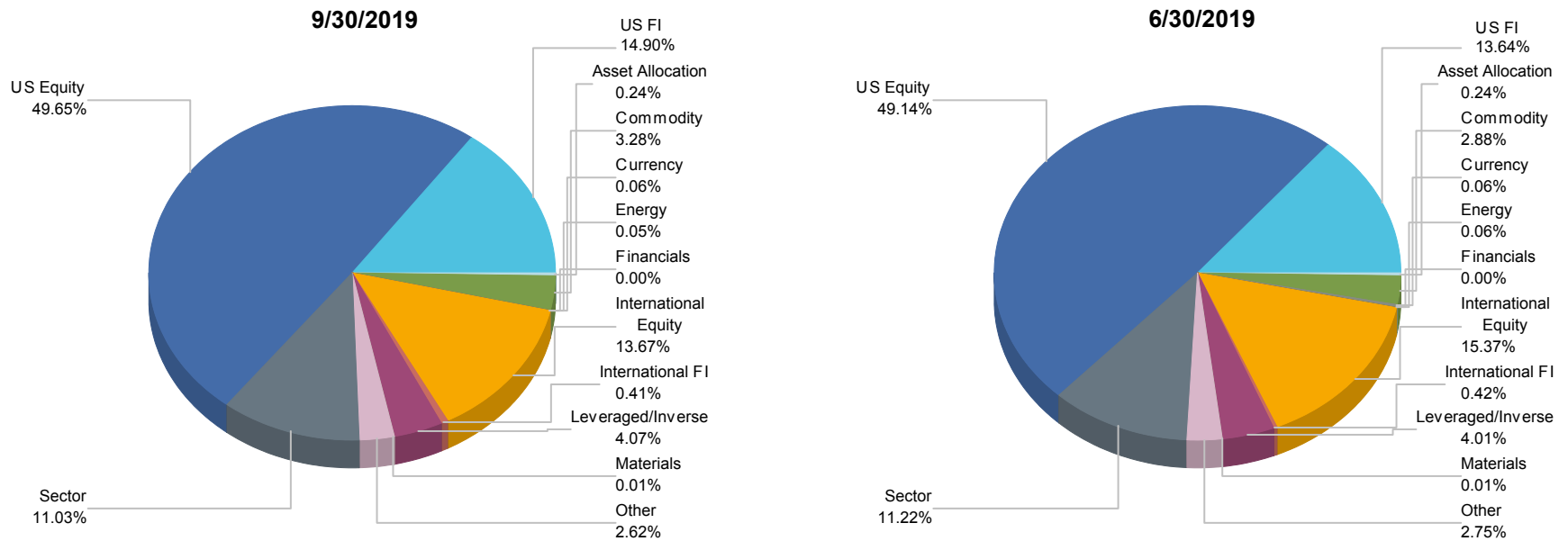
## Net Flow by Sector - Equities (3-Month Period Ending 9/30/2019)



Net Flow is the net of all cash inflows and outflows in and out of financial assets; the performance of an asset or fund is not taken into account, only share redemptions, or outflows, and share purchases, or inflows.

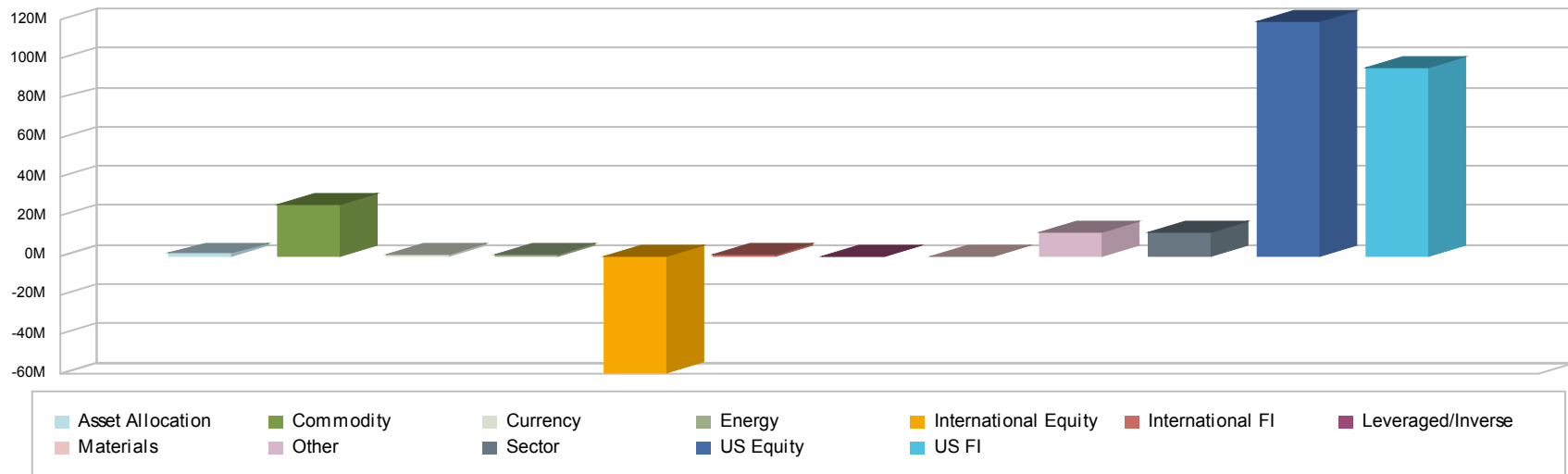
# The Schwab Self-Directed Brokerage Account Indicators™ All Participants, Quarter Ending 9/30/2019

## Market Value Allocation - ETF (Quarter over Quarter)



The above charts illustrate the percent of PCRA participant assets in each noted asset class as percentage of total PCRA assets. Percentages are calculated as of quarter-end. Money Market Funds are classified under Mutual Funds.

## Net Flow by Sector - ETF (3-Month Period Ending 9/30/2019)



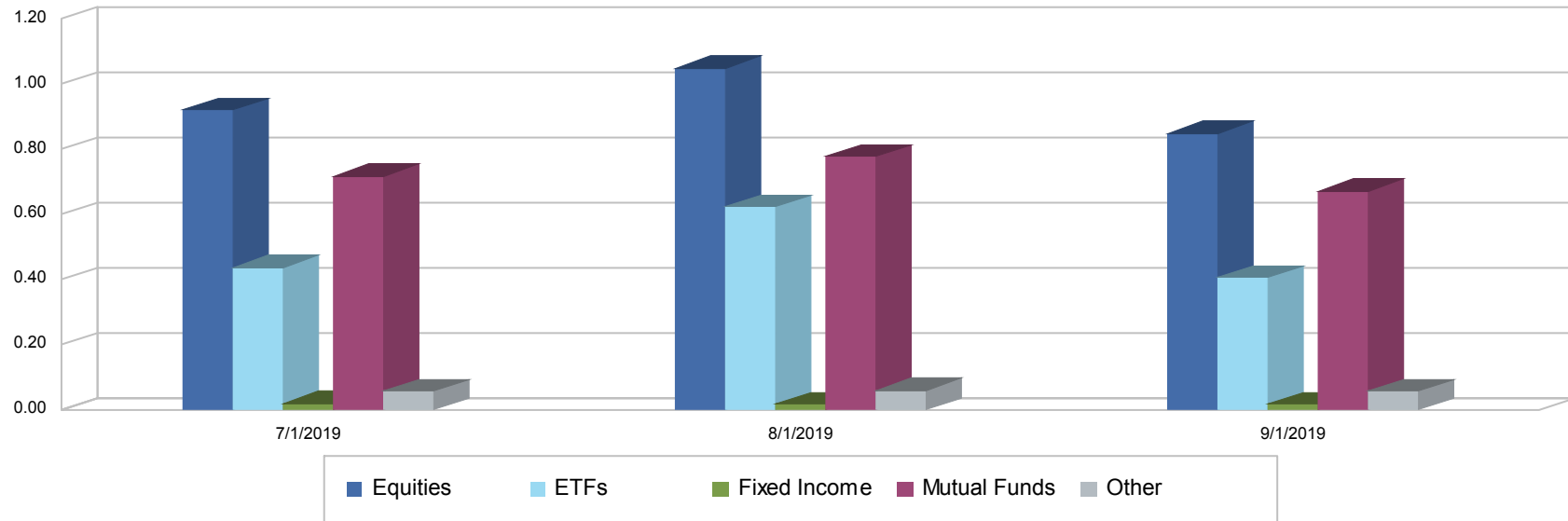
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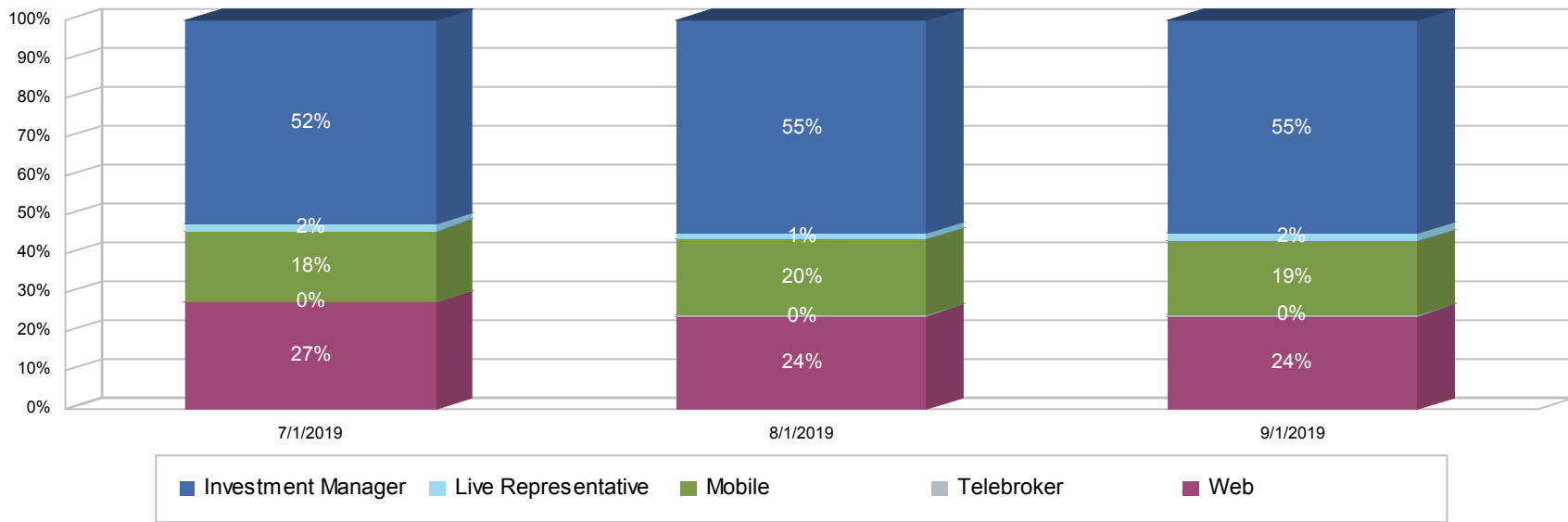
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## All Participants, Quarter Ending 9/30/2019

### Average Monthly Trades Per Account (3-Month Period Ending 9/30/2019)



### Trading Channel Mix (Month over Month)



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## All Participants, Quarter Ending 9/30/2019

### Important Disclosures

Diversification and rebalancing a portfolio cannot assure a profit or protect against a loss in any give market environment.

Schwab Personal Choice Retirement Account (PCRA) is offered through Charles Schwab & Co., Inc. (Member SIPC), the registered broker/dealer, which also provides other brokerage and custody services to its customers.

For participants who utilize the Personal Choice Retirement Account (PCRA), the following fees and conditions may apply: Schwab's short term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource® service (and certain other funds with no transaction fee) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds®, which may charge a separate redemption fee, and funds that accommodate short-term trading.

Trades in no-load mutual funds available through Mutual Funds OneSource service (including Schwab Funds) as well as certain other funds, are available without transaction fees when placed through schwab.com or our automated phone channels. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Funds are also subject to management fees and expenses.

Figures are based on all PCRA participants with a minimum balance of \$5,000 and a maximum balance of \$10,000,000 in their PCRA account. All data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

**Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses. You can request a prospectus by calling 800-435-4000. Please read the prospectus carefully before investing. Money Market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.**

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