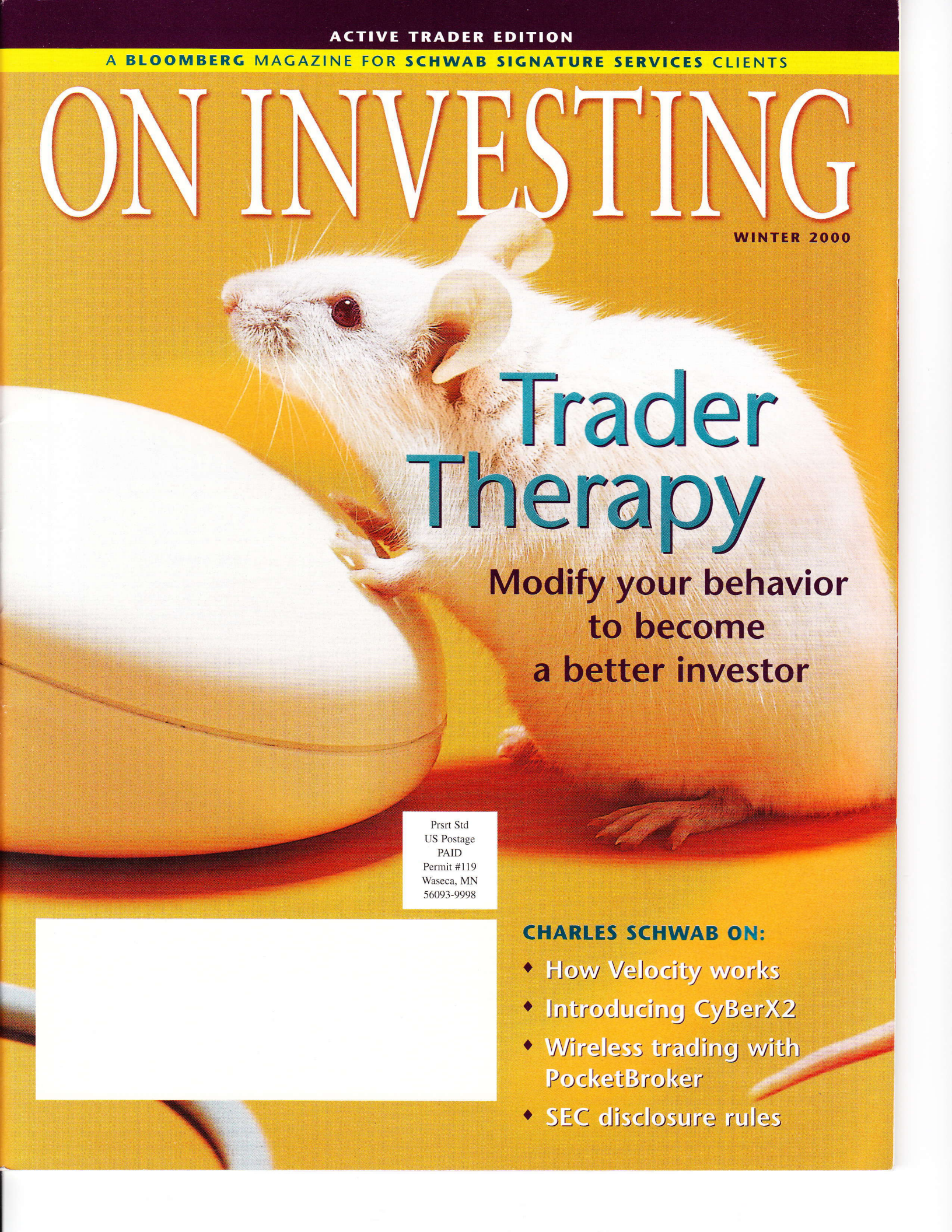


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Generation Gap

MORE SENIORS ARE LOGGING ON, BUT MANY BALK AT TRADING ONLINE. WHY? *By Diana Ascher*

For her 85th birthday this year, Lisa Hirschfelder, of Highland Park, Illinois, asked her family for a computer. "Watching new developments in the world around me, I want to know what it is all about and even, in a small way, take part in it and not be left behind," she says.

Hirschfelder is not alone. Older adults are the fastest-growing online audience. Today 40% of seniors own a computer at home, compared with 29% in 1995. Seniors spend more time per month online (38 hours) than any other age group, with more than 83% making daily visits to the Internet. Jupiter Communications estimates that by 2003, 27.3 million people over age 50 will be using the Web regularly.

Hirschfelder uses the Internet primarily for email, she says, but she also monitors stocks, gets news, and even engages in e-commerce to buy books. But she doesn't trade via the Internet. "First of all, I trade very little, as I am from the generation that invests for the long term," she explains. "But if I invest, I like to speak to my broker, who knows my situation and my holdings. And if I have an idea, he will tell me if it is a sound one or he will give me a suggestion."

As happens with most new technology, there is a generation gap when it comes to the Internet. Baby boomers trust the Internet with personal financial information, and trading online is busi-



ness as usual; their parents do research online and then call their brokers to make the transactions.

"One of the biggest barriers [to online investing] for older adults appears to be education," says Ann Wrixon, chief executive of SeniorNet, a San Francisco-based nonprofit organization that provides education and access to computer technology for older adults. "Most older Americans do not know anything about computers and are not online. They didn't use computers in school or in the workplace. This aspect of the digital divide presents a huge disadvantage to older Americans regarding technology."

Not only will seniors be at a disadvantage, but it will be extremely difficult to keep the online economy chugging along without this segment of the population, as older Americans comprise 40% of the consumer demand.

Wrixon says education is the key to increasing the comfort level for seniors. "We have developed a whole different way of teaching to address the needs of this population," says Wrixon. "Success in educating older Americans in Internet techniques will be the result of a huge effort. It has to be a collaboration between government, private-sector, and non-profit efforts to teach older Americans. Simultaneously, I

would hope that there will be ever-easier computers."

One potential bridge over the digital divide may be standalone Internet appliances, such as WebTV, Netpliance's iOpener, and the iPaq, which is cobranded by Microsoft and Compaq and hardwired to the MSN.com Web portal. It is hoped that the simplicity of these devices, which provide Internet and email capabilities without the other complexities of personal computers, will open the door for the remaining 50 million older Americans who are not Internet subscribers.

Once senior citizens do get online, they rely on familiar companies, Wrixon

says. "They trust certain brands and expect certain levels of service. They probably would never return to a site where they had problems or didn't get the service they were looking for."

Wrixon says this affinity for brand-name products and service is the main reason that SeniorNet partnered with Charles Schwab & Co. "They have both an online and an offline presence. I think older Americans will get more comfortable with trading stocks online. But [now] they want to have a stockbroker that they can actually talk to if problems arise."

CHANGING THE MIND-SET

Even if senior citizens are educated in Internet technology and have access to the Web through simpler appliances, their mind-set regarding online transactions may still be an obstacle. "One of the things that the research in general shows is that seniors as an overall group are very suspicious of online transactions," says Wrixon. However, this research includes the 50 million older Americans who are not online yet. "The 20 million [extrapolated from 1998 numbers] seniors who are online tend to be less suspicious, more likely to buy online, and spend more money online than any other age group."

Retired editor and publisher Ron Alridge, 56, of Charlotte, North Carolina, has incorporated the new technology easily into his life. "I am absolutely thrilled that I can keep up with my entire net worth [less personal property] at the click of a mouse," he says. "The discussion stuff is mainly for entertainment. I don't pay much attention to tips, advice, etc., that I get in investment chat rooms."

When it comes to online investment

Sites for Getting Started

SENIOR-ORIENTED SITES

Microsoft Accessibility<http://www.microsoft.com/enable>
 Senior.com<http://www.senior.com>
 SeniorNet<http://www.seniornet.com>
 SeniorWorld<http://www.seniorworld.com>
 WebElder<http://www.webelder.com>

FINANCIAL SITES

AOL Personal Finance<http://quicken.aol.com>
 or KeywordPF
 DailyStocks.com<http://dailystocks.com>
 Hoover's<http://hoovers.com>
 Stocksheets<http://www.stocksheets.com>
 Yahoo! Finance<http://quote.yahoo.com>

transactions, Alridge is active, but cautious. "I am not a heavy trader. I tend to be a buy-and-hold kinda guy. I have a sizable portfolio and I live off of it. I allocate my assets carefully, diversify fully, and more or less let things ride. I make my own decisions and therefore have no need for nor interest in a full-service broker." But, Alridge cautions, "online technology makes it dangerously tempting to buy and sell more than is wise. So far, I have resisted that temptation."

A recent visit to America Online's "60+" chat room, though, shows that attitudes are hard to change, even when the seniors are regular Web users. "We've been around long enough to know better," said one older adult. "I do my research on the Web, and then I call my broker," said another. When asked about the difference between online trading and placing a transaction over the phone, the over-60 chatters said, "It's a real person!"

According to Lisa Abendroth, a professor of consumer behavior at Boston University's School of Management, there are two major factors preventing older adults from investing online. "First, mistakes are more costly because there is less opportunity to recoup financial losses," she says. "They're not just

saving for retirement anymore, but they are there and relying on their investments as a source of income. Second—and most important—older adults know they are fallible."

Abendroth says most seniors hope to avoid making mistakes by placing transactions through a broker. "This not only allows seniors to avoid any technical difficulties that may arise, but also provides important reassurance that their financial decisions are sound, minimizing personal

blame should the investment not pay off," she says. "Click-and-mortar brokers are in an ideal position to court senior investors by allowing them to do research online and still receive personal reassurance from an expert that their decisions are sound. The extra fee paid for this psychological reassurance is minimal, especially when you factor in the financial ramifications and increased odds of making a mistake."

Alridge confirms this assessment, saying, "I think it is important to also have a brick-and-mortar component to turn to if high tech fails or doesn't quite meet the need. In between, good customer service via telephone is important too. I do not like the idea of dealing with a brokerage house that is only online. Why should I? A few less dollars for commission fees aren't worth the reduced level of service—at least, not to me."

While it is unlikely that Hirschfelder will begin managing her portfolio online, continuing education specialized for older adults, simpler devices to access the Web, full-service brokerages, and a gradually shifting mind-set may begin to bridge this generational digital divide. <

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 Diana Ascher is the associate editor of On Investing