Consumer Federation of America

NationsBank

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SURVEY: TWO OUT OF THREE SAVERS ARE WITHOUT FINANCIAL PLANS, UNLIKELY TO ACHIEVE GOALS

But New Data Also Shows Surprisingly Big Benefits For Those With Plans; Financial Planning Is Key to Progress Toward All Goals, Doubling of Savings.

WASHINGTON, D.C.///MAY 5, 1997///An estimated **65 million American households** will probably not realize one or more of their major life goals, largely because they have failed to develop a comprehensive financial plan, according to a major new survey released today by the Consumer Federation of America (CFA) and NationsBank. The good news in the findings is that Americans who mend their ways and start planning can expect to see surprisingly dramatic benefits: **In households with annual incomes of less than $100,000, savers who say that they have financial plans also report about twice as much savings and investments as do savers without plans.**

To boost public understanding of the "financial planning crisis" and how best to tackle it on the individual level, CFA and NationsBank announced today that they would undertake a major educational outreach campaign, consisting of nationwide distribution of educational materials, a 10-city series of free public seminars on personal finances and planning, and, beginning later this year, continuing education through the NationsBank Website at <www.nationsbank.com>.

The CFA/NationsBank survey shows that while more than four in five households are saving something for at least one of their goals (most often retirement or an emergency fund), two out of three have not saved the first dollar toward other key goals, such as sending a child to college or scraping together a down-payment for a new home. Only about one in three savers now has a comprehensive financial plan, according to the new CFA/NationsBank data. (*See detailed data below under "Key Survey Findings."*)

"In the past, we've simply stressed the importance of savings," noted Consumer Federation of America Executive Director Stephen Brobeck. **"Now, as a result of our research, we will emphasize that developing a financial plan is the most effective way to achieve saving goals. That is because planning itself leads to increased savings. Also, for many Americans, it is the best way to feel better about savings progress."**

The CFA/NationsBank survey reveals that the link between financial planning and the level of accumulated savings is stronger than that between knowledge of basic savings issues and resulting savings.

"This research makes it clear that you don't have to be a financial expert to be financially successful," said NationsBank President Ken Lewis. **"What's most important is that you have a plan to reach your goals. Americans of all income levels are more comfortable, confident, and are making more progress toward their goals -- *if* they have a financial roadmap."**

AARP President-Elect Joseph S. Perkins said: **"Too many Americans make the mistake of thinking that the future is somehow going to take care of itself. The reality is when it comes to retirement, paying medical bills and meeting other needs, you've got to take responsibility for saving and planning for your future."**

KEY SURVEY FINDINGS

The extensive CFA/NationsBank survey, ***"Planning for the Future: Are Americans Prepared to Meet Their Financial Goals?,"*** represents an unprecedented attempt to gauge the savings patterns, major financial goals and progress of typical Americans. From the wealth of resulting data, the following are among the key findings:

- ***Most Americans are trying to save, but still come up short in terms of their goals because of a lack of financial planning.*** The vast majority of American households (84 percent) report setting aside some savings for at least one of their financial goals. At the same time, most American households (63 percent) also indicate that they are yet to begin saving for at least one of their major goals. This disparity between the substantial number trying to save and their overall lack of progress toward all key goals reflects the fact that only a third (32 percent) of savers have a comprehensive financial plan in place.

- ***Americans are starting to get serious about their retirement years, but, because of a lack of financial planning, are off track in saving for other life goals.*** Most Americans have a distinctly haphazard approach to saving for the future. While majorities of households have saved at least something for retirement (64 percent of non-retired households) and put some kind of emergency fund in place (68 percent), the percentages of those who have saved for other goals are low: buying a new home in the next 10 years (34 percent); college education of an existing child (56 percent); a major purchase in the next two years, such as a new auto, a major vacation, or a home improvement project (51 percent); and help during the next 20 years with the medical expenses of a parent or other older relative (17 percent).

- ***Americans with financial plans can <u>double</u> their savings.*** Financial planning is more than just a good idea, it also is an extremely lucrative one, according to the CFA/NationsBank survey data. Having a financial plan in place means that an otherwise typical household will set aside up to more than **<u>twice</u>** the savings of non-planning households.

HOUSEHOLD INCOME	MEDIAN SAVINGS (NON-PLANNERS)	MEDIAN SAVINGS (PLANNERS)
$20,000-$39,999	$14,300	$28,500
$40,000-$99,999	$41,500	$89,650
$100,000 and up	$201,100	$325,500

- ***One in five American households are "non-savers," with <u>nothing</u> saved for their major goals.*** American households fall into one of three camps: **super-savers** (37 percent), who have at least some money set aside for <u>all</u> their goals; **semi-savers** (45 percent), who have some money set aside for <u>some</u> of their goals, but none saved for others; and **non-savers** (18 percent), who have set aside <u>no</u> money for <u>any</u> of their goals. Financial planning is the litmus test that can be used to distinguished most "super-savers" from individuals in the other two categories. While six out of 10 (61 percent) of those with a financial plan qualify for "super-saver" status, only about a third (36 percent) of those without a financial plan reported that they have savings set aside for each of their financial goals.

- ***Financial planning delivers benefits even to "financially illiterate" savers.*** Surprisingly, for all but the very affluent, financial planning appears to be even more important to success than a good grasp of basic saving and investment concepts. Based on a 14-question test of basic personal finance knowledge, fewer than one in 10 (8 percent) savers can be considered financially literate. Six in 10 (61 percent) got fewer than half the questions correct and the average score was only 42 percent. The correlation between financial literacy and accumulated savings was weaker than that existing between having a financial plan and accumulated savings.

- ***Substantial anxiety exists about savings progress, products and knowledge.*** While 59 percent of American households report that they are saving like "clockwork," roughly the same number (57 percent) feel that they are behind saving for their major goals. Only a third (35 percent) of all savers feel they are very confident about how to manage their money, and even fewer (29 percent) say they are rarely, if ever, confused about what they read and hear about investments. Here again the beneficial impact of financial planning may be seen in the fact that 48 percent of savers with a plan feel confident about making the best financial decisions, versus only 28 percent of savers without a financial plan.

CFA/NATIONSBANK TO PUSH FOR MORE SAVING

As a result of the new survey findings, the Consumer Federation of America and NationsBank offered the following simple five-step approach to starting a financial plan:

⇨ **SET GOALS.**

⇨ **START SAVING!**

⇨ **MATCH INVESTMENTS TO GOALS.**

⇨ **DO ANNUAL CHECK-UP.**

⇨ **CHOOSE HELP WISELY.**

A description of how to put each tip to work is set out in the attached document, **"How To Start Your Financial Plan,"** which is available free from the Consumer Federation of America and on the NationsBank Web site. *(See end of this news release for details on both.)*

CFA's Brobeck said: **"It is critically important for all Americans who are not meeting their savings goals to develop a financial plan. They can begin to do this themselves by using a public library or even the Internet to search for credible information."**

The CFA/NationsBank national education campaign, to be launched later this year, will distribute "how-to-plan" materials through local community and consumer advocacy organizations nationwide. At the seminars, nationally known personal finance experts will provide tips and information aimed at helping more Americans to plan. The list of the 10 cities in which CFA/NationsBank seminars will be held encompasses 26 million Americans: **Albuquerque**; **Atlanta**; **Baltimore**; **Charlotte**, **Dallas**, **Kansas City**; **Orlando**; **Richmond**; **St. Louis**; and **Tulsa**.

SURVEY METHODOLOGY

The joint CFA/NationsBank survey, ***"Planning for the Future: Are Americans Prepared to Meet their Financial Goals?,"*** included in-depth telephone interviews conducted by Princeton Survey Research Associates (PSRA) with a representative sample of financial decisionmakers in 1,770 households nationwide, including 1,533 households that had already accumulated savings. Interviews took place between January 17-February 23, 1997. The margin of sampling error for results based on the total sample or based on the subsample of savers is ± 3 percentage points at the 95 percent level of confidence.

The survey, conducted by Princeton Survey Research Associates, asked questions about the household's financial goals, the household's strategy for saving and investing, and the decision-maker's knowledge about important financial matters. Six financial goals were investigated in depth: saving for emergencies; retirement; college; down-payment on a home; major purchase; and helping an older relative with medical or living expenses. In all cases where respondents are evaluated in terms of their goals, the respondents affirmatively indicated that they actually had the goal in question For example, only those parents indicating that at least one of their children would go to college were evaluated in terms of savings for that particular goal.

ABOUT THE ORGANIZATIONS

The Consumer Federation of America is a non-profit association of some 240 pro-consumer group that was founded in 1968 to advance the consumer interest through advocacy and education.

NationsBank has retail and commercial banking operations in 16 states and the District of Columbia. With total assets of $239 billion as of March 31, 1997, it ranks as the fourth-largest U.S. banking company.

AARP is the nation's leading organization for people 50 and older. It serves their needs and interests through research, advocacy, informative programs and community services provided by a network of local chapters and experienced volunteers throughout the country. The organization also offers members a wide range of special benefits, including Modern Maturity and the monthly Bulletin.

FOR MORE INFORMATION, CONTACT:
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COPIES OF THE EXECUTIVE SUMMARY OF THE CFA/NATIONSBANK SURVEY ARE AVAILABLE UPON REQUEST FOR JOURNALISTS.

A ONE-PAGE SUMMARY OF HOW TO START A FINANCIAL PLAN ARE AVAILABLE AT NO COST TO CONSUMERS WHO SEND A STAMPED SELF-ADDRESSED ENVELOPE TO: *"FINANCIAL PLANNING,"* CONSUMER FEDERATION OF AMERICA, PO BOX 12099, WASHINGTON DC 20005.

SURVEY HIGHLIGHTS AND FINANCIAL PLANNING TIPS FOR CONSUMERS ARE AVAILABLE FOR THE GENERAL PUBLIC AT THE FOLLOWING LOCATION ON THE NATIONSBANK WEB SITE: <www.nationsbank.com/info/html/saverssurvey.htm>

HOW TO GET STARTED ON YOUR FINANCIAL PLAN

➪ **SET GOALS.** Should you be saving for a down-payment on a new home, the college education of your children, a comfortable retirement, or something else? Figure out what your major goals are, how much it will cost to reach them, and the number of years that you have to build up your savings.

➪ **START SAVING!** Your savings shouldn't depend on whatever happens to be left over at the end of the month. Based on your goals and how much you need to save to reach them, start setting aside something toward each goal every month ... and put it in separate accounts. The best way to make sure that you have money to save is to put yourself on a budget based on your income and expenses.

➪ **MATCH INVESTMENTS TO GOALS.** Now, the big question is: Where should you put your money? The answer depends on how much time you have to save, your age, your income, and so on. Take time to learn about the best types of savings and investment products for each of your goals. An important point: Choosing the right type of investment is more important than choosing the very "best" product of that type. **Never** buy an investment that you don't understand. **Always** make sure that any investment you buy makes sense as part of your overall financial plan.

➪ **DO ANNUAL CHECK-UP.** Have your goals changed? How are your investments doing? Could you save even more? These are the questions that you should ask at least once every year. Pick a specific date, such as New Year's Day or your birthday, and then spend an hour or two giving your financial plan a good close look for possible improvements.

➪ **CHOOSE HELP WISELY.** You may be able to put together and carry out your financial plan on your own. Public libraries, book stores and the Internet are good sources of information about financial planning strategies, as well as the savings and investment products used to carry them out. If you decide that you need the help of a financial professional, determine in advance what services you want to get and then interview two or three properly licensed professionals who specialize in your needed services, are experienced, and have clean disciplinary records. Make sure you know how your financial adviser is going to be compensated and the total cost of getting his or her advice and putting it into action.