



Consumer Federation of America

FPA
THE FINANCIAL PLANNING ASSOCIATION

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HOW AMERICANS VIEW PERSONAL WEALTH VS. HOW FINANCIAL PLANNERS VIEW THIS WEALTH

Americans Think Wealth Is Harder For Them to Accumulate Than Do Planners

Washington, D.C. -- Two recent surveys, released today by the Consumer Federation of America (CFA) and the Financial Planning Association® (FPA®), reveal that financial planners believe it is easier for Americans to accumulate personal wealth than do Americans themselves. The surveys also found that more than one-fifth of Americans (21%) -- 38% of those with incomes below \$25,000 -- think that winning the lottery represents the most practical way for them to accumulate several hundred thousand dollars.

In July, CFA and FPA commissioned the Opinion Research Corporation to survey a representative sample of more than 1,000 adult Americans about their views on personal wealth (margin of error plus or minus 3 percentage points). At the same time, FPA surveyed 360 financial planners for their views on the same topics.

Many Americans Don't Know What Wealth Is or Their Own Personal Wealth

Financial planners think it very important that Americans understand the meaning of personal wealth, but only about half of Americans do, and less than half know how much they have.

More than three-quarters (77%) of financial planners think it is very important for Americans to understand what net personal wealth is, and nearly all of the rest (22%) believe this understanding is somewhat important.

Yet, only about half (49%) of Americans know what constitutes this wealth -- financial assets plus home equity and other tangible assets minus consumer debts. And, after they learn this definition of wealth, less than half (48%) say they know exactly or approximately how much wealth they have.

CFA and FPA stress the importance of always knowing approximately what your net wealth is. "Americans should be as aware of their net wealth as their physical weight," said CFA Executive Director Stephen Brobeck. "Knowing your net wealth will help ensure that spending and saving decisions are sensible and that adequate personal wealth will be accumulated," he added.

CFA and FPA urged Americans to check both their net personal wealth, and their wealth-building potential, by consulting the "personal wealth estimator" on the America Saves website (www.AmericanSaves.org). Volunteer CERTIFIED FINANCIAL PLANNER™ professionals who are members of FPA also may answer at no cost general personal finance questions submitted via FPA's Web site at www.fpanet.org/public and click on "Ask a CFP® Professional."

Financial Planners are More Optimistic that Americans Can Build Personal Wealth than are Americans

Planners typically think that over four-fifths of young American adults could accumulate \$250,000 in net wealth over a period of 30 years. And planners typically believe that about half of young Americans could accumulate \$1 million in this period.

However, individuals are much more pessimistic about their wealth-building capacity. Only about one-quarter (26%) think they could save even \$200,000 at any point in their life, and less than one-tenth (9%) believe they could accumulate \$1 million.

"Planners know that it is easier for individuals to build personal wealth than they realize," said FPA Chair James A. Barnash, CFP®. "They understand the options that are most practical for individual families to maximize their wealth-building potential," he added.

Planners and Americans Basically Agree on Key Wealth-Building Strategies

Both planners and individuals see workplace saving, homeownership, and securities investments as key wealth-building strategies for all Americans.

Both planners and individuals view workplace saving as an important wealth-building strategy, though more planners (89%) than individuals (69%) see it as very important. Both groups view homeownership as an important saving strategy, though more individuals (78%) than planners (50%) see it as very important. And both groups consider investments in stocks and bonds as a significant wealth-accumulation strategy, though more planners (55%) than individuals (41%) view it as very important.

While few planners and individuals view strategies such as winning the lottery, inheriting money, and getting a large insurance settlement as very important for Americans, more individuals than planners consider these strategies to be very important.

Some Americans Think The Most Effective Wealth-Building Strategy For Them and For All Americans Is Winning the Lottery

A surprisingly high percentage of Americans think that the most practical way for them to accumulate several hundred thousand dollars is to win the lottery.

When asked about the most practical way for them personally to accumulate several hundred thousand dollars, over half (55%) said "save something each month for many years." Yet, more than one-fifth (21%) said "win the lottery," and among the least affluent and those over 55 years of age, these percentages were much higher -- 38% and 31% respectively.

When asked about very important wealth-building strategies for all Americans, 16% said "win the lottery." Those without high school degrees were much more likely to select this option than were those with college degrees -- 30% vs. 8%.

CFA is a non-profit association of 300 consumer groups that, since 1968, has sought to advance the consumer interest through research, education, and advocacy.

The Financial Planning Association® (FPA®) is the membership organization for the financial planning community. Its members are dedicated to supporting the financial planning process in order to help people achieve their goals and dreams.