The CAQ'S Ninth Annual

MAIN STREET INVESTOR SURVEY

INVESTOR OF THE FUTURE

SEPTEMBER 2015

CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets

FROM THE EXECUTIVE DIRECTOR

Since 2007, the Center for Audit Quality (CAQ) has commissioned an annual survey of U.S. investors as part of its efforts to enhance understanding of and confidence in capital markets. Each year, the Main Street Investor Survey measures retail investor confidence in U.S. capital markets, global capital markets, and audited financial information, as well as confidence in investing in publicly traded companies. The survey also queries investors on the current financial and economic landscape.

In 2015, our survey reveals the resilient state of investor confidence, even as markets gyrate. Consider:

- 73% of investors express confidence in U.S. capital markets, holding steady from 2014 levels and up 12 percentage points from a low after the financial crisis.
- 78% of investors have confidence in investing in U.S. publicly traded companies, statistically consistent with last year's finding, which was an all-time high in our survey.
- Investors express strong levels of confidence regarding key players in the financial system, including external auditors, independent audit committees, financial advisors, and stock exchanges.

While these data points and others are encouraging, they should not be cause for complacency. Indeed, in the data, we also see reminders that there is room to improve. In examining the investor of today, we must also consider the "Investor of the Future," the theme of this year's report.

To orient ourselves toward the future, this edition of the Main Street Investor Survey focuses in particular on younger investors—the "millennials" who are between 18 and 34 years of age.

In many respects, the views of these younger investors do not look much different from those of anyone else. By and large, millennials are relatively confident in capital markets and in key capital markets stakeholders.

Yet we do see telling divergences. For example, as you'll see on page 18 of our survey, millennials are preoccupied with paying off debt. They are also attuned to emerging risks, such as cybersecurity, in noteworthy ways.

With this new demographic focus, and nearly a decade of comparative data, the Main Street Investor Survey provides a unique perspective—one from which policymakers, the private sector, and the broader public can all benefit.

Cynthia M. Fornelli
Executive Director
Center for Audit Quality

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U.S. CAPITAL MARKETS

Confidence in U.S. Capital Markets Stays Consistently High

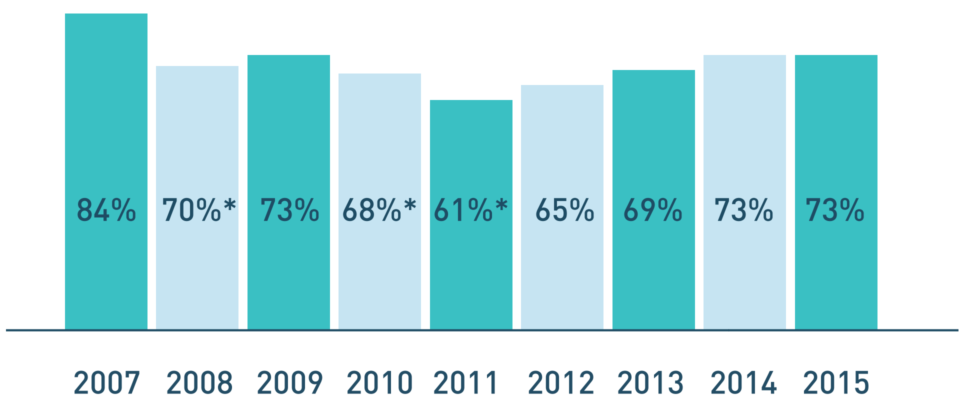
Each year since 2007, the CAQ has asked investors how much confidence they have in U.S. capital markets. In 2015, almost three-quarters (73%) of all investors indicated they have some, quite a bit, or a great deal of confidence in U.S. capital markets.

This year, the CAQ had additional interviews conducted with millennial investors, defined here as those aged 18-34. (For full methodology, please see Appendix I.) These millennial investors showed similar degrees of confidence in U.S. capital markets as the broader population, with 76% expressing some, quite a bit, or a great deal of confidence in U.S. capital markets.

The overall finding of 73% signals widespread confidence in U.S. capital markets and a considerable improvement from the low of 61% recorded in 2011. Confidence levels, however, remain 11 percentage points below the confidence measure of 84% recorded prior to the financial crisis.

FIGURE 1: Confidence in U.S. Capital Markets

Percentage of those who have some, quite a bit, or a great deal of confidence



Notes: *Change is statistically significant from previous year.
For exact survey question, see Appendix III.

U.S. CAPITAL MARKETS

Belief in the Capital Market System, Personal Market Experience, and Past Market Performance Are the Top Drivers of Confidence in U.S. Markets

Those who expressed at least some confidence in U.S. capital markets were asked why they felt that way. The top-cited reasons for confidence in U.S. capital markets were: a general confidence in the strength of the market system; observations of their own positive experiences with their recent personal investments; and the historical stability of the U.S. markets.

The top-cited reasons among millennials were similar to all investors nationwide.

FIGURE 2: Reasons for Confidence in U.S. Capital Markets

	2014	2015
Market is strong and in good shape/Believe in market system/Capitalism works	15%	16%
Based on personal experience with market/Personal investments are doing well	15%	15%
Past performance/Historical evidence that the U.S. markets always bounce back	13%	14%
Nothing specific/Gut feeling	6%	11%*
Recession is over/ending/Improving economy	12%	8%*
Confident, but wary/Worried about potential instability/ Corruption/Politics	-	7%
Confidence/trust in U.S. and government/President	15%	7%*
Specific economic indicators are good (unemployment, inflation, consumer confidence)	4%	5%
United States vs. Europe and China comparison/ United States is doing better than the rest of the world	-	5%
Belief that the private sector will do well	3%	3%
Advice or information from reliable sources tells me to have confidence	3%	3%
Other	8%	1%

Notes: Asked of those with at least some confidence in U.S. capital markets.
Percentages based on those asked the question.
Don't know/Refused results not shown.
Multiple responses accepted.
*Change is statistically significant from previous year.
For exact survey question, see Appendix III.

U.S. CAPITAL MARKETS

Government and Views of Economy Are Most Frequent Reasons for Lack of Confidence in U.S. Markets

Those who have little or no confidence in U.S. capital markets were asked why they felt that way.

The top reasons given by all investors nationwide was a lack of leadership, President Obama, and partisan bickering (25%). Slightly fewer investors stated that they had a general impression that the economy is not doing well or is headed in the wrong direction (23%).

Like all investors nationwide, millennials blamed a lack of leadership, the president, and partisan bickering for why they have little or no confidence in U.S. capital markets.

FIGURE 3: Reasons for Lack of Confidence in U.S. Capital Markets

	2014	2015
Lack of leadership/President/Partisan bickering	23%	25%
Impression that economy is not doing well	24%	23%
Corporate greed/Growing gap between rich and poor	9%	12%
Nothing specific/Gut feeling	6%	9%
Government interference/Policies	10%	7%
Based on personal experience with market/Personal investments are not doing well	6%	7%
Fluctuation or instability in U.S. stock market	4%	7%
Too much government spending/Debt	7%	3%*
Other	6%	2%

Notes: Asked of those with little or no confidence in U.S. capital markets.
Percentages based on those asked the question.
Don't know/Refused results not shown.
Multiple responses accepted.
*Change is statistically significant from previous year.
For exact survey question, see Appendix III.

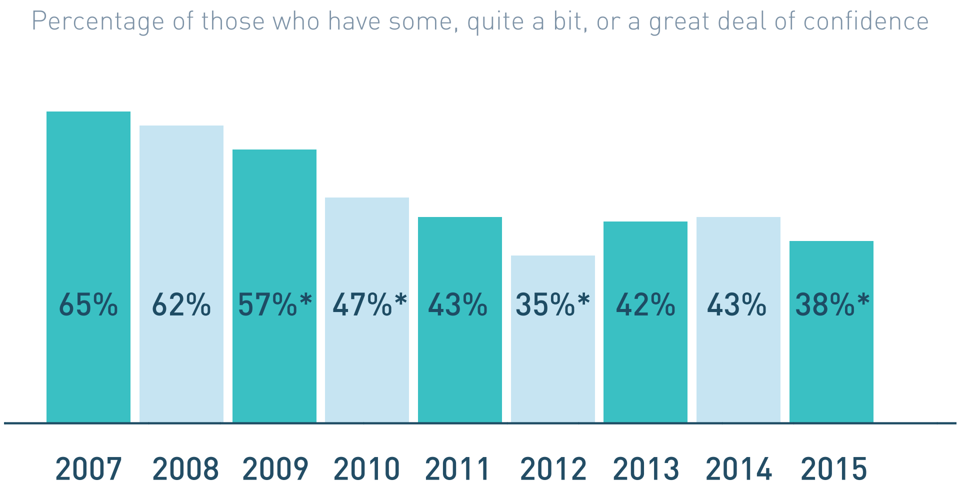
CAPITAL MARKETS OUTSIDE THE U.S.

Confidence in Capital Markets Outside the United States Declines

Confidence in capital markets outside the United States decreased from 43% in 2014 to 38% in 2015. This year's figure is close to the lowest confidence measure recorded by this survey (35%) in 2012. While investors were divided last year—with 43% indicating that they have confidence and 43% indicating that they have little or no confidence—this year, there was a 10 percentage point divide between those who have confidence (38%) and those who do not have confidence (48%). Another 14% of investors were not able to rate their confidence in capital markets outside the United States.

Millennial investors (43%) were more likely than all investors nationwide (38%) to have confidence in capital markets outside of the United States.

FIGURE 4: Confidence in Capital Markets Outside the United States



Notes: *Change is statistically significant from previous year.
For exact survey question, see Appendix II.

CONFIDENCE METRICS

CAPITAL MARKETS OUTSIDE THE U.S.

Specific Countries' Successes and a General Impression That These Markets Are Doing Well Are Top Drivers of Confidence in Capital Markets Outside the United States

Those who have at least some confidence in capital markets outside the United States were asked why they felt that way.

The top reasons given were that some specific countries are doing well, especially some European and Asian countries, and a general impression that capital markets outside the United States are doing well or even better than U.S. markets. Although some respondents stated that they had confidence in capital markets outside the United States, many indicated they had some hesitations about these markets as many were worried about overseas events and turmoil in Greece and China.

The two top reasons given by millennials for why they have confidence in capital markets outside of the United States mirrored those of all investors nationwide.

FIGURE 5: Reasons for Confidence in Capital Markets Outside the United States

	All investors	Millennial investors
Some or specific countries are doing well	20%	20%
Impression that markets outside the U.S. are doing well or better than U.S. markets	18%	20%
Confident, but wary/Worried about overseas events/Turmoil	18%	9%*
U.S. economic influence/They are all linked	11%	4%*
Personal experience with foreign markets/Investments are doing well	8%	7%
Advice, research, or information from reliable source tells me to have confidence	7%	9%
Nothing specific/Gut feeling	4%	4%
Historic stability	2%	9%*
Other	3%	7%

Notes: Asked of those with a great deal, quite a bit or some confidence in capital markets outside of the United States.
Percentages based on those asked the question.
Don't know/Refused results not shown.
Multiple responses accepted.
*Difference is statistically significant.
For exact survey question, see Appendix III.

CAPITAL MARKETS OUTSIDE THE U.S.

Debt Crisis in Europe and Bad Economic Climate Are Top Reasons for Lack of Confidence in Capital Markets Outside the United States

Those who have little or no confidence in capital markets outside the United States were asked why they felt that way. The top reason given was because of the situation in Europe, specifically in Greece (18%). Slightly fewer (14%) mentioned a bad economic climate worldwide.

Millennials' top reasons for having little or no confidence in capital markets outside the United States were because of the debt crisis in Europe and especially the situation in Greece (13%), a gut feeling not to have confidence (13%), and that they don't know enough about markets overseas to have confidence (13%).

FIGURE 6: Reasons for Lack of Confidence in Capital Markets Outside the United States

	2014	2015
Debt crisis/Problems in Europe/Greece	5%	18%*
Bad economic climate worldwide, in other countries	9%	14%*
Don't know enough about markets overseas	10%	11%
Unstable governments/Political turmoil	12%	9%
Lack of stability/Too volatile	8%	9%
Nothing specific/Gut feeling not to trust them	12%	9%
Don't pay attention to markets overseas/Not invested	9%	8%
Problems with Chinese economy	-	7%
Conflicts and turmoil overseas	11%	6%*
U.S. problems affecting other markets and vice versa	15%	4%*
Bad personal experience/Prefer to stay in domestic market	-	1%
Events in the Middle East	3%	-
Other	6%	6%

Notes: Asked of those with little or no confidence in capital markets outside the United States.
Percentages based on those asked the question.
Don't know/Refused results not shown.
Multiple responses accepted.
*Change is statistically significant from previous year.
For exact survey question, see Appendix III.

PUBLICLY TRADED COMPANIES

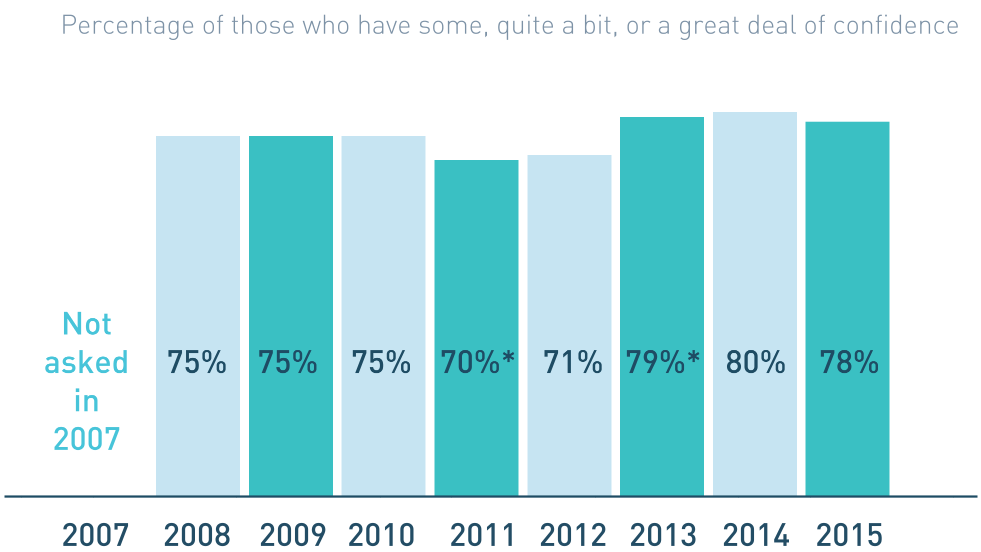
Investors Show Consistent Confidence in Investing in U.S. Public Companies

This year, confidence investing in U.S. companies that are publicly traded remained high (78%).

Nearly four in 10 investors (37%) indicated either a great deal of confidence (12%) or quite a bit of confidence (25%) in investing in U.S. companies that are publicly traded.

Millennial investors' confidence in investing in U.S. public companies (76%) was consistent with all investors nationwide.

FIGURE 7: Confidence in Investing in U.S. Companies That Are Publicly Traded



Notes: *Change is statistically significant from previous year.
For exact survey question, see Appendix III.

CONFIDENCE METRICS

PUBLICLY TRADED COMPANIES

Belief in Economy and U.S. Capital System and Personal Experience Top Reasons for Confidence in Publicly Traded U.S. Companies

Those who expressed at least some confidence in investing in U.S. companies that are publicly traded were asked why they felt that way. The top cited reasons for confidence in investing in U.S. public companies were: because the economy is doing well and the positive returns they are experiencing with their investments.

In comparison, the top cited reason of millennial investors (24%) was because of the positive attributes of publicly traded companies, including the fact that they are publicly traded and therefore held accountable to their shareholders, and that they are responsible or "good" companies.

However, like all investors nationwide, 21% of millennial investors cited their own personal experience and positive returns, while 20% said they have confidence because the economy is generally good and they believe in the U.S. capital system.

CONFIDENCE METRICS

FIGURE 8: Reasons for Confidence in Publicly Traded U.S. Companies

	All investors	Millennial investors
Economy in general is good/Belief in U.S. capital system	24%	20%
Personal experience/Positive returns	21%	21%
Positive statements about the companies (publicly traded/responsible/good)	16%	24%*
Historic performance of markets	9%	9%
Nothing specific/Gut feeling	7%	8%
Government involvement/Regulation or lack thereof	5%	4%
Confident but wary/Worried about market volatility, pitfalls with publicly traded companies	5%	3%
Other	4%	1%

Notes: Asked of those with a great deal, quite a bit, or some confidence in investing in publicly traded U.S. companies.
Percentages based on those asked the question.
Don't know/Refused results not shown.
Multiple responses accepted.
*Difference is statistically significant from previous year.
For exact survey question, see Appendix III.

PUBLICLY TRADED COMPANIES

General Lack of Trust or Advice Not to Trust Companies, Economy Is Not Doing Well, and Rigged System Are Top Reasons for Lack of Confidence in Investing in U.S. Companies That Are Publicly Traded

Those who have little or no confidence in investing in U.S. companies that are publicly traded were asked why they felt that way.

The top reasons given by investors nationwide were a lack of trust in them, the impression that the economy is not doing well, and an impression that the system is rigged or that corporations are greedy.

Like investors nationwide, millennial investors gave the same top two reasons for having little or no confidence in investing in U.S. companies that are publicly traded, but in the reverse order.

FIGURE 9: Reasons for Lack of Confidence in Publicly Traded U.S. Companies

	All investors	Millennial investors
Don't trust them/Sources say not to trust them	25%	16%
Economy is not doing well/U.S. companies exporting jobs overseas or headquarters no longer based in U.S.	21%	24%
Rigged system/Lack of leadership/Corporate greed	19%	13%
Personal experience/Not personally invested	12%	7%
Nothing specific/Gut feeling	2%	6%
Other	5%	13%

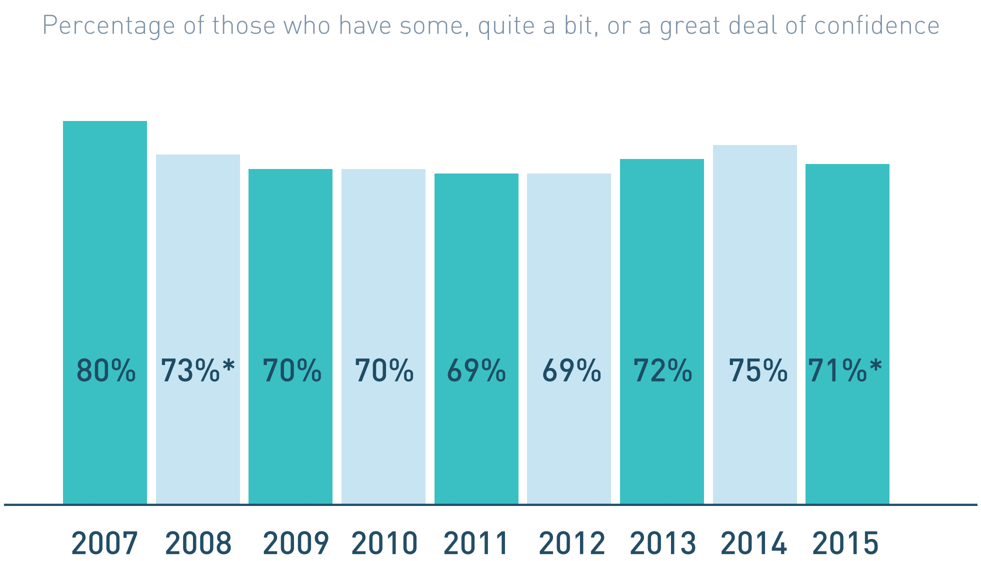
Notes: Asked of those with little or no confidence in investing in U.S. companies that are publicly traded.
Percentages based on those asked the question.
Don't know/Refused results not shown.
Multiple responses accepted.
For exact survey question, see Appendix III.

AUDITED FINANCIAL INFORMATION

Confidence in Audited Financial Information Shows Slight Decline

Confidence in audited financial information released by publicly traded U.S. companies decreased slightly this year. Seven in 10 investors (71%) expressed confidence in audited financial statements, a decrease of four percentage points since last year, when three-quarters (75%) of investors had confidence.

FIGURE 10: Confidence in Audited Financial Information Released by Publicly Traded U.S. Companies



Note: For exact survey question, see Appendix III.
*Change is statistically significant from previous year.

CONFIDENCE METRICS

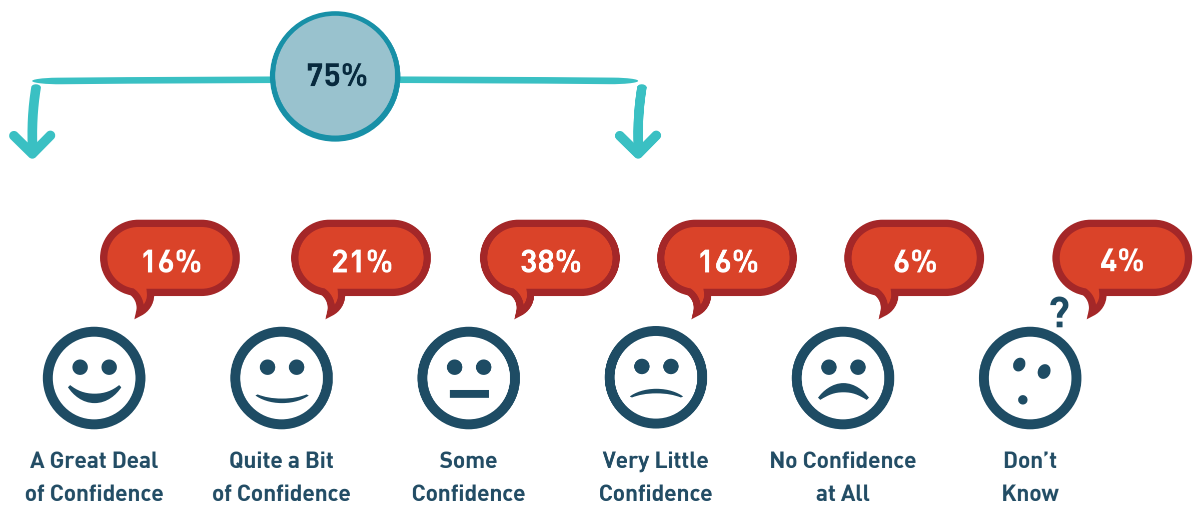
ABILITY TO MAKE SUCCESSFUL FINANCIAL DECISIONS

A Strong Majority of Investors Are Confident That They Are Able to Make Successful Financial Decisions in Today's Market Environment

Perhaps not surprising given the rising stock market over the past few years, three-quarters of investors (75%) said they have confidence in their ability to make successful financial decisions in today's market environment. Only 24% of investors indicated they have very little or no confidence in their ability.

A similar number of millennial investors (78%) said they have confidence in their ability to make successful financial decisions in today's market environment.

FIGURE 11: Confidence in Ability to Make Successful Financial Decisions



Notes: For exact survey question, see Appendix III.
Totals may not add up to 100% due to rounding.

CONFIDENCE METRICS

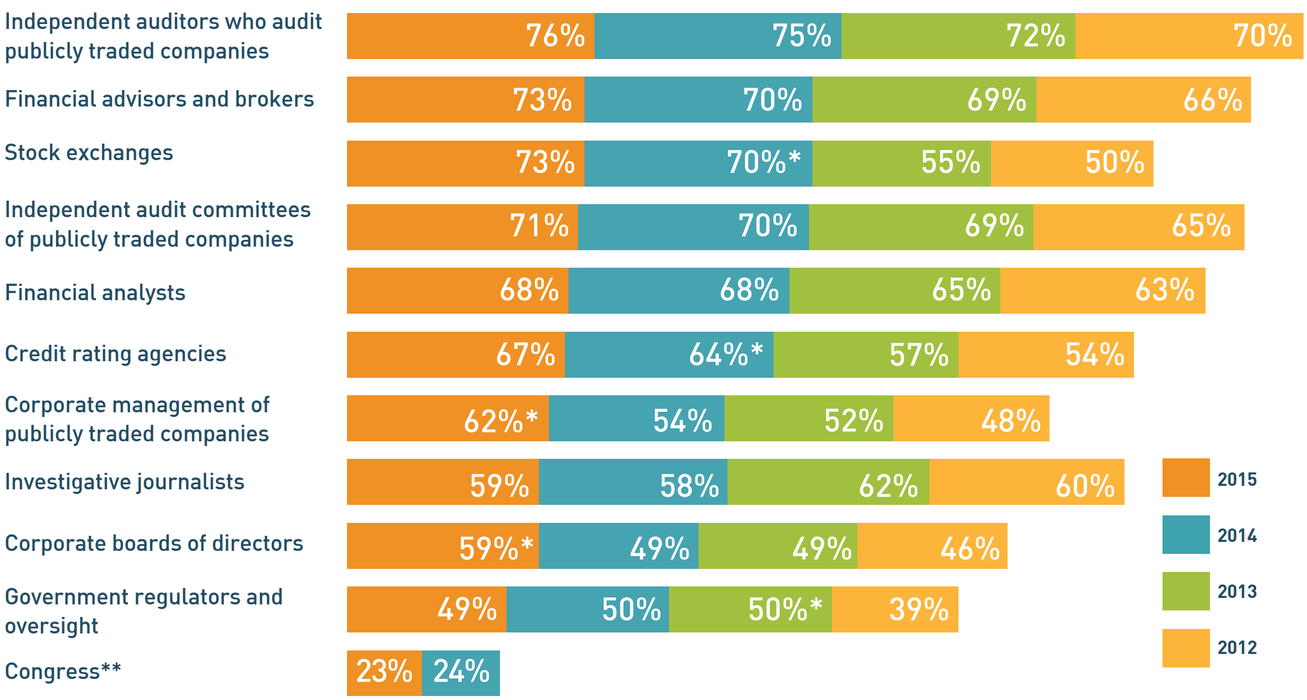
Auditors Still Top the List of Entities Investors Say Are Looking Out for Their Interests

Since 2011, respondents have been asked how much confidence they have in a number of different entities when it comes to effectiveness in looking out for investors' interests.

As in past years, investors expressed the most confidence in independent auditors (76%), financial advisers and brokers (73%), stock exchanges (73%), and independent audit committees (71%). The biggest gain in confidence seen this year was in corporate boards of directors, which increased 10 percentage points (from 49% last year to 59% this year).

Like investors nationwide, millennials have the most confidence in independent auditors (77%), followed by financial advisors and brokers (74%), and stock exchanges (74%).

FIGURE 12: Confidence in Entities That Look Out for Investors



Notes: For exact survey question, see Appendix III.
*Change is statistically significant from previous year.
**Not asked before 2014.

SELF-DESCRIBED RISK TOLERANCE

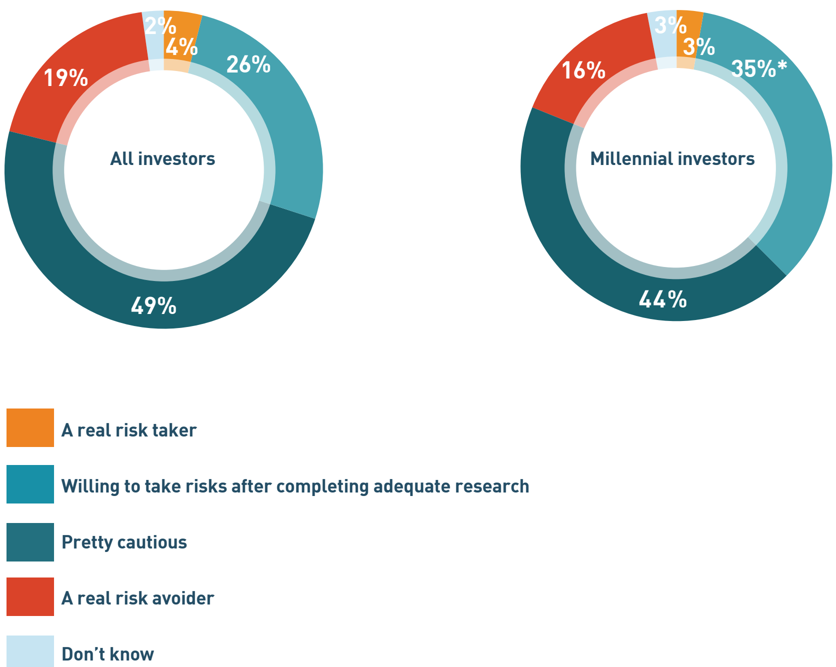
A Majority of Investors Describe Themselves as Pretty Cautious; Millennials Are More Willing to Take Calculated Risks

Since last year, investors have been asked to describe their risk tolerance.

In 2015, almost half of investors described themselves as pretty cautious (49%). One-quarter (26%) described themselves as willing to take risks after completing adequate research; only 4% described themselves as a real risk taker. These numbers are consistent with last year's findings.

Millennial investors were more likely to describe themselves as willing to take risks after completing adequate research (35%) than all nationwide investors (26%).

FIGURE 13: Self-Described Risk Tolerance



Notes: *Difference is statistically significant.
For exact survey question, see Appendix III.

PLANNED INVESTMENTS

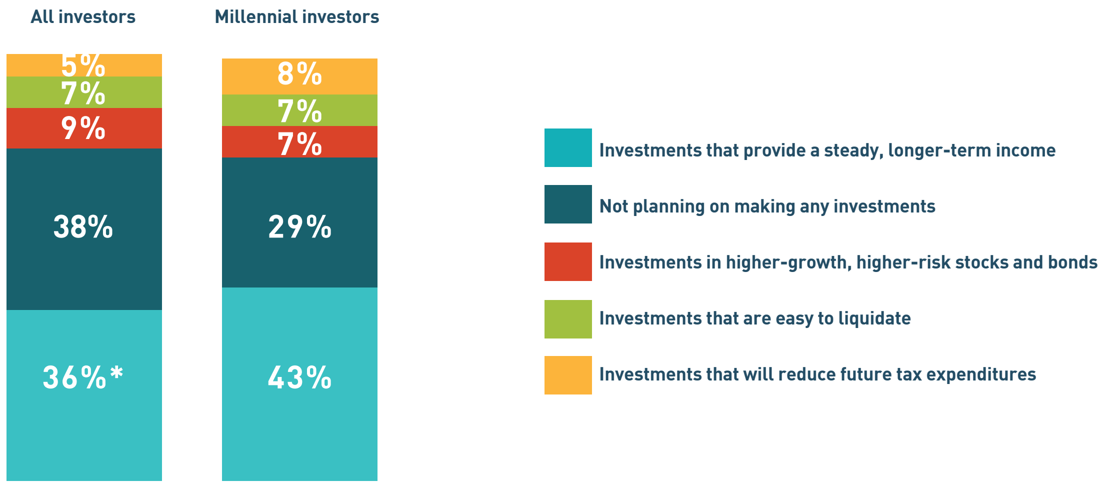
Investors Are Looking for Investments That Provide Steady, Longer-Term Income

For the second consecutive year, investors were asked to look ahead to the next 12 months and predict which type of investments they plan to make.

In 2015, almost four in 10 investors (38%) said they were planning on making investments that provide steady, longer-term income. Slightly more than one in three investors (36%) said they were not planning on making any investments.

Millennials (29%) are less likely than investors overall (36%) to say they are not planning to make any investments in the next 12 months.

FIGURE 14: Planned Investments



Notes: *Difference is statistically significant.
Don't know/Refused results not shown.
For exact survey question, see Appendix III.

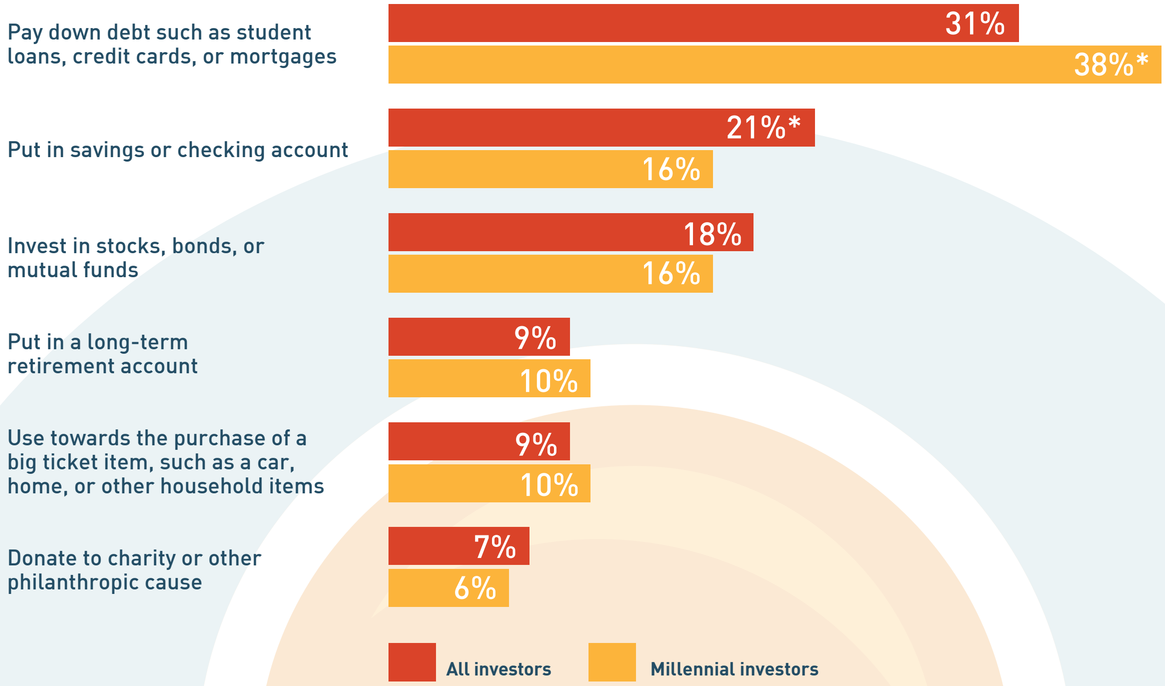
IF GIVEN $10,000...

Investors Are Most Likely to Say They Would Use It to Pay Down Debt

Three in 10 of all investors nationwide (31%) say they would pay down debt such as student loans, credit cards, or mortgages if they were given $10,000. Two in 10 (21%) would put it into a savings or checking account, and slightly fewer (18%) would invest in stocks, bonds, or mutual funds.

By contrast, millennial investors (38%) were seven percentage points more likely than all investors nationwide to say they would pay down debt. Millennials (16%) were also five percentage points less likely than all investors nationwide to say they would put the $10,000 into their savings or checking account.

FIGURE 15: If Given $10,000...



Notes: Difference is statistically significant.
Don't know/Refused results not shown.
For exact survey question, see Appendix III.

IF GIVEN $10,000...

Top Reason for Use of $10,000 Is Because of Debts Owed

One-quarter (24%) of investors nationwide indicated that the reason they would use the $10,000 in the manner that they selected would be to pay off their debt and become debt free or to decrease the interest payments on the debt that they have. Almost two in 10 investors (17%) said they would use that $10,000 to make more money.

FIGURE 16: For What Reasons Would You Use $10,000

	All investors	Millennial investors
Help with interest/Become debt free	24%	25%
Want money to grow/Get a better return	17%	14%
For emergency purposes/Rainy-day fund	13%	9%
To keep money safe/Stable	9%	6%
Philanthropic reasons/For a worthy cause/To help those in need	6%	5%
Personal need/To replace something old	6%	3%
To meet a goal in life/Buy a house/Travel	5%	10%*
Save for retirement or the future	5%	3%
Don't need it/Well off enough	3%	1%
No specific reason/Just because/Feels like the best decision	3%	14%*
Need a new car	2%	1%
Other	3%	3%

Notes: Asked of those who gave a response to question asked for Figure 15.
*Difference is statistically significant.
Don't know/Refused results not shown.
For exact survey question, see Appendix III.

ASSESSMENT OF FACTORS ESSENTIAL TO DECISION MAKING

Industry Sector and Historic Stock Performance Are Top Two Factors for Investors When Looking to Invest

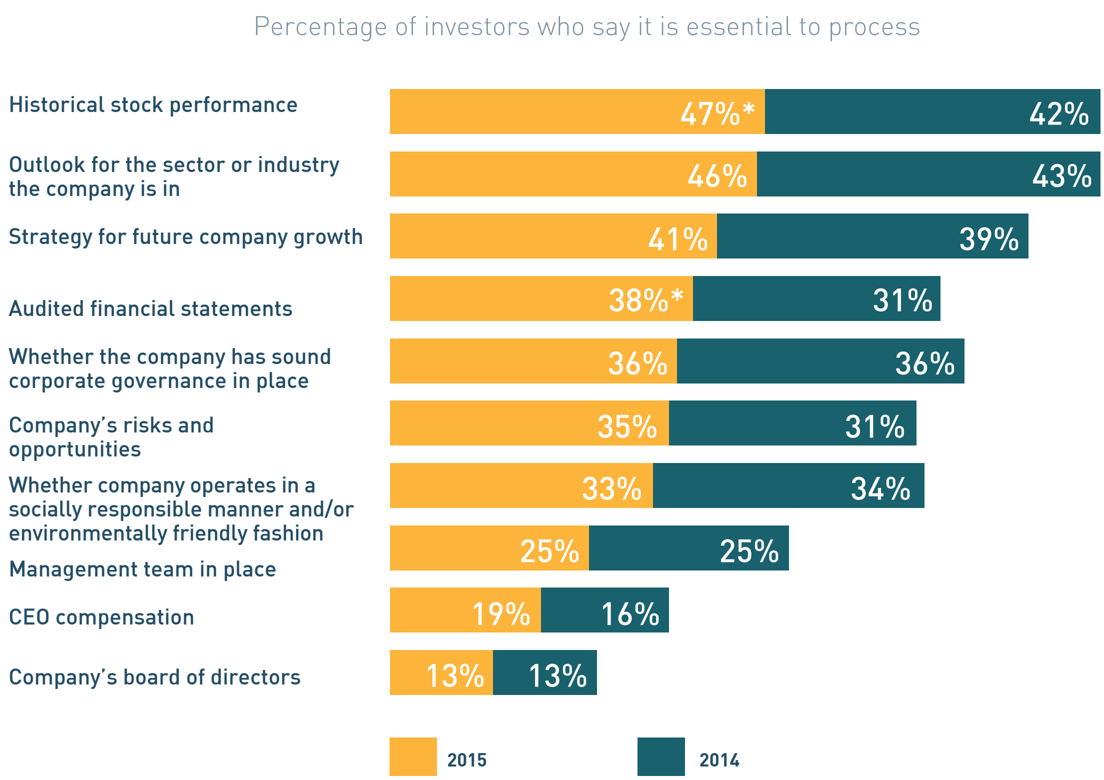
Investors were asked the extent to which a set of factors may affect their investment decision-making process. No one single factor seems to drive their investment decisions; instead, the spectrum of information investors use to evaluate investments continues to be comprehensive.

The historical stock performance (47%) and the outlook for the sector or industry the company is in (46%) remained the top two factors that investors considered essential when thinking about the specific investments that they might make. These were followed by the strategy for future company growth (41%).

Almost four in 10 investors (38%) say that audited financial statements are essential to their decision-making process, while fewer than two in 10 investors (19%) say that they do not consider audited financial statements when thinking about specific investments they might make.

Like investors overall (47%), half of millennials (50%) rated historical stock performance as essential to their decision-making process. Slightly fewer millennials (48%) say that the outlook for the sector or industry the company is in is essential, while four in 10 millennials (41%) say that the strategy for future company growth is essential.

FIGURE 17: Assessment of Factors Essential to Decision Making



Notes: For exact survey question, see Appendix III.
*Change is statistically significant from previous year.

SAFEST AND RISKIEST INDUSTRIES

Investors Are Most Likely to See Health Care and Technology as Safest Industries to Invest in Over the Next Year; Financial Industry and Health Care Are Seen as Riskiest

Investors see health care (29%) and technology (25%) as the safest industries to invest in over the next 12 months, followed by energy (16%). While investors regarded these as the top three safest industries last year as well, the percent of investors who say that energy is the safest industry dropped nine percentage points from last year to 16% this year. In comparison, the health care industry saw a five percentage point increase in investors considering it the safest industry in which to invest.

Three in 10 millennials (28%) say that technology is the safest industry to invest in over the next 12 months. Slightly fewer (25%) say that health care is the safest industry. Like investors overall, fewer millennials (17%) picked energy as the safest industry overall.

FIGURE 18: Safest Industries

	2015	2014
Health Care	29%*	24%
Technology	25%*	20%
Energy	16%*	25%
Financials (e.g. banks, insurance)	6%	3%
Media and Telecommunications	4%	5%
Consumer Goods and Services	4%	7%
Industrials	3%	4%
Transportation	2%	2%

Notes: For exact survey questions, see Appendix III.
*Change is statistically significant from previous year.

SAFEST AND RISKIEST INDUSTRIES

The financial industry (18%) and the health care industry (18%) are the top two industries investors say are the riskiest. Seventeen percent of investors view the energy industry as a risky investment, a jump of 10 points from a year ago.

Millennials and investors overall selected the same top three riskiest sectors to invest in: 18% of millennials think that health care is the riskiest sector to invest in, another 18% think that energy is the riskiest, while 17% think that financials (e.g. banks, insurance) is the riskiest sector.

FIGURE 19: Riskiest Industries

2015 2014

Health Care

18%* 22%

Financials
(e.g. banks, insurance)

18% 18%

Energy

17%* 7%

Technology

10% 8%

Consumer Goods
and Services

10% 10%

Media and
Telecommunications

9% 12%

Industrials

7% 6%

Transportation

6% 7%

Notes: For exact survey questions, see Appendix III.
*Change is statistically significant from previous year.

TRUST IN SOURCES OF INVESTMENT ADVICE

Investors Place Most Trust in Financial Advisors as a Source of Investment Information

Just under half of investors (49%) said they trust a financial planner, advisor, or broker the most as a source for investment information and advice. Fewer investors (13%) trust family, friends, and colleagues, while 12% place the most trust in financial newspapers and periodicals, or the business or financial section of a daily newspaper.

Millennials are on par with all investors nationwide. Almost half of millennials (46%) trust a financial planner, advisor or broker, while 15% trust family, friends and colleagues. Twelve percent trust financial newspapers and periodicals, or the business or financial section of a daily newspaper.

FIGURE 20: Trust in Sources of Investment Advice

	All investors	Millennial investors
A financial planner, advisor, or broker	49%	46%
Family, friends, and colleagues	13%	15%
Financial newspapers and periodicals, or the business or financial section of a daily newspaper	12%	10%
Financial reports released by publicly traded companies	7%	7%
Financial experts on television, radio, websites, or blogs	5%	6%
Social media	1%	1%

Note: For exact survey questions, see Appendix III.
Don't know/Refused results not shown.

TRUST IN SOURCES OF INVESTMENT ADVICE

Personal Relationship Is the Largest Driver of Trust in Source of Investment Advice

Investors were also asked why they trusted a particular source for investment information and advice. A large plurality of investors (44%) cited a personal relationship as the reason why they trust their preferred source for investment information and advice.

FIGURE 21: Reasons for Trust in Source of Investment Advice

	2015
Personal relationship/Honest with me/Trustworthy	44%
That's their job/Motivated to do well	12%
Track record/Past experience	11%
Expert/Knowledgeable (general)	10%
Objective/Reliable	9%
Helps me understand/I can verify	7%
Because they do good research and are well informed	5%
Because of audits	2%
Better than nothing/I just do	2%
Other	3%

Notes: Asked of those who selected a source for Figure 20 question.
Multiple responses accepted.
Don't' Know/Refused results not shown.
For exact survey questions, see Appendix III.

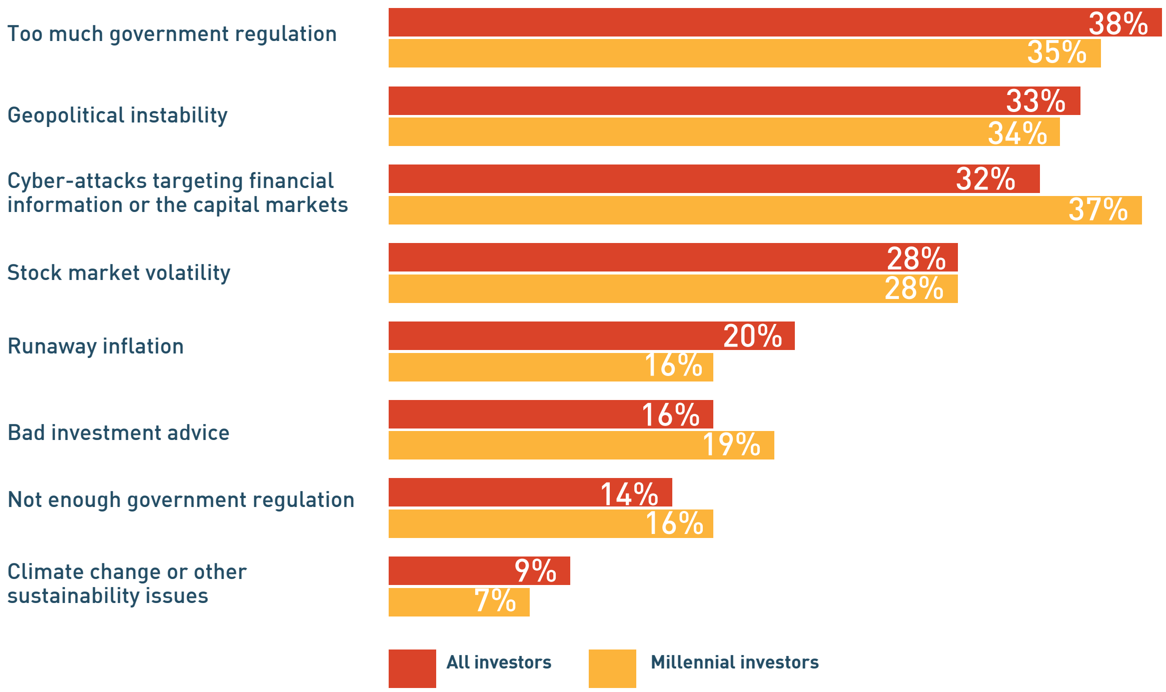
CONCERNS ABOUT RISKS TO INVESTMENT PORTFOLIO

Geopolitical Instability and Government Regulation Rank Highest Among Investor Concerns

Survey respondents were asked to indicate which risk they are most concerned about from one of a number of potential risks they face as investors. They were then asked which other risk they were concerned about. Almost four in 10 investors (38%) selected "too much government regulation" as either their first or second choice. This was closely followed by geopolitical instability (34%) and cyber-attacks targeting their financial information or the capital markets (32%).

Millennial investors (37%) were most concerned with cyber-attacks targeting their financial information or the capital markets.

FIGURE 22: Concerns About Risks to Investment Portfolio



Note: For exact survey questions, see Appendix III.

FINANCIAL CONCERNS

FINANCIAL CONCERNS

BIGGEST THREAT TO INVESTORS' AND FAMILIES' FINANCIAL WELL-BEING

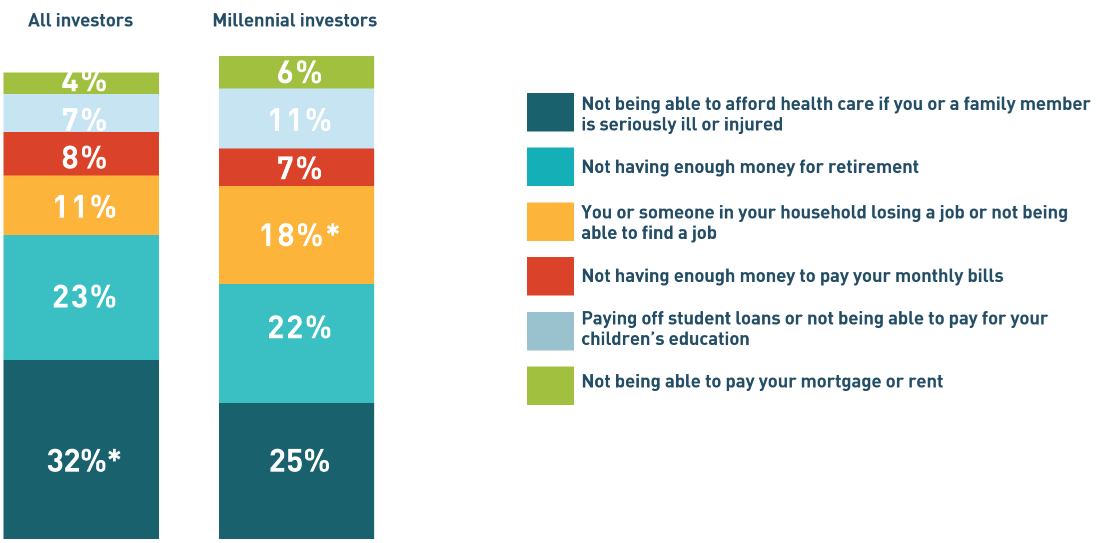
Investors Are Most Concerned About Not Being Able to Afford Health Care and Not Having Enough Money for Retirement

Investors were asked to choose the biggest threat to them and their family's financial well-being.

Almost a third of all investors (32%) said that not being able to afford health care if they or a family member is seriously ill or injured is the biggest threat to them and their family's financial well-being. This was closely followed by 23% of investors who said that not having enough money for retirement is the biggest threat.

By contrast, millennial investors (25%) were statistically less likely to say that not being able to afford health care expenses is their biggest threat. Millennial investors (18%) were more likely to say that they or someone in their household losing a job or not being able to find a job is their biggest threat than all investors nationwide (11%).

FIGURE 23: Biggest Threat to Investors' and Families' Financial Well-Being



Notes: For exact survey questions, see Appendix III.
Don't Know/Refused results not shown.
*Difference is statistically significant.
Does not add to 100% because other results are not shown.

APPENDIX I: METHODOLOGY

A project of the CAQ and the Glover Park Group, this survey of 1,012 investors was conducted from July 26–August 6, 2015 via telephone.

Additional interviews were conducted with millennial investors: 250 millennial investors nationally, 250 millennial investors from the San Francisco Designated Market Area (DMA), 250 from the New York City DMA, and 250 in the Houston DMA. These interviews were conducted from July 27–August 10, 2015. Interviews were conducted with respondents on landline and cellular telephones.

With a sample of this size, one can say with 95% certainty that the results of the national survey have a margin of error of +/- 3.1 percentage points of what they would be if the entire population of investors had been polled.

In this survey, "investors" are defined as:

- Adults (18+)
- Individuals who are the primary decision-makers for handling their household's savings and investments, or share this role equally with another household member
- Individuals who live in households with $10,000 or more in investments, including stocks, bonds, mutual funds, individual retirement accounts (IRAs), 401(k) plans, and the like. (Note: the $10,000 holding requirement did not apply to millennials.)

In this survey, "millennial investors" are defined as:

- Adults between the ages of 18-34
- Individuals who are primary/shared decision-makers for handling household's savings and investments
- Individuals who live in a household with investments, including stocks, bonds, mutual funds, IRAs, 401(k) plans, and the like.

APPENDIX II: MILLENNIAL SUPPLEMENT

ABOUT THIS SUPPLEMENT

For 2015, the Main Street Investor Survey focused on millennial investors, defined here as adults aged 18-34. This document supplements the main report with additional detail on millennial investors, particularly those in New York, NY, Houston, TX, and San Francisco, CA.

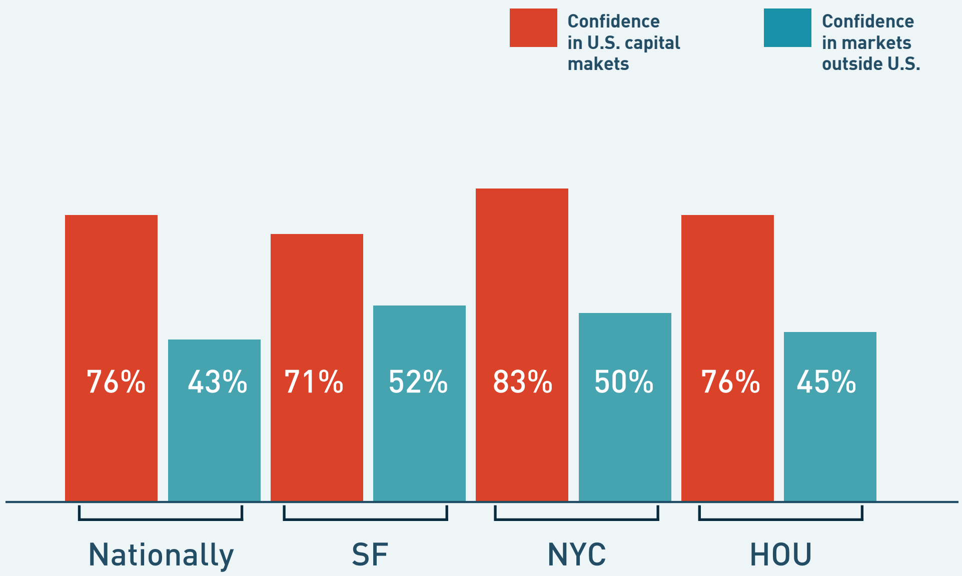
CONFIDENCE METRICS

Millennials express more confidence in U.S. markets than markets abroad, but New York City millennials are more confident than others.

Roughly three-quarters of millennials nationally are confident in U.S. capital markets (76%). Looking at regional subgroups of millennials, this confidence is markedly stronger among New York City millennials (83%) than those in San Francisco (71%) or Houston (76%). In contrast to this high level of confidence that millennials express towards U.S. capital markets, only 43% of millennials nationally are confident in capital markets outside of the United States. The outlook is slightly more optimistic, however, among millennials in New York City (50%) and San Francisco (52%).

Confidence in Capital Markets

Percentage of millennials who have some, quite a bit, or a great deal of confidence



Top drivers of millennials' confidence in U.S. capital markets include personal experiences with the market and investments (16%), historical trends of the stock market bouncing back (16%), and belief in capitalism and that the market is strong/in good shape (13%). Top drivers of confidence in markets outside the United States include the impression that markets abroad are doing well or better than U.S. markets (20%), and the belief that markets in specific countries are doing well (20%).

With regard to confidence in U.S. capital markets, millennials offer slightly different reasons for their confidence by region. New York City millennials are substantially more likely to state that their confidence in U.S. capital markets is driven by the belief that the market is strong and in good shape/an overall belief in market systems and capitalism (24%) than millennials nationally (13%), or in San Francisco (13%) and Houston (16%). Millennials in San Francisco are least likely to base their confidence off of a gut feeling (3%) than millennials nationally (10%), in New York City (10%), or in Houston (9%). New York millennials are most likely to say that they are confident in U.S. capital markets, but still wary about instability caused by corruption or political events (10% in New York City compared to 4% nationally, 2% in San Francisco, and 8% in Houston).

When it comes to confidence in markets outside the United States, a few interesting differences emerge among regional subsets of millennials. San Francisco millennials are less likely to base their confidence on historical market stability (2%) than millennials in New York City (11%) or Houston (7%). New York City millennials are more likely to base their confidence on personal experiences investing in foreign markets (10%) than millennials in San Francisco (4%) or Houston (5%). Finally, Houston millennials are more likely to state they are confident but wary of capital markets abroad (13% compared to just 5% in New York City and 7% in San Francisco).

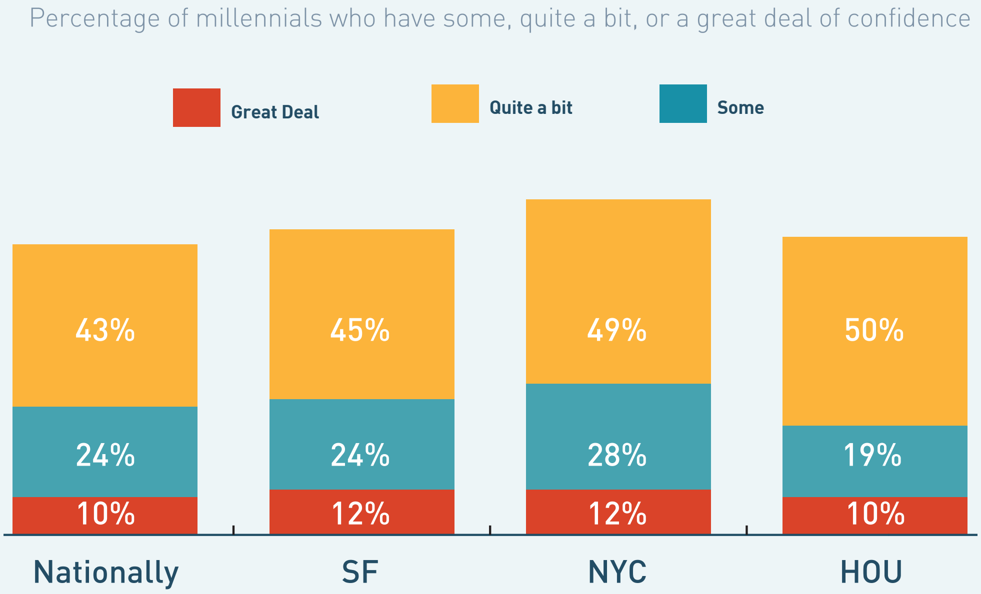
Among millennials who express a lack of confidence in U.S. capital markets, top reasons cited include political concerns such as a lack of leadership, the president, and partisan bickering (25%); the impression that the economy is not doing well (18%); and a gut feeling (12%). Among those who express a lack of confidence in markets outside the United States, top reasons cited include the debt crisis and problems in Europe (13%); a gut feeling (13%); and a lack of knowledge about overseas markets (13%).

Differences do emerge regionally among millennials when examining reasons they doubt U.S. capital markets. Millennials in New York City, for example, are more likely to cite impressions that the economy is not doing well (41%) as a driver for their lack of confidence in U.S. capital markets than millennials nationally (18%), in San Francisco (25%), or Houston (22%). San Francisco millennials are far less likely to cite political reasons as a cause for lack of confidence in U.S. capital markets (10%) than millennials nationally (25%), in New York City (27%), or Houston (28%). Finally, Houston millennials are more focused on corporate greed and the growing gap between the rich and the poor (27%) than millennials nationally (7%), in San Francisco (8%), or New York City (9%).

Confidence investing in publicly traded U.S. companies is highest among New York City millennials.

Overall, millennials express high levels of confidence when it comes to investing in publicly traded U.S. companies (76%) — the same level of confidence they hold for U.S. capital markets. Again, New York City millennials are the optimistic outlier: 89% express confidence investing in U.S. publicly traded companies, 13% more than millennials nationally, 8% more than millennials in San Francisco (81%) and 10% more than millennials in Houston (79%).

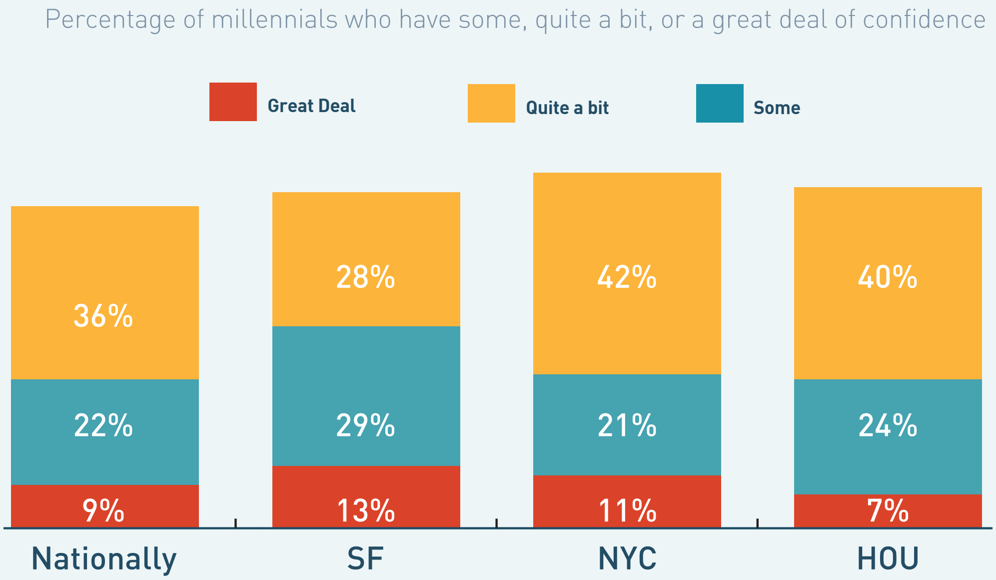
Confidence Investing in U.S. Publicly Traded Companies



Confidence in audited financial information is also stronger among New York City millennials.

New York City millennials not only express more overall confidence investing in U.S. publicly traded companies, but they also express more confidence in externally audited financial reports released by these companies than millennials nationally.

Confidence in Audited Financial Information Released by Publicly Traded Companies



ENTITIES THAT LOOK OUT FOR INVESTORS

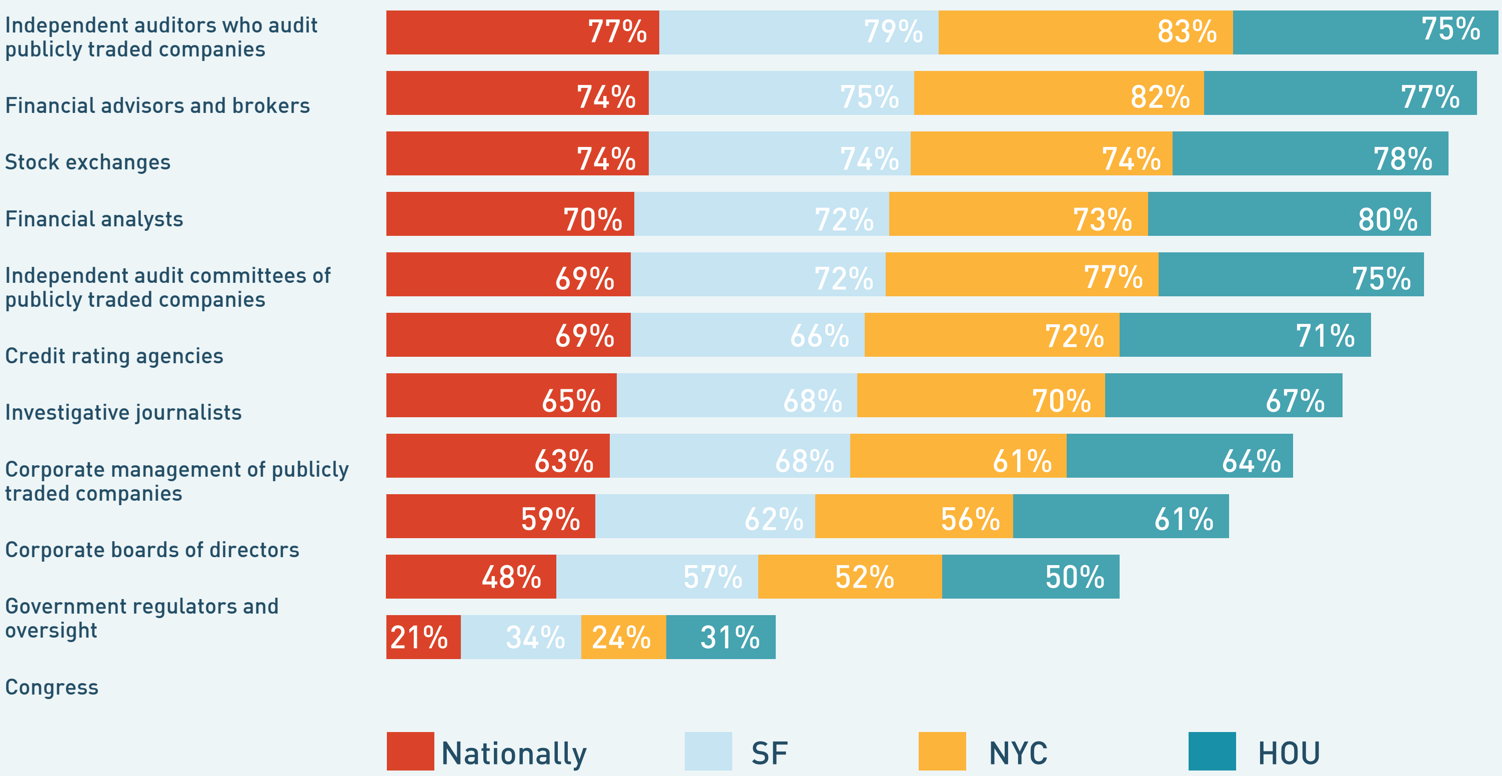
Independent auditors, financial advisors and brokers, and financial analysts top the list of entities millennials say are looking out for their interests.

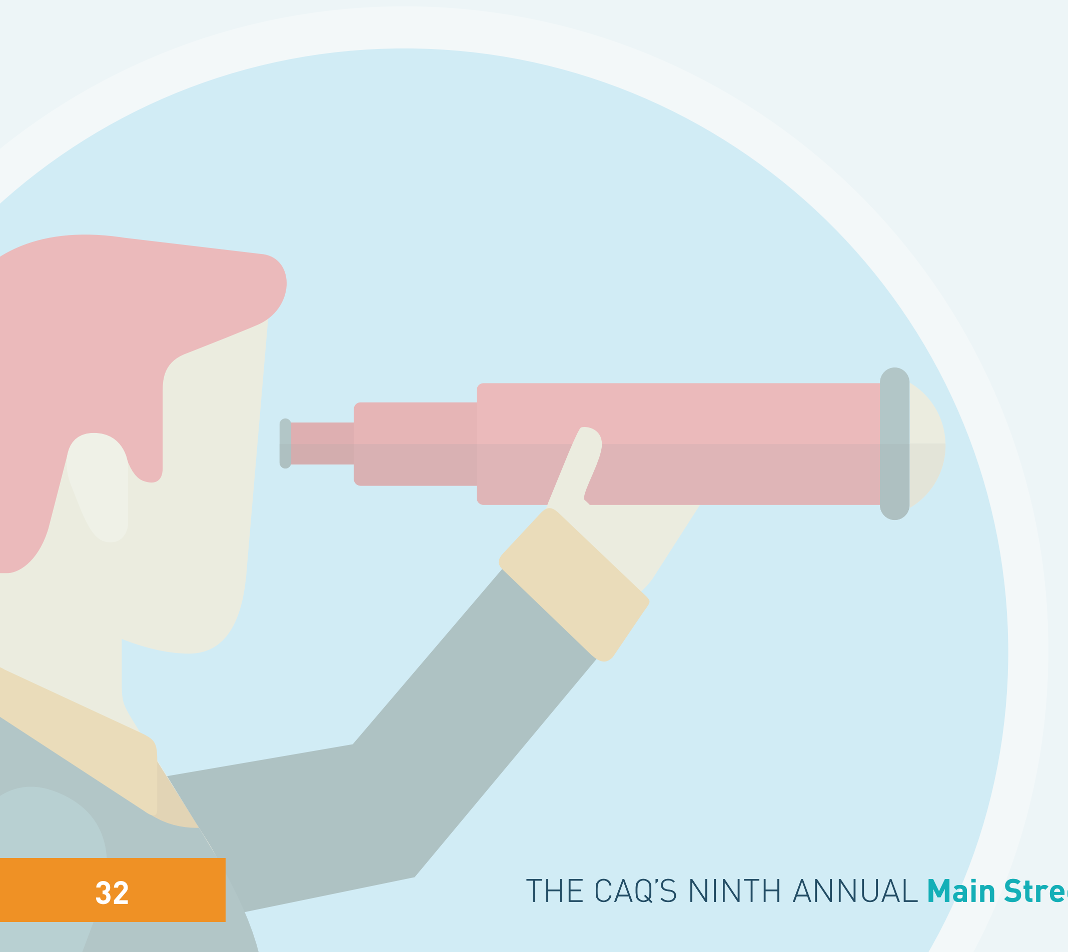
Although millennials are generally united in terms of which entities they trust most to look out for their financial interests, some variations emerge between millennials nationally and specific metropolitan areas. New York City millennials are more confident in financial advisors and brokers (82%) than millennials nationally (74%), as well as independent audit committees (77%-69%). We do see New York City millennials express lower confidence than others, however, when it comes to Congress: only 24% of New York City millennials express confidence in Congress, while 34% of San Francisco and 31% of Houston millennials express confidence. Houston millennials are more likely to express confidence in financial analysts (80%) than millennials in New York City (73%) and San Francisco (72%), or millennials nationally (70%).

Similarly, millennials nationally (46%) are most likely to trust financial planners, advisors, and brokers for sources of investment information. This trust is more common, however, among New York City millennials (44%) than San Francisco (31%) and Houston (36%) millennials.

Confidence in Entities That Look Out for Investors

Percentage of millennials who have some, quite a bit, or a great deal of confidence

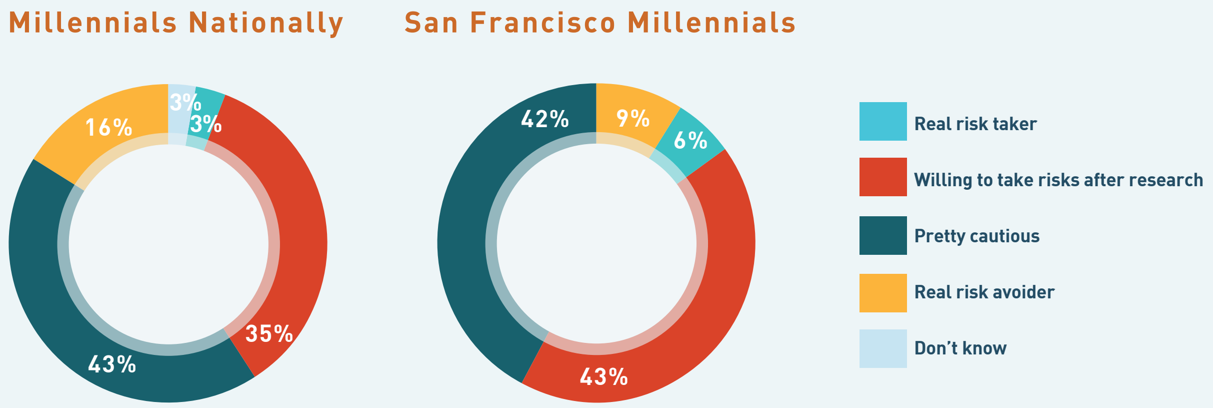




RISK TOLERANCE AND ANTICIPATED INVESTMENT BEHAVIORS

About four out of 10 millennials describe themselves as risk takers when it comes to investing.

A mere 3% of millennials nationally describe themselves as real risk takers, while 35% say they are willing to take risks after completing adequate research. These numbers are fairly consistent among New York City and Houston millennials. Differences between San Francisco millennials and investors nationwide were more pronounced (see figure below).



Millennials differ slightly when it comes to which industry sectors they consider the riskiest for investment. Overall, millennials think health care (18%), energy (18%), and the financial (17%) sectors present the highest risk. New York City millennials, however, are more likely to view health care as a risky sector (19%) than San Francisco (12%) or Houston millennials (12%). San Francisco millennials, on the other hand, are more likely to view the financial sector skeptically (22%) than New York City millennials (15%).

Overall, millennials view too much government regulation as the biggest risk to their investment portfolio (23%), but millennials in San Francisco are significantly less likely to hold this fear (13%) and more likely to view too little government regulation as a risk to their portfolio (14%). Finally, San Francisco millennials are also more likely to worry about climate change and sustainability issues (9%) than millennials nationally (2%).

Examining millennials' biggest financial concerns may provide insight into the generation's tendency to approach investments with caution, rather than to embrace risky investments. Overall, millennials are most concerned that they won't be able to afford health care expenses if they (or somebody in their family) fall seriously ill (25%). In each metropolitan area, however, millennials' perception of the biggest threat to their financial well-being differs. Among San Francisco millennials, the most common perceived threat is losing their job/not being able to find a job (29%), but for New York (27%) and Houston millennials (24%), not having enough money for retirement is the most common perceived threat.

Millennials are more likely to invest in areas that offer steady, longer-term income than higher-growth, higher-risk stocks and bonds.

When it comes to the type of investments millennials are willing to take, millennials in San Francisco (14%), New York City (21%), and Houston (14%) are more likely than millennials nationally (7%) to invest in higher-growth, higher-risk stocks and bonds. Additionally, San Francisco millennials are more likely to invest in areas that provide steady, longer-term income (47%) than millennials in New York City (37%) and Houston (37%). That said, however, San Francisco millennials do not differ drastically from millennials nationally (43%) — they are actually closer to the national average of millennials than New York City and Houston millennials when it comes to investments that provide steady, longer-term income.

When millennials are looking to invest in a publicly traded company, they are most swayed by information related to historical stock performance and outlook of the sector for the industry in which the company operates.

San Francisco millennials are more likely to be influenced by the outlook for the sector or industry the company is in (56%), strategy for future company growth (51%), and whether a company is operating in a socially responsible and environmentally-friendly manner (40%) than millennials nationally (48%, 41%, and 33% respectively).

Assessment of Factors Essential to Decision Making

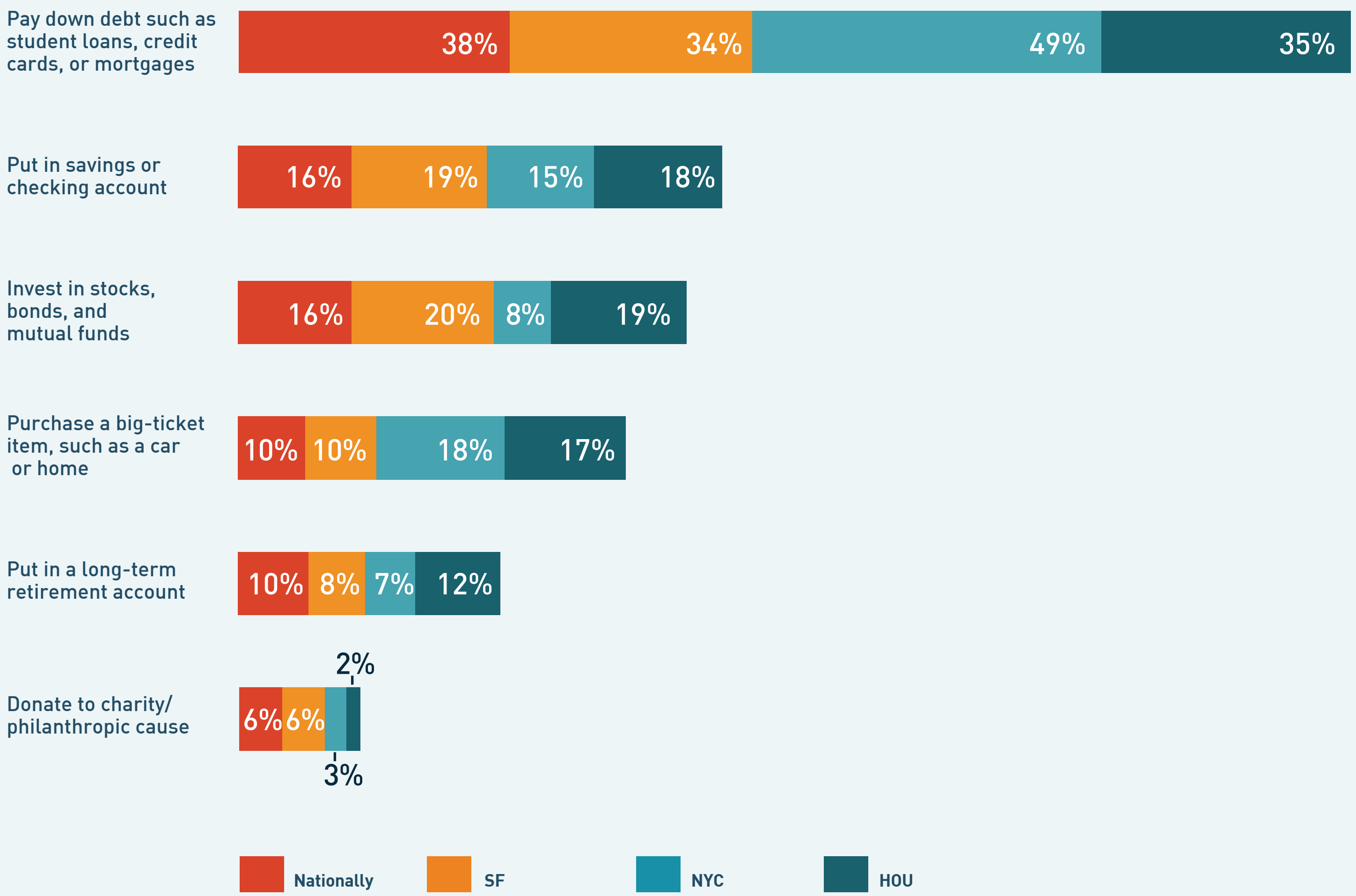
Percentage of investors who say it is essential to process

	National	SF	NYC	HOU
Historical stock performance	50%	47%	47%	46%
Outlook for the sector or industry the company is in	48%	56%	48%	50%
Strategy for future company growth	41%	51%	37%	42%
Audited financial statements	40%	41%	37%	33%
Company's risks and opportunities	38%	41%	33%	42%
Whether the company has sound corporate governance in place	35%	33%	25%	37%
Whether the company is operating in a socially responsible manner and/or operating in an environmentally-friendly fashion	33%	40%	28%	35%
Management team in place	28%	29%	22%	26%
CEO compensation	18%	17%	17%	17%
Company's board of directors	15%	12%	11%	11%

If millennials were given $10,000 to spend, the majority would pay down a debt such as student loans, credit cards or mortgages.

The likelihood that millennials would use an unexpected $10,000 to pay down a debt is even higher among New York City millennials (49%) than millennials nationally (38%). But, on the other hand, New York City millennials are also more likely than millennials nationally to put the money towards a big-ticket item such as a car, home, or other household item (18%-10%). Investing the money in stocks, bonds, and mutual funds, in contrast, is less appealing to New York City millennials (8%) than millennials nationally (16%) or in San Francisco (20%) and Houston (19%).

How Millennials Would Spend $10,000



APPENDIX III:
2015 MAIN STREET INVESTOR SURVEY QUESTIONS

Figure 1: At the current time, how much confidence would you say you have in U.S. capital markets?

Figure 2: You indicated that you have at least some confidence in U.S. capital markets. For what reasons do you have confidence in U.S. capital markets?

Figure 3: You indicated that you have little or no confidence in U.S. capital markets. For what reasons do you have little or no confidence in U.S. capital markets?

Figure 4: At the current time, how much confidence would you say you have in capital markets outside of the United States?

Figure 5: You indicated that you have at least some confidence in capital markets outside of the U.S. For what reasons do you have confidence in capital markets outside the United States?

Figure 6: You indicated that you have little or no confidence in capital markets outside of the U.S. For what reasons do you have little or no confidence in capital markets outside the United States?

Figure 7: How much confidence would you say you have today investing in U.S. companies that are publicly traded?

Figure 8: You indicated that you have at least some confidence in investing in U.S. companies that are publicly traded. For what reasons do you have this confidence?

Figure 9: You indicated that you have little or no confidence in investing in U.S. companies that are publicly traded. For what reasons do you have little or no confidence?

Figure 10: All publicly traded companies in the United States are required to put out regular financial reports. Before they are published, certain information in these reports is required by law to be audited by an external public company audit firm. Based on what you know, how much confidence do you personally have in audited financial information released by publicly traded U.S. companies?

Figure 11: How much confidence would you say you have in your ability to make successful financial decisions in today's market environment?

Figure 12: There are a number of different players that have roles in helping to advance investor protection. How much confidence do you have that [INSERT] is/are effective in this role in looking out for investors?

Figure 13: Now I'd like to learn a bit more about your risk tolerance when investing. Which of the following statements best describes your tolerance for risk?

Figure 14: Looking ahead to the next 12 months, which one of the following statements most closely describes the type of investments you plan to make?

Figure 15: Changing subjects, if you were given $10,000 that you had to spend on only one of the following things, what would you do with the money?

Figure 16: For what reasons would you [INSERT ANSWER CHOICE FROM FIGURE 15 QUESTION]?

Figure 17: When thinking about the specific investments you might make, how much, if at all, do each of the following factors influence your decision-making process when you are looking to invest in a publicly traded company? [READ ITEM] Is it essential to your decision-making process, you consider it, but it doesn't strongly affect your decision one way or the other, or you don't consider it and it does not factor into your decision-making process?

Figure 18: Of the following industry sectors, which do you think is the safest one to invest in over the next 12 months?

Figure 19: Which industry sector do you think is the riskiest one to invest in over the next 12 months?

Figure 20: Of the following list of sources of investment information and advice, which do you trust the most?

Figure 21: Why do you trust [INSERT RESPONSE FROM FIGURE 20 QUESTION] the most as a source of investment information and advice?

Figure 22: When thinking about risk to your overall investment portfolio, which of the following are you most concerned about?

Figure 23: Of the following, what is the one biggest threat to you and your family's financial well-being?

ABOUT THE CENTER FOR AUDIT QUALITY

The Center for Audit Quality (CAQ) is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high quality performance by public company auditors, convenes and collaborates with other stakeholders to advance the discussion of critical issues requiring action and intervention, and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions. The CAQ is based in Washington, DC and is affiliated with the American Institute of CPAs.

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