

Terrorism Spurs Saving, Debt Repayment

TERRORISM INCREASES CONSUMER INTEREST IN SAVING AND DEBT REPAYMENT

Expanding America Saves Campaign Offers Encouragement and Assistance

Washington, D.C., March 5, 2002 -- September 11 and its aftermath has had a sobering effect on consumers, increasing their interest in saving and debt repayment, and diminishing their interest in purchasing luxury goods and lottery tickets. This was an important finding of a recent national survey commissioned by the Consumer Federation of America (CFA) and Bank of America as part of the America Saves campaign to encourage and assist individuals to save and build wealth more effectively.

"The events of September 11 have caused Americans to reassess their priorities and take steps to shore up their balance sheets," said Lynn Reaser, chief economist, Banc of America Capital Management. "Individuals seem less willing to take financial risks and are adopting a more conservative approach to spending and living," she added.

America Saves Expands Services to Consumers

The two organizations also announced the availability of an interactive America Saves website (AmericaSaves.org), free membership for individuals in America Saves, and a \$200,000 Bank of America Foundation grant to support these and related savings services.

To become an American Saver, an individual must develop a simple plan to achieve a wealth-building goal ranging from building an emergency fund to saving for retirement. That plan can be submitted either through the website or through an enrollment form that is part of a free Build Wealth Not Debt pamphlet (send a self-addressed, stamped envelope to America Saves, P.O. Box 12099, Washington, DC 20005-0999). After submitting their plan, the Saver receives free information about savings options and strategies as well as a free subscription to the quarterly newsletter, American Saver.

CFA has led the development of the America Saves campaign which is spearheaded by local savings leaders and advised by a national committee made up of representatives from some 50 government, corporate, and non-profit organizations. In the past year, local savings campaigns have been launched in Cleveland and Kansas City, and are being organized in

Indianapolis, Charlotte, Gadsden Co. (FL), Phoenix, Northern Wisconsin, Seattle, Milwaukee, and Philadelphia.

"Local savings campaigns are responding to growing consumer interest, after September 11, in building household wealth," said Stephen Brobeck, CFA Executive Director. "These local campaigns offer services including hotlines, motivational workshops, personal financial consultations, savers clubs, and no-fee savings accounts to area residents," he added.

Terrorism Has Sobering Effect on Consumers

Opinion Research Corporation International conducted the national opinion survey for CFA and Bank of America on February 14-17, 2002. The sample of more than 1,000 was broadly representative of the adult American population. The margin of error was plus or minus three percentage points.

The survey's most striking finding was that September 11 and its aftermath encouraged more Americans to pay down debt and build savings. As the table below indicates, in response to the question -- "how have the events of September 11th and afterwards affected your thinking about each of the following aspect of your personal finances?" -- respondents indicated that they placed greater importance on personal savings and paying down consumer debt, and that they had less interest in buying expensive luxury goods or spending more money on lottery tickets.

	Less Interest	More Interest	Same
Personal Savings	33%	57%	9%
Debt Repayment	25%	61%	11%
Luxury Purchases	6%	54%	36%
Lottery Ticket Purchases	5%	56%	29%

"Those who speculated that terrorism would encourage Americans to spend more freely and save less were clearly wrong," said Brobeck. "Instead, September 11 and its aftermath has had a sobering effect on personal financial behavior," he added.

The demographic group which apparently was most sobered financially by terrorism was the 25-34 age group. Thirty-eight percent of this group said their interest in savings increased, while 37 percent said their interest in buying lottery tickets lessened.

That caution extended to stock purchases following the Enron debacle. In response to the question -- "has the collapse of this company made you more or less willing to invest in stocks and mutual funds?" -- 42 percent said they

were less willing while only 3 percent said they were more willing. Those especially reluctant to purchase stocks were African-Americans (63%), those with incomes of \$25,000-35,000 (52%), and those at least 65 years of age (51%).

Consumers Less Worried About Their Financial Status Than A Year Ago

The increased interest of consumers in saving and debt repayment may help explain the fact that they are less worried about their financial status today than one year ago. As the table below indicates, they expressed less concern about the security of their income, the adequacy of their income, the amount of their consumer debt, and the adequacy of their savings than one year ago.

	More Worried	Same	Less Worried
Security of income	25%	38%	36%
Adequacy of income	21%	44%	33%
Amount of consumer debt	16%	42%	39%
Adequacy of savings	22%	44%	32%

"Given the economic slowdown, the terrorist attacks, and the Enron debacle, this increased consumer confidence in their own financial condition is surprising," said Reaser. "It may well largely reflect the fact that many have decided to live their financial lives more prudently," she added.

Younger adults (ages 18-34) were especially likely to worry less about their financial condition. Forty-five percent said they were less worried about the security of their income, while 41 percent said they were less worried about the adequacy of their income.

The result of this diminished financial worry was that about two-thirds of adult Americans are not worried about their financial condition while about one-third are worried, as the table below shows.

	Worried	Not Very or Not At All Worried
Security of income	33%	65%
Adequacy of income	35%	62%
Amount of consumer debt	27%	69%
Adequacy of savings	40%	57%

The largest number of consumers were worried about their savings while the smallest number were worried about their consumer debt. But there were significant differences between those with incomes above and below \$35,000.

Forty-five percent of those with incomes below this level were worried about the security of their income, while 44% were worried about the adequacy of their income. Young adults between the ages of 25 and 34 were most worried about the amount of debt (37%) and the adequacy of their savings (48%). The American Saves campaign is making a special effort to offer its services to young adults with low-to-moderate incomes.

American Saves a Unique Social Marketing Campaign

In early 2001, CFA and Bank of America announced the America Saves campaign, which was underwritten by a contribution from the Bank of America Foundation for organization and support of local campaigns, the development of a website, and membership marketing materials.

"Bank of America has become a leader in initiating financial literacy programs and partnering with consumer groups to raise the level of financial literacy in America," said Jeff Morgan... "The foundation's support of America Saves and the important research conducted by CFA reflects the company's commitment to improve financial literacy among American consumers. This holistic approach includes our recent initiative with the National Council on Economic Education to launch Financial Fitness for Life, an innovative financial education curriculum for students from kindergarten through high school, that also involves their parents."

Several years in development, the America Saves campaign was based on consultations with social marketing experts and on extensive research funded by The Ford Foundation, the National Endowment for Financial Education, and the Bank of America Foundation. Research findings include:

- ? Despite low incomes, many less affluent households are able to save money.
- ? An important barrier to saving among these households is the belief that their only savings options pay low interest rates and are assessed monthly fees.
- ? Another important barrier to saving among these households is the low value which subcultures place on savings.
- ? Social marketing initiatives can persuade some lower income households to save and build wealth.

Social marketing utilizes education, marketing, and social expectation to persuade individuals to change their behavior. This approach was tested first in Cleveland. Some 100 non-profit, business, and government groups were organized to plan and test elements of a Cleveland Saves campaign. Launched in March 2001, this campaign has enrolled more than 1,300 Cleveland Savers and, according to an area-wide survey, influenced another 10,000 to save more

effectively.

Cleveland Savers (and American Savers) must set a financial goal and develop a plan to achieve this goal. The plan must include a monthly dollar amount, a specific savings (or investment) account, a method of making deposits (preferably automatic), and a time period. Cleveland Savers qualify for benefits including fee-free savings accounts at 15 area financial institutions, free one-on-one planning sessions, membership in savings clubs, and participation in semi-annual raffles of savings products.

These services have been marketed throughout the community using news coverage, radio ads, billboard, posters, and brochures. They have also been promoted through organizations -- including employers, unions, churches, social agencies, and community groups -- who distribute brochures and sponsor motivational workshops.

Later last year, Kansas City Saves was launched and, to date, has enrolled more than 500 Savers. In the next several months, Charlotte Saves and Indy Saves will be launched. So will America Saves programs through the U.S. Cooperative Extension System.

CFA is a non-profit association of 300 pro-consumer groups that was established in 1968 to advance the consumer interest through advocacy and education.

Bank of America is one of the world's largest financial services companies, with some 4,400 domestic offices, 13,000 ATMs, 38 international offices in 190 countries, and an Internet website serving 3 million customers. The Bank of America Foundation contributes financial assistance to non-profit organizations that enhance the quality of life and promote the public interest in the area where the company conducts its business