



NEWS RELEASE

# Tenth Edition of Schwab’s ETF Investor Study Shows Strong and Growing Appetite for ETFs

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Many Non-ETF Investors Ready to Give ETFs a Try

WESTLAKE, Texas--(BUSINESS WIRE)-- ETF investors surveyed see the share of ETFs in their portfolios growing to 38% over the next five years, up from 29% today. Nearly all ETF investors (94%) say they are likely to purchase ETFs in the next two years. Notably, nearly half of the non-ETF investors surveyed (45%) say they are likely to purchase ETFs in the next two years. The findings come from the tenth edition of the ETF Investor Study by Charles Schwab & Co., Inc.

“Over the decade we have conducted this study, ETF investors’ appetite and affinity for ETFs has grown dramatically. They feel much more knowledgeable and confident in their abilities to use these products to help achieve their financial goals,” said David Botset, SVP of Product Strategy for Charles Schwab Investment Management, Inc. “This year we also asked non-ETF investors about their interest in ETFs. At a time when individual investors are particularly engaged in the markets, it is interesting to see that a significant pool of investors who have never dipped a toe into the world of ETFs are interested in adding these products to their portfolios.”

Top reasons non-ETF investors who are likely to consider buying ETFs might do so	
To diversify portfolio	60%
ETFs are easy to buy and sell	49%
ETFs are low cost	34%
For tax efficiencies	28%



Top reasons non-ETF investors who are unlikely to consider buying ETFs will refrain from buying them	
Don't understand enough about ETFs	46%
Happy with current investment portfolio and not interested in ETFs	32%
Prefer mutual funds	17%
ETFs are too risky / ETFs are too complicated	10%

As in years past, Millennials continue to outpace Gen X and Baby Boomers in ETF adoption, though Gen X is not far behind. Over the next year, 29% of Millennial ETF investors plan to significantly increase investments in ETFs, compared to 23% of Gen X investors and 9% of Boomer investors. Millennials estimate that in five years, 43% of their portfolios will be in ETFs, compared to 39% for Gen X and 29% for Boomers.

When it comes to specific ETF preferences, ETF investors point to actively managed ETFs, market cap index ETFs and fixed income ETFs as the top categories that they feel will add value in helping them reach their investment goals. Active semi-transparent ETFs are beginning to attract investors' interest, with 16% saying they plan to invest in these specialty ETFs over the next year.

## ETF Investor Evolution

The proportion of ETFs in investors' portfolios increased by about 50% over the last decade, growing from average allocations of 19% to 29%. In 2015, ETF investors predicted that 25% of their portfolios would be in ETFs in five years – a prediction that turned out to be short. They ended up with 29% of their portfolios in ETFs in 2020, and they now expect that to grow to 38% by 2025.

Investors feel much more confident when it comes to making decisions about ETFs. In the latest study, 41% of investors say they are extremely confident in their ability to choose ETFs that can help achieve their investment objectives compared to just 18% in 2015. Similarly, 77% of ETF investors consider themselves experienced or intermediate when it comes to their understanding of ETFs, compared to 57% in 2015.

“Education is a key ingredient to success in all aspects of investing, so it is very exciting to see the evolution that has taken place with ETF investors' familiarity and comfort with ETFs,” said Botset. “Certainly the myriad strengths of ETFs – from tax efficiency, to low fees, to transparency – have paved the way for investors to adopt them as foundational building block components of an investment portfolio.”

## About the Study

Charles Schwab & Co., Inc. (Schwab) commissioned Logica Research to conduct an online survey of 2,000 individual investors between the ages of 25 and 75 with at least \$25,000 in investable assets who are aware of ETFs. Conducted from November 9 – November 29, 2020, the study has a 3% margin of error at the 95% confidence level. Survey respondents were not asked to indicate whether they had accounts with Schwab. All data is self-reported by study participants and is not verified or validated.

## About Charles Schwab

At Charles Schwab we believe in the power of investing to help individuals create a better tomorrow. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, and championing our clients' goals with passion and integrity.

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Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETFs are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

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Erin Montgomery

Charles Schwab

Phone: 212-403-9271

[Erin.Montgomery@schwab.com](mailto:Erin.Montgomery@schwab.com)

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