

2004 GENERAL MARKET  
CONSUMER SURVEY

CERTIFIED FINANCIAL PLANNER  

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BOARD OF STANDARDS, INC.



CERTIFIED FINANCIAL PLANNER™

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## Introduction

Certified Financial Planner Board of Standards' 2004 General Market Consumer Survey examines the attitudes of consumers toward financial planning, financial activities and financial professionals. The survey reveals that consumers generally consider themselves to be financially knowledgeable and interested in financial planning, though many worry about retirement savings and excessive debt.

In addition to these findings, CFP Board's 2004 General Market Consumer Survey analyzes a range of criteria:

- Financial characteristics of 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 of upper-income consumers. 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 of 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 General Market Consumer Survey was conducted by Synovate via a self-administered questionnaire. This questionnaire was sent to a nationally representative sample of households from the Synovate Consumer Opinion Panel between the ages of 20-69.

The questionnaire was directed to the person most responsible for the household's financial decisions. A total of 1,300 eight-page questionnaires were mailed, and 618 documents were completed and returned. The study was fielded from November 5 to December 9, 2003.

## Financial Profile of Survey Participants

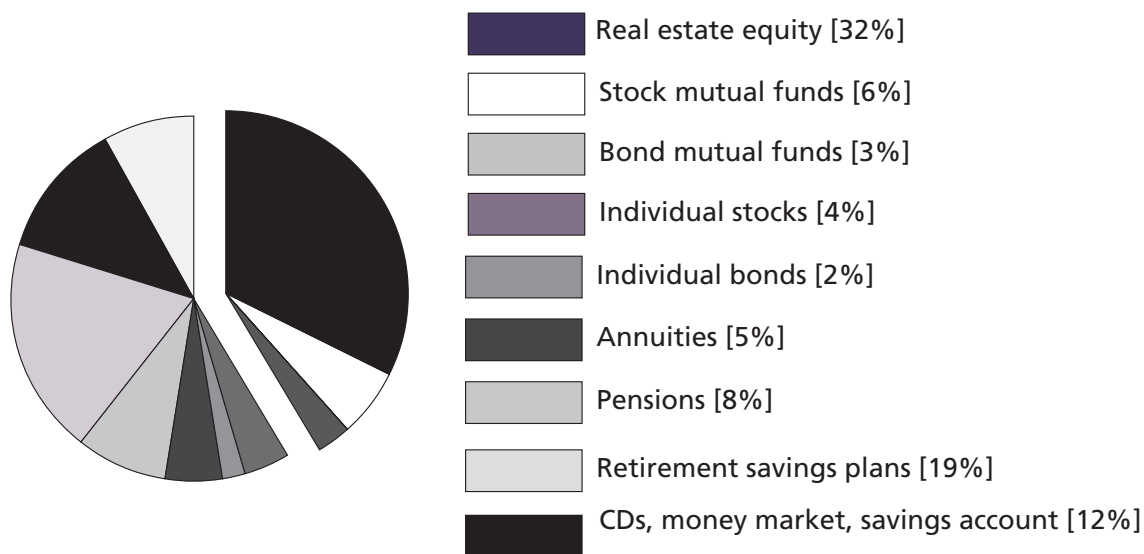
The median net worth of consumers who participated in this survey is \$153,000. The average household income is \$52,000. Survey participants said that they saved or invested 10% of their total income (median).

Consumers were asked to allocate their assets across three general risk definitions (as they perceived them). On average, 16% of assets are in perceived "high risk" vehicles, 31% are allocated to "moderate risk" instruments, and 53% are in "low risk" instruments.

An examination of how consumers allocate their assets shows real estate equity is the largest allocation at 32% followed by retirement savings plans (19%). CDs, money market and savings accounts compose 12% of assets while stock mutual funds are 6%. The balance is spread across individual stocks, pensions, annuities, bond funds, individual bonds and other miscellaneous allocations.

Finally, consumers reported on the perceived current performance of their investments. Forty-six percent of consumers say their return on investment met expectations.

### Asset Allocation



## Financial Characteristics by Lifestage

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

- **Up and Coming:** Ages 20-39 (30% of survey respondents)
- **Mid-Life:** Ages 49-54 (31% of respondents)
- **Retirement Cusp:** Ages 55-69 (39% of respondents)

| <b>Up &amp; Coming</b>                                 |                                     |
|--|-------------------------------------|
| <b>Who are they?</b>                                   | <b>Financial Planning Focus</b>     |
| Ages: 20-39  | Manage/reduce debt                  |
| 23% have a written financial plan                      | Save for a home purchase/renovation |
| 48% completed plan within the last 3 years             |                                     |
| Most tolerant of risk                                  |                                     |
| More likely to use the Internet for financial purposes |                                     |
| More likely to be their own adviser                    |                                     |
| Less likely to use a planner to develop plan           |                                     |

| <b>Mid-Life</b>                                       |                                 |
|---|---------------------------------|
| <b>Who are they?</b>                                  | <b>Financial Planning Focus</b> |
| Ages: 40-54   | Prepare for retirement          |
| 32% have a written financial plan                     | Manage/reduce debt              |
| 59% completed plan at least 4 years ago               | Finance college education       |
| Most likely to use a planner to develop plan          | Insurance protection            |
| Highest amount of household income (\$62,000 average) |                                 |
| Have low to moderate risk tolerance                   |                                 |

| <b>Retirement Cusp</b>  |                                  |
|---|----------------------------------|
| <b>Who are they?</b>  | <b>Financial Planning Focus</b>  |
| Ages: 55-69   | Prepare for retirement           |
| 43% have a written financial plan                                 | Accumulate capital               |
| 67% completed plan at least 5 years ago                           | Provide for future medical needs |
| Higher net worth and lower risk tolerance                         | Insurance protection             |
| Most likely to have a financial professional as a primary adviser | Vacation/travel                  |

## Financial Attitudes of Survey Participants

When it comes to attitudes about planning and managing one's financial affairs, consumers divide into three distinct groups: "Troubleds", "Self Reliants", and "Seekers."

| <b>Troubleds (47% of consumers)</b>                                      |
|--|
| Worry about debt   |
| Fret about financial decisions such as money for retirement              |
| Are not confident in their control over their financial future           |
| May have a financial plan but admit that they don't really follow it     |
| Are often their own primary financial advisers, despite their discomfort |
| Are the least likely to have a plan                                      |

The youngest of the three segments, Troubleds need help saving and setting financial goals. Despite their anxiety and lack of confidence, this group is more likely to act as their own adviser. Troubleds have the lowest income and net worth, but invest at the same rate as the other groups. Troubleds most often claim that their return on investment fell short of expected returns.

| <b>Self Reliants (32% of consumers)</b>                                    |
|--|
| 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 |
| Prefer to make financial decisions without professional help               |
| Are the least risk-tolerant  |

The Self Reliant group's income falls between the other two segments, but they invest at the same rate. Although a quarter of these consumers used an adviser to develop their financial plan, nearly three out of four consider themselves as their primary financial adviser.

| <b>Seekers (21% of consumers)</b>                 |
|---|
| Seek professional financial advice                |
| Need help choosing financial products             |
| Need help reviewing a financial situation         |
| Need help developing long-term strategy and goals |

With an average age in the 50s, Seekers typically have a higher net worth and household income. These consumers admit that their financial affairs require expertise that they do not have and seek out advice and assistance in managing their financial affairs. Seekers are most likely to have a financial plan and more often claim that it has been a great benefit to them, and most often relied on an adviser to create the plan. Seekers are slightly more likely to favor moderate- to high-risk investments.

## 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 (61%), and it is the primary objective of their current financial management efforts across all lifestage categories (52%).

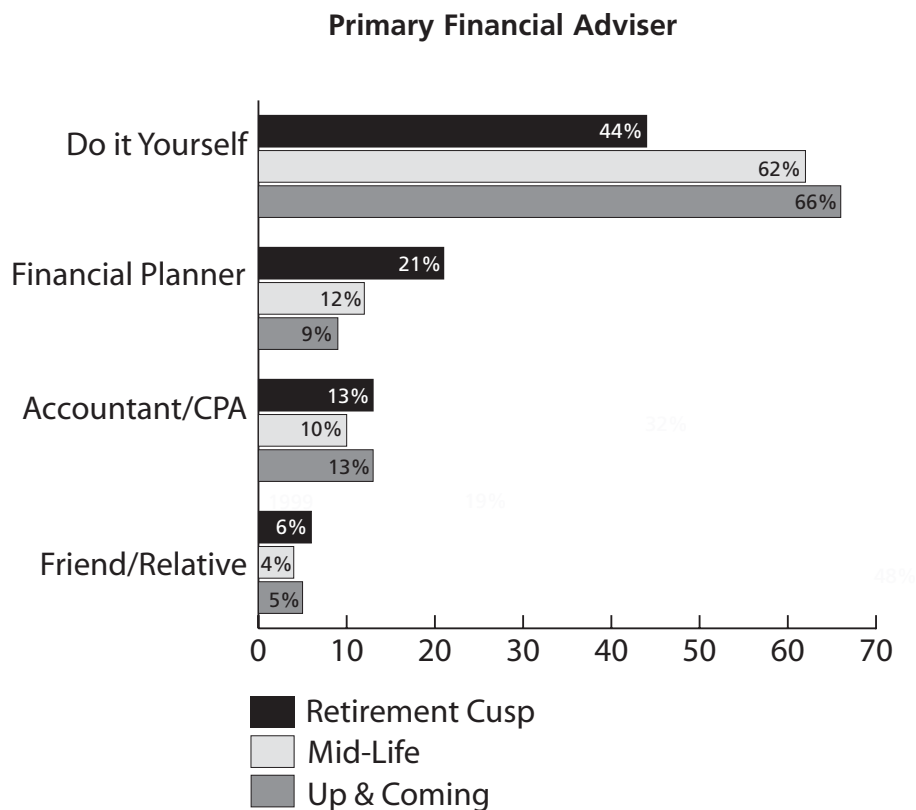
| Top 10 Reasons People Begin Financial Planning | (%) |
|--|-----|
| Building a retirement fund                     | 61  |
| Building an "emergency fund"                   | 35  |
| Providing insurance protection                 | 33  |
| Managing/reducing current debt                 | 32  |
| Save for home purchase/renovation              | 29  |
| Generating current income                      | 25  |
| Vacation/travel                                | 24  |
| Accumulating capital                           | 21  |
| Future medical needs                           | 21  |
| Sheltering income from taxes                   | 18  |

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                  |
|-----------------------------------|---------------------------|----------------------------------|
| Build retirement fund             | Build retirement fund     | Build retirement fund            |
| Manage/reduce debt                | Build an emergency fund   | Build an emergency fund          |
| Save for home purchase/renovation | Manage/reduce debt        | Vacation/travel                  |
| Build an emergency fund           | Finance college education | Accumulate capital               |
|                                   | Insurance protection      | Insurance protection             |
|                                   | Shelter income from taxes | Provide for future medical needs |

## Primary Financial Adviser

- **Financial planners are the primary advisers of 14% of consumers.** CFP® certificants were named as the primary advisers for 5% of all consumers surveyed.
- **Eighty-seven percent of consumers make financial decisions without an adviser.** Thirty-four percent occasionally consult with an adviser prior to making financial decisions.
- **Fifty-six percent of consumers surveyed considered themselves to be their household's primary financial adviser.** Eighty-two percent 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.** Only 44% of Retirement Cusp consumers consider themselves their own primary adviser, versus 62% of Mid-Life and 66% of Up & Coming consumers.



## 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 (65%). While increasing complexity of investments (62%), need to make 401(k) distribution decisions (41%) and portfolio growth (38%) are secondary reasons.

| <b>Situations that Encourage the Use of Financial Professionals</b> | <b>(%)</b> |
|---|------------|
| Receiving an inheritance/windfall                                   | 65         |
| Increasing complexity of investments                                | 47         |
| Need to make 401(k) distribution decisions                          | 41         |
| Portfolio growth  | 38         |
| Loss of assets as a result of own trading/investing                 | 38         |
| Market downturns  | 29         |
| Change in marital status  | 24         |
| Change in job status  | 18         |
| Birth of child  | 14         |

## Choosing a Professional Financial Adviser

When selecting a financial adviser, consumers place the most importance on the adviser's trustworthiness, the adviser's listening skills and an adviser that places meeting client needs above selling products.

- When choosing a financial planner, three distinct consumer groups emerge in terms of an overriding importance criterion:
  - ♦ **Forty-eight percent look for an adviser's experience.** This group is looking at an adviser's degree and their amount of experience, professional accreditation and competence with emerging technologies
  - ♦ **Thirty-one percent look for a trusted expert.** This group is primarily looking for an adviser who is an expert in the area and is trustworthy. Additionally, the adviser must be a good listener and can develop long-term relationships with their clients.
  - ♦ **Twenty-one percent rely on a recommendation from a friend/relative.** This is the single attribute that distinguishes this group.
- 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 (91% for code of ethics, 92% for practice standards).
- Method of compensation is only of moderate importance to consumers (mean of 3.67 on a scale of 5.0) when choosing a financial adviser. When asked for a preference, the largest group of consumers (45%) prefer fee-only as a method of compensation.
- Of consumers who prefer fees, 76% prefer to know exact dollar amounts of fees instead of a range of dollar amounts, and of those who prefer commissions, 68% prefer to know exact percentages versus a range of percentages.

| Importance Ratings for Selecting a Financial Adviser      | (%) |
|---|-----|
| Trustworthy   | 93  |
| More interested in meeting needs than in selling products | 91  |
| Someone who listens                                       | 90  |
| Good performance record                                   | 89  |
| Expert in his/her area                                    | 88  |
| High level of professionalism                             | 86  |
| Client chooses degree of control over decisions           | 84  |
| Reasonable cost for services                              | 83  |
| Professional accreditation                                | 81  |
| Competent with emerging technologies                      | 77  |

| Standards that Consumers Seek in a Professional Adviser              | (%) |
|--|-----|
| Adherence to professional practice standards                         | 92  |
| Adherence to professional code of ethics                             | 91  |
| Successful completion of certification examination                   | 86  |
| Successful completion of a curriculum specific to financial planning | 84  |
| Subject to disciplinary action administered by peer review board     | 83  |
| Ongoing continuing education requirement                             | 81  |
| Required length of time of practical experience                      | 80  |

## Having a Written Financial Plan

One-third of consumers have a written financial plan (33%); consumers with a written plan are more likely to feel satisfied with how they manage their financial affairs.

- Thirty-three percent of consumers surveyed have a written financial plan, with this number increasing as people age and acquire greater net worth. For example, 43% of Retirement Cusp individuals and 46% of individuals with a net worth of \$250,000 have a written plan.
- Fifty-three 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 (33%).
- Overall, consumers feel they have benefited from having a financial plan and are more satisfied with their primary financial advisers when they have a written plan.
- Twenty-two percent of consumers who have a written financial plan review their financial plan annually, 27% review their plan quarterly and 16% 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 (55%) than are consumers who do not have a written plan (35%).**
- Consumers without written plans are more likely to be worried about being financially prepared for retirement than consumers with plans (51% versus 40%).

| <b>Consumers who have a written financial plan generally feel more knowledgeable about and interested in their personal finances.</b> |  |   |
|---|--|---|
|   | <b>Satisfied Consumers with a Written Plan (%)</b> | <b>Satisfied Consumers without a Written Plan (%)</b> |
| Are financially knowledgeable   | 57   | 48  |
| More knowledgeable than most of their friends   | 47   | 32  |
| Interested in understanding the aspects of financial planning   | 45   | 37  |
| Satisfied with how I plan and manage my financial affairs   | 55   | 35  |
| Worried about not having retirement money   | 40   | 51  |

| <b>Consumers who have a written financial plan are more likely to be extremely satisfied with their primary adviser on a variety of factors.</b> |  |   |
|--|--|---|
|  | <b>Satisfied Consumers with a Written Plan (%)</b> | <b>Satisfied Consumers without a Written Plan (%)</b> |
| Gives good advice/knowledgeable  | 50   | 30  |
| Meets regularly to track progress  | 41   | 22  |
| Keeps them informed about various financial products   | 44   | 22  |
| Reviews financial portfolio and goals with them  | 45   | 28  |
| Provides accurate information  | 51   | 38  |

## Satisfaction with Professional Financial Advisers

Consumers who seek out professional financial advice exhibit high levels of satisfaction with their financial advisers. In addition, these consumers are likely to be extremely satisfied with their personal finances. This is particularly evident for clients of CFP® professionals.

- Of those who use a professional as their primary financial adviser, 77% are extremely or very satisfied with their adviser.
- Of those consumers using a professional adviser, 76% are extremely or very likely to continue the relationship, and 70% are extremely or very likely to recommend the adviser to a friend. For clients of CFP certificants, 85% are extremely or very likely to continue their relationships, and 85% are extremely or very likely to recommend the adviser to a friend.

## Consumer Attitudes Toward Finances and Financial Advisers

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

- In general, consumers perceive themselves as being financially knowledgeable (51%), are interested in understanding financial planning (40%) and are satisfied with how well they are planning and managing their financial affairs (41%).
- **Clients of CFP certificants also feel financially knowledgeable (49%), are more interested than consumers overall in understanding financial planning (58%) and are more satisfied with how they are managing their finances (55%).** At the same time, clients of CFP certificants are less comfortable making decisions based purely on their own knowledge (12% versus 39% of all consumers).
- Consumers in general agree that financial advisers are a good source of information about financial products (65%) and that they are professional (64%). More than half (54%) feel that it's hard to know who's really qualified among financial planners. **For clients of CFP certificants, 91% consider financial advisers to be good sources of information, and 91% think financial advisers are professional. Only 28% 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. Almost half of 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.

- **Forty-four percent of all general market survey respondents are aware of the CFP certification marks.** However, of those who have used a financial planner, 79% are aware of the CFP certification marks. In comparison, 76% of all survey respondents are aware of the CPA designation, 22% of CLU and 20% of CFA, followed by PFS, RIA and ChFC respectively.
- **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 (85% for clients of CFP professionals versus 81% for clients of other advisers); reviews financial portfolio and goals (79% versus 66%); meets regularly to track progress (73% versus 59%) and informs them about various financial products (73% versus 63%).
- **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 (76% of clients of CFP professionals versus 19% of clients of other advisers); investment planning/review (58% versus 17%); a broad range of financial matters (52% versus 14%); developing a plan to achieve short- and long-term goals (52% versus 19%); and identifying savings and investment goals (46% versus 18%).

## Use of Computers and the Internet by Consumers

Most consumers, especially in the older age groups, rely on newspapers and television as their major sources of financial information, but the Internet has established itself with financial magazines and business/financial newspapers as a source of information.

- **Twenty-nine percent of consumers have financial software on their computer.**
- **Among those who own financial software, it is mainly used for money management/budgeting and tax preparation/planning.**
- **Eighty-one percent of consumers use the Internet. But, only 28% of consumers use the Internet for financial purposes; of those, 97% are at least somewhat satisfied.**
- **The main types of financial information that consumers seek on the Internet relate to monitoring savings and investments (64%) or making general financial inquiries (49%).**

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