March 31, 2016

E*TRADE Study Reveals the Varying Tax Strategies of Millennial, Gen X, and Baby Boomer Investors

For Millennial and Gen X investors, account type trumps asset allocation, while Boomers employ a wider range of tax strategies

NEW YORK--(BUSINESS WIRE)-- E*TRADE Financial Corporation (NASDAQ: ETFC) today announced results from the most recent wave of *StreetWise*, E*TRADE's quarterly tracking study of experienced investors.

The top three tax strategies for both Millennial (age 25 to 34) and Gen X (age 35 to 54) investors, combined, are:

1. Investing in tax-advantaged accounts, such as 401(k)s, 403(b)s, IRAs, and health savings accounts (HSAs).
2. Selling positions that have lost value in order to offset capital gains.
3. Holding investments for at least one year in an effort to lower taxes on gains.

The order of strategies differs for Boomers (age 55+), who are more likely than Millennial and Gen X investors to hold investments for at least one year, and sell positions that have lost value. Boomers are also more likely to invest in municipal bonds or funds with low turnover.

"Younger investors, who see retirement far in the distance, may be more inclined to trade actively in their retirement accounts to manage taxes," said Lena Haas, SVP of Retirement, Investing and Savings at E*TRADE Financial. "While all investors are wise to be mindful of taxes, when it comes to retirement investing, the most important factors for success include creating a clearly defined plan, and establishing a diversified portfolio mapped against one's risk tolerance, aided by disciplined contributions."

Ms. Haas observed the following additional insights from the survey:

- **Many Millennials place a majority of their trades in their IRAs...**
  One out of two prefer to trade more in their IRAs and less in non-retirement accounts, and over half reported at least 50 percent of all their trades in the last 12 months took place in IRAs.

- **...But are often stung by early withdrawal fees.**
  Ironically, while they strive to save on taxes by trading in retirement accounts, they are more likely than Boomers to have made, and regret, early withdrawals. Early withdrawals by Millennials, which are often accompanied by penalties and fees, are particularly troubling when considering the significant advantages of compounding returns for those

who invest diligently while young.

- **Many investors overlook tax-wise investments**.
  The survey results reflect that tax-efficient vehicles, such as tax-free municipal bonds, are used by less than one in five Millennial and Gen X investors, and less than one in four Boomers.

E*TRADE helps investors balance today's needs with tomorrow's goals, through pioneering digital tools coupled with guidance online and from financial consultants. To learn more about E*TRADE's trading and investing platforms and tools, visit etrade.com.

For useful insights from E*TRADE and third-party investment professionals, follow the Company on Twitter, @ETRADE.

About the Survey

This wave of the survey was conducted from January 6 to 11, 2016, among an online U.S. sample of 919 self-directed active investors who manage at least $10,000 in an online brokerage account. The survey has a margin of error of ±3.2 percent at the 95 percent confidence level. It was fielded and administered by ResearchNow. The tracking study fields quarterly at the beginning of each quarter and does not reflect data from the complete quarter. The panel is broken into thirds of active (trade more than once a week), swing (trade less than once a week but more than once a month), and passive (trade less than once a month) investors. The panel is 65 percent male and 35 percent female with an even distribution across online brokerages, geographic regions, and age bands.

Referenced Data

Tax season is right around the corner. Which of the following strategies are most effective for you in limiting the amount of taxes you pay on your investments each year? (Select all that apply)

			AGE	
	TOTAL	**25-34**	**35-54**	**55+**
Investing in tax-advantaged accounts, such as 401(k)s, 403(b)s, IRAs, and health savings accounts (HSAs)	55%	61%	59%	48%
Holding investments for at least one year to lower taxes on gains	37%	23%	31%	50%
Selling positions that have lost value in order to offset capital gains	34%	29%	30%	42%
Investing in tax-free municipal bonds	21%	17%	18%	24%
Investing in funds with low turnover	15%	13%	14%	18%
Investing in tax-advantaged deferred annuities	12%	12%	14%	9%
Other	1%	0%	2%	1%
I do not use any strategies to limit the amount of taxes I pay on my investments	15%	13%	14%	17%

I prefer to trade more through my individual retirement account (IRA), and trade less through my regular non-retirement account.

			AGE	
	TOTAL	**25-34**	**35-54**	**55+**
% Strongly/Somewhat Agree	43%	51%	42%	39%

In the past 12 months, what percentage of all your trading activity have you made specifically through your Individual Retirement Accounts (IRAs)?

% of trading through IRAs			**AGE**	
	TOTAL	**25-34**	**35-54**	**55+**
0-20	23%	15%	25%	26%
21-50	34%	34%	33%	34%
51-80	33%	41%	32%	30%
81-100	10%	10%	10%	10%

Have you ever taken out money from an IRA or 401(k) before the age of 59.5 and, if so, for what?

			AGE	
	TOTAL	**25-34**	**35-54**	**55+**
No, I have never taken out money from an IRA or 401(k) before the age of 59.5	74%	68%	70%	83%
Yes (Net)	26%	32%	30%	17%

Have you ever regretted your decision to take money from an IRA or 401(k) before the age of 59.5?

		AGE		
	TOTAL	**25-34**	**35-54**	**55+**
% Very much/Somewhat Regretted	45%	51%	47%	34%

About E*TRADE Financial

E*TRADE Financial and its subsidiaries provide financial services including online brokerage and banking products and services to retail customers. Specific business segments include Trading and Investing and Balance Sheet Management. Securities products and services, including stocks, bonds, mutual funds, ETFs, retirement accounts, education, and online tools are offered by E*TRADE Securities LLC (Member FINRA/SIPC). Managed Account Solutions are offered through E*TRADE Capital Management, LLC, an investment adviser registered with the Securities and Exchange Commission. Bank products and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries and affiliates. E*TRADE Financial Corporation and its affiliates do not provide tax advice, and you always should consult your own tax advisor regarding your personal circumstances before taking any action that may have tax consequences. More information is available at www.etrade.com. ETFC-G

About ResearchNow

ResearchNow, a leading digital data collection provider, powers market research insights. They enable companies to listen to and interact with the world's consumers and business professionals through online panels, as well as mobile, digital, and social media technologies. Their team operates in over 20 offices globally and is recognized as the market research industry's leader in client satisfaction. They foster a socially responsible culture by empowering their employees to give back. To find out more or begin a conversation, visit www.researchnow.com.

# # #

Important Notices

E*TRADE Financial Corporation and ResearchNow are separate companies that are not affiliated. E*TRADE Financial Corporation engages ResearchNow to program, field, and tabulate the study.

E*TRADE Media Relations
Thayer Fox, 646-521-4418
thayer.fox@etrade.com
or
E*TRADE Investor Relations
Brett Goodman, 646-521-4406
brett.goodman@etrade.com

Source: E*TRADE Financial Corporation