



Consumer Federation of America

CFP BOARD

CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.

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Contact: Dan Drummond, CFP Board, 202-379-2252

ddrummond@CFPBoard.org

Jack Gillis, CFA, 202-737-0766

jack@consumerfed.org

NEW RESEARCH SHOWS MOST AMERICAN HOUSEHOLDS DO FINANCIAL PLANNING, BUT THE EXTENT OF THIS PLANNING VARIES GREATLY

*Those Who Plan, Regardless of Income, Save More and
Feel More Confident About Their Financial Futures*

Washington, D.C. – Close to nine in ten American households are engaged in some type of formal or informal financial planning but the extent of this planning varies greatly, according to [new research](#) sponsored by the Consumer Federation of America (CFA) and Certified Financial Planner Board of Standards (CFP Board).

The research shows that only one in five household decision-makers (19%) are comprehensive planners, who take a methodical approach to financial planning, while one in ten (10%) do virtually no financial planning at all. The research further identifies nearly two-fifths of households (38%) as basic planners and one-third of households (33%) as limited planners.

One of the most compelling findings is that the more extensively households plan, the better prepared they are financially in terms of their likelihood of saving, investing, and managing credit card debt; the higher the effectiveness of this saving, investing, and debt management; and the higher their confidence in managing their finances. While higher income households are more likely than lower income households to plan, more than half (54%) of comprehensive planners have annual incomes below \$100,000.

“Those families with the lowest incomes are the ones who would benefit the most from financial planning,” noted Stephen Brobeck, CFA’s Executive Director. “Households with the fewest financial resources benefit the most from carefully planning spending, saving, and debt management,” he said, though he also added that “marshalling limited financial resources to meet essential needs represents a huge challenge for these households.”

CFA and CFP Board undertook the research with assistance from Princeton Survey Research Associates International (PSRAI), which surveyed a representative sample of 1,002 financial decision makers nationwide from April 12 to 24, 2013. The survey

included more than 60 questions and has a margin of error of plus or minus three percentage points. This press release includes additional data from cross-tabulations and calculations that are not included in the published report.

“This research reaffirms the value of financial planning for all households and also the value of receiving assistance from a financial professional who always puts the clients’ best interest first and abides by a fiduciary standard of care,” said CFP Board CEO Kevin R. Keller, CAE.

Research Identifies Four Distinct Household Financial Planning Profiles

The analysis identified four distinct financial planning profiles that include all American households. Specific planning characteristics associated with each profile are found in the table below and in the accompanying [infographic](#).

- **Comprehensive Planners (19%):** All members of this group have a comprehensive financial plan that goes beyond a simple household budget to cover things like retirement savings and insurance. Two-thirds (67%) of comprehensive planners used a financial professional with fiduciary accountability, specifically a CERTIFIED FINANCIAL PLANNER™ professional or a Registered Investment Advisor, to help prepare such a plan. These households have specific savings goals as well, with 88 percent having a specific plan for retirement and 80 percent having a plan for emergency savings.
- **Basic Planners (38%):** The large majority of basic planners (80%) have a plan for one or more specific savings goals, though only 35 percent have a comprehensive plan that organizes these plans, with another 31 percent saying they are likely to make a plan in the coming year. While two-thirds (66%) say they have a household budget, fewer than half (41%) say that budget is written down or stored in electronic format.
- **Limited Planners (33%):** A large majority of limited planners (69%) either have a household budget or a plan to address at least one individual savings goal – typically for retirement savings – but not both. And very few limited planners (11%) think they will make a comprehensive plan in the next year. But most (91%) either have no credit card debt or have a plan to pay off this debt.
- **Non-Planners (10%):** This group does virtually no financial planning. Nine in ten (92%) say they have no plan for any specific savings goal, and virtually none (99%) think they will create a comprehensive financial plan in the next year. They also are the group with the most difficulty managing credit card debt. Four in ten have credit card debt that needs to be paid off and fewer than half with this debt have a plan to pay it down.

The More Extensive the Financial Planning, the Better the Financial Preparedness

The more extensively households plan financially, the better prepared they are to meet goals ranging from dealing with financial emergencies to living well in retirement.

Financial planning is strongly associated with confidence in managing finances. Nearly all comprehensive planners (94%), about four-fifths of basic planners (81%), less than three-quarters of limited planners (70%), and only about half of non-planners (53%) have this confidence.

Financial planning is also highly correlated with saving for financial goals

- A large majority of comprehensive planners (91%), fewer than three-quarters of basic planners (73%), about two-fifths of limited planners (39%), and only one-fifth of non-planners (20%) save for emergencies.
- A large majority of comprehensive planners (91%), only 70 percent of basic planners, two-fifths of limited planners (40%), and only about one-third of non-planners (32%) save for current or future retirement.

And financial planning is strongly associated with actual financial preparedness in terms of current savings, level of saving, and sufficient property and life insurance

- A large majority of comprehensive planners (85%), less than three-fifths of basic planners (58%), little more than one-quarter of limited planners (27%), and only 15 percent of non-planners have at least three months saved for emergency expenses.
- About three-fifths of comprehensive planners (61%), fewer than two-fifths of basic planners (36%), and small minorities of limited planners (13%) and non-planners (6%) save 10 percent or more of their annual income.
- Nearly three-quarters of comprehensive planners (72%), about two-fifths of basic planners (41%), less than one-third of limited planners (29%), and only about one-fifth of non-planners (19%) say they have sufficient property and life insurance.

Income and Education Correlate with Financial Planning But Far From Perfectly

Predictably, the higher one's household income and level of education, the more likely one is to engage in financial planning. Among comprehensive planners, close to half (46%) report annual household incomes of at least \$100,000 and about half (49%) have a four-year college degree. By comparison, among non-planners, over half (53%) have incomes under \$25,000 while more than two-thirds (69%) have a high school education or less.

But these correlations are far from perfect. The majority of comprehensive planners are middle class. In fact, a majority (54%) have incomes under \$100,000, including a quarter (24%) who have incomes below \$50,000. Furthermore, limited planners and non-planners have very similar demographic profiles in terms of income and education.

Survey Items included in the Household Financial Planning Index					
	Total	Comprehensive Planners	Basic Planners	Limited Planners	Non-Planners
COMPREHENSIVE FINANCIAL PLANNING BEHAVIORS					
Have a comprehensive financial plan	32%	100%	35%	1%	0%
Likely to get a comprehensive financial plan in next 12 months	16%	0%	31%	11%	1%
Have updated/will update plan in previous/next 12 months	23%	84%	18%	0%	0%
Plan is written down or in computer/electronic file	26%	95%	22%	0%	0%
Spent 2 hours or more preparing or reviewing plan	21%	77%	18%	1%	0%
Had any professional help or used computer/online tool in creating plan	28%	91%	30%	0%	0%
Had a financial professional with fiduciary responsibility create plan, specifically Certified Financial Planner™ professional or Registered Investment Advisor	19%	67%	17%	0%	0%
Current plan has 5 or more key planning elements, or future plan will	43%	96%	58%	7%	0%

have 5 or more key planning elements ¹					
BASIC FINANCIAL PLANNING BEHAVIORS					
Have a household budget	57%	88%	66%	44%	6%
Household budget is written down	32%	63%	41%	15%	0%
Planning for current or future retirement ²	52%	88%	64%	31%	8%
Planning for emergencies	32%	80%	38%	7%	1%
Planning for any other financial goal (e.g. child's college, down payment on house, major purchase, parent's medical expenses)	26%	60%	33%	7%	0%
CREDIT CARD DEBT MANAGEMENT BEHAVIORS					
No credit card or pay off bill in full each month	47%	62%	53%	45%	0%
	(N=1002)	(n=226)	(n=386)	(n=298)	(n=92)

About the Consumer Federation of America

The Consumer Federation of America is a non-profit association of nearly 300 national, state, and local pro-consumer organizations founded in 1968 to promote the consumer interest through research, education and advocacy. www.consumerfed.org

About CFP Board

The mission of Certified Financial Planner Board of Standards, Inc. is to benefit the public by granting the CFP® certification and upholding it as the recognized standard of excellence for competent and ethical personal financial planning. The Board of Directors, in furthering CFP Board's mission, acts on behalf of the public, CFP® professionals and other stakeholders. CFP Board owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements. CFP Board currently authorizes nearly 69,000 individuals to use these marks in the U.S. www.cfp.net.

¹ Planning elements include nine areas of financial planning: identifying financial goals, analyzing spending, budgeting, reviewing investments, debt management, saving for emergencies and retirement, insurance coverage, setting up wills or trusts.

² Retirement in this table includes both those planning for future retirement among those not yet retired and those currently retired who were asked if they have ever calculated how much money they can withdraw each year from savings and investments and still have enough to last the rest of their lifetime.