
Equity rally fosters optimism among non-retired: Wells Fargo/Gallup survey

By Editor Test Mon, Apr 29, 2013

Just over half of investors polled say now is a 'good time' to invest in the financial markets, up from 39% in the fourth quarter of 2012 and at the same level as February 2012.

Most Americans (59%) want less political gridlock in Washington, even if their favored policies don't win, and 88% think political divisiveness is bad for investments, according to the quarterly Wells Fargo/Gallup Investor and Retirement Optimism Index.

The 10% rise in the S&P 500 Index in the first quarter of 2013 seems to have inspired investor confidence. On average, U.S. investor optimism rose to +31 in March, up from -8 in November 2012, the survey showed.

Non-retirees were much more optimistic than retirees. Among non-retired Americans, the optimism level rose to +38 this spring from -8 last November. Retired Americans are less optimistic at +7, up from -5 last November. The spread between the two groups follows six quarters of closely aligned sentiment.

Most investors (70%) say they have not paid much attention to retirement plan fees, despite last summer's new disclosure regulations.

The median age of the non-retired investor in the survey was 46. For the retiree it was 70. The telephone survey was conducted between March 14 and 24, 2013. According to the survey:

- 51% of investors say now is a "good time" to invest in the financial markets, up from 39% during the last quarter and now at the same levels as February 2012.
- 54% of the non-retired say this is a "good time" to invest.
- 43% of retired investors hold this same view.
- 85% of investors say they "made no changes" to their investments in the stock market.
- 10% of investors increased their stock market investments during the first quarter 2013 (6% of retired and 12% of non-retired investors).
- 50% of retired investors say the low interest rates have done "a great deal" or "quite a lot of harm" to savers and investors as compared to 25% of non-retired investors.
- 69% of non-retired investors but only 51% of retired investors agree that the benefits of low interest rates have outweighed the costs.
- 35% of retired investors and 28% of non-retired investors say that low interest rates have caused them to "put money in investments that they might have avoided."
- 47% of investors say today's low interest rates will make them live "less comfortably" in retirement —45% of retired and 48% of non-retired investors.
- 43% of all investors — 35% of retired and 46% of non-retired — fear low rates will mean they will "outlive their money" in retirement.
- 33% of non-retired investors say low interest rates will cause them to "delay" retirement.

- 74% of investors see low interest rates having a positive impact on housing. In the past two years, 33% have refinanced their home – 39% of non-retired and 14% of retired.
- For those investors who refinanced, 43% did so to reduce the number of years of their mortgage and 32% to save money.
- 68% of investors — 59% of retired and 71% of the non-retired — are worried that they will have to pay higher federal taxes in retirement and will have a more difficult time living “comfortably” in retirement.
- 39% say their worry over higher taxes has made them “more likely to seek after-tax investments,” but 58% say they have not.
- Half of all investors say they supported the suspension of the payroll tax holiday in order to provide more funds to Social Security.
- 35% say the suspension of the payroll tax hike has forced them to reduce their overall spending.
- 32% say it has forced them to reduce the amount they are saving for retirement.
- 59% of investors in this survey say that they’d like to see political confrontations in the nation’s capital end as opposed to potentially “getting their way” on future government spending, tax policy and federal budget deficits.
- 62% of investors say recent political confrontations have had a “major negative” impact on the overall economy
- 88% say a politically divided federal government hurts the investment climate, with 70% saying it hurts “a lot.”
- 61% of non-retired investors saying they have “no worries” about being “unhappy” in retirement.
- 69% of retired investors express the same lack of worry.
- 29% of non-retired investors say they have a written plan for retirement, down from 34% last quarter.
- Over half of investors say their retirement calculations are “a guess.”
- Two in three investors (66%) — 56% of retired and 70% of non-retired — say they feel “little or no control” in their ability to build and maintain their retirement savings in the current environment.
- 65% of investors say they have a 401(k) plan (44% retired and 72% of non-retired investors).
- 30% of those with a 401(k) plan say the new fee information was something they “paid attention to,” while 70% say they have paid “little” to “no attention” to the new information about fees that has been published in the last year.
- 62% say the new fee information has had “no impact” on the way they manage their 401(k); however, 37% say the new information had an impact.
- 56% of investors say the rising stock market has had either a “major” to a “minor” positive impact on their confidence in the economy.
- One fifth of investors say the rising stock market has had “no impact” on their perception of the economy.
- 55% of investors say the rising market has had a “major” to a “minor” positive impact on their ability to retire, while 33% say the rising market has had “no” impact on their ability to retire.