GLOBAL INVESTOR PULSE

UNITED STATES

BlackRock®

ENGAGED INVESTORS READY FOR LONGER LIVES

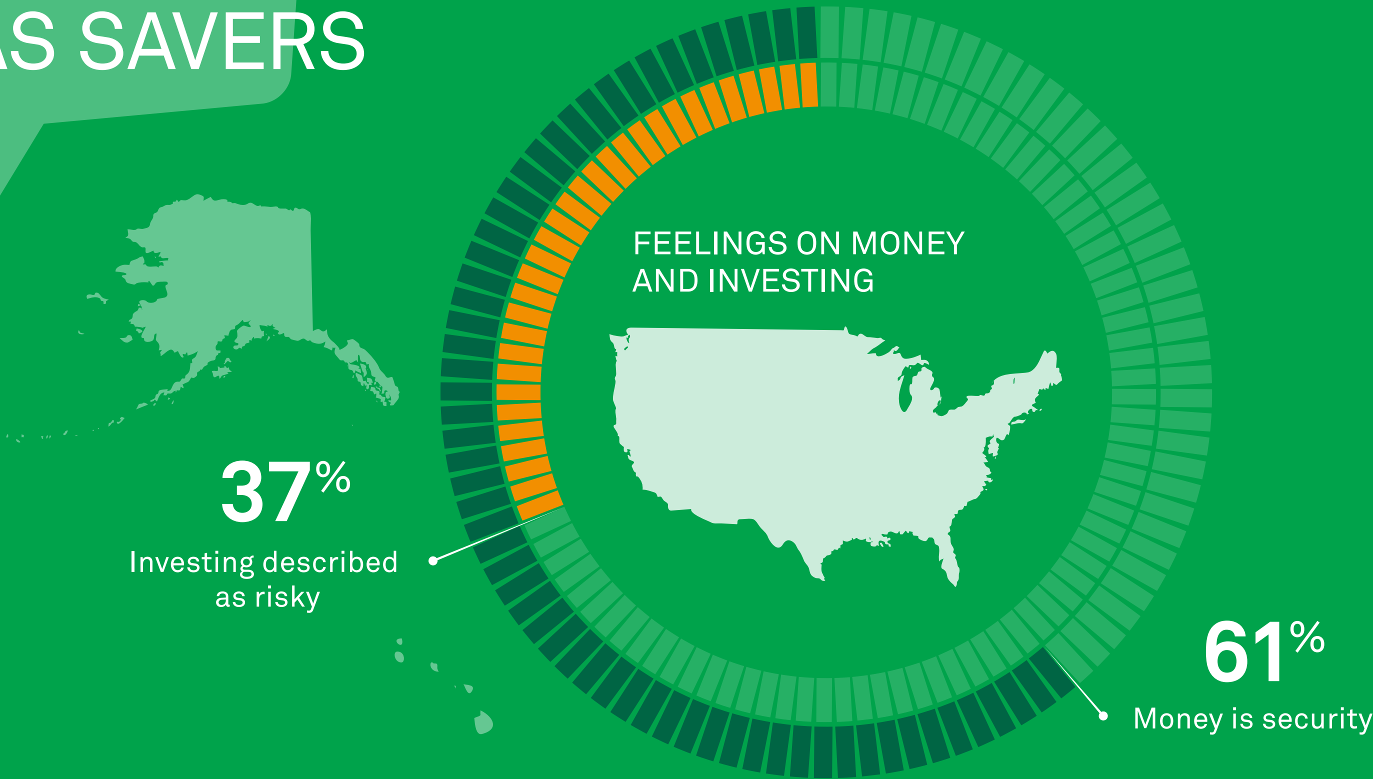
Three years into BlackRock's Global Investor Pulse Survey, we've begun to see some consistent themes. One of the most striking is the high level of cash Americans continue to hold.

Given today's low interest rate environment and the urgent goal of growing assets for retirement, we need to understand why Americans continue to cling to the security blanket of outsized cash holdings — and what can be done to improve confidence *and* greater engagement with investing, as confidence alone does not equal being an engaged investor.

7 STEPS TO BECOMING AN ENGAGED INVESTOR

- Take a moment to think about the similarities between saving and investing
- Ask for advice
- Calculate your retirement income
- Work smarter
- Make and stick to a plan
- Don’t be afraid to start small as long as you start early
- Involve your spouse

GROWING UP AS SAVERS

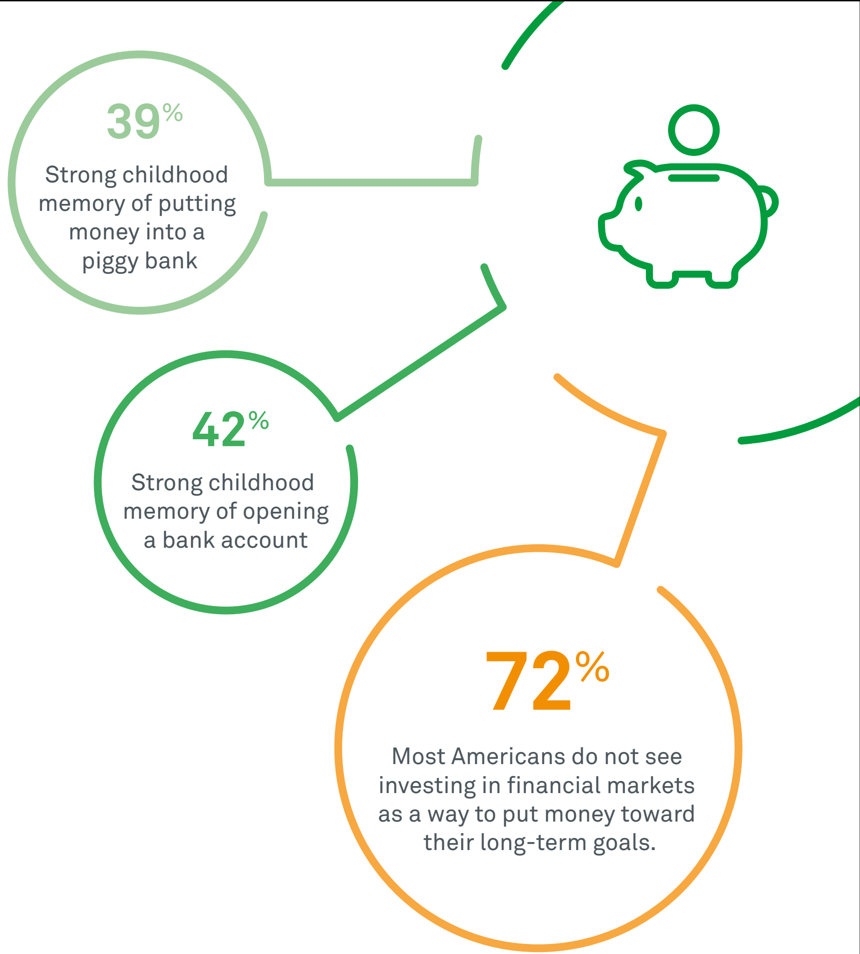


One of the most deep-seated drivers of our attachment to cash is **family influence** — an influence that goes back to our first memories of money.

Americans were raised to value **financial discipline, but not financial growth.** Our strongest childhood memories of money usually include savings-related activities, like opening up a bank account (42%) or putting money into a piggy bank (39%).

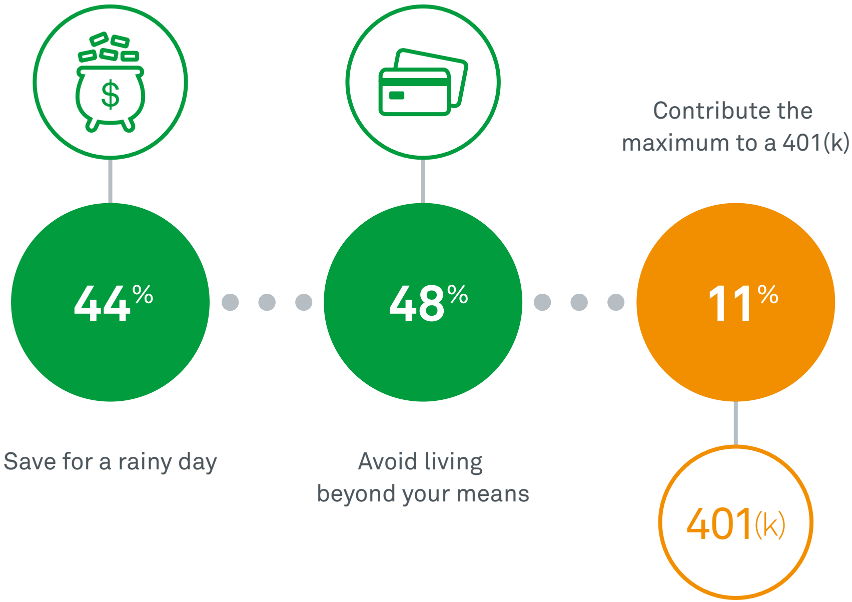
As adults, we hold onto this deeply positive connection to **saving** — an activity Americans chiefly describe as **"secure"** — as opposed to **investing,** which people mostly view as **risky.**

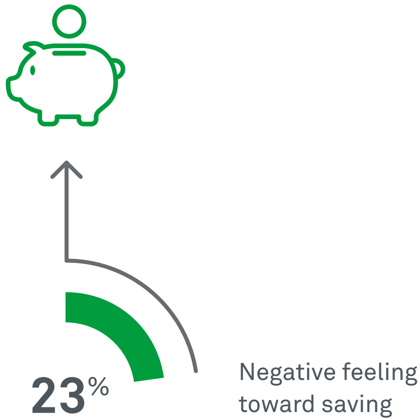
For many Americans, it seems as if investing represents breaking into that cherished piggy bank, rather than the opportunity to **achieve long-term goals such as retirement.**

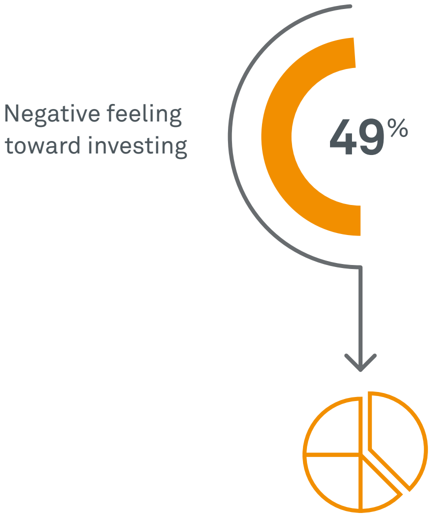


The top two "lessons" Americans are most likely to remember are their parents teaching them to **save for a rainy day** (44%) and to **avoid living beyond their means** (48%), compared to only 1 in 10 who learned to contribute the maximum to a 401(k).

There is no denying the importance of these values, but they emphasize **financial discipline rather than financial growth.**







Even among people with investments, most think a lot less highly of investing (49% negative) than they do of saving (only 23% negative).

RETIREMENT: HOPE IS NOT A STRATEGY

Working Americans have a very positive view of retirement:
84% expect to feel free to pursue their interests and hobbies,
77% expect to travel as they wish and 74% expect to feel financially secure.

DELAYED RETIREMENT AND CONTINUING TO FIND FULFILLING EMPLOYMENT DURING RETIREMENT YEARS IS NOT A REALISTIC FALLBACK STRATEGY

Working to desired retirement age, as well as in retirement, is more of a hope than a strategy.

52% In our survey, the majority say they want some type of paid work during retirement.

19% However, only 19% of people age 65–74 are doing any kind of paid work.

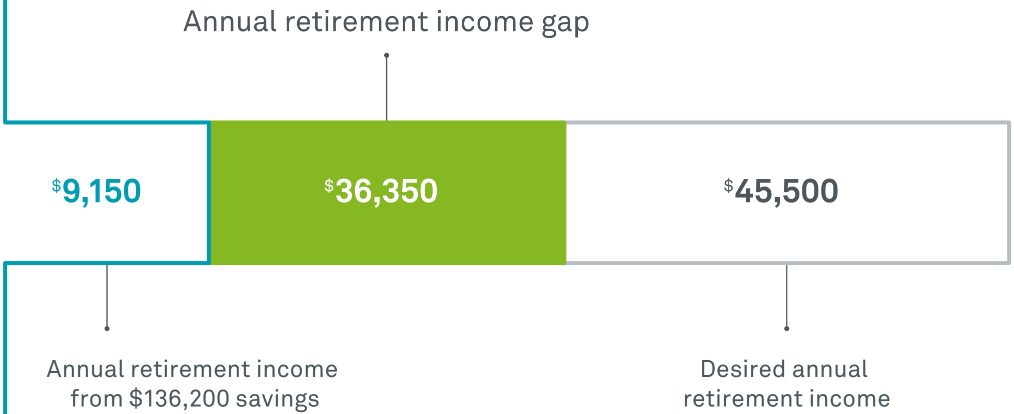
RETIREMENT INCOME GAP, DESPITE AMERICAN CONFIDENCE

Most Americans feel **on track** to achieve their retirement goals (51%), but that's not the whole story.

People nearing retirement have saved an average of $136,200. They say they need $45,500 annually to meet their retirement expectations. But their savings will yield them just $9,150 of annual income. This is also true of affluent pre-retirees. They've saved an average of $567,000 and need $59,600 per year. But their savings will only yield $37,800 annually. **That's a significant retirement income gap.**

Making matters worse, 57% of Americans think their money is diversified enough to help reach their goals, but 65% of their wealth is in cash. An **overreliance on cash** undermines Americans' ability to make the most of their money.

TRANSLATING SAVINGS INTO ANNUAL RETIREMENT INCOME: $136,200 AVERAGE TOTAL RETIREMENT SAVINGS



Sources: Retirement savings and desired income come from Global Investor Pulse survey (July/August 2015) in median dollars for Americans ages 55-64. Estimated annual retirement income is based on the CoRI 2015 Retirement Index for a pre-retired 55 year old. CoRI estimates are as of 9/21/15, and are subject to change over time. Retirement is assumed to begin at age 65. Expected income does not include other sources of income, such as Social Security.

MONEY MANAGEMENT GOES DIGITAL

61%
Shopping online for clothing

87%
Internet users doing some sort of financial activity online

42%
Researching financial products online

Use of technology for managing finances is becoming commonplace.

Over the past three months, 87% of Internet users said they are doing some sort of **financial activity online** — whether that is routine banking, reviewing statements or investing. That is even greater than the amount who shopped online for clothing during that same period (61%).

We also see **technology enabling research and education** about financial products (42%).

62%

of savers and investors use online sources when making long-term savings and investment decisions.

TECHNOLOGY **AND** PERSONALIZED ADVICE, **NOT EITHER/OR**

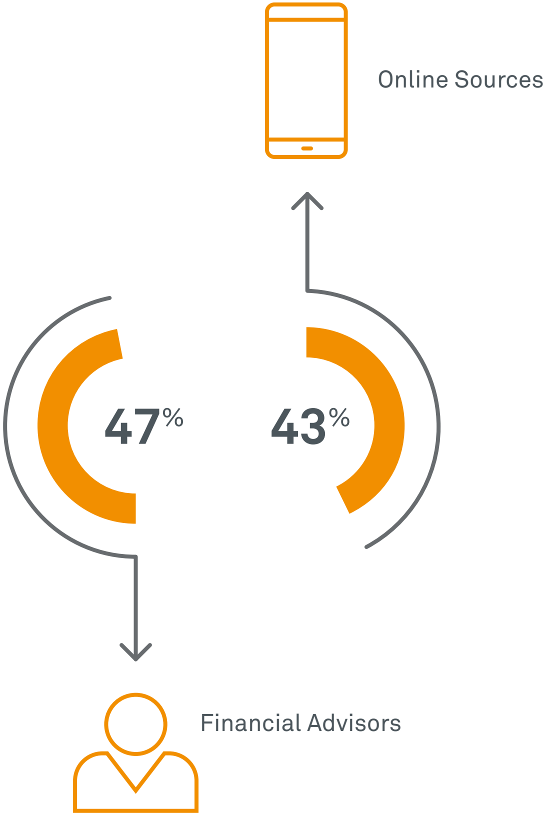
All generations, but particularly Millennials (58%), are interested in robo-advisor platforms (41% overall), but **digital advice is not seen as a replacement to face-to-face advice.**

Most people who are interested in robo-advisors say **they value professional advice** (72%). Among Millennials, interest in robo-advisors is mainly driven by convenience (39%), simplicity (35%) and applicability to the small investor (26%), as opposed to negative perceptions of advisors.

72%

of people who are interested in robo-advisors say they value professional advice.

Technology and digital advice don't replace financial advisors; rather they expand the advice ecosystem.

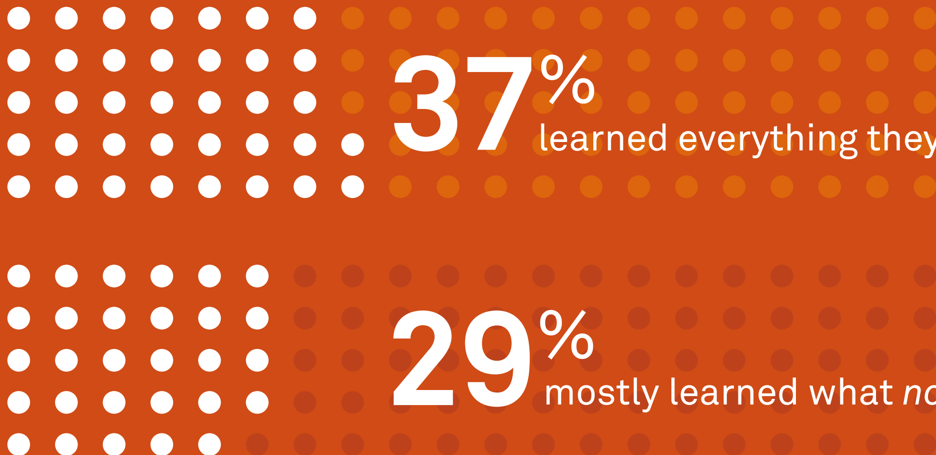


Among affluent Americans, the top source of information used to make long-term savings and investment decisions is a financial advisor (47%), but online sources are a close second (43%).

Today, affluent Americans can combine information they gather online with advice from financial advisors.

WHAT MILLENNIALS LEARNED FROM THEIR PARENTS

When it came to money and investing:



37% learned everything they needed to know

29% mostly learned what *not* to do

While investing is now accessible for most Americans, younger generations are still learning the same financial lessons.

Millennials are still overwhelmingly likely to learn **the same generic financial values about discipline,** like "don't live beyond your means" (42%), and are no more likely to learn about investing at home than their parents were. Only 5% of investors learned about different investment products from their parents — consistent across all generations.

Interestingly, while 37% of Millennials say they **learned everything they needed to know from their parents,** when it comes to money and investing, 29% of Millennials say they mostly learned what *not* to do. This could be a result of seeing their parents' experiences with investments, jobs and real estate during the market crisis of 2008.

MILLENNIALS SEE THE VALUE OF ADVICE

70% of Millennials (ages 25–34) value professional advice

CONVERTING SAVERS INTO INVESTORS

Americans are embracing new financial technologies — but not always their underlying **strategies and attitudes about money.**

When it comes to investing, Americans have difficulty adjusting to today's realities of **longer lives and lower yields.**

69% of Americans prefer not to think of themselves as investors. But Americans usually take a disciplined approach to saving (66%). When people become unwilling to take risks and invest for the sake of financial growth, they **compromise the financial discipline they value overall.**

DISCIPLINED SAVERS ARE NOT ALWAYS DISCIPLINED INVESTORS

47%
Do not take a disciplined approach to investing

66%
Do take a disciplined approach to saving

Can Americans who are biased toward savings actually use their desire for financial discipline as a motivator to invest? We believe yes, if they understand how the right investment behaviors promote better outcomes in the long run.

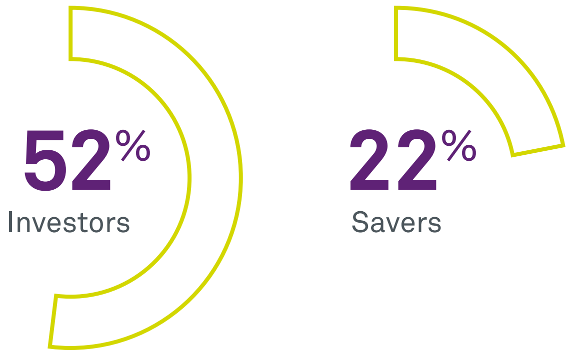
A FOCUS ON OUTCOMES

Some Americans have successfully moved beyond their insecurities about losing their money. 78% of Americans who have diversified out of cash overcame the fact that they were not raised to feel comfortable with investing. And it's not that people with investments deny that investing comes with risk; it's that they **understand the risk, but are focused on the desired outcome of their investments.**

The most common way investors describe investing is still that it involves the risk of losing money (44%), but unlike savers who don't invest, they are willing to take on higher risks in order to achieve higher returns (52% for investors vs. 22% for people who only save).

We can untangle Americans' deep-seated emotions around cash by **exploring behaviors learned by more engaged investors** on the next page. These individuals, regardless of net worth, effectively engage with investing through an intersection of **discipline, access to information and advice.**

WILLINGNESS TO TAKE ON RISK



7 STEPS TO BECOMING AN ENGAGED INVESTOR

TAKE A MOMENT TO THINK ABOUT THE SIMILARITIES BETWEEN SAVING AND INVESTING

Americans who think of investing the way they think of saving feel more financially secure. In practice, people who describe saving money as investing it into stocks, bonds and funds also have 22% lower cash allocations.

ASK FOR ADVICE

Whether or not Americans invest, they are similarly likely to think investing is complicated. Financial advisors can provide services that will help people overcome a wide array of barriers to investing, including lack of understanding of financial products, confusion about how to diversify effectively, need for a financial plan and more.

CALCULATE YOUR RETIREMENT INCOME

Understand exactly how much income your retirement savings can generate. Financial advisors can provide estimates of a person's monthly income in retirement. BlackRock also offers a free online tool that estimates retirement income based on current age and savings.

WORK SMARTER

Take advantage of any financial wellness resources your company offers. Contribute the maximum amount to your employer-sponsored retirement plan so you can receive the most from it. Your employer may also have educational resources available to help with financial decision-making.

MAKE AND STICK TO A PLAN

People with formal financial plans are more confident that their wealth will last them throughout their retirement (78% vs. 45%). At the same time, they are more confident in meeting their present financial obligations (85% vs. 63%).

DON'T BE AFRAID TO START SMALL AS LONG AS YOU START EARLY

Younger generations will reap benefits from investing early as their money grows.

INVOLVE YOUR SPOUSE

People who make financial planning an important priority in their marriage feel more secure, more confident overall and more confident about the specifics.

ABOUT THE SURVEY

The BlackRock Global Investor Pulse Survey is a major research study of more than 31,000 interviews in 20 countries executed by Cicero Group, an independent research company.

This report focuses on the findings in the U.S. where a nationally representative sample of 4,000 Americans, between the ages of 25 and 74 and either sole or dual financial decision makers for their households were interviewed using an online survey. Included in the study was a group of 787 affluent Americans (those with investable assets of $250,000 or more).

Source for all data: BlackRock Investor Pulse Survey, July/August 2015.

The conclusions are intended to provide an indication of the current attitudes of a sample of U.S. investors to saving and investing and should not be relied upon for any other purpose.

Investing involves risks, including possible loss of principal.

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