Certified Financial Planner Board of Standards, Inc.

2004 Consumer Survey

Certified Financial Planner™ CFP®

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Introduction

Certified Financial Planner Board of Standards' 2004 Consumer Survey examines the attitudes of upper-income consumers toward financial planning, financial activities and financial professionals. The survey draws comparisons to similar research conducted in its 1999 and 2002 surveys. The economic turmoil of the past four years – with the bursting of the technology bubble, a recession, the Sept. 11, 2001, attacks, and scandals that have rocked much of the financial services sector – has left upper-income consumers both worried and wary. Significant percentages are worried they have not saved enough for retirement and that they will have to go into debt. They are wary about being able to find a competent and ethical financial planner placing increased importance on finding a planner who adheres to a professional code of ethics enforced by a peer review process.

In addition to these findings, the 2004 CFP Board Consumer Survey analyzes a range of criteria:

- Financial characteristics of upper-income consumers
- Attitudes about planning and managing one's financial affairs
- How a consumer's lifestage affects financial goals, concerns and risk tolerances
- What motivates consumers to begin financial planning
- Characteristics of consumers who work with a professional financial adviser
- How consumers choose a financial adviser
- Consumer satisfaction levels with financial advisers
- Consumers' perceptions of the benefits of a written financial plan
- Financial activities in which consumers are involved
- Use of computer software and the Internet for financial purposes

This report summarizes findings in these key areas, describes the survey's methodology and suggests implications that can be drawn from the research results. Additionally, CFP Board conducted a survey with representation that reflects the general U.S. population. For more information on either the general population or upper-income surveys, contact:

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Research Objectives

As a nonprofit regulatory organization, the mission of CFP Board is to benefit the public by fostering professional standards in personal financial planning so that the public values, has access to and benefits from competent and ethical financial planning.

Consistent with this mission and its role as a source of expertise on the financial planning profession, CFP Board, from time to time, conducts consumer research to:

- Understand consumer expectations of financial planners and their satisfaction with the financial planning experience.
- Develop demographic, behavioral and attitudinal profiles on consumers who are using financial planners.
- Ascertain the perceived value of financial planning by the public.
- Gauge shifts in behavior, attitudes and perceptions over time.

It is CFP Board's hope that the periodic evaluation of the information gained from such research will help CFP Board to better fulfill its standards-setting function for the profession and promote consumer understanding of the value of financial planning and the CFP marks.

Methodology

CFP Board’s 2004 Consumer Survey was conducted by Synovate via a self-administered questionnaire. The questionnaire was changed minimally from CFP Board’s 1999 and 2002 survey questionnaires to preserve the ability to track responses over time, and was mailed to a nationally representative sample of households, which were drawn from Synovate’s consumer mail panel. Households were pre-screened for an income in the upper quartile by age group according to U.S. Census data in order to include households of all ages. For example, respondents in their 20s were required to have an income of $60,000+, while those in their 50s qualified with an income of $85,000 or more. The income requirements by age group are as follows:

Age 20-29:	$60,000+
Age 30-39:	$85,000+
Age 40-49:	$100,000+
Age 50-59:	$100,000+
Age 60-69:	$60,000+

The questionnaire was directed to the person most responsible for the household’s financial decisions. In total, 2,600 eight-page questionnaires were mailed, and 1,122 documents were completed and returned. The survey was conducted from November 5 through December 9, 2003.

Financial Profile of Survey Participants

The average net worth of consumers who participated in this survey is $576,000. Their average household income is $115,000. Excluding bill paying and balancing their checkbooks, consumers spend an average of 5 hours per month on financial matters.

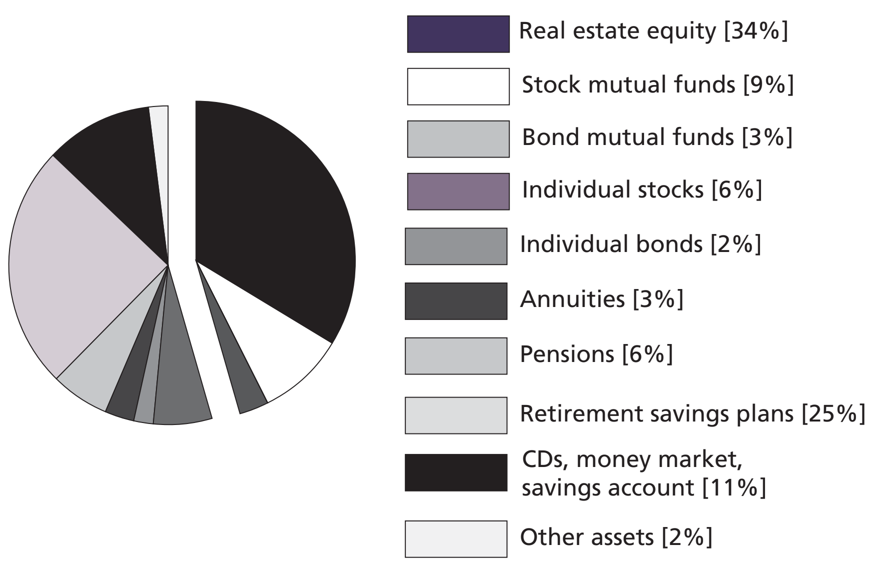
Survey participants said that they saved or invested 13.5% of their total income (median) in the 2004 survey, compared with 12% in 2002 and 15% in 1999.

Consumers also were asked to allocate their assets across three general risk definitions (as they perceived them). On average, 21.5% of assets are in perceived "high risk" vehicles, 37% are allocated to "moderate risk" instruments and 41.5% are in "low risk" instruments. Though the rate of saving/investing has decreased somewhat compared with 1999, the investment risk level has not drastically changed from 1999. Younger consumers tend to be more risk tolerant and older consumers are more risk adverse (at least in their own perceptions).

An examination of how upper-income consumers allocate their assets shows real estate equity is still the largest allocation growing to 34% from 31% since the 2002 survey, followed by retirement savings plans (25%). CDs, money market and savings accounts comprise 12% of assets while stock mutual funds are 8%, individual stocks are 7% and pensions are 6%. The balance is spread across annuities, bond funds, individual bonds and other miscellaneous allocations.

Finally, consumers reported on the perceived current performance of their investments. Not surprisingly, satisfaction has rebounded from levels in the 2002 survey but is still down from 1999 levels regarding the return on their investments. In the current survey, 56% said their investments met or exceeded expectations, versus 38% in the 2002 survey and 79% in 1999.

Asset Allocation



Financial Characteristics by Lifestage

The survey found differences in how upper-income consumers at different lifestages perceive their finances. Three lifestage groups emerged:

- **Up and Coming:** Ages 20-39 (39% of survey respondents)
- **Mid-Life:** Ages 49-54 (36% of respondents)
- **Retirement Cusp:** Ages 55-69 (25% of respondents)

Among all lifestage groups, **retirement planning** continues to be the most critical current financial goal with the strongest emphasis among the Mid-Life group. The economic turmoil of the past four years is most evident in the goals of the Up and Coming group whose second priority is managing and reducing debt. Compared with 1999, this group also showed slight decrease in interest in building retirement funds, but its interest in vacation or travel has returned to about the level in 1999 after dipping in 2002, and it has an increased interest in accumulating capital compared with 1999. Mid-Life consumers have decreased interest in building a retirement fund and increased interest in managing or reducing debt as well as home purchase or renovation versus 2002. Retirement Cusp consumers have increased interest in building an emergency fund compared with 1999 and accumulating capital versus 2002.

Up & Coming	
Who are they?	**Financial Planning Focus**
Ages: 20-39	Prepare for retirement
28% have a written financial plan	Manage/reduce debt
52% completed plan within the last 3 years	Build an emergency fund
Most tolerant of risk	Build a college fund
Most likely to use the Internet for financial purposes	Save for a home purchase/renovation
Most likely to have financial software	

Mid-Life	
Who are they?	**Financial Planning Focus**
Ages: 40-54	Prepare for retirement (strongest focus of all three categories)
39% have a written financial plan	Build an emergency fund
56% completed plan at least 4 years ago	Vacation/travel
More likely to use a planner to develop plan	Finance college education
Highest amount of household income	Manage/reduce current debt
Have low to moderate risk tolerance	Shelter income from taxes

Retirement Cusp	
Who are they?	**Financial Planning Focus**
Ages: 55-69	Prepare for retirement
47% have a written financial plan	Vacation/travel
62% completed plan at least 5 years ago	Accumulate capital
Higher net worth and lower risk tolerance	Generate income
Most likely to have a financial professional as a primary adviser	Shelter income from taxes
	Provide for future medical needs
	Build an emergency fund

Financial Attitudes of Survey Participants

When it comes to attitudes about planning and managing one's financial affairs, upper-income consumers divide into three distinct groups: **Worriers**, **Independents** and **Help Wanteds**. The percentages of consumers that fall into each of these categories is virtually unchanged from the 2002 survey, which represents a decline in the number of Worriers, those who fret about financial decisions but do not seek professional advice, compared with 1999. In contrast, Help Wanteds, those individuals who are most likely to seek professional financial advice, has increased compared with 1999. The number of Independents remained the same.

Worriers (39% of upper-income consumers)
Worry about debt
Fret about financial decisions such as money for retirement
Are not confident in their control over their financial future
Do not enjoy planning and thinking about financial matters
May have a financial plan, but admit that they don't really follow it
Are their own primary financial advisers, despite their discomfort

Mostly under 40 years old, Worriers are concerned about the many financial choices and decisions they face and doubt their ability to manage their finances well. However, despite their anxiety and lack of confidence, Worriers act as their own financial advisers. **Compared with the 1999 survey, the percentage of Worriers decreased by 3% to 39%.**

Worriers tend to invest less of their income and have lower net worth than other attitude groups. While 62% of survey respondents say their investments fell short of their expectations, 66% of Worriers said their investments fell short. Although most consumers surveyed enjoy thinking about financial matters to some extent, Worriers do not. Some have developed or worked on creating a financial plan, but admit that they do not follow it.

Independents (33% of upper-income consumers)
Are satisfied with their financial decisions
Feel more knowledgeable and successful than other consumers
Devote more time each month to financial matters than the average consumer
Use the Internet for financial purposes
Prefer to make financial decisions without professional help

Independents, more likely to be male and spread across all age groups, consider themselves to be better at making financial decisions than most friends and family.

Independents enjoy making their own financial decisions and spend more time per month managing financial matters. They are more likely to be satisfied with their investments and least likely to seek professional help under any circumstances, including losing assets as a result of their own investing decisions. **The percentage of Independents remained constant at 33%, compared with 1999.**

Help Wanteds (28% of upper-income consumers)
Enthusiastically seek professional financial advice
Are confident that they are in control of their financial lives
Feel their investments meet or exceed their expectations

Middle-aged and older, Help Wanteds typically have a higher net worth, admit that their financial affairs require expertise that they do not have and willingly seek out advice and assistance. Help Wanteds are more likely to have a written financial plan and 81% claim that it has been a great benefit to them. Most Help Wanteds relied on the assistance of a financial planner to create the plan.

Help Wanteds tend to save or invest a greater percentage of their household income than other attitude groups, and are more likely to hold moderate risk investments and favor stock and bond mutual funds. **The Help Wanteds category increased 3% to 28%, compared with 1999.**

Top 10 Reasons People Begin Financial Planning

The need for retirement planning is by far the number one reason consumers begin to plan their financial lives (83%), and it is the primary objective of their current financial management efforts across all lifestage categories (77%).

Top 10 Reasons People Begin Financial Planning	(%)
Building a retirement fund	82
Home purchase/renovation	41
Building an "emergency fund"	40
Managing/reducing current debt	34
Vacation/travel	34
Building a college fund	32
Accumulating capital	31
Providing insurance protection	29
Sheltering income from taxes	26
Generating current income	25

While consumers in all age groups consider retirement planning a number one objective, other reasons for doing financial planning tend to differ in priority depending on the lifestage of the individual.

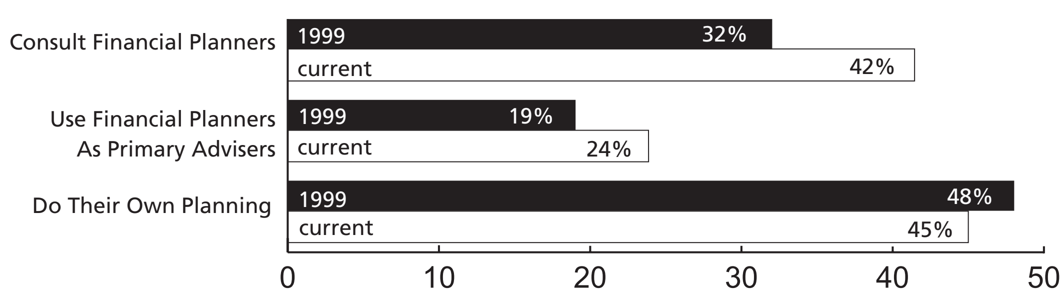
Up & Coming	Mid-Life	Retirement Cusp
Manage/reduce debt	Building an "emergency fund"	Shelter income from taxes
Save for a home purchase/renovation	Finance college education	Accumulate capital
Build a college fund	Save for home purchase/renovation	Generate income
	Shelter income from taxes	Build an inheritance for heirs
		Provide for future medical needs
		Provide insurance protection

Primary Financial Adviser

The survey shows a slight shift away from upper-income consumers serving as their own primary financial advisers and toward the use of financial planners.

- **Financial planners are the primary advisers of 24% of consumers,** up from 19% in 1999. CFP® certificants were named as the primary advisers for 9% of all consumers surveyed.
- **More than two-fifths of consumers (42%) have experience with a specifically titled financial planner,** and 25% are currently using a financial planner.
- **Forty-five percent of consumers surveyed considered themselves to be their household's primary financial adviser**, down from 48% in 1999. At the same time, 89% reported that they take care of at least some of their own financial activities, mainly budget planning and debt management.
- **The use of financial planners increases with age and growing net worth.** Forty-one percent of Retirement Cusp consumers used financial planners in the current survey, versus 34% in 1999. While 25% of those with a net worth less than $100,000 used a financial planner, 43% of those with assets greater than $500,000 reported that they used a financial planner.

Reliance on Professionals



Reasons to Consult a Professional Financial Adviser

Life-changing events are often the catalyst for seeking out a financial adviser and the survey shows that receiving an inheritance or financial windfall is the event most likely to prompt consumers to seek professional advice (73%). Increasing complexity of investments also is a major reason for seeking professional advice (62%) while portfolio growth (52%) and need to make 401(k) distribution decisions (52%) are secondary reasons.

Situations that Encourage the Use of Financial Professionals	(%)
Receiving an inheritance/windfall	73
Increasing complexity of investments	62
Portfolio growth	52
Need to make 401(k) distribution decisions	52
Loss of assets as a result of own trading/investing	43
Market downturns	35
Change in marital status	32
Change in job status	24
Birth of child	19

Choosing a Professional Financial Adviser

Upper-income consumers look for credentials, a long-term relationship and recommendations when choosing a financial adviser. Adherence to a professional code of ethics and practice standards are very important to consumers, as is the adviser's trustworthiness. Method of compensation is only of moderate importance, although consumers want to know exact amounts or percentages of compensation.

- When choosing a financial planner, three distinct consumer groups emerge in terms of an overriding importance criterion: 28% look for an adviser's "credentials," 36% look for a "long-term relationship" backed by expertise and performance and 36% rely on a "recommendation" from a friend/relative.
- Adherence to a professional code of ethics and practice standards are of great importance to most consumers, with the vast majority rating both standards extremely or very important (97% for code of ethics, 96% for practice standards).
- Method of compensation is only of moderate importance to consumers (mean of 3.64 on a scale of 5.0) when choosing a financial adviser. When asked for a preference, the largest group of consumers (48%) prefer fee-only as a method of compensation.
- Of consumers who prefer fees, 70% would prefer to know exact dollar amounts of fees, and of those who prefer commissions, 71% prefer to know exact percentages.

Importance Ratings for Selecting a Financial Adviser	(%)
Trustworthy	97
Someone who listens	96
More interested in meeting needs than in selling products	95
Good performance record	94
Expert in his/her area	94
High level of professionalism	91
Client chooses degree of control over decisions	91
Reasonable cost for services	83
Competent with emerging technologies	82
Professional accreditation	81

Standards that Consumers Seek in a Professional Adviser	(%)
Adherence to professional code of ethics	97
Adherence to professional practice standards	96
Successful completion of certification examination	86
Successful completion of a curriculum specific to financial planning	83
Ongoing continuing education requirement	83
Subject to disciplinary action administered by peer review board	81
Required length of time of practical experience	78

Having a Written Financial Plan

Although less than half of upper-income consumers have a written financial plan, those with a written plan are more likely to feel satisfied with how they manage their financial affairs.

- Thirty-seven percent of consumers surveyed have a written financial plan, with this number increasing as people age and acquire greater net worth. For example, 47% of Retirement Cusp individuals and 48% of individuals with a net worth of $500K+ have a written plan.
- Sixty-nine percent of consumers with a written plan used a financial professional for its preparation and a financial planner is most likely to be used to prepare the plan (48%).
- Overall, consumers feel than they have benefited from having a financial plan.
- Thirty-four percent of consumers who have a written financial plan review their financial plan annually; 27% review their plan quarterly and 19% review every six months.
- **Consumers who have a written financial plan report that they are more satisfied with how they plan and manage their financial affairs (54%) than are consumers who do not have a written plan (40%).** In addition, consumers with a written financial plan are more likely to prefer not to make financial decisions based solely on their own knowledge (41% vs. 32% with no written plan).
- Consumers without written plans are more likely to be worried about being financially prepared for retirement than consumers with plans (46% vs. 40%).

Consumers who have a written financial plan generally feel more knowledgeble about and interested in their personal finances.

	Satisfied Consumers with a Written Plan (%)	Satisfied Consumers without a Written Plan (%)
Are financially knowledgeable	65	61
More knowledgeable than most of their friends	55	47
Interested in understanding the aspects of financial planning	49	41
Satisfied with how I plan and manage my financial affairs	54	40
Worried about not having retirement money	40	46

Consumers who have a written financial plan are more likely to be extremely satisfied with their primary adviser on a variety of factors.

	Satisfied Consumers with a Written Plan (%)	Satisfied Consumers without a Written Plan (%)
Gives good advice/knowledgeable	43	35
Meets regularly to track progress	40	28
Keeps them informed about various financial products	40	30
Reviews financial portfolio and goals with them	49	33
Provides accurate information	49	39

Satisfaction with Professional Financial Advisers

Consumers who seek out professional financial advice exhibit high levels of satisfaction with their financial advisers. This satisfaction has shown some erosion in the past four years as consumers respond to a down economy.

- Of those who use a professional as their primary financial adviser, 81% are extremely or very satisfied with their adviser, while 84% of those who use a CFP certificant as their primary adviser are extremely or very satisfied.
- Of those consumers using a professional adviser, 84% are extremely or very likely to continue the relationship and 74% are extremely or very likely to recommend the adviser to a friend. For clients of CFP certificants, 86% are extremely or very likely to continue their relationships and 80% are extremely or very likely to recommend the adviser to a friend.
- The turmoil in financial markets has taken its toll in the past four years with claimed overall satisfaction with financial advisers declining for all financial advisers (81% extremely or very satisfied in 2004 vs. 85% in 1999) and financial planners specifically (83% currently vs. 86% in 1999).

Consumer Attitudes Toward Finances and Financial Advisers

There are notable differences between clients of CFP® certificants and those who do not use a CFP certificant when thinking about finances and financial advisers. Clients of CFP certificants perceive a higher need for an adviser and are less doubtful about an adviser's qualifications.

- In general, upper-income consumers perceive themselves as being financially knowledgeable (63% rate themselves above average in knowledge), are interested in understanding financial planning (44%) and are satisfied with how well they are planning and managing their financial affairs (45%).
- **Clients of CFP certificants also feel financially knowledgeable (72% rate themselves above average in knowledge), are more interested than consumers overall in understanding financial planning (62%) and are more satisfied with how they are managing their finances (53%).** At the same time, clients of CFP certificants are less comfortable making decisions based purely on their own knowledge (58% vs. 35% of all consumers).
- Upper-income consumers in general agree (71%) that financial advisers are a good source of information about financial products and that they are professional (71%). More than half (58%) feel that it's hard to know who's really qualified among financial planners. **For clients of CFP certificants, 96% consider financial advisers to be good sources of information, 89% think financial advisers are professional and 45% think it's hard to know who's really qualified.**

CFP Certification Marks: Other Findings

The CFP® certification continues to be the most recognized of financial planning credentials and trails only the CPA among all financial services credentials. More than half of upper-income consumers are aware of the CFP certification marks. In addition, clients of CFP professionals report being more satisfied in a variety of financial areas than clients of other financial advisers.

- **Fifty-six percent of all survey respondents are aware of the CFP certification marks. However, of those who have used a financial planner, 74% are aware of the CFP certification marks.** In comparison, 85% of all survey respondents are aware of the CPA designation, 27% of CLU and 28% of CFA, followed by RIA, PFS and ChFC respectively.
- **Awareness of the CFP marks increased among Retirement Cusp individuals** from 50% in 1999 to 59% currently.
- **Clients of CFP professionals showed greater satisfaction than clients of other financial advisers on a wide range of attributes.** Those surveyed reported being extremely or very satisfied that their adviser: gives good advice/is knowledgeable (87% for clients of CFP professionals vs. 80% for clients of other advisers); reviews financial portfolio and goals (89% vs. 72%); meets regularly to track progress (78% vs. 66%); and informs about various financial products (81% vs. 68%).
- **Clients of CFP professionals rely on their adviser for a broader range of advice compared to clients of other financial professionals.** Clients of CFP professionals showed greater interest in obtaining help with retirement planning/review (74% of clients of CFP professionals vs. 29% of clients of other advisers); investment planning/review (58% vs. 24%); a broad range of financial matters (56% vs. 22%); developing a plan to achieve short and long-term goals (69% vs. 27%); and identifying savings and investment goals (52% vs. 21%).

Use of Computers and the Internet by Upper-Income Consumers

Computer and Internet use has increased since 1999. Most upper-income consumers, especially in the older age groups, rely on newspapers and television as their major sources of financial information, but the Internet has gained significantly and surpasses financial magazines as a source of information.

- **The number of consumers who have financial software remained fairly static** from 1999 (42% in 1999 vs. 44% in the current survey). Among those who handle their financial affairs themselves, financial software ownership is somewhat higher at 49%.
- **Among those who own financial software, it is mainly used for tax preparation/planning, money management/budgeting and bill payment.**
- Internet use has increased over time, with 92% of consumers in 2003 being users versus 76% in 1999. Internet use for financial reasons also went up (52% in the 2002 survey vs. 35% in 1999), although usage is relatively infrequent, typically several times a month.
- **The main types of financial information that consumers seek on the Internet relate to monitoring savings and investments.**
- Overall, consumers are at least somewhat satisfied with the financial information they obtain online.

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