Investor INDEX 2011

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Redefining the Nest Egg

Survey Methodology

These results are based on a survey conducted by Maritz, Inc. on behalf of TD Ameritrade Holding Corporation. One thousand seven (1,007) adults between 22 and 81 years of age and broken down into generational segments participated in a telephone survey from March 1 through April 7, 2011.

The generational definitions are defined as follows:

- Mature: born 1930-1945
- Boomer: born 1946-1964
- Gen X: born 1965-1976
- Gen Y: born 1977-1989

How the Recession Has Redefined Retirement

The economic impact of the past few years has changed the way younger generations are planning and preparing for retirement and impacted the way they spend and save. While Gen X and Y are "planning" to take more proactive financial action in 2011 by saving more for a rainy day and contributing more money to a retirement account, over the past few years, these youngest generations have – more so than their Mature and Boomer counterparts – reduced retirement savings, decreased saving in general and incurred more credit card debt. Not to mention, members of both Gen X and Gen Y feel obligated to financially support their aging and ailing parents – regardless of the financial implications doing so may have on their own retirement nest eggs. Despite their best intentions, could Gen X and Gen Y possibly be setting themselves up for a financial letdown?

Meanwhile, this year the first group of Boomers turns 65, but for many, retirement is not right around the corner. With a record share of Gen Y unemployed and reports indicating that more recent college grads are moving back in with mom and dad, Boomer parents are feeling compelled to financially support their adult children. Boomers are finding themselves saving less for retirement and working longer and are also willing to sacrifice their own nest eggs and retirement plans to foot their adult children's bills.

The generation that may have gotten it right is the one that arguably endured the most tough love – the Mature generation. While they may be willing to financially help their ailing parents and their adult children, they tend to draw the line if it puts their financial health at risk.

In addition to broader findings about how an individual's demographics (age, gender, marital status, etc.), combined with economic events like the Great Recession, impact how they manage their financial lives, this Investor Index Survey uncovers the consequences of "financial coddling." In an effort to protect their children from financial stress, many Boomers are losing sight – and control – of their retirement goals.

Spending More, Saving Less, Working Longer

As a result of the recent economic recession:

- Nearly 50 percent (48%) of respondents have reduced or stopped saving in general.
  - Boomers (47%), Gen X (56%) and Gen Y (48%) have reduced saving more so than the Mature generation (35%).
- More than one-third (34%) of respondents have stopped or reduced contributions to retirement savings.
  - Mature (26%), Boomer (34%), Gen X (38%) and Gen Y (33%) have stopped or reduced contributions to retirement savings.

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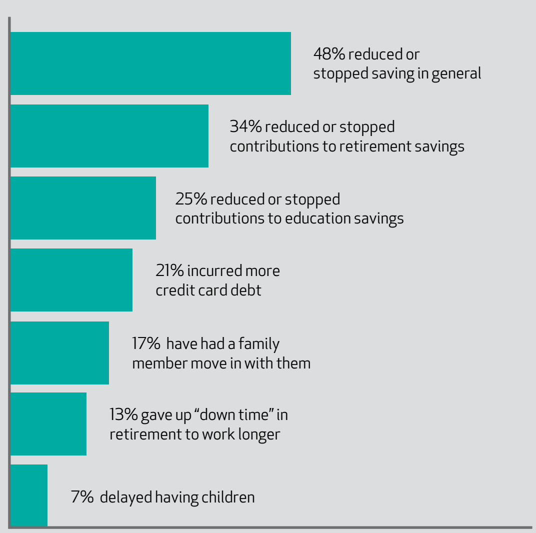
- One-fourth (25%) of respondents have stopped or reduced contributions to education savings.
  - Gen X (31%) and Gen Y (22%) have sacrificed their education savings more than other generations.
- Along with decreased savings, 21 percent of respondents have also incurred more credit card debt.
  - Again, it's Gen X (28%) and Gen Y (27%) who have been impacted the most, compared to Matures (11%) and Boomers (17%).
- Seventeen percent of those surveyed have had a family member move in with them, and 6 percent of respondents have moved in with family.
  - Fourteen percent of Gen Y said they have moved in with family in the past two years, so it's not surprising that 24 percent of Boomers – their parents – said they had a family member move in with them.
- Twenty percent of Boomers have given up "down time" in retirement to work longer.
- Sixteen percent of Gen Y said that they have delayed having children as a result of the recession.

Financial Impact of the Recession



- Most respondents were spared from downsizing their homes, being forced into foreclosure or declaring bankruptcy as a consequence of the economic recession in 2008 and 2009.
  - Only 6 percent of all respondents have had to downsize their homes during the past two years, but nearly 10 percent of Gen Y have done so.
  - Only 2 percent have gone through a short sale or home foreclosure.
  - And 2 percent of respondents have had to declare bankruptcy.

Recession Hits Singles the Hardest

Single respondents were the hardest hit by the recession:

- Fifty-nine percent of Single respondents are saving less than they used to, compared to 45 percent of their Married counterparts who are saving less.
- Thirty-nine percent of Singles have stopped or reduced retirement savings.
- Twenty percent of Singles say they had to move in with family (compared to 1 percent of Married respondents) and another 23 percent had family move in with them.
- Additionally, 71 percent of Single respondents are worried they will have to bear the burden of caring for their parents, compared to 57 percent of Married respondents.

Despite this, they are generous in return:

- Ninety-four percent of Singles would let their parents live with them if they needed financial support or companionship.
- Ninety-five percent of Singles would care for elderly parents, even if it took away from their retirement savings, while only 85 percent of their Married counterparts would do so.

Money Management in 2011

While it appears that the economic recession will continue to impact spending and saving habits in 2011, there are a few bright spots:

- Regardless of age, gender or marital status, 84 percent of respondents expect to be more cost-conscious in 2011.

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- Half (50%) of those surveyed expect to save more for a "rainy day" in 2011. More Gen X (60%) and Gen Y (62%) respondents said they plan to save more, compared to their Mature (28%) and Boomer (42%) counterparts.
- Decreased savings contributions could be attributed to the fact that 26 percent of non-retired respondents agreed that they have had to cut back in saving for retirement in recent years to support another family member (Mature 29%, Boomers 27%, Gen X 22 % and Gen Y 28%).
- The bright spot, however, is that one in three (33%) of non-retired respondents plan to contribute more money to their retirement savings account.
  - More Men (38%) plan to get their retirement savings back on track than Women (29%).
  - More Gen X (36%) and Gen Y (37%) respondents plan to get their retirement savings back on track than Boomers (25%).
- And 20 percent of respondents expect to spend more money on themselves in 2011 for nonessential items, like travel or other luxury items.

The New Independent

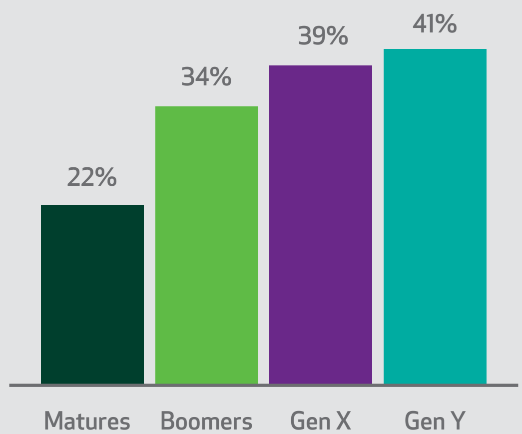
Generation heavily influenced responses to the question: At what point in life is it reasonable to expect a person to be financially independent?

- Graduating from college or completing military service was the defining moment for taking on financial responsibility, according to most respondents across generations.
  - Most Gen X (59%) and Gen Y (57%) respondents felt that financial independence occurred after college graduation or completion of military service.
  - This compares to the Mature (29%) and Boomers (22%) who consider marriage as the life event that signals the onset of financial responsibility. Only 13 percent of Gen X and 12 percent of Gen Y felt the same.
- Matures (60%), Boomers (52%) and Gen Y (49%) respondents said they considered themselves financially independent between the ages of 18 and 21, only 38 percent of Gen X said the same.

Although Gen Y claims to have been financially independent upon graduating college, many of them still financially rely on their parents for discretionary items like cell phone bills, insurance, etc., begging the question, are they really more independent, or are they simply conforming to a culture shift in the way we define independence?

- Thirty-nine percent of Gen X and 41 percent of Gen Y have received financial support from their parents after college, compared to only 22 percent of Matures and 34 percent of Boomers.

Percentage Who Received Financial Support from Parents After College



- Just over half (51%) of respondents received financial support only one time after reaching independence. Twenty-five percent of Gen Y received financial support for two years or more. For half of respondents, financial support was a one-time event. However, 25 percent of Gen Y report that their parents are paying for discretionary items like cell phone bills, insurance and car expenses more so than any other generation.

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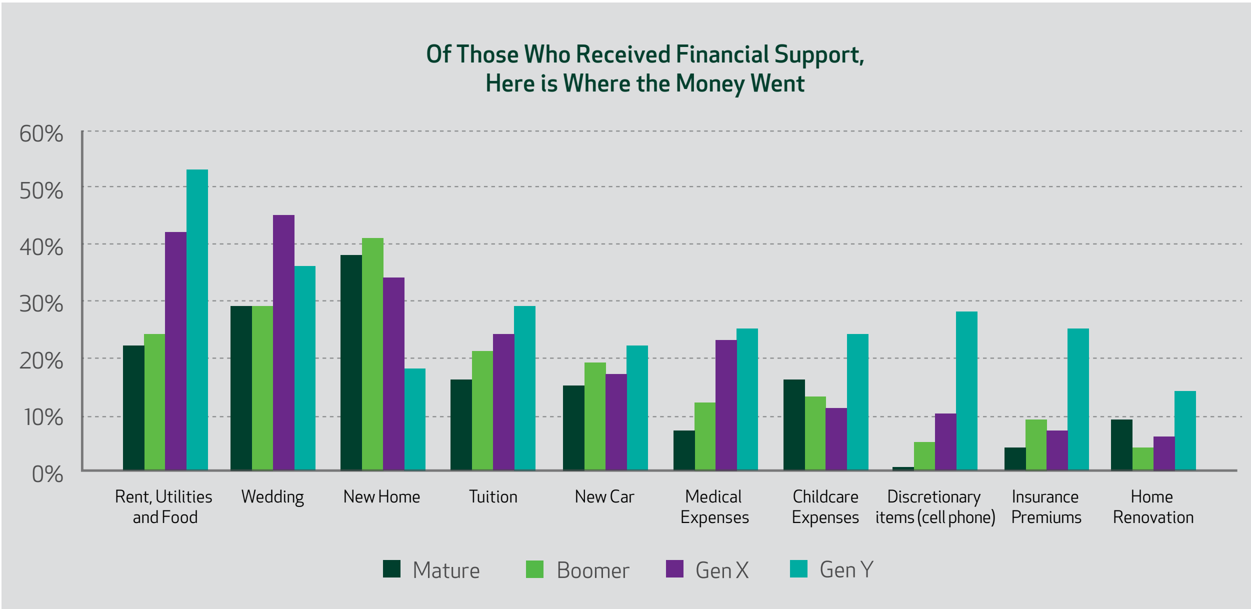

- Who should pay for college tuition? The general consensus across the generations is for parents and their children to share the responsibility for paying tuition (Mature 74%, Boomer 76%, Gen X 74%, Gen Y 71%).
  - Gen Y, more than any other group (16%), felt that students should have the full responsibility for paying college tuition, while Gen X more than any other group (14%) felt that it should be the parents' full responsibility for paying college tuition.
- After gaining their financial independence, 23 percent of Gen Y reported that they returned to live with their parents or family, but 82 percent of those that moved back in with family said they did contribute to living expenses such as paying rent, grocery bills or sharing utility costs.

Impact of the Recession: A New Family Dynamic

Gen X and Gen Y

There is a growing trend with younger generations (Gen X 20% and Gen Y 23%) moving back in with parents after reaching "financial independence."

- Most of these groups cite overwhelming debt, unemployment and not being able to afford to live on their own as the main reasons for moving in with mom and dad.

Sixty-two percent of Gen X and Gen Y expect to financially support their parents when they are retired and/or physically unable to care for themselves.

What's more, these young adults are willing to support their parents even at a detriment to their own financial security and retirement goals.

- Gen X (91%) and Gen Y (88%) would financially support their parents even if it took away from their savings goals and retirement.
- Ninety-three percent of Gen X and 92 percent of Gen Y said they would feel obligated to provide financial support to their parents if their parents asked or needed assistance.

And while these younger generations may feel obligated and plan to financially care for and support their aging parents, their parents (Matures 90% and Boomers 91%) don't expect their children to provide them with this financial support. Yet, 14 percent of all respondents have, in fact, had their parents living with them for three months or longer.

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Mature & Boomer

One-third (34%) of Mature and 44 percent of Boomer parents expect they will have to provide some financial support to their adult children.

- And while many may not expect it, the reality is that at some point, nearly half (47%) of Mature and 54 percent of Boomer parents have had their adult children (age 25+) live with them for three months or longer.
- While a little more than half (54%) of the respondents with adult children have not provided financial support to their adult children, those who are providing financial support are providing it for necessities such as rent, food, utilities, and car and housing payments.
- Only 39 percent of Mature respondents felt that financially supporting their adult children would have little financial impact on them, while 42 percent of Boomers felt that supporting their children would have a negative financial impact on them.
- Eighty-one percent of Matures and 76 percent of Boomers report they would feel obligated to provide financial support to their adult children if they asked for and needed assistance.
- Additionally, 81 percent of Matures and 88 percent of Boomers would let their adult children live with them if they needed financial support or companionship.
- Parental instincts may play a role in the decisions of the older generations as 66 percent of Matures and 57 percent of Boomers are willing to financially support their adult children even if it took away from their savings goals such as retirement.

Boomer respondents were better prepared for financial readiness than many of their Gen Y offspring.

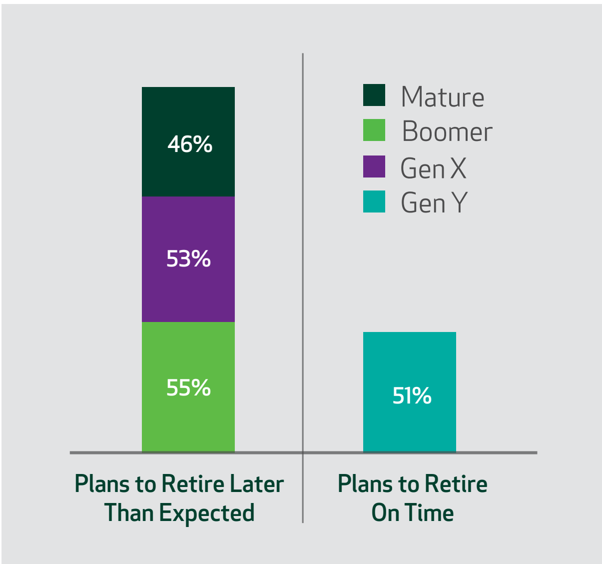
- One-third (33%) of Boomers received financial support from parents after graduating. For most of these Boomers (61%), the financial support was a one-time event. In contrast, more Gen Y respondents (41%) received ongoing financial support from parents with 33% of them receiving support for one year or longer.
- Most Boomers expect to take care of their elderly parents. In fact, 17 percent of Boomers reported at least one parent has lived with them for three months or longer. For 74 percent of these Boomers, caring for an elderly or sick parent was the primary reason.
- A sense of obligation and responsibility toward parents is cross-generational. Eighty-seven percent of respondents with independent parents stated they would sacrifice saving for retirement to support their parents if circumstances required this action (Boomers 82%, Gen X 91%, Gen Y 88%).

Wisdom may indeed come with age. Perhaps a product of tough love, Mature respondents appear more likely to look out for themselves first.

- Seventy-seven percent never received financial support from parents after completing formal education, and if they did need financial support, they only received it once compared to 25 percent of Gen Y who received financial support for a period of at least two years.
- Most (91%) Matures never had to move in with family after they were financially independent, compared to 20 percent of Gen X and 23 percent of Gen Y who did.
- Fifty-six percent would support their parents even if it took away from their savings such as retirement compared to Boomers 82%, Gen X 91%, Gen Y 88%.
- Sixty-five percent would let their retired or physically dependent parents live with them if they needed financial support or companionship compared to 85% of Boomers, 90% of Gen X and 90% of Gen Y.

Retirement's New Reality

Retiring at age 65 is becoming less common and unless younger generations start taking action now, this trend may continue.



- As a result of the economic conditions of the last two years, 50 percent of respondents plan to retire later than expected (Mature 46%, Boomers, 55%, Gen X 53%). However, Gen Y is the more optimistic generation with 51 percent planning to retire on schedule. While Gen Y's intentions are good, some of their earlier-noted responses to the recession – cutting back on saving and incurring credit card debt – could hold them back.
- Younger generations are still optimistic that they will retire at age 65, however as the generations near retirement, their opinions shift slightly – only 41 percent of Boomers and 40 percent of Gen X feel that 65 is still a realistic retirement age. More Boomers (45%) and Gen X respondents (38%) said retirement would more likely happen after age 66.

Among retired respondents, 47 percent actually retired between the ages of 60 and 65.

- Of those retired respondents, half (49%) retired earlier than expected due to declining health or having to care for a spouse or relative, while fewer (23%) retired earlier than expected because they invested and/or saved wisely.
- Of those non-retired respondents who anticipate retiring later than expected, 51 percent said the recent market downturn was the primary reason for their retirement setback. Another 33 percent blamed their own actions, saying they simply started saving too late for retirement.

The new reality is that 63 percent of respondents said they would prefer to retire later if it meant having a larger nest egg (Mature 63%, Boomers 58%, Gen X 64% and Gen Y 69%).

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Generations defined as: Mature: born 1930-1945; Boomer: born 1946-1964; Gen X: born 1965-1976; and Gen Y/Millennials: born 1977-1989.

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