



**Consumer Federation of America**

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## FINANCIAL PLANNING BECOMES MORE IMPORTANT FOR MOST AMERICANS

### CFA and Financial Planners Respond with Free Financial Advice for American Savers

Washington, D.C. -- More than one-half of Americans (55%) consider financial planning to be more important to them personally now than one year ago, found a recent national survey commissioned by the Consumer Federation of America (CFA) and the Financial Planning Association (FPA). The survey also revealed that more than one-half of Americans (53%) believe that, as a result of the terrorist attacks, it is personally more important to have a financial plan.

"The growing importance of financial planning for most Americans is so important because those who plan accumulate less consumer debt and save more than those who don't," said Stephen Brobeck, CFA Executive Director. "Our survey reinforces earlier research that September 11 has made Americans more, not less, financially prudent," he added.

In response, CFA will be encouraging American Savers to use a new free financial advice service developed by FPA and undertaken by some 500 volunteer financial planners who belong to the planning association. In the next year, thousands of Americans are expected to qualify as American Savers by developing a simple but specific saving and wealth-building plan. These Savers can then receive free advice, by phone or e-mail, on topics ranging from budgeting to debt management to investments to retirement planning.

"Our free financial advice reflects our commitment to broaden the availability of financial planning services to all Americans, not just to the very affluent," said Bob Barry, CFP™ and President of FPA.

"Offering pro bono financial planning services is important to the growth of the financial planning profession," noted Janet G. McCallen, CAE and Executive Director of FPA. "As an emerging profession, it is very important that the profession take this critical step in its evolution," she added.

The survey also found that young adults and African-Americans were the two groups most likely to believe that financial planning had become more important to them personally and that free phone or e-mail consultations with a financial planner were valuable to them personally.

## Financial Planning Grows More Important, Especially for Young Adults and African-Americans

The survey was completed for CFA and FPA by Opinion Research Corporation International during the period March 7-10, 2002. The sample of 1007 persons was representative of all American adults living in private households. The margin of error was plus or minus three percentage points.

Key findings of the survey include:

- o Nearly all Americans (92%) consider financial planning to be important personally, and 65% consider this planning to be "very important." Even higher percentages of those in moderate-income (\$35,000-50,000 annual income) households (73%) and African-Americans (77%) believe financial planning to be very important.
- o More than one-half of Americans (55%) believe that financial planning is more important to them personally now than one year ago, and only 5 percent consider planning to be less important. Young adults aged 18-34 (70%) and African-Americans (76%) are the groups most likely to think this planning is more important today than a year ago.
- o More than one-half of Americans (53%) also believe that, as a result of the terrorist attacks, it is personally more important to have a financial plan while only 17 percent said it was less important to have such a plan. Those aged 25-34 (61%) and African-Americans (72%) are especially likely to say that September 11 had increased the importance of financial planning.

A survey conducted by FPA of their financial planner members had findings consistent with those of the national consumer survey. Well over one-half (60%) of the some 100 participants said that their clients were more worried than one year ago about their financial futures. The planner survey also found that more than one-third (35%) of the planners said that a higher percentage of clients had adjusted their financial plan in the past six months than in earlier periods.

"The role of financial planners in our society is becoming increasingly important," said Barry. "It is especially critical for us to reach out to young adults and African-Americans, the group which now places a far greater value on financial planning," he added.

## New Free Financial Advice Responds to Growing Importance That Americans Place on Financial Planning

The national survey also asked respondents about their desire for phone or e-mail financial advice from financial planners. Young adults especially say that they would find this service useful. 49 percent of those aged 18-34 said they would value a free phone consultation while 61 percent in the same age group said that a web-based service would be useful. African-Americans also said that phone consultations (66%) and web-based advice (59%) would be helpful.

The free financial advice is being offered through the FPA's National Financial Planning Support Center to American Savers. Savers who call (800-647-6340) or e-mail

(supportline@fpanet.org) the Support Center will communicate with a Support Center Specialist who will forward questions/needed information to a planner. The planner will contact the Saver and arrange a convenient time to converse by phone or e-mail.

In most cases, the planner will be from the same area as the Saver so there will be no long-distance phone charge. When the planner and Saver live in different areas, the Saver must cover the cost of the long-distance phone call.

There are financial planners participating in this new service that can address a broad array of issues -- from budgeting and debt management; to stocks, bonds, and annuities; to insurance, employee benefits, and tax planning; to retirement and estate planning. Typical questions the service expects to receive include:

My spouse recently passed away and I received a large insurance settlement. Should I pay off the mortgage?

I was recently laid off. What should I do?

My son/daughter is a sophomore in high school and we haven't saved enough for college. What can we do?

I'm 50 and haven't saved enough for retirement. Is there any way for me to catch up?

I realize that I may need long-term care eventually, but won't Medicare pay for this care?

The volunteer participating planners must agree to sign a letter of understanding that says he/she will meet all regulatory and ethical obligations including but not limited to those imposed by the SEC, state securities and insurance regulators and, if applicable, the Certified Financial Planner Board of Standards. In addition, these planners must agree to provide financial advice for free and "not pursue a continued financial planning business relationship unless proactively requested by the participant." In the Cleveland Saves demonstration project for America Saves, nearly 30 planners have provided a similar service to Cleveland Savers, who have expressed only satisfaction and voiced no complaints about the service.

### FPA Service Greatly Strengthens America Saves Campaign

The America Saves campaign, which only one month ago began offering services to all Americans, has been greatly strengthened by the new financial advice service developed by FPA. Now Savers who enroll by developing and agreeing to implement a simple financial plan -- with a goal, monthly saving amount, financial account, method of monthly deposit, and time frame -- qualify for free expert advice as well as information on saving and wealth-building including a free subscription to the quarterly newsletter, "American Saver." That financial plan can be submitted either through the website or through an enrollment form that is part of a free *Build Wealth Not Debt* pamphlet (send a self-addressed, stamped envelope to America Saves, P.O. Box 12099, Washington, DC 20005-0999).

"For more than a decade, the Consumer Federation of America has emphasized the growing need of lower- and middle-income Americans for financial planning services," said CFA's Brobeck. "We congratulate the Financial Planning Association for helping meet this

need by assisting American Savers," he added.

America Saves was developed by the Consumer Federation of America several years ago with support, which continues, from The Ford Foundation. In March of last year, the Cleveland Saves demonstration project -- which has now enrolled 1,400 Savers and influenced an estimated (from an area-wide household survey) 10,000 area residents to save more effectively -- was launched. Shortly thereafter, a Kansas City Saves campaign was started. In the near future, Indianapolis, Charlotte, and Gadsden Co. (FL) will launch their savings campaigns. Groups in Northern Wisconsin, Milwaukee, Philadelphia, Phoenix, and Seattle are also organizing campaigns. And, Cooperative Extension Offices are beginning to incorporate America Saves into their community services.

While managed by CFA, with assistance from Cleveland Saves coordinators from WECO and Consumer Credit Counseling Services of Northeast Ohio, America Saves is advised by some 50 national government, business, and non-profit groups whose representatives meet three times annually.

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

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. FPA believes that everyone needs objective advice to make informed financial decisions and that when seeking the advice of a financial planner, the planner should be a CFP professional.