financial crisis

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BOSTON – A new study by Fidelity Investments shows how investors have changed their attitudes and behaviors over the past five years, since the start of the financial crisis in 2008.

The "Five Years Later" study shows that, despite significant personal financial losses and hardship, the event helped boost investor confidence by spurring both positive and permanent behaviors – from increasing retirement savings rates to decreasing debt and building emergency funds.

When the financial crisis started, nearly two-thirds (64 percent) of investors reported they were either scared or confused. Investors had good reasons to feel this way, as nearly half (47 percent) of respondents said their household lost significant assets as a result of the crisis – with an average loss of 34 percent at the lowest point. Additionally, 17 percent said the head of their household lost a job and 35 percent of households experienced a large drop in income. While these data highlight the downside of the crisis, more than half (56 percent) moved beyond their feelings of fear and confusion and significantly altered their financial mindset and behavior in a positive way.

"Emerging from the depths of the crisis, many investors found resolve and started taking control of their personal economy," said Kathleen Murphy, president of Personal Investing at Fidelity Investments.

"Whether it was increasing contribution rates to a 401(k) or IRA, adjusting asset

retirement – reflecting individuals' recognition that they must take greater interest and control of their personal finances. In fact, more than half (56 percent) of investors indicated that they transitioned from being "scared or confused" to "prepared or confident." Following are some of the actions those investors took:

• **Increasing Savings Rates:** Forty-two percent say they increased their contribution rates to their workplace savings plan, individual retirement accounts (IRA) or health savings account, and more than half (55 percent) now agree that they feel better prepared for retirement than before the crisis. Conversely, only 19 percent of investors who are still scared or confused increased their savings rate. As a result, fewer (34 percent) feel better prepared for retirement than before the crisis.

• **Reducing Personal Debt:** Forty-nine percent say they have decreased their personal debt, and nearly three-quarters (72 percent) say they have less personal debt now than they did before the crisis hit. Conversely, only 31 percent of investors who are still scared and confused say they reduced personal debt.

• **Building an Emergency Fund:** Forty-two percent say they increased their emergency fund, and 80 percent of these same respondents now say they have a better understanding of their finances than before the financial downturn. Conversely, only 24 percent of investors who are still scared or confused say they increased their emergency fund.

• **Searching for Guaranteed Income*:** Sixty-four percent are more interested than before the crisis in guaranteed income products, such as annuities, to provide a steady cash flow in retirement.

Seventy-eight percent of these "prepared and confident" respondents say these actions are permanent changes in their behavior (vs. 59 percent of investors who are still scared or confused).

“These positive behavioral changes found in the survey are significant, and we are

The study also asked where investors sought help as the financial crisis started to unfold. The leading source for guidance was a financial professional (30 percent) – followed by a spouse or family member (26 percent). Guidance from financial professionals was also ranked among the highest in helpfulness at 90 percent. As a result of the crisis, nearly one quarter (23 percent) of respondents now rely more on a financial professional than they did in the past.

“The financial crisis created an opportunity for financial professionals to provide much needed context and clarity to investors,” said Scott E. Couto, president, Fidelity Financial Advisor Solutions. “While investors are feeling more engaged and accountable for their finances, many are still too conservatively allocated. Financial professionals have an opportunity to help investors regain confidence with taking on an appropriate amount of risk to meet their financial goals.”

New Investor Resources to Help Build Confidence for Investors
Fidelity developed a new Viewpoints article that outlines five key actions investors can take to exert more control of their personal economy – many of which build on the themes uncovered in the study by those investors who have made the shift to prepared or confident. The actions range from creating an emergency fund, to tax-smart retirement saving and income strategies, to rethinking what is “risky.”

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