SURVEY RESULTS: FINANCIAL CHALLENGES AND TOUGH DECISIONS DUE TO COVID-19 PANDEMIC

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aQity Research & Insights

Evanston, IL

The COVID-19 pandemic in early 2020 has caused more change and disruption to the daily lives of US households than most can remember. The impact is widespread, affecting everything from global economies and investment markets down to personal decisions and behaviors like wearing face masks in public and washing one's hands more often.

Many recent surveys have captured American's attitudes toward these changes in terms of how it has impacted their household emotionally and financially. This survey, commissioned by aQity Research & Insights, probes further into some of the difficult financial decisions the US households have made and expect to make because of the pandemic's impact on the economy, jobs, and stock market.

The survey also provides insight into Americans' outlook for the future, their expected recovery timelines for household job losses and reduced income due to the COVID-19 downturn, along with the recovery timeframes for the broader job and financial markets and overall US economy.

The survey results are based on a nationwide sample of n=2,002 adults ages 25 and older who are part of the Lightspeed/Kantar® online survey panel. Dates of data collection were April 17-21, 2020, approximately one month after the first statewide shelter-in-place orders were put in place.

Only those reporting household incomes of $35,000 or more and who identify as the sole or a joint financial decision maker for the household were included. The recruiting included quotas to reflect the population, and the final respondent sample is weighted to reflect 2018 US Census data by region, age, gender, household income, as well as 2019 Gallup survey data for political party identification.

SAMPLE COMPOSITION BY KEY ANALYSIS VARIABLES

	Unweighted n	Weighted Distribution
Millennials (born 1981-1995)	345	27%
GenX (born 1965-1980)	569	33%
Baby Boomers (born 1946-1964)	881	32%
Silent Generation (born before 1946)	207	8%
No Investable Assets (IA)*	343	17%
$1-$24.9K in IA	274	15%
$25K-$49.9K	140	8%
$50K-$99.9K	192	9%
$100K-$249.9K	319	15%
$250K-$499.9K	288	13%
$500K-$999.9K	242	11%
$1M+ in IA	204	11%
Use Paid/Professional Financial Advisor/Planner/Broker	665	33%
No Advisor	1,337	67%
All Respondents	2,002	100%

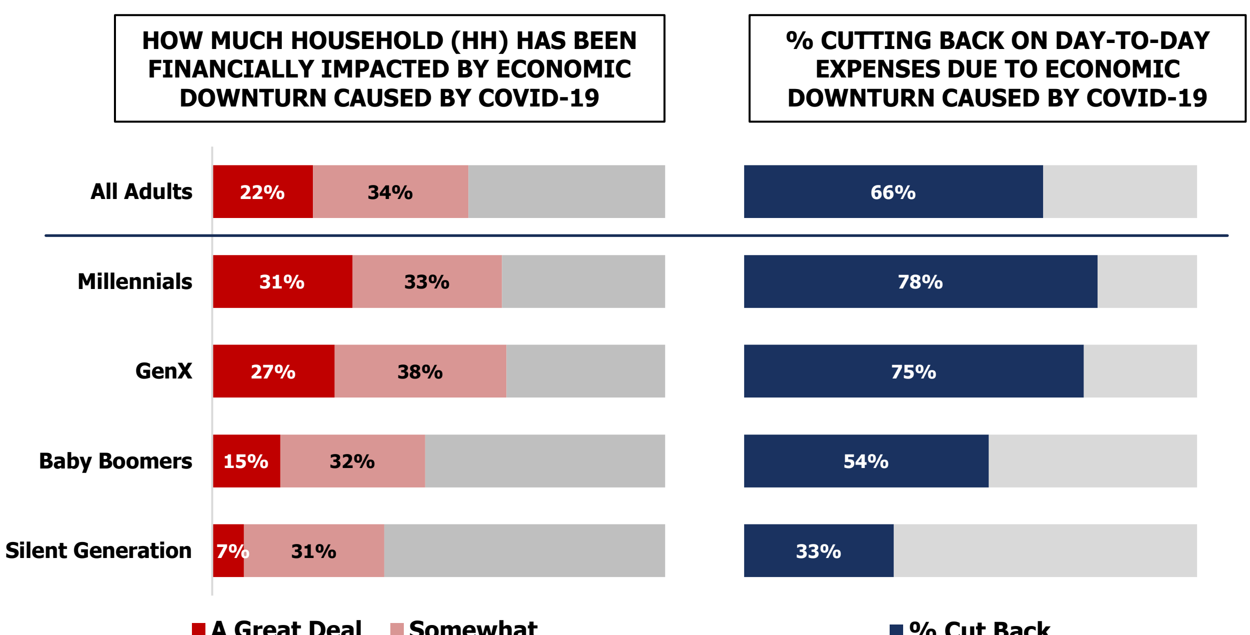
* Investable assets include market assets in individual stocks, individual bonds, actively managed mutual funds, ETFs, index funds, annuities, etc. – in both personal investments (e.g. brokerage accounts, IRAs) or DC accounts (total n=1,659)

A month after the first shelter-in-place orders took effect, US adults are divided on how much COVID-19 has impacted their households financially.

- The younger GenX and Millennial adults are most likely to feel they have experienced a financial hit. Similarly, women feel slightly more impacted (59% "great deal/somewhat") than men (53%).
  - The financial impact is felt across virtually all income levels. A majority (59%) of households earning up to $150K in 2019 feel at least some financial impact from the recent economic downturn. Most (53%) who earned over $150K feel little or no impact yet.
  - Similarly, a majority of those with under $1M in investable assets have been at least somewhat affected. Most (56%) of those with $1M+ in assets report little or no impact.

One concern among economists is consumer spending—a key driver of GDP. An ominous sign of things to come, two in three Americans have had to cut back on expenses as a result of the COVID-19 pandemic.

- At least three-quarters of the youngest Millennial and GenX households have already started cutting back; more than twice as often as the Silent Generation.
- Most households have cut back regardless of income level; even those earning over $150K in 2019 report cutting back on expenses (56%). Women also tend to report cuts in spending (69%) more often than men (62%) due to financial setbacks from COVID-19.



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Likewise, the impact on jobs and businesses is widespread; one in three households report a recent job loss or furlough a month into the COVID-19 stay-at-home restrictions (including one in five personally let go).

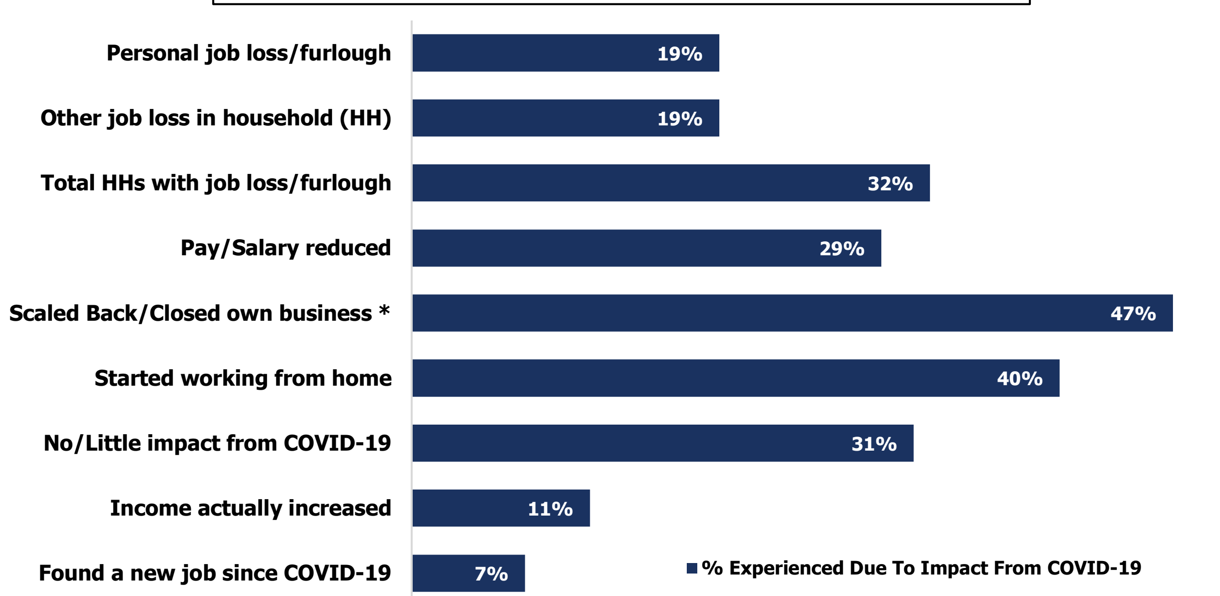
- Again, Millennial and GenX households are the hardest hit, with 46% and 38% respectively reporting a recent furlough or job loss due to COVID-19.
    - Across most income levels, at least a third of report a job loss except those earning over $150K (only 19% of which have lost work or hours).
    - Job cuts are reported more often among women (37%) than men (25%).
    - However, 7% report a household member starting new employment in the past month. Most of these replaced a recently lost position.

- Overall, 29% have lost income in the past month either due to job cuts or reduced pay. <u>All income levels, including those earning $150K+, are equally likely to report lost income.</u>

- Nearly half who own a business (47%) have scaled back or closed their operations at least temporarily.

- Still, nearly a third (31%) report no job or financial impact at all, mostly from households earning over $100K annually (35%).

WORK- AND INCOME-RELATED IMPACTS FROM COVID-19 PANDEMIC AND SUBSEQUENT RESTRICTIONS/DOWNTURN

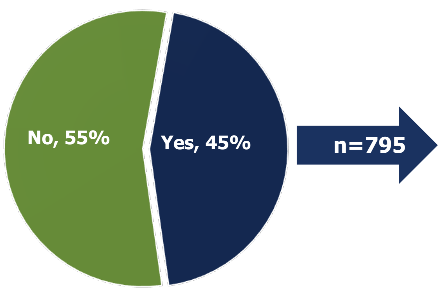


* Base of n=235 who report owning a business

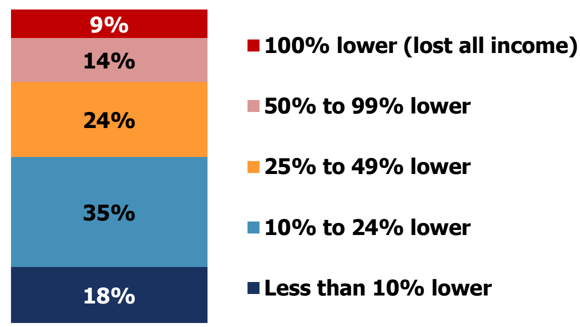
Combined, nearly half (45%) of US households report lower income and/or a job cut in the first month of the COVID-19 stay-at-home restrictions, including most Millennials (60%) and GenXers (53%).

- Among those reporting lower income or job cuts, nearly half (47%) say their monthly household income is now at least 25% lower due to COVID-19. This includes 23% who have lost at least half of their household income.

HH EXPERIENCED JOB LOSS AND/OR REDUCED INCOME DUE TO COVID-19?



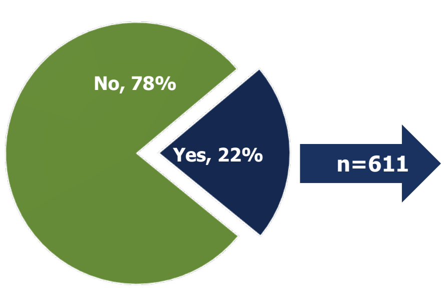
PERCENT REDUCTION IN MONTHLY HOUSEHOLD INCOME SINCE COVID-19



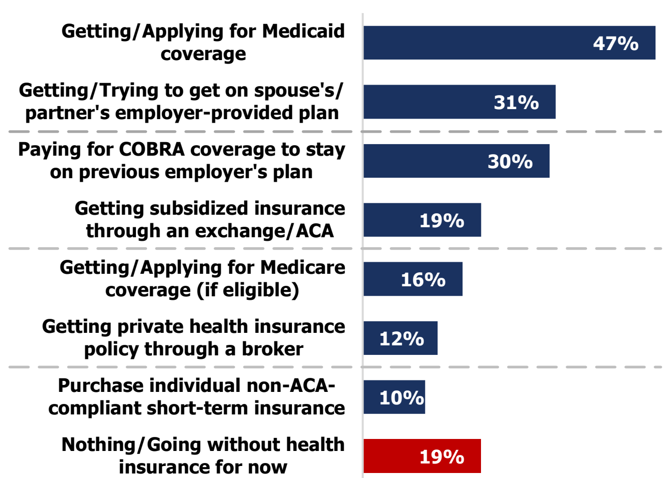
Recent job losses or cutbacks in businesses owned have translated into a loss of health insurance for 22% of these households.

- Most often, these adults are applying for Medicaid (47%), and about a third seek coverage under a spouse's/partner's workplace plan, or paying for COBRA. However, nearly one in five plan to go without any health insurance altogether.

EXPERIENCED LOSS OF HEALTH INSURANCE DUE TO JOB LOSS/CUTBACK IN BUSINESS?



OPTIONS SOUGHT FOR REPLACING EMPLOYER-PROVIDED HEALTH INSURANCE

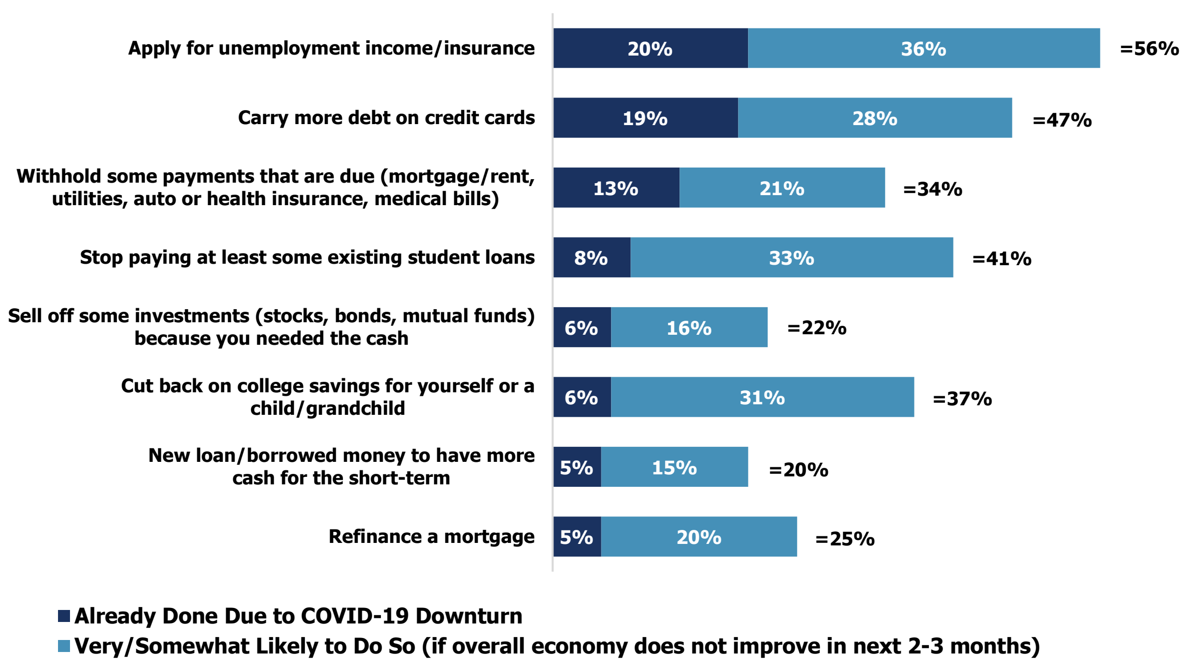


Despite the recent financial hardships experienced by many US households, relatively few have had to make tough financial decisions so far beyond cutting back on daily expenses.

- As one would expect, the groups most likely to report a job loss in the household (Millennials and GenXers, women, lower income households) are most likely to have applied for unemployment benefits recently (20% overall).
- However, regardless of income level, about one in five households now carry more credit card debt to make ends meet (including 22% of those earning under $75K, and 16% of those making over $75K).
- Among those who have borrowed money recently for short-term cash, most have taken loans from a bank or family member/friend; only 1% have borrowed against their workplace defined contribution (DC) plan.

Far fewer are selling off investments, cutting back on college savings, or withholding payment on student loans as of yet. However, if their financial situation does not improve within the next three months, college savings and student loan payments will most likely be cut back as a "next step".

FINANCIAL DECISIONS ALREADY TAKEN, OR LIKELY TO BE TAKEN, DUE TO COVID-19 IMPACT ON JOBS AND ECONOMY



On a positive note, at least 86% of those with IRAs or DC plans have so far stayed the course with regards to retirement planning and haven't stopped contributing. However, their situation doesn't improve in the next 2-3 months, many (especially younger investors) will be forced to put retirement savings on hold.

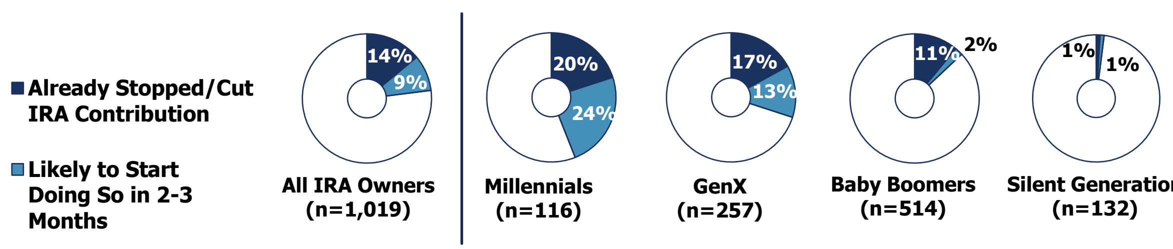
- The financial impact from the COVID-19 has forced some to make early difficult decisions with retirement savings. Between 12% and 14% of households with IRA or DC plan assets have already cut back or stopped contributing because of the financial impact felt from the pandemic.

- Looking ahead, another 9% and 12% of IRA and DC account holders (respectively) will likely start reducing contributions in the next two to three months if things don't improve.

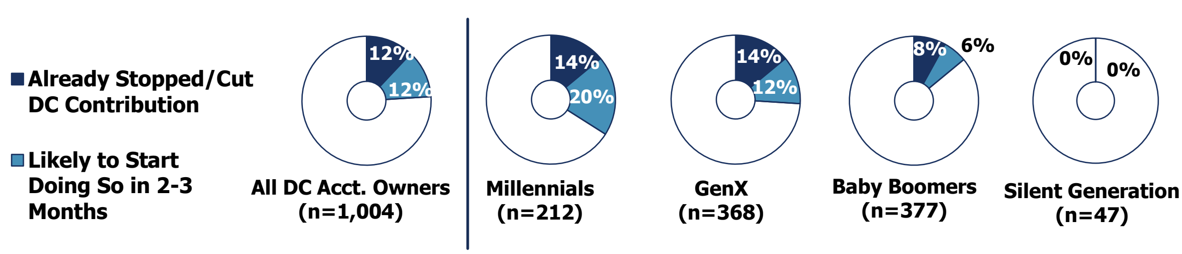
  - At least a third of Millennials with these accounts have already or are likely to cut back or stop contributing, including nearly half (44%) of Millennials with DC assets.

  - Even among Baby Boomers, at least one in ten have already or will likely cut back on these retirement contributions.

HH STOPPING/CUTTING IRA CONTRIBUTIONS DUE TO COVID-19



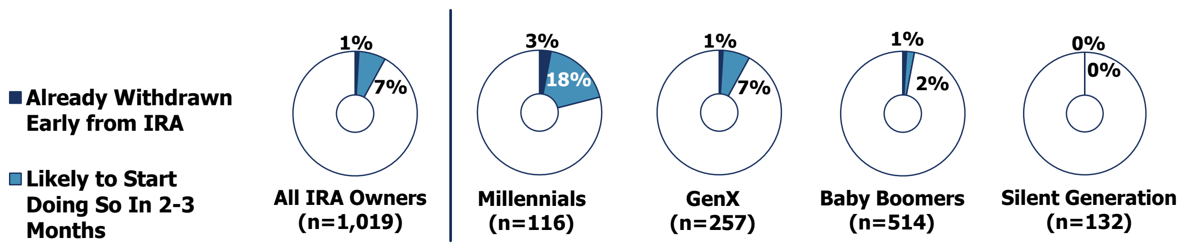
HH STOPPING/CUTTING DC CONTRIBUTIONS DUE TO COVID-19



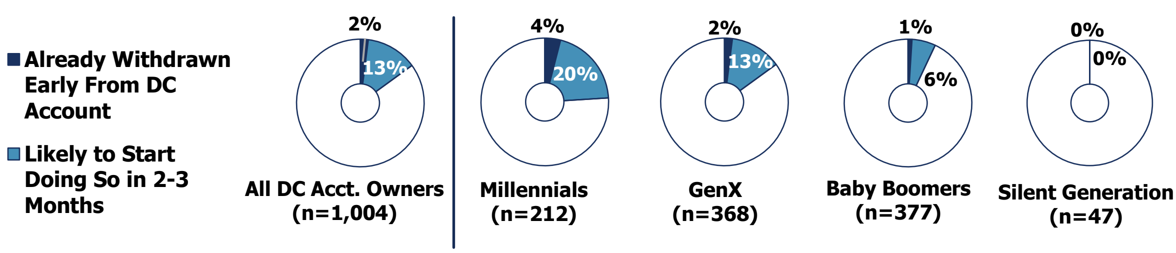
Fortunately, very few have made early withdrawals from qualified retirement accounts, knowing that doing so means paying taxes and maybe penalties.

However, nearly one in five Millennials with IRAs are likely to start withdrawing those assets if their financial situation does not improve within the next three months. Likewise, one in four Millennials with DC assets plan to do likewise if things don't turn around.

HH TAKING EARLY WITHDRAWALS FROM IRA DUE TO COVID-19



HH TAKING EARLY WITHDRAWALS FROM DC PLAN DUE TO COVID-19



NOTE: The survey was conducted about three wees after the CARES Act was signed, which (in part) waived some penalties for early withdrawals allowed from qualified IRAs and DC plans.

Among households with market investments*, nearly one in four (23%) have adjusted their strategy due to the market downturn during the COVID-19 outbreak.

- Overall, most of these shifts went to cash or more conservative strategies, while only 7% of all investors moved to more aggressive solutions.

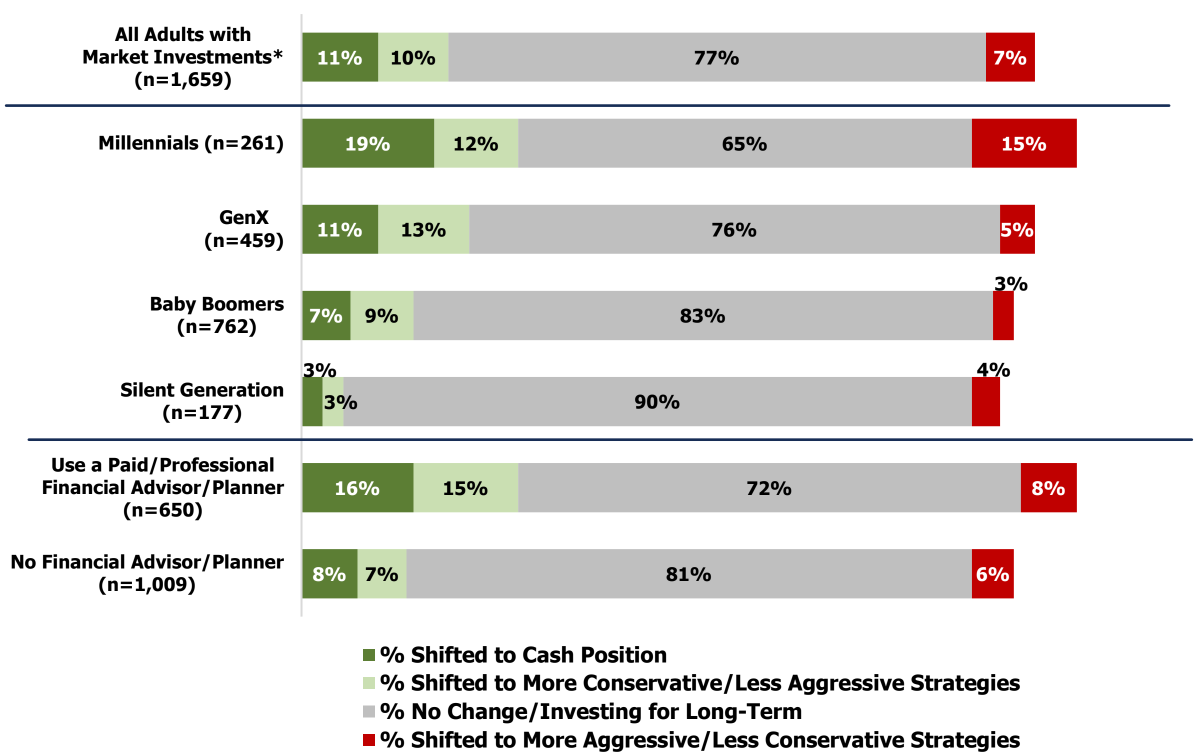
As age decreases, shifts in allocation strategies increase.

- Over a third (35%) of Millennials have already shifted their assets, usually moving to both more aggressive strategies and/or cash products. Conversely, Baby Boomers and Silent Generation investors are least likely to have made recent adjustments.

Note that households using paid professional investment advisors are more likely to have shifted to cash or conservative solutions (asset protection), compared to those without advisors.

- These overall shifts (or non-shifts) are fairly consistent regardless of one's level of investable assets (in $s).

SHIFTS IN INVESTMENT STRATEGY SPECIFICALLY BECAUSE OF COVID-19 IMPACT ON INVESTMENT MARKETS (multiple responses)



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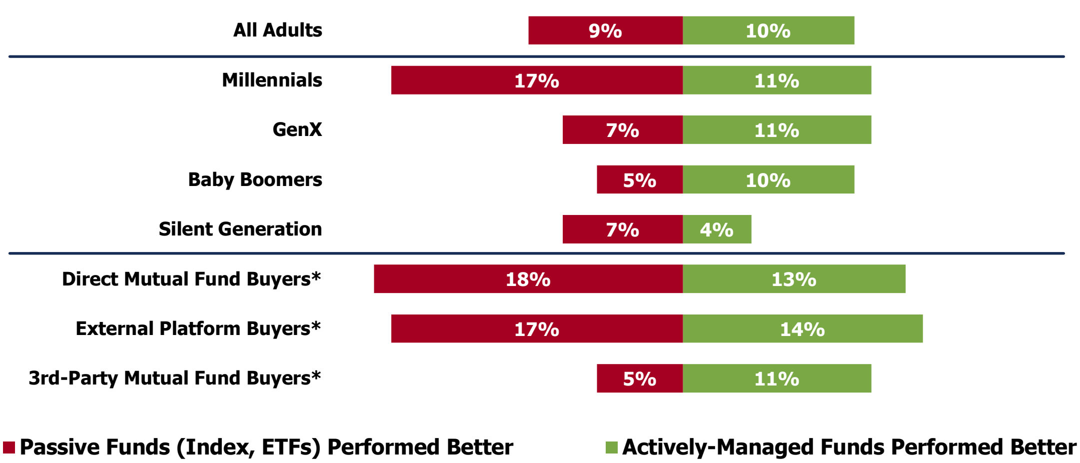
* Those with assets in individual stocks, individual bonds, actively managed mutual funds, ETFs, index funds, annuities, etc. – in both personal investments (e.g. brokerage accounts, IRAs) or DC accounts (total n=1,659)

Most adults (81%) have no opinion as to whether actively-managed vs. passively-managed mutual fund strategies have fared better during the recent COVID-19 market downturn.

- Those who offer an opinion are divided evenly between active (10%) vs. passive (9%) strategies performing better in the past month.
- Opinions differ slightly by generation, with Millennials giving the nod more often to passively-managed funds over active strategies.
- Note that mutual fund investors who buy these products directly* or through external platforms* are more inclined to have an opinion, but still remain relatively divided as to which strategy has fared better. The 3rd-Party fund buyers* feel passive solutions have done better.
  - There are no differences by level of investable assets, nor by usage of a professional/paid financial advisor.

WHICH FARED BETTER DURING COVID-19 MARKET DOWNTURN: ACTIVE VS. PASSIVE MUTUAL FUNDS? (excluding "not sure/no difference" responses)



Looking ahead, most fund investors (71%) have no idea or opinion whether actively- vs. passively-managed fund strategies will fare better when the market recovers. The rest are divided (14% active vs. 15% passive).

- Direct and external platform fund buyers are slightly more inclined to expect passive strategies to perform better in a recovery period (23% and 32%, respectively) than actively-managed solutions (17% and 22%, respectively).

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* Direct mutual fund buyers (n=373) are mutual fund investors who primarily purchase these funds directly by Internet, telephone, or branch office from a company that offers its own funds. External platform buyers (n=232) primarily purchase their mutual fund investments via a discount brokerage or fund network. A 3rd-Party mutual fund buyer (n=1,051) primarily buys their funds through a financial planner/advisor at a brokerage or planning firm, through an independent advisor, or through an insurance company.

Most adults believe the COVID-19 pandemic in the US will be under control within 6 months.

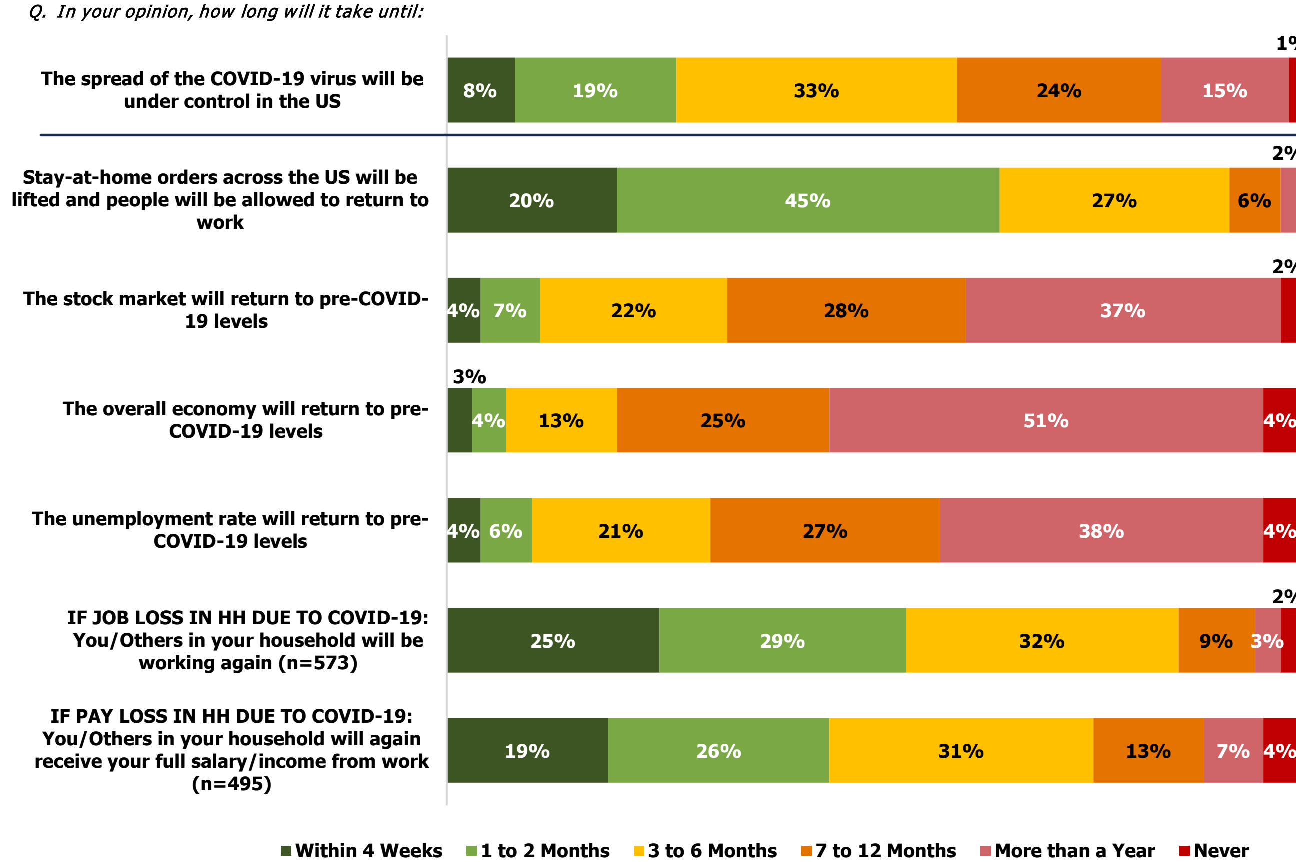
- Americans are more optimistic that stay-at-home orders will be lifted sooner (most say within the next two months). As a result, roughly half of households reporting a job loss and/or reduced income expect both will resume within the same two-month timeframe.

- However, Americans think the broader investment markets and overall economy will require much more time to recover. Most believe that stock market won't fully reach pre-COVID levels for at least seven months (including 39% who think it will take a year or more).

    - Likewise, 55% believe that it will take at least a year for the overall economy to recover.

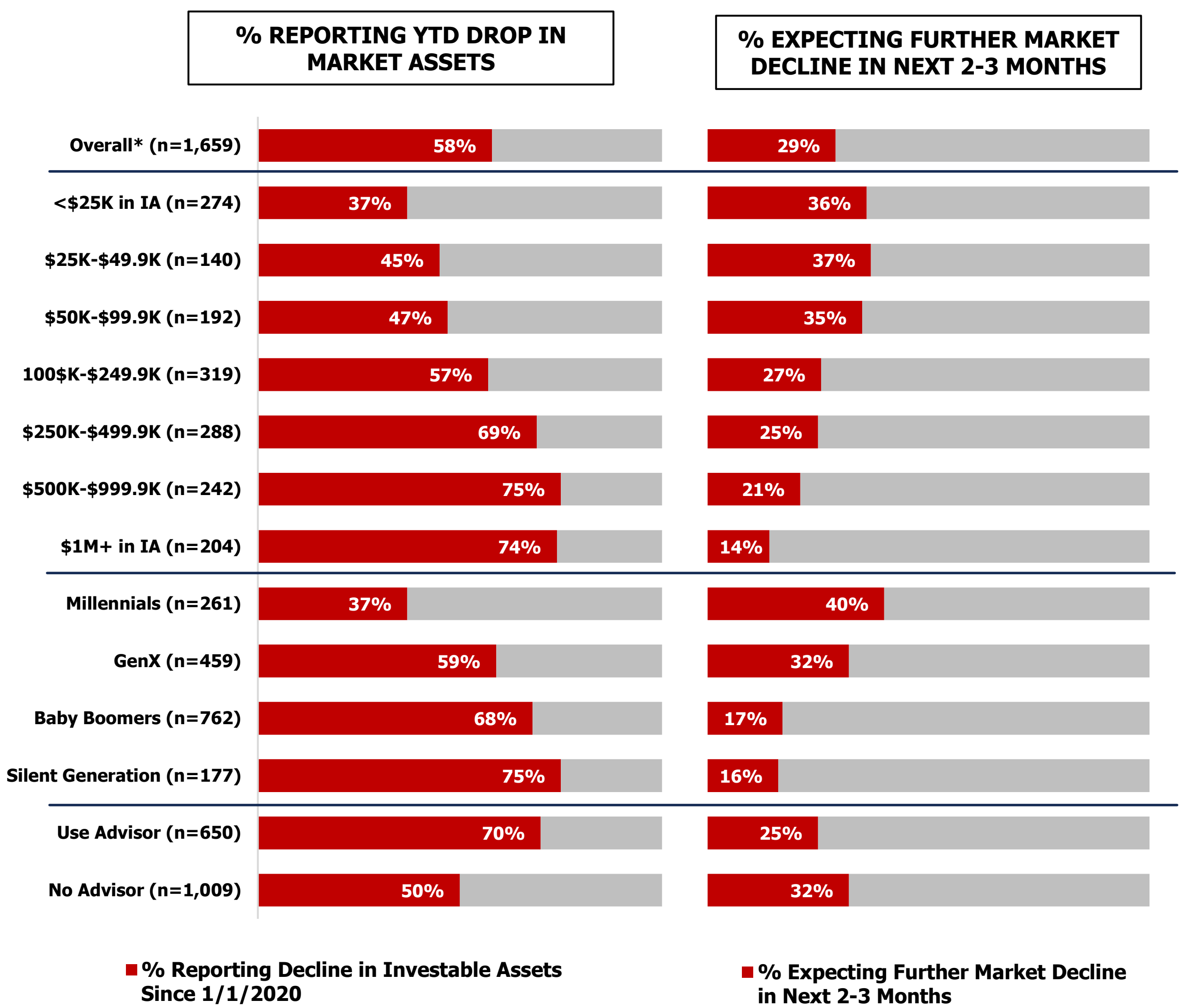
EXPECTED TIMEFRAMES FOR THINGS TO RETURN TO "NORMAL"

Q. In your opinion, how long will it take until:



At the time of the survey (mid-April, about one month after shelter-in-place orders were started), most US investors (58%) had seen a loss in their overall investable assets since the beginning of 2020.

- Of concern are the higher rates of reported IA losses among older generations in the asset protection stages; 68%+ of the Baby Boomer and Silent Generation households report losses in market investments.
  - Similarly, those with the highest level of market assets are most likely to report losses.
- Despite these recent declines in IA, these older and more affluent households are <u>least likely</u> to expected continued market declines over the short term. Millennials and lower IA households are most pessimistic.



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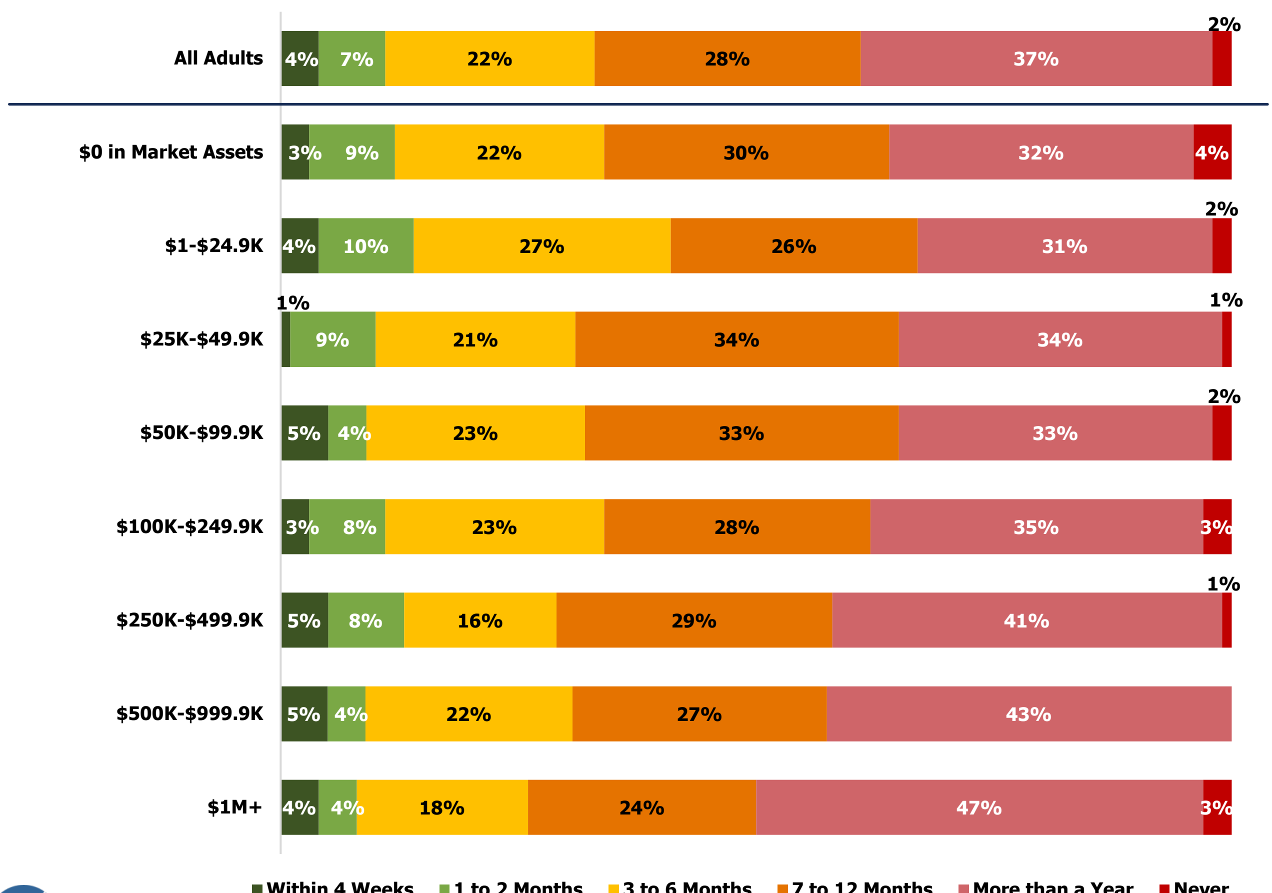
* Base includes those with investable assets (IA) in market investments include individual stocks, individual bonds, actively managed mutual funds, ETFs, index funds, annuities, etc. – in both personal investments (e.g. brokerage accounts, IRAs) or DC accounts (total n=1,659)

Optimism for a quick full recovery to the overall stock market decreases as household market assets (in $s) increase.

- While most households expect a fully market recovery within the next twelve months, half of those with over $1M in investable assets believe the markets will not fully recover for at least a year.
  - By comparison, only about a third of those with under $100K in investable assets think it will take that long.
- This general pattern of recovery expectations generally carries over to expected recovery timeframes for the unemployment rate and overall economy, with longer periods predicted by higher asset households. This trend is strongest for investment markets show below.

EXPECTED TIMEFRAME FOR POST-COVID-19 STOCK MARKET RECOVERY BY HOUSEHOLD INVESTABLE ASSETS ($s)

Q. In your opinion, how long will it take until the stock market will return to pre-COVID-19 levels?

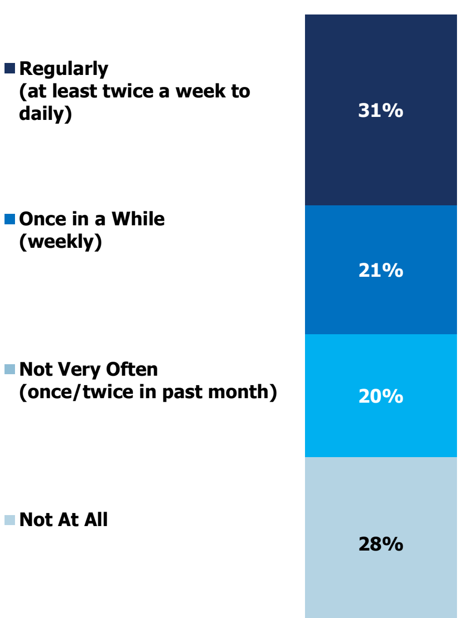


The pandemic's impact on the stock market has clearly impacted how investors monitor their assets. Nearly a third (31%) now report checking their investment performance regularly or daily, which for most is an increase in monitoring over pre-COVID behaviors.

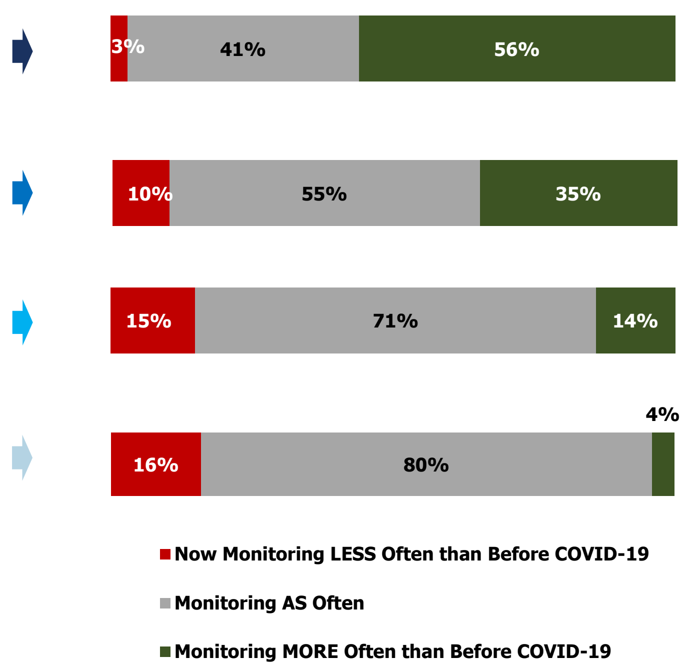
- The relatively few investors who report gains in the portfolio since the beginning of the year (8% overall) are by far most likely to be checking performance regularly (59%, vs. 31% overall).

- Among investors who report lower IA performance since January 1st (58% overall):
  - Over a third are monitoring their investments only once or twice a month (26%) or not at all (9%);
  - Ten percent said their frequency of monitoring assets has declined (in line with 9% of all investors).

CURRENT FREQUENCY OF MONITORING INVESTMENT PERFORMANCE



CHANGE IN FREQUENCY OF MONITORING INVESTMENTS SINCE COVID-19



aQity Research (pronounced "acuity") is a full-service opinion research firm in Evanston, IL. Our team brings 20+ years of experience providing critical market research insights to leading financial services organizations including global asset management firms, RIAs and wealth managers, broker/dealers, and industry consultants.

aQity specializes in customized research on a wide range of investment and financial topics, including:

- Quantitative studies, especially thought leadership (both B2C and B2B), brand tracking and client satisfaction programs, and segmentation research;
- Qualitative research (phone and web-enabled IDIs, focus groups, etc.), especially win-loss research (mostly B2B), concept and message testing, and lost client research.
    - For qualitative interviews, aQity has an experienced in-house team of executive interviewers with years of experience engaging hard-to-reach decision-makers on a variety of topics. They are professional, articulate, and flexible, which translates into higher response rates and reflects well on our clients.

RESEARCH TOPICS WE COVER	
Client Satisfaction and Loyalty (NPS)	Win-Loss Research
Attrition/Lost Client Surveys	New Product and Concept Testing
Brand Equity and Image	Thought Leadership Studies
Savings Attitudes, Behaviors and Barriers	Segmentation Research
Message Testing	Employee Surveys

POPULATIONS WE SURVEY			
B2B		B2C	
Retirement Plan Sponsors, Third-Party Consultants and Advisors	Third-party Administrators (TPAs)	General Population and Investors	High Net Worth, Affluent and Mass Affluent
RIAs and Wealth Managers	Broker/Dealer Firms	Generational Segments MILLENNIAL, GEN X, BABY BOOMER, SILENT	Ethnic and Diverse Populations
Portfolio Managers and Investment Analysts	Equity Compensation Plan Sponsors/ Administrators	Spouses and Partners	Live Stage Segments RECENT COLLEGE GRADS; NEAR RETIREES, RECENT RETIREES
C-Suite Decision-makers	Insurance Agents and Reps	Diverse Lifestyle Groups	National and DMA-specific Markets
Structured Settlement Brokers	Family Practice Advisors	Self-employed Adults	Parents and Grandparents

METHODS WE USE	
In-depth Phone Interviews (IDIs)	Online Quantitative Surveys
Mail Surveys	Focus Groups
Web-based Discussion Boards	Key Driver Analysis
Cluster and Factor Analysis	CHAID and DecisionTrees
Multiple Regression Solutions	Discriminant Analysis

For questions about the survey findings in this report or other topics, please contact:

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