

**REPORT ON THE CENTER FOR AUDIT QUALITY'S
SECOND ANNUAL SURVEY OF INVESTORS**

July 2008



CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets

Affiliated with the American Institute of CPAs

www.TheCAQ.org

Center for Audit Quality (CAQ)
Research Highlights
July 2008

In a telephone survey conducted July 10-20, 2008, The Glover Park Group followed up the 2007 CAQ national survey of investors with a series of questions related to investing, the capital markets and confidence measures. A summary of the findings representing 1,000 investors nationally are included below.

With a sample of this size, one can say with 95% certainty that the results have a sampling error of +/- 3 percentage points of what they would be if the entire population of investors had been polled. In this survey, "investors" are defined as:

- ◆ Adults (18+)
- ◆ Primary/shared decision-makers for handling household's savings and investments
- ◆ Reside in a household with \$10,000 or more in investments – including stocks, bonds, mutual funds, IRAs, 401k, etc.

Confidence in capital markets:

- In the past 12 months, investors' confidence in the U.S. capital markets has declined, from 84% of investors indicating they have either some, quite a bit or a great deal of confidence in U.S. capital markets to 70% today (-14). (Q5)
 - The top three reasons investors say they do not have a great deal of confidence in the U.S. capital markets are rising gas and oil prices (54%), weakness of the dollar (54%), and the home foreclosure crisis (41%). (Q5A)
- Confidence in capital markets outside the U.S. is considerably lower than confidence in U.S. markets, at 62%, down three points from 2007 (65%). (Q6)
- There is a slightly higher level of confidence in investing in U.S. publicly-traded companies than in the markets; three in four investors (75%) indicate they are confident. (Q9)
- A majority of investors say they have changed their investment behavior in the last six months (57%), with one in four indicating they have either invested less (23%) or sold their current holdings (3%). (Q10)

Confidence in audited financial information:

- Confidence in audited financial information released by publicly traded U.S. companies has also declined in the last year. Seventy-three percent of investors today have confidence in audited information, down seven points from 2007 (80%), with 36% indicating they have *a great deal or quite a bit* of confidence (-2). (Q11)
- A majority of investors rarely or never read financial reports issued by public companies (55%); 45% of investors very or somewhat often read these financial reports. (Q12)
 - While a majority of those who do read financial reports find them very or somewhat easy to understand (58%), more than two in five (42%) find them not very or not easy at all to understand. (Q13)
 - For those who do not read financial reports, the reasons most frequently given are difficulty in understanding them (27%) and they have no impact on their investing behavior (18%). One in ten (11%) believes the reports contain unreliable information. (Q13A)

Confidence-building measures:

- A series of proposals designed to increase investor confidence were also tested in this survey. The proposals that would give U.S. investors more confidence include:
 - Nearly three in four investors (72%) believe designing a more user-friendly way of accessing and reading financial reports would give them more confidence as an investor, including 36% who say this gives them *a great deal* more confidence. (Q14)
 - Almost seven in ten investors (67%) would have more confidence knowing that there would be an institute for auditing firms to share experiences and develop best practices for fraud prevention and detection. (Q17)

Confidence-Building Measures (ranked by combined great deal more/more confidence)		
Q: For each of the following proposals, please tell me whether it would give you more or less confidence as a U.S. investor or does it make no difference? Does it give you...	A Great Deal More Confidence %	A Great Deal More Conf plus A Little More Confidence (Combined) %
Q. 14 Designing a more user-friendly way of accessing and reading financial reports	36	72
Q. 17 Creating an institute for auditing firms to share experiences and develop best practices for fraud prevention and detection	28	67
Q. 16 Allowing investors to access financial reports in a way that is customized to their specific interests and expertise	24	63
Q. 18 Requiring enhanced levels of public disclosure that provide investors with more information when public companies change auditors	25	63
Q. 15 Creating a single, uniform, international set of accounting standards	27	62

Center for Audit Quality (CAQ)
July 10-20, 2008
1000 Investors Nationwide

Margin of Error: +/-3%

In a telephone survey conducted July 10-20, 2008, The Glover Park Group asked a series of questions related to investing and the capital markets. The findings representing 1,000 investors nationally are included below.

With a sample of this size, one can say with 95% certainty that the results have a sampling error of +/- 3 percentage points of what they would be if the entire population of investors had been polled with complete accuracy.

*Data in some questions may not add up to 100% due to rounding

QUESTIONNAIRE

Q.1 Are you the person who is MOST, or at least equally, responsible for making the decisions about how to handle your household's savings and investments?

	Total
Yes, most	67
Yes, equally	33
No (TERMINATE)	-
(Don't know/refused) (TERMINATE)	-

Q.2 In order to make sure our sample represents various types of investors, I need to know, do you, or does anyone else in your household, own any stocks, bonds, or mutual funds in an investment account, or in a self-directed IRA or 401(k) retirement account?

	Total
Yes	100
No (TERMINATE)	-
(Don't know/refused) (TERMINATE)	-

Q.3 Thinking for a moment about the total value of all these stocks, bonds and investment accounts, would you say the total amount is worth less than \$10,000, or is the total worth \$10,000 or more?

	Total
Less than \$10,000 (TERMINATE)	-
\$10,000 or more	100
(Don't know/refused) (TERMINATE)	-

Q.4 Would you say the total value is worth? (READ LIST)

	Total
\$10,000 to \$49,999	24
\$50,000 to \$74,999	12
\$75,000 to \$99,999	10
\$100,000 to \$149,999	10
\$150,000 or more	28
(Don't know/refused)	17
*does not add up to 100% due to rounding	

We understand that each individual participating in this survey will have a different level of knowledge and experience. We are looking for a broad range of opinions and are interested in your thoughts based on what you know or may have heard about the topics presented in this survey.

Q.5 At the current time, how much confidence would you say you have in U.S. capital markets? Would you say you have...?

	2008	2007
A great deal of confidence	11	14
Quite a bit of confidence	15	25
Some confidence	44	45
Very little confidence, OR	23	12
No confidence at all	5	2
(Don't know/refused)	2	3
Great deal/quite a bit	26	39
Some	44	45
Very little/no	29	14
*does not add up to 100% due to rounding		

[893 Respondents]

Q.5A (IF NOT "GREAT DEAL OF CONFIDENCE" IN Q5) You indicated that you do not have a great deal of confidence in the U.S. capital markets. Which of the following statements is the main reason you do not have a great deal confidence in U.S. capital markets?

FOLLOW-UP: Are there any other reasons? **MULTIPLE RESPONSES ACCEPTED**

	Total
Rising gas and oil prices	54
Weakness of the U.S. dollar	54
Home foreclosure crisis	41
Weak government oversight of the capital markets	37
Instability in the Middle East	37
Volatility in the U.S. stock market	36
Credit crunch	34
Insufficient auditor oversight of financial statements	27
(Other)	4
(Don't know/refused)	5

*does not add up to 100% due to multiple responses

Q.6 And, at the current time, how much confidence would you say you have in capital markets outside of the U.S.? Would you say you have...?

	2008	2007
A great deal of confidence	6	4
Quite a bit of confidence	14	18
Some confidence	42	43
Very little confidence, OR	18	19
No confidence at all	8	8
(Don't know/refused)	14	9
Great deal/quite a bit	20	22
Some	42	43
Very little/no	25	27

*does not add up to 100% due to rounding

[253 Respondents]

Q.7 You indicated that you have MORE confidence in U.S. capital markets compared to other capital markets. For what reasons do you have MORE confidence in U.S. capital markets?

	Total
Based on information/ economic data I see/read/hear	37
Because it is the U.S./ have faith in this country	28
More controls / regulations / transparency	16
Lack of knowledge of foreign countries/markets	9
Market value/economy is greater in the U.S.	9
Know more about U.S. markets / knowledge in the U.S.	6
Low tax rates / low unemployment / standard of living higher	2
More confidence/trust in U.S. and U.S. government	1
(Other)	8
(Don't know/refused)	4

*does not add up to 100% due to multiple responses

[210 Respondents]

Q.8 You indicated that you have LESS confidence in U.S. capital markets compared to other capital markets. For what reasons do you have LESS confidence in U.S. capital markets?

	Total
The way the U.S. government is being run / corruption in the U.S. / politics in the U.S.	25
More money / success in foreign markets	22
Too many regulations	20
U.S. market is too high - we are in for a fall	17
Have lost money in U.S.	8
Other markets are stronger	8
Job loss / outsourcing	8
U.S. is in debt / weak economy	8
Weakness of the dollar	4
War / terrorism	3
(Other)	9
(Don't know/refused)	2

*does not add up to 100% due to multiple responses

Q.9 How much confidence would you say you have today investing in U.S. companies that are publicly traded? Would you say you have...?

	Total
A great deal of confidence	12
Quite a bit of confidence	18
Some confidence	45
Very little confidence, OR	16
No confidence at all	4
(Don't know/refused)	5
 Great deal/quite a bit	 30
Some	45
Very little/no	20

Q.10 Given the current state of the economy, would you say your investment behavior has changed in the last six months? IF YES: How would you say your behavior has changed? (OPEN ENDED)

	Total
No-Behavior has not changed	40
 Yes-Invested less money	 23
Yes-Left my current investments alone	15
Yes-Diversified my investments	11
Yes-Financially unable to invest more	5
Yes-Sold my investments	3
Yes-Invested more	3
Yes-Invested more in U.S. companies (vs. foreign)	2
Yes-Invested more in foreign companies (vs. U.S.)	2
Yes- (Other)	2
(Don't know/refused)	3

*does not add up to 100% due to multiple responses

Q.11 All publicly traded companies in the U.S. are required to put out regular financial reports. Before they are published, certain information in these reports is required by law to be audited by an external public company audit firm. Based on what you know, how much confidence do you personally have in audited financial information released by publicly-traded U.S. companies? Would you say you have...?

	2008	2007
A great deal of confidence	11	8
Quite a bit of confidence	25	30
Some confidence	37	42
Very little confidence, OR	15	13
No confidence at all	5	3
(Don't know/refused)	6	4
 Great deal/quite a bit	 36	 38
Some	37	42
Very little/no	20	16

*does not add up to 100% due to rounding

Q.12 And how often would you say you read these financial reports by public companies? Would you say you read them...?

	Total
Very often	14
Somewhat often	31
Not very often	27
Not often at all, OR	16
Never	12
(Don't know/refused)	1
 Very/somewhat often	 44
Not very/not often at all/never	55

*does not add up to 100% due to rounding

[443 Respondents]

Q.13 (IF VERY/SOMEWHAT OFTEN IN Q12) You just indicated you read financial reports released by U.S. companies either very or somewhat often. Generally speaking, how easy to understand are financial reports? Do you find them...?

	Total
Very easy to understand	13
Somewhat easy	45
Not very easy	29
Not easy at all	12
(Don't know/refused)	1
Total easy	58
Total not easy	42

*does not add up to 100% due to rounding

[557 Respondents]

Q.13A (IF NOT VERY/SOMEWHAT OFTEN IN Q12) You just indicated you do not read financial reports released by U.S. companies very often. Why would you say you don't read them very often? (OPEN END W/PRE-CODES)

	Total
Too difficult to understand	27
Doesn't have an impact on my investment behavior	18
Contain unreliable information	11
Not easily available/Don't know where to find	6
Someone else reads - advisor, spouse, etc.	6
Read once in a while/rely on other/media sources	3
No specific reason	32
(Other)	1
(Don't know/refused)	3

*does not add up to 100% due to multiple responses

Q.14 Finally, as you might be aware, there have been a number of proposals intended to benefit investors. For each of the following proposals, please tell me whether it would give you more or less confidence as a U.S. investor or does it make no difference?

(READ ROTATED STATEMENTS)

	Great Deal More	Little More	Little Less	Great Deal Less	No Real Diff	DK/ Ref	Total More	Total Less
14. Designing a more user-friendly way of accessing and reading financial reports	36	36	2	1	24	2	72	3
17. Creating an institute for auditing firms to share experiences and develop best practices for fraud prevention and detection.....	28	39	5	2	21	4	67	8
16. Allowing investors to access financial reports in a way that is customized to their specific interests and expertise	24	39	5	2	27	4	63	7
18. Requiring enhanced levels of public disclosure that provide investors with more information when public companies change auditors.....	25	38	4	1	27	5	63	5
15. Creating a single, uniform, international set of accounting standards.....	27	35	4	3	25	6	62	7

*does not add up to 100% due to rounding

Now, just a few final questions for background and statistical purposes...

Q.19 Gender

	Total
Male	50
Female	50

Q.20 What is your approximate age?

	Total
18-24 years	0
25-29 years	2
30-34 years	5
35-39 years	8
40-44 years	10
45-49 years	10
50-54 years	12
55-59 years	14
60-64 years	11
65-69 years	9
70-74 years	7
75 and over	10
(Don't know/refused)	1

*does not add up to 100% due to rounding

Q.21 What is the last grade of school you completed?

	Total
Less than high school	1
High school graduate	17
Trade/Technical/Vocational training	4
Some college	18
College graduate	31
Post graduate (e.g., MA, MBA, JD, MD, PhD)	29
(Don't know/refused)	1

*does not add up to 100% due to rounding

Q.22 Are you currently employed full-time outside the home, employed part-time, self-employed, looking for a job, are you a homemaker, a student or retired?

	Total
Employed full-time	48
Employed part-time	6
Self-employed	6
Looking for work/unemployed	1
Homemaker	5
Student	-
Retired	32
(Don't know/refused)	1
*does not add up to 100% due to rounding	

Q.23 What is your total annual household income before taxes?

	Total
Under \$20,000	3
\$20,000 to \$29,999	4
\$30,000 to \$39,999	6
\$40,000 to \$49,999	8
\$50,000 to \$59,999	9
\$60,000 to \$74,999	11
\$75,000 to \$99,999	14
\$100,000 to \$149,999	16
\$150,000 to \$199,999	7
\$200,000 to \$249,999	2
\$250,000 or more	2
(Don't know/refused)	17
*does not add up to 100% due to rounding	

Q.24 Are you currently registered to vote?

	Total
Yes	96
No	4
(Don't know/refused)	1
*does not add up to 100% due to rounding	

Q.25 Generally speaking, do you think of yourself as...?

	Total
Republican (SKIP TO Q27)	37
Democrat (SKIP TO Q27)	29
Independent	27
(Other)	2
(No preference)	2
(Don't know/refused)	3

[337 Respondents]

Q.26 As of today, do you lean to the Republican Party or the Democratic party?

	Total
Republican	27
Democrat	30
(Neither)	30
(Other)	2
(Don't know/refused)	12

*does not add up to 100% due to rounding

Q.25/26 Combined

	Total
Republican	37
Lean Republican	9
Independent	10
Lean Democrat	10
Democrat	29
(Other)	1
(Don't know/refused)	4

Q.27 Are you, yourself, of Hispanic origin or descent, such as Mexican, Puerto Rican, Cuban or other Spanish background?

	Total
Yes (SKIP TO Q29)	2
No	97
(Don't know/refused)	1

*does not add up to 100% due to rounding

[977 Respondents]

Q.28 What is your race? Are you...?

	Total
White	91
African-American/Black	3
Asian (e.g., Chinese, Japanese, Korean, Pacific Islander)	1
American Indian/Native American	1
Other	1
(Don't know/refused)	2

*does not add up to 100% due to rounding

Q.27/28 Combined

	Total
White	89
African-American/Black	3
Hispanic	2
Asian (e.g., Chinese, Japanese, Korean, Pacific Islander)	1
American Indian/Native American	1
Other	1
(Don't know/refused).....	2

*does not add up to 100% due to rounding

Q.29 Which of the following types of long-term financial investments do you or does anyone else in your household have? (Multiple responses allowed)

	Total
An employer sponsored 401k, 403b or similar employer sponsored retirement plan	66
Individual retirement accounts such as Roth IRA or regular IRA	55
Mutual funds	46
Individual company stocks	37
Bonds	27
(Don't know/refused)	4

*does not add up to 100% due to multiple responses

Q.30 Thinking about making changes to your investment portfolio, which of the following best describes your typical approach?

	2008	2007
You actively participate in your investment decisions. You decide when and how to make changes to your portfolio and execute the changes on your own.	30	35
You actively participate in your investment decisions. You decide when and how to make changes to your portfolio, then call your broker/money manager to execute the changes.	28	27
You typically follow the advice of your broker/money manager in making investment decisions.	38	32
(Don't know/refused)	5	5

Q.31 And, using a scale from 1 to 5, where 1 means you disagree completely and 5 means you agree completely, how much do you agree or disagree with the following statement?

I consider myself a very experienced investor.

	2008	2007
<i>Mean</i>	2.69	2.88
1 - Disagree completely	18	12
2	23	19
3	37	45
4	13	14
5 - Agree completely	8	8
(Don't know/refused)	2	3
Total inexperienced (1-2).....	41	31
Total experienced (4-5).....	21	22

*does not add up to 100% due to rounding

Q.32 In what state do you reside?

[U.S. census regions combined]	Total
Northeast	20
Midwest	25
South	36
West	19