



MEMORANDUM

TO: Interested Parties
FROM: Harrison Hickman & Eily Hayes, Global Strategy Group, LLC
RE: Recent survey results
Date December 15, 2005

Summary

Global Strategy Group's recent nationwide survey of 800 adults over the age of 18 reveals many Americans do not utilize a host of readily available financial tools ranging from life insurance to retirement savings and other investment products. There are distinct demographic differences between those who do and those who do not avail themselves of these tools. African Americans, Hispanic and other minority respondents, along with younger adults, those without a college education, and respondents with lower reported incomes are all significantly less likely to own life insurance, investment and retirement savings products. Some do not own these products because they do not have the funds. However, there are those who do have means, but who do not utilize these products. Among this group, many do not own financial tools because they do not know enough about them or do not know how to acquire them, and do not have anyone in their communities who has this information. Regardless of age, race, or income, one of the single biggest differences between adults who utilize financial tools like life insurance, IRAs, and other investment products and those who do not is the presence of someone who sells these products in their community. Strong majorities of respondents who use these tools know an agent who sells them. In stark contrast, strong majorities of respondents who have never had life insurance, investment products, or IRAs do not know anyone who sells these products.

The Haves vs. the Have-Nots

Life insurance: 62% of all adults surveyed say they have some life insurance, but minorities are much less likely than whites to have a policy. Two-thirds of whites report owning some life insurance, compared to just 50% of African Americans and 51% of Hispanic respondents. Even among adults making between \$25,000 and \$75,000 annually, one-in-three (34%) is without life insurance. The vast majority of this group (78%) has never been contacted by an agent trying to sell them life insurance. And one-in-five (20%) cite the fact that they have never been contacted or do not know how to purchase a policy as the singular reason they do not own a life insurance policy.

| Life Insurance | | | | | | | |
|-----------------|------------|--------------|--------------|-----------------|---------------|---------------|------------|
| | | Race | | | Income | | |
| | <u>All</u> | <u>White</u> | <u>Black</u> | <u>Hispanic</u> | <u>25-50k</u> | <u>50-75k</u> | <u>75+</u> |
| Have | 62% | 66% | 50% | 51% | 59% | 78% | 97% |
| Never had | 31 | 27 | 42 | 45 | 34 | 17 | 2 |

Other investments and retirement savings products: Demographic characteristics of respondents who have IRAs, 401k plans, or investment products like stocks, bonds, and mutual funds are similar. Just over one third of adults surveyed own one of these products. Almost 40% of white adults own an IRA or other investment product, compared to just 20-27% of black and Hispanic respondents. 401k plans are slightly different: one third (33%) of black respondents has a 401k plan, making them statistically as likely as white respondents to utilize this retirement savings tool. Here, too, though, Hispanics lag behind: just over 1 in 4 (27%) say they have a 401k.

As might be expected, respondents with a lower annual income are less likely to own investment products than those making more money. The plurality of respondents making \$25,000 to \$50,000 without an IRA or stocks, bonds, or mutual funds say they do not own them because they do not have the funds. However, regardless of income, a significant percentage of respondents say they do not own these financial tools because they have never been contacted by a salesperson, or they don't know how to purchase these tools, indicating potential to improve retirement savings through greater exposure.

A majority of adults under the age of forty have never owned IRAs, 401k plans, or other investment products. Those over forty are fairly evenly divided; statistically equal percentages own and do not own IRAs or investment products. Roughly 1 in 5 adults under forty without IRAs or other investment products and approximately 15% of adults over 40 without these products cite the same reason for their lack of ownership: they have never been contacted and do not know how to buy these savings and investment tools. Ownership of 401k plans reflects the fact that they were created within the past 25 years; unlike investments that have been around longer, adults over 60 are least likely to own a 401k.

| Reported Financial Product Ownership | | | | | | | | | | |
|---|------------|--------------|--------------|-----------------|---------------|---------------|------------|--------------|--------------|------------|
| | All | Race | | | Income | | | Age | | |
| | | White | Black | Hispanic | 25-50k | 50-75k | 75+ | 18-39 | 40-59 | 60+ |
| IRA | | | | | | | | | | |
| Have | 34% | 39% | 20% | 27% | 30% | 39% | 66% | 19% | 49% | 40% |
| Never had | 59 | 54 | 76 | 68 | 61 | 53 | 30 | 78 | 46 | 44 |
| Investment products | | | | | | | | | | |
| Have | 35% | 38% | 26% | 26% | 27% | 44% | 67% | 22% | 47% | 42% |
| Never had | 56 | 53 | 65 | 67 | 64 | 49 | 24 | 73 | 42 | 46 |
| 401k | | | | | | | | | | |
| Have | 36% | 37% | 33% | 27% | 28% | 55% | 64% | 28% | 58% | 15% |
| Never had | 53 | 51 | 60 | 65 | 60 | 39 | 27 | 64 | 33 | 64 |

The Should-Haves: Those of Means Without Financial Products

Regardless of age, race, or income, one of the single biggest differences between adults who utilize financial tools like life insurance, IRAs, and other investment products and those who do not is the presence of someone who sells these products in their community. Strong majorities of respondents who use these tools know an agent who sells them. In stark contrast, strong majorities of respondents who have never had life insurance, investment products, or IRAs do not know anyone who sells these products.

| Contact with Financial Professionals | | | | | |
|---|----------------|-----------------------------|-------------------|----------------------------|-----------|
| | Overall | Know Agent who Sells | | Contacted by Agent* | |
| | | Know | Don't Know | Yes | No |
| Have life insurance | 62% | 57% | 43 | n/a | n/a |
| Never had life insurance | 31 | 8% | 89 | 15% | 84 |
| Have investment products..... | 35% | 71% | 28 | n/a | n/a |
| Never had investment products | 56 | 9% | 90 | 8% | 91 |

*Table continues on next page

| Contact with Financial Professionals | | | | | |
|---|----------------|-----------------------------|-------------------|----------------------------|-----------|
| | | Know Agent who Sells | | Contacted by Agent* | |
| | Overall | Know | Don't Know | Yes | No |
| Have IRA..... | 34% | 67% | 33 | n/a | n/a |
| Never had IRA..... | 59 | 13% | 85 | 7% | 90 |

** Only respondents who did not already own products were asked if they had been contacted by an agent regarding their purchase*

Among adults making between \$25,000 and \$50,000 annually, 31% know a life insurance agent, but just seven percent of adults in that income bracket without life insurance say they know someone who sells it. 26% know someone who sells investment products like stocks, bonds, and mutual funds; eight percent of those who do not own these products know an agent. IRAs fit the same pattern: 28% of all adults in this income range know someone who sells IRAs, compared to just 13% of those in the same income range who do not own an IRA.

Among adults making \$50,000 to \$75,000 a year, half (50%) say they know someone who sells life insurance, but just 28% of those without a plan report personally knowing an agent. 44% say they know an agent who sells investment products, while those who do not own stocks, bonds, or mutual funds are half as likely (22%) to know someone who sells these products. Nearly half (48%) know someone who sells IRAs, but fewer than one in three (29%) of those who do not own an IRA know an agent who sells them.

Conclusion

There are many Americans who do not utilize financial tools like life insurance, retirement savings, and other investment products. Minorities, younger and less educated adults, and those with lower reported incomes are all significantly less likely to own life insurance, investment and retirement savings products. Many do not own these products because they do not have the funds. However, there are those who do have means, but do not utilize these financial tools. Among this group, many do not own these savings and investment tools because they do not know enough about them or do not know how to acquire them, and do not have anyone in their communities who has this information.

TECHNICAL NOTE: This memorandum summarizes results from a telephone poll of a randomly selected sample of 800 Americans. Interviewing was conducted November 29th through December 5th, 2005. The sample for the survey was selected in a manner to ensure that every household in the United States with a working telephone was equally likely to be included in the sample. Special care was taken to ensure that the geographic and demographic divisions of the actual population are properly represented in the sample. The estimation error associated with a sample of 800 is 3.5 percent at the 95% confidence interval. This means that in 95 of 100 cases, the results of this poll are within 3.5 points, plus or minus, of the results that would have been obtained if all adults ages 18 and older, nationwide had been interviewed.