



AmericaSaves®
You Can Build Wealth

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AMERICANS REPORT THEIR SAVINGS HABITS AND PROGRESS

Second Annual America Saves Week Receives Broad Support

Washington, D.C. -- A national survey conducted earlier this month found that about half of all U.S. households report adequate savings progress. Only 53 percent say that they save at least 5% of their income, while only 57 percent of those not retired say they are saving enough for a retirement with a "desirable standard of living".

The survey is being released at a press conference today during the second annual America Saves Week, in which more than 80 major governmental, non-profit, and industry organizations are participating. The survey includes questions that make up a "savings checklist" found on the new America Saves Week website (americasavesweek.org), which was developed jointly by America Saves and the American Savings Education Council (ASEC).

"The long-term goal of the Week is to persuade thousands of organizations to encourage millions of Americans to assess their savings progress and take action to advance this progress," said Dallas Salisbury, Chairman of ASEC and President of the Employee Benefits Research Institute. "The new America Saves Week website offers organizations suggestions for promoting saving and provides individuals tools for measuring and advancing their savings progress," he added.

The national survey was commissioned by ASEC and America Saves and carried out by Opinion Research Corporation, which interviewed a representative sample of more than 1,000 adult Americans during the week of February 8. The margin of error for this survey is plus or minus three percentage points.

Americans Report Mixed Savings Progress

Nearly three-quarters of Americans (73%) report that they "spend less than their income and save the difference." But little more than half of them (53% of all respondents) say they save at least 5 percent of their income, and only 28 percent say that they save at least 10% of their income. Experts urge people to save at least 10% of their income.

More than two-thirds (71%) report that they "have sufficient emergency savings to pay for unexpected expenses like car repairs or a doctor visit." Yet, little more than half of those not retired (57%) say they are "saving enough for a retirement in which you will have a desirable standard of living." An important reason for inadequate retirement savings is the failure or inability to "save for retirement at work through a 401(k) or other contributory plan," which only 55 percent of the non-retired report having.

Self-reported savings habits also help account for inadequate saving progress.

- o Only 62 percent of Americans have a "savings plan with specific goals";
- o only 49 percent have a "spending plan that allows you to save enough money to achieve the goals of your saving plan";
- o only 42 percent "save automatically through regular preauthorized transfers from checking to saving or investments"; and
- o only 41 percent "save a portion of tax refunds, gifts, bonuses, or other financial windfalls."

Relatively few Americans, however, report serious debt problems. Only 21 percent say their consumer debt is "growing" or "remains at the same level." And more than three-quarters with mortgage loans (76%) say they "will pay off all mortgage debt before retirement."

These findings are even more sobering considering the tendency of some Americans to report their savings habits and progress as positively as possible. "Hard data about savings behavior suggest that responses to several questions were buoyed by the personal optimism of respondents," said Stephen Brobeck, Consumer Federation of America Executive Director and a leader in America Saves.

Income Differences Provide Best Explanation for Savings Differences

Past research has revealed that age, gender, ethnicity, and education help explain differences in savings habits and progress. But this survey strongly suggests that income is a much greater influence on savings than are these other four factors.

The survey data reveal that a large majority of households with incomes of at least \$75,000, about half of those with incomes between \$35,000 and \$75,000, and a small minority of those with incomes below \$35,000 are adequate savers. Among all households in 2005, about one-quarter (27%) were high-income (incomes \$75,000 and over), one-third (33%) were middle-income, and two-fifths (40%) were low-income (incomes below \$35,000).

- o 81 percent of the high-income group, but only 34 percent of the low-income group, report saving at least 5 percent of their income;
- o 90% of the high-income group, but only 48% of the low-income group, report adequate emergency savings;

- o among those who are not retired, 85% of the high-income group, but only 28% of the low-income group, say they are saving adequately for retirement;
- o among this non-retired population, 77% of the high-income group, but only 24% of the low-income group, report participating in a retirement plan at work;
- o 85% of the high-income group, but only 36% of the low-income group, report having a savings plan; and
- o 72% of the high-income group, but only 29% of the low-income group, report having a spending plan.

Furthermore, members of the high-income group are much more likely than those in the low-income group to: know their net worth (72% vs 38%), save automatically through checking transfers (54% vs 28%), and save financial windfalls (55% vs 30%).

"A low income certainly makes it difficult to build adequate retirement savings but does not prevent developing saving and spending plans," said CFA's Brobeck. "And we know from earlier research that, regardless of income level, having a financial plan increases saving and financial stability," he added.

During America Saves Week, Diverse Organizations Plan Activities to Encourage and Assist Good Savings Habits

ASEC, America Saves, and the dozens of participating national organizations urge Americans to take advantage of the Week to assess their savings progress and take action to make necessary improvements. The new America Saves Week website helps individuals do this by providing a savings checklist, linked websites for checklist items, monthly savings messages, saver enrollment, video messages, and other tools.

The following statements by other press conference speakers illustrate the range of activities of organizations participating in America Saves Week. Information about the activities of other organizations can be found on the website.

- o Jane Schuhardt, National Program Leader, Cooperative State Research, Education, and Extension Service, USDA, the federal partner in the Cooperative Extension System: "Got savings? That's the question local Extension educators in nearly 30 states are sending an estimated 12 million youth and adults during America Saves Week. Take Hamilton County High School, where 1,000 students will enroll as Tennessee Savers. Or Leavenworth County, Kansas, where 2,000 employees will get 'you can build wealth, not debt' messages. Or Florida's 67 counties, where 5,000 Americans at free tax preparation sites will learn how to save using the split tax refund. At the national level, Extension announces www.extension.org, where experts offer unbiased help with your financial questions 24-7, 365 days a year."

- o Barbara Smith, Senior Supervisory Policy Analyst, Division of Consumer and Community Affairs at the Federal Reserve Board: "This year, as last year, the Federal Reserve Board will be offering savings tips to Board staff on our internal website. And along with these tips we will provide links to additional information as well as relevant hard-copy publications. New this year are savings tips from Board staff, which will be communicated on February 29, the last workweek day of America Saves Week. Another new development is the participation of the Board's financial education provider, which is offering a workshop on our Thrift Plan that will focus on investing and asset allocation. A third new development is a 'Savings Resources for Consumer' link from the Board's public website. This link will list resources on saving available to the public from the Board, Federal Reserve Banks, and other Federal Government agencies."
- o Lenny Sanicola, Benefits Practice Leader, WorldatWork: "We have kicked off a series of events in support of America Saves Week. We recently held a financial seminar for employees. Tomorrow we are holding one-on-one appointments on site to enable employees to meet privately with a certified financial planner. We encourage employees to share their own savings and budgeting tips on the employee Intranet. We will also feature articles in our blogs and in our member publication *workspan* read by 30,000 members and customers."
- o Michael Benjamin, Executive Director, Family, Career and Community Leaders of America (FCCLA): "FCCLA is working to empower the next generation with the skills and attitudes necessary to change youth culture in the United States regarding saving. Through peer-to-peer education campaigns like FCCLA Saves, students gain the tools they need to make bright financial futures a reality. During Saves Week, 120 schools in 17 states hope to reach over 10,000 students with the important message of saving. Of these students, FCCLA members hope to enroll 3,000 to 5,000 new Savers, who are motivated to save \$15-\$0 per month for 10 months. That is at least \$750,000 in new savings deposits. As FCCLA Saves grows, the potential for reducing debt and building wealth will be much greater."
- o Commander David Julian, Deputy Director, Office of Family Policy/Children and Youth, Office of the Secretary of Defense: "The Department of Defense joins the *America Saves* campaign through its *Military Saves Week*. This time is dedicated to raising awareness about the importance of saving. We want service and family members to take a closer look at their individual financial situations so they can build wealth and not debt. This year in the Defense Department, we are emphasizing one campaign pillar in particular – participation in the Thrift Savings Plan. Virtually identical to the 401k plans that currently exist in the private sector, and offered to members in Federal Service since 1987, the Thrift Savings Plan represents an outstanding opportunity for our servicemembers and families to invest their hard-earned money through a number of funds and watch their money grow until they retire – either after a full career or until they decide to separate from service. We want to be sure that all service and family members are able to use this outstanding benefit they have worked so hard to earn. Individual financial readiness is particularly important in the Defense Department. In fact, we equate financial readiness with military readiness."

Military Saves Week helps us bring an added focus to our year-round effort to change personal habits and behaviors. Financial readiness education, training, and support encourages our servicemembers and their families to develop healthy financial habits – to establish good credit, save regularly and plan for a future that builds wealth.”

"The America Saves Week activities of diverse organizations should increase significantly next year, in part because we will have a whole year to plan them," noted ASEC's Salisbury. ASEC and America Saves joined forces last November, then focused much of their attention on creating the new website.

America Saves is a national initiative in which 1,000 organizations encourage and assist Americans, especially lower-income households, to save and build wealth.

ASEC is the leading voice on promoting the issues of saving and retirement planning in America today. The Council brings together public and private-sector partners to share information on best practices and to collaborate on financial security initiatives.