SIPC/INVESTOR PROTECTION TRUST SURVEY:
4 OUT OF 5 U.S. INVESTORS FAIL "SURVIVAL SKILLS" SURVEY TEST

Despite Encouraging Signs on Understanding of Diversification and Need to Review Account Statements, Few Investors Possess Needed Blend of Basic Knowledge and Smart Behavior.

WASHINGTON, D.C.//December 13, 2005//Even though a few key investor education messages appear to be getting through to them, the vast majority of American investors do not possess important "investor survival skills" needed to build their savings into a retirement nest egg, according to a Securities Investor Protection Corporation (SIPC)/Investor Protection Trust (IPT) survey conducted by Opinion Research Corporation (ORC) to gauge the knowledge and behavior of investors who either manage their own accounts or work directly with financial professionals to do so.

More than four out of five investors (83 percent) failed the SIPC/IPT test of key knowledge and behavior. Only 17 percent of respondents correctly answered a sufficient number of questions on knowledge (six out of eight questions) and behavior (three out of four questions). Women were more likely than men to fail the test by a margin of 91 percent to 77 percent.

Two of the few "bright spots" in the survey findings had to do with account statements and diversification. In responding to a key behavior question, nine in 10 investors said that they regularly review their brokerage account and/or mutual fund statements. A number of organizations -- including SIPC -- have placed a major emphasis on the need for investors to protect themselves by reviewing brokerage account statements in detail. On the knowledge side of the survey, nearly three out of four investors (74 percent) showed that they understand the concept of diversification, which has been a major focus of investor education efforts by the Investor Protection Trust and other groups.

However, just one in five investors (21 percent) said that they practice all four of the desirable behavioral traits focused on in the SIPC/IPT survey: reading prospectuses, regularly reviewing account statements, checking out the disciplinary backgrounds of brokers/financial planners, and having a financial plan in place.

SIPC President Stephen Harbeck said: "We are encouraged that people understand the need to go over their account statements carefully to make sure that everything is in order. But these findings indicate just how big a job remains in front of organizations such as SIPC that are committed to investor education. When four out of five Americans mistakenly think that there is an agency out there somewhere that 'insures' them against investment fraud losses, we obviously have our work cut out for us."

IPT President and CEO Don Blandin said: "This survey is a yardstick that shows us how investor education in the U.S. needs to measure up if it is going to be helpful to investors. Everyone recognizes that investors need to know certain key facts and concepts, but it is important that they learn the behavioral process of investing – such as checking the background of a stockbroker or investment advisor – that may prove to be just as critical to their success in the long run. The task of making American investors wiser and safer is by no means an impossible job, but it is a long road on which those of us in this field still have a quite a ways to go."

ORC Senior Researcher Graham Hueber said: "This survey is unlike any other that looks at the savvy of American investors. It was carefully designed to focus only on the most active U.S. investors, as opposed to including those who participate in the markets in a purely passive way through their workplace retirement plans and, as a result, may know less. The survey also steers well clear of might be termed 'gotcha!' questions that reveal little or nothing about respondents. These factors, when combined with the survey's blend of both knowledge and behavior questions, give us a well-rounded and all too telling picture of the state of mind of American investors today."

OTHER KEY SURVEY FINDINGS

* One in four investors provided enough correct answers to pass the knowledge portion of the survey test. Fewer than three in five investors (57 percent) provided a sufficient number of correct answers to pass the behavior side of the survey.

* Not much more than a third of investors (36 percent) have checked out the disciplinary backgrounds of their stockbroker and or financial planner. Perhaps even more disturbingly, seven out of 10 those who did not check out their financial planner's background indicated that they did so either because they trusted the individual in question (61 percent) or the individual had assured them that there was nothing to be concerned about (9 percent)!

* Fewer than one in 10 investors (8 percent) understand that **NO** agency or organization "insures you against losing money as the result of fraud in your investment portfolio." A total of four out five investors incorrectly identified one or more of the following entities as providing such insurance: Securities and Exchange Commission (42 percent); Federal Deposit Insurance Corporation (41 percent); and SIPC (23 percent). (These percentages add up to more than 80 percent, since more than one answer was permitted.)

* Another indication of the weak state of investor knowledge: Fewer than two in five investors (39 percent) understand how sales fees and commissions work in the no-load mutual fund context. A nearly equal number of investors (38 percent) answered the no-load question incorrectly and another 12 percent either indicated they did not know or refused to provide an answer.

* Other key investor behavior findings: Fewer than three out of five investors (58 percent) said that they have "ever" read a prospectus. Additionally, more than three out of four investors (77 percent) claimed to have a financial plan of some sort in place.

* Other key investor knowledge findings: Only 41 percent understand the bond investing basic rule that as interest rates go up, bond prices tend to fall. More than a quarter of investors (28 percent) predicted bonds will move in the wrong direction, 16 percent said bond prices would remain the same, and 14 percent either didn't know or refused to answer. Fewer than three in five investors (57 percent) can correctly define a prospectus. About three out of five investors (61 percent) understand that most brokers and financial planners are compensated through commissions on product sales. Two out of three investors understand that stocks have had the best long-term return

for investors, compared to those who incorrectly identified CDs (14 percent), bonds (11 percent) and savings accounts (2 percent).

For full survey findings, go to http://www.sipc.org/survivalquiz on the Web. The online, self-scoring version of the SIPC/IPT survey is available online at http://www.sipc.org/survivalquiz.

SURVEY METHODOLOGY

The SIPC/IPT survey findings reflect two waves of a telephone survey conducted among a national probability sample of 2,063 adults comprising 1,036 men and 1,027 women 18 years of age and older, living in private households in the continental United States. Interviewing for this CARAVAN® Survey was completed during the period, November 17 - 21, 2005. From the initial sample of 2,063 individuals, ORC identified 46 percent (927 respondents) who identified themselves as investors of all types. Of this subsample, the survey focused on the 635 individuals who indicated that they were investors who (1) are independent (not using brokers or financial planners), (2) working directly with stockbrokers and financial planners, or (3) rely upon a mix of the independent and assisted approaches. The balance of the 927 person sub sample consisted of individuals who either (1) invest only passively through a retirement plan at their place of employment or (2) were not certain about their arrangements for investing.

Completed interviews were weighted by four variables: age, sex, geographic region, and race, to ensure reliable and accurate representation of the total population, 18 years of age and older. The margin of error is plus or minus 4 percent for the 635 investors for which detailed findings are presented here. Smaller subgroups will have larger error margins.

ABOUT THE GROUPS

From the time Congress created it in 1970 through December 2004, the Securities Investor Protection Corporation (http://www.sipc.org) has advanced $570 million in order to make possible the recovery of $14.2 billion in assets for an estimated 624,000 investors. Although not every investor is protected by SIPC, SIPC estimates that no fewer than 99 percent of persons who are eligible have been made whole in the failed brokerage firm cases that it has handled to date.

The primary mission of the Investor Protection Trust (http://www.investorprotection.org) is to provide independent, objective information needed by consumers to make informed investment decisions. Founded in 1993 as part of a multi-state settlement to resolve charges of misconduct, IPT serves as an independent source of non-commercial investor education materials. IPT operates programs under its own auspices and uses grant to underwrite important initiatives carried out by other organizations.

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EDITOR'S NOTE: Full survey findings and a streaming audio recording of the news event will be available on the Web as of 3 p.m. ET on December 13, at http://www.sipc.org.