



Consumer Federation of America

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MORE THAN HALF OF AMERICANS SAY THEY ARE NOT SAVING ADEQUATELY

**Most Young Adults Say "Impulse Spending" and "Spending to Feel Good"
Make It Difficult for Them to Save**

**Americans Cite Understanding Interest Compounding as Essential to
Successful Saving**

Washington, DC -- More than half of Americans (52%) say that they currently cannot afford to save or are saving inadequately, according to a comprehensive survey of how Americans view their savings adequacy, major barriers to savings, and successful savings strategies planned and released by the Consumer Federation of America (CFA) and Wachovia this morning.

"This survey is far and away the most extensive we've undertaken and provides new insights into not only how Americans save but why they do or don't," noted CFA Executive Director Stephen Brobeck. "Among other findings, it reveals the importance of socio-psychological barriers to saving and easy access to attractive accounts," he added.

The survey was based on 50-plus question interviews of more than 2000 representative adult Americans conducted by Opinion Research Corporation last month (November 8-12). The margin of error was plus or minus two percentage points.

The survey findings represent the first of several reports to be released before next year's America Saves Week, which starts Feb. 24. They also serve as the basis for an America Saves-Wachovia savings education program to be launched throughout Wachovia markets during the Week.

"Wachovia is committed to increasing the number of Americans who are saving. We want to provide savings advice, education and encouragement to consumers," said Kathryn Black, SVP and Savings Director for Wachovia.

Americans Think Other Americans Are Not Saving Enough

When asked whether they think Americans are saving adequately, nearly four-fifths (79%) said they are not, with nearly half (47%) saying Americans are saving "very inadequately." Among demographic groups, the college-educated are most likely (86%) to think Americans are saving

inadequately.

Respondents are also somewhat pessimistic about the chances of most Americans to accumulate significant wealth. When asked what percentage of young Americans are likely to accumulate \$1 million during their lifetimes, the typical response was only 10 percent.

"Americans are pessimistic about how other Americans are saving and how they will save in the future," noted Brobeck. "In part, this pessimism probably reflects widespread press coverage about the country's zero or near-zero personal savings rate," he added.

Most Americans Do Not Think They Are Saving Adequately

More than half of Americans (52%) say they are not saving adequately. Seventeen percent say they cannot afford to save at all, while 35 percent say they are saving but not enough to meet short- and long-term financial needs.

Higher percentages say they have adequate savings to pay for unexpected expenses like car repairs or emergency dental treatment (68%) or to pay for regular household expenses for several months if there's a job loss (58%). And more than half (53%) say they are saving adequately for retirement. But when all short- and long-term financial needs are considered, only 44 percent say they are saving, or have already saved, adequately.

Predictably, the highest income group (at least \$75,000) is about twice as likely as the lowest income group (under \$25,000) to say they have saved adequately for each of the above purposes. Over one-third (34%) of low-income Americans say they cannot afford to save at present.

The high-income group is also most likely to believe they can accumulate \$1 million during their lifetime. In fact, when asked about the chances of accumulating this amount, the typical response among the high-income group was 75 percent. For those with incomes under \$35,000, it was only one percent, and for those with incomes between \$35,000 and \$50,000, it was only two percent. For all respondents, the typical response was 10 percent.

"Americans are more positive about their own saving than about that of the country as a whole, yet a majority still believe they are not saving adequately," Black said.

Social and Psychological Factors, As Well As Economic Factors, Discourage Saving

More than 1,000 sample members, who said they are not saving adequately or could not afford to save, were asked about factors that made it difficult for them to save. Economic factors were cited most frequently -- large regular expenses by 72 percent, unexpected expenses by 72 percent, low or unreliable incomes by 66 percent, and large consumer debts by 60 percent.

But social and psychological factors were also cited as barriers to saving. More than one-third (37%) cited "impulse spending" as making it difficult for them to save. And when asked about other non-economic factors making saving difficult, 42 percent cited "credit cards," 29 percent cited

"spending to feel good," 20 percent cited "social pressure from friends or family," 15 percent cited "trips to the mall," and 8 percent cited "playing the lottery or gambling."

Contrary to some thinking, higher income groups reported more problems with impulse spending as a barrier to saving. Of the highest-income group, 46% percent said impulse spending made it difficult for them to save versus 32 percent for those with incomes below \$35,000.

"Not surprisingly, economic factors were cited the most frequently as barriers to saving, yet social and psychological factors were also noted," said Brobeck. "Any successful savings initiative should acknowledge and try to minimize the latter," he added.

Americans Cite Understanding Interest Compounding as Essential to Successful Saving

The inadequate savers, and non-savers, also identified the most important factors in persuading them to save more than they currently do. They cited access to attractive savings accounts as the most important general factor, such as a contributory retirement program like a 401(k) (75% important, 52% very important), easy access to a savings account paying 5% (73% imp, 39% vimp), and automatic transfers from checking or payroll deposits to savings (65% imp, 36% vimp).

Less important for these inadequate savers was encouragement from one's bank or credit union, employer, and friends and family, or advice from a financial planner or credit counselor. Between 49% and 60% considered these factors important, and between 20% and 25% considered them very important.

But the most surprising finding here was that when respondents were told that "saving \$200 a month for 40 years at a 5% rate would accumulate over \$300,000," 80 percent said this knowledge was important in persuading them to save, with 62 percent saying it was very important. [EDITOR'S NOTE: A prior press release and study question incorrectly stated 30 years; CFA and Wachovia are re-sampling the correct question and will provide the new data point the week of Dec. 17, 2007.]

"Knowledge of the 'miracle' of interest compounding clearly can have a significant influence in persuading Americans to save more effectively," Black said. "So we want to work with America Saves to get that message out to more Americans: Small amounts of savings can add up significantly over time."

The more than 1,300 savers in the sample (those saving either adequately or inadequately) were asked to identify their most important effective savings strategies. Surprisingly, the largest number cited the avoidance of credit card debt, with 92 percent saying it was important and 82 percent saying it was very important. Moreover, the largest number in each income and age group cited this factor.

Other successful strategies cited were: planning and monitoring spending (93% important, 69% very important), making regular contributions to a workplace retirement plan (80% imp, 62% vimp), transferring surplus balances to savings (78% imp, 40% vimp), saving a portion of financial windfalls (78% imp, 45% vimp), making mortgage payments to build home equity (76% imp, 64% vimp), automatic transfers from checking to savings or investments (75% imp, 48% vimp), and saving loose

change (65% imp, 31% vimp).

Young Adults Face The Toughest Savings Challenges

Young adults 18-24 years old are the most likely demographic group to say they are not saving adequately (62% vs. 52% for all Americans).

And these young adults who are not saving adequately were far more likely, than older Americans, to cite social and psychological factors as important barriers to savings. Far larger percentages of young adults, than all Americans, cited spending to feel good (54% vs. 29%), social pressure from friends or family (38% vs. 20%), and trips to the mall (32% vs. 15%) as factors making it difficult to save. And over half (53%) cited impulse spending as an important reason they had difficulty saving (compared to 37% of everyone).

Several savings strategies were relatively attractive to these inadequate savers, especially interest compounding (91% imp, 61% vimp) and encouragement from friends and family (83% imp, 50% vimp).

"Savings programs need to direct special attention to young adults and, in doing so, try to reduce social and psychological as well as economic barriers," Black said.

Support Builds for America Saves Week

The America Saves-Wachovia savings education program will be launched during America Saves Week, which begins February 24. It will encourage and show both English- and Spanish-speaking participants how to build their savings.

This program represents one of many savings activities by hundreds of non-profits, governments, employers, and financial institutions during America Saves Week, which was piloted last February with participation from the Federal Reserve Board, Department of Defense, Internal Revenue Service, Cooperative Extension, and United Way, among other national organizations.

Wachovia Corporation (NYSE:WB) is one of the nation's largest diversified financial services companies, with assets of \$754.2 billion and market capitalization of \$95.3 billion at September 30, 2007. Wachovia provides a broad range of retail banking and brokerage, asset and wealth management, and corporate and investment banking products and services to 13 million household and business customers.

CFA is a nonprofit consumer organization that, since 1968, has sought to advance the consumer interest through research, education, and advocacy. It manages the America Saves organization and, with the American Savings Education Council (ASEC), the America Saves Week.