Q1 2015 AICPA CPA Personal Financial Planning Trends Survey

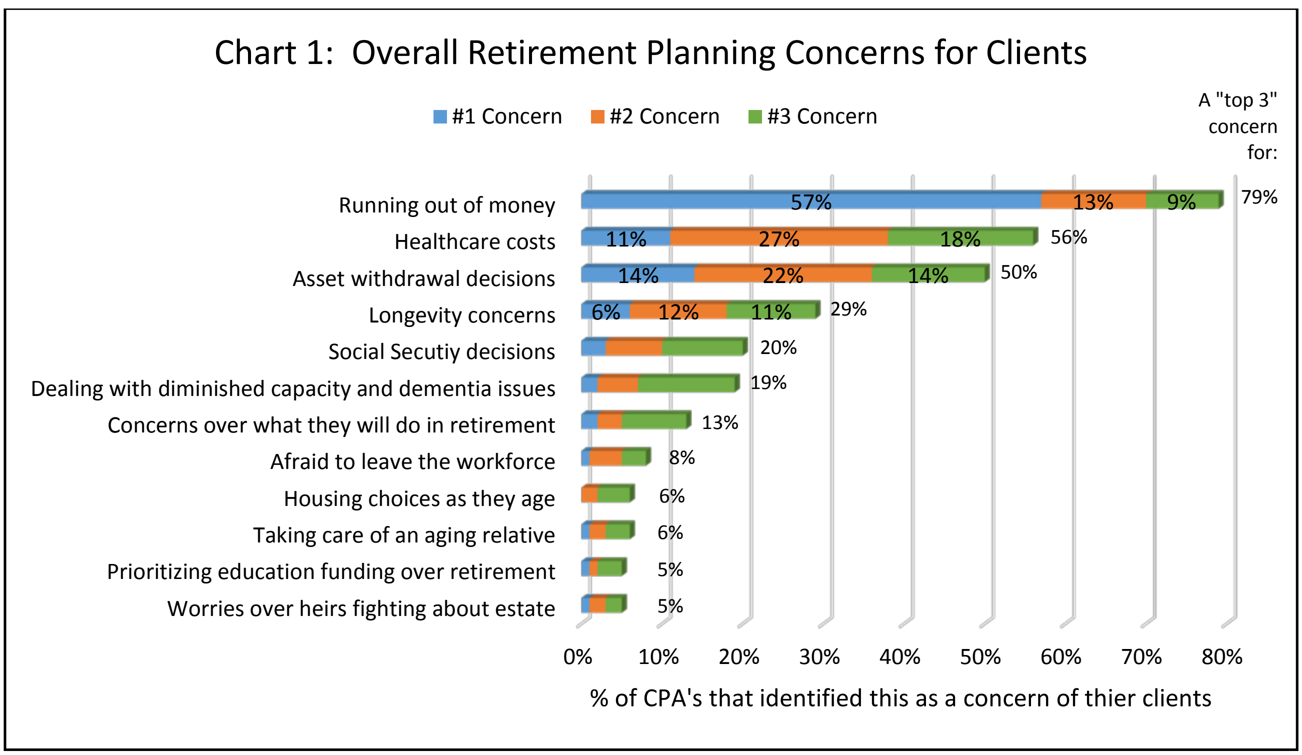
Executive Summary

The focus of the Q1 2015 PFP Trend Survey is on the general retirement planning issues that CPA financial planners and their clients face. CPA financial planners ensure that retirement planning decisions are made in the context of the client's entire financial situation including their tax planning, estate plan, investments and risk management needs. The planner's retirement planning insights highlight client concerns about retirement income, dealing with unexpected events, and addressing lifestyle spending decisions.

This online survey was administered February 3-26, 2015 to members of the AICPA Personal Financial Planning Section, inclusive of CPA/PFS credential holders, and resulted in 548 completed survey responses by CPAs.

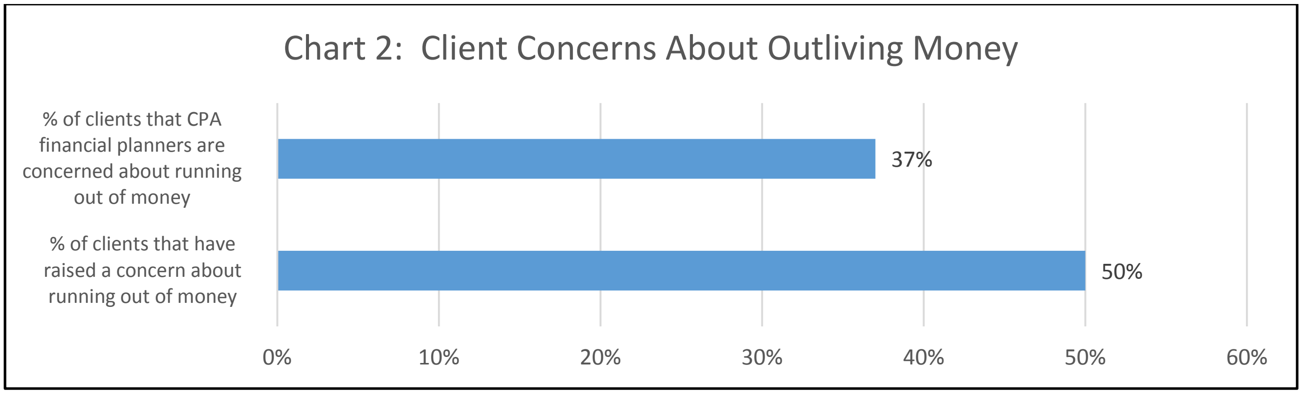
Top client retirement planning concerns

CPA financial planners, many of whom work with high-net worth individuals, indicated that the top retirement concern for their clients is running out of money (79% ranked it in the top 3, with 57% identifying it as the #1 concern). The second most prevalent concern is healthcare costs, followed by deciding how much to withdraw from assets. Longevity, Social Security decisions, and diminished capacity and dementia issues rounded out the top 6 client concerns. See Chart 1 for complete responses.

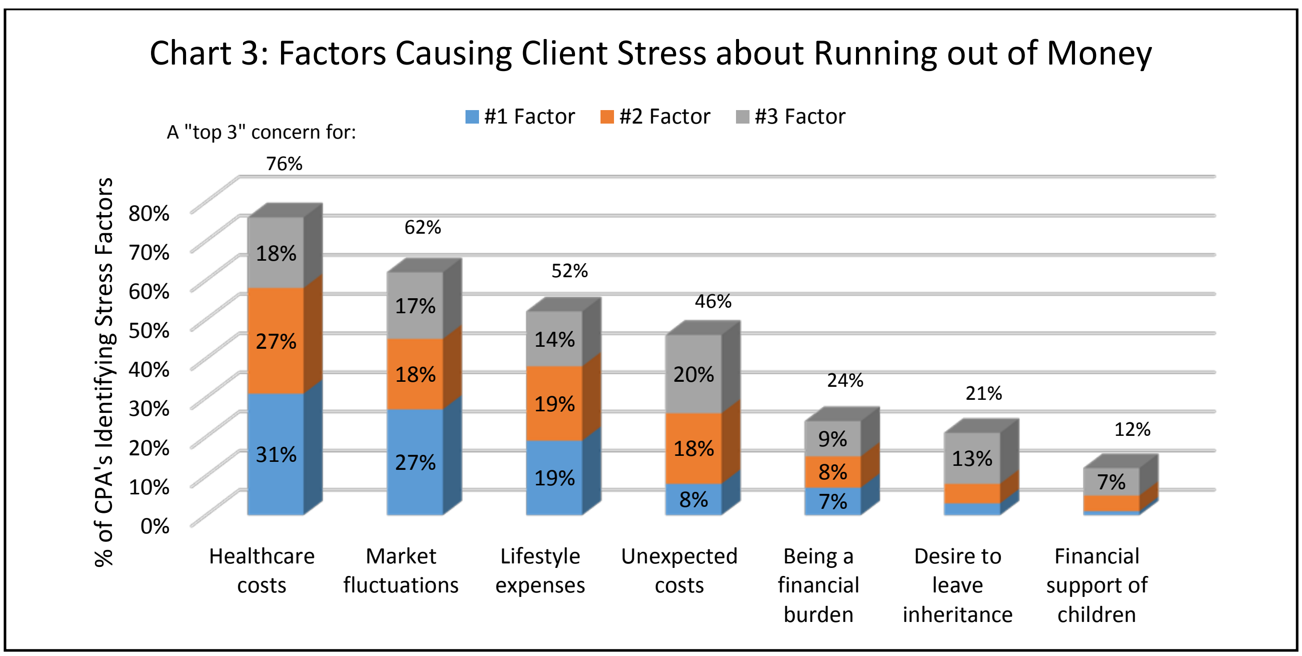


Longevity and outliving your money

As illustrated in Chart 2, 50% of respondents said clients have raised the concern of outliving their money. Survey respondents, however, also indicated that they had similar concerns for only 37% of their clients, indicating that some clients are actually better prepared for retirement than they may perceive and the CPA financial planner's involvement and knowledge of the client's goals and plan is an opportunity to help reduce client stress about outliving their money.



The three items causing the most client stress regarding outliving their money are healthcare costs (76%), market fluctuations (62%), and lifestyle expenses (52%). 47% of the respondents also placed unexpected costs in their choice of the top three factors. See Chart 3 for complete responses.

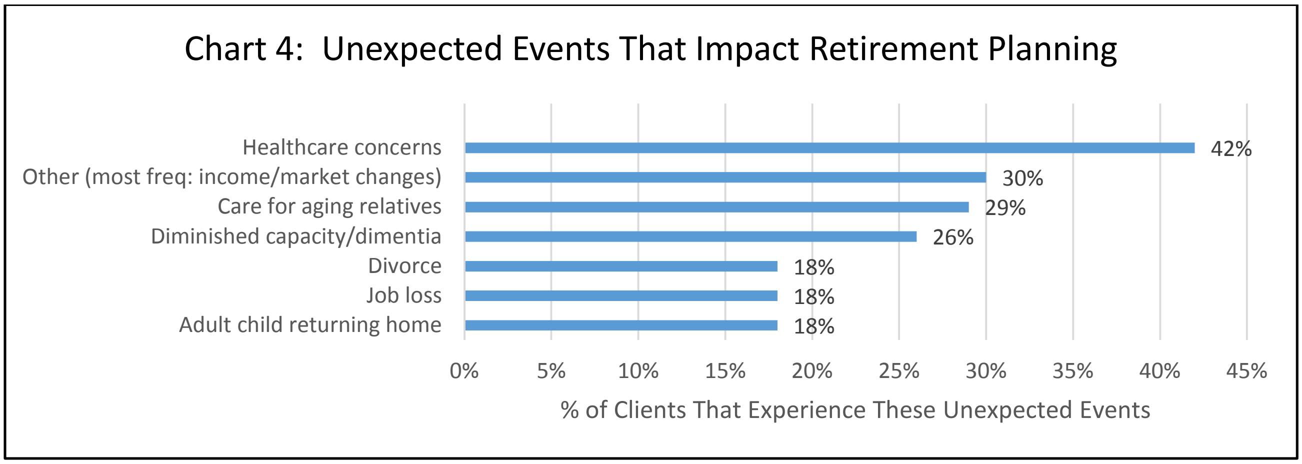


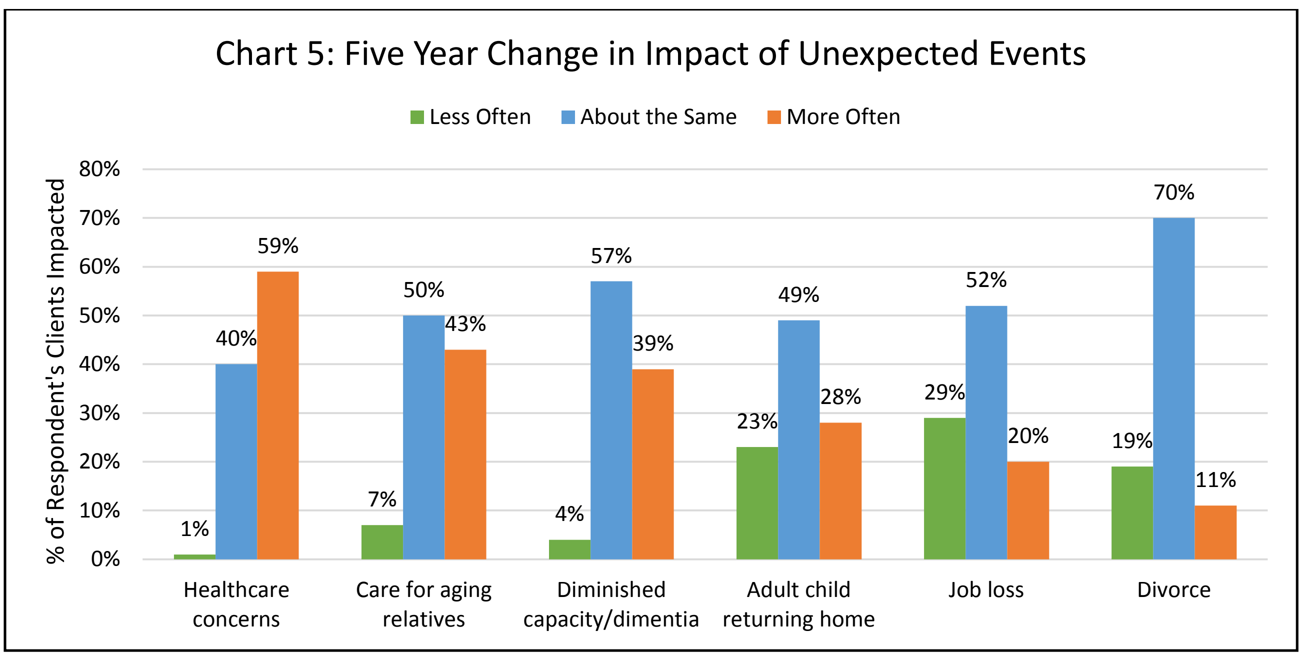
Unexpected events impacting retirement

Long-term health care is the largest uncertainty with an average of 42% of CPA financial planners' clients currently experiencing the issue (see Chart 4) and 59% of the respondents reporting increased client impact over the last five years (see Chart 5). 31% of the respondents cited it as the highest stress factor for clients concerned about outliving their money (see Chart 3).

Other issues trending to have a larger impact on retirement include taking care of aging relatives and dealing with diminished capacity and dementia with 29% and 26%, respectively, of respondents' clients currently affected. While about half of the respondents have not seen an increase in these two concerns over the last five years, less than 10% have seen a decrease, indicating that CPAs should continue to monitor and discuss these concerns with their clients.

Job loss and adult children returning home each affect only 18% of the respondents' clients and about half of the respondents indicated no change from five years ago in these areas.

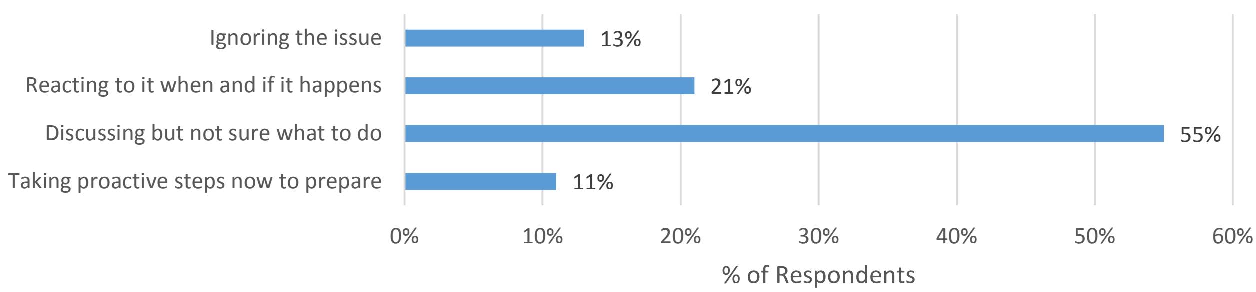




Addressing diminished capacity during retirement

Addressing diminished capacity during retirement was identified by 19% of the respondents as at least one of their top three client retirement planning issues (see Chart 1). Respondents reported this issue currently affects 26% of their clients (see Chart 4) and has a greater impact on client planning than it did 5 years ago (see Chart 5). While 55% of respondents say their clients are discussing the issue but unsure of what to do in this area, 34% said clients are either ignoring the issues or just reacting when it arises. See Chart 6 for complete responses.

Chart 6: Client Attitudes Toward the Potential of Diminished Capacity During Retirement Planning



Divorce and gender retirement impact

In general, while divorce can have an impact, it is not a widespread concern for clients in retirement planning, according to the survey respondents. About 70% of the respondents said that the frequency of divorce as an unexpected event for retirement has not changed in five years (see Chart 5), with about 18% of their client's retirement planning impacted by divorce (see Chart 4).

Chart 7 shows that for divorced clients, gender generally does not seem to distinguish client savings and preparedness for retirement. However, 20% of the respondents indicated that their divorced female clients are likely to be emotionally devastated and, as a result, not discussing retirement planning issues versus only 8% for their male clients. Another survey response which revealed a gender gap indicated that 10% of respondents indicated men are already secure for retirement when coming out of a divorce versus only 5% for women.

When divorced clients do focus on retirement planning, respondents shown in Chart 8 felt their female clients were more likely to actively seek out financial advice (64%), change current spending patterns (47%), remarry for financial security (69%), and seek out a job (50%). Conversely their male clients would be more likely to remarry for companionship (52%). Other areas did not have a clear gender differentiation.

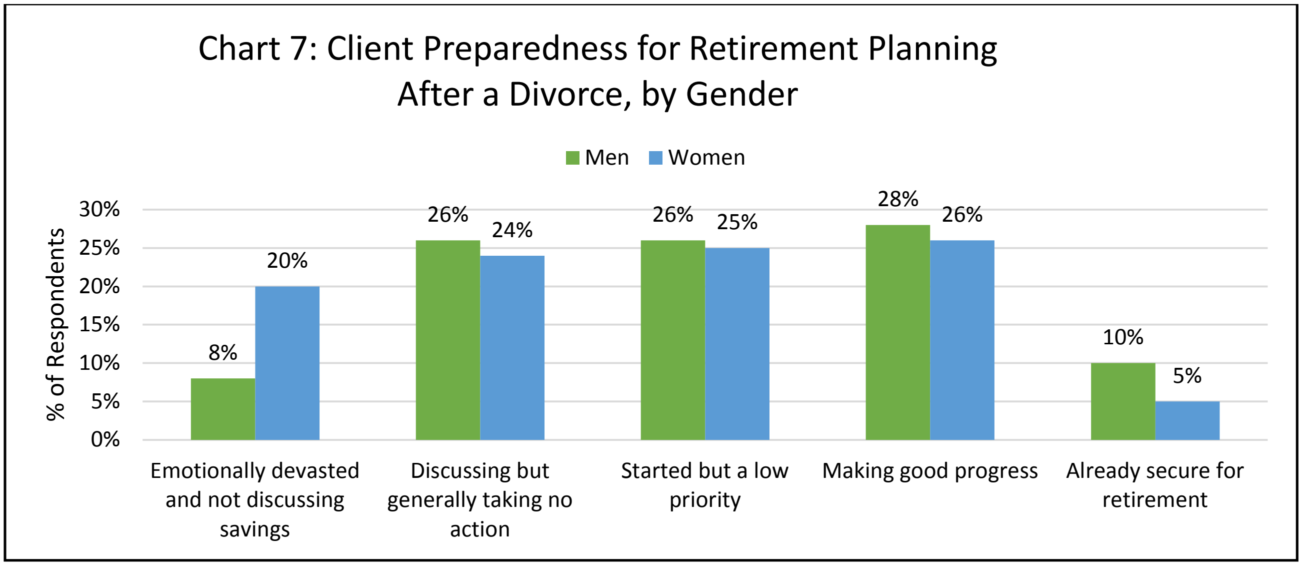


Chart 7: Client Preparedness for Retirement Planning After a Divorce, by Gender
Men
Women
% of Respondents
30%
25%
20%
15%
10%
5%
0%
8%
20%
26%
24%
26%
25%
28%
26%
10%
5%
Emotionally devasted and not discussing savings
Discussing but generally taking no action
Started but a low priority
Making good progress
Already secure for retirement

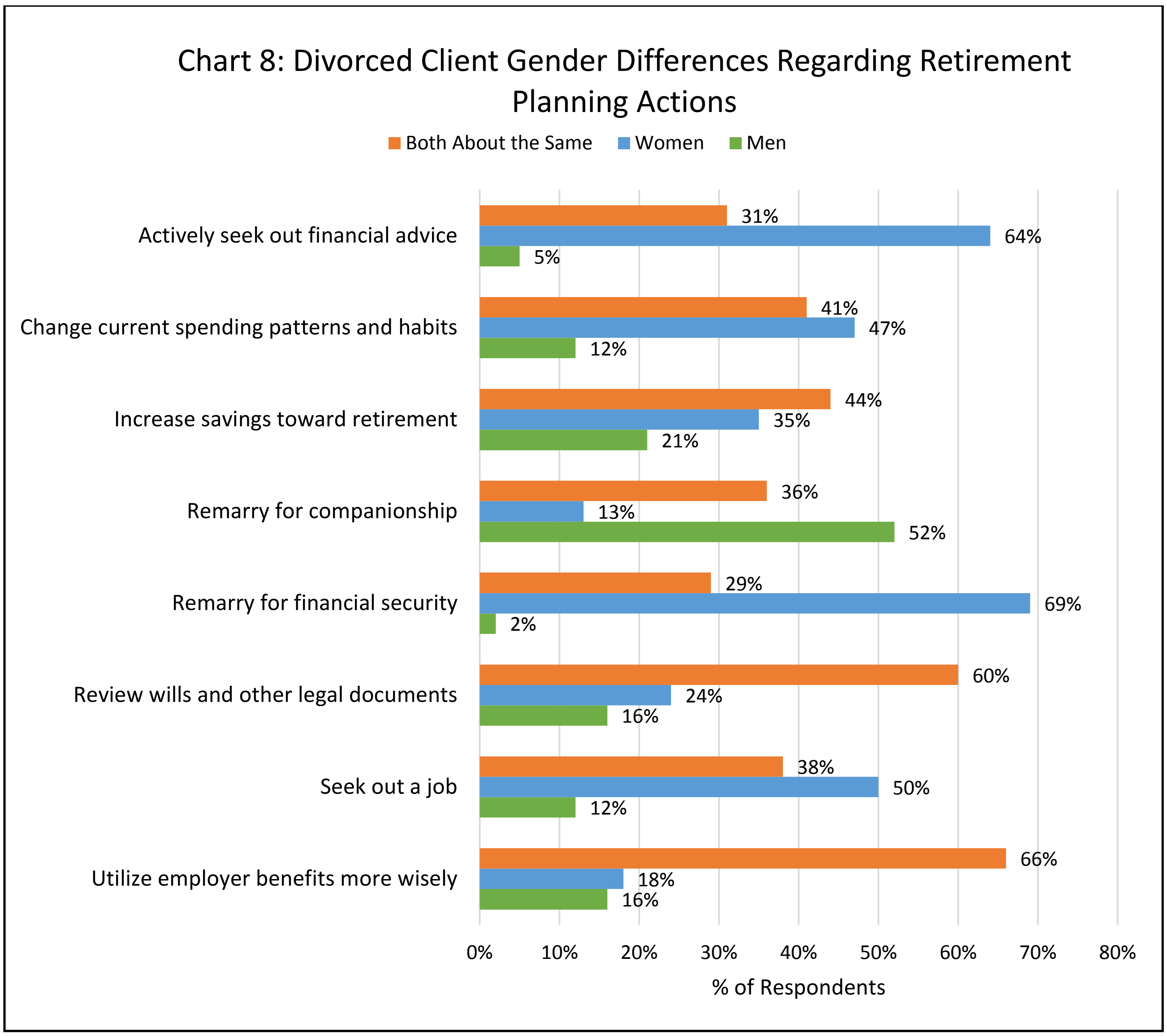
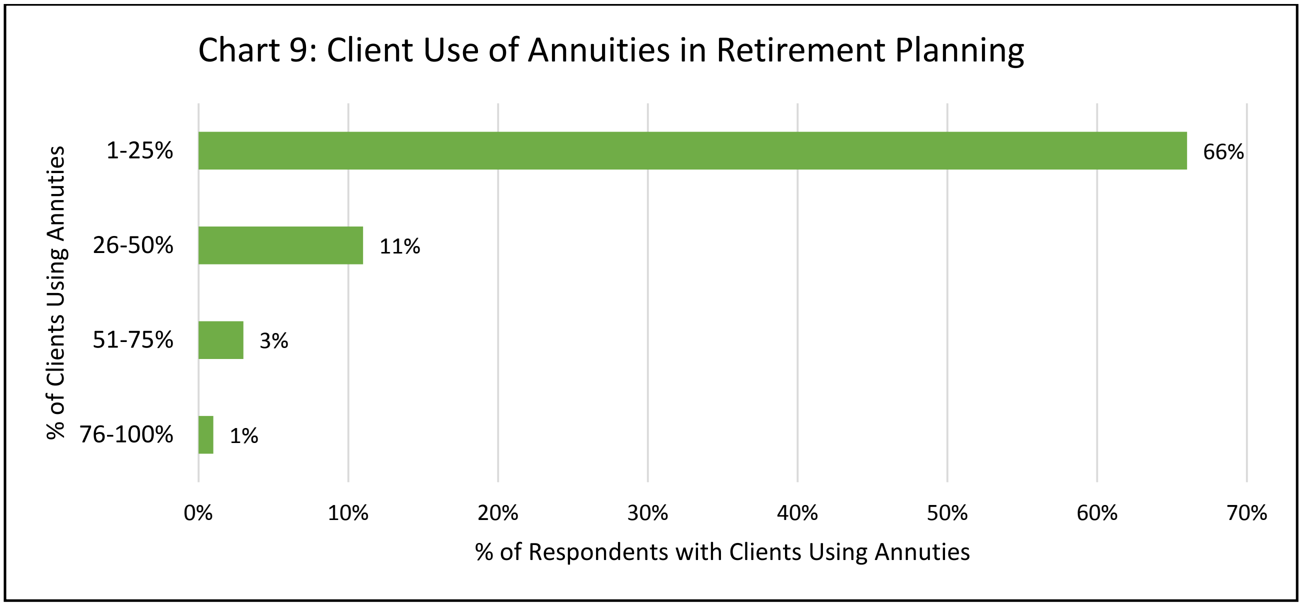


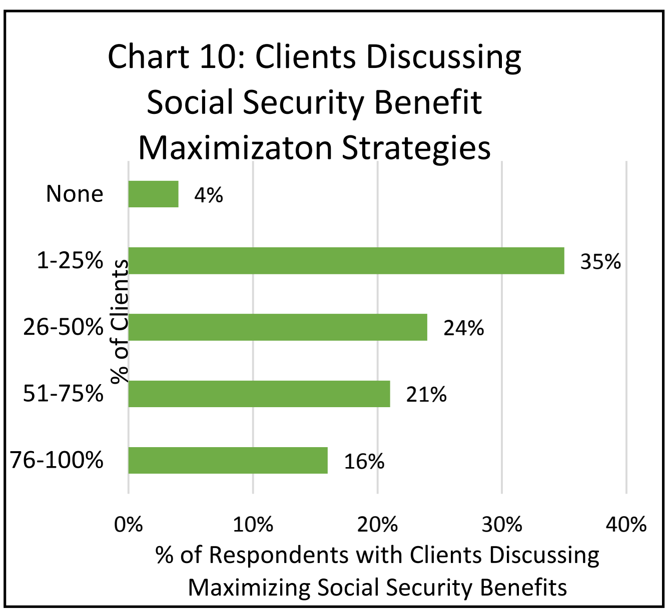
Chart 8: Divorced Client Gender Differences Regarding Retirement Planning Actions
Both About the Same
Women
Men
Actively seek out financial advice
31%
64%
5%
Change current spending patterns and habits
41%
47%
12%
Increase savings toward retirement
44%
35%
21%
Remarry for companionship
36%
13%
52%
Remarry for financial security
29%
69%
2%
Review wills and other legal documents
60%
24%
16%
Seek out a job
38%
50%
12%
Utilize employer benefits more wisely
66%
18%
16%
0%
10%
20%
30%
40%
50%
60%
70%
80%
% of Respondents

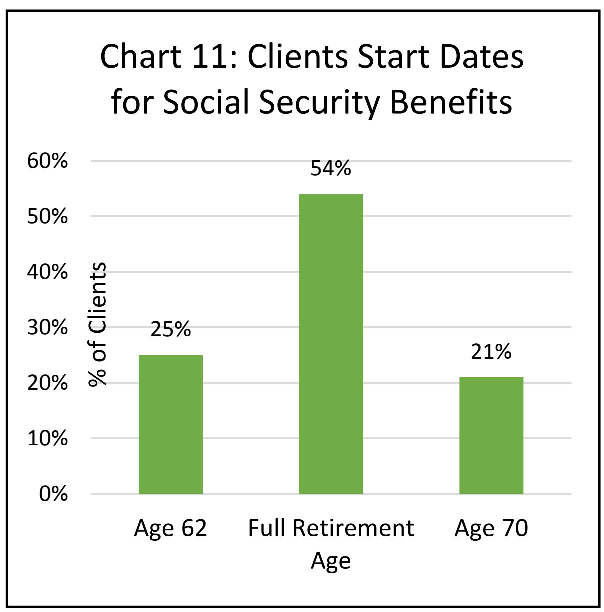
Annuities and Social Security

Specific sources of a stable income stream during retirement that address longevity concerns can include annuities and Social Security benefits. As shown in Chart 9, 66% of the respondents said that up to 25% of their clients utilize annuities as an investment or income vehicle for longevity, while19% said that none of their clients use annuities.



Regarding Social Security, 63% of respondents said that 50% or less of their clients had discussed benefit maximization strategies with them. About 25% of respondents' retired clients had taken reduced Social Security benefits at age 62 and only 21% had deferred until age 70, indicating an opportunity for CPAs to discuss these strategies with their clients. See Charts 10 and 11.





About the AICPA's PFP Division

The AICPA's Personal Financial Planning (PFP) Section is the premier provider of information, tools, advocacy, and guidance for CPAs who specialize in providing estate, tax, retirement, risk management, and investment planning advice to individuals, families and business owners. The primary objective of the PFP Section is to support its members by providing resources that enable them to perform valuable PFP services in the highest professional manner.

CPA financial planners are uniquely able to integrate their extensive knowledge of tax and business planning with all areas of personal financial planning to provide objective and comprehensive guidance for their clients. The AICPA offers the Personal Financial Specialist (PFS) credential exclusively to CPAs who have demonstrated their expertise in personal financial planning through testing, experience and learning, enabling CPAs to gain competence and confidence in PFP disciplines.

The team members of the AICPA PFP Division can be reached at financialplanning@aicpa.org.