



INCHARGE[®]

EDUCATION FOUNDATION

1st Quarter 2006 ICEF

National Phone Survey Special Report:

1. Tax Refunds: Destination Debt
2. Who's Saving For Retirement?



The
Pulse
of
America
Report

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1st Quarter 2006 ICEF Phone Survey

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Introduction

This report presents the findings from the first in an ongoing series of Quarterly National Phone Surveys, sponsored by the InCharge Education Foundation. Eight questions are repeated as a longitudinal study, to measure consumer attitudes toward their personal finances over time. In addition, two additional questions are asked each quarter, with varying interview topics, in order to stay in tune with current economic events and how they impact Americans. This quarter, the topics are taxes and retirement. Specifically, we asked consumers how they would spend a tax refund if they were to receive one, and if they are using a 401(k) retirement savings plan through their employers. The question about the tax refund was asked in the 1st Quarter, 2005, so a comparison will be included in this summary of responses vs. one year ago. One supplemental question on retirement which was asked originally in March 2005 was also repeated in March 2006; those results are presented as well.

Purpose and Findings

InCharge Education Foundation (ICEF) commissioned the study, and its purpose was to examine selected variables of a large national sample of the general U.S. adult population, relating to personal finance. The ten questions asked are presented, together with the findings. Each question is shown together with the number of responses, detailed tables of ratings and tables which collapse the original ten point scale ratings into groupings.

1. If you received a \$1000. tax refund, which of these *best describes* what you would do with *most or all of the money*? See Table 1; Variable 1a-d; N=985 in 2006, N=993 in 2005.

Table 1 (V1a d)
12 Month Comparison: What would you do with your tax refund?

	March 2005		March 2006	
	Frequency	Percent	Frequency	Percent
a. I would buy things I wanted	55	6%	113	11% ↑ 5%
b. I would put it into an emergency savings account	284	26%	262	27%
c. I would put it into a retirement or investment account	185	19%	173	18%
d. I would pay some of my debts or bills	469	47%	437	44% ↓ 3%
Total	993	100%	985	100%

In the 1st Quarter 2006, respondents were asked what they would do with a tax refund of \$1000.00 if they received one.

- ☒ The top answer in 2006 was still “I would pay some of my debts or bills” (44%), but that percentage is down slightly from 2005 (47%).
- ☒ The answer “I would buy things I wanted” nearly doubled from the previous year (11% in 2006 vs. 6% in 2005).
- ☒ This years’ responses of “I would put it into an emergency savings account” (27%) and “I would put it into a retirement or investment account” (18%) showed virtually no change from the previous year’s percentages.

1. If you received a \$1,000 tax refund, which of these BEST DESCRIBES what you would do with MOST OR ALL of the money?

Table 2 (V1a_d)
Gender Comparison: What would you do with your tax refund?

		Gender	
	Total	Male	Female
		A	B
Count	985	475	511
I would buy things I wanted	113 11%	61 13%	52 10%
I would put it into an emergency savings account	262 27%	120 25%	142 28%
I would put it in a retirement or investment account	173 18%	104 22%	69 14%
I would pay some of my debts or bills	437 44%	190 40%	247 48%
			A

- ☒ Significantly more women (48%) than men (40%) reported that they would use a tax refund to pay some of their debts.
- ☒ Significantly more men (22%) said that they would invest all or most of a \$1000. tax refund compared to only 14% of women.

1. If you received a \$1,000 tax refund, which of these BEST DESCRIBES what you would do with MOST OR ALL of the money?

Table 3 (V1a d)

Age Comparison: What would you do with your tax refund?

		Age		
	Total	18-34	35-54	55+
		C	D	E
Count	985	305	387	291
I would buy things I wanted	113 11%	43 14%	36 9%	34 12%
I would put it into an emergency savings account	262 27%	61 20%	91 23%	109 37% CD
I would put it in a retirement or investment account	173 18%	35 12%	65 17%	71 25% CD

- ☒ Some very large differences in attitude seem to exist between Americans of different age groups.
- ☒ Significantly more older adults (37%) said they would put their tax refund into an emergency savings account, as compared to a study average of only 27%.
- ☒ Younger age groups were twice as likely to say they would use their tax refunds to pay bills (between 50 and 54%) of 18-54 year olds versus only 26% of those 55 years and older.

If you received a \$1,000 tax refund, which of these BEST DESCRIBES what you would do with MOST OR ALL of the money?

Table 4 (V1a d)

Income Comparison: What would you do with your tax refund?

	Total	Household Income		
		Under \$25K	\$25K- <\$50K	\$50K+
		F	G	H
Count	985	230	228	379
I would buy things I wanted	113	32	21	45
	11%	14%	9%	12%
I would put it into an emergency savings account	262	61	59	98
	27%	26%	26%	26%
I would put it in a retirement or investment account	173	35	29	72
	18%	15%	13%	19%
I would pay some of my debts or bills	437	101	118	164
	44%	44%	52%	43%

- ☒ As we compare attitudes towards spending money across various household income levels, surprisingly we find no significant differences in how each age group would allocate the use of the money.
- ☒ Although not statistically significant, there is a directionally higher percentage of those earning between \$25K and \$50K who said they would pay debts with their tax refunds (52%). All of the other income groups report a lower percentage of choosing the bill paying option for their tax refunds (43 to 44%).

1. If you received a \$1,000 tax refund, which of these BEST DESCRIBE what you would do with MOST OR ALL of the money?

Table 5 (V1a d)

Regional Comparison: What would you do with your tax refund?

		Region			
	Total	Northeast	Midwest	South	West
		I	J	K	L
Count	985	193	217	352	222
I would buy things I wanted	113	20	31	35	27
	11%	11%	14%	10%	12%
I would put it into an emergency savings account	262	61	56	92	53
	27%	31%	26%	26%	24%
I would put it in a retirement or investment account	173	25	36	68	44
	18%	13%	17%	19%	20%
I would pay some of my debts or bills	437	87	94	158	99
	44%	45%	43%	45%	44%

- ☒ Although the differences regarding what to do with a tax refund are not large enough to be statistically significant, those living in the Northeast seem to be somewhat more interested in putting money in an emergency account than the other regions (31% Northeast vs. 24 to 26% for the other three regions).
- ☒ Northerners are also directionally the least concerned about funding investment accounts (13% of Northerners compared to other regions ranging from 17 to 20%).

3. On a scale of one to ten, how do you feel about...the following?

Your financial preparation for retirement

One means you feel “Very INsecure (or stressed)”; ten means you feel “Very Secure (or not stressed)”. See Table 3; Variable 3c; N=968 in 2006, N=982 in 2005.

Table 6 (V3c)
12 Month Comparison: Preparation For Retirement

3. How do you feel about each of these?				
<i>From one to ten, how would you rate...</i>	March 2005		March 2006	
	Frequency	Percent	Frequency	Percent
c. Your financial preparation for retirement				
Very <u>I</u>nsecure or stressed (range 1, 2, 3, 4)	348	35%	297	31%
Mid scale (range 5,6)	228	24%	199	21%
Very secure or <u>not</u> stressed (range 10, 9, 8, 7)	406	41%	472	49% ↑ 8%
Total:	982	100%	968	100%
Average Rating:	5.5		6.1	

In March 2006, respondents were asked about their feelings regarding their financial preparation for retirement on a scale of “1”, or very insecure (14% chose this response), to “10” very secure (22% chose this response).

- ☒ Grouping the responses: bottom four (1-4) 31%, top four (7-10) 49% and mid range (5,6) 21%.
- ☒ Overall, we see a more positive outlook towards retirement readiness in the first Quarter 2006, with the overall average rating rising from 5.5 in 2005 to a healthier 6.1.
- ☒ The largest gain was seen in the positive, less stressed end of the scale, where ratings of 10, 9, 8, or 7 increased 8% over last year.

3. On a scale of one to ten, how do you feel about each of the following? One means you feel very insecure or stressed, ten means you feel very secure or not stressed. **From one to ten, how would you rate your financial preparation for retirement?**

Table 7 (V3)
Gender Comparison: Preparation For Retirement

Your financial preparation for retirement	Total	Gender	
		Male	Female
		A	B
Count	968	472	496
10 - Very Secure or not stressed	215	106	109
	22%	22%	22%
9	54	31	23
	6%	7%	5%
8	109	47	62
	11%	10%	12%
7	93	56	38
	10%	12%	8%
6	69	37	31
	7%	8%	6%
5	131	65	66
	13%	14%	13%
4	57	30	27
	6%	6%	6%
3	58	26	32
	6%	6%	7%
2	44	24	20
	5%	5%	4%
1 - Very insecure or stressed	138	50	87
	14%	11%	18% A
Summary			
Top4Box (Secure or not stressed: 10-7)	472	240	232
	49%	51%	47%
Mid2Box (Neutral: 5-6)	199	102	97
	21%	22%	20%
Low4Box (Insecure or stressed: 1-4)	297	130	167
	31%	28%	34%
Mean	6.1	6.3	5.9

☒ On average, men and women have similar attitudes about their financial preparation for retirement. Looking at individual ratings on a one to ten scale, however, shows us that women gave a low rating of “1”, indicating that they feel very insecure or stressed about their retirement finances significantly more often than men (11% of men answered “1” versus 18% of women).

3. On a scale of one to ten, how do you feel about each of the following? One means you feel very insecure or stressed, ten means you feel very secure or not stressed. **From one to ten, how would you rate your financial preparation for retirement?**

Table 8 (V3c)
Age Comparison: Preparation For Retirement

Your financial preparation for retirement	Total	Age		
		18-34	35-54	55+
		C	D	E
Count	968	306	382	279
10 - Very Secure or not stressed	215	55	69	91
	22%	18%	18%	33%
9	54	12	16	26
	6%	4%	4%	9% CD
8	109	31	38	40
	11%	10%	10%	14%
7	93	34	42	17
	10%	11%	11% E	6%
6	69	23	32	14
	7%	7%	8%	5%
5	131	40	54	36
	13%	13%	14%	13%
4	57	25	24	8
	6%	8% E	6% E	3%
3	58	20	28	11
	6%	7%	7%E	4%
2	44	19	18	7
	5%	6%	5%	3%
1 - Very insecure or stressed	138	48	59	30
	14%	16%	16%E	11%
Summary				
Top4Box (Secure or not stressed: 10-7)	472	131	166	174
	49%	43%	43%	62% CD
Mid2Box (Neutral: 5-6)	199	63	86	50
	21%	21%	23%	18%
Low4Box (Insecure or stressed: 1-4)	297	112	129	55
	31%	36% E	34% E	20%
Mean	6.1	5.6	5.7	7 CD

Attitudes toward retirement change sharply as Americans age. As one would expect, those over 55 are significantly more likely to feel less stressed about retirement readiness. Nearly two-thirds (62%) of the 55+ age group gave ratings of 10, 9, 8, or 7, compared to only 43% of the other age groups.

3. On a scale of one to ten, how do you feel about each of the following? One means you feel very insecure or stressed, ten means you feel very secure or not stressed. **From one to ten, how would you rate your financial preparation for retirement?**

Table 9 (V3c)
Income Comparison: Preparation For Retirement

Your financial preparation for retirement	Total	Household Income		
		Under \$25K	\$25K- <\$50K	\$50K+
		F	G	H
Count	968	224	223	382
10 - Very Secure or not stressed	215	54	42	75
	22%	24%	19%	20%
9	54	9	11	30
	6%	4%	5%	8%
8	109	12	27	56
	11%	5%	12% F	15% F
7	93	8	25	47
	10%	4%	11% F	12% F
6	69	13	15	31
	7%	6%	7%	8%
5	131	21	27	60
	13%	9%	12%	16% F
4	57	17	16	20
	6%	7%	7%	5%
3	58	8	21	23
	6%	4%	10% F	6%
2	44	12	8	18
	5%	5%	3%	5%
1 - Very insecure or stressed	138	71	31	22
	14%	32% GH	14% H	6%
Summary				
Top4Box (Secure or not stressed: 10-7)	472	83	105	207
	49%	37%	47%	54% F
Mid2Box (Neutral: 5-6)	199	33	42	91
	21%	15%	19%	24%F
Low4Box (Insecure or stressed: 1-4)	297	108	76	83
	31%	48% GH	34% H	22%
Mean	6.1	5.1	5.9 F	6.5 FG

☒ Feelings about retirement vary greatly according to the amount of household income. In this analysis, ratings were compared across three different income groupings to see if differences in attitudes exist towards financial preparation for retirement. Large differences were observed; predictably the lowest income groups felt least secure (average 5.1 rating on a 1 to 10 scale) as compared to the over \$50K annual income group (average 6.5 rating).

3. On a scale of one to ten, how do you feel about each of the following? One means you feel very insecure or stressed, ten means you feel very secure or not stressed. **From one to ten, how would you rate your financial preparation for retirement?**

Table 10 (V3c)
Region Comparison: Preparation For Retirement

Your financial preparation for retirement	Total	Region			
		Northeast	Midwest	South	West
		I	J	K	L
Count	968	187	216	346	221
10 - Very Secure or not stressed	215	35	51	82	47
	22%	19%	24%	24%	21%
9	54	14	10	17	13
	6%	7%	5%	5%	6%
8	109	19	23	40	27
	11%	10%	11%	12%	12%
7	93	14	22	34	23
	10%	8%	10%	10%	10%
6	69	16	16	20	17
	7%	8%	8%	6%	8%
5	131	32	27	46	26
	13%	17%	13%	13%	12%
4	57	10	19	17	11
	6%	5%	9%	5%	5%
3	58	13	15	16	14
	6%	7%	7%	5%	7%
2	44	7	6	18	14
	5%	4%	3%	5%	6%
1 - Very insecure or stressed	138	28	26	56	28
	14%	15%	12%	16%	13%
Summary					
Top4Box (Secure or not stressed: 10-7)	472	82	106	173	110
	49%	44%	49%	50%	50%
Mid2Box (Neutral: 5-6)	199	47	43	66	43
	21%	25%	20%	19%	19%
Low4Box (Insecure or stressed: 1-4)	297	57	66	107	67
	31%	31%	31%	31%	31%
Mean	6.1	5.9	6.2	6	6.1

☒ Regardless of where they live, Americans all share common feelings about retirement. Looking across all U.S. regions, no significant regional differences were observed in attitudes towards financial preparation for retirement.

4. Do you save for retirement in a 401(k) savings plan at work?

See Table 4; Variable 4a; N=729

Table 11(V4a)
Survey Overview: 401(k) Savings Plan Participation

1 st Quarter 2006		
		March 2006
4. Do you save for retirement in a 401(k) savings plan at work?	Frequency	Percent
Yes	416	43%
No (Net)	<u>570</u>	<u>57%</u>
Total:	986	100%
Breakdown of "No" responses:		
No, I don't work	158	16%
No, I don't have a 401K plan option	131	13%
No, It's an option available to me but I don't use it	24	2%
No, but did not say why	257	26%

- ☒ When asked if they use a 401(k) plan to help them save for retirement, nearly six out of ten Americans in this study (57%) reported that they do not. Half of the non-401(k) participants indicated that they did not have that option available to them at work, or were not employed. The majority of the remaining non- 401(k) participants gave no explanation.

4. Do you save for retirement in a 401(k) savings plan at work?

Table 12 (V4a)

Gender Comparison: 401(k) Savings Plan Participation

		Gender	
	Total	Male	Female
		A	B
Count	986	476	510
Yes	416	231	185
	42%	48%	36%
		B	
No (Net)	570	245	325
	58%	52%	64%
			A
No, I don't work	158	55	104
	16%	11%	20%
			A
No, I don't have a 401K plan option	131	54	77
	13%	11%	15%
No, It's an option available to me but I don't use it	24	15	9
	2%	3%	2%
No, unspecified	257	121	135
	26%	26%	27%

- ☒ Significantly more men (48%) than women (36%) say they participate in their employers 401(k) savings plan.
- ☒ It should be noted that significantly fewer women in this survey were employed (20% vs. only 11% of men).

4. Do you save for retirement in a 401(k) savings plan at work?

Table 13 (V4a)
Age Comparison: 401(k) Savings Plan Participation

	Total	Age		
		18-34	35-54	55+
		C	D	E
Count	986	308	386	289
Yes	416	131	197	85
	42%	43%	51%	29%
		E	E	
No (Net)	570	176	189	204
	58%	57%	49%	71%
				CD
No, I don't work	158	39	38	81
	16%	13%	10%	28%
				CD
No, I don't have a 401K plan option	131	43	56	33
	13%	14%	14%	11%
No, It's an option available to me but I don't use it	24	7	13	4
	2%	2%	3%	1%
No, unspecified	257	88	83	86
	26%	29%	21%	30%
				D

- ☒ Those in the 35 to 54 age group are using the 401(k) savings option more aggressively than any of the other age groups (51% vs. a group average of 42%).
- ☒ The 55 and older age group are significantly less involved with 401(k) plans, in part, because a higher percentage of them are not working (28% vs. 16% for the group average are not working).

4. Do you save for retirement in a 401(k) savings plan at work?

Table 14 (V4a)
Income Comparison: 401(k) Savings Plan Participation

		Household Income		
	Total	Under \$25K	\$25K- <\$50K	\$50K+
		F	G	H
Count	986	234	228	378
Yes	416	45	83	232
	42%	19%	36% F	61% FG
No (Net)	570	188	145	147
	58%	81%	64%	39%
		GH	H	
No, I don't work	158	70	32	24
	16%	30%	14%	6%
		GH	H	
No, I don't have a 401K plan option	131	30	30	45
	13%	13%	13%	12%
No, It's an option available to me but I don't use it	24	4	6	10
	2%	2%	3%	3%
No, unspecified	257	85	77	67
	26%	36% H	34% H	18%

- ☒ Participation in a 401(k) plan for retirement savings seems to be more directly influenced by household income, not opportunity to participate.
- ☒ This analysis shows identical percentages in each income group who have the 401(k) option available to them and choose not to use it (2 to 3%), or say it's not available to them (12 to 13%).
- ☒ Despite the apparent equal opportunity, as annual income decreases, so does participation in 401(k) programs. Six in ten (61%) of those earning over \$50K report 401(k) participation as compared with only 19% of those earning under \$25K per year.

4. Do you save for retirement in a 401(k) savings plan at work?

Table 15 (V4a)
Regional Comparison: 401(k) Savings Plan Participation

		Region			
	Total	Northeast	Midwest	South	West
		I	J	K	L
Count	986	188	219	356	223
Yes	416	83	97	144	91
	42%	44%	44%	41%	41%
No (Net)	570	105	122	211	132
	58%	56%	56%	59%	59%
No, I don't work	158	25	38	62	33
	16%	14%	17%	17%	15%
No, I don't have a 401K plan option	131	26	23	54	29
	13%	14%	10%	15%	13%
No, It's an option available to me but I don't use it	24	3	5	11	4
	2%	2%	2%	3%	2%
No, unspecified	257	50	56	85	66
	26%	27%	26%	24%	30%

☒ No significant differences in 401(k) plan participation by region were observed in this study.

Methodology and Data

The data for this study were collected from randomly dialed sample of 1000 adults from the general U.S. population (500 men and 500 women), aged 18 and over by the market research firm Ipsos-Insight, during March 21st through the 23rd, 2006. Data was weighted to match U.S. Census on key demographics.

- ☒ The average age of the respondents in this study was 46 years.
- ☒ Males comprised 48% of the respondents and 52% % were female, which is a typical distribution of the general population.
- ☒ Approximately six in 10 (57%) were either married or living with a partner, and 43% were unmarried. Their median annual family income was between \$50K and \$75K.
- ☒ Three out of five (63%) were employed, and of those 51% were working full-time.

ATTACHMENT I.
INTERVIEW OUTLINE FOR
1ST QUARTER ICEF PHONE SURVEY 2006

1. If you received a \$1000. tax refund, which of these *best describes* what you would do with *most or all of the money?* (*READ LIST*)(*RECORD ONE ONLY*)
- a. I would buy things I wanted
 - b. I would put it into an emergency savings account
 - c. I would put it in a retirement or investment account
 - d. I would pay some of my debts or bills

3. On a scale of one to ten, *how do you feel* about each of the following? One means you feel “Very INsecure (or stressed)”; ten means you feel “Very Secure (or not stressed)”.

“From one to ten, how would you rate...”

- c. Your financial preparation for retirement

4. Do you save for retirement in a 401(k) savings plan at work?

Yes

No:

- I don't work
- I don't have a 401K plan option
- It's an option available to me but I don't use it