The *MoneyTrack*/IPT Investing Secrets Survey

Produced for

MoneyTrack

and Investor Protection Trust

Prepared by

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Table of Contents

Page

Methodology 2

Executive Summary..3

Detailed Charts 6

Appendix

Reliability of Survey Percentages 28

Sampling Tolerances When Comparing Two Samples..................................29

Methodology

This report is based on the findings of a telephone survey conducted April 26-30, 2007. The survey was conducted in two waves of CARAVAN among a sample of 2,086 adults (1,030 men and 1,056 women) age 18 and over, living in private households, in the continental United States. The majority of the questions are asked only of the 1,255 adults who describe themselves as investors.

The completed interviews were weighted by four variables: age, sex, geographic region, and race, to ensure reliable and accurate representation of the total adult population.

The margin of error at a 95% confidence level is plus or minus three percentage points for the sample of investors Smaller sub-groups will have larger error margins.

Executive Summary

- Only 1 percent of American investors appeared to understand and/or put to use all eight of the Investing Secrets covered in this *MoneyTrack*/IPT survey. The balance of investors fell into the following groups: 59 percent (1-4 correct answers) and 36 percent (5-7 correct answers). 4 percent got none right.
- Under half of investors (47 percent) say that they have never worked up a comprehensive financial plan with a financial professional. Over 60 percent of investors in households with income of $50,000 or less have no comprehensive financial plan in place. African American (59 percent) and Hispanic (57 percent) investors are among those most likely to have not developed such a plan.
- More than two out five investors (43 percent) say that they would be likely to invest in at least one of three supposedly "can't lose" investment schemes that are typical of supposedly “no-risk opportunities” for investors. Respondents were presented with the following scenario: "You are contacted by someone in your church or workplace and told about an opportunity to invest in what is described as a "can't lose" opportunity in one of three new technologies:... first: a new fuel-cell technology that would allow cars to run on tap water ... or, second: an options trading system with guaranteed returns of 100 percent or more ... or, third: a company with a new laser that kills lung cancer cells in smokers." In reality, all investments involve risk; there is no such thing as a legitimately “can’t lose” or “risk free” investment.

Executive Summary

- Just under two in five U.S. investors (39 percent) understand that a penny doubled in value every day for a month is worth more at the end of that period than a million dollars today (58 percent). Men (48 percent) were considerably more likely than women (31 percent) to opt for the compounded penny.
- Just under two out of five investors (39 percent) understand that diversification is "balancing both risk and return in pursuit of financial returns."
- Only a third of investors who have used a financial planner or stockbroker have ever checked out the background of that person with state, federal or industry regulators or self-regulators.
- Fewer than three out of five investors (56 percent) understand that stocks had "the best returns over the last 20 years." Nearly a quarter (24 percent) incorrectly thinks that savings accounts and CDs (at 12 percent of respondents each) returned the most and 10 percent said bonds. Men (64 percent) were considerably more likely than women (49 percent) to know that stocks returned the most. Those aged 18-24 were more than three times as likely to identify savings accounts as better for returns than stocks. African Americans (37 percent) and Hispanics (42 percent) were considerably less likely than whites (61 percent) to know that best long-term return comes from stocks.

Executive Summary

- Almost two out of five investors (37 percent) are relying on Social Security for "the biggest part" or "a fairly big part" of their retirement picture. Only 23 percent of college graduates are expecting to rely heavily on Social Security versus 71 percent of those with only a high school degree.
- Over a third of investors (35 percent) incorrectly "think a 25-year-old American is MOST likely to come up with a half-million dollar or one-million dollar nest egg for retirement" via an inheritance (21 percent), winning the lottery (10 percent) or a major insurance settlement (4 percent). Fewer than three in five investors (58 percent) know that "investing in the stock market over the time" is the best path to a comfortable retirement.
- 63 percent of all survey respondents said that they were investors.

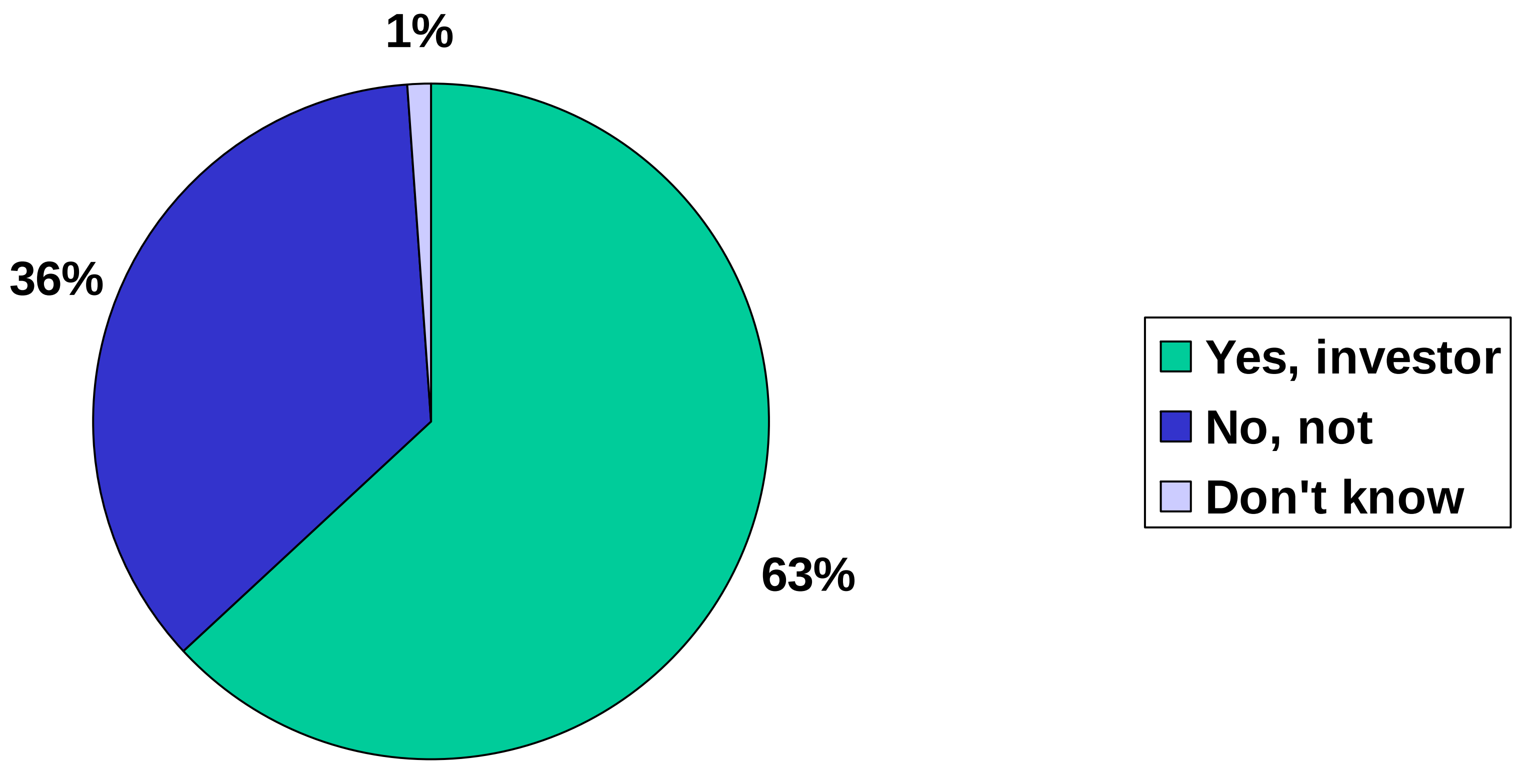
Detailed Charts

Who Are Investors?

- Nearly two-thirds of respondents (63%) consider themselves a person who makes decisions about where their savings are placed including CDs, stocks, bonds and mutual funds. In this report, they are considered investors.
  - Only 39% of those age 18-24 describe themselves as investors. Over half of those age 25-34 are investors and it only continues to increase as the respondent's age does. 69% of those 35-44 are investors, and 72% of those age 45-64 are investors. Only among those age 65 and over does the incidence of investing drop slightly (61%).
  - Investing and deciding where to place savings is closely related to household income and respondent's education. Those who live in households with incomes of less than $25,000 (32%) or who have less than a high school education (30%) are far less likely to describe themselves as investors than are those who live in households with $75,000 or more in income (86%) or have a college degree (78%). In fact as income and education levels increase, the incidence of investing does too.

Who Are Investors?

DD1: Are you an investor? By an investor I mean do you make decisions about where your savings are placed? This could mean you own bank certificates of deposit, stocks, bonds or mutual funds either directly or through retirement plans such as 401(k)'s, IRAs, Roth IRAs or similar plans.



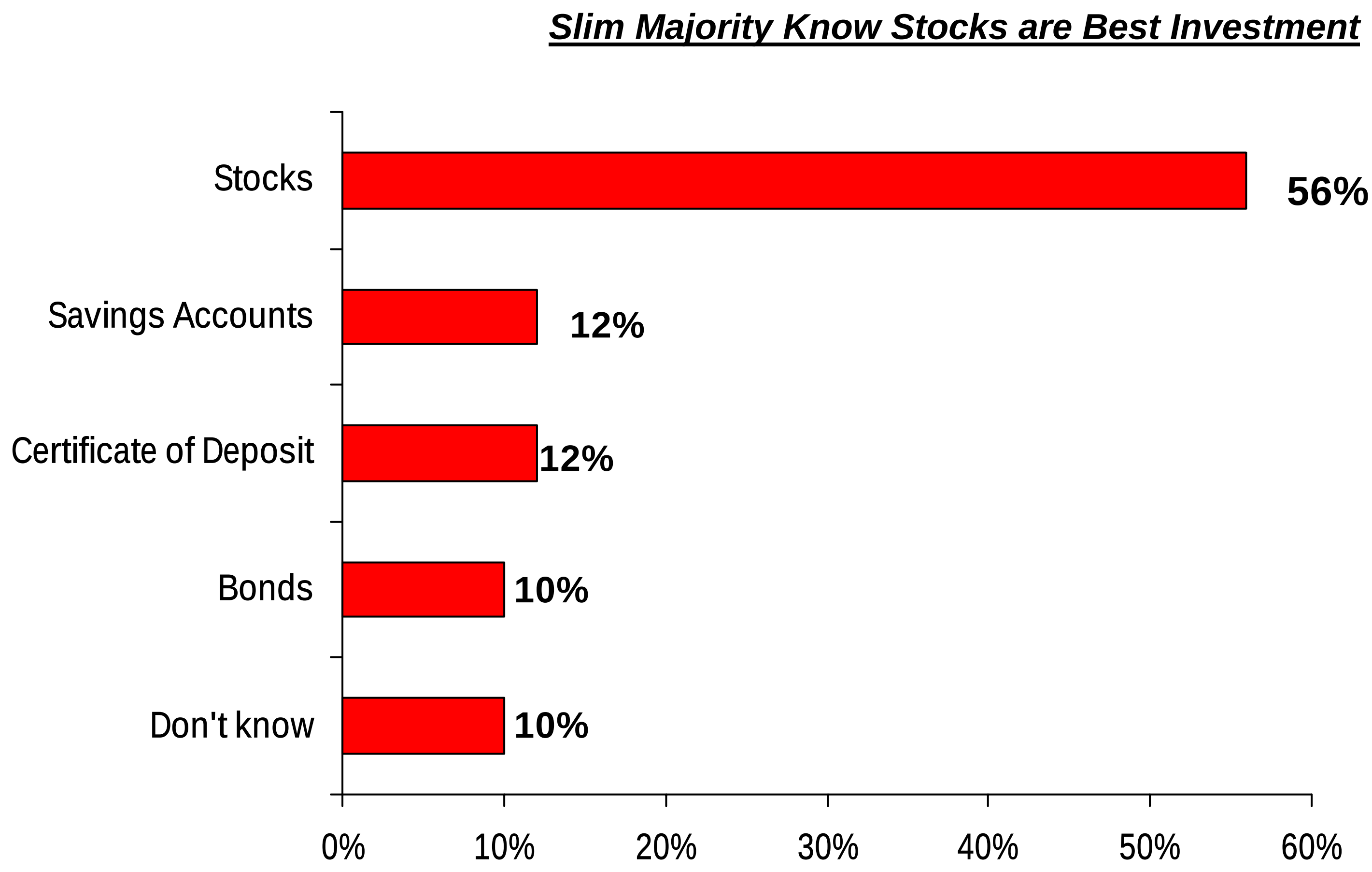
Base = Total respondents, N=2,086.

Getting the Best Return

- Fewer than three out of five **investors** know that the investment which offered the best return over the last 20 years was the stock market. About 10% chose savings accounts (12%), CDs (12%) and bonds (10%). Interestingly the same percentage said don't know (10%).
  - Men are more likely than women to have chosen the correct answer (64% vs. 49%).
  - Those age 18-24 were the least likely age group to know that stocks offer the best return (16%) compared to all other age groups (59%).
  - Again those in households with the lowest levels of annual income (34%) or those respondents with the lowest levels of education (16%) are the least likely to know that stocks offer the best return.
  - 67% of those who have made a retirement plan, picked stocks as the best investment compared to 45% of those do not have a retirement plan.
  - 69% of those who have used a financial planner or broker knew stocks were the best investment over time compared to only 39% of those who have not used a broker or advisor's service.
  - This survey had eight investment related questions that had a right or wrong answer. Among those who got 1-4 of the questions right, 41% knew that stocks were the best return. Among those who got 5-7 of the items correct, 86% knew stocks were the best investment.

Getting the Best Return

DD2: Which of the following investments has offered the best returns over the last 20 years?



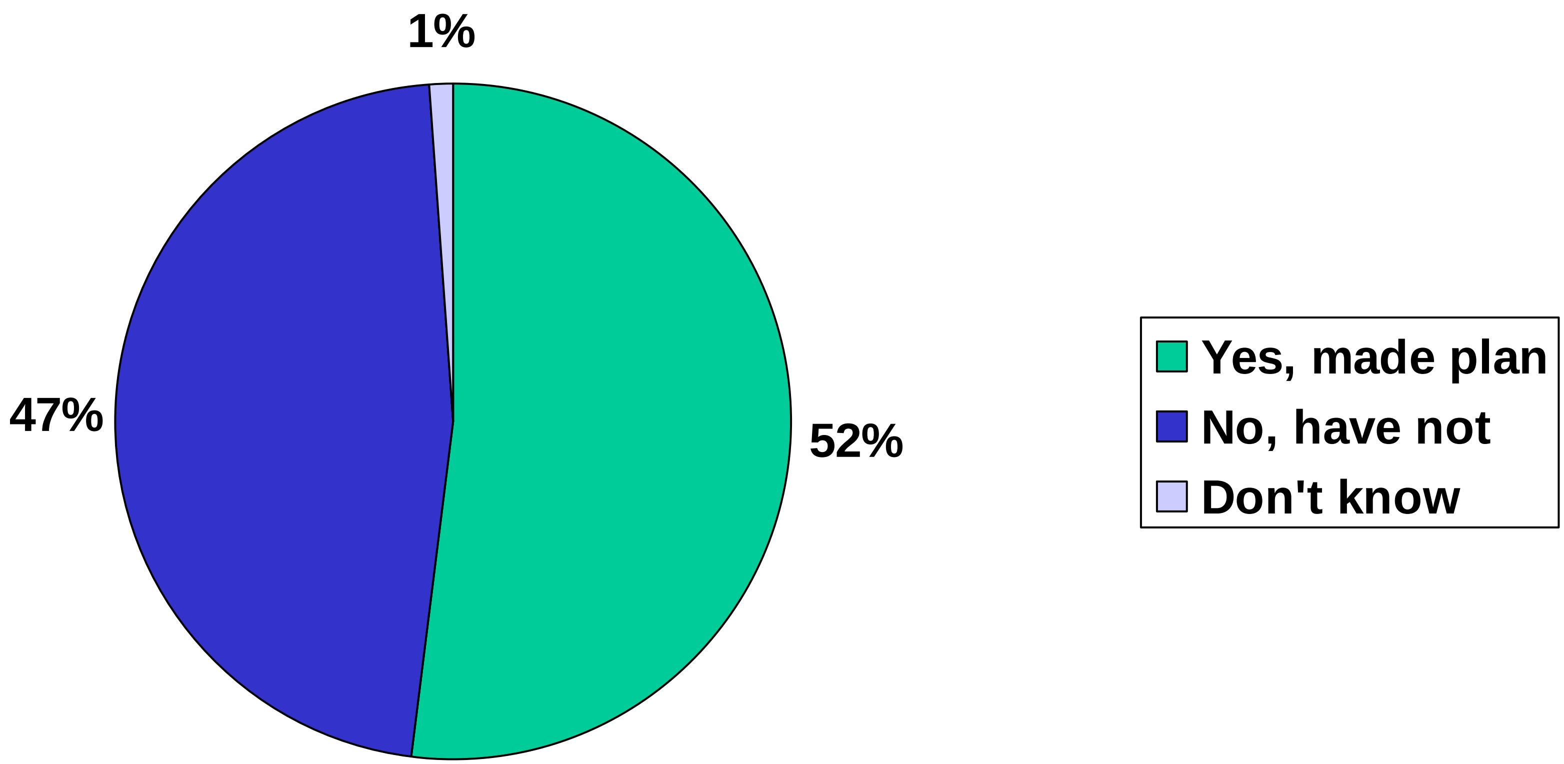
Base = 1,255 investors.

Making a Financial Plan

- Only 52% of **investors** have made a financial plan either by themselves or with a financial professional, to determine how much they need to save and invest for retirement. Forty-seven percent have not done this.
  - Those who are least likely to have made a financial plan are those 18-24 years old (24%), those with household incomes of less than $25,000 (71%) or those with less than a high school education (67%).
  - One third of those who gave 1-4 correct answers (37%) have made a financial plan, compared to 80% of those who gave 5-7 correct answers.

Making a Financial Plan

DD3: Have you or a financial professional ever worked up a comprehensive plan to determine how much you need to save and invest for retirement?



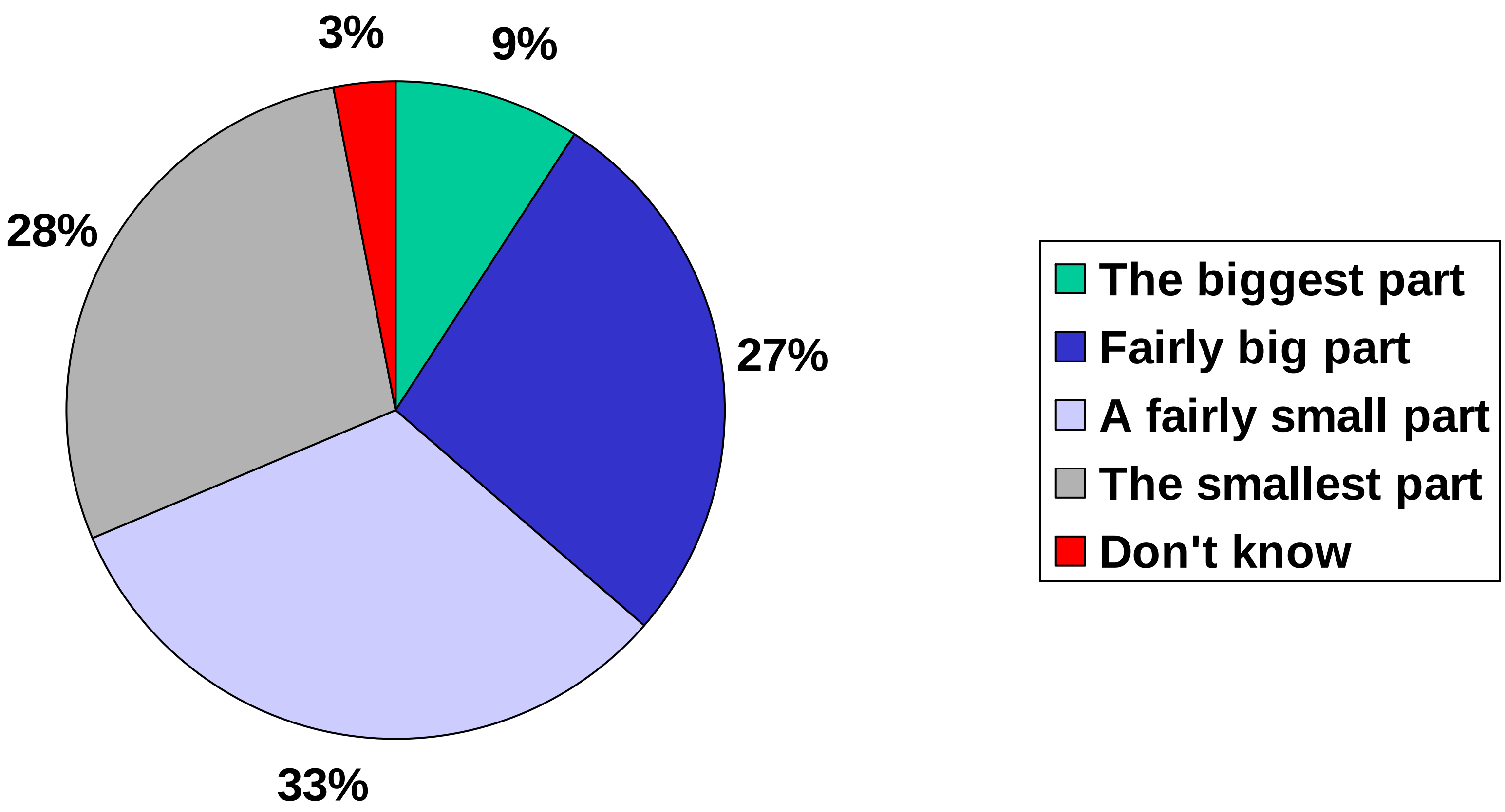
Base = 1,255 investors.

The Role of Social Security in Your Retirement

- The good news is that 60% of investors say that Social Security will play a small part in their retirement financial scheme, which likely means they have accumulated other assets on which they can retire. The bad news is that 37% say Social Security will constitute a fairly big part (27%) or the biggest part (9%) of their retirement financial planning – which means they have not accumulated other assets.
  - Women are more likely than men to say they expect Social Security to be a big part of their retirement finances (41% vs. 31%).
  - Those age 18-24 are a lot more likely to expect Social Security to be a big part of their retirement finances (51%) than any other age group except those 65 and over (52%). It is one thing for those who are near or at retirement age to expect to collect Social Security, but it is quite another for respondents who are at least 40 years away from retirement to think this way. Given the value of saving and investing early, those 18-24 are the group that should be most heavily invested in the stock market and other investments.
  - It is also a disturbing to see that those with the lowest levels of household income (under $25,000 67%) and those with less than a high school education (71%) are the most likely to say that Social Security will play the biggest or fairly big part in their retirement financing.
  - 85% of those who responded correctly to none of the eight knowledge/behavior questions, expect Social Security to play a big or fairly big part in their retirement.
  - Nearly half of those who only got 1-4 correct think Social Security will play that large a role in their retirement and only 12% of those who got 5-7 correct regard Social Security this way.
  - 44% of those who have not made a retirement plan and 46% of those who have not used a planner are counting on Social Security to be a big part of their retirement.

The Role of Social Security in Your Retirement

DD4: How big a role will Social Security play in your retirement financial scheme? Would you say…?



Base = 1,255 investors.

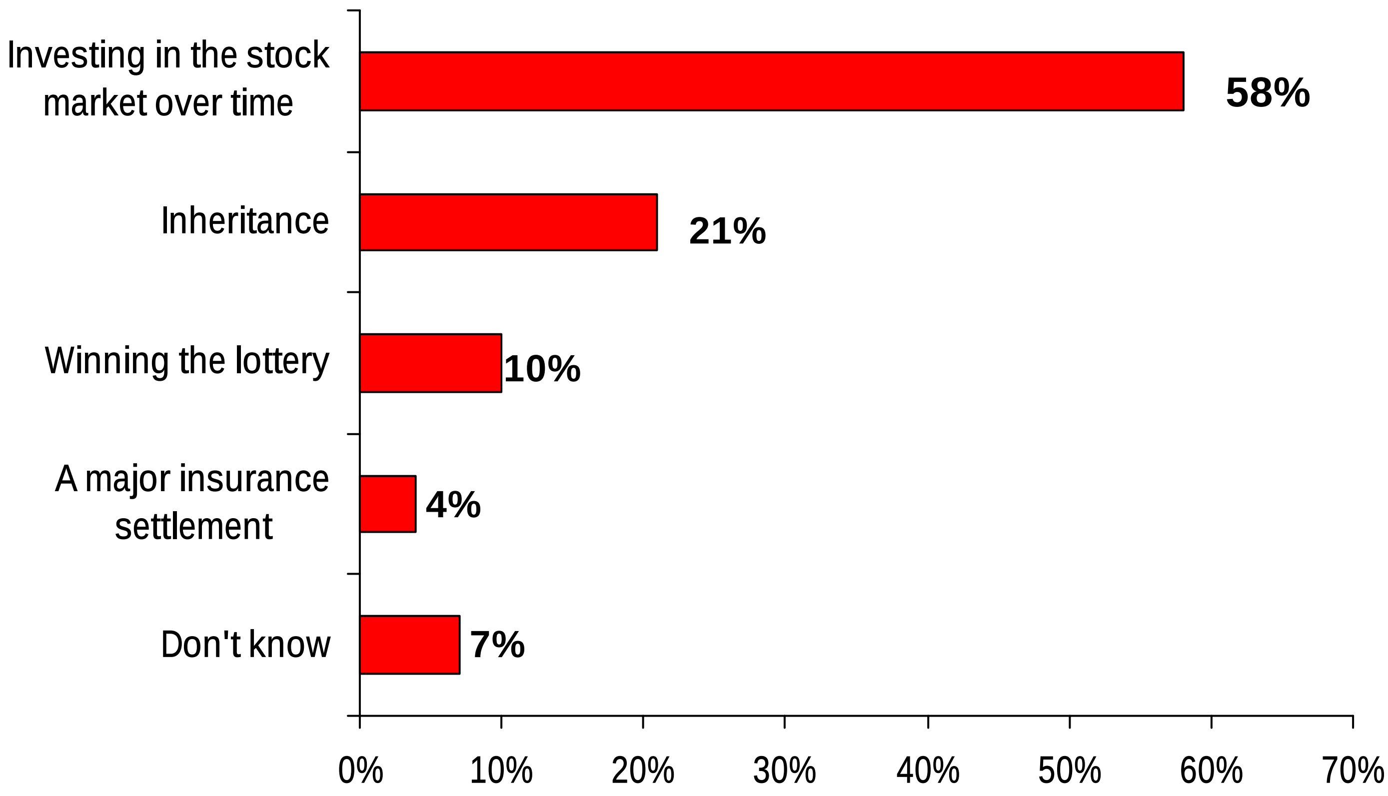
The Best Way to Get a Million Dollar Nest Egg

- Under three out of five investors (58%) say that the best way for a 25 year old to achieve a half-million or million dollar nest egg for retirement is to invest in the stock market over time. One-fifth (21%) think the best way to accumulate a nest egg is to inherit it (21%) while only 10% are counting on the lottery and 4% say an insurance settlement.
  - Men are more likely than women to give the correct answer to this question, which is invest in the stock market (65% vs. 51%.)
  - Those age 18-24 are the least likely to give the correct answer (43%) compared to those 25-64 (61%) except those age 65 and over (50%).
  - Respondents in higher income households and those with higher levels of education are more likely to give the correct answer to this question than those who live in lower income households or those who have less education.

The Best Way to Get a Million Dollar Nest Egg

DD5: How do you think a 25-year-old American is MOST likely to come up with a half-million dollar or one-million dollar nest egg for retirement? Would you say…?

Slim Majority Know Stocks are Best Way to Build Nest Egg



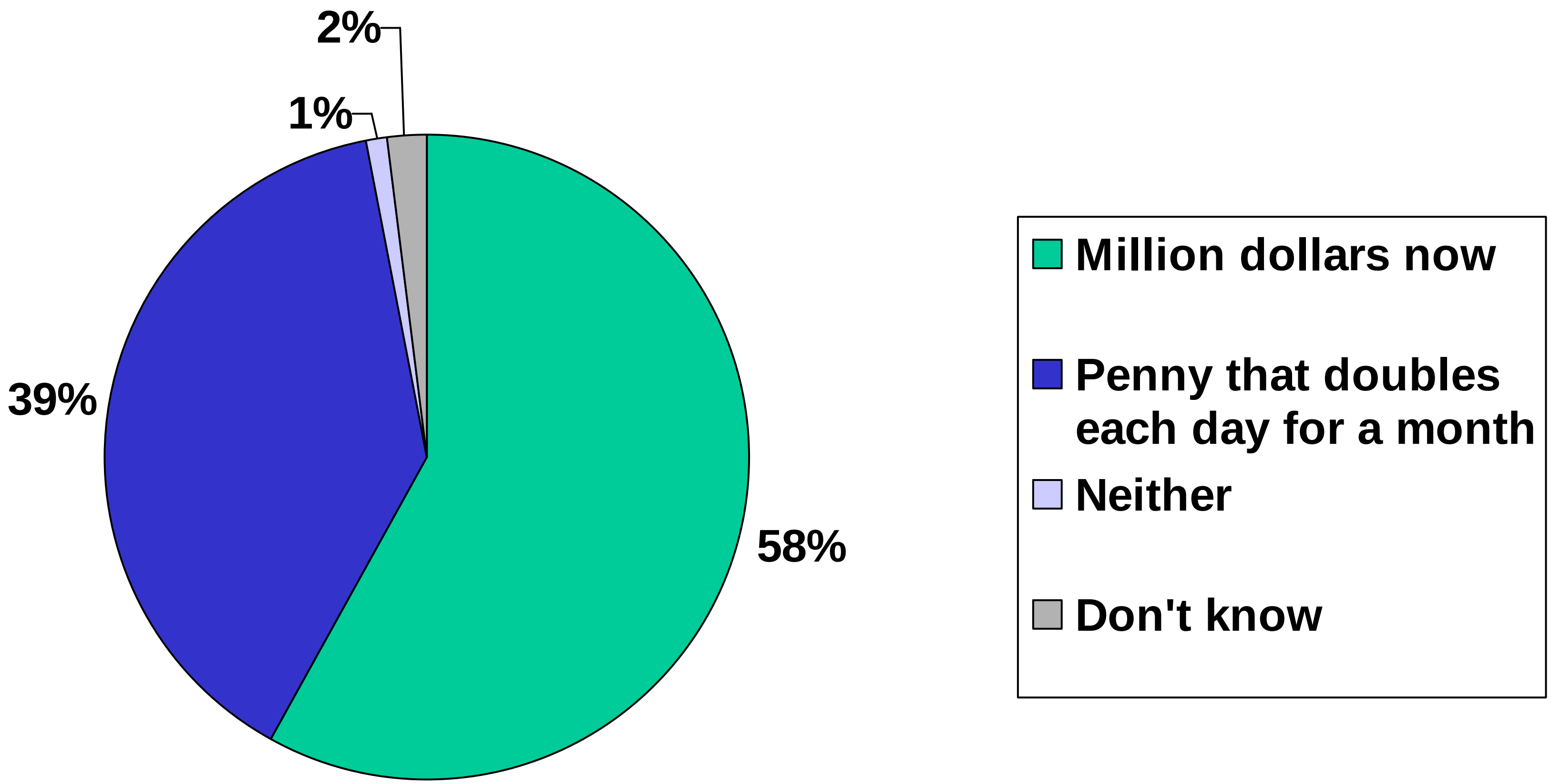
Base = 1,255 investors.

The Benefits of Compounding

- When asked, a majority of investors (58%) would chose to receive one million dollars now instead of a penny that doubled in value each day for a month (39%). Perhaps investors thought they were being smart to opt for what sounds like the larger amount and to receive it right away, but a penny that doubles in value every day for a month will actually grow through compounding to a sum larger than a million dollars.
  - Women are more likely than men to choose the million dollars now (67% vs. 49%).
  - Interestingly, those age 18-24 are the more likely to chose the penny than any other age group (54%). In fact, the older the respondent the less likely they were to choose the penny even though it only takes a month to compound to its full value.
  - Regionally, respondents in the Northeast are a lot more likely to take the one million dollars now (67%) than those in other regions.
  - Respondents in higher income households are slightly less likely to take the million dollars than those in households with $25,000 or less (57% vs. 65%).
  - Interestingly, 49% of those with less than a high school education said they would choose the million dollars compared to 55% of those with a college degree.

The Benefits of Compounding

DD6: Would you rather have one million dollars now or one penny that would double in value every day for a month?



Base = 1,255 investors.

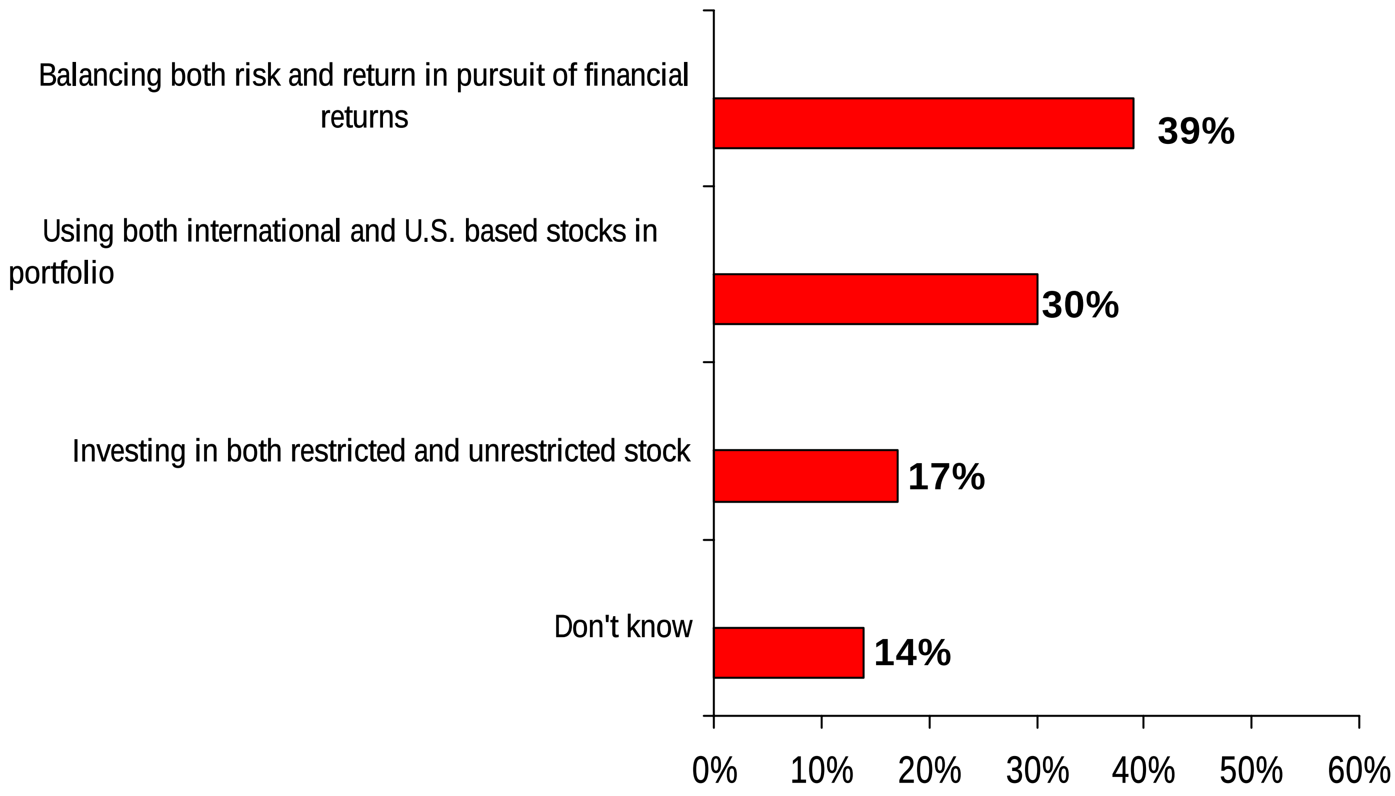
The Concept of Diversification

- Most investors could not choose the correct definition of the term diversification from a list of three possible choices. A plurality (39%) selected the correct definition "balancing both risk and return in pursuit of financial returns," but a nearly equal proportion (30%) think diversification is having a mix of U.S. and international stocks and bonds in a portfolio. Seventeen percent said diversification is investing in restricted and unrestricted stock, while 14% don't know.
  - Men are more likely than women to give the correct answer (43% vs. 34%).
  - Those age 35-44 are the most likely age group to select the correct answer (48%) with fewer young people or older people giving the correct answer.
  - Respondents in higher income households with $75,000 or more are more likely to choose the correct response than those in households with less than $25,000 in income (48% vs. 28%).
  - Among college graduates, 46% gave the correct answer, while only 22% of those with less than a high school education choose the correct answer.

The Concept of Diversification

DD7: What does the term diversification mean? Does it mean…?

Less Than Half Know What Diversification Is



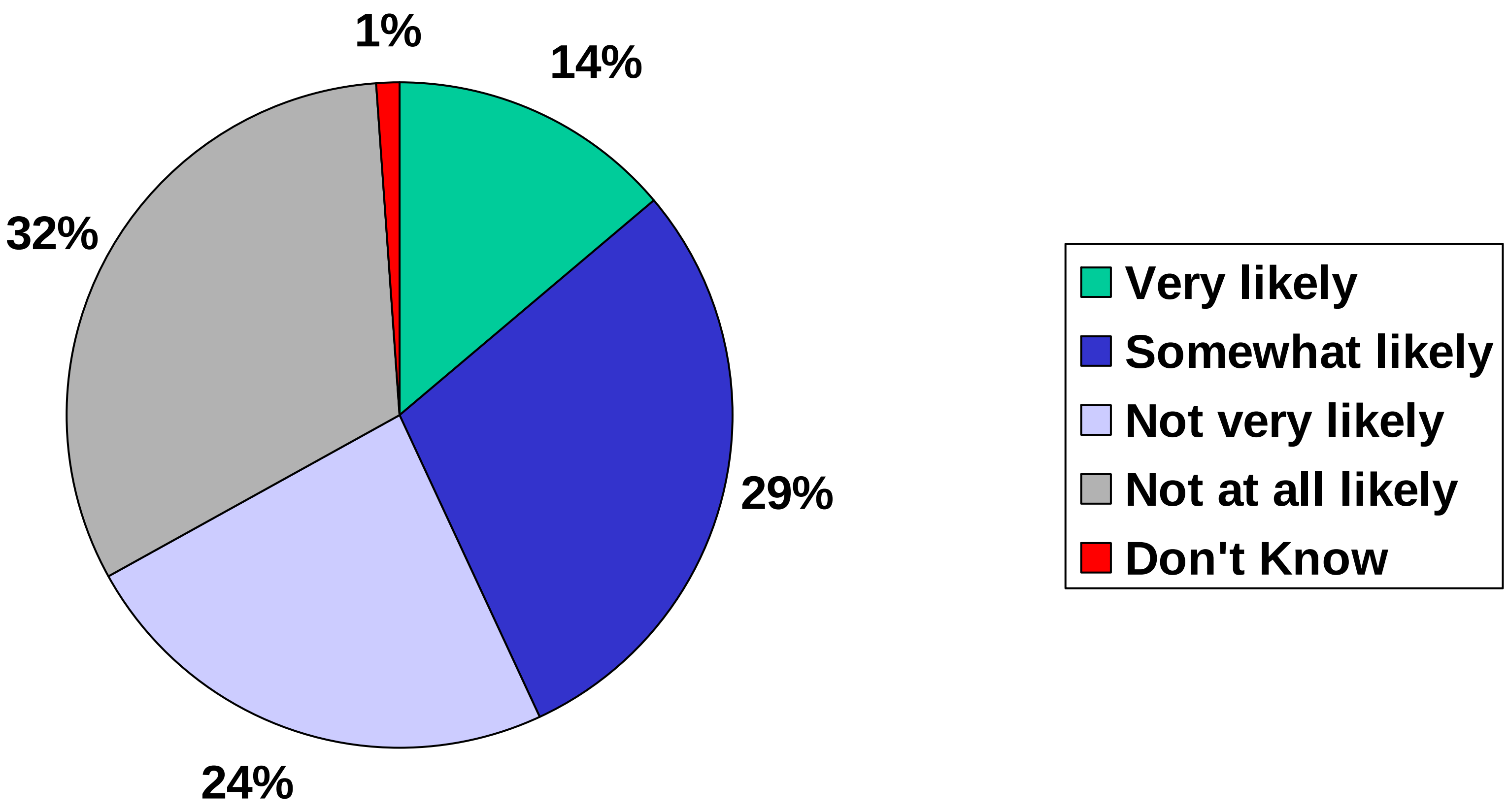
Base = 1,255 investors.

Get Rich Quick Schemes

- Everyone has heard of them and some of us may even have been offered opportunities to invest in schemes that seem too good to be true. Interestingly, more than four out of 10 investors (43%) say they would be likely (very 14% or somewhat 29%) to invest in one of three investment opportunities with the hallmarks of typical investment swindles. The fact that this number is so high among investors who ought to know better is quite revealing. Fortunately just over half (56%) say they would not be likely to invest in any of them.
  - The younger the respondent, the more likely they were to say they would invest in one of the three schemes. 79% of those age 18-24 said they would be very or somewhat likely compared to only 15% of those age 65 and over.
  - Investors in the South (47%) are the most likely of any region to say they would invest in one of these schemes.
  - 63% of those with less than a high school education would invest in one of these schemes compared to only 36% of those with a college degree.
  - Those who have made a retirement plan or have used a planner or broker are less likely to say they would invest, than are those who have not.

Get Rich Quick Schemes

DD8: Consider the following scenario: You are contacted by someone in your church or workplace and told about an opportunity to invest in what is described as a "can't lose" opportunity in one of three new technologies… first: a new fuel-cell technology that would allow cars to run on tap water, or second an options trading system with guaranteed returns of 100 percent, or third a company with a new laser that kills lung cancer cells in smokers. How likely would you be to consider any of these investments?



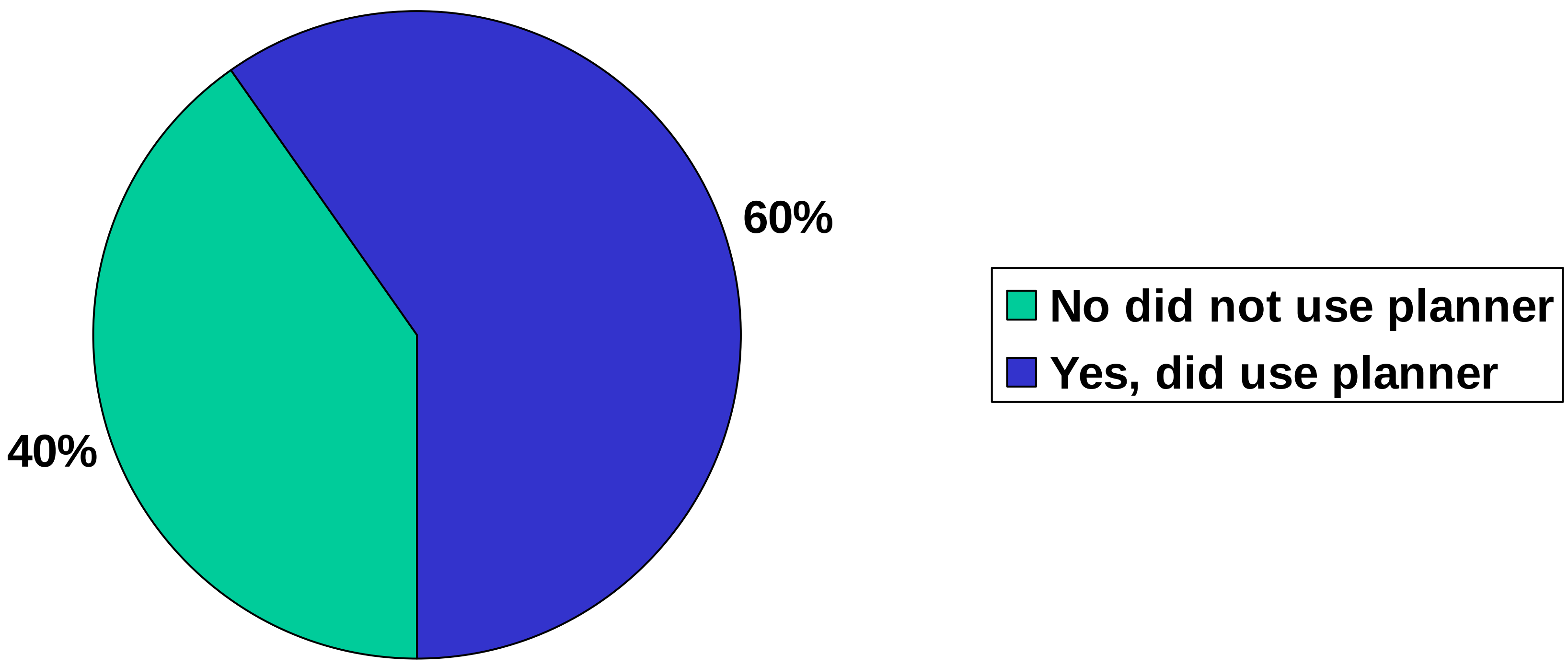
Base = 1,255 investors.

Using a Financial Planner

- Only 59% of investors have used the services of a financial planner, investment advisor or stock broker. Forty percent say they have not.
  - The younger the respondent, generally the more likely they were to say they have not used a financial planner or broker. Only 17% of those age 18-24 have used one compared with 78% of those age 55-64.
  - Also, investors in the Northeast are the most likely of any region to say they have used these professional services (66%).
  - Perhaps it isn't surprising that those in households with lower levels of education or income are a lot less likely to have used these services than those with higher levels of either.

Using a Financial Planner

DD9: Have you ever used a financial planner, investment advisor, or stock broker?



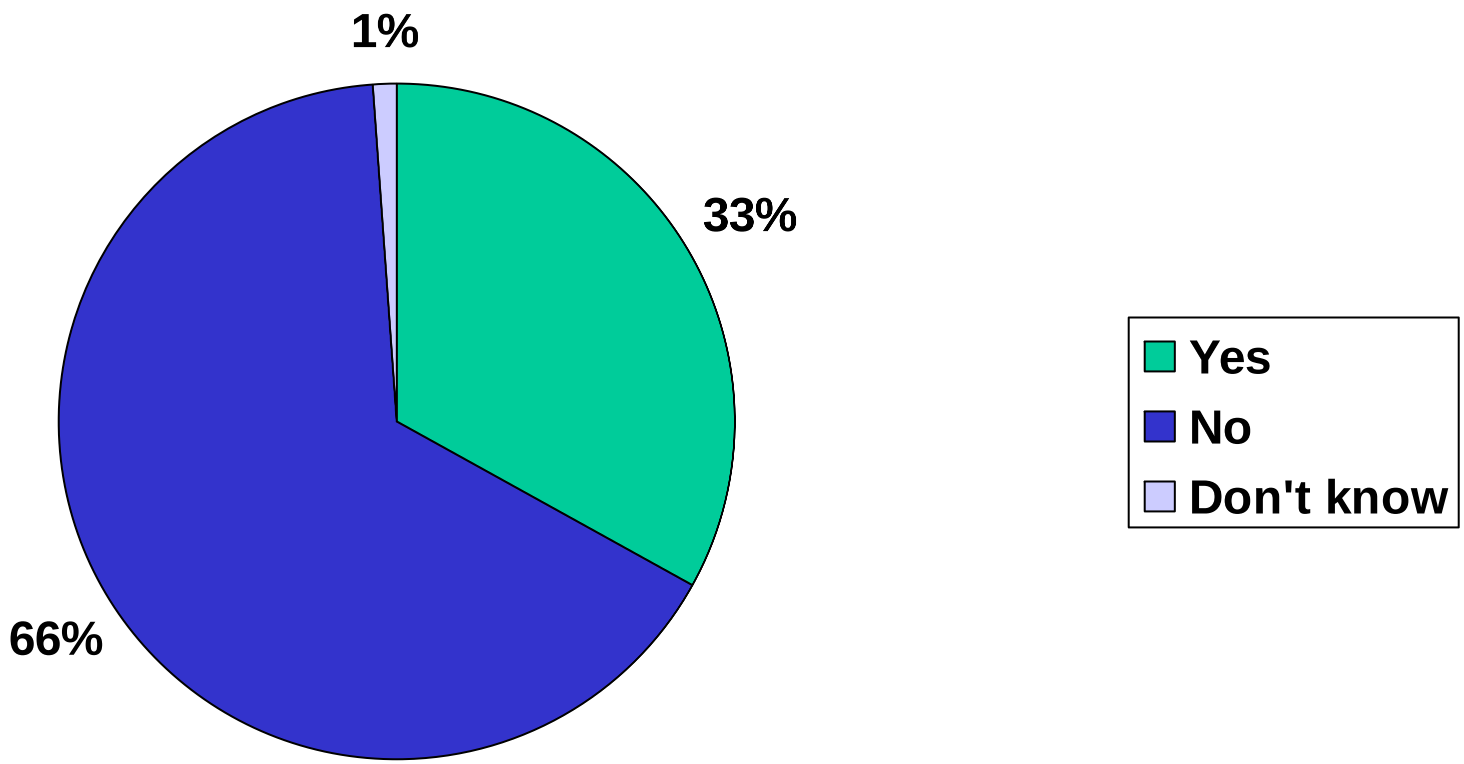
Base = 1,255 investors.

Checking Out a Financial Professional’s Credentials

- Only a third (33%) of the investors who have used the services of a financial planner, investment advisor or stock broker, took the time to check them out with a state security agency, the SEC or the NASD. The majority (66%) did not check out the credentials.

Checking Out a Financial Professional’s Credentials

DD10: Did you first check out the background of your financial planner, investment advisor or stockbroker by contacting a state securities agency, the Securities and Exchange Commission or the National Association of Securities Dealers?



Base = 745 investors who have ever used a financial planner, investment advisor or stock broker.

APPENDIX

RELIABILITY OF SURVEY PERCENTAGES

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results.

The table below shows the possible sample variation that applies to percentage results reported herein. The chances are 95 in 100 that a survey result does not vary, plus or minus, by more than the indicated number of percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

Size of Sample on Which Survey Results Are Based	Approximate Sampling Tolerances Applicable to Percentages At or Near These Levels				
	10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
1,000 interviews	2%	2%	3%	3%	3%
500 interviews	3%	4%	4%	4%	4%
250 interviews	4%	5%	6%	6%	6%
100 interviews	6%	8%	9%	10%	10%

Additional Sampling Tolerances for Samples of 1,000 Interviews

9% or 91%	8% or 92%	7% or 93%	6% or 94%	5% or 95%
2%	2%	2%	1%	1%

4% or 96%	3% or 97%	2% or 98%	1% or 99%
1%	1%	1%	2%

SAMPLING TOLERANCES WHEN COMPARING TWO SAMPLES

Tolerances are also involved in the comparison of results from independent parts of the sample. A difference, in other words, must be of at least a certain number of percentage points to be considered statistically significant – that is not due to random chance. The table below is a guide to the sampling tolerances in percentage points applicable to such comparisons, based on a 95% confidence level.

Size of Samples Compared	Differences Required for Significance At or Near These Percentage Levels				
	10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
1,000 and 1,000	3%	4%	4%	4%	4%
1,000 and 500	3%	4%	5%	5%	5%
1,000 and 250	4%	6%	6%	7%	7%
1,000 and 100	6%	8%	9%	10%	10%
500 and 500	4%	5%	6%	6%	6%
500 and 250	5%	6%	7%	7%	8%
500 and 100	6%	9%	10%	11%	11%
250 and 250	5%	7%	8%	9%	9%
250 and 100	7%	9%	11%	11%	12%
100 and 100	8%	11%	13%	14%	14%

Topline Results of a Telephone Survey of 2,086 Adults, Conducted April 26-30, 2007

On another subject . . .

DD1 Are you an investor? By an investor, I mean do you make decisions about where your savings are placed? This could mean you own bank certificates of deposit, stocks, bonds or mutual funds either directly or through retirement plans such as 401(k)'s, IRAs, Roth IRAs or similar plans. (N=2,086)

63%	YES
36	NO
1	DON'T KNOW/NOT SURE/REFUSED

IF INVESTOR, DD1 (01) CONTINUE.
ALL OTHERS SKIP TO NEXT SECTION

DD2 Which of the following investments has offered the best returns over the last 20 years? [READ ENTIRE LIST BEFORE RECORDING ONE ANSWER. ROTATE] (N=1,355)

56%	Stocks
12	Bonds
12	Savings accounts
10	Certificates of Deposit
10	DON'T KNOW/NOT SURE

DD3 Have you or a financial professional ever worked up a comprehensive financial plan to determine how much you need to save and invest for retirement?

52%	YES
47	NO
1	DON'T KNOW/NOT SURE

DD4 How big a role will Social Security play in your retirement financial scheme? Would you say…[READ LIST. RECORD ONE ANSWER]

9%	The biggest part
27	A fairly big part
32	A fairly small part
28	The smallest part
3	DON'T KNOW/NOT SURE

DD5 How do you think a 25-year-old American is MOST likely to come up with a half-million dollar or one-million dollar nest egg for retirement? Would you say…[READ ENTIRE LIST BEFORE RECORDING ONE ANSWER. ROTATE]

4% A major insurance settlement
21 An inheritance from the death of a relative
10 Winning a state or multi-state lottery
58 Investing in the stock market over time
7 DON'T KNOW/NOT SURE

DD6 Would you rather have one million dollars now or one penny that would double in value every day for a month? [RECORD ONE ANSWER]

58% THE ONE MILLION DOLLARS NOW
39 THE PENNY DOUBLED EACH DAY FOR A MONTH
1 NEITHER
2 DON'T KNOW/NOT SURE

DD7 What does the term "diversification" mean? Does it mean…[READ ENTIRE LIST BEFORE RECORDING ONE ANSWER. ROTATE]

17% Investing in both restricted and unrestricted stock
30 Using both international and U.S.-based stocks and mutual funds in your portfolio
39 Balancing both risk and return in pursuit of financial returns
14 DON'T KNOW/NOT SURE

DD8 Consider the following scenario: You are contacted by someone in your church or workplace and told about an opportunity to invest in what is described as a "can't lose" opportunity in one of three new technologies: … first: a new fuel-cell technology that would allow cars to run on tap water … or, second: an options trading system with guaranteed returns of 100 percent or more … or, third: a company with a new laser that kills lung cancer cells in smokers. How likely would you be to consider ANY OF THESE investments? Would you be…[READ LIST. RECORD ONE ANSWER]

14% Very likely
29 Somewhat likely
24 Not very likely
32 Not at all likely
1 DON'T KNOW/NOT SURE

DD9 Have you EVER used a financial planner, investment advisor, or stock broker?

59% YES
40 NO
1 DON'T KNOW/NOT SURE

[ASK IF DD9 (01)]

DD10 Did you first check out the background of your financial planner, investment advisor or stockbroker by contacting a state securities agency, the Securities and Exchange Commission or the National Association of Securities Dealers?
(N=871)

33%	YES
66	NO
1	DON'T KNOW/NOT SURE