SURVEY HIGHLIGHTS/SUMMARY: FINANCIAL CHALLENGES AND TOUGH DECISIONS DUE TO COVID-19 PANDEMIC

MAY 2020

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%

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* 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)

The 2020 COVID-19 pandemic and its effects on the economy, unemployment, and financial markets has impacted most US households.

The financial impact is felt across virtually all income levels. Most (59%) households earning $35K up to $150K in 2019 feel at least some financial impact from the recent economic downturn, while 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.

The brunt of the impact is felt among those who are newer to the job market and are in the early to mid-stages of asset accumulation, specifically Millennials and GenXers:

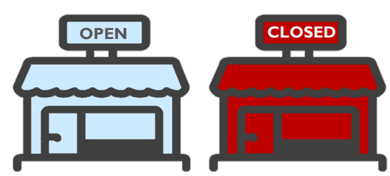
42% LOST A JOB OR WERE FURLOUGHED

56% HAD LOWER INCOME FROM JOB/PAY CUT

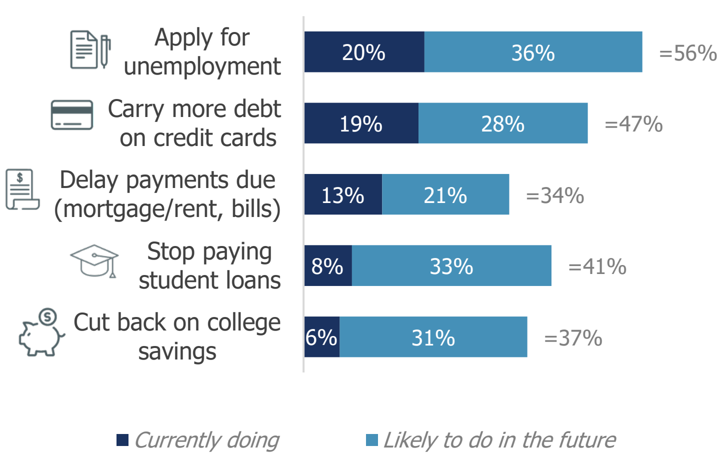
76% HAD TO CUT BACK ON DAILY EXPENSES

Nearly half of all US households (45%) report a recent job loss or drop in income due to the COVID-19 economic downturn. Of these, nearly half have seen a 25%+ drop in monthly income.

About one in five (22%) households that have experienced a job loss or a cutback in a business they own also report losing health insurance through the workplace. Most are seeking alternative health coverage (usually Medicaid), but 1 in 5 will go without insurance for now.



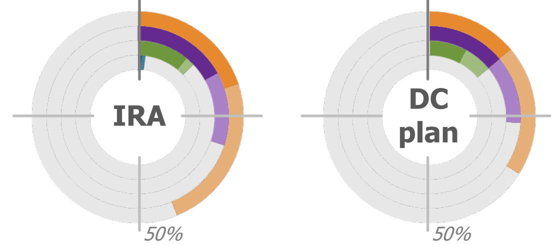
47% *of business owners have scaled back or closed temporarily*



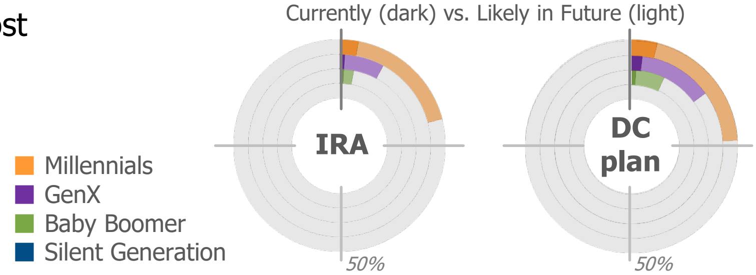
Despite these recent job and income losses, only 1 in 5 have applied for unemployment or are carrying more credit card debt to-date. Rent and mortgage payments continue, but if their financial situation doesn't improve in the next few months, all forms of holding onto money are on the table: unemployment insurance, carrying more credit card debt, and stopping rent/mortgage/college loan payments and/or savings.

Likewise, more than 8 in 10 with IRAs or defined contribution (DC) savings are staying the course by still contributing to and not drawing down from these qualified savings accounts. But if their financial situation doesn't improve soon, these contributions and savings may be considered to meet expenses, especially among those with longer time horizons who feel they can make up for the lost savings.

Cutting Back on Contributions
Currently (dark) vs. Likely in Future (light)



Taking an Early Withdrawal
Currently (dark) vs. Likely in Future (light)

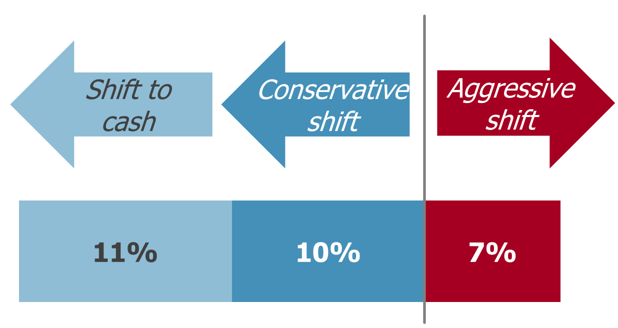


Overall, 58% of those with investable assets report a loss in their portfolio since January 1st. Those with shorter financial time horizons are most likely to report a financial hit, with at least 7 in 10 Baby Boomer and Silent Generation households reporting recent losses.

As a result of the recent market downturn due to COVID-19, nearly one in four (23%) investors have changed their investment strategy. Those who have made one or more adjustments are most likely to have moved to more conservative or cash positions.

These shifts are more prevalent among younger investors, with over a third of Millennials (35%) making investment changes.

Recent Shift(s) in Asset Allocation



In addition, about a third of households with a financial advisor shifted to cash or conservative strategies, perhaps until volatility subsides.

SURVEY OF US ADULTS: FINANCIAL IMPACT OF COVID-19 PANDEMIC

SUMMARY OF KEY FINDINGS

Americans are hopeful that elements of their personal daily life will return to "normal" within the next six months…

Expected within the next 6 months…

- **92%** — stay-at-home orders will be lifted
- **82%** — back to work/earning a full income
- **59%** — COVID-19 will be under control

MARCH 2020
(Shelter-in-place restrictions begin)

Sept. 2020

March 2021

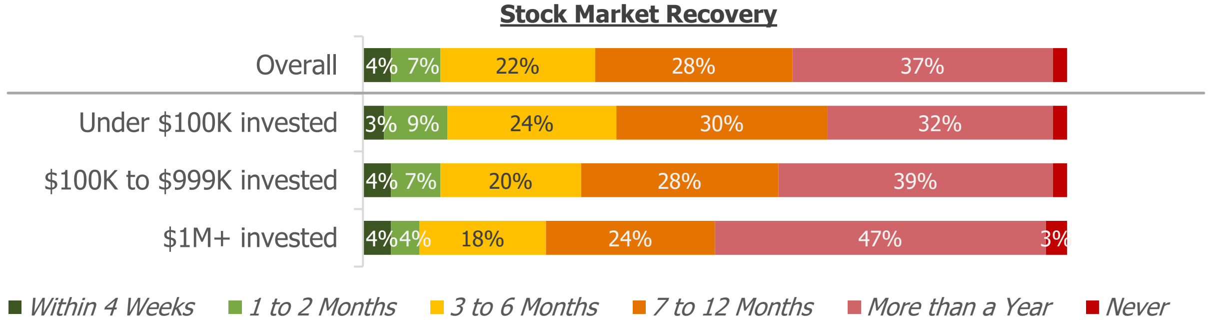
Expected longer than 6 months (to reach pre-COVID-19 levels)…

- **67%** — stock market recovery *(More than a year: 39%)*
- **69%** — unemployment rates decline *(More than a year: 42%)*
- **79%** — overall economic recovery *(More than a year: 55%)*

… yet predict the overall economy will take much longer to fully return to pre-pandemic levels (55% report more than a year, including 4% who believe it will never fully recover).

Optimism for a quick stock market recovery to pre-COVID-19 levels decreases with investable assets. Half of those reporting $1M+ in market investments believe a full recovery will take over a year, while two thirds of households with under $100K in market investments believe it will happen in the next 12 months (or sooner).

Stock Market Recovery



Note: Labels <3% not shown

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, financial advisors and wealth managers, and industry consultants.

For questions or additional information about these survey findings, please contact:

Jeff Andreasen, President
☎ 847-424-4171, ext. 218
✉ j.andreasen@aqityresearch.com

Marie Rice, Senior Associate
☎ 508-868-6657
✉ m.rice@aqityresearch.com