



# TIAA-CREF Financial Advice Survey Executive Summary

October 25, 2012

# Survey Reveals Lack of Personalized Financial Advice Leaves Americans at Risk

## Despite having received financial advice, most individuals don't take action to secure their financial future

Most Americans say they are concerned when it comes to long-term financial security. Yet even when people do receive financial advice, they only follow through on it some of the time.

These are among the findings that emerge from a survey on how U.S. consumers view and use financial advice. The TIAA-CREF Financial Advice Survey – which was conducted by an independent research firm between July 11, 2012 and July 17, 2012 – polled a random sample of 1,006 adults nationwide on their attitudes, preferences and behaviors about receiving financial advice.

According to the survey, only one-third of Americans said they consistently take action after receiving financial advice. Despite the lack of action among so many, nearly half of all surveyed admitted they worry about their long-term financial future.

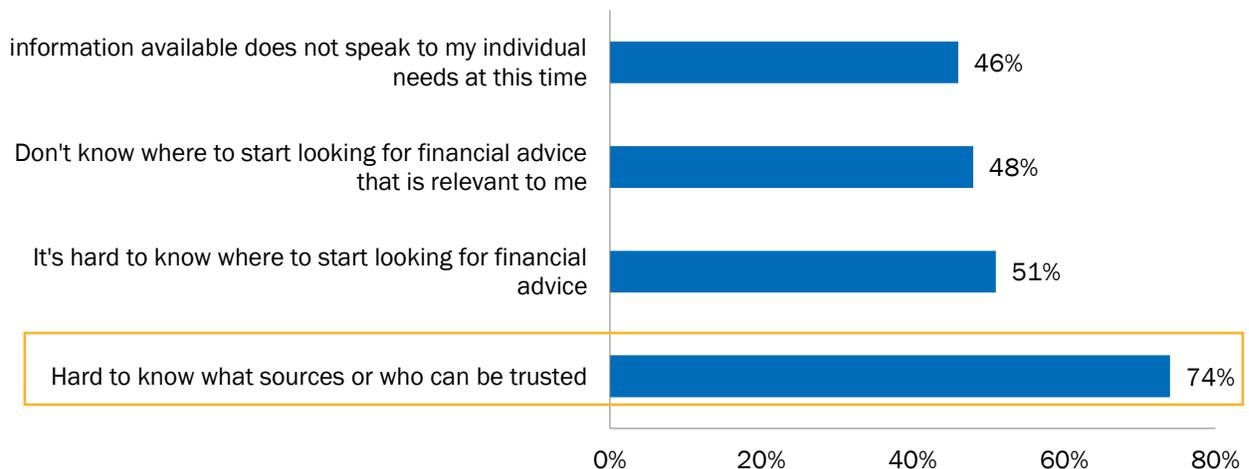
This may be due to the fact that consumers have difficulty finding advice that meets their needs. One in five Americans surveyed said finding relevant financial advice is difficult. Of those, 51 percent don't know where to start looking, and 74 percent don't know which sources they can trust.

The most frequently named source of advice is family and friends, cited by 47 percent of respondents. The next most frequently named advice sources are financial service providers (34 percent) and consumers' primary banks (33 percent), followed by employers (17 percent).

While employers and financial institutions aren't the first go-to sources for most consumers, their advice carries weight. Nearly two-thirds of consumers trust the financial advice provided by their employers (66 percent) and by traditional financial institutions (64 percent).

The fact that relevant advice is hard to find doesn't keep Americans from looking for it. About two-thirds of Americans said they look for financial advice at least a few times a year, and of those, one in five seeks advice far more often—weekly or biweekly.

**Reasons Finding Advice is Difficult**



# The need for personalized financial advice

The survey also reveals a significant disconnect between individuals' knowledge of their personal financial situations and the actions they take to achieve better financial outcomes.

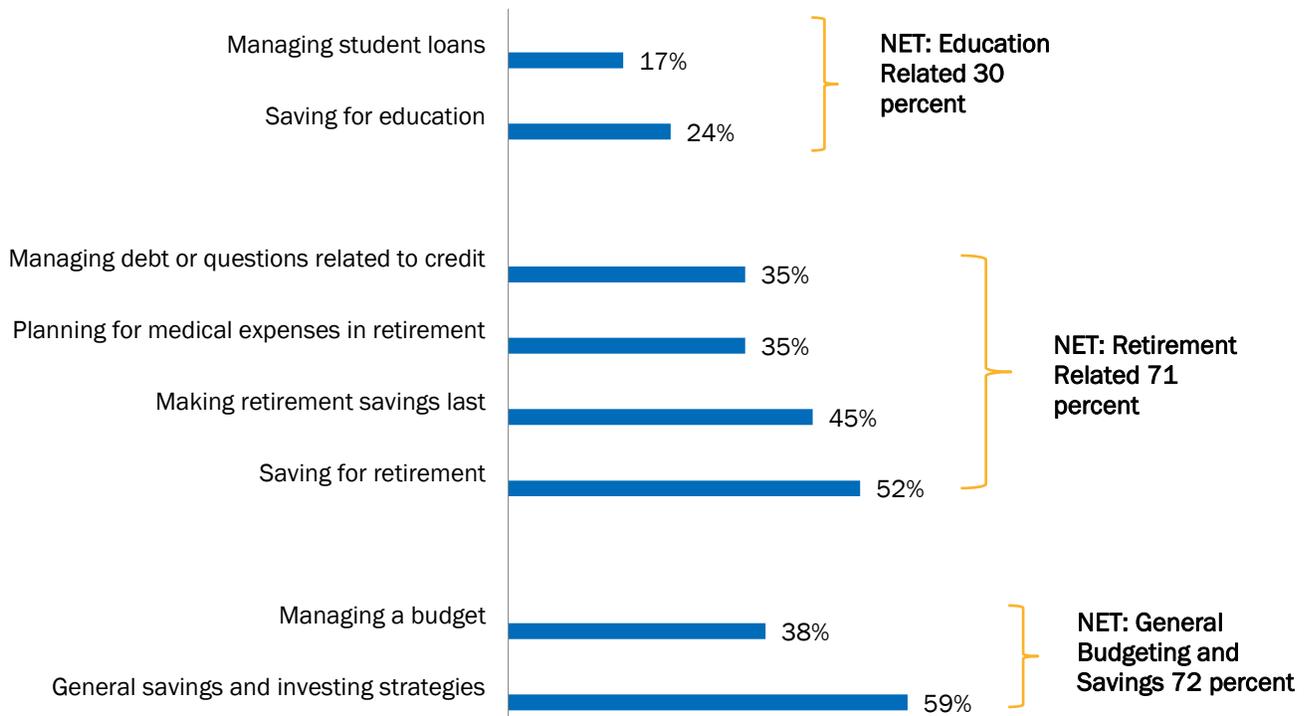
Along with budgeting and savings, retirement is the main area in which consumers look for advice. They generally feel well-educated, with 87 percent of respondents noting that they feel informed about their personal finances. But informed doesn't necessarily mean prepared: Nearly half said they worry about their long-term financial security. What's more, when consumers do find advice, they don't always follow it: Only one-third of respondents reported taking actions all or most of the time after receiving financial advice.

Although consumers are very concerned about saving for the future, the most common changes in behavior among those who receive advice included short-term fixes rather than long-term changes.

Suggestions about spending habits are relatively likely to prompt action; 56 percent of consumers said they've changed or lowered their spending since receiving advice. In comparison, suggestions about retirement savings aren't followed as faithfully. Only about three in every 10 Americans who have received financial advice said they've changed their asset allocations or increased the amount they contribute to their retirement savings in the wake of receiving advice. Additionally, people still don't know if they can get to where they need to be. Forty-seven percent said they worry they will run out of money in retirement, and nearly half – 49 percent – are unsure if they've saved enough to retire.

There is clearly a disconnect between consumers' concerns, the advice they receive and the actions they take. The problem may be that consumers are not receiving personalized advice that directly meets their objectives and is easy for them to implement.

**Topics For Financial Advice**



## One size does not fit all

The majority of those surveyed (64 percent) prefer getting advice in person, noting that it feels more personable and fosters trustworthiness. At the same time, a substantial number of respondents (22 percent) said they prefer to receive advice online.

Of the consumers who prefer to receive financial advice online, 31 percent said they like the accessibility of online advice, 25 percent said getting advice online fits their lifestyle, and 20 percent cited the convenience.

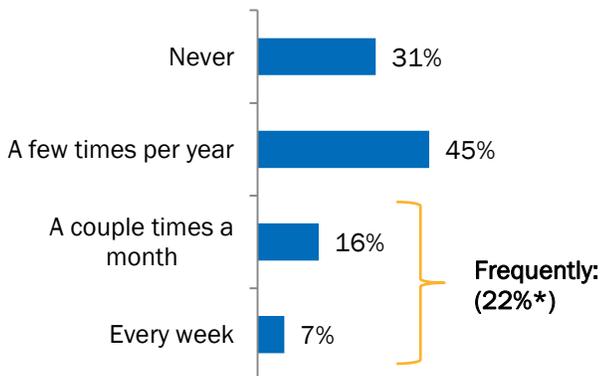
Additionally, four in 10 consumers said they do use some type of online tool to manage their finances, whether an online calculator, a retirement-tracking tool or online tutorials and articles.

## Age matters in the search for advice

The survey also reveals some significant demographic differences. For instance, 69 percent of 18- to 34-year-olds said they regularly rely on friends and family for financial advice—by far the highest percentage of any age group. The percentage of those who said they regularly rely on friends and family for financial advice drops as consumers get older:

- 50 percent for those 35 to 44
- 42 percent for those 45 to 54
- 35 percent for those 55 to 64
- 33 percent for those 65+

### Frequency of looking for financial advice



\*Numbers don't always add up due to rounding.

Those in the 18-to-34 segment showed the most interest in getting financial advice across any of the age groups, as four in 10 said they frequently look for advice. In addition, this demographic is also more likely to make changes after receiving advice.

Not surprisingly, 18- to 34-year-olds also were much more comfortable than other age groups using online financial tools, with nearly 60 percent of them saying they already do so. By comparison, only 19 percent of consumers 65 and older said they use such tools.

Americans' concern that they will run out of money in retirement peaks in early middle age—often a period of considerable financial pressure. About six in 10 Americans age 45 to 54 said they frequently have this worry.

Baby boomers (age 55-64) were the most likely to report financial advice was very difficult to find. They were also the least likely to take action, with only one in three admitting they consistently act on the advice they receive.

In general, Americans older than 65 seem to be the most satisfied of any age group about the financial advice they're getting. Fifty-eight percent of them said it is very easy to find relevant financial advice—compared to an average of 42 percent across all younger age groups—and only 16 percent of older Americans said they wish they could get more financial advice in order to be better prepared for the future. Older Americans also were the least likely of any age group to agree with the statement "Now more than ever, I need a trusted place for financial advice." Only 32 percent of them said this—vs. more than half of all Americans age 45 to 54.

Age	% At least a couple times a month	% Few times per year
18-34:	40 percent	38 percent
35-44:	20 percent	48 percent
45-54:	21 percent	48 percent
55-64:	16 percent	54 percent
65+:	12 percent	41 percent

## Parents are in need of trusted advisors

Parents (defined for segmentation purposes as households with at least one child younger than 18) are another segment with unique attributes, the survey shows. They are far more likely to use online tools than non-parents (55 percent to 33 percent), and their anxiety about their financial preparedness is reflected in:

- their feeling that they may not have saved enough money to retire (a concern expressed by 55 percent of parents vs. only 45 percent of non-parents)
- their sense that they are more in need than ever of a trusted place to go for financial advice (54 percent of parents vs. 44 percent of non-parents)
- their sense of being too busy to get advice about their personal finances (36 percent of parents to 27 percent of non-parents).

## Women are more likely than men to act on advice

Finally, there are some gender differences in how Americans use financial advice. Women who received financial advice were more likely than men to take action, with nearly 90 percent reporting they do so at least some of the time. In addition, more women than men (61 percent to 50 percent) said they've changed or decreased their spending based on advice.

However, women also were also more likely than men to face challenges finding financial advice. Nearly half of women surveyed believed personalized, objective advice will cost more than they can afford, and more than one-third said they don't have time to look for it.

Women were also more likely to rely on family and friends for advice (51 percent of women vs. 43 percent of men), their primary banks (39 percent of women vs. 26 percent of men) and their employers (21 percent of women vs. 14 percent of men).

Finally, more women than men (53 percent vs. 45 percent) said they don't know if they have saved enough money to be able to retire.

## Turning advice into action

The survey shows Americans feel informed about their personal finances, yet they still lack confidence in their ability to save money and be prepared for their retirement.

Access to financial advice may not be the problem – but access to relevant, meaningful advice may be the solution. Personalized advice may help an individual achieve financial well-being. By seeking advice in the right places, individuals may find themselves one step closer to reaching their financial goals.

## Explore further

For more information on the survey and TIAA-CREF's Advice and Planning resources, visit [tiaa-cref.org](http://tiaa-cref.org).