

News Release

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INDEPENDENT INVESTMENT ADVISOR OPTIMISM SHARPLY ON THE RISE ACCORDING TO LATEST SCHWAB SURVEY

More than half of RIAs are 'Bullish'; Large Caps and ETFs are Top Investment Choices

SAN FRANCISCO, March 7, 2011 – Independent registered investment advisor (RIA) optimism has risen significantly since July 2010 according to Charles Schwab's latest survey of more than 1,300 RIAs representing \$284 billion in assets under management. More than three-quarters of advisors surveyed (77%) expect the S&P 500 to rise in the next six months, up from 63 percent in the previous survey in July. Reflecting this growing optimism, more than half of advisors (56%) classify themselves as "bulls," while only 10 percent see themselves as "bears" when it comes to stock market performance over the next six months.

Independent advisors also display optimism across a number of economic indicators and consumer behavior metrics. Sixty-eight percent of advisors think consumer spending will increase in the next six months, compared to only 42 percent in July 2010. Only 17 percent believe unemployment will increase, compared to 32 percent in July 2010. Only 38 percent of advisors say the housing market will continue to soften, down from 53 percent last July.

"While there is still uncertainty in the markets and in various parts of the world, independent investment advisors clearly think we are turning the corner economically," said Bernie Clark, executive vice president and head of Schwab Advisor Services.

When asked about various economic issues currently making headlines, advisors have the following to say:

- **U.S. Treasury yields:** Sixty-four percent think U.S. Treasury yields will increase in the next six months, while only eight percent think they will go down.
- **Bush tax cuts:** An overwhelming majority (85%) believe the extension of the Bush tax cuts will have a favorable impact on the stock market and economy overall.
- **Quantitative easing:** Fifty-five percent say the quantitative easing activities being conducted by the Federal Reserve will have a favorable impact on the stock market and economy overall.
- **Inflation:** Sixty-four percent of advisors think inflation will increase over the next six months, up significantly from just 28 percent six months ago.
- **Cost basis reporting changes:** Nearly half of RIAs' clients (48%) are unaware of the impact the recent changes to cost basis reporting will have on their tax situation.

Advisors Focused on Large Cap Investments

The increasing optimism is also reflected in independent advisors' move to invest more in equities over the next six months. Thirty-nine percent of advisors are likely to invest more in domestic large cap compared to 27 percent in July 2010. Twenty-eight percent plan to invest more of their portfolio in international large cap in emerging markets, while 22 percent plan to increase investment in international small cap in emerging markets. Only nine percent of advisors plan to increase their investment in cash and six percent in fixed income.

(more)

More than half (56%) of advisors plan to maintain their current investment exposure in China, and one in 10 (11%) plan to increase exposure to China. Only 13 percent of advisors have no investments in China. As the European debt crisis continues to make headlines, 47 percent of advisors say they will maintain their current investment exposure to Europe, and just three percent will increase exposure. Twenty-nine percent of advisors have no investment exposure in Europe.

Advisors expect the energy sector to perform best over the next six months with information technology and financials rounding out the top three. Also of note, enthusiasm for the consumer staples and utilities sectors has diminished significantly with only 15 percent ranking consumer staples among the top three sectors compared to 29 percent in July 2010 and nine percent saying utilities are in their top three, down from 19 percent six months ago.

Municipal bonds and actively managed mutual funds also rank high among the majority of independent advisors surveyed, with roughly 80 percent of advisors indicating they use each of these investment vehicles for their clients today.

Advisors Continue to Embrace ETFs

Exchange traded funds (ETFs) continue to be the investment vehicle of choice for independent advisors, with 84 percent of those surveyed saying they currently use ETFs. Their popularity with advisors shows no signs of abating over the next six months: 31 percent of those surveyed say they plan to invest more in ETFs, the most of any investment vehicle. Alternative investments ranked second among advisors as the investment vehicle in which they expect to invest more, followed by actively managed mutual funds.

Among ETF products, 78 percent of advisors currently invest in equity ETFs and 28 percent plan to invest more in them over the next six months. Seventy percent of advisors are currently investing in international ETFs for their clients, with 23 percent planning to invest more. More than 60 percent of advisors surveyed say they are currently using fixed income ETFs.

Advisors cite a number of reasons for investing in ETFs. More than 80 percent say they use them for diversification in client portfolios, and nearly half use ETFs to maintain market exposure while making portfolio adjustments. Forty percent of advisors use ETFs as a way to manage risk for clients. Lower cost (75%), trading flexibility (66%), and access to specialized markets (55%) are the top three reasons that advisors say they started using ETFs.

Advisors' Clients Also More Upbeat

According to the advisors surveyed, their clients are more upbeat entering 2011 as well. Over the past six months, the number of advisors' clients that needed reassurance that they will achieve their investment goals declined, falling to 23 percent, down from 30 percent in July 2010 and down from a high of 49 percent in January 2009.

Specifically, more than half of advisors' clients (53%) feel more optimistic about the economy than they did in July 2010, and 56 percent of clients feel more positive about their investment performance than they did six months ago, up from just 14 percent in July 2010. However, clients remain cautious about retirement with only 23 percent more optimistic that they will be able to retire on time. According to advisors, 34 percent of their clients are reducing expenses, down from 47 percent in July 2010, and 22 percent are spending more money on discretionary items, up from just eight percent last summer.

Charles Schwab is a leading provider of custodial, operational and trading support for more than 6,000 independent RIAs.

About the Charles Schwab Independent Advisor Outlook Study

The Independent Advisor Outlook Study, conducted for Schwab Advisor Services by Koski Research in January 2011, has a 2.74% margin of error. Koski Research is not affiliated with nor employed by Charles Schwab & Co. Inc. Detailed findings can be found at www.aboutschwab.com. All data is self-reported by study participants and is not verified or validated. Advisors participated in the study between January 18 and January 28, 2011. Independent investment advisors are not owned by, affiliated with or supervised by Charles Schwab & Co., Inc.

About Charles Schwab

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Exchange traded funds are subject to risks similar to those of stocks. 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.

International investing involves special risk considerations and may expose an investor to greater volatility. Factors to consider include, but are not limited to, currency fluctuations, lower liquidity, differences in security regulation, accounting standards, foreign taxation regulations and political risks. These risks may be heightened in emerging markets.

Alternative investments involve specialized, enhanced risks and may not be suitable for every investor.

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