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E*TRADE STUDY REVEALS THE BIGGEST FINANCIAL MISTAKES AMONG YOUNG INVESTORS POST-GRADUATION

Over two out of three Gen Z and Millennial investors also note education costs as the top barrier to saving; over 60 percent tap into retirement funds

ARLINGTON, Va, June 21, 2021— E* TRADE Financial Holdings, LLC today announced results from the most recent wave of *StreetWise*, the E*TRADE quarterly tracking study of experienced investors. Amid graduation season, results reveal how education costs weigh on young investors:

- **Putting off repaying debt tops financial mistakes.** Over one in four (26%) Gen Z and Millennial investors said their biggest financial mistake after landing their first job was deferring student loan payments, tied with accruing high-interest debt (26%) and closely followed by spending too much (25%).
- **Education is the biggest barrier to retirement.** Over two in three (67%) investors under the age of 34 said that student loans and education costs are the biggest barriers when it comes to retirement saving, ticking up 3 percentage points from last year.
- **And they're withdrawing early to pay for school.** With over 60% of young investors tapping into retirement funds early, 21% noted it was to pay for education, second to a medical emergency (25%).
- **Their advice to grads: Get started and don't sleep on employee benefits.** Investors under 34 said starting a portfolio (61%) and paying close attention to employee benefits including student loan repayment plans (60%) were the top two pieces of advice they would give to recent graduates.

"The cost of education continues to loom large, especially on those just starting out," said Mike Loewengart, Managing Director of Investment Strategy at E*TRADE Financial. "For young graduates, managing debt early on may seem like a monumental task, but it can make a meaningful difference down the road. And while it may be tempting to tap into retirement funds early when faced with a large expense, it should be a last resort. Getting your financial house in order can help build strong personal savings habits and ultimately help the next generation of investors feel empowered to take charge of their financial futures."

Mr. Loewengart offered some tips on how recent grads can start off on the right foot when it comes to saving and investing:

- **Consider the savings hierarchy.** Knowing where to begin when it comes to tackling your finances can be daunting but following the savings and investing hierarchy can help provide a roadmap. First, consider building an emergency fund—3 to 6 months of living expenses is a good goal. Next, turn toward addressing high-interest debt. Once young investors have a safety net and are managing their debt, then start small and begin stashing away for retirement.
- **Enlist automatic investing to help.** One way to build solid financial habits is to set up automatic deposits into a retirement account. While you cannot control the market or your investing returns, you can control how much you add to your account. By enabling automatic investing, you can also reduce risk in your portfolio through dollar-cost averaging—potentially benefiting from the inevitable ups and downs of the market.[1]
- **Take advantage of workplace benefits.** Many employers offer a retirement plan, which is a great place to kick-start investing, especially if it offers a matching contribution. But more and more employers are also providing holistic financial wellness benefits, like student loan repayment programs. Make sure you know all that is available.

About the Survey
This wave of the survey was conducted from April 1 to April 12 of 2021 among an online US sample of 957 self-directed active investors who manage at least $10,000 in an online brokerage account. The survey has a margin of error of ±3.20 percent at the 95 percent confidence level. It was fielded and administered by Dynata. 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). The panel is 60% male and 40% female, with an even distribution across online brokerages, geographic regions, and age bands. The <34 data set comprises 273 investors between the ages of 18 and 34.

About E*TRADE Financial Holdings, LLC and Important Notices
E*TRADE Financial Holdings, LLC and its subsidiaries provide financial services including brokerage and banking products and services to retail customers. Securities products and services are offered by E*TRADE Securities LLC (Member SIPC). Commodity futures and options on futures products and services are offered by E*TRADE Futures LLC (Member NFA). Managed Account Solutions are offered through E*TRADE Capital Management, LLC, a Registered Investment Adviser. Bank products and services are offered by E*TRADE Bank, and RIA custody solutions are offered by E*TRADE Savings Bank, both of which are national federal savings banks (Members FDIC). More information is available at www.etrade.com.

1. Automatic Investing and dollar-cost averaging do not ensure a profit or protect against loss in declining markets. Investors should consider their financial ability to continue their purchases through periods of low price levels.

Referenced data

After landing your first job post-college, what would you say was your biggest financial mistake?	
	AGE <34
Deferring student loans	26%
Accruing high credit card debt	26%
Spending too much on material goods	25%
Not taking advantage of employer 401k program	13%
Spending too much on rent	7%
Other	4%

When it comes to your personal ability to save for retirement, how much of a barrier is each of the following?		
	AGE <34	
	Q2'20	**Q2'21**
Education costs or paying down student loans	64%	67%
Rent or mortgage	67%	63%
Healthcare costs	62%	63%
Living expenses like food or utilities	60%	60%
Wanting to live for today	55%	59%
Retail shopping and/or eating at restaurants	58%	58%
Having a parent live with you	49%	57%
Childcare	50%	55%
Having an older child live with you	53%	48%

Have you ever taken out money from an IRA or 401(k) before the age of 59.5 and, if so, for what?	
	AGE <34
	Q2'21
Yes (net)	**61%**
Yes, to pay for medical emergency	25%
Yes, to pay for education	21%
Yes, to simply spend on myself or my family	17%
Yes, to make a large purchase	17%
Yes, because I have become unemployed	15%
Yes, to spend on a vacation	9%
Yes, for holiday expenses	3%
Yes, other	2%

What advice would you give to a recent grad on managing their finances?	
	AGE <34
	Q2'21
Start a portfolio - no matter how small	61%
Pay close attention to your employee benefits package (e.g., student loan repayment, healthcare, retirement plans)	60%
Try not to take on additional debt	39%
Assume an elevated level of risk, time is on your side	29%
Create an emergency cash fund	25%
Other	--

Gen Z and Millennials (young investors) are defined as age 18–34 years.