

New Survey Shows 81% Of Americans Trust Their Primary Financial Institution, Despite Current Economy

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Global market research firm Synovate today released results showing that while Americans' economic fears continue, there are some institutions they still trust, particularly their own primary bank, credit unions and community banks.

To gauge how Americans are feeling about their money in the current economy, Synovate asked 1,000 people about their attitudes towards their personal financial situation; their biggest financial fears; which financial activities they plan to start or stop in the next six months; and where they get their financial information.

More than half (57%) of respondents believe the economy will continue to get worse before it gets better while one-third think the economy has already hit rock bottom but that recovery will take more than a year.

Even though the Dow Jones Industrial Index closed at a low 7,366 on the day of the survey (February 23), respondents predicted that the Dow will be even lower - their answers averaged 6,922 - six months from now. Their predictions have already come true, with the Dow closing at 6,626 on March 6.

"When 90% of the US population believes it will take at least a year for things to turn around, a short term solution to our economic woes does not look like it's anywhere on the horizon," said Claire Braverman, Senior Vice President and head of Synovate's Financial Services Group in North America.

"If consumers are that negative about the future, there is little chance they will voluntarily take the necessary steps to jump start the economy by spending. They will need incentives to do so."

Not surprisingly, consumers have little faith in financial institutions, particularly mortgage lenders and brokerage / investment firms. Around three quarters of the survey respondents said that they have little or no trust in these types of companies.

And yet, there is a bright spot.

At the micro level, consumers do overwhelmingly trust their own primary bank, regardless of the type of institution it is (81%). They also trust credit unions (71%) and community banks (68%).

"Financial institutions that can maintain trust and loyalty through this economic crisis will be the ones still standing when the economy recovers," said Elliot Savitzky, Vice President of Synovate's Financial Services Group.

"Consumers don't even trust professional advisors to give them advice on their investments - 64% say they have little or no trust in them - and more people say they prefer to turn to a family member, friend or colleague (32%) versus a professional (25%) for financial advice."

When asked what individual Americans can do, if anything, to help the economy get back on track, respondents said 'buy American made products' (47%) and 'cut spending and increase savings' (29%).

A more gloomy one-third (32%) said there's nothing individuals can do - that it's up to the government or Corporate America to get the economy back on track.

People are obviously fearful about their own personal economic situations.

Interestingly, the number one concern (59%) is that they will not have enough money for an emergency, followed by losing money on their investments (38%), losing their jobs (37%) and not being able to pay the rent or mortgage (35%).

Fifty-one percent also say they're worse off financially than they were a year ago while only 14% say they're doing better financially now.

In order to address their fears, over the next six months people are planning to hedge their bets by either looking for another / better job (31%) or cutting their spending.

Additionally:

19% say they will increase their emergency cash reserves

18% will close a credit card account

17% expect to pull from their emergency cash reserves

16% plan to switch to safer investments

"Some individuals are risking the security of their future for short term savings," said Savitzky. "They're cutting their retirement contributions, taking money out of retirement savings, or stopping payment on their life insurance premiums and long term care insurance. They think these things are 'nice to haves' rather than 'need to haves' at this critical juncture and are adjusting their budgets accordingly."

About one quarter of consumers (24%) don't know what to do with their finances or feel paralyzed by the crisis so they don't plan to do anything differently over the next six months.

The survey was conducted by Synovate's Financial Services Group via the company's Omnibus service with a nationally representative sample of 1,000 adults ages 18+ in the US on February 23, 2009.

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