



## **Mandatory Disclosure Documents Telephone Survey**

**July 30, 2008**

**Submitted to**  
**The Securities and Exchange Commission**  
**Office of Investor Education and Advocacy**  
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## EXECUTIVE SUMMARY

The results of the 2008 Mandatory Disclosure Documents Telephone Survey reveal that many investors do not read disclosure documents, and those that do spend relatively little time reviewing them, considering the breadth of information they contain. Overall satisfaction with these disclosure documents was somewhat mixed. While some investors reported being satisfied with the documents, others did not. Nonetheless, there are some areas for improvement which could increase the readability (and therefore readership) of these documents.

**Plain English.** The primary complaint among investors was that the disclosure documents contain too much legal jargon, and as a corollary they are often too complicated or difficult to understand and they appear to be long and wordy. This leads to many investors relying on someone else, a financial advisor or broker, to review the documents for them. While investors tended to approve of the overall organization of the disclosure documents, efforts to improve their organization are likely to improve their usefulness.

**SEC Disclosures.** Across all documents which were reviewed (operating company annual reports and proxy statements and mutual fund prospectuses and shareholder reports), many investors reported that they could not find the key information they were searching for. However, when asked what specific information was missing from the documents, many respondents reported that information which was not part of the document's intent was missing. In light of this, it is not enough to simply clear up the language and reduce the legal jargon in the disclosure documents. It needs to be made clear to investors what key information is contained in each document.

**Investment Literacy.** It is clear from the results of this survey that investment literacy is a critical component to understanding both the effectiveness of disclosure documents as they currently exist, as well as the way in which they can be improved. Investors with lower literacy levels spend more time on average reading the disclosure documents. They were also more likely to have difficulty finding necessary information and understanding the language used in disclosure documents, despite reporting higher levels of satisfaction with them.

**Delivery Mode.** Many investors prefer obtaining their disclosure information online. The Internet offers the ability to transmit data in real time and is also interactive so the investor can customize the information he/she accesses. SEC would do well to develop web-based disclosure documents which investors can access. That being said, it is also important that a paper copy of the document be made available to investors, as this was the second preferred mode of delivery.

It is not possible to determine if the current disclosure documents have improved due to the introduction of the plain English initiative as there is no baseline data which to compare. This survey is an important first step in understanding the degree to which current SEC mandatory disclosure documents meet the needs of investors. This information will provide a solid foundation for future efforts to improve these documents.

# INTRODUCTION

## Background

In 1998, the Securities and Exchange Commission (SEC) approved “plain English” rules with the goal of making SEC mandated disclosure documents simpler, clearer and more useful to investors. A decade later, in 2008, the SEC Office of Investor Education and Advocacy (OIEA) seeks to evaluate whether the plain English initiative has been working as expected with investors. To this end, the OIEA commissioned the 2008 Mandatory Disclosure Survey as a national telephone survey of investors in the United States. This survey was designed to inform the OIEA about the views and opinions of investors regarding various disclosure documents filed by companies, including mutual funds. More specifically, the goal of the OIEA survey was to learn from investors whether current disclosures are written in plain English as defined by the initiative, which parts of each disclosure are typically read, and what key information might be missing. In this survey, investors were asked about four key investment documents: operating company annual reports and proxy statements and mutual fund prospectuses and shareholder reports.

## Methodology

The 2008 Mandatory Disclosure Document Telephone Survey was conducted by Abt SRBI, a national survey research organization. A total of 1,000 telephone interviews were conducted among a national population sample of adults who invest in stocks, bonds and/or mutual funds, outside of an employer-sponsored retirement plan. The survey, conducted from March 17, 2008 to May 9, 2008, took an average of 15 minutes to complete. It consisted of a series of questions about disclosure documents depending on the types of investments the investor owned. Respondents who owned multiple types of investments were randomly assigned to answer some specific sections of the survey.

The telephone survey included questions about where these investors typically go for investment information, their investment literacy, and information regarding their investments and household characteristics. Investment literacy was measured using ten items from the Financial Industry Regulatory Authority (FINRA) investment literacy scale ([http://apps.finra.org/Investor\\_Information/quiz/InvestorQuiz.asp](http://apps.finra.org/Investor_Information/quiz/InvestorQuiz.asp)). There were also many items on the survey designed to target different aspects of “Plain English” as defined in the Securities and Exchange Commission’s Plain English Handbook. A copy of the telephone survey questionnaire is found in Appendix B.

The first stage of the national sample of investors was drawn as a probability sample of telephone households in the United States, using random digit dialing (RDD). The national household sample was screened to determine whether there were any investors in the household. The introduction of the survey included a screening section designed to identify respondents with SEC-regulated investments. Data collection was performed by experienced SRBI interviewers using in-house telephone facilities. Interviews were randomly monitored by an SRBI supervisor for quality control purposes.

## **Mandatory Disclosure Documents Telephone Survey**

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The maximum expected sampling variability (margin of error) for a simple random sample of 1,000 is plus or minus 3.1 percent at the 95 percent confidence level.

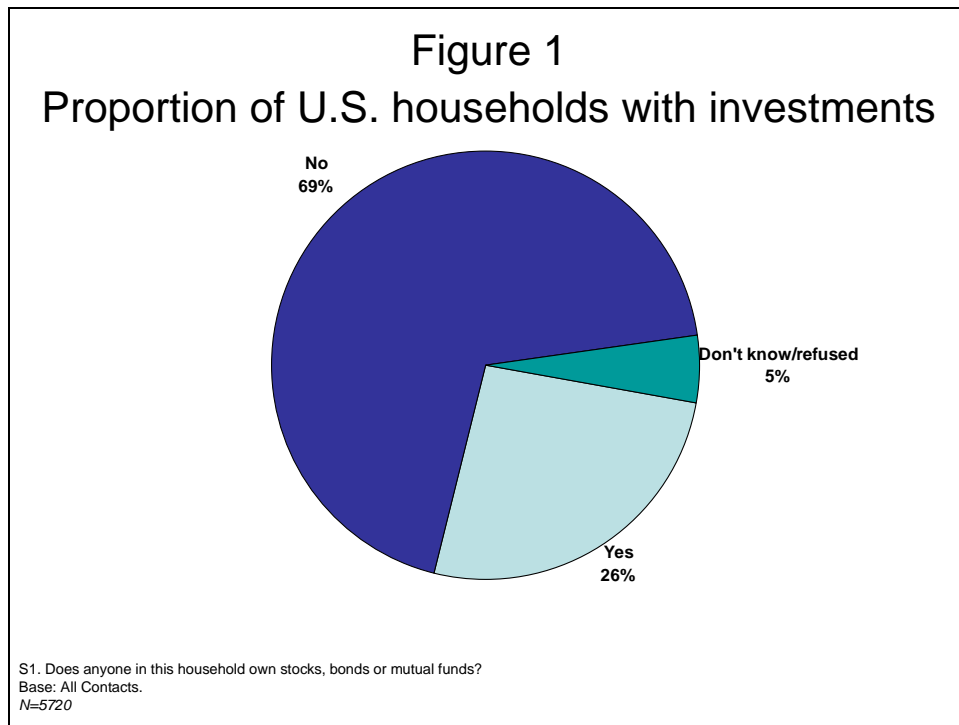
Percentages for some items contained in this report may not add to 100 percent due to rounding, or because the question allowed for more than one response. In addition, the number of cases involved in subgroup analyses may not sum to the grand total who responded to the primary questionnaire item being analyzed. Reasons for this include some form of nonresponse on the grouping variable (e.g., “Don’t Know” or “Refused”), or use of only selected subgroups in the analysis. The abbreviations DK and Ref are frequently listed as response categories in the report. DK stands for “Don’t Know” and Ref stands for “Refused”. For most questions, the persons who answered “Don’t Know” vastly outnumbered those who refused to answer the question. Only statistically significant differences at the 85% confidence level among sub-groups (such as demographics) are discussed.

## **SECTION 1: Summary of Investors**



### Proportion of U.S. Households with Investments

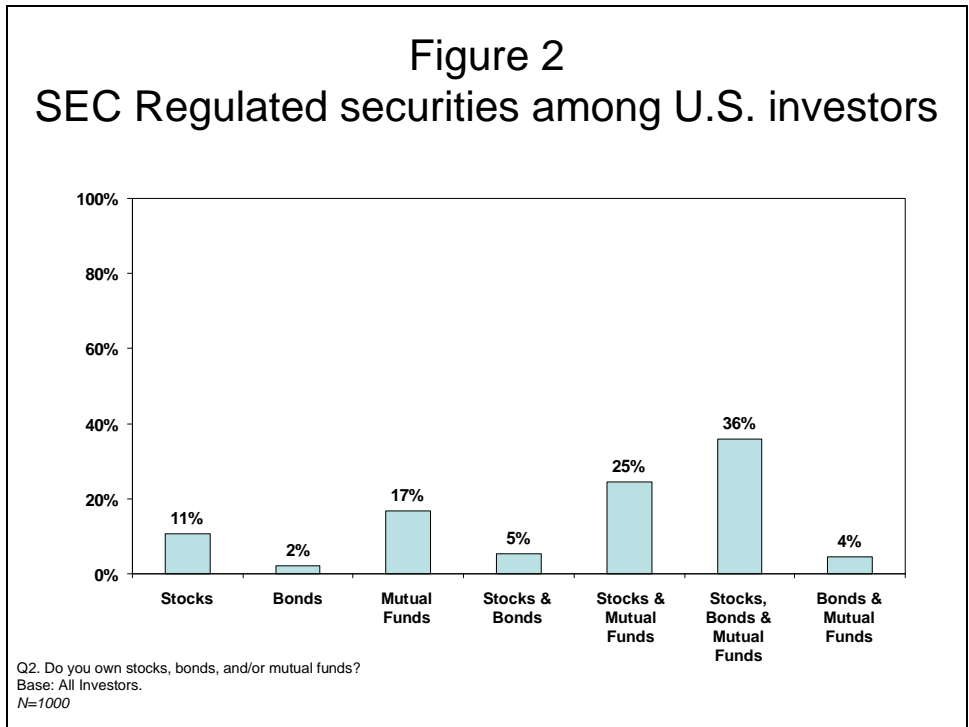
Published estimates indicate that, outside of employer retirement plans, approximately 20 percent of American households invest in stocks and that approximately 26 percent invest in mutual funds. The findings of the 2008 Mandatory Disclosure Document Telephone Survey are consistent with these estimates. Twenty-six percent of all screened households reported that someone in the household owned stocks, bonds or mutual funds outside of employer retirement plans (Figure 1).



### SEC Regulated Securities among U.S. Investors

Among the 1,000 investors interviewed in the survey 77% owned stocks, 48% owned bonds, and 82% owned mutual funds. There was a substantial amount of overlap between the different types of investments owned by these investors. Most commonly, 36% of this national sample of investors had a portfolio which included all three types of investments, while another 25% owned both stocks and mutual funds, but not bonds. Only 2% owned only bonds, while 11% owned only stocks, and 17% reported owning only mutual funds (Figure 2).

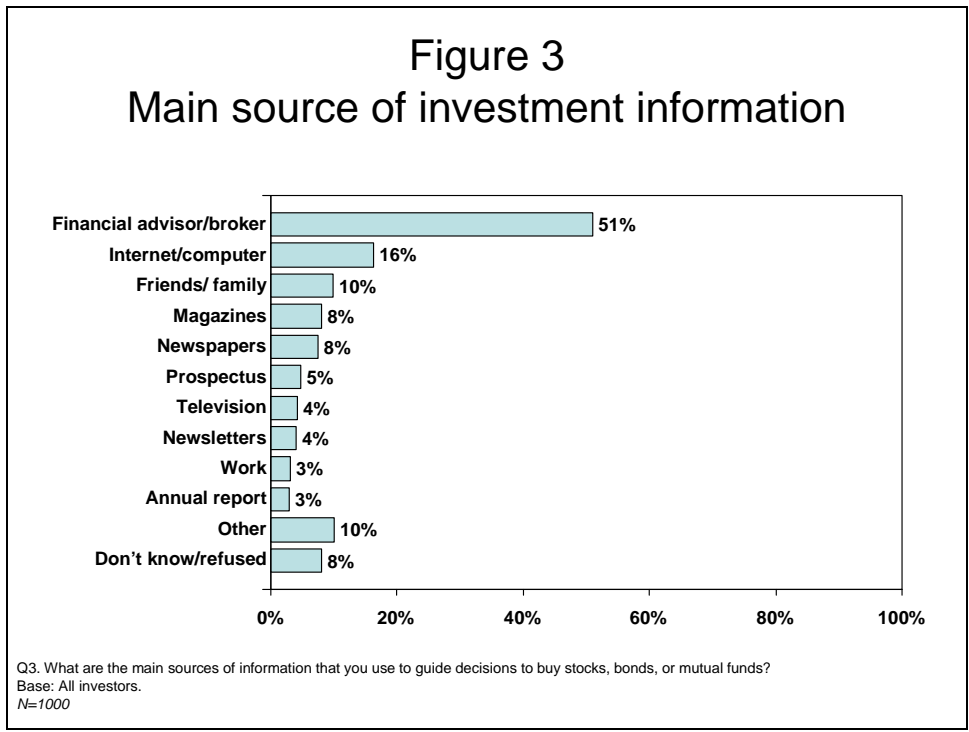
In terms of demographic differences in ownership of the three types of investments, the ownership of mutual funds is positively associated with respondent income: 86% of investors who have completed graduate study have mutual funds, compared with 74% who completed high school or less. In addition, 93% of respondents with a high investment literacy score own mutual funds, compared with 76% of respondents with a low literacy score.



### Main Sources for Investment Information

Investors were asked what main sources of information they used to guide their decisions when buying stocks, bonds and mutual funds. Multiple responses were allowed to this question, and nearly 30 percent of respondents mentioned more than one “main” source of information. Getting information from a financial advisor or broker was the most frequently cited response, followed by the Internet or computer, friends and family, magazines and newspapers. Ten percent cited some other source, while an additional eight percent stated they didn’t know what their main source was. Five percent cited prospectuses and three percent cited annual reports (Figure 3).

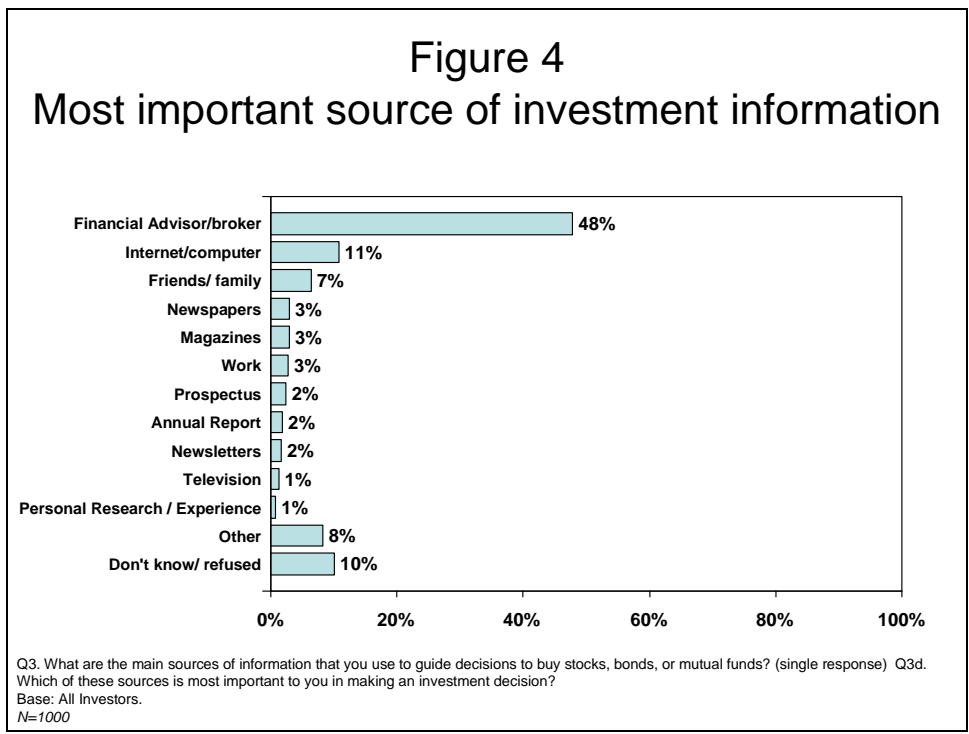
More likely than other respondents to say that they use a financial advisor or broker are female respondents, those age 60 or more, and those with low investment literacy scores. In contrast, more highly educated respondents tend to say that they use annual reports, prospectuses, magazines, newsletters, and the Internet as sources of investment information, compared with less educated investors.



### Most Important Source of Investment Information

Respondents who mentioned more than one “main” source of investment information were asked which of these sources is most important. These responses, along with those from respondents who mentioned only a single source of investment information, are summarized in Figure 4. Nearly one-half (48%) said that their financial advisor or broker was their most important source of information. This was followed by the Internet (11%), friends and family (7%), newspapers (3%), magazines (3%), and television (3%). Annual reports were cited as the primary source of investment information by two percent of investors, as were prospectuses (Figure 4).

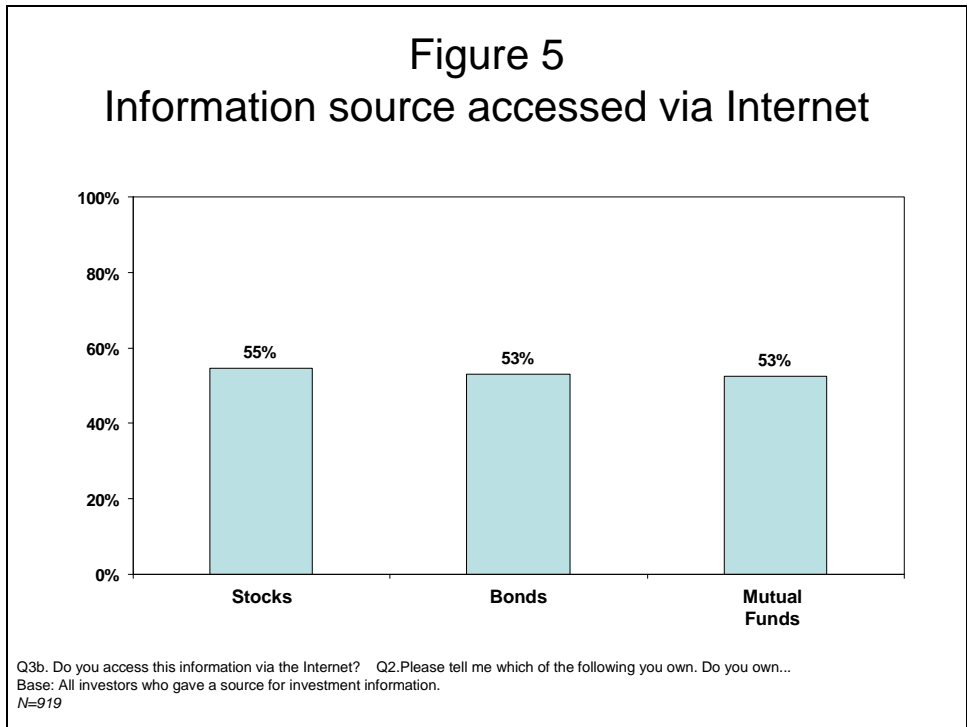
Among respondents who utilize *multiple* sources of investment information, 12% of women respondents said that their main source of investment information is friends and/or family, compared with only 1% of men. Respondents with low investment literacy scores are more likely than other respondents to say that their main source of information is family and/or friends (14%), or their financial advisor or broker (51%).



### Internet Access to Investment Information

Regardless of the source of information used to guide investment decisions, investors who used information to guide their decisions were asked if they accessed that information over the Internet. Among investors who own stocks and cited a source for their investment information, over half (55%) stated that they access that information via the Internet. A similar proportion of those who own bonds (53%) and mutual funds (53%) said they access their source of investment information via Internet (Figure 5).

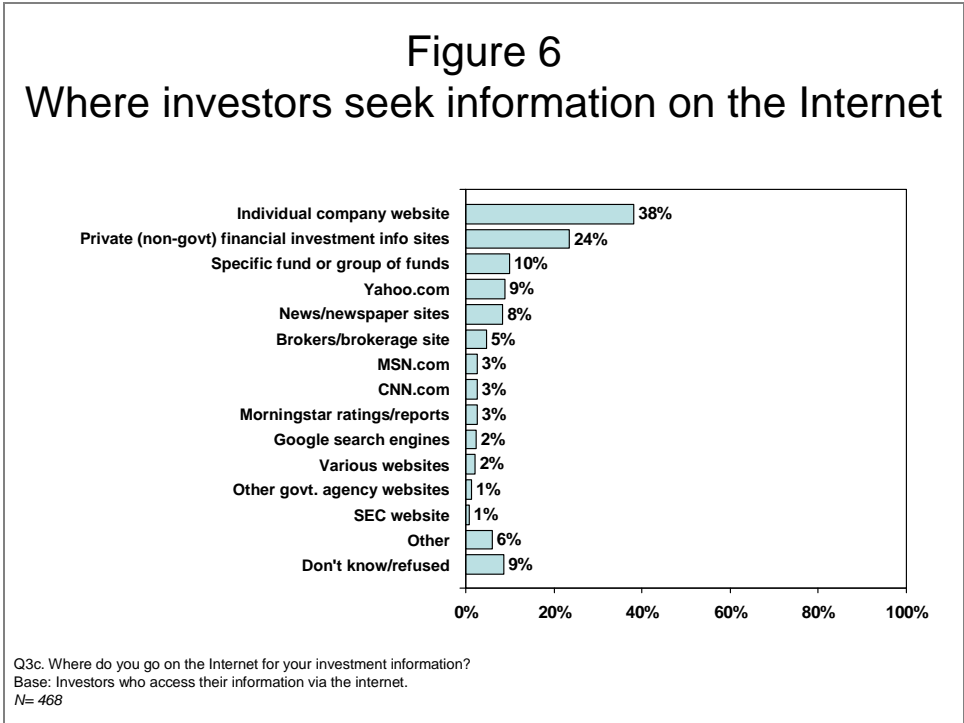
Sixty-two percent of male investors say they use the internet as a source of investment information, compared with 39% of women. Use of the internet for investment information is also positively associated with investment literacy, household income, and respondent education.



### Internet Sources for Investment Information

Investors who accessed information over the Internet to guide their investment decisions were asked where they go on the Internet to get that information. The Internet sources most often cited by investors for investment information were individual company web sites (38%), followed by private (non-government) financial investment information web sites (24%), specific funds (10%), Yahoo (9%) and news or newspaper sites (8%). Only about one percent of investors who use the Internet as the source of their investment information cited the SEC web site, and other government agency web sites (Figure 6).

Forty-nine percent of women investors who turn to the internet for investment information use individual company websites, compared with 42 percent of men. Sixteen percent of respondents with high investment scores consult [www.yahoo.com](http://www.yahoo.com) during their online research, compared with only 1% of respondents with low scores.



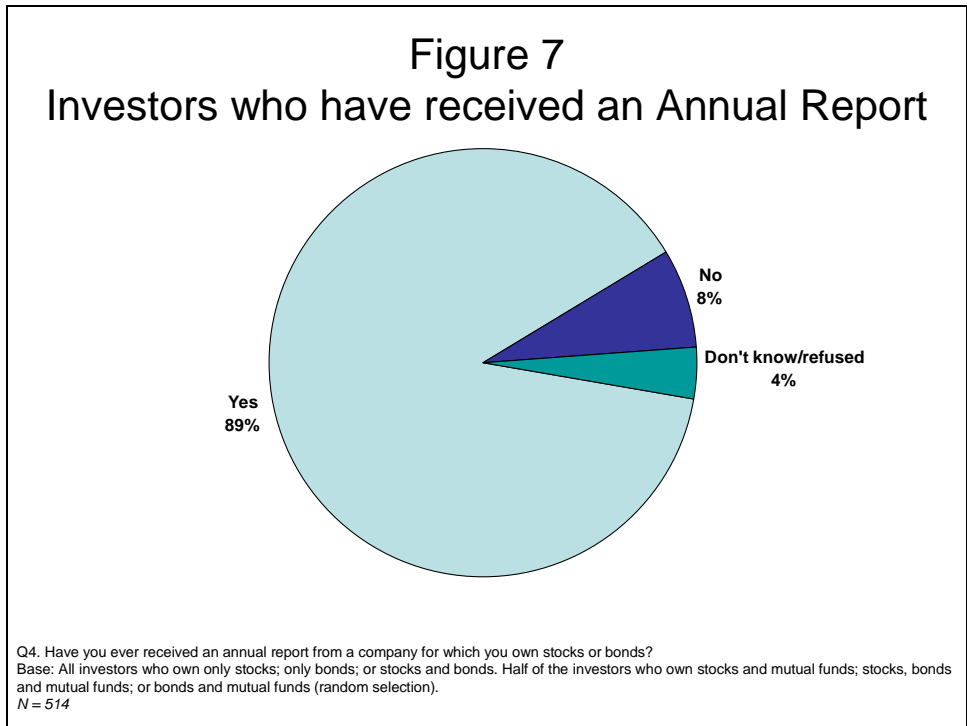
## **SECTION 2: Operating Company Annual Reports**

### Investors Who Have Received an Operating Company Annual Report

Close to nine out ten investors who said that they held stocks or bonds (89%) reported having received an operating company annual report from a company in which they owned stocks or bonds. Only eight percent said that they had never received an annual report from a company in which they owned stocks or bonds. Another 4% were not sure if they had ever received an annual report (Figure 7).

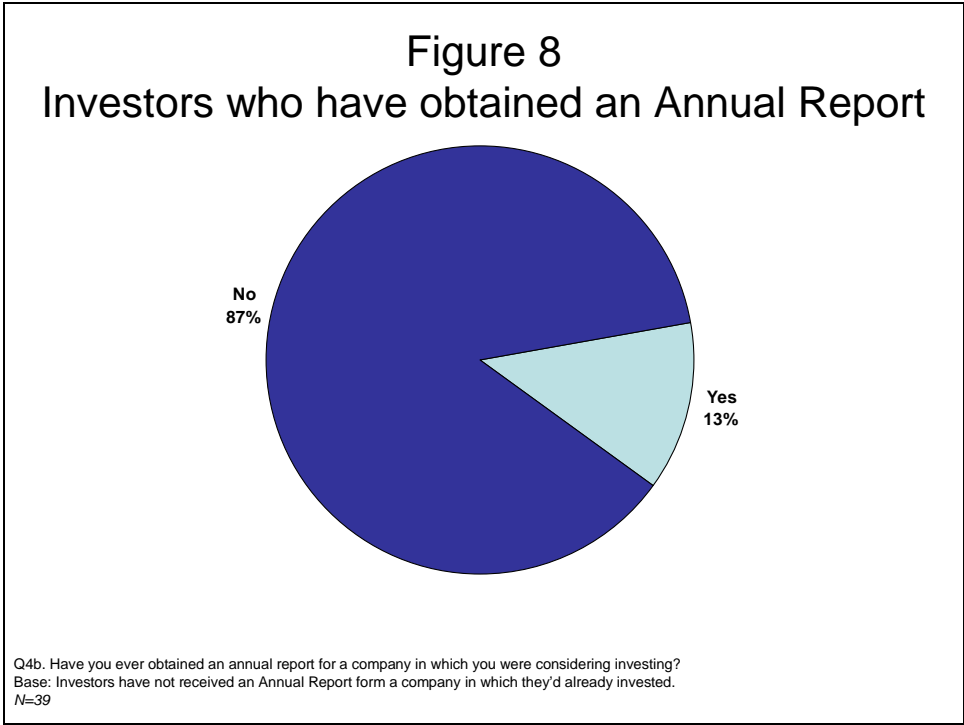
Among investors with stocks or bonds, 91 percent of men have received an annual report, compared with 86 percent of women. Receipt of an annual report is also associated with respondent age: 81% of investors under 40 years of age say they have received an annual report, compared with 93% of those age 60 or more.

Overall, 46 percent of investors have received an annual report.



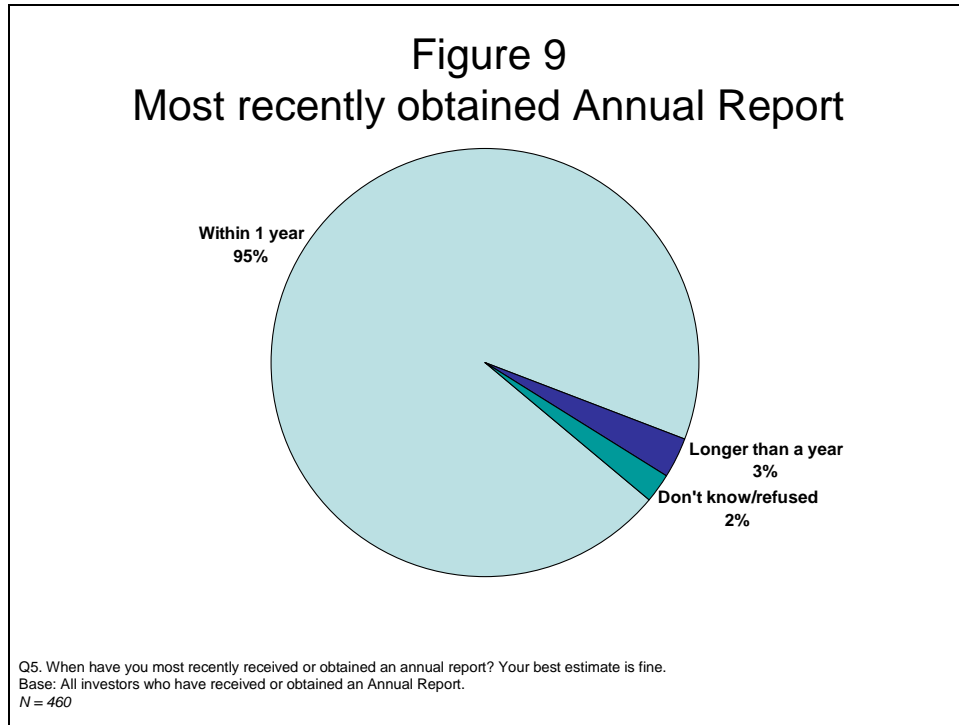


Investors with stocks and bonds, who had not received an operating company annual report from a company in which they had investments, were asked if they had ever received an annual report from a company in which they were considering investing. Another 13% of investors who had not received an annual report from a company in which they held stocks and bonds reported having obtained an annual report from a company in which they were considering investing. In general, those who did not recall receiving an annual report from a company that they invested in, had never received an annual report from a company in which they were considering investing (Figure 8).



### Most Recently Obtained an Operating Company Annual Report

Those investors who had received an operating company annual report from a company in which they had invested or were considering investing were asked when they had received or obtained their most recent annual report. Nearly all investors who had received or obtained an Annual report (95%) reported doing so within the last year (Figure 9).

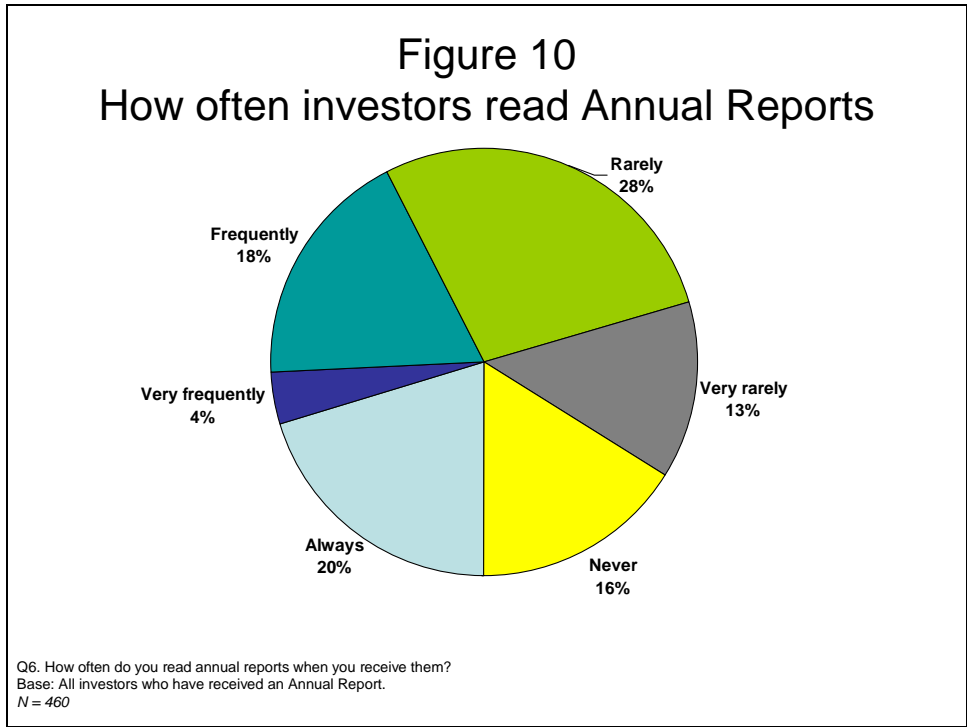


### How Often Investors Read Operating Company Annual Reports

Investors who had received or obtained operating company annual reports were asked how often they read annual reports when received. Investors were split on the likelihood of reading annual reports for companies in which they have invested or are considering investing. Approximately one-fifth (20%) said they always read annual reports when they receive them, while an additional 4% said they read them very frequently, and 18% said they read them frequently. However more than half of investors who received annual reports said they rarely (28%), very rarely (13%) or never (16%) read annual reports when they receive them (Figure 10).

Twenty-six percent of respondents with low investment literacy scores say they always read annual reports when they receive them, compared with 17% of those with high investment literacy scores.

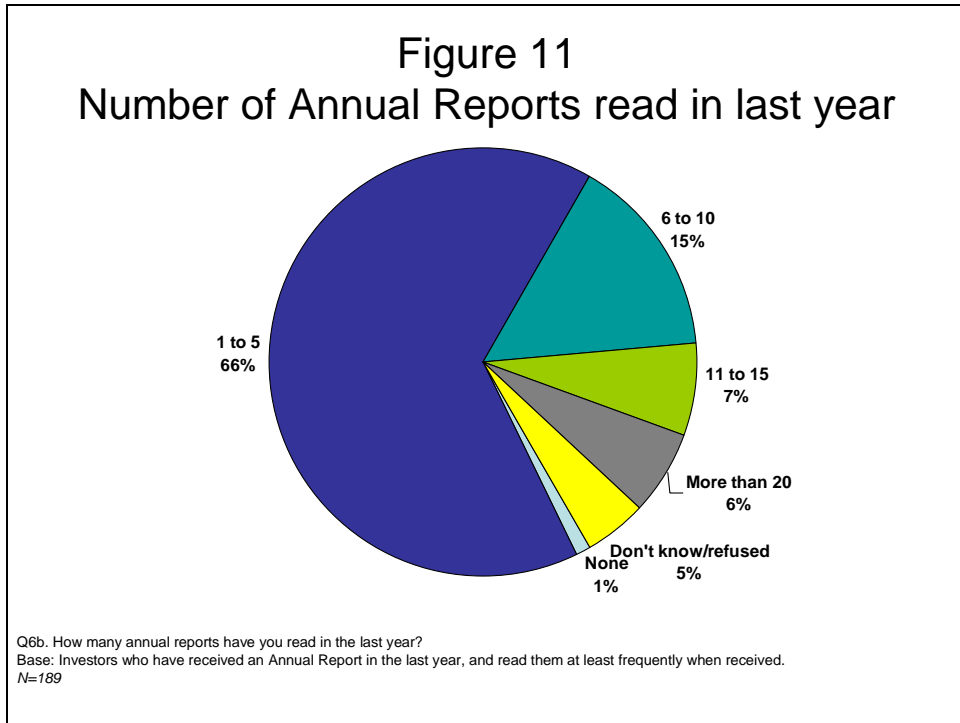
Overall, 9% of respondents say they always read annual reports and 10% very frequently or frequently do so.



### Number of Operating Company Annual Reports Read in the Last Year

Those who said that they had received an operating company annual report within the past year and read annual reports at least frequently when received were asked how many annual reports they had read in the past year. Approximately two thirds (66%) reported having read less than six annual reports within the last year. Another 15 percent said that they read from six to ten annual reports in the past year, while 7 percent read from eleven to fifteen annual reports and 6 percent read more than twenty annual reports in the past year (Figure 11).

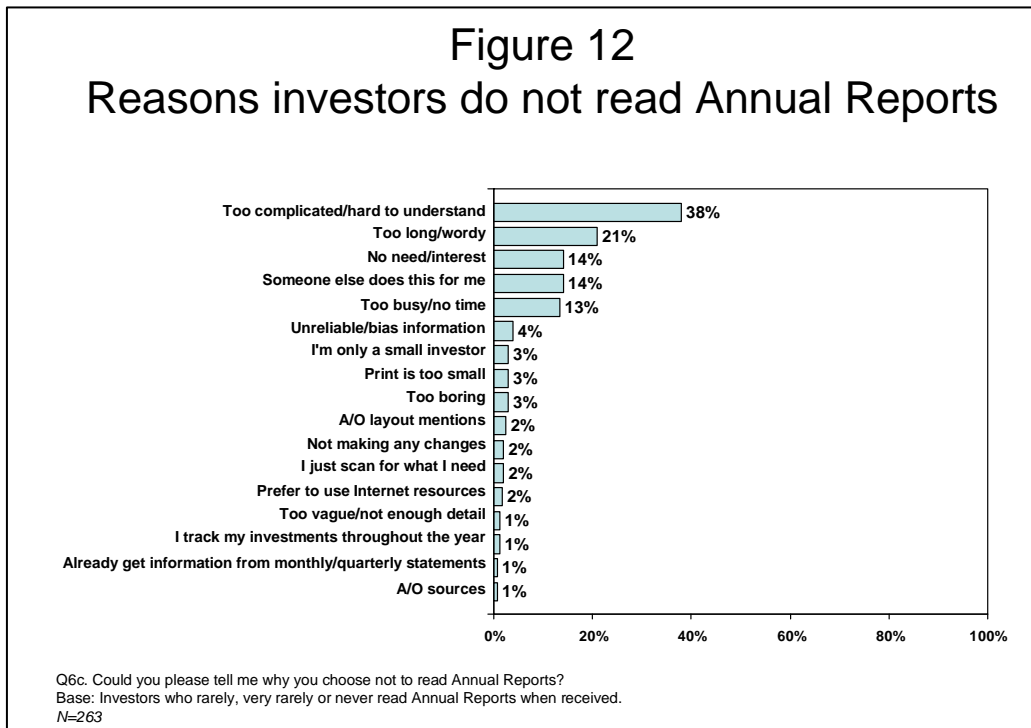
On average, respondents age 60 or more, who have completed graduate study, and with high investment literacy have read more annual reports in the last year than other respondents. Among respondents who have received or obtained an annual report, men have read an average of six annual reports in the past year, compared with 4.5 for women.



### Reasons Investors Do Not Read Operating Company Annual Reports

Those investors said that they rarely, very rarely or never read operating company annual reports were asked why they choose not to read these annual reports. Most commonly, investors who do not read annual reports from companies in which they invest or are considering investing (38%) stated that the reason they do not read them was that they were too complicated or hard to understand. About one-fifth said that they do not read them because they are too long or wordy (21%), while 14 percent said they did not read them because they had no need or interest. The same amount (14%) said that someone else does it for them and 13 percent said they are too busy or do not have the time to read annual reports (Figure 12).

Sixty percent of women investors who say they do not read annual reports mention that the reports are too complicated, compared with 49% of men. Forty-six percent of respondents with low literacy scores say that annual reports are too complicated, compared with 30% of respondents with high investment literacy scores. Thirty-eight percent of investors under age 40 mention content issues when asked why they do not read annual reports, significantly less than 60% of those age 60 or over.

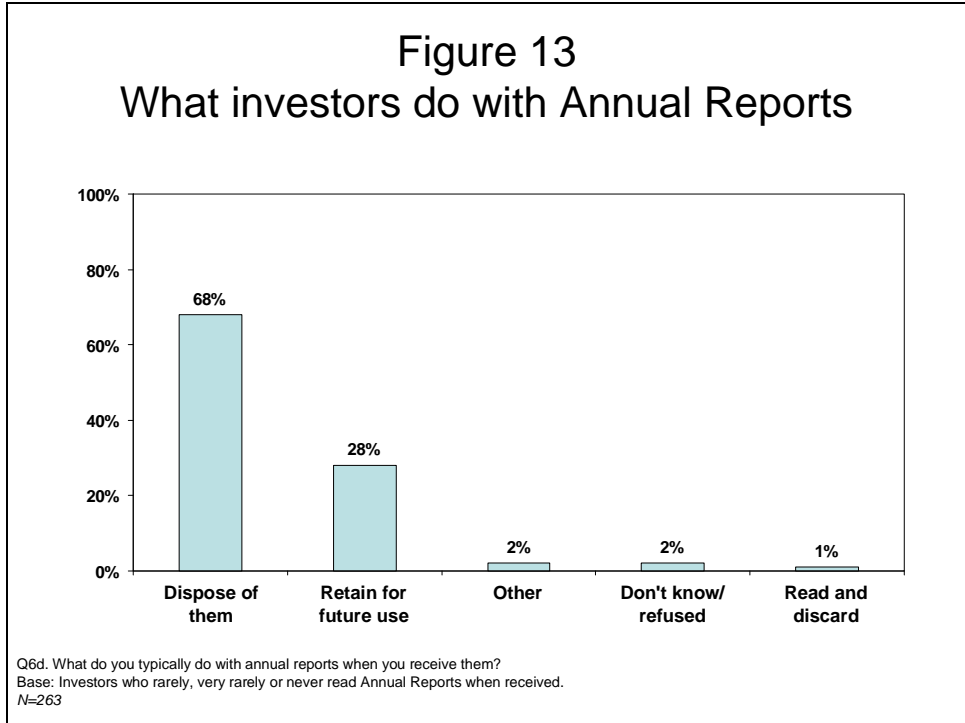


### What Investors Do With Operating Company Annual Reports

Of investors who rarely, very rarely or never read operating company annual reports, over two-thirds (68%) said they dispose of them, while just over one-quarter said they retain them for future use (28%). Approximately 2 percent reported not knowing what they did with them, while a smaller number (1%) said they read them and then throw them away (Figure 13).

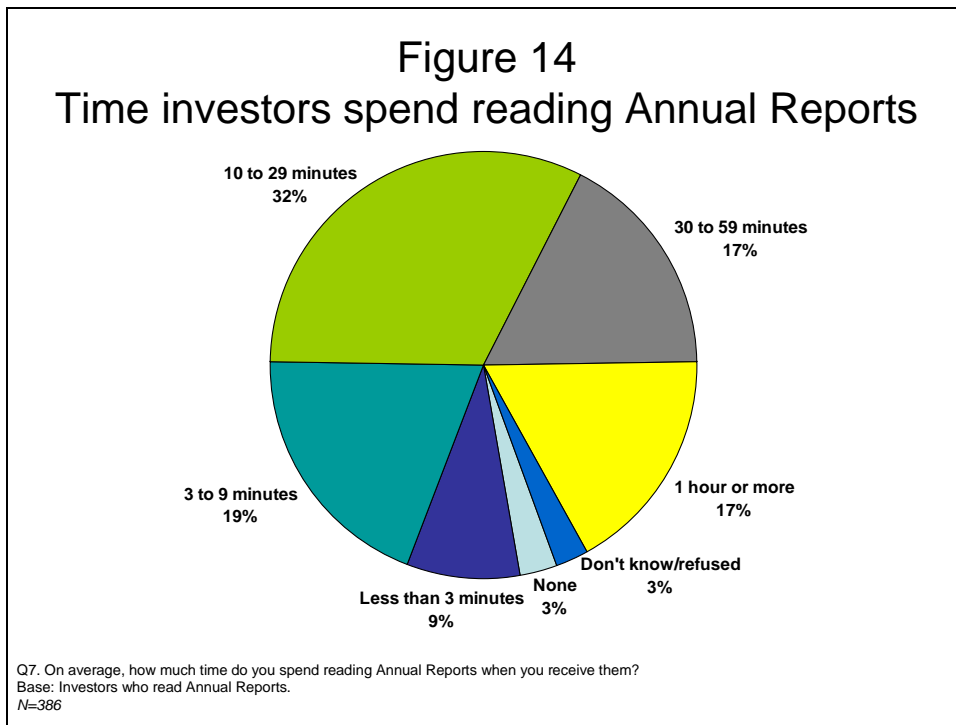
Respondents more likely to save annual reports are those with a high school education or less and having low investment literacy scores. In contrast, respondents with high investment literacy scores and household incomes are more likely than other respondents to dispose of annual reports, as are respondents who have completed graduate study.

Overall, 18 percent of respondents to the survey said that they dispose of annual reports.



### Time Investors Spend Reading Operating Company Annual Reports

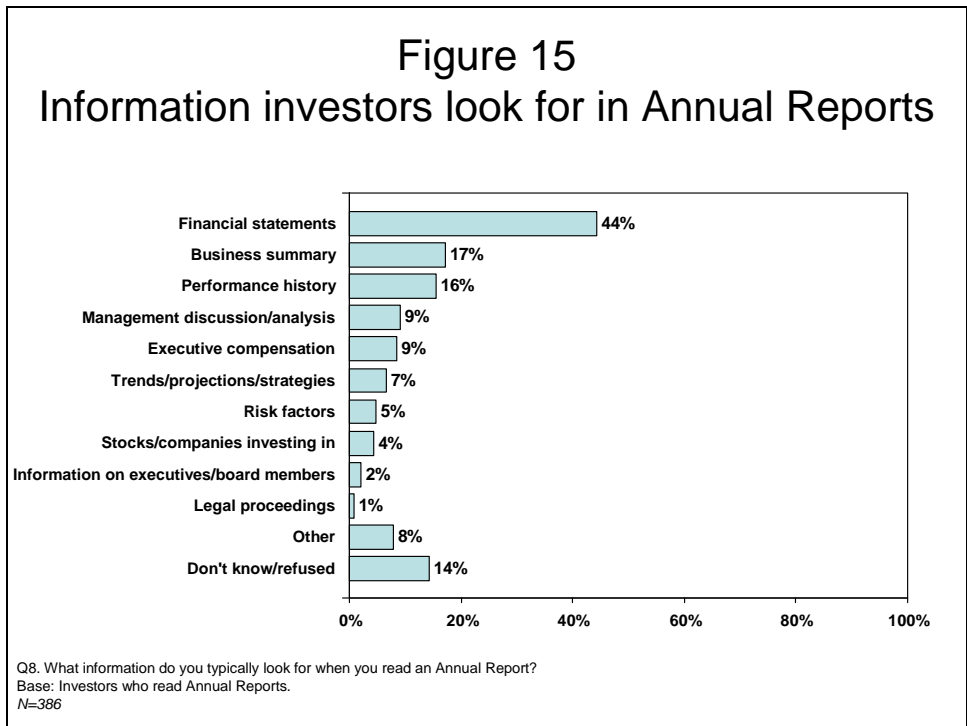
Those investors who ever read annual reports for companies in which they have invested or considered investing were asked how much time, on average, they spend reading annual reports when they receive them. Very few investors (9%) who read annual reports say that they spend less than three minutes, on average, reading those reports. An additional 19 percent of investors who read annual reports said that they spend three to nine minutes, on average, reading them. Most commonly, 32 percent of investors say that they spend from ten to twenty-nine minutes reading annual reports when they receive them. A third of investors report that they spend from thirty to fifty-nine minutes (17%) or an hour or more (17%) reading annual reports when they receive them (Figure 14).



### Information Investors Look for in Operating Company Annual Reports

When investors who read operating company annual reports were asked what information they typically look for, forty-four percent said they looked for financial statements. Somewhat less commonly, investors who read annual reports said that they typically look for the business summary (17%) and performance history (16%). Even less commonly, investors who read annual reports say that they typically look for management discussion and analysis (9%), executive compensation (9%) and trends, projections and strategies (7%). Only a handful of investors who read annual reports said that they typically look for risk factors (5%), stocks or companies invested in (4%), information on executives or board members (2%) or legal proceedings (1%). In addition, fourteen percent of investors who said they read the annual report that they receive said they did not know what they typically look for in the reports (Figure 15).

Forty-nine percent of respondents age 60 or more look for financial statements in annual reports, compared with 37% under 40 years of age. Also, 55% of investors who have completed graduate study look at the financial statements in annual reports, in contrast with 31% who have a high school education or less. While 19% of respondents who have low or medium investment literacy scores say they look at the business summary, only 10% of respondents with high investment literacy scores do so.

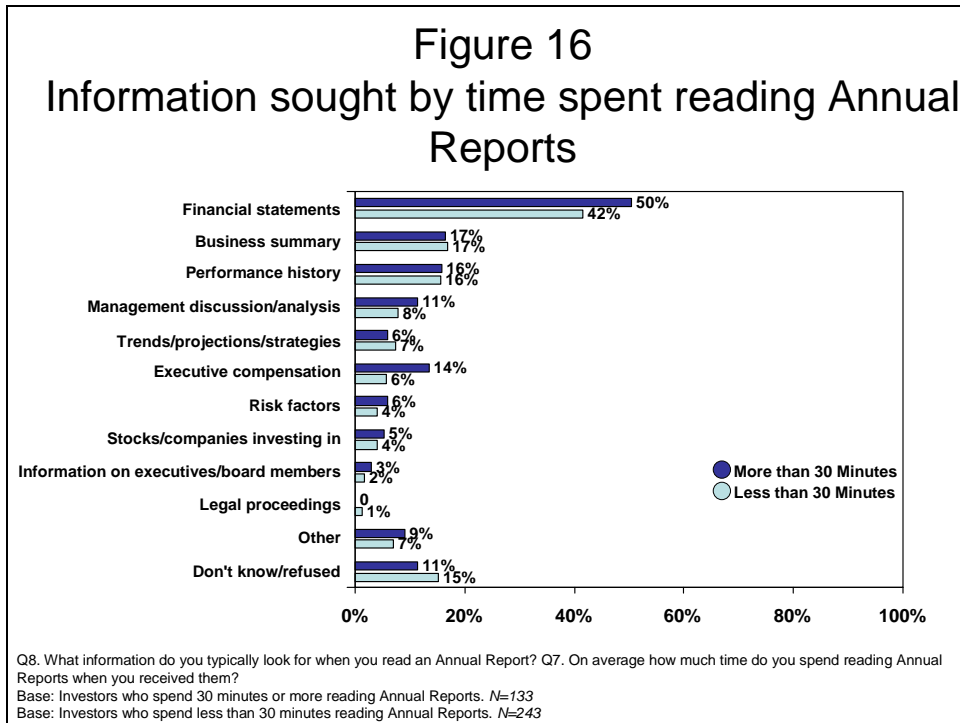




**Information Sought by Time Spent Reading Operating Company Annual Report**

Among investors who spend less than 30 minutes reading operating company annual reports, they report seeking the same types of information as all investors who read the reports. They cited financial statements most often (42%), followed by the business summary (17%), performance history (16%), management discussion and analysis (8%), and trends and projections (7%). In addition 15 percent said they did not know (Figure 16).

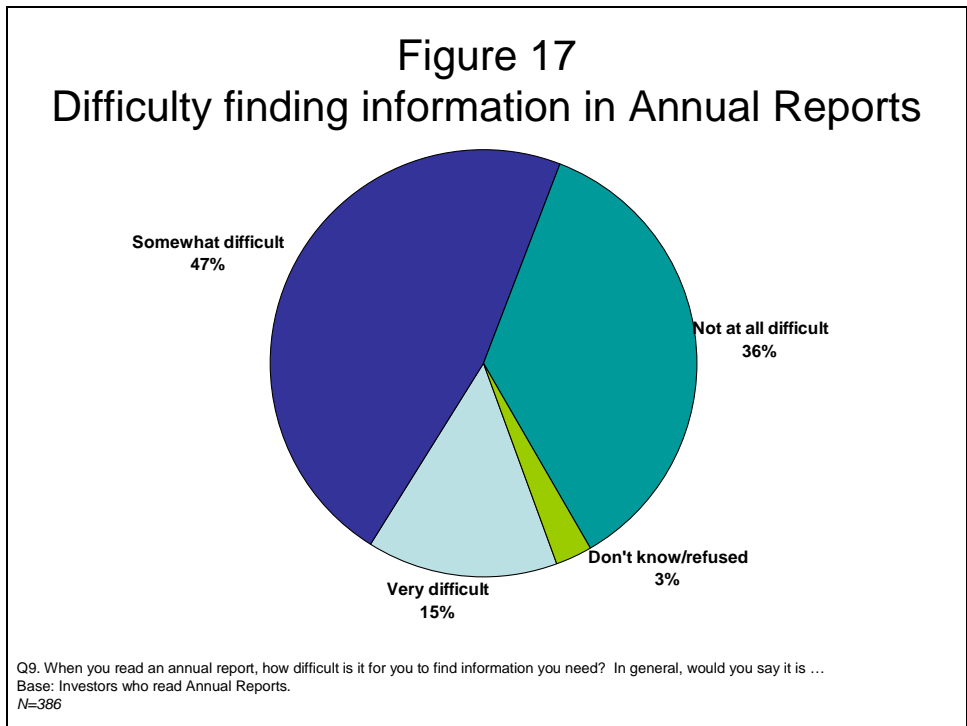
When investors who spend 30 minutes or more reading annual reports were asked what information they look for when reading them, they cited financial statements most often (50%), followed by the business summary (17%), performance history (16%), executive compensation (14%), and management discussion and analysis (11%). In addition, 11 percent said they did not know.



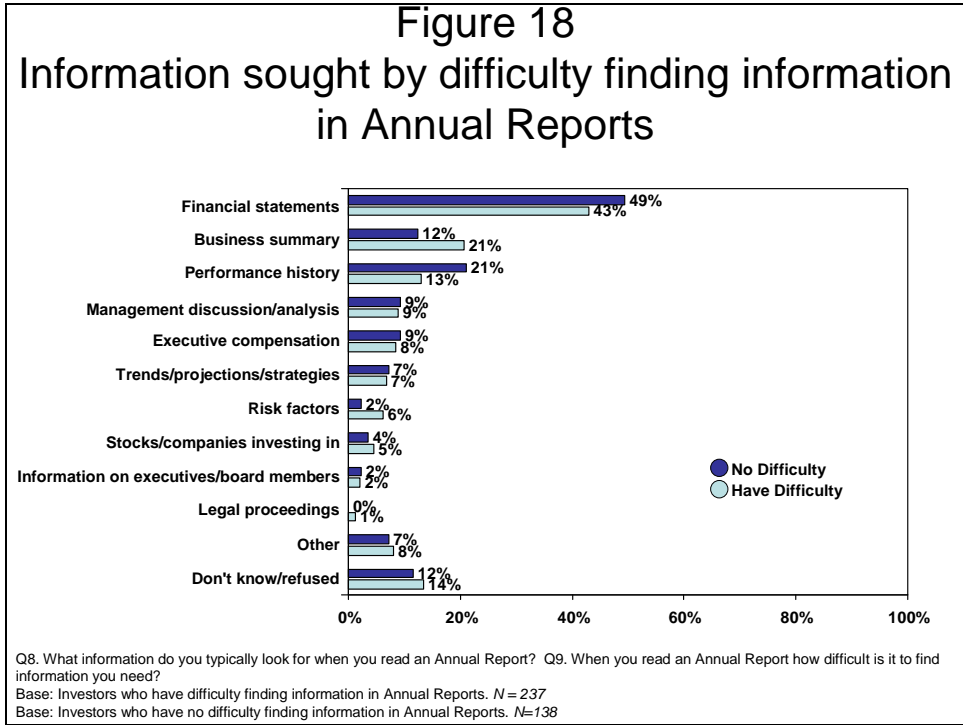
### Difficulty Finding Information in Operating Company Annual Reports

Investors who read operating company annual reports were asked how difficult it is to find the information they need to make good investment decisions in an annual report. Investors were split on the difficulty in getting the information they need from annual reports. On the one hand, 15 percent of investors who read annual reports said it was very difficult to get the information they needed. Nearly one-half (47%) of investors who read annual reports said that it was somewhat difficult to get the information they need from annual reports. By contrast, over one-third (36%) of investors who read annual reports said that it was not at all difficult to get the information they need from annual reports (Figure 17).

Respondents more likely than others to say that it is very difficult to find the information they are looking for in annual reports include those with a high education or less, household income under \$40,000, and low investment literacy scores.



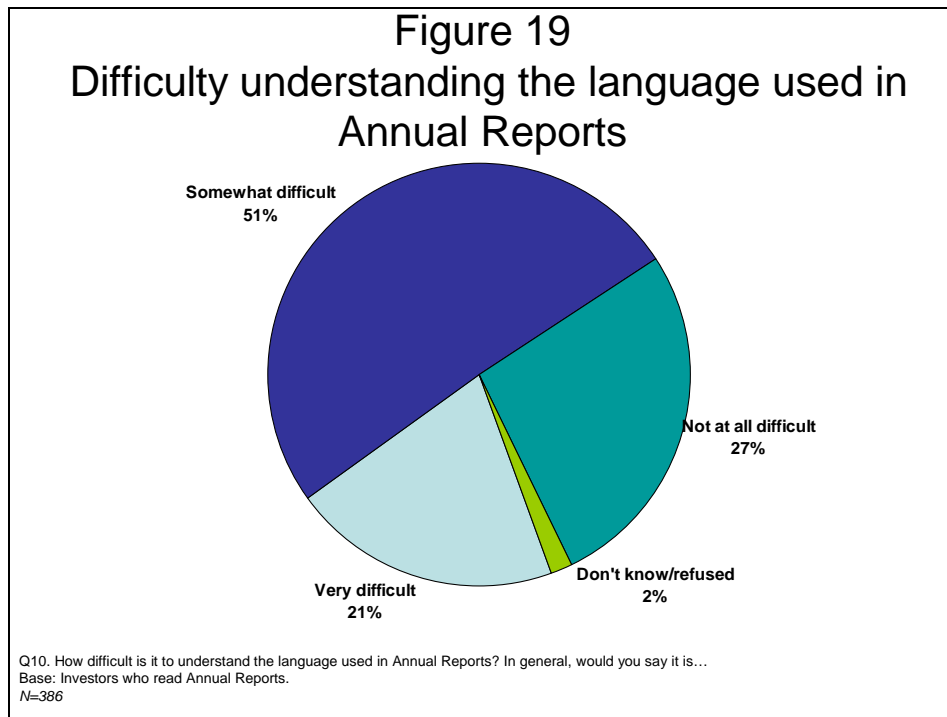
There was no difference in the types of information sought from operating company annual reports between those who reported difficulty in getting the information they needed from annual reports and those who did not (Figure 18).



### Difficulty Understanding the Language Used in Operating Company Annual Reports

When investors who read operating company annual reports were asked how difficult it was to understand the language, they were also divided. Approximately one-fifth (21%) of investors who read annual reports said it was very difficult to understand the language used in annual reports. Slightly more than one-half (51%) said it was somewhat difficult to understand the language used in annual reports. By contrast, more than one-quarter (27%) of investors who read annual reports said it was not at all difficult to understand the language in the reports (Figure 19).

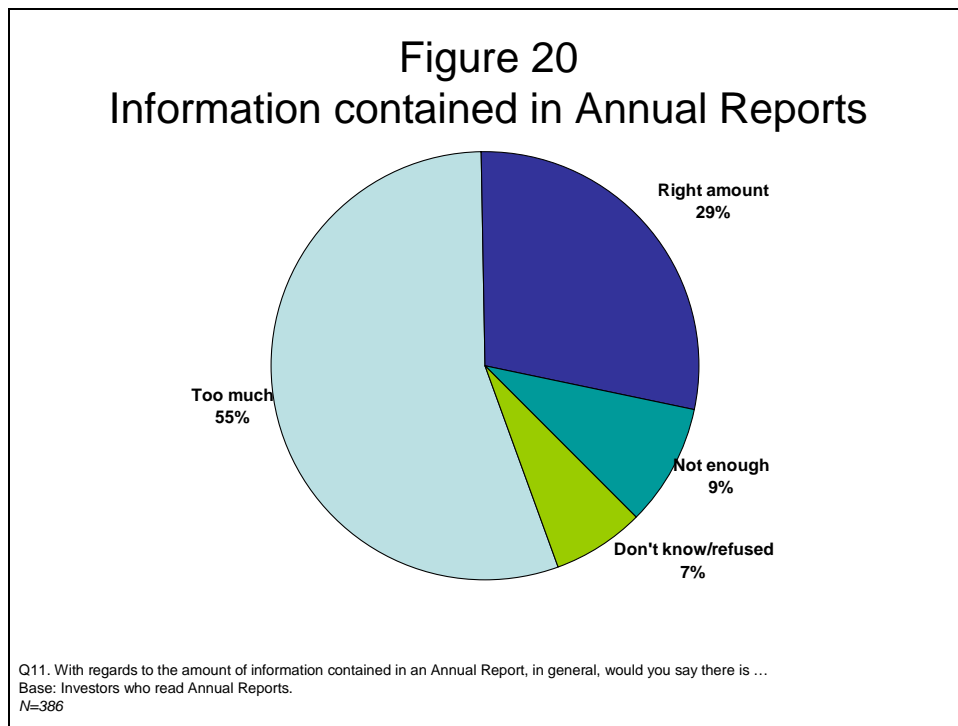
Twenty-six percent of respondents with low investment literacy scores say that it is very difficult to find the information they are looking for in annual reports, compared with only 13% of those with high investment literacy scores.



### Information Contained in Operating Company Annual Reports

There was more agreement among investors on the amount of information contained in operating company annual reports. The majority of investors who read annual reports (55%) said that they contain too much information. Three out of ten investors who read annual reports (29%) said they contain the right amount of information. Only 9 percent of investors who read annual reports said they didn't have enough information (Figure 20).

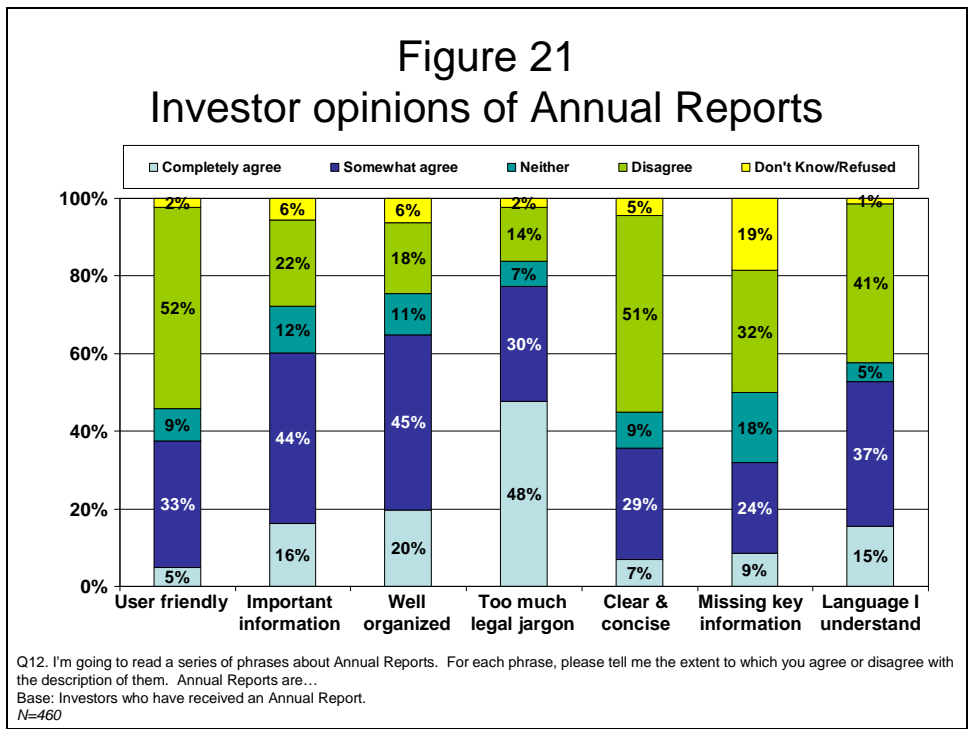
Sixty percent of women say that there is “too much” information in annual reports, compared with 51% of men.



### Investor Opinions of Operating Company Annual Reports

All investors who reported having received or obtained an operating company annual report were asked to state the degree to which they agreed or disagreed with a series of statements about the reports. Among the positive statements presented, nearly two thirds (65%) agreed that they are well organized (18% disagreed) and more than half (60%) agreed that they highlight important information. In addition, over one-half (52%) agreed that annual reports are written in a language they understand (41% disagreed). Relatively fewer (38%) agreed that annual reports are user friendly (52% disagreed), and that they are clear and concise (36% agreed, 51% disagreed). Among the negative statements, more than three-quarters (78%) agreed that annual reports contain too much legal jargon (14% disagreed), but only 33 percent agreed that they are missing key information (32% disagreed – 19% were not sure). (Figure 21)

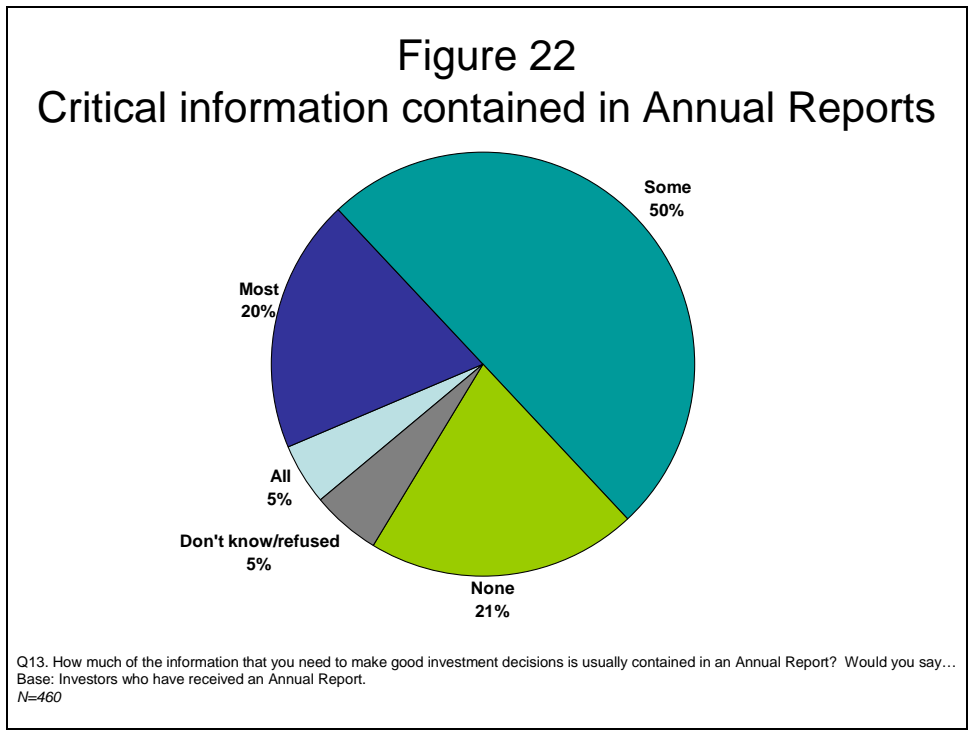
While there are no significant differences among respondents with respect to perceptions about annual reports being well-organized, men are more likely than women to agree that annual reports are user-friendly, clear and concise, and are written in understandable language. However, men are also more likely than women to agree that annual reports are missing key information. Forty-six percent of respondents with a high school degree or less agree that annual reports are user-friendly, compared with 36% who completed graduate study. With respect to the highlighting of important information in annual reports, respondents under age 40 are more likely to agree than older investors. Seventy percent of investors with high literacy scores agree that annual reports are written in language they can understand, compared with 46% of respondents having low literacy scores.



### Critical Information in Operating Company Annual Reports

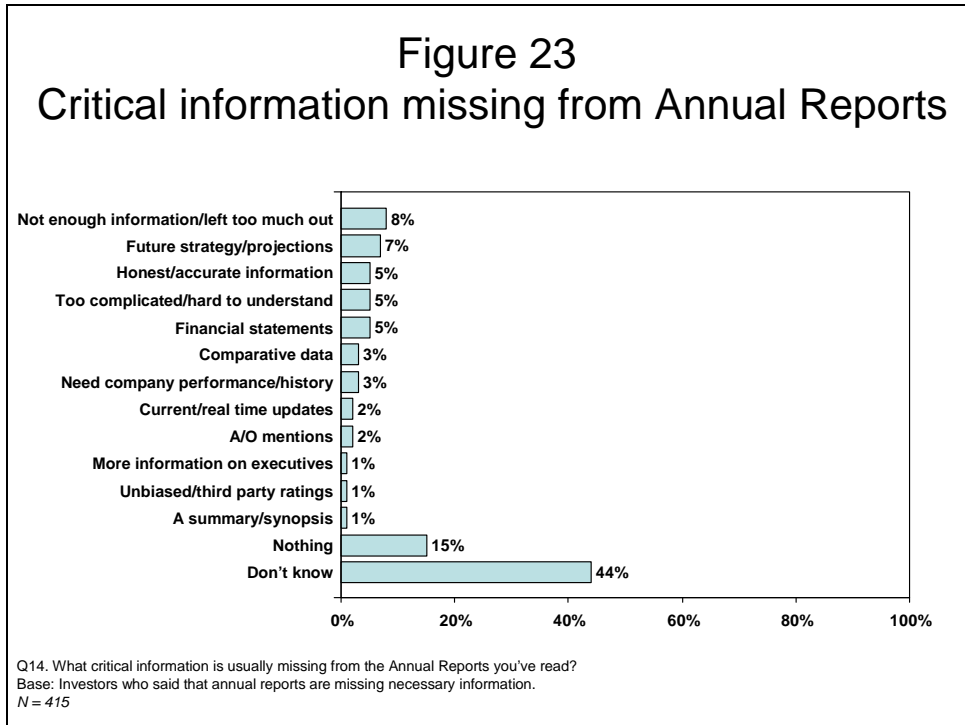
Although most investors said that operating company annual reports contained too much information, this does not mean that they are satisfied that the information they need is usually contained in an annual report. When asked how much of the information they need to make good investment decisions is contained in annual reports, a quarter of investors said that all (5%) or most (20%) of the information they need to make good investment decisions is usually contained in annual report. Most commonly, 50 percent of investors said that some of the information they need to make good investment decisions is usually contained in annual reports. One in five investors (21%) said that none of the information they need to make good investment decisions is usually contained in annual reports (Figure 22).

Twenty-four percent of women investors say that annual reports contain none of the information they need to make good investment decisions, compared with 18 percent of men. While 61 percent of respondents with high investment literacy scores say that annual reports contain some of the information they need to make good decisions, only 42 percent of their counterparts with low investment literacy scores agree.



### Critical Information Missing from Operating Company Annual Reports

When investors who said operating company annual reports are missing critical information were asked what critical information was missing, 7 percent said future strategy or projections. Other mentions of critical information that was missing from annual reports were accurate information (5%), financial statements (5%) and comparative data (3%). More than half of those who said that annual reports did not contain all of the information they needed said they did not know what was missing (44%) or that nothing (15%) was missing (Figure 23).

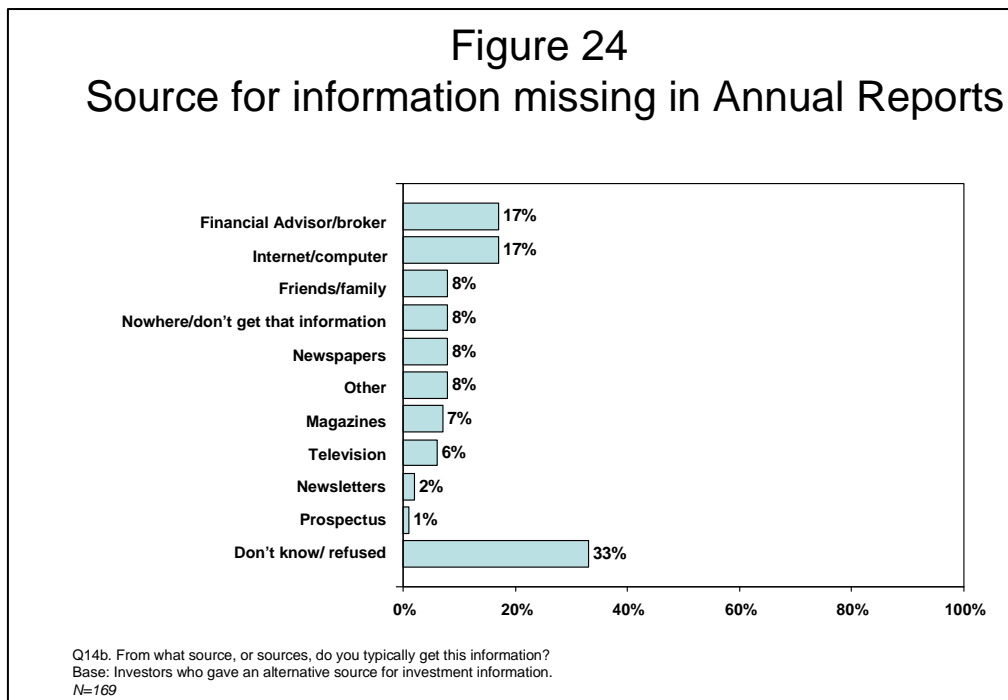




### Source for Information Missing from Operating Company Annual Reports

For those who indicated that there were critical pieces of information missing from operating company annual reports, most said they did not know where they might find the information (33%). An additional 17 percent said they get this information from their financial advisor or broker, while 17 percent also get the information from the Internet or a computer. In addition, 8 percent of these investors said that they would typically get the information from friends and family, or company literature or newspapers, while the same percentage said they do not get the information. Additional sources cited were magazines (7%), television (6%) and newsletters (2%). (Figure 24)

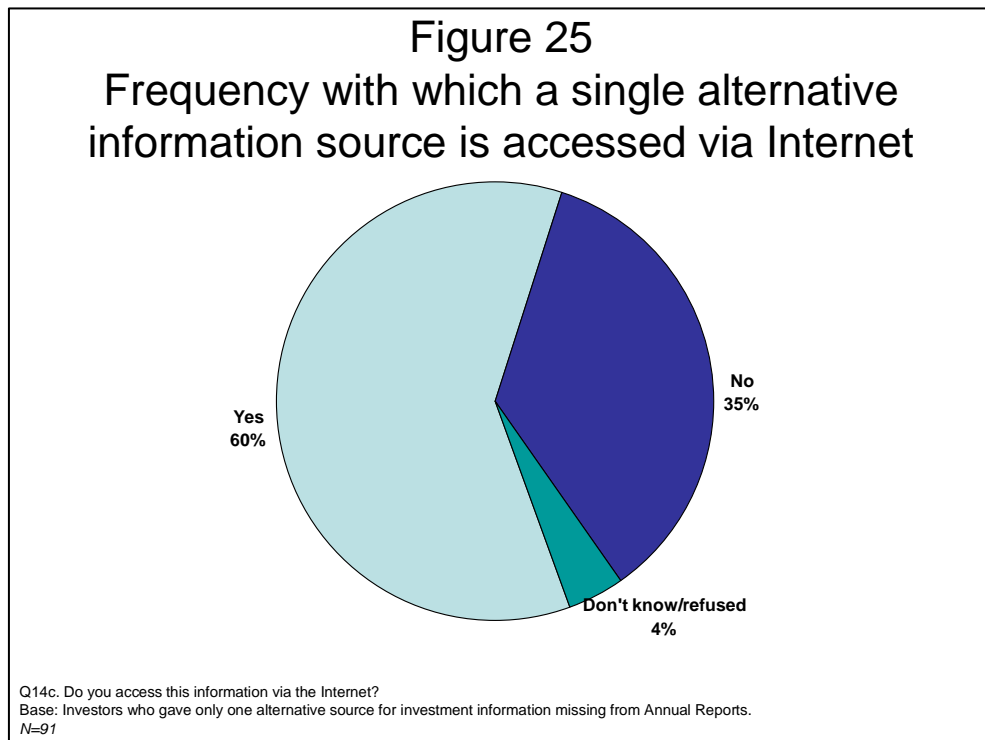
Twenty-four percent of women obtain missing information from their financial advisor or broker, compared with 14% of men. Use of the internet to finding missing information is associated with investor age: 30% of respondents under age 40 use the internet, compared with only 10% of investors age 60 and over.



### Frequency with Which Alternative Information Sources are Accessed via Internet

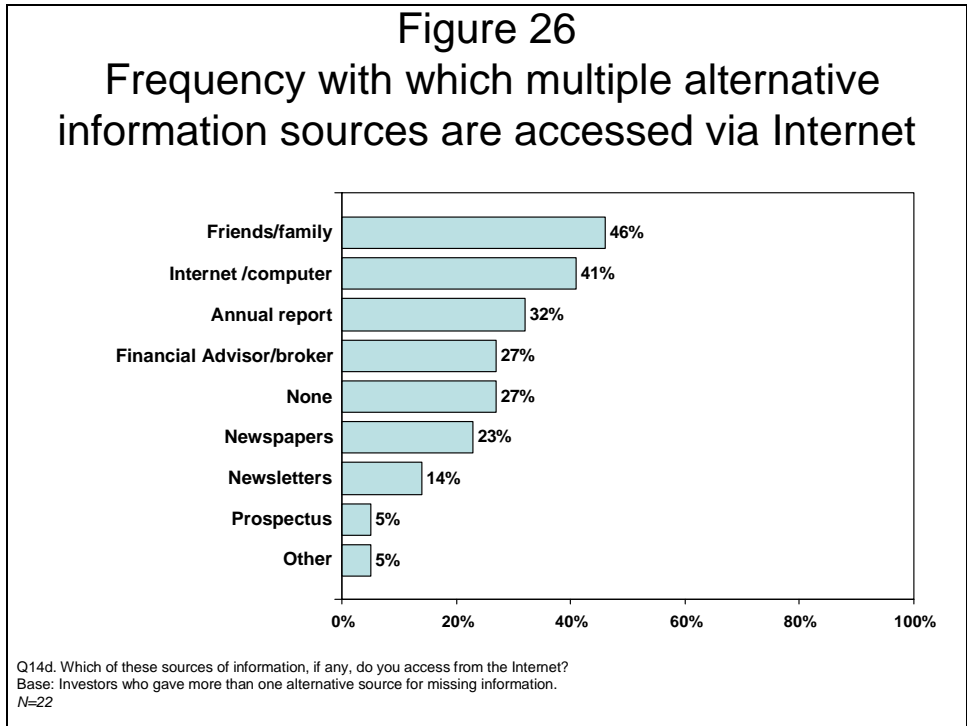
When investors who gave one alternative source of information missing from operating company annual reports were asked if they access the information via the Internet, nearly two-thirds said yes (60%). (Figure 25)

Compared with other respondents, investors in households of three or more persons were more likely to say they access this missing information through the internet.



### Alternative Information Sources Being Accessed via Internet

Investors who cited multiple alternative sources for the information missing from operating company annual reports were asked which, if any, they access via the Internet. Notable responses from these investors were friends and family (46%), Internet resources (41%), annual reports (32%), and financial advisor or broker (27%). Over one-quarter (27%) said they do not access any of these sources via the Internet (Figure 26).

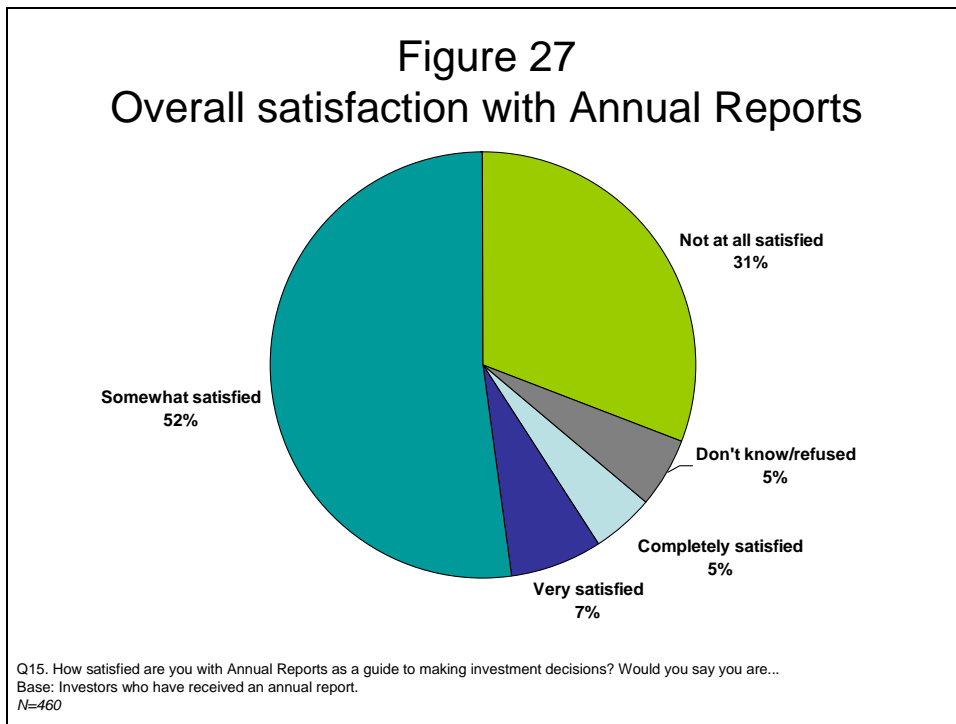


### Overall Satisfaction with Operating Company Annual Reports

Investor satisfaction with operating company annual reports as a guide to making investment decisions is mixed. When asked how satisfied they were with annual reports as a guide to making investment decisions, only 12 percent of investors were completely or very satisfied. More than half of investors (52%) report that they are somewhat satisfied with annual reports. However, a very significant minority of investors (31%) said they are not at all satisfied with annual reports as a guide to making investment decisions (Figure 27).

Thirty-four percent of women said that they are not at all satisfied with annual reports, compared with 28 percent of men.

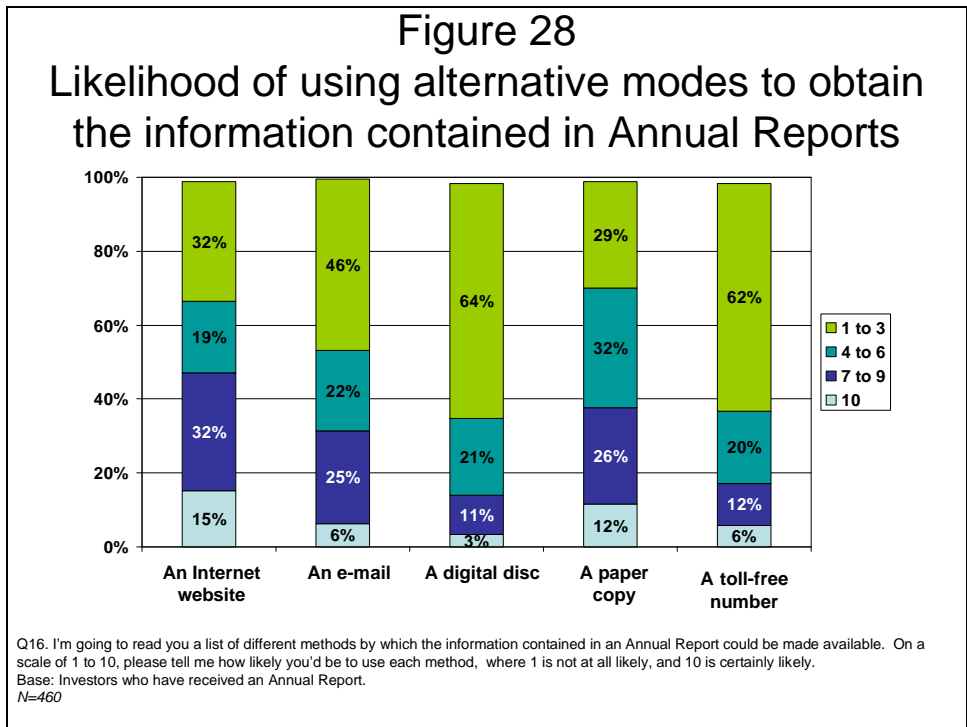
Overall, 5% of respondents are very or completely satisfied with annual reports.



**Likelihood of Using Alternative Modes for Receiving Information Contained in Operating Company Annual Reports**

Investors who had received an operating company annual report were asked about their preferences for a mode of delivery of the information currently contained in an annual report. Of the different delivery methods for the information contained in annual reports, an Internet web site got the highest ratings (47% ranking it 7 or above on a 10 point scale). This was followed by a paper copy (38%), and an e-mail (31%). Few seemed to be very supportive of receiving this information by a digital disc (14%) or a toll-free number (18%). (Figure 28)

An internet website was preferred by men, as well as by respondents under 40 years of age, with household income of \$150,000 or more, and having high investment literacy scores. Email was preferred by respondents under 40 years of age, living in households of three or more persons, and with high investment literacy scores. Men were more likely than women to express a preference for a digital disc, while a toll free number was preferred by respondents age 60 or more.

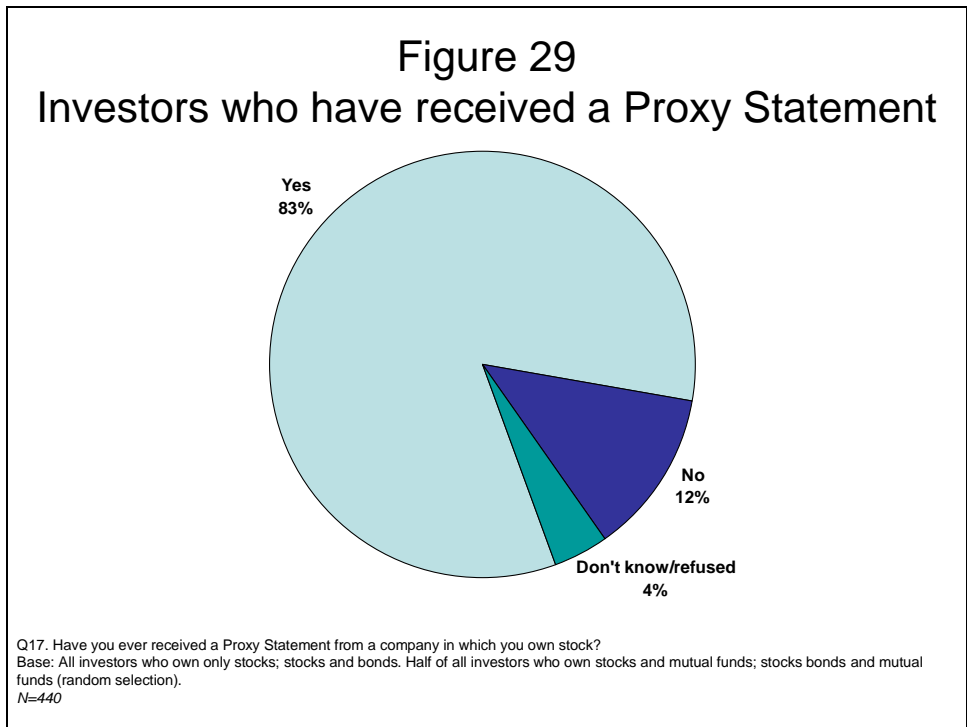


## **SECTION 3: Operating Company Proxy Statements**

### Investors Who Have Received an Operating Company Proxy Statement

Investors were asked if they had ever received a proxy statement from a company in which they owned stock. Over four-fifths of the investors reported having received a proxy statement from a company in which they owned stocks (83%). Only 12% of investors claimed that they had never received a proxy statement and 4% said they were not sure, or refused (Figure 29).

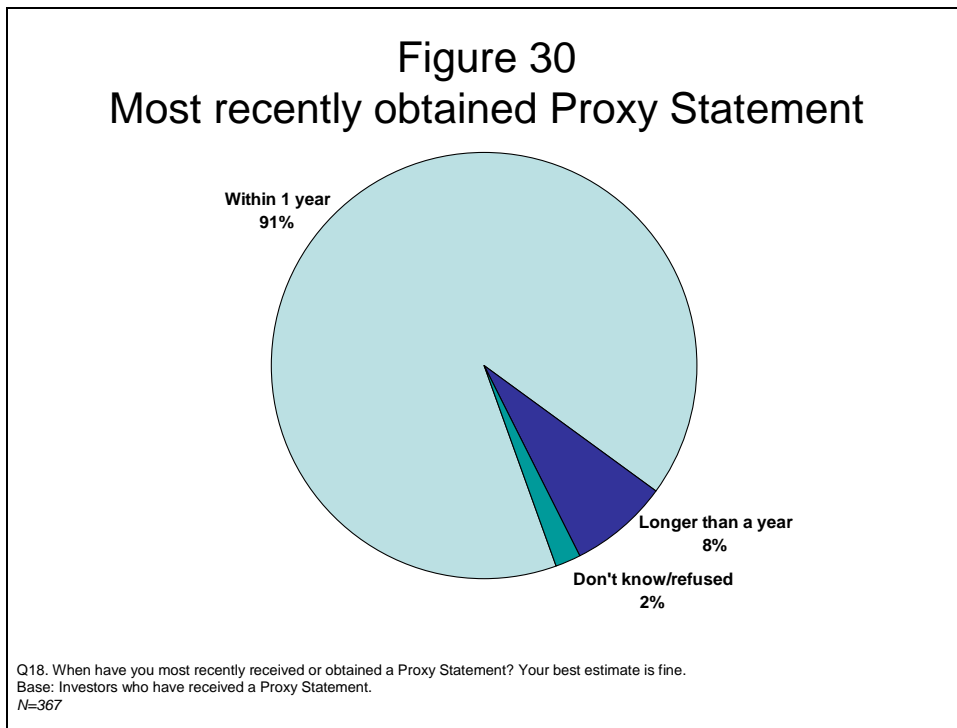
Older investors were more likely to report having received proxy statements (60+ = 91%, age 41-60 = 84%, and under 40 = 70%). Those with higher levels of investment literacy were also more likely to report having received a proxy statement (high = 92%, medium = 84%, and low = 76%).



### Most Recently Obtained an Operating Company Proxy Statement

For those who reported receiving an operating company proxy statement, we asked them whether they received this statement within the last year. Nearly all investors who had received a proxy statement reported doing so within the last year (91%), while less than one in ten (8%) investors reported that it had been more than a year since receiving one (Figure 30).

Women were more likely than men to report having received a proxy statement within the last year (93% vs. 88%, respectively). Men were more likely to report having received a proxy statement more than 1 year ago (11% vs. 5% respectively).

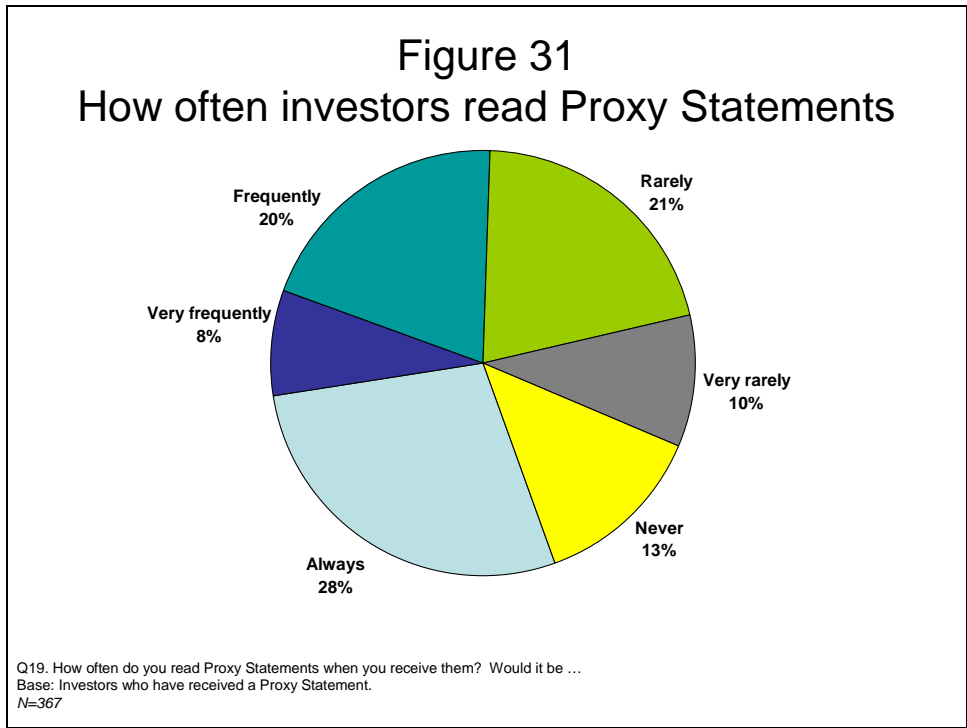




### How Often Investors Read Operating Company Proxy Statements

When asked how often investors read operating company proxy statements when received, over one-quarter (28%) of investors said always, while the same proportion said that they read the proxy statements either very frequently (8%) or frequently (20%). Almost one-third said they rarely (21%), or very rarely (10%) review the proxy statement and 13% claim to never read proxy statements (Figure 31).

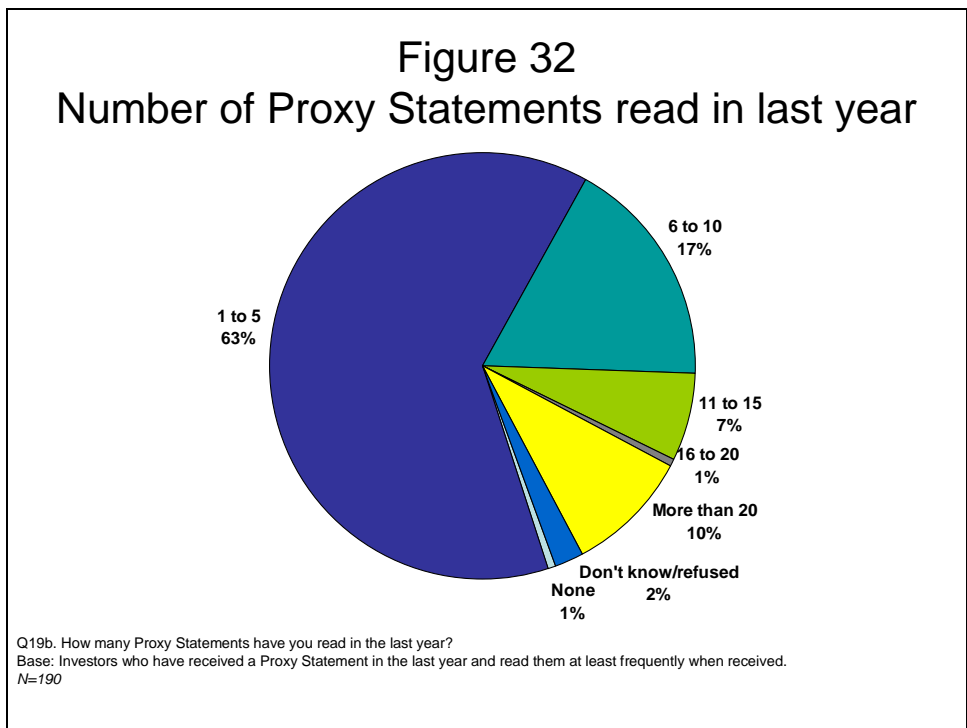
Men were more likely to read proxy statements than women (always: Men = 32%, women = 24%; rarely: men = 37%, women = 50%). Investors with lower levels of education were also more likely to report always reading proxy statements.



### Number of Operating Company Proxy Statements Read in the Last Year

Of those who said that they read the operating company proxy statements at least frequently, nearly two thirds (63%) reported having read less than six proxy statements within the last year. Almost a fifth of investors (17%) read anywhere from six to ten statements, while seven percent read from eleven to fifteen. More than one in ten (11%) read at least sixteen proxy statements within the past year (Figure 32).

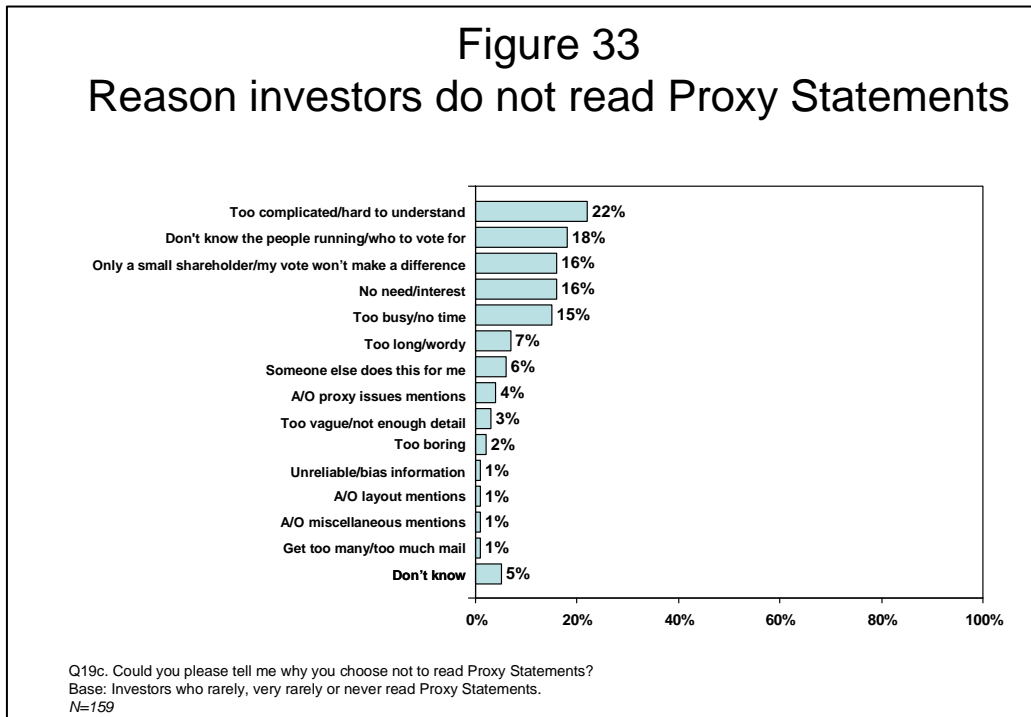
On average, investors with only one (mean = 7.1) or two (mean = 6.2) household members reported having read more proxy statement in the past year than did those with three or more family members (mean = 4.7). Older investors also reported reading more proxy statements in the last year on average (under 40 = 4.6, 41 to 60 = 5.0, 60+ = 7.0). College graduates also reported reading more proxy reports than those without a degree. Similarly, those with high levels of investment literacy read more proxy statements in the last year, on average, than those with lesser levels of investment literacy.



### Reasons Investors Do Not Read Operating Company Proxy Statements

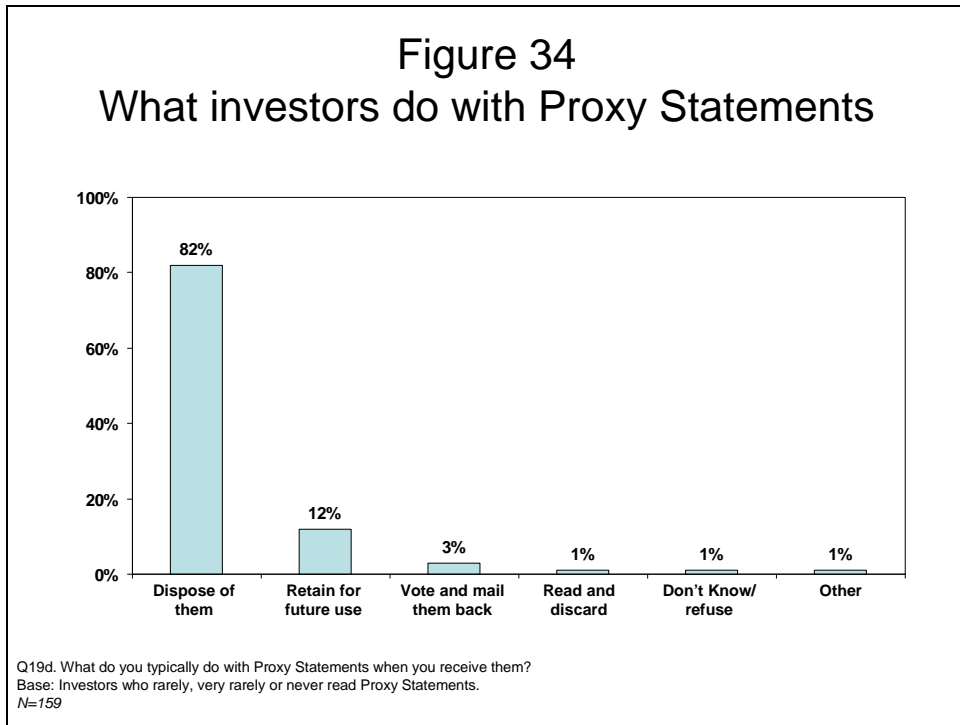
We asked investors to list the reasons why they do not read their operating company proxy statements frequently. Respondents could give more than one response. Almost one quarter (22%) of the respondents reported that the reason they do not read them was that the statements were too complicated or hard to understand. Slightly less than one in five (18%) investors said that they do not know the people running for election, and sixteen percent thought that their vote won't make a difference. Investors also reported that they had no interest in reading the proxy statement (16%), or were too busy to do so (15%). (Figure 33)

Women were more likely than men to say they did not read proxy statements because they did not know the people running or who to vote for (22% women, 11% men).



### What Investors Do with Operating Company Proxy Statements

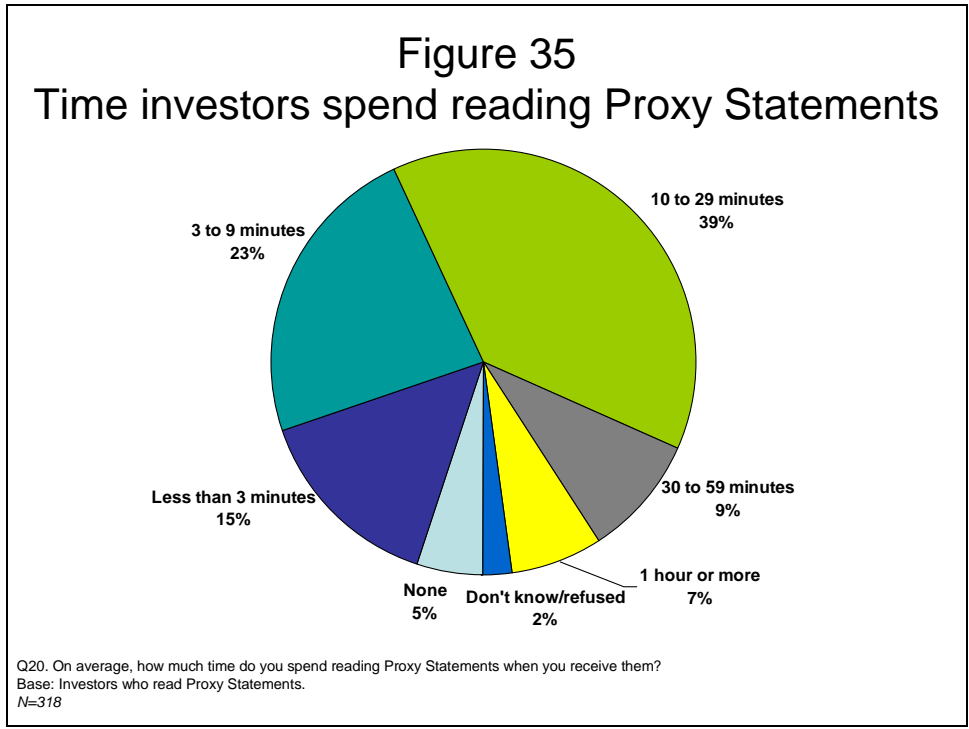
Investors who do not frequently read their operating company proxy statements were also asked what they do with the proxy statements when they receive them. Over four-fifths (82%) said they dispose of them; overwhelmingly the most common answer given. Some investors (12%) do retain the statements for future use. Very few investors reported that they vote and mail them back (3%), or read them and then throw them away (1%). (Figure 34)



### Time Investors Spend Reading Operating Company Proxy Statements

When investors who read operating company proxy statements were asked how much time they spend on average reading them, two out of five (39%) investors reported that they spent 10 to 29 minutes doing so. Close to a quarter (23%) of investors claimed that they spent 3 to 9 minutes reading the proxy statements and nine percent said they spent anywhere from 30 minutes to 59 minutes on this. Only seven percent of investors said they spent an hour or more reading the statements while fifteen percent spent less than three minutes reviewing them. Five percent of investors reported they spent no time reading the proxy statements despite the fact that they claimed to read them in an earlier question (Figure 35).

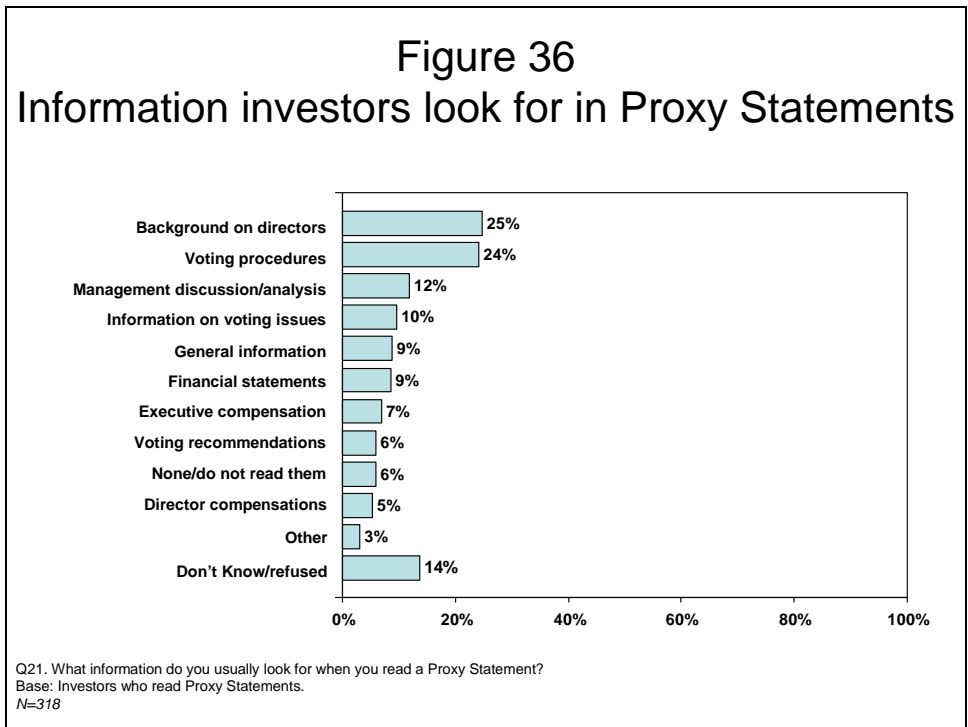
More women than men reported spending no time reading proxy statements (8% for women vs. 2% for men). Conversely more men than women reporting spending one hour or more reading proxy statements (9% for men vs. 5% for women).



**Information Investors Look for in Operating Company Proxy Statements**

Among investors who reported reading the operating company proxy statements, we asked what information they usually look for when reviewing the statement. A quarter (25%) of investors reported they were reviewing the background of the directors of the company, and twenty-four percent said they were reviewing the voting procedures. Investors were less likely to be looking for management discussion and analysis (12%), information on voting issues (10%), general information (9%), or financial statements (9%). (Figure 36)

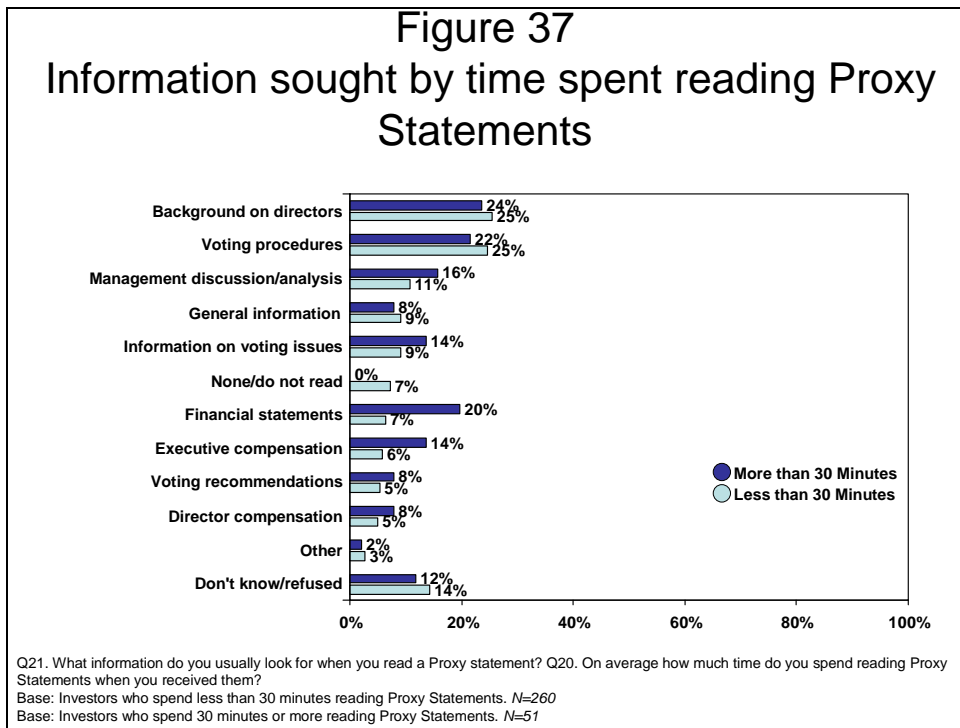
Men reported greater interest than women in: director compensation (14% vs. 3%); financial statements (18% vs. 9%) and voting procedures (28% vs. 20%). On the other hand, more women than men reported not being sure about what information they look for in proxy statements (20% vs. 8%). The older age groups, 41-60 and over 60, were more likely to be interested in the backgrounds of the directors (29% for over 60; 24% for 41-60; and 6% for 40 and under), while the younger age group reported more interest in executive compensation (11% for 40 and younger, 8% for 41-60, and 5% for over 60).



### Information Sought by Time Spent Reading Operating Company Proxy Statements

When investors who spend less than 30 minutes reading operating company proxy statements were asked what information they look for when reading them, the trend was very similar to everyone who was asked this question. A full quarter of these investors cited background on directors and voting procedures as the two pieces of information they look for. These were followed by management discussion and analysis (11%), general information (9%), and information on voting issues (9%) (Figure 37).

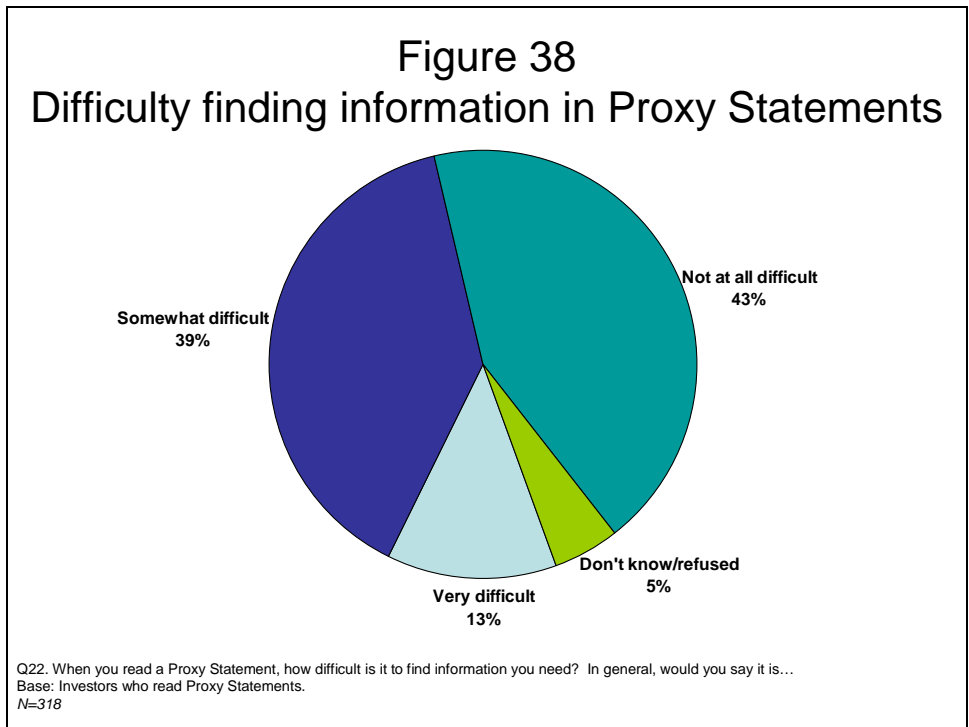
The trend differs slightly when investors who spend 30 minutes or more reading proxy statements were asked what information they look for in the statements. Although the top two cited categories are the same, almost a quarter (24%) cited background on directors, and twenty-two percent cited voting procedures, the similarity ends there. Those who spend more time reading the statements are more interested in financial statements (20%), management discussion and analysis (16%), executive compensation (14%), and information on voting issues (14%) when compared to those who do not spend much time reviewing the statements.



### Difficulty Finding Information in Operating Company Proxy Statements

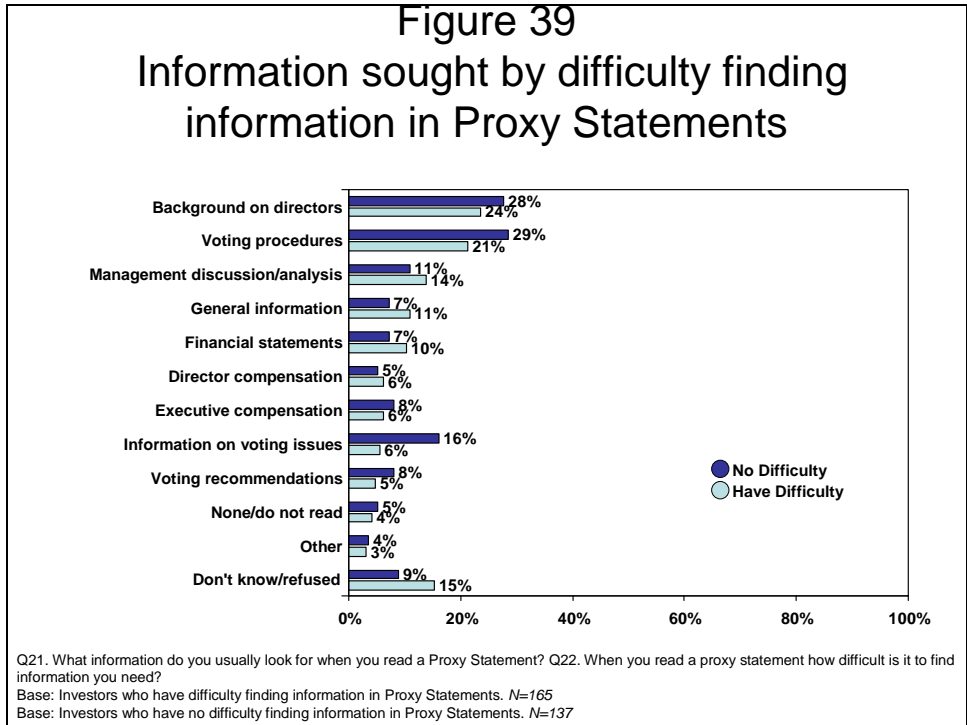
When investors who read operating company proxy statements were asked how difficult it is to find the information they need to make good voting decisions in the proxy statement, 13 percent said very difficult, close to four out of ten (39%) reported it was somewhat difficult, and forty-three percent of investors said it was not at all difficult to find the information they needed (Figure 38).

Investors under the age of 40 were twice as likely to say it was very difficult to find information in proxy statements than those who were 60 or older (18% vs. 9%). Those with the high investment literacy (56%) found were more likely to say it was “not at all difficult” than those with low or medium investment literacy (39%).





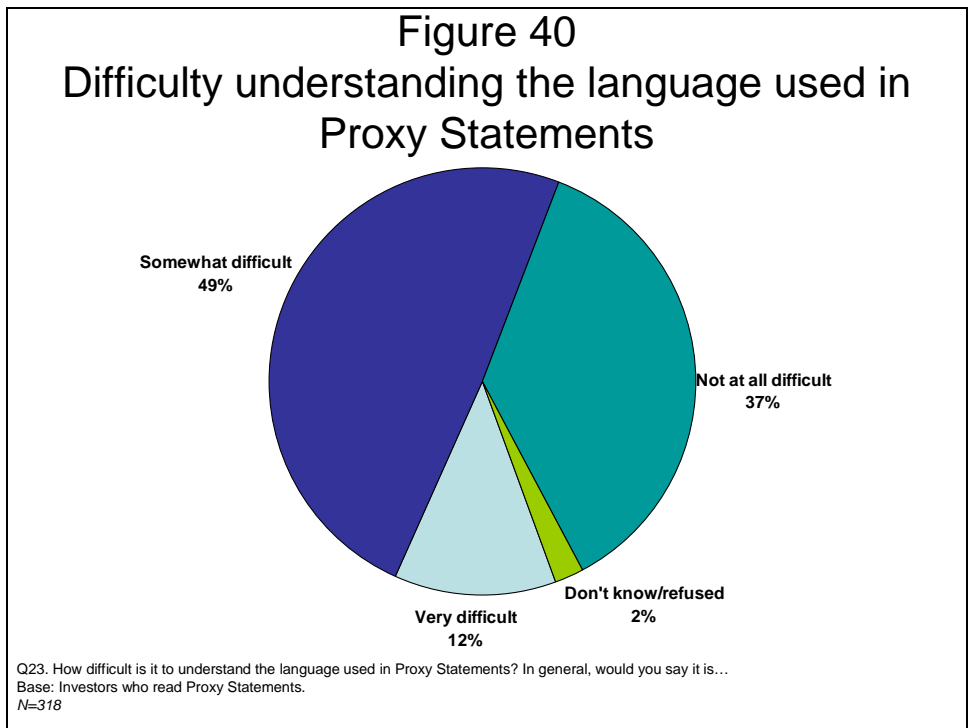
There was no difference in the types of information sought from operating company proxy statements between those who reported difficulty in getting the information they needed from statements and those who did not (Figure 39).



### Difficulty Understanding the Language Used in Operating Company Proxy Statements

When investors who read operating company proxy statements were asked how difficult it was to understand the language used in them, twelve percent claimed it was very difficult, while nearly one-half (49%) of investors said it was somewhat difficult. More than one-third of investors (37%) said it was not at all difficult to understand the language used in the proxy statements (Figure 40).

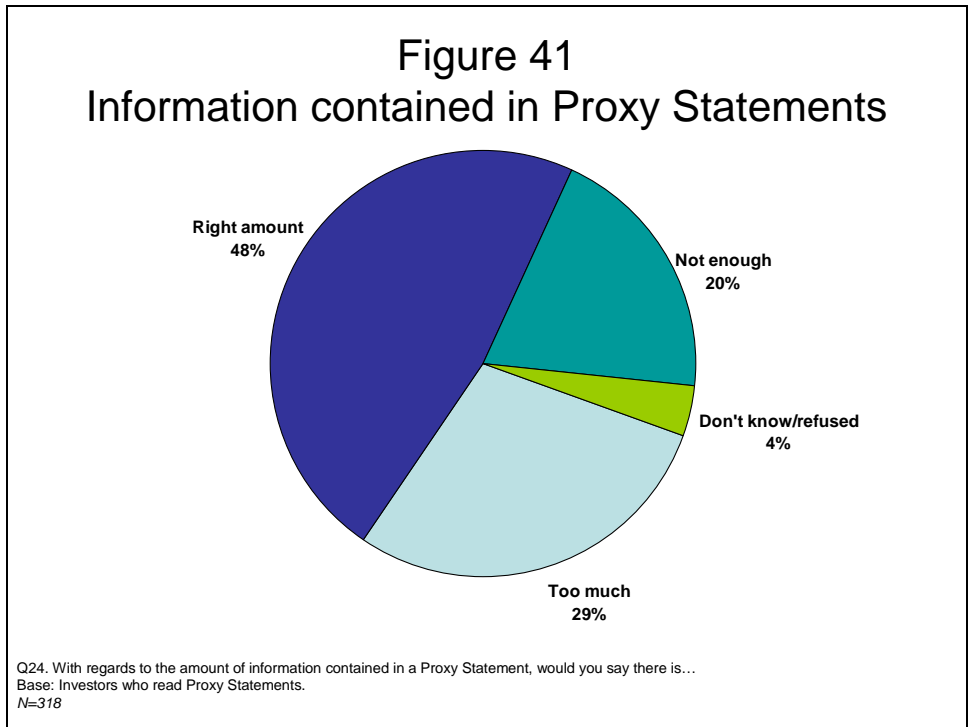
Women were more likely than men to say the language used in proxy statements “very difficult” (17% vs. 8%), or “somewhat difficult” (54% vs. 44%) to understand. Those with high levels of investment literacy were more likely to report that the language was “not at all difficult” to understand (51% for high literacy vs. 34% for medium and 28% for low literacy groups).



### Information Contained in Operating Company Proxy Statements

Investors were asked if the amount of information contained in the operating company proxy statement was the right amount for what they needed. Almost three out of ten investors (29%) reported that the statement contains too much information, although close to half (48%) of the investors thought the statements had the right amount of information. One in five investors (20%) reported the statements didn't have enough information (Figure 41).

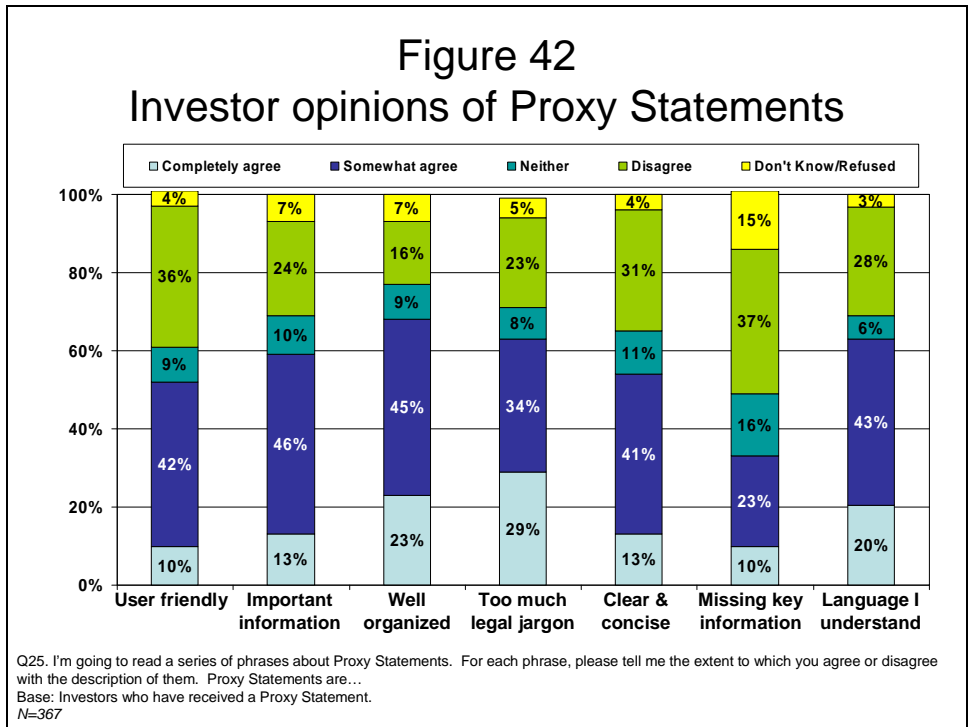
Investors with high school or less education were much less likely (only 3%) to report that proxy statements do not contain enough information than those with higher levels of education ( some college = 19%, college grad = 22%, graduate degree = 23%). Those with high levels of investment literacy (59%), were more likely than those with lower levels to say that proxy statements contain the right amount of information (medium = 43%, low= 45%). Those with low levels of investment literacy were also more likely to say that proxy statements contained too much information.



### Investor Opinions of Operating Company Proxy Statements

All investors who reported having received an operating company proxy statement were asked to state the degree to which they agreed or disagreed with a series of statements about the proxy statements. Among the positive statements presented, more than half (59%) agreed that they highlight important information (24% disagreed), and 68 percent agreed that they are well organized (16% disagreed). In addition, nearly two-thirds (63%) agreed that proxy statements are written in a language they understand (28% disagreed). Over half (52%) agreed that proxy statements are user friendly (36% disagreed), and that they are clear and concise (54% agreed, 31% disagreed). Among the negative statements, nearly two-thirds (63%) agreed that they contain too much legal jargon (23% disagreed), while only 33 percent agreed that they are missing key information (37% disagreed). (Figure 42)

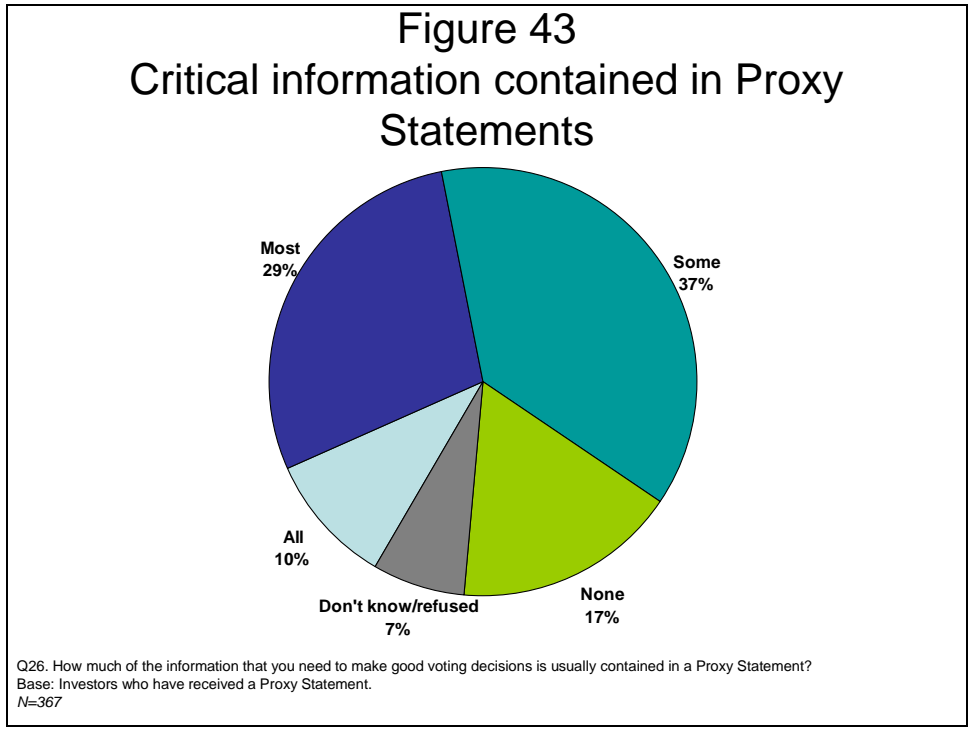
Older investors were more likely to agree that proxy statements are clear and concise (under 40 = 42%, 41 – 60 = 52%, 60+ = 64%). Conversely, younger investors were more likely to disagree. Older investors were also more likely to agree with the statement that proxy statements are written in a language I understand, while younger investors were more likely to disagree. Male investors were more likely than female investors to agree with the statement that proxy statements are missing key information (39% vs. 27% respectively).



### Critical Information in Operating Company Proxy Statements

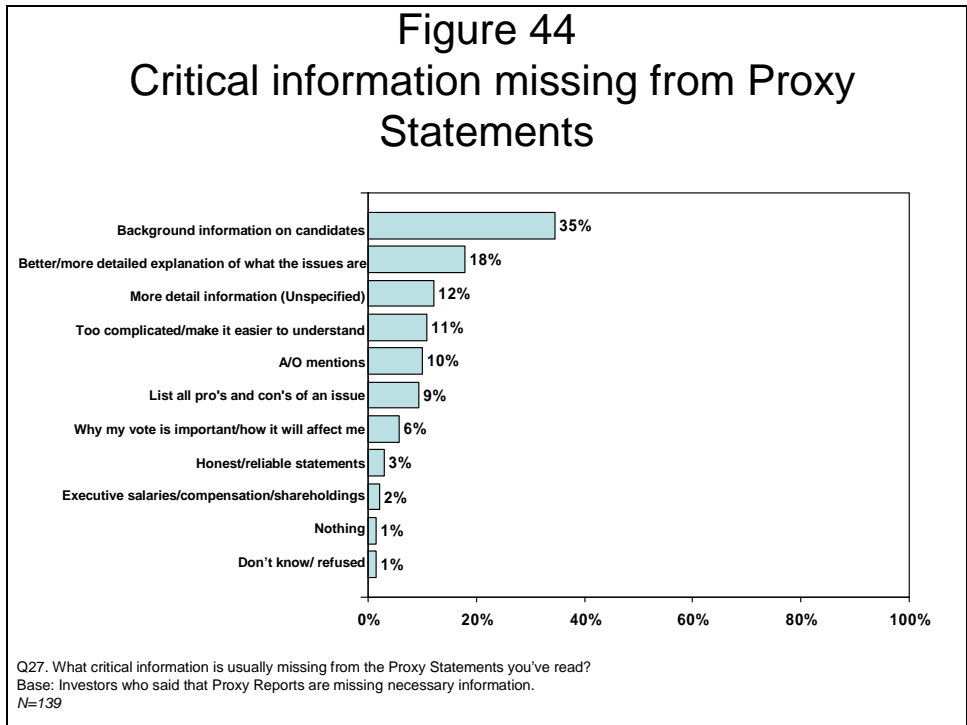
Investors were asked how much of the information they need to make good voting decisions is usually contained in the operating company proxy statements they receive. Only 10 percent of investors claimed all of the information was contained in the statement, while close to three in ten (29%) said most of the information was there. Thirty-seven percent of investors reported that some of the information was in the statements while seventeen percent said none of the information they needed to make good voting decisions is usually contained in their proxy statements (Figure 43).

Investors living alone were more likely to report that proxy statements contain none of the information they need to make good voting decisions than those living with another people. Those with high investment literacy were more likely to state that proxy statements contain most of the information they need.



### Critical Information Missing from Operating Company Proxy Statements

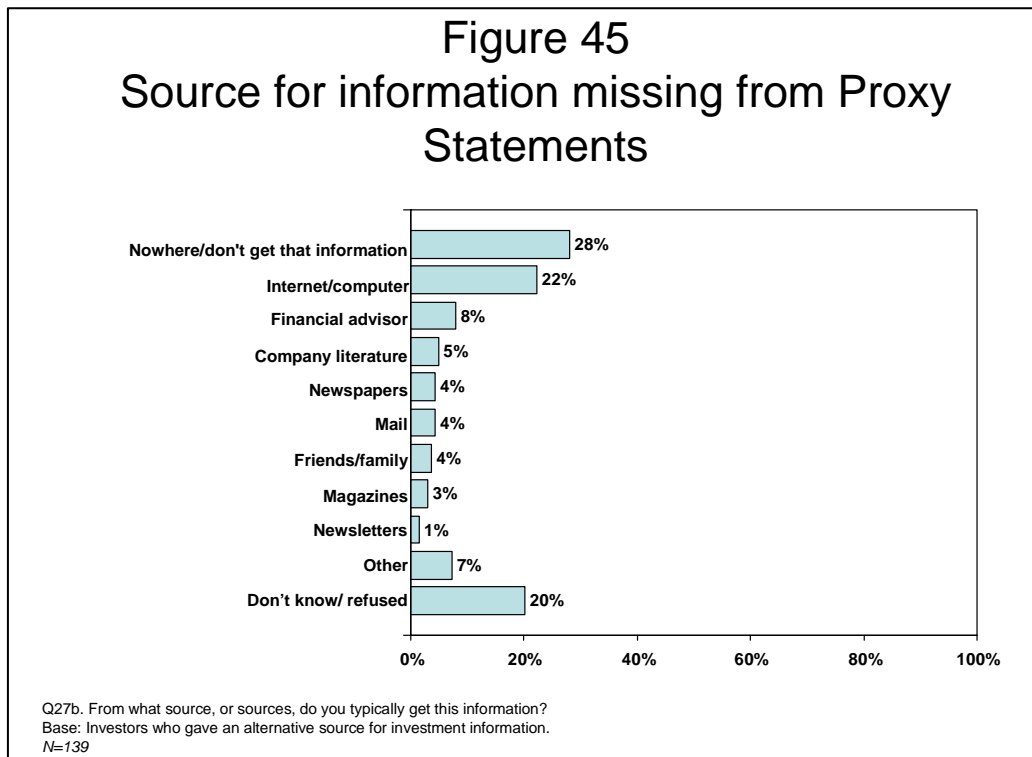
We asked investors who reported the operating company proxy statements they receive are missing critical information, what, specifically, was missing from the statements. More than one-third (35%) claimed background information on candidates was missing from the statements. Investors also thought there was a lack of detailed explanation of the issues (18%), detailed information in general (12%), and pros and cons of issues being voted upon (9%) (Figure 44).



### Source for Information Missing from Operating Company Proxy Statements

Among investors who reported that critical information is missing from the operating company proxy statements, we asked what other source(s) they use to obtain this information. More than a quarter (28%) said they simply do not get the information, while twenty-two percent said they get this information from the Internet or computer. Eight percent of investors get the information from a financial advisor or broker, and only a handful of investors get this information from company literature (5%), newspapers (4%), mail (4%), or friends/family (4%). Interestingly, one in five (20%) of investors said they didn't know where to get the information or refused (Figure 45).

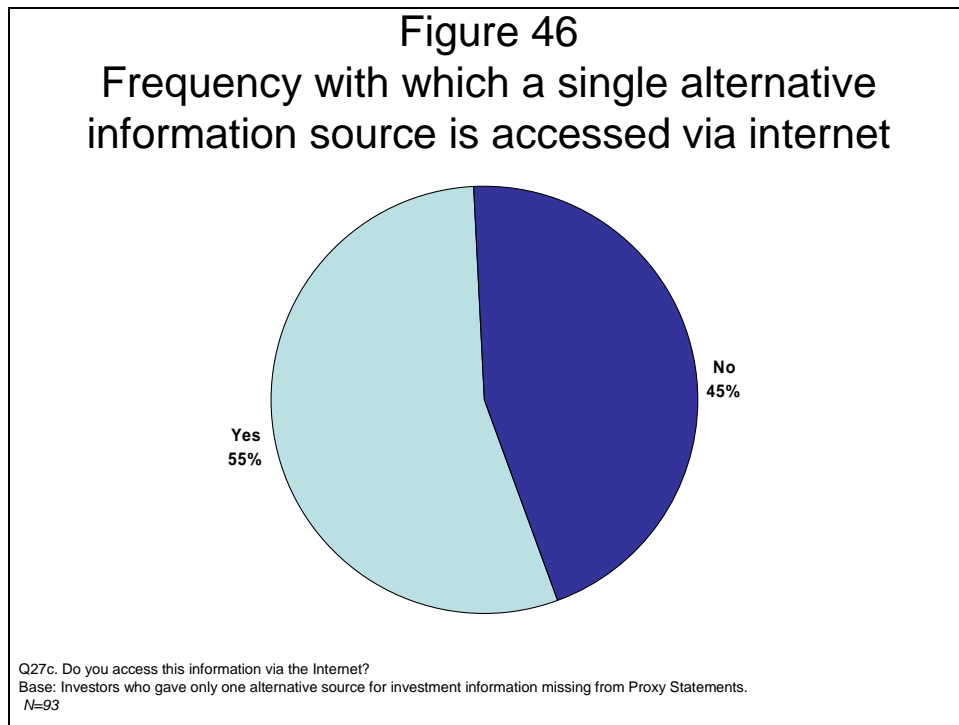
Investors over age 60 were more likely to obtain the information from a financial advisor (21%) where as only 1% of the 41 to 60 age group reported a financial advisor as the source, and 8% of the younger than 40 age group reported a financial advisor as a source.



### Frequency with Which Alternative Information Sources are Accessed via Internet

Investors who gave only one alternative source for missing information on the operating company proxy statements were asked if they access the information via the Internet. Over half (55%) reported that they do access this information via the Internet (Figure 46).

Male investors were more likely than female investors (67% vs. 37%) to use the Internet to obtain the information missing from proxy statements.

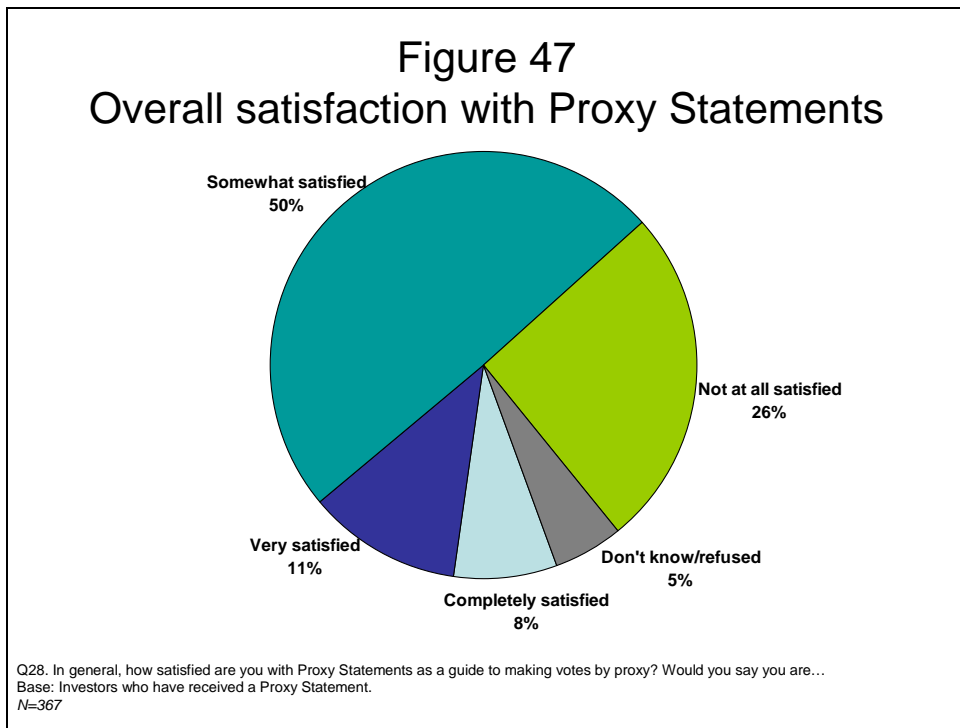




### Overall Satisfaction with Operating Company Proxy Statements

All investors who received operating company proxy statements were asked what their overall satisfaction with the statement was with regard to making voting decisions by proxy. Eight percent of investors were completely satisfied with the statements they received, slightly more than one in ten (11%) investors were very satisfied with them and half of investors (50%) were somewhat satisfied. Over a quarter (26%) were not at all satisfied with the statements as guide to making votes by proxy (Figure 47).

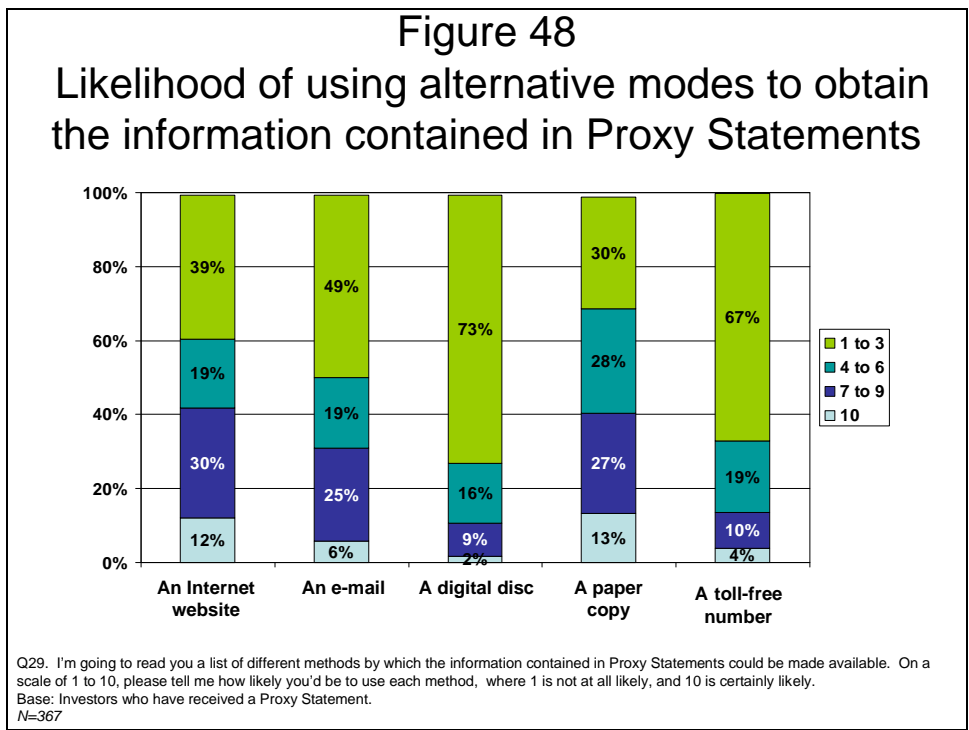
Investors with high investment literacy (25%) were more likely than those with low literacy (16%) to be satisfied with proxy statements as a guide to making good voting decisions.



### Likelihood of Using Alternative Modes for Receiving Information Contained in Operating Company Proxy Statements

Investors were asked the likelihood they would access information contained in operating company proxy statements via alternative modes. An Internet Web site was rate the highest with 42% of investors ranking it 7 or higher on a 10 point scale, followed closely by a paper copy (40%). E-mail was the third most popular choice, with almost one-third (31%) of investors rating this a 7 or higher. A toll-free number (14%) and digital disc (11%) were not very popular choices among investors (Figure 48).

Male investors would be more likely (mean = 5.6) than female investors (men = 4.5) to access proxy information via an internet web site. Others who would be more likely to access this information via an internet web site were investors in households with three or more persons (mean = 5.6), younger investors (under 40 = 6.6, 41 – 60 = 5.4, 60+ = 3.8), and those with high investment literacy (mean = 6.3). Younger investors and those with medium and high investment literacy were also more likely to say they would use the information were it provided in an email. Investors in households with less than three occupants were more likely to say they would use the information in a paper copy. Finally, investors with a high school education or less were less likely to say they would access the information via web site or email.

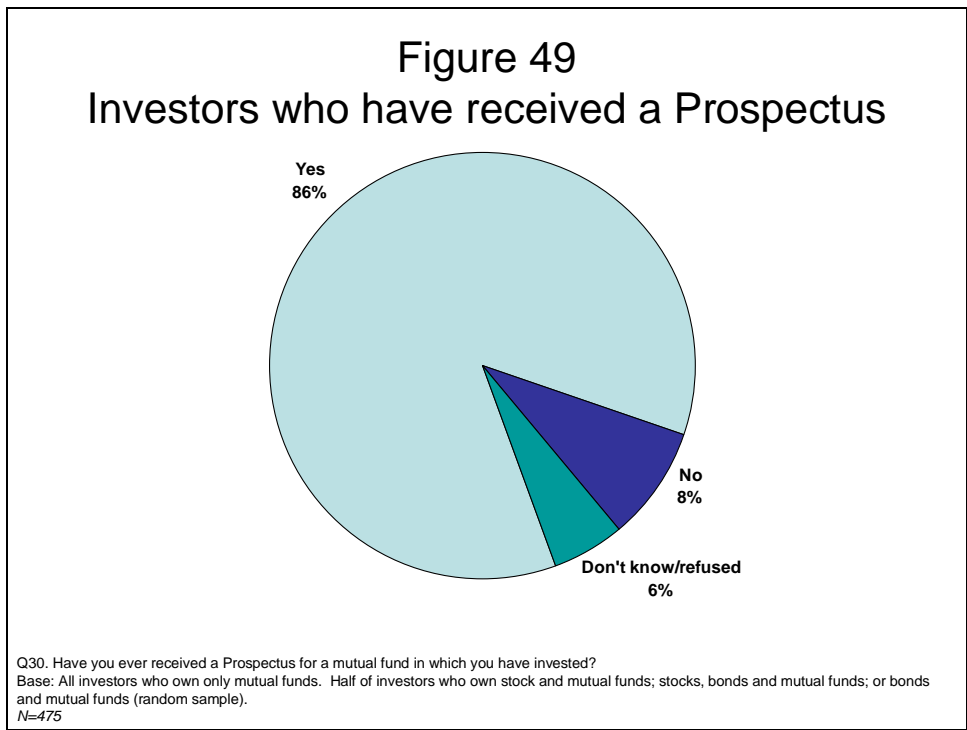


## **SECTION 4: Mutual Fund Prospectuses**

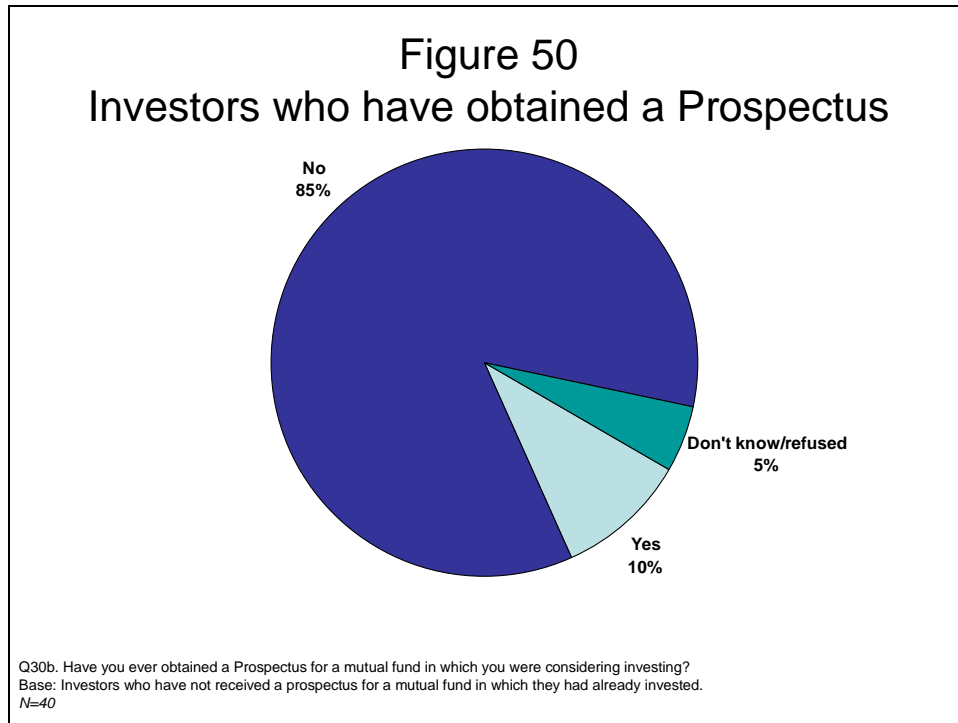
### Investors Who Have Received a Mutual Fund Prospectus

Nearly nine out of ten investors who have mutual funds (86%) reported having received a prospectus from a mutual fund in which they had invested. Only eight percent said that they had never received a prospectus from a mutual fund in which they had invested. Another 6% were not sure if they had ever received a mutual fund prospectus (Figure 49).

Investors with a college education were more likely than those without to report having received a prospectus from a mutual fund in which they had invested. Those with higher levels of investment literacy were also more likely to report having received a prospectus (low = 75%, medium = 87%, high = 96%).



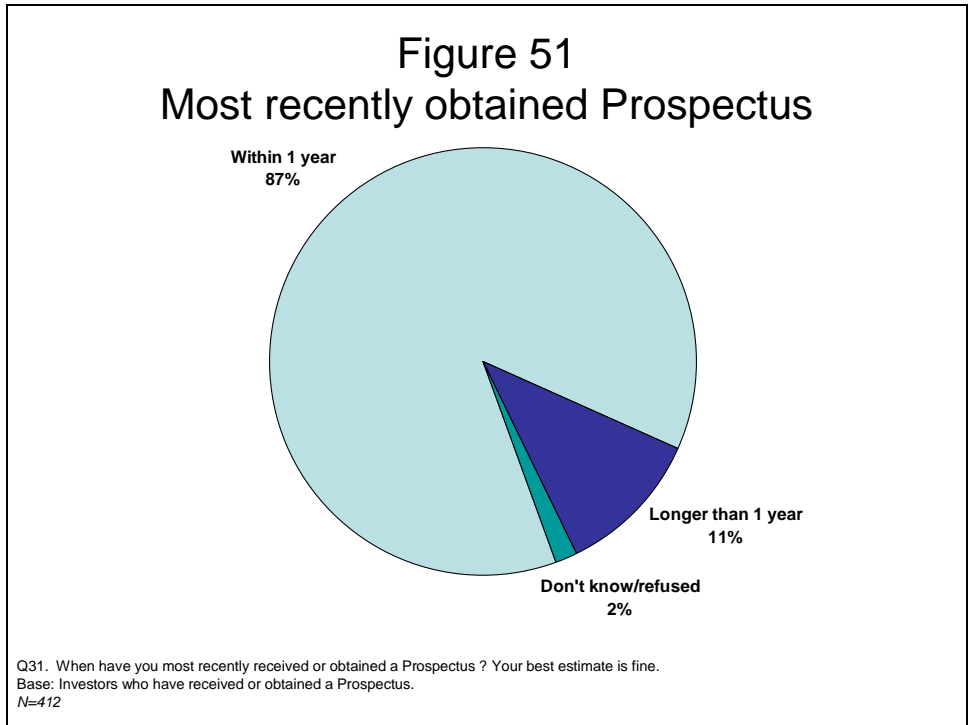
Investors with mutual funds, who had not received a prospectus from a fund in which they had invested, were asked if they had ever received a prospectus from a mutual fund in which they were considering investing. Ten percent of investors who had not received a prospectus from a mutual fund in which they had invested reported having obtained a prospectus from a fund in which they were considering investing. In general, those who did not recall receiving a prospectus from a fund that they invested in, had never received a prospectus from a fund in which they were considering investing (Figure 50).



### Most Recently Obtained Mutual Fund Prospectus

Those investors who had ever received a prospectus from a mutual fund in which they had invested or were considering investing in were asked when they had received or obtained their most recent prospectus. Most investors who had received or obtained a mutual fund prospectus (87%) reported doing so within the last year. A small number (11%) said that it had been more than a year since they had last received a mutual fund prospectus (Figure 51).

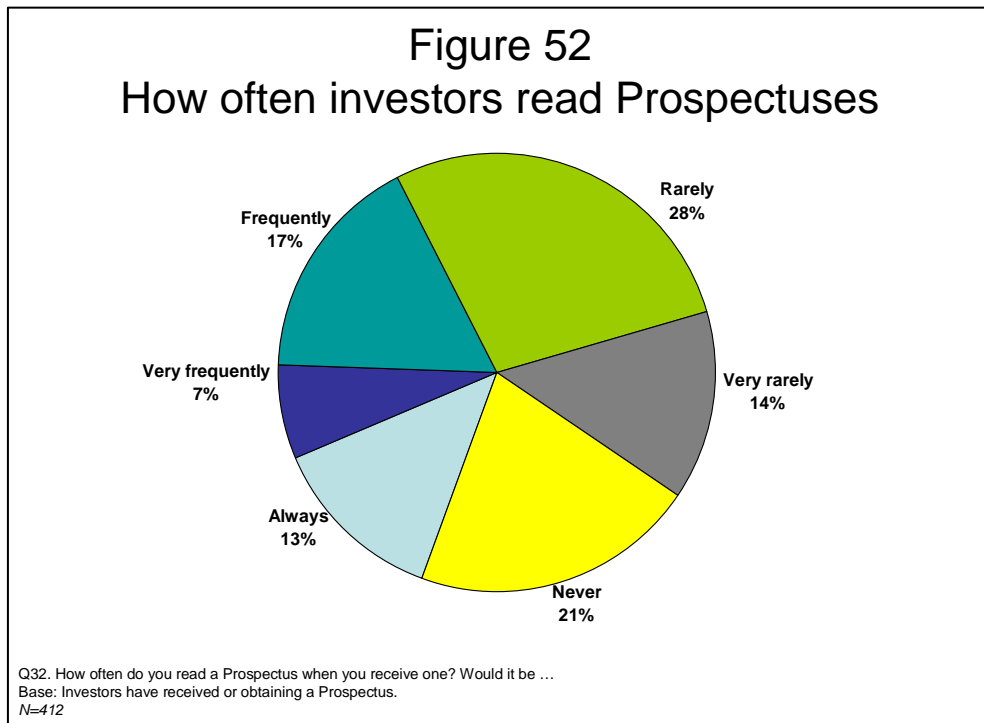
Among respondents who have reported having received a mutual fund prospectus, 91% of females reported receiving a prospectus within 1 year, compared with only 83% of males. Younger investors were also more likely to report having received a mutual fund prospectus within the last year. (under age 40 = 93%, age 41 to 60 = 86%, and age 60+ = 86%).



### How Often Investors Read Mutual Fund Prospectuses

Investors who had received or obtained a mutual fund prospectus were asked how often they read prospectuses when received. Investors are split on the likelihood of reading prospectuses for mutual funds in which they have invested or are considering investing. Thirteen percent said they always read mutual fund prospectuses when they receive them, while an additional 7% said they read them very frequently, and 17% said they read them frequently. However nearly two-thirds of investors who received mutual fund prospectuses said they rarely (28%), very rarely (14%) or never (21%) read prospectuses when they received them (Figure 52).

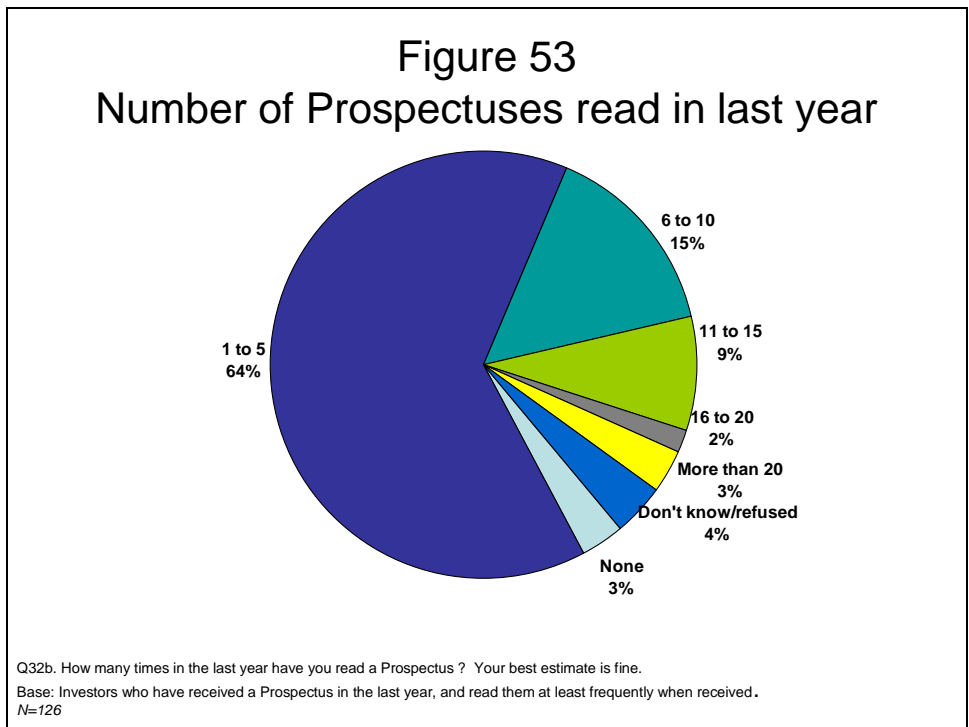
Men were more likely to report that they read mutual fund prospectuses when they receive them ( always / very frequently = 44%, as opposed to 30% of women). Investors with a college education were also more likely to read mutual fund prospectuses than those with a high school diploma or less education. Similarly, those with high levels of investment literacy (46%), were more likely than those with medium levels (34%), and low levels (31%) to read mutual fund prospectuses always or very frequently when received.



### Number of Mutual Fund Prospectuses Read in the Last Year

Those who said that they had received a mutual fund prospectus within the past year and read them at least frequently when received were asked how many prospectuses they had read in the past year. Approximately two thirds (64%) reported having read less than six mutual fund prospectuses within the last year. Another 15 percent said that they read from six to ten mutual prospectuses in the past year, while 9 percent read from eleven to fifteen mutual fund prospectuses, 2 percent read from sixteen to twenty and 3 percent read more than twenty mutual fund prospectuses in the past year (Figure 53).

Men reported reading more mutual fund prospectuses in the previous year than did women. Women were more likely than men to have read 1 to 5 mutual fund prospectuses, while men were more likely to have read 7 to 10 or 11 to 15 mutual fund prospectuses.

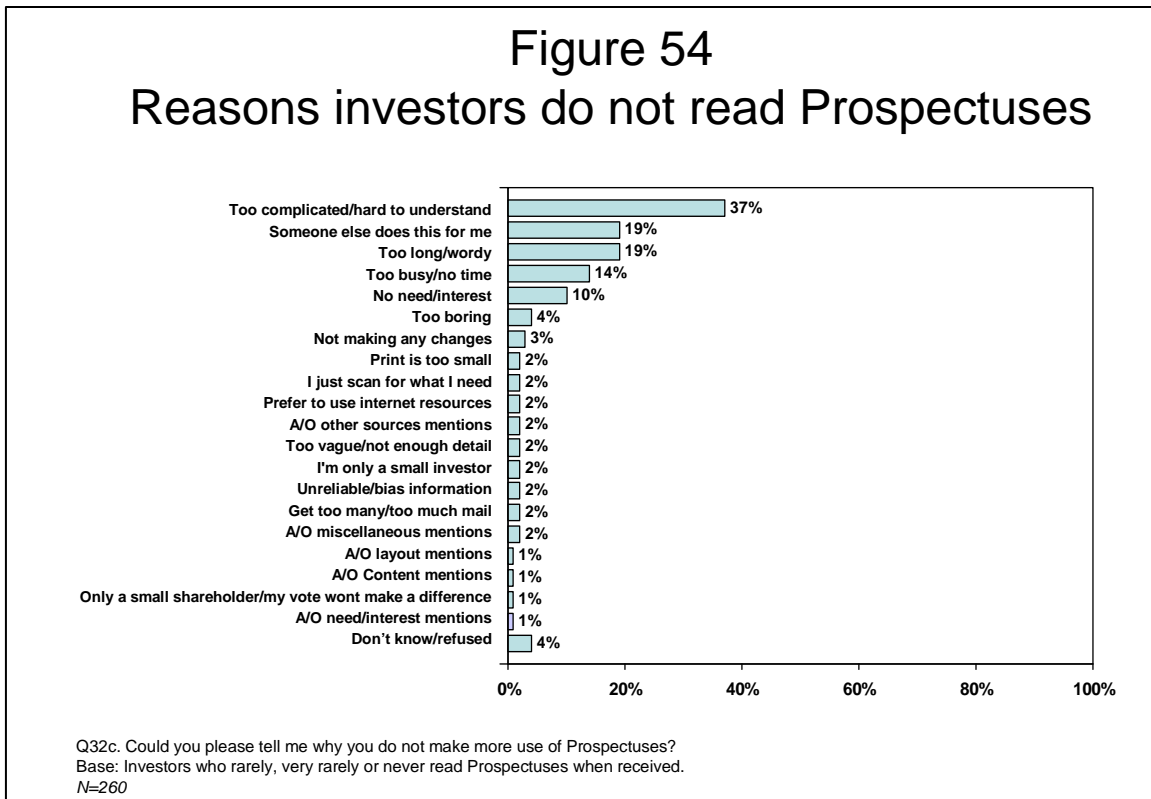




### Reasons Investors Do Not Read Mutual Fund Prospectuses

Those investors who received a mutual fund prospectus, but said that they rarely, very rarely or never read them were asked why they choose not to read these prospectuses. Most commonly, investors who do not read prospectuses from mutual funds in which they invest or are considering investing stated that the reason they do not read them was that they were too complicated or hard to understand (37%). Nearly one-fifth said that someone else does this for them (19%), or that they are too long and wordy (19%), while 14 percent said they did not read them because they are too busy. Another 10 percent said that had no interest in reading mutual fund prospectuses (Figure 54).

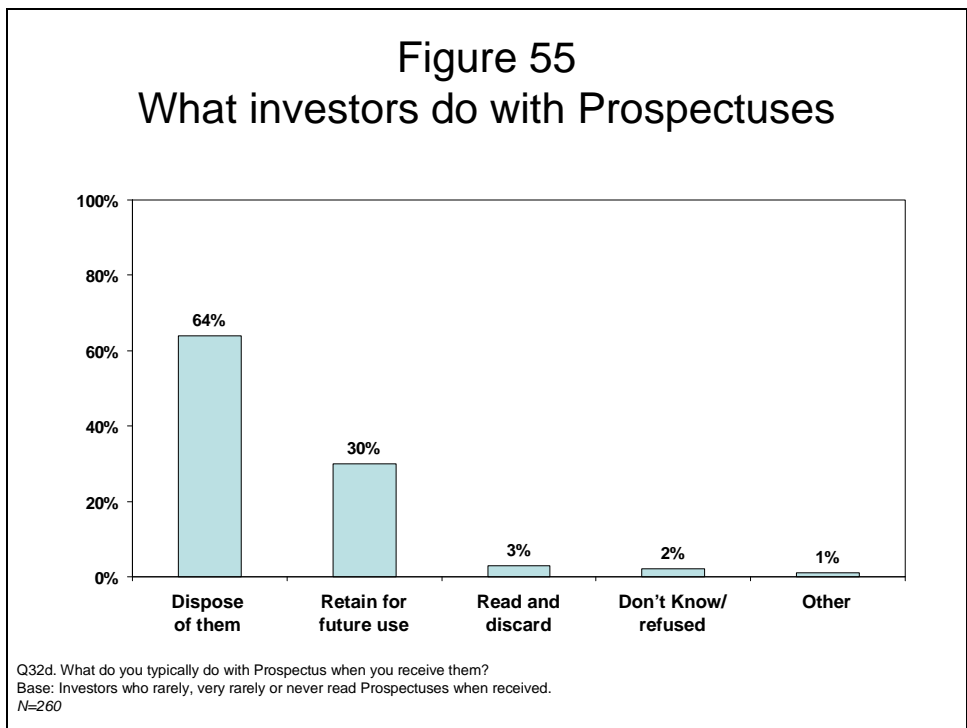
Women were more likely than men to report that the reason they do not read mutual fund prospectuses is that they are too complicated or hard to understand (women = 47%, men = 24%). Younger investors were more likely than those age 60+ to say that mutual fund prospectuses were too long or wordy. Investors with graduate training or degree, and those with a high school diploma or less were more likely than those with some college or a college degree to say that mutual fund prospectuses were too complicated or difficult to understand, while those with a college degree or higher were more likely than those with less education to say that they were too wordy. Finally, those with a high level of investment literacy were more likely than those with less literacy to say mutual fund prospectuses are too long or wordy. Investors under the age of 40 were more likely to say they were too busy to read mutual fund prospectuses.



### What Investors Do With Mutual Fund Prospectuses

Of investors who rarely, very rarely or never read mutual fund prospectuses, about two-thirds (64%) said they dispose of them, while thirty percent said they retain them for future use. Approximately 3 percent said they read them and throw them away, while a smaller number (2%) reported not knowing what they did with them (Figure 55).

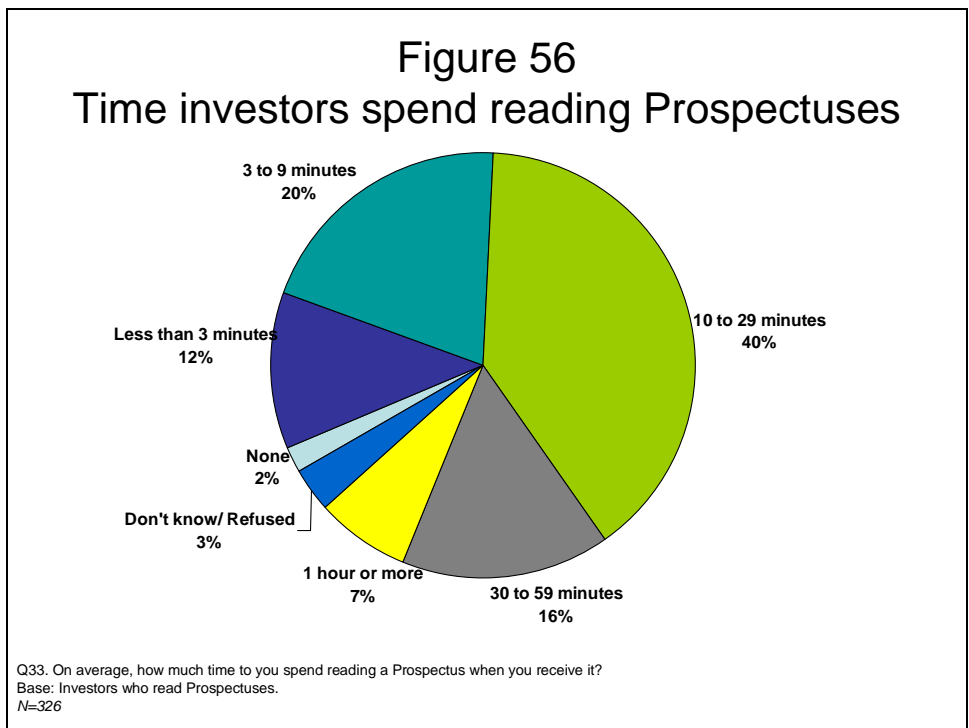
Female investors (34%) were more likely than males (24%) to retain mutual fund prospectuses for future use. Seventy-one percent of male investors reported that they typically dispose of mutual fund prospectuses when they receive them, compared to 58% of females. Younger investors were significantly more likely to retain prospectuses for future use (Under 40 = 41%, 41-60 = 29%, 60+ = 21%). Those with lower levels of investment literacy (low= 36%, medium = 31%), were more likely to retain them for future use, while those with higher levels were more likely to dispose of them (low = 53%, medium, 66%, high = 73%).



### Time Investors Spend Reading Mutual Fund Prospectuses

Those investors who ever read prospectuses for mutual funds in which they have invested or considered investing were asked how much time, on average, they spend reading prospectuses when they receive them. Very few investors (12%) who read mutual fund prospectuses say that they spend less than three minutes, on average, reading them. An additional 20 percent of investors who read mutual fund prospectuses said that they spend less than 10 minutes, on average, in reading them. Most commonly, 40 percent of investors say that they spend from ten to twenty-nine minutes reading mutual fund prospectuses when they receive them. Nearly one-fourth of investors report that they spend from thirty to fifty-nine minutes (16%) or an hour or more (7%) reading mutual fund prospectuses when they receive them (Figure 56).

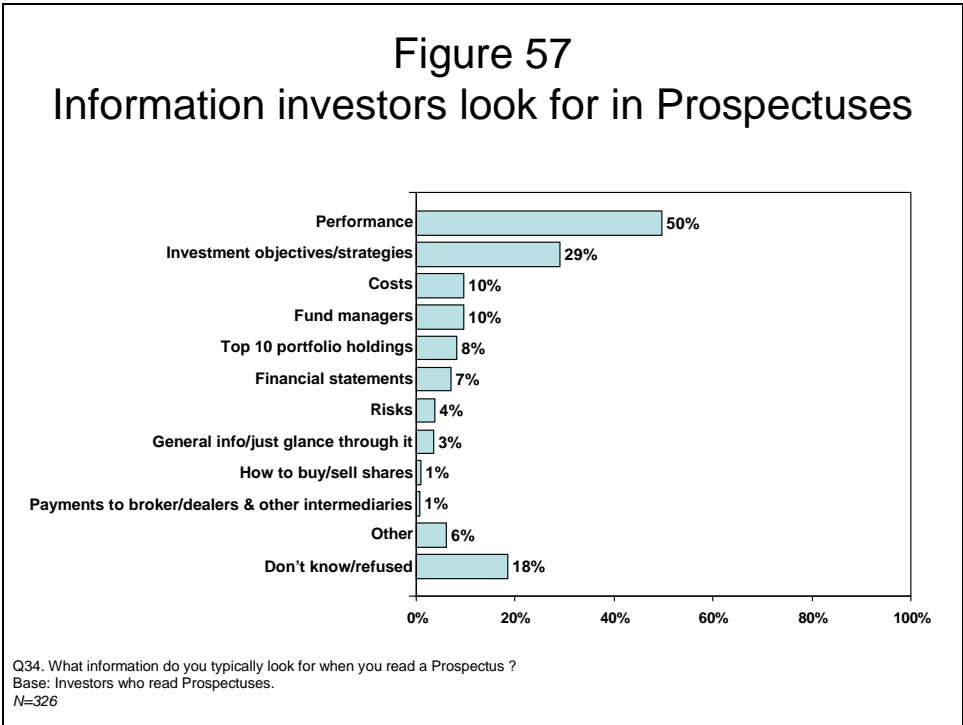
Women were more likely than men to say they spend no time reading mutual fund prospectuses (3% vs. 1%), while men were more likely to say they spend an hour or more (11% vs. 3%).



### Information Investors Look for in Mutual Fund Prospectuses

When investors who read mutual fund prospectuses were asked what information they typically look for when they read prospectuses, half cited performance (50%). Investors who read mutual fund prospectuses also said that they typically look for investment strategies (29%), costs (10%) and fund managers (10%). Less commonly, investors who read mutual fund prospectuses say that they typically look for top ten holdings (8%), financial statements (7%) and risks (4%). Additionally, 18 percent of investors who say that they read the prospectuses that they receive said they did not know what they typically look for in the reports (Figure 57).

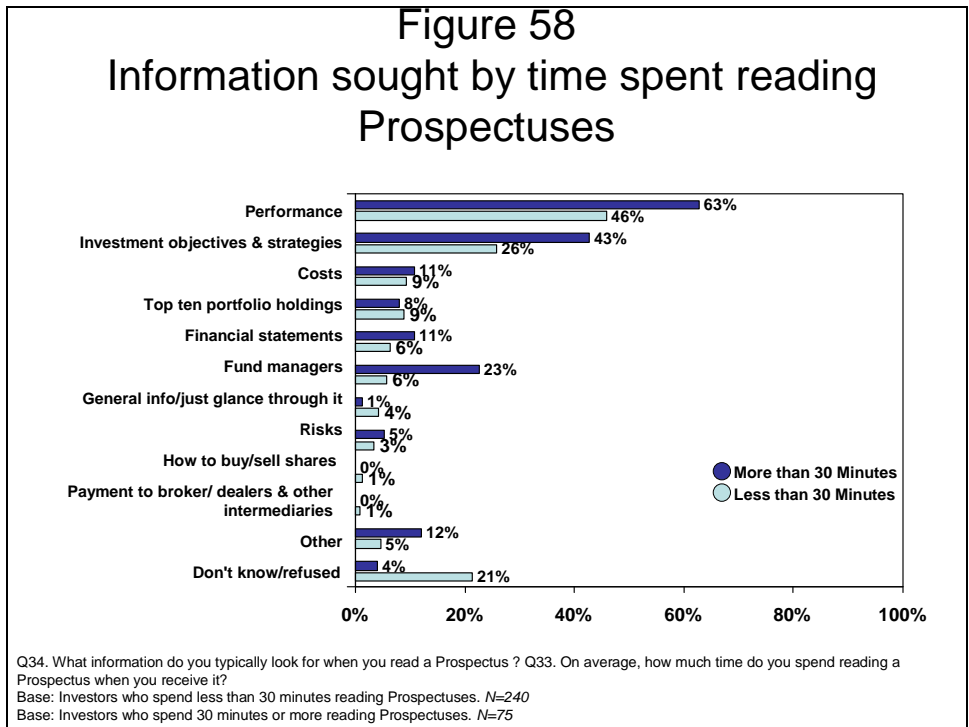
Fifty-four percent of males typically look for performance when they read a mutual fund prospectus, compared with 45% of females. Younger respondents (Under 40 = 60%) were more likely to look for performance when they read a mutual fund prospectus, compared with older respondents (41-60 = 47%, 60+ = 48%). Males (34%) were more likely to look for investment objectives and strategies when reading a prospectus, compared with only 24% of females. Investors with high levels of investment literacy were more likely to say they look for investment objectives and strategies, costs, performance, portfolio holdings, fund managers, and financial statements. Those with low levels of investment literacy were more likely to say they do not know what to look for when reading a mutual fund prospectus.



**Information Sought by Time Spent Reading Mutual Fund Prospectuses**

Among investors who spend less than 30 minutes reading mutual fund prospectuses, they report seeking the same types of information as all investors who read the reports. They cited performance most often (46%), followed by the investment strategies (26%), costs (9%), and top ten holdings (9%). Nearly one-quarter (21%) said they did not know.

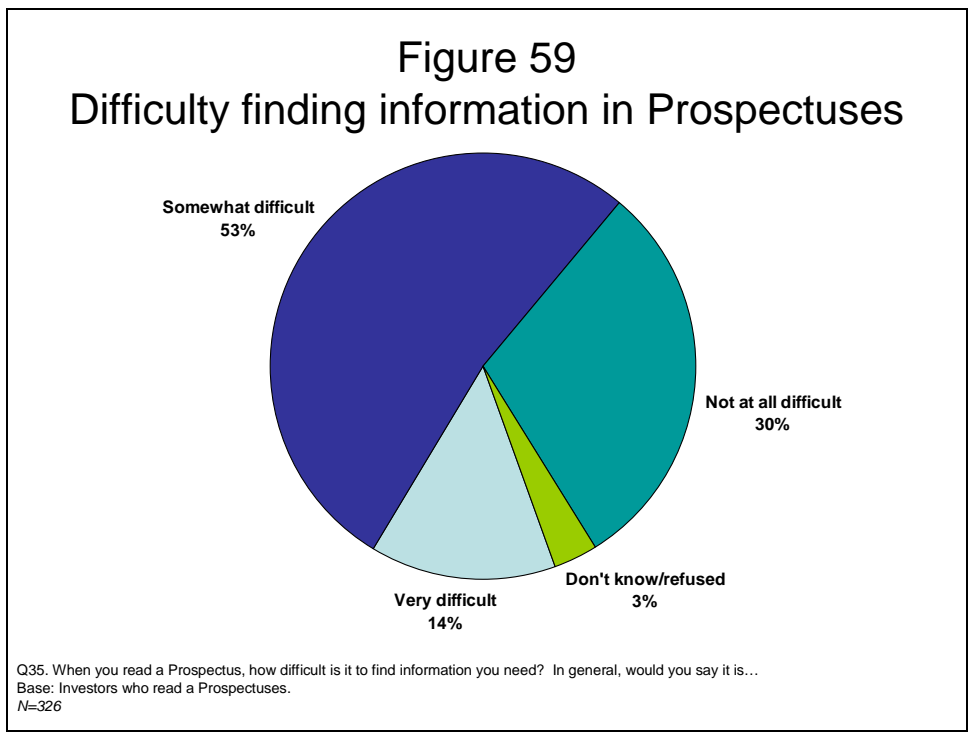
When investors who spend 30 minutes or more reading mutual fund prospectuses were asked what information they look for when reading them, they cited performance most often (63%), followed by investment strategies (43%), fund managers (23%), costs (11%), financial statements (11%), and top ten holdings (8%). Four percent said they did not know (Figure 58).



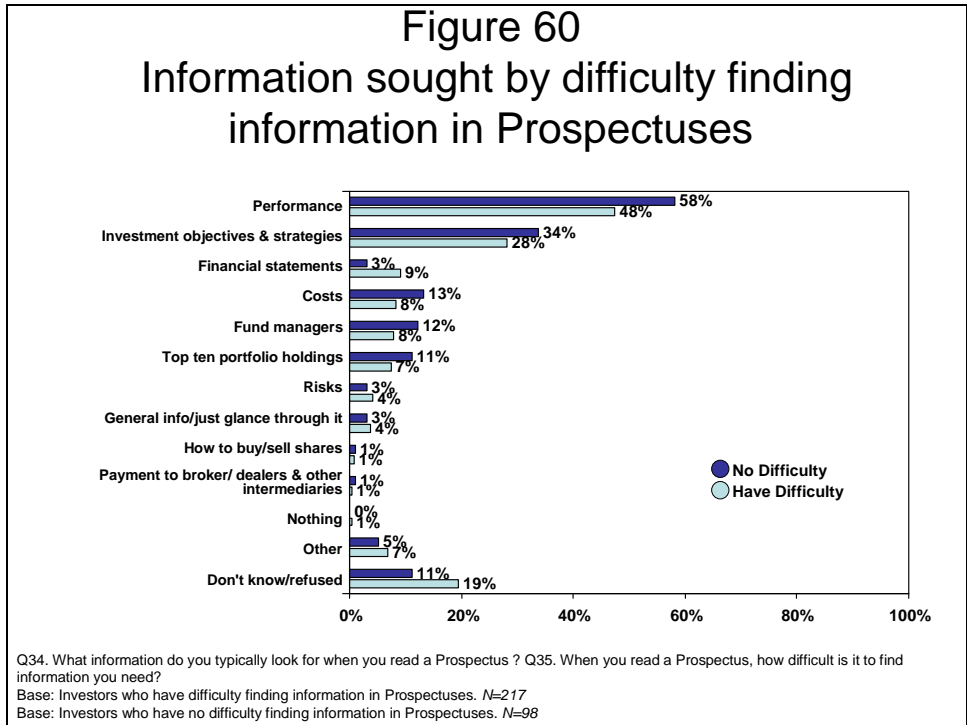
### Difficulty Finding Information in Mutual Fund Prospectuses

Investors who read mutual fund prospectuses were asked how difficult it is to find the information they need to make good investment decisions in prospectuses. Investors were split on the difficulty in getting the information they need from mutual fund prospectuses. On the one hand, 14 percent of investors who read mutual fund prospectuses said it was very difficult to get the information they needed. Over one-half (53%) of investors who read mutual fund prospectuses said that it was somewhat difficult to get the information they need from prospectuses. By contrast, nearly one-third (30%) of investors who read mutual fund prospectuses said that it was not at all difficult to get the information they need from prospectuses (Figure 59).

Thirty-six percent of male investors reported that it is not at all difficult to find the information needed when reading a mutual fund prospectus, compared to 24% of females. Conversely, female investors were more likely to say that it is very difficult (18% vs. 10% respectively). Older investors were also more likely to report that it is very difficult to find the information they needed (under 40: 5%, 41 to 60: 15%, 60 or more: 18%), as were those with a high school diploma or less education.



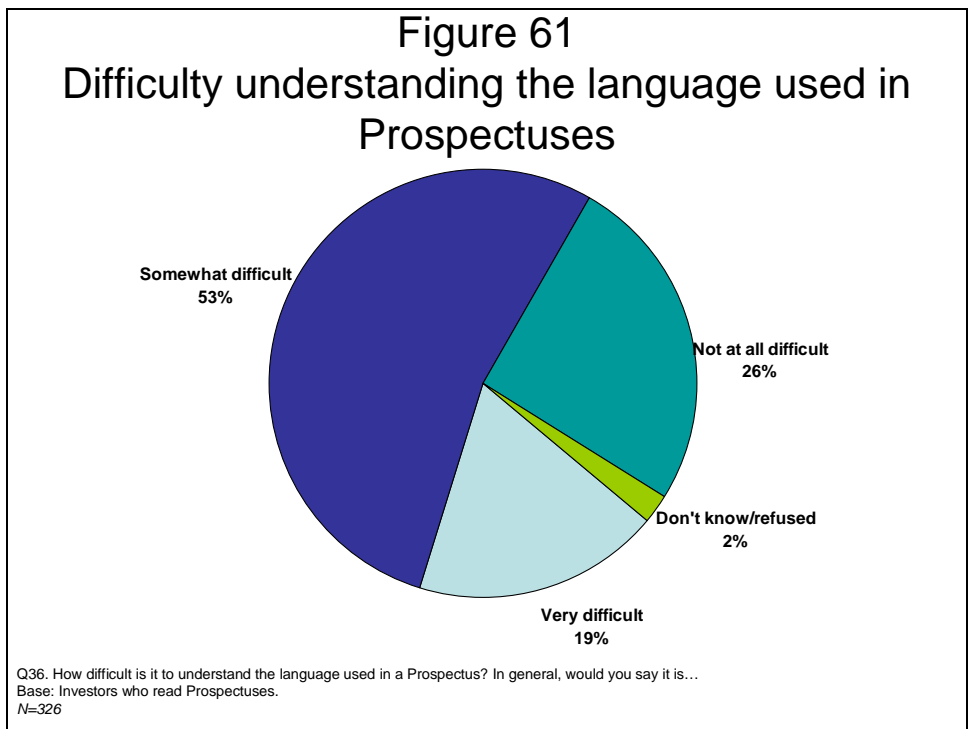
There was no difference in the types of information sought from mutual fund prospectuses between those who reported difficulty in getting the information they needed from prospectuses and those who did not (Figure 60).



### Difficulty Understanding the Language Used in Mutual Fund Prospectuses

When investors who read mutual fund prospectuses were asked how difficult it was to understand the language used in them, they were also divided. On the one hand, nearly one-fifth (19%) of investors who read mutual fund prospectuses said it was very difficult to understand the language used in prospectuses. Slightly more than one-half (53%) said it was somewhat difficult to understand the language used in mutual fund prospectuses. By contrast, more than one-quarter (26%) of investors who read mutual fund prospectuses said it was not at all difficult to understand the language in them (Figure 61).

Female investors were more likely than male investors to say that it was very difficult to understand the language used in mutual fund prospectuses (27% vs. 11% respectively). Conversely, male investors were more likely to say it was somewhat or not at all difficult. As expected, education level was also related to difficulty understanding the language used in mutual fund prospectuses. Investors with a high school diploma or less were more likely to find it very difficult, while those with a college degree or higher were more likely to say it was not at all difficult.

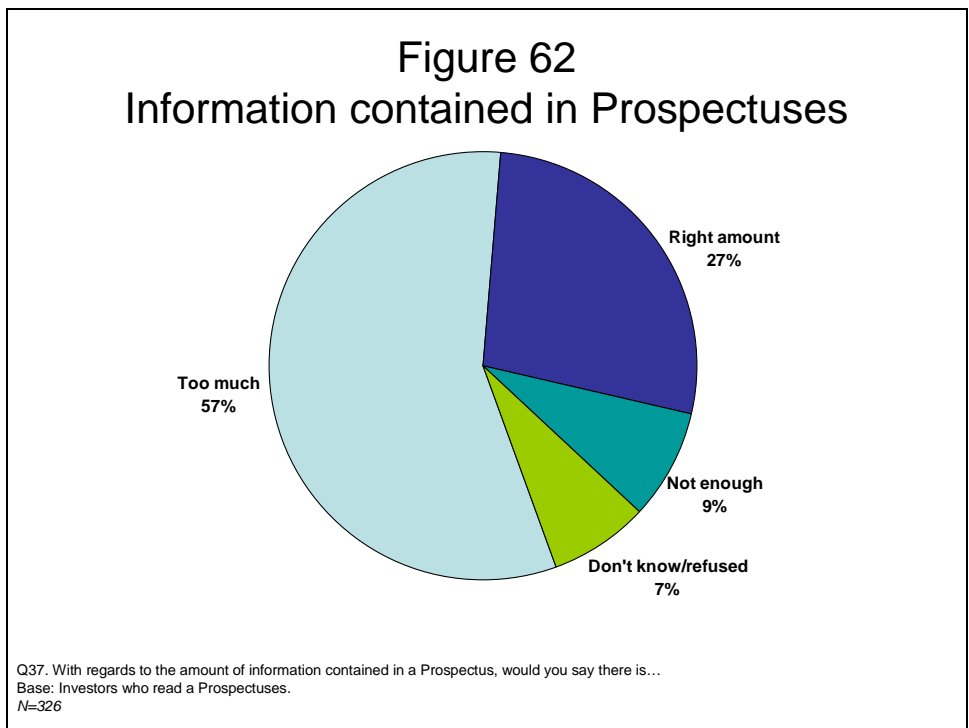




### Information Contained in Mutual Fund Prospectuses

There was more agreement among investors on the amount of information contained in mutual fund prospectuses. The majority of investors who read mutual fund prospectuses (57%) said that they contain too much information. Nearly three out of ten investors who read mutual fund prospectuses (27%) said they contain the right amount of information. Only 9 percent of investors who read mutual fund prospectuses said they didn't have enough information. Only 9 percent of investors who read mutual fund prospectuses said they didn't have enough information (Figure 62).

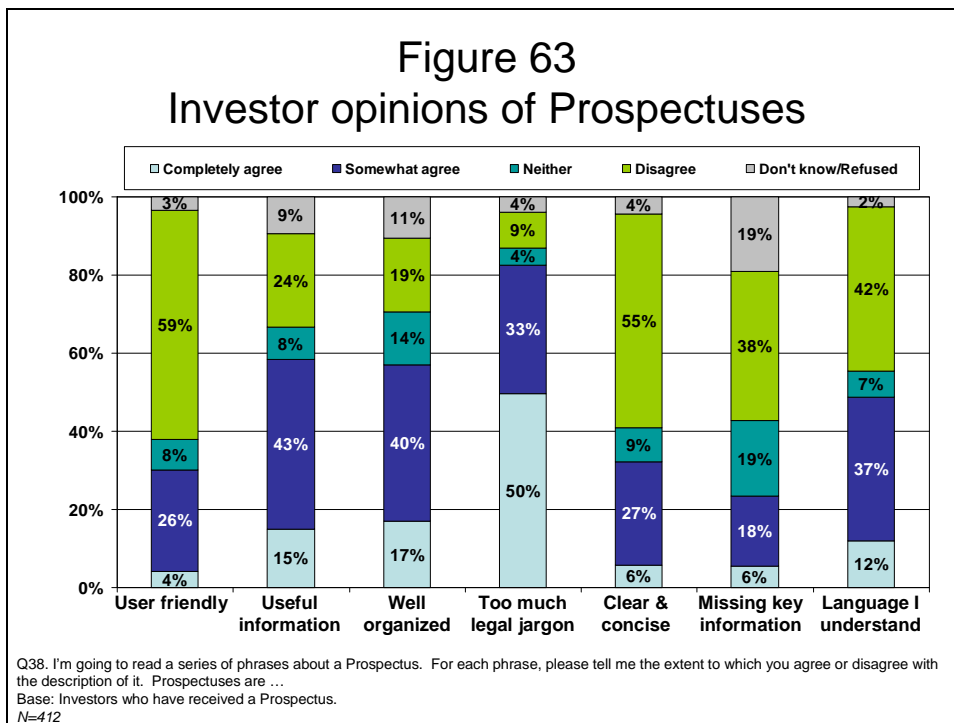
Sixty-five percent of female investors reported that there is too much information in mutual fund prospectuses, compared with 50% of male investors. Male investors were more likely to say there is not enough information. Investors with high levels of investment literacy were more likely to say mutual fund prospectuses contained the right amount of information, while those with low investment literacy were more likely to say they did not contain enough information.



### Investor Opinions of Mutual Fund Prospectuses

All investors who reported having received a mutual fund prospectus were asked to state the degree to which they agreed or disagreed with a series of statements about mutual fund prospectuses. Among the positive statements presented, more than half (58%) agreed that they highlight useful information (24% disagreed), and 57 percent agreed that they are well organized (19% disagreed). In addition, nearly half (49%) agreed that mutual fund prospectuses are written in a language they understand (42% disagreed). Three out of ten (30%) agreed that mutual fund prospectuses are user friendly (59% disagreed), while slightly more agree that they are clear and concise (33% agreed, 55% disagreed). Among the negative statements, eighty three percent agreed that they contain too much legal jargon (9% disagreed), while only 24 percent agreed that they are missing key information (38% disagreed – 19% were not sure). (Figure 63)

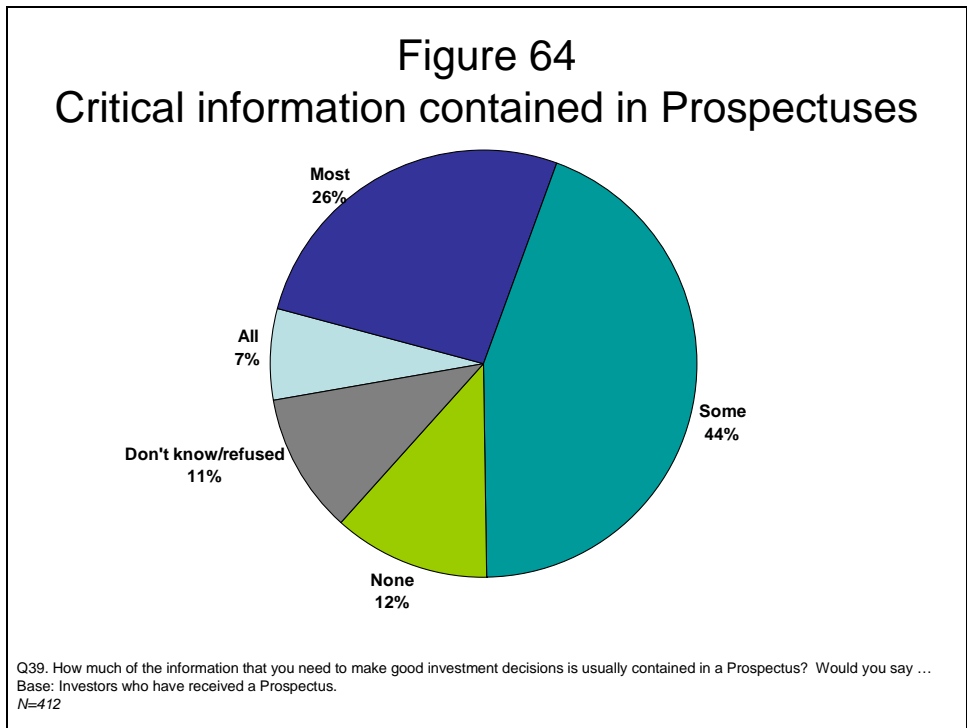
Male investors and those with high investment literacy were more likely to think that mutual fund prospectuses are well organized. Investors with a college degree, graduate training or degree were more likely to disagree with the statement that mutual fund prospectuses are clear and concise than those with less education. Male investors were also more likely to agree that mutual fund prospectuses are missing key information, while those with high investment literacy were more likely to disagree. Male investors were more likely to agree that mutual fund prospectuses are written in a language they understand, while female investors were more likely to disagree. Investors with a high school education or less were less likely to agree to this.



### Critical Information in Mutual Fund Prospectuses

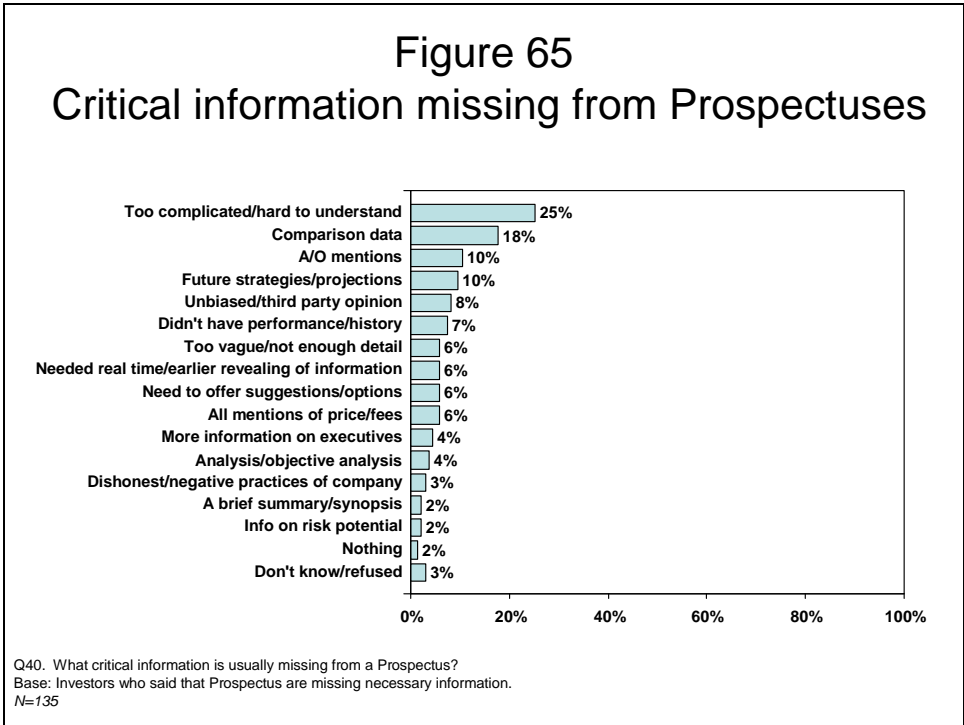
Although most investors said that mutual fund prospectuses contained too much information, this does not mean that they are satisfied that the information they need is usually contained in prospectuses. When asked how much of the information they need to make good investment decisions is contained in mutual fund prospectuses, only one-third of investors said that all (7%) or most (26%) of the information is there. Most commonly, 44 percent of investors said that some of the information they need to make good investment decisions is usually contained in a prospectus. Twelve percent of investors said that none of the information they need to make good investment decisions is usually contained in a prospectus (Figure 64).

Male investors were more likely to say that mutual fund prospectuses contain the information they need (all = 10%, most = 30%) than female investors (all = 4%, most = 23%). Investors with lower income levels, and those with low investment literacy were more likely to say that they contain none of the information they need. Investors with high investment literacy were more likely to say that mutual fund prospectuses contain most of the information they need.



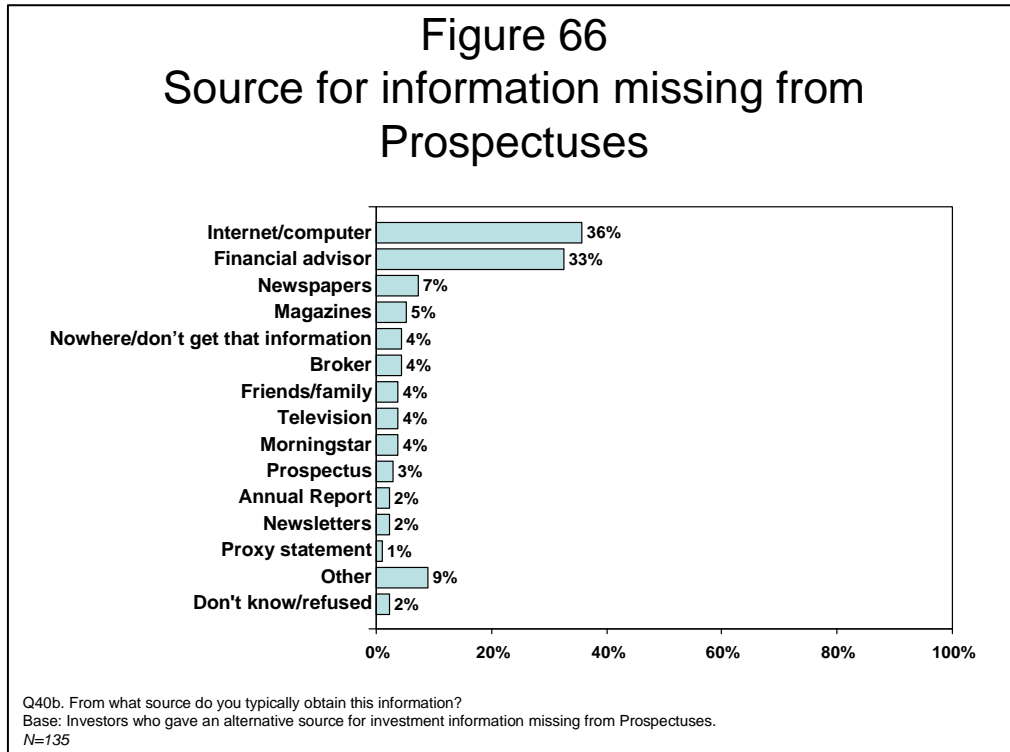
**Critical Information Missing from Mutual Fund Prospectuses**

When investors who said mutual fund prospectuses are missing critical information were asked what critical information was missing, they listed comparison data (18%), future strategies and projections (10%), unbiased third party opinions (8%), performance history (7%) and real time information (6%). A small number of those who said that mutual fund prospectuses did not contain all of the information they needed said they did not know what was missing (3%) or that nothing (2%) was missing (Figure 65).



### Source for Information Missing from Mutual Fund Prospectuses

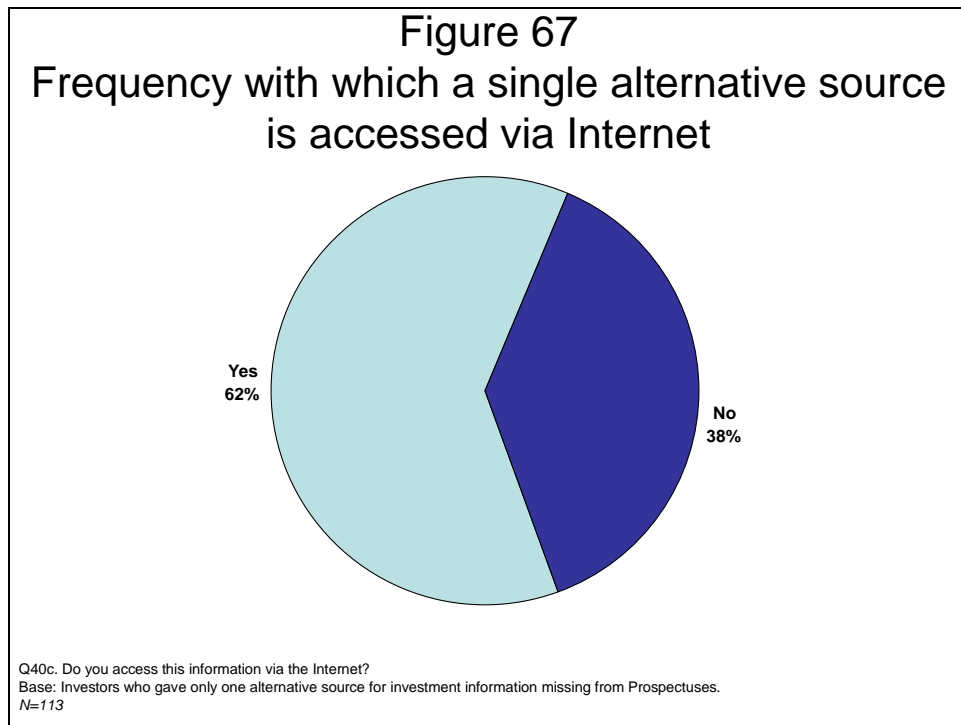
For those who indicated that there were critical pieces of information missing from mutual fund prospectuses, most said they get the information from their financial advisor or broker (37%). More than one-third said they get this information from the Internet or computer (36%), while 7 percent also get the information from newspapers. In addition, 5 percent of these investors said that they would typically get the information from magazines, and 4 percent from friends and family, TV, or Morningstar while the same percentage said they do not get the information (Figure 66).



### Frequency With Which Alternative Information Sources are Accessed via Internet

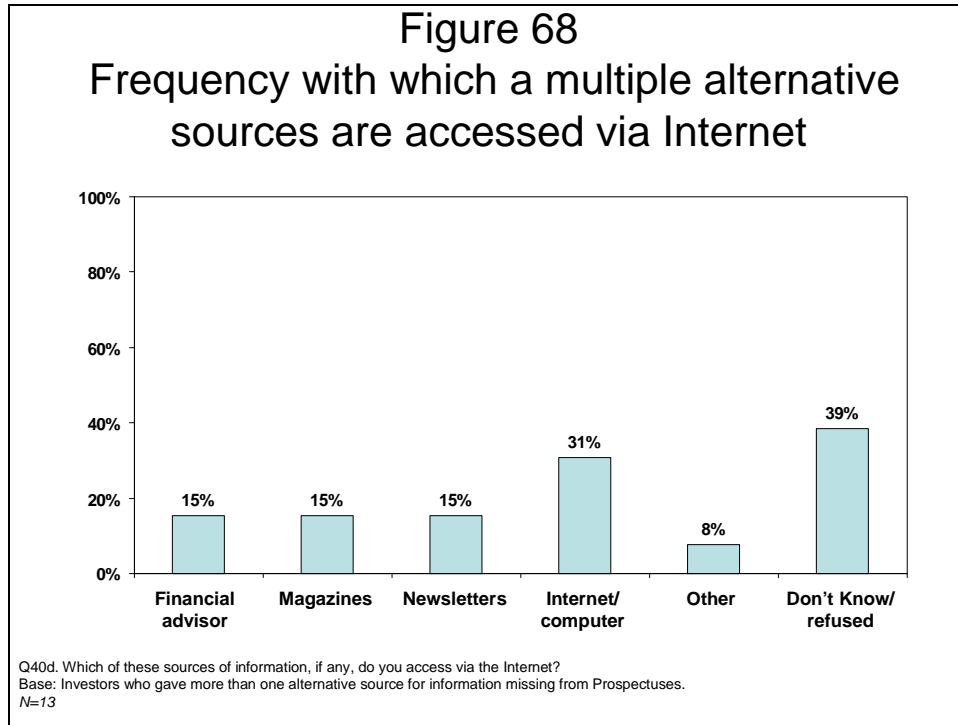
When investors who gave one alternative source of information missing from mutual fund prospectuses were asked if they access the information via the Internet, more than three out of five said yes (62%). (Figure 67)

Seventy percent of male investors reported that they accessed this information via the Internet, compared with 51% of female investors.



### Alternative Information Sources Being Accessed via Internet

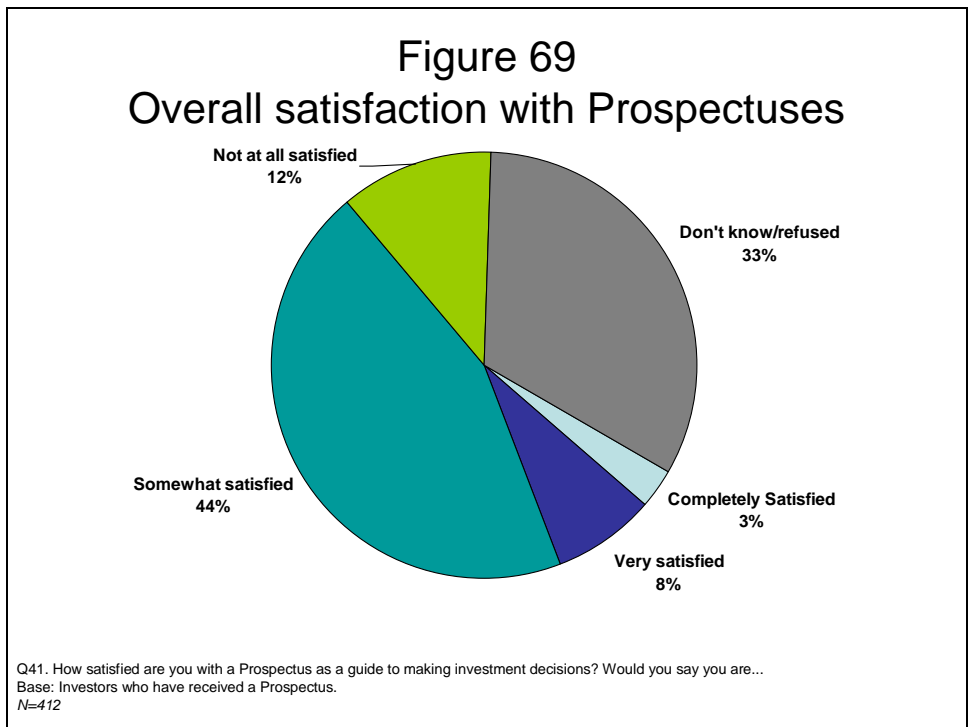
Investors who cited multiple alternative sources for the information missing from mutual fund prospectuses were asked which, if any, they access via the Internet. Notable responses from these investors were Internet resources (31%), financial advisor (15%), magazines (15%) and newsletters (15%). (Figure 68)



### Overall Satisfaction with Mutual Fund Prospectuses

Investor satisfaction with mutual fund prospectuses as a guide to making investment decisions is mixed. When asked how satisfied they were with mutual fund prospectuses as a guide to making investment decisions, only eleven percent of investors were completely (3%) or very satisfied (8%). More than 2 in 5 investors (44%) report that they are somewhat satisfied with mutual fund prospectuses. However, a small number of investors (12%) said they are not at all satisfied with mutual fund prospectuses as a guide to making investment decisions (Figure 69).

Male investors, those with more than one member in the household, and those with medium and high investment literacy were more likely to be dissatisfied with mutual fund prospectuses as a guide to making investment decisions.



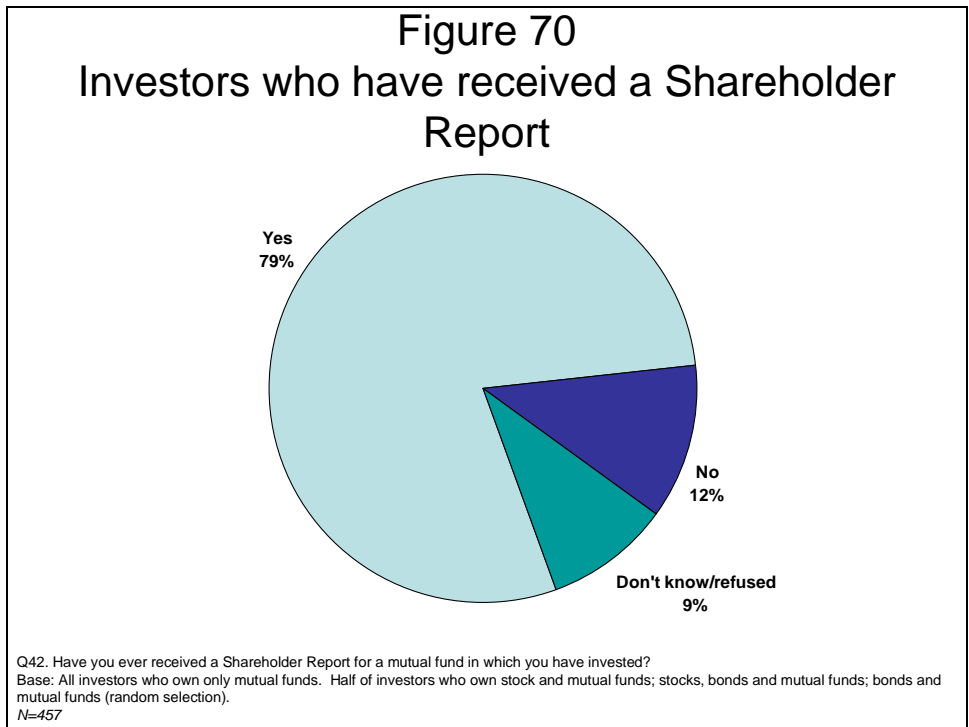


## **SECTION 5: Mutual Fund Shareholder Reports**

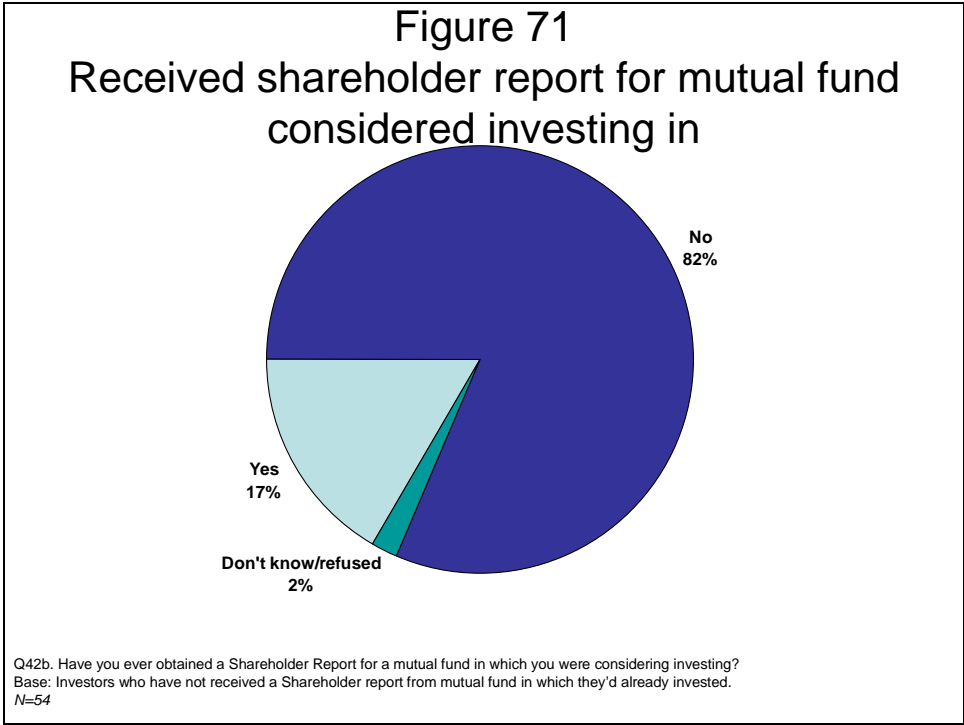
### Investors Who Have Received a Mutual Fund Shareholder Report

Eight out of ten mutual fund investors (79%) reported having received a shareholder report from a fund in which they had invested. Only twelve percent said that they had never received a shareholder report from a mutual fund in which they had invested. Another nine percent were not sure if they had ever received a shareholder report (Figure 70).

Investors with graduate training or degree were more likely to have received a shareholder report than those with respondents with lesser education, as were those with a household income more than \$149K. Finally, investors with medium or high investment literacy were more likely to have received a shareholder report (80% and 83% respectively) than respondents with low investment literacy (73%).



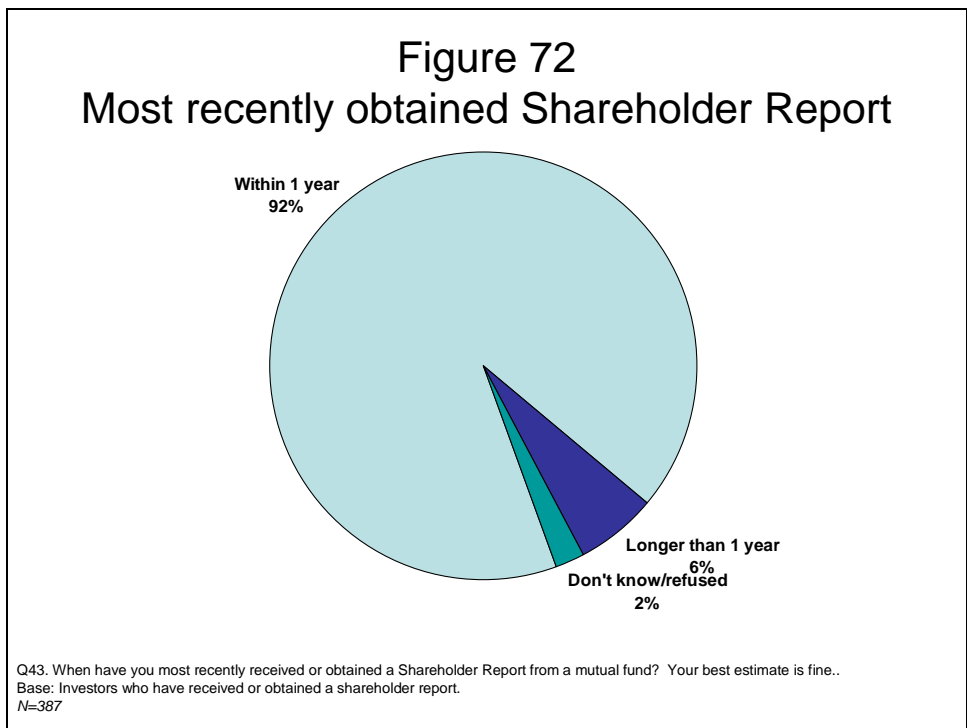
Investors with mutual funds, who had not received a shareholder report from a fund in which they had invested, were asked if they had ever received a shareholder report from a mutual fund in which they were considering investing. Another 17% of investors who had not received a shareholder report from a mutual fund in which they had invested reported having obtained a shareholder report from a fund in which they were considering investing. In general, those who did not recall receiving a shareholder report for a mutual fund that they invested in, had never received a shareholder report from a fund in which they were considering investing (Figure 71).



### Most Recently Obtained Mutual Fund Shareholder Report

Those investors who had ever received a shareholder report from a mutual fund in which they had invested or were considering investing were asked when they had received or obtained their most recent shareholder report. Nearly all investors who had received or obtained a shareholder report (92%) reported doing so within the last year (Figure 72).

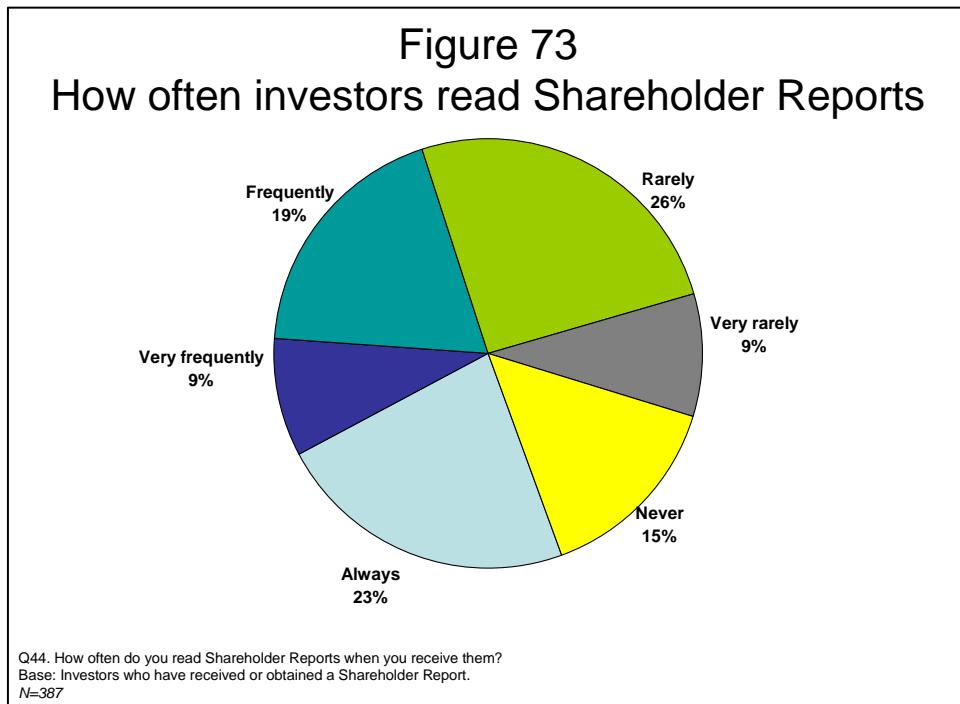
Investors with a college degree or graduate degree were more likely to report receiving shareholder reports within the last year (both = 94%), compared with respondents with some college or an associate’s degree (88%) or a high school degree or less (88%).



### How Often Investors Read Mutual Fund Shareholder Reports

Investors who had received or obtained mutual fund shareholder reports were asked how often they read them when received. Investors are split on the likelihood of reading shareholder reports for mutual funds in which they have invested or are considering investing. Nearly one-quarter (23%) said they always read mutual fund shareholder reports when they receive them, while an additional 9% said they read them very frequently, and nineteen percent said they read them frequently. However half of investors who received mutual fund shareholder reports said they rarely (26%), very rarely (9%) or never (15%) read mutual fund shareholder reports when they received them (Figure 73).

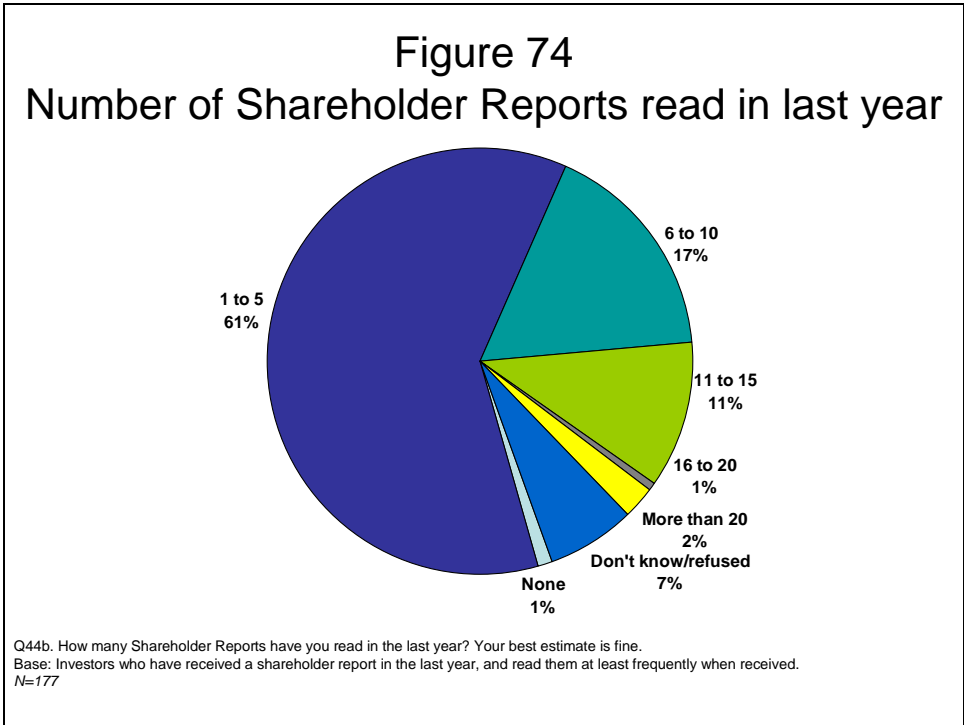
Male investors were more likely than female investors to read mutual fund shareholder reports when received (Always/Very Frequently/Frequently: 59% vs. 42% respectively), as were those with high investment literacy (low = 45%, medium = 50%, high = 57%). Female investors and those with low investment literacy were more likely to say the rarely, very rarely, or never read mutual fund shareholder reports when received (male = 41%, female = 58%, low = 55%, medium = 50%, high = 43%).



### Number of Mutual Fund Shareholder Reports Read in the Last Year

Those who said that they had received a mutual fund shareholder report within the past year and read shareholder reports at least frequently when received were asked how many mutual fund shareholder reports they had read in the past year. Nearly two-thirds (61%) reported having read less than six mutual fund shareholder reports within the last year. Another 17 percent said that they read from six to ten mutual fund shareholder reports in the past year, while 11 percent read from eleven to fifteen mutual fund shareholder reports, one percent read from 16 to 20, and 2 percent read more than twenty mutual fund shareholder reports in the past year (Figure 74).

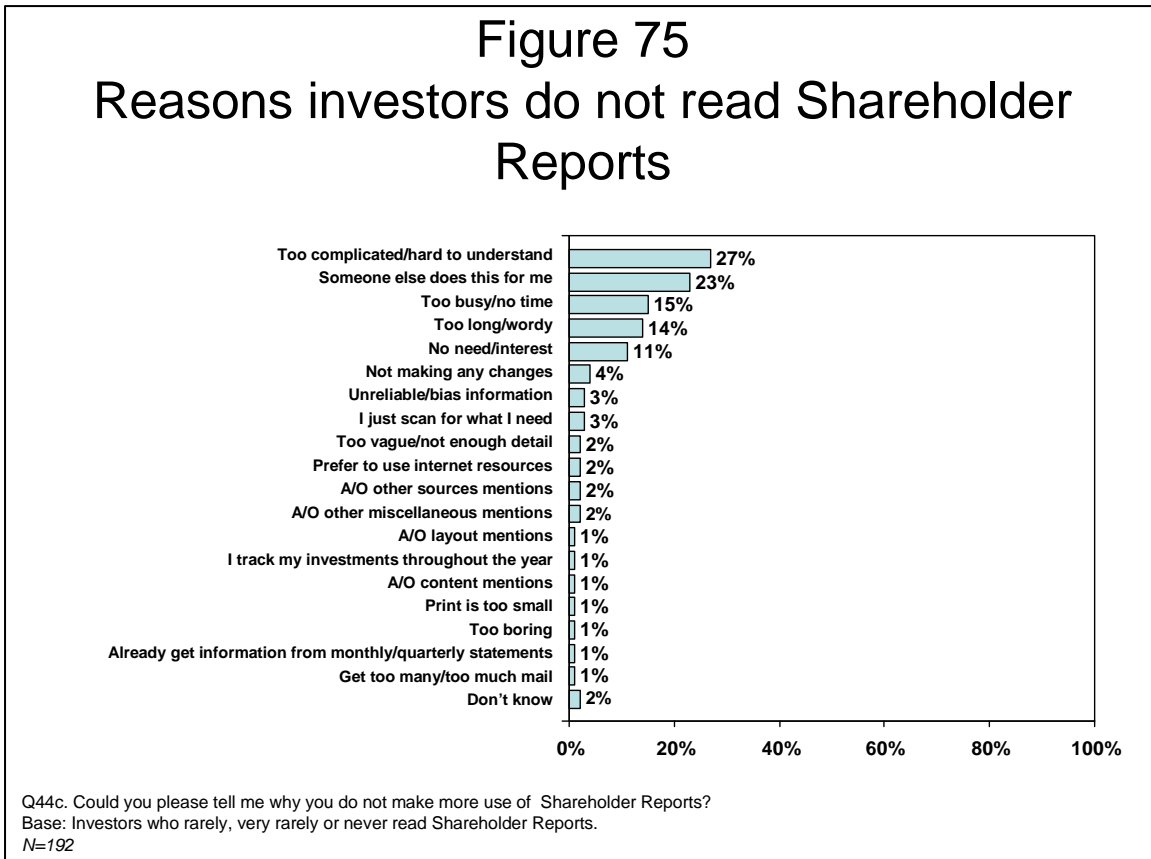
Older investors reported reading more mutual fund shareholder reports in the previous year than younger investors (Mean: under 40 = 3.9, 41 – 60 = 5.3, 60+ = 6.8).



### Reasons Investors Do Not Read Mutual Fund Shareholder Reports

Those investors who received mutual fund shareholder reports, but said that they rarely, very rarely or never read them were asked why they choose not to read these mutual fund shareholder reports. Most commonly, investors who do not read mutual fund shareholder reports from funds in which they invest or are considering investing (27%) stated that the reason they do not read them was that they were too complicated or hard to understand. About one-fifth (23%) said that someone else does it for them, while 15 percent said they were too busy to read them. Nearly the same amount (14%) said that shareholder reports are too wordy. A little more than one in ten investors (11%) reported that they had no interest in reading them (Figure 75).

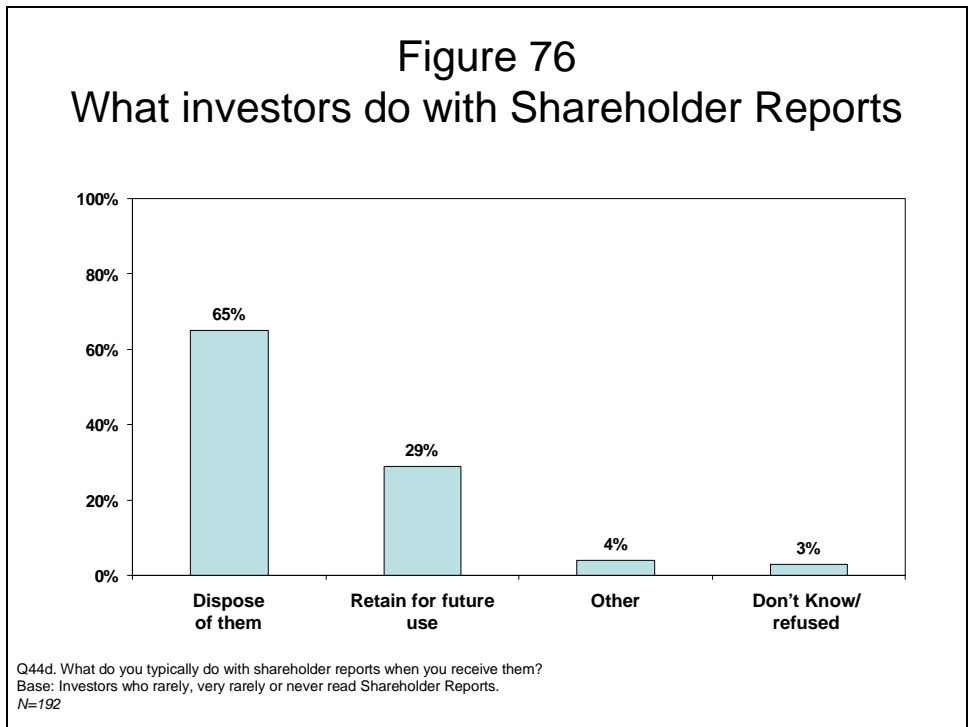
Investors with a graduate degree or college degree were more likely to answer that they do not read mutual fund shareholder reports because they are too complicated or hard to understand (32% and 29% respectively), compared with investors with some college or an associate’s degree (15%). However, investors with low or medium investment literacy were also more likely to say they do not read mutual fund shareholder reports because they are too complicated or hard to understand (29% and 30% respectively), compared to investors with high investment literacy (17%).



### What Investors Do with Mutual Fund Shareholder Reports

Of investors who rarely, very rarely or never read mutual fund shareholder reports, over two-thirds (65%) said they dispose of them, while nearly three in ten said they retain them for future use (29%). Approximately 3 percent reported not knowing what they did with mutual fund shareholder reports when they received them (Figure 76).

Female investors were more likely to report retaining mutual fund shareholder reports for future use (34%) than male investors (22%), while male investors were more likely to report disposing of mutual fund shareholder reports (72%) than females (59%). Furthermore, investors with high investment literacy were more likely to report disposing of mutual fund shareholder reports (74%) than those with low investment literacy (57%).

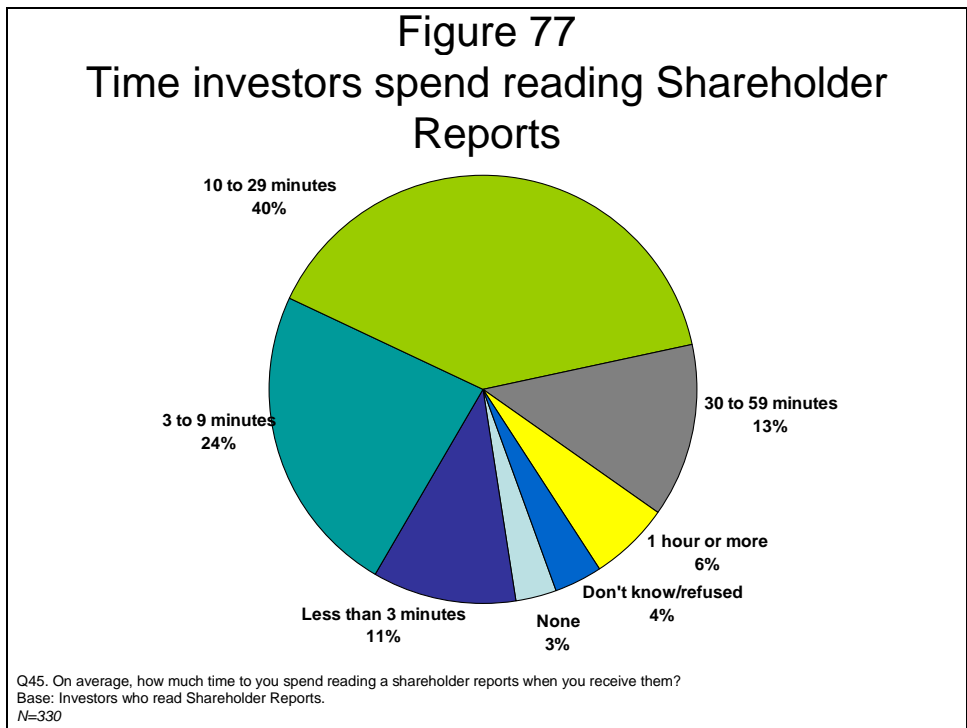




### Time Investors Spend Reading Mutual Fund Shareholder Reports

Those investors who ever read shareholder reports for mutual funds in which they have invested or considered investing were asked how much time, on average, they spend reading shareholder reports when they receive them. Very few investors (11%) who read mutual fund shareholder reports say that they spend less than three minutes, on average, reading those reports. An additional 24 percent of investors who read mutual fund shareholder reports said they spend three to nine minutes, on average, reading them. Most commonly, 40 percent of investors say that they spend from ten to twenty-nine minutes reading mutual fund shareholder reports when they receive them. About one-fifth of investors report that they spend from thirty to fifty-nine minutes (13%) or an hour or more (6%) reading mutual fund shareholder reports when they receive them (Figure 77).

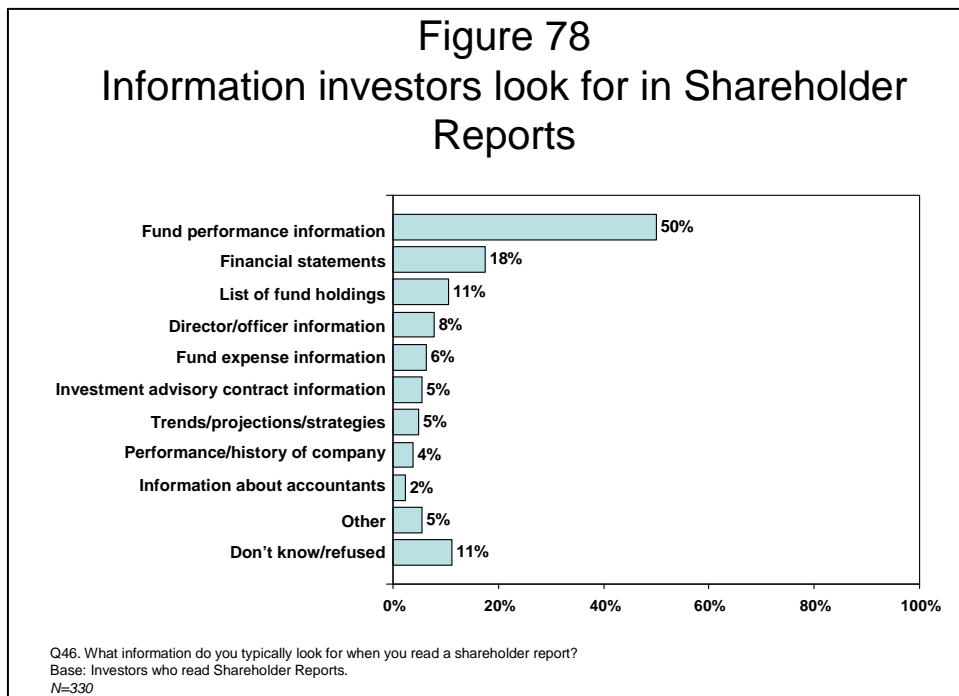
Forty-four percent of male investors reported spending 10 to 29 minutes reading mutual fund shareholder reports, compared with only 35% of females reporting the same. Furthermore, 16% of female investors reported spending between 30 and 59 minutes reading mutual fund shareholder reports, compared with 10% of males reporting the same. Investors with medium investment literacy were most likely to report spending between 3 - 9 minutes reading shareholder reports, compared with respondents of low investment literacy (19%) and high investment literacy (18%). Investors with high investment literacy were more likely to report spending 10 to 29 minutes reading shareholder reports (49%) than investors with low investment literacy (40%).



### Information Investors Look for in Mutual Fund Shareholder Reports

When investors who read mutual fund shareholder reports were asked what they typically look for when they read shareholder reports, half cited performance information most often (50%). Less commonly, investors who read mutual fund shareholder reports said that they typically look for financial statements (18%), list of holdings (11%) and director or officer information (8%). Even less commonly, investors who read mutual fund shareholder reports say that they typically look for fund expense information (6%), investment advisory contract information (5%), trends, projections and strategies (5%), and performance history (4%). Only a handful of investors who read mutual fund shareholder reports said that they typically look for information about accountants (2%). In addition, 11 percent of investors who say that they read the mutual fund shareholder reports that they receive said they did not know what they typically look for in the reports (Figure 78).

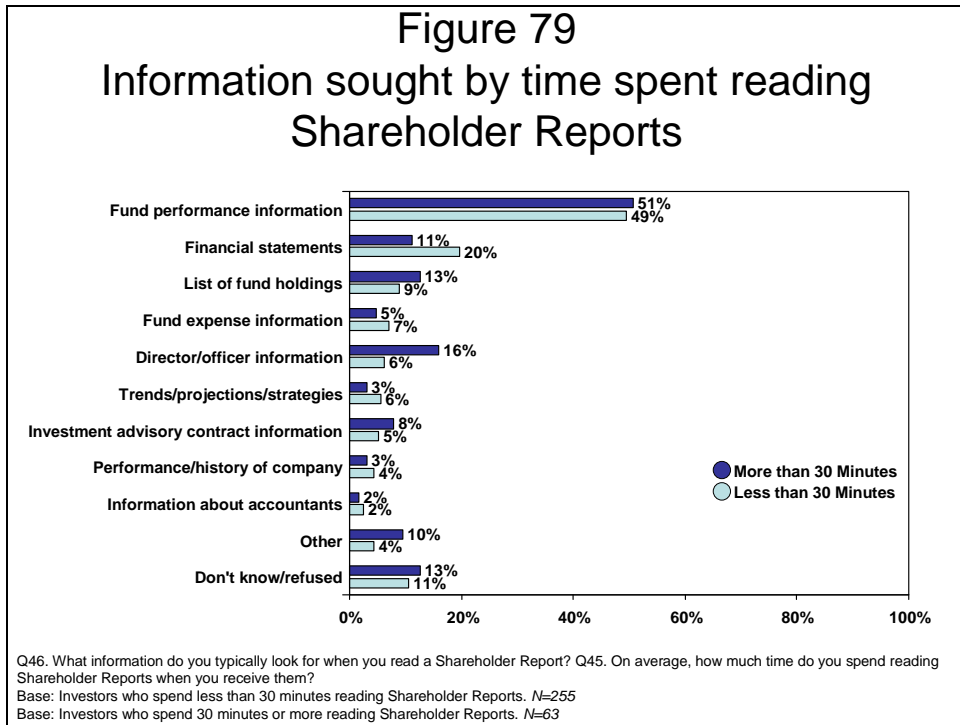
Investors over age 60 were more likely to look for financial statements, while those under age 40 were more likely to say they didn't know when asked what they look for in mutual fund shareholder reports. Investors with high investment literacy were more likely to look for a list of fund holdings, fund expense information, director/officer information, and the performance history of the company. Investors with low investment literacy were more likely to say they did not know what to look for in mutual fund shareholder reports.



**Information Sought by Time Spent Reading Mutual Fund Shareholder Reports**

Investors who spend less than 30 minutes reading mutual fund shareholder reports, report seeking the same types of information as all investors who read the reports. They cited performance most often (49%), followed by the financial statements (20%), list of holdings (9%), and fund expense information (7%). In addition, 11 percent said they did not know.

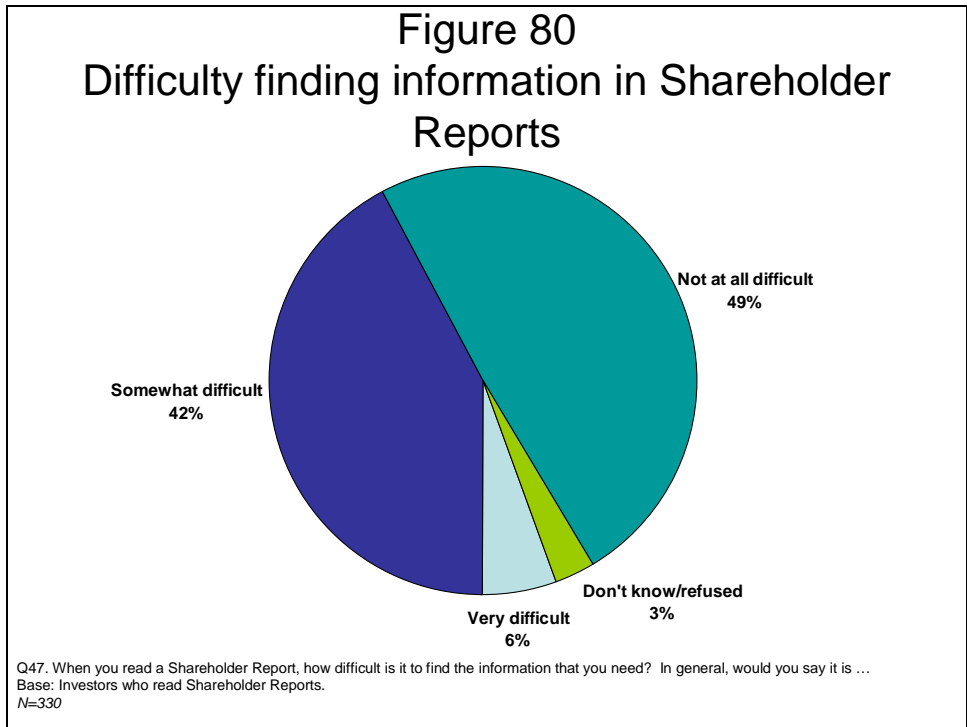
When investors who spend 30 minutes or more reading mutual fund shareholder reports were asked what information they look for when reading them, they cited performance most often (51%), followed by director or officer information (16%), list of holdings (13%), financial statements (11%), and investment advisory contract information (8%). In addition, 13 percent said they did not know, while 10 percent cited some other information (Figure 79).



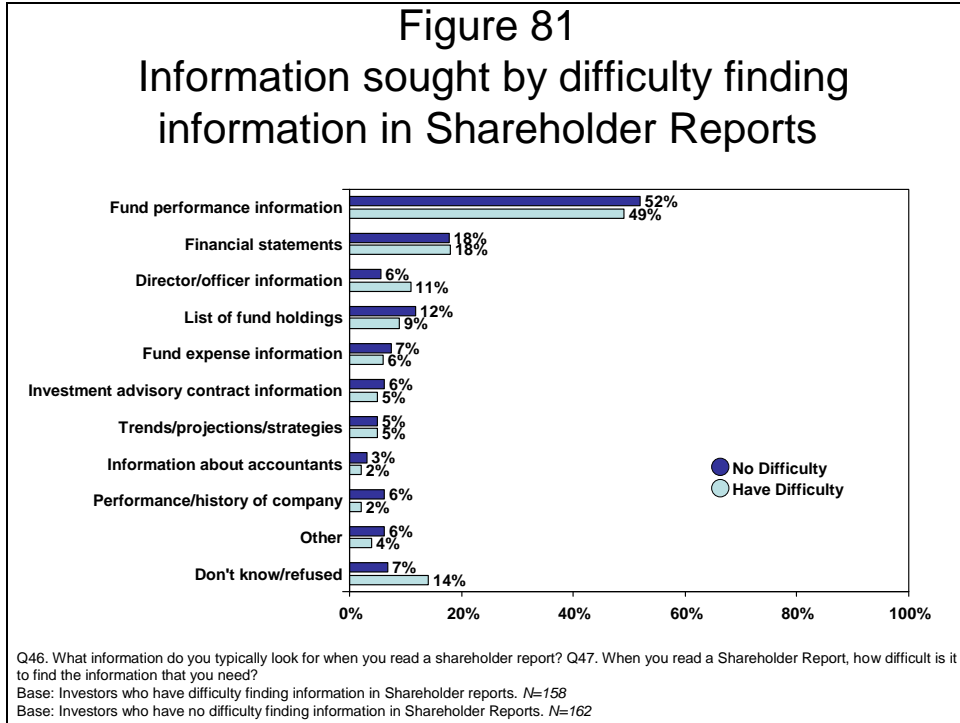
### Difficulty Finding Information in Mutual Fund Shareholder Reports

Investors who read mutual fund shareholder reports were asked how difficult it is to find the information they need. Investors were split on the difficulty in getting the information they need from mutual fund shareholder reports. On the one hand, 6 percent of investors who read mutual fund shareholder reports said it was very difficult to get the information they needed. More than two in five (42%) investors who read mutual fund shareholder reports said that it was somewhat difficult to get the information they need from shareholder reports. By contrast, nearly one-half (49%) of investors who read mutual fund shareholder reports said that it was not at all difficult to get the information they need from shareholder reports (Figure 80).

Female investors were more likely than male investors to say that it was very difficult to find the information they need in mutual fund shareholder reports (8% vs. 4% respectively). Those with lower investment literacy were more likely to say it was very difficult (low = 10%, medium = 6%, high = 1%).



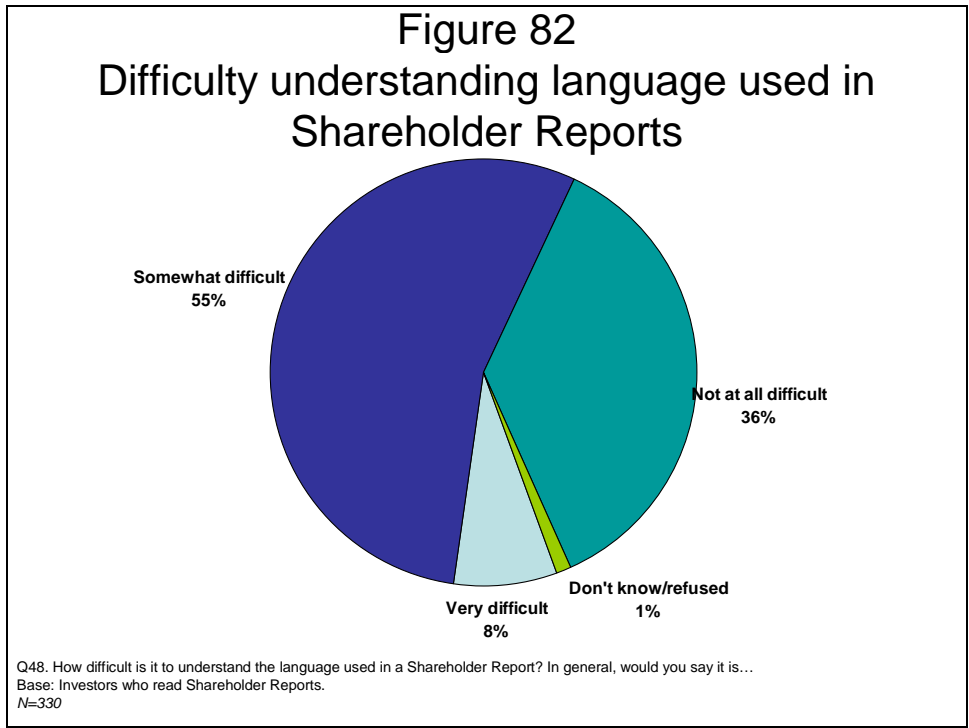
There was no difference in the types of information sought from mutual fund shareholder reports between those who reported difficulty in getting the information they needed from shareholder reports and those who did not (Figure 81).



### Difficulty Understanding the Language Used in Mutual Fund Shareholder Reports

When investors who read mutual fund shareholder reports were asked how difficult it was to understand the language used in them, they were also divided. On the one hand, 8 percent of investors who read mutual fund shareholder reports said it was very difficult to understand the language used in shareholder reports. More than one-half (55%) said it was somewhat difficult to understand the language used in shareholder reports. By contrast, more than one-third (36%) of investors who read shareholder reports said it was not at all difficult to understand the language in the reports (Figure 82).

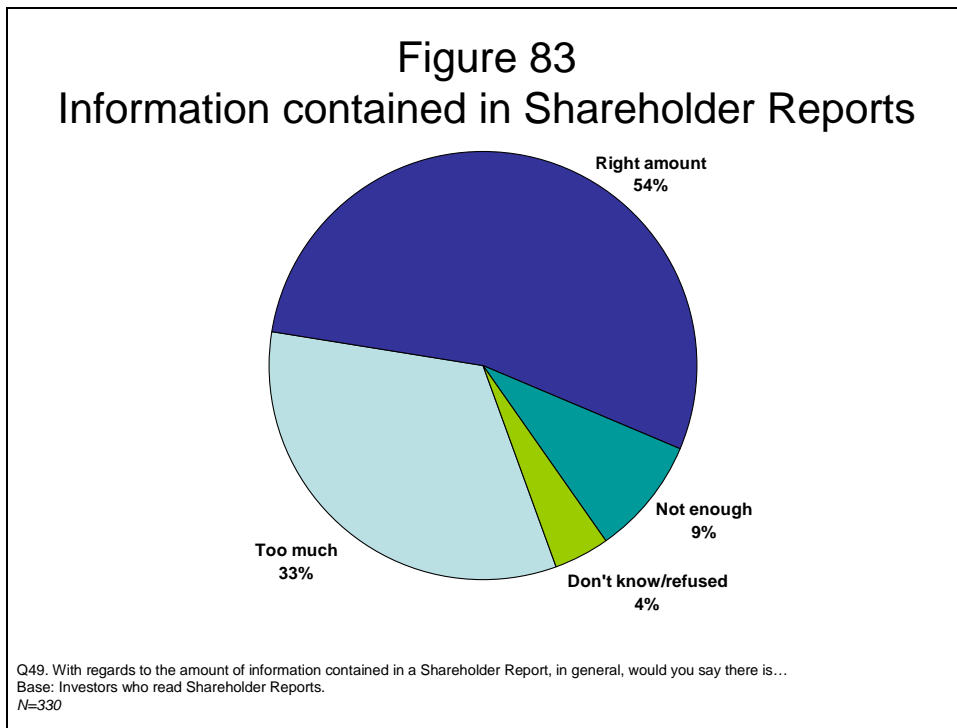
Female investors were more likely than male investors to say that it was very difficult to understand the language used in mutual fund shareholder reports (11% vs. 5% respectively), whereas male investors were more likely to say it is not at all difficult (43% vs. 30%). Investors who live alone were more likely to report that they found the language used in mutual fund shareholder reports somewhat difficult to understand (One occupant: 65%, two occupants: 54%, three or more: 51%), while those who live in a household with three or more members were more likely to say it is not at all difficult. Investors with low levels of investment literacy were more likely to report that it was somewhat difficult for them to understand the language used (Low: 16%, Med: 6%, High:4%).



### Information Contained in Mutual Fund Shareholder Reports

There was more agreement among investors on the amount of information contained in mutual fund shareholder reports. One-third of investors who read mutual fund shareholder reports (33%) said that they contain too much information. More than half of investors who read mutual fund shareholder reports (54%) said they contain the right amount of information. Only 9 percent of investors who read mutual fund shareholder reports said they didn't have enough information (Figure 83).

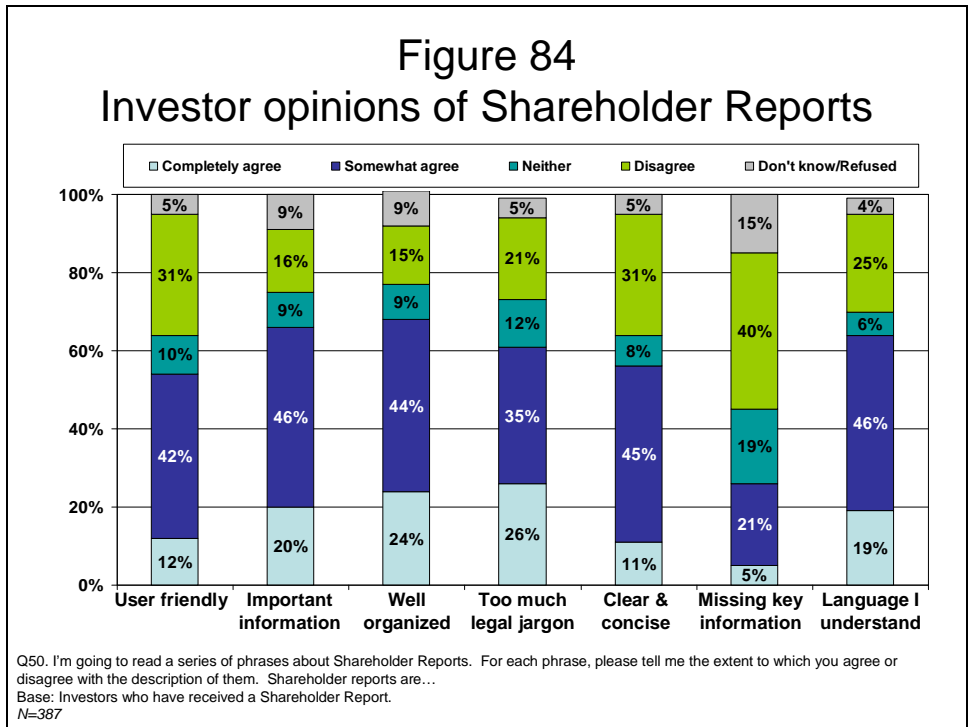
Older investors were more likely to say that mutual fund shareholder reports contain too much information (under 40 = 20%, 41 – 60 = 35%, 60+ = 41%).



### Investor Opinions of Mutual Fund Shareholder Reports

All investors who reported having received a mutual fund shareholder report were asked to state the degree to which they agreed or disagreed with a series of statements about mutual fund shareholder reports. Among the positive statements presented, approximately two-thirds (66%) agreed that they highlight important information (16% disagreed), and 68 percent agreed that they are well organized (15% disagreed). In addition, more than two-thirds (65%) agreed that shareholder reports are written in a language they understand (25% disagreed). Over half (54%) agreed that shareholder reports are user friendly (31% disagreed), and that they are clear and concise (56% agreed, 31% disagreed). Among the negative statements, nearly two-thirds (61%) agreed that they contain too much legal jargon (21% disagreed), while twenty-six percent agreed that they are missing key information (40% disagreed – 15% were not sure). (Figure 84)

Investors in households with two or more people were more likely to report that they agreed with the description that mutual fund shareholder reports are user friendly (one = 44 two = 55 three or more = 57. Older investors were more likely to agree with the statement that mutual fund shareholder reports contain too much legal jargon and less likely to agree that they are clear and concise, as were female investors. Female investors were also less likely than male investors to agree that they were written in a language that they understand, as were those with lower levels of education.

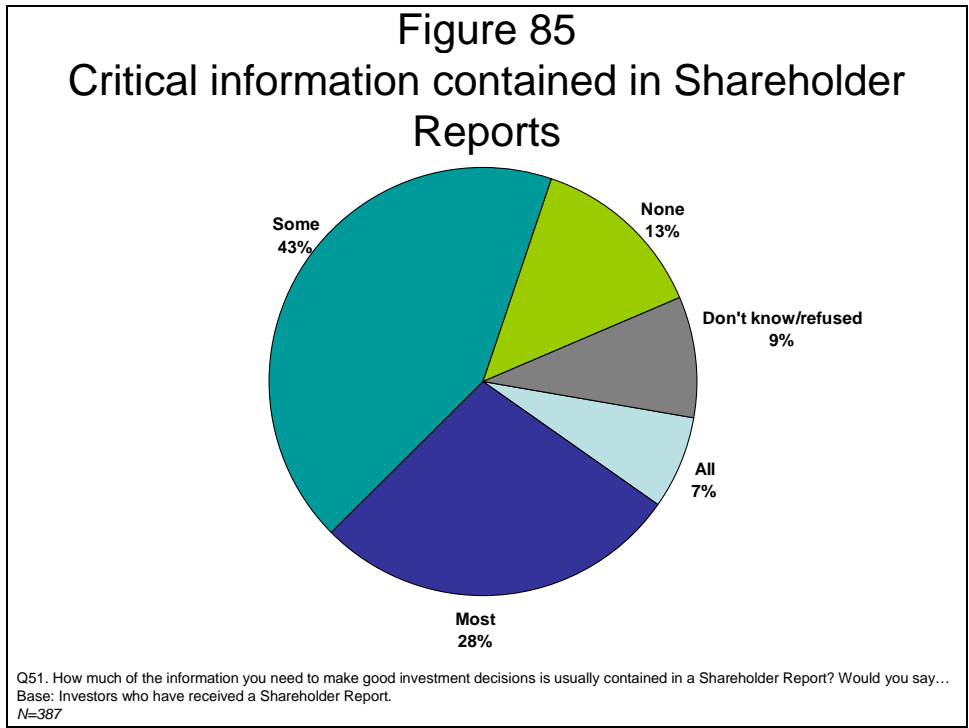




### Critical Information in Mutual Fund Shareholder Reports

Although most investors said that mutual fund shareholder reports contained too much information, this does not mean that they are satisfied that the information they need is usually contained in them. When asked how much of the information they need to make good investment decisions is contained in mutual fund shareholder reports, only a little more than one-third of investors said that all (7%) or most (28%) of the information they need to make good investment decisions is usually contained in a shareholder report. Most commonly, 43 percent of investors said that some of the information they need to make good investment decisions is usually contained in a mutual fund shareholder report. Thirteen percent of investors said that none of the information they need to make good investment decisions is usually contained in a mutual fund shareholder report (Figure 85).

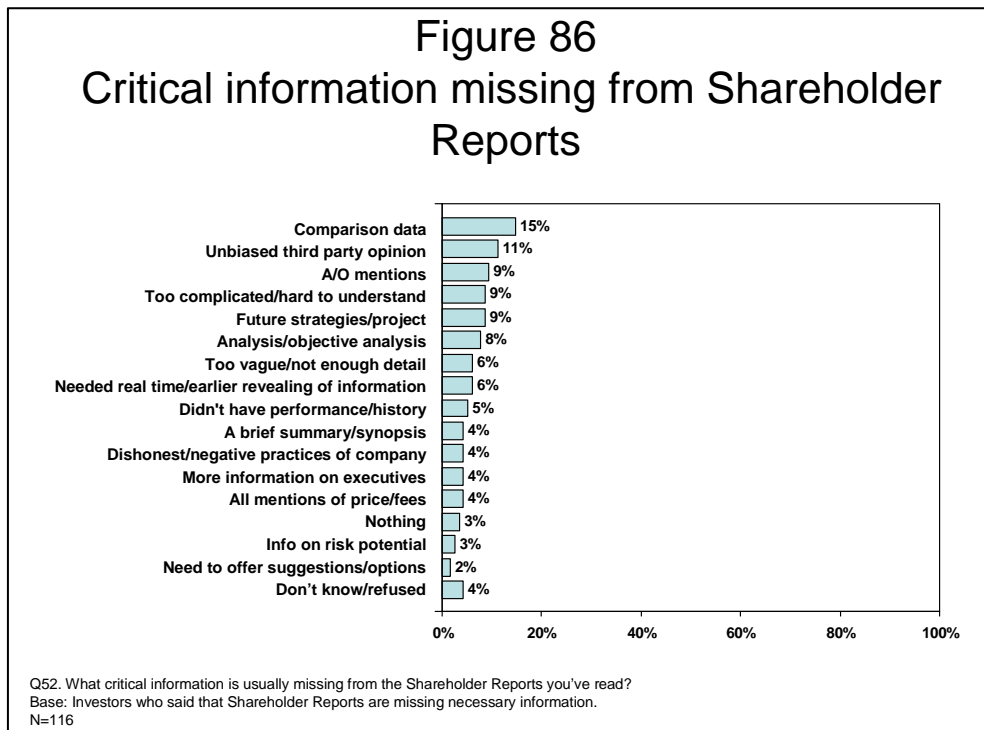
Male investors were more likely than female investors to say that mutual fund shareholder reports contain all of the information they need to make good investment decisions (10% vs. 4% respectively), while female investors were more likely to say they contain none of the information they need (17% vs. 9% respectively). Those with lower levels of investment literacy were also more likely to say they contain none of the information they need to make good decisions (low = 24%, medium = 11%, high = 5%).



### Critical Information Missing from Mutual Fund Shareholder Reports

When investors who said mutual fund shareholder reports are missing critical information were asked what critical information was missing, 15 percent said comparison data. Other mentions of critical information missing from mutual fund shareholder reports were third party opinions (11%), future strategies and projections (9%), and objective analysis (8%). A small number of those who said that mutual fund shareholder reports did not contain all of the information they needed said they did not know what was missing (4%) or that nothing (3%) was missing (Figure 86).

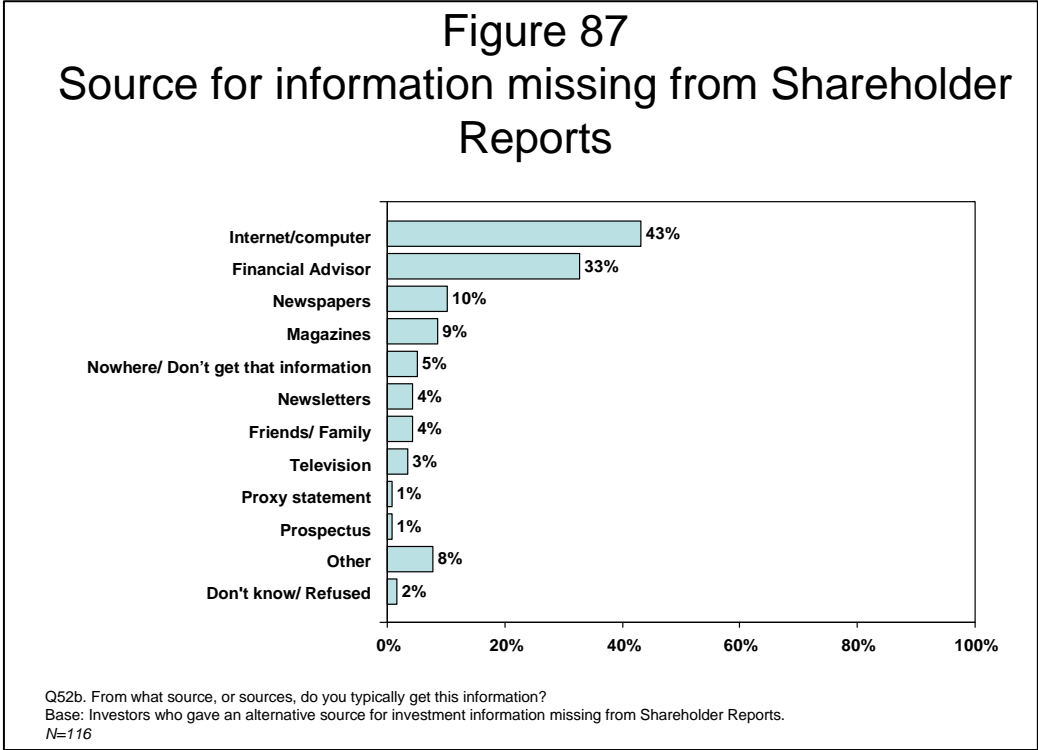
Female investors (28%) were more likely than male investors (20%) to report that nothing was missing from the mutual fund shareholder reports. Respondents with the high investment literacy (14%) were less likely to report that nothing was missing from shareholder reports (medium = 29%, low = 25%).



### Source for Information Missing from Mutual Fund Shareholder Reports

For those who indicated that there were critical pieces of information missing from mutual fund shareholder reports, most said they get the information from the Internet or computer (43%). An additional 33 percent said they get this information from a financial advisor or broker, while 10 percent get the information from newspapers, and 9 percent from magazines. Two percent of investors who said that mutual fund shareholder reports were missing critical pieces of information didn't know where they would get the information and 5 percent said they would not get the information (Figure 87).

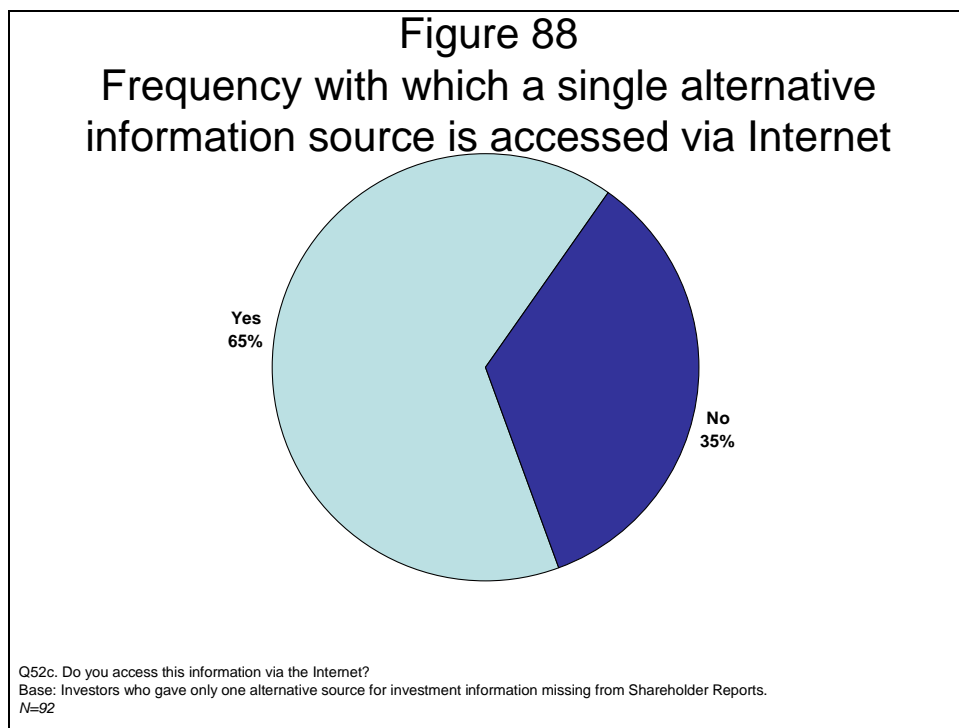
Female investors were more likely to get the information missing in mutual fund shareholder reports from a financial advisor (45% vs. 26% respectively), whereas male investors were more likely to get the information from the internet (53% vs. 29% respectively), or newspapers (10% vs. 2% respectively).



### Frequency with Which Alternative Information Sources are Accessed via Internet

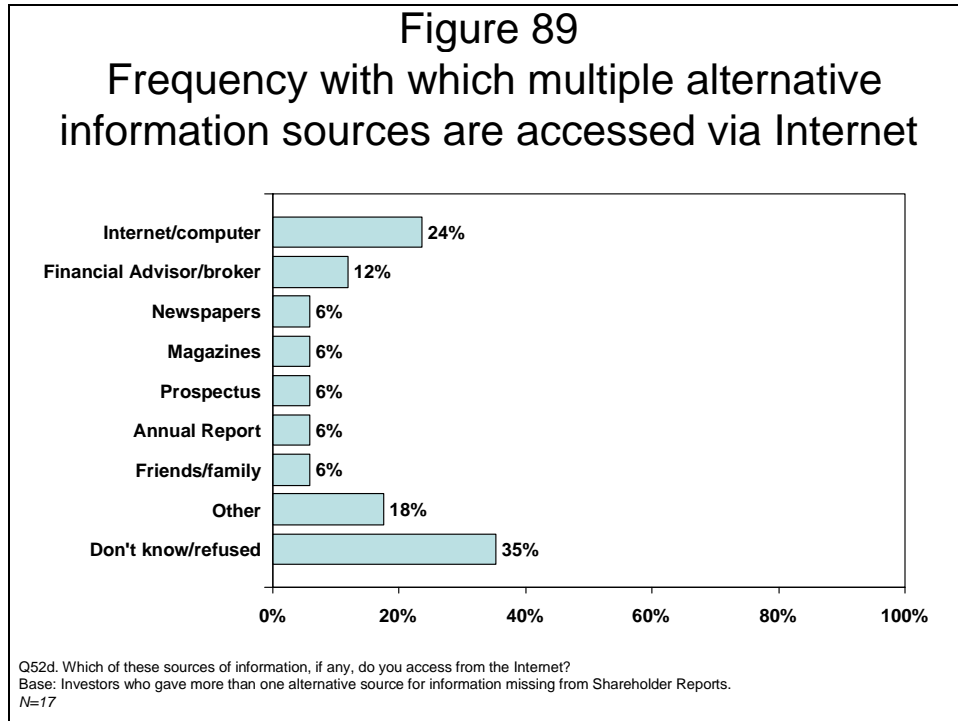
When investors who gave one alternative source of information missing from mutual fund shareholder reports were asked if they access the information via the Internet, nearly two-thirds said yes (65%). (Figure 88)

Seventy-six percent of male investors reported accessing mutual fund shareholder information on the Internet, compared with 47% of female investors. Investors from larger households were also more likely to access mutual fund shareholder information on the Internet (one: 47%, two:60%, three or more:78%).



### Alternative Information Sources Being Accessed via Internet

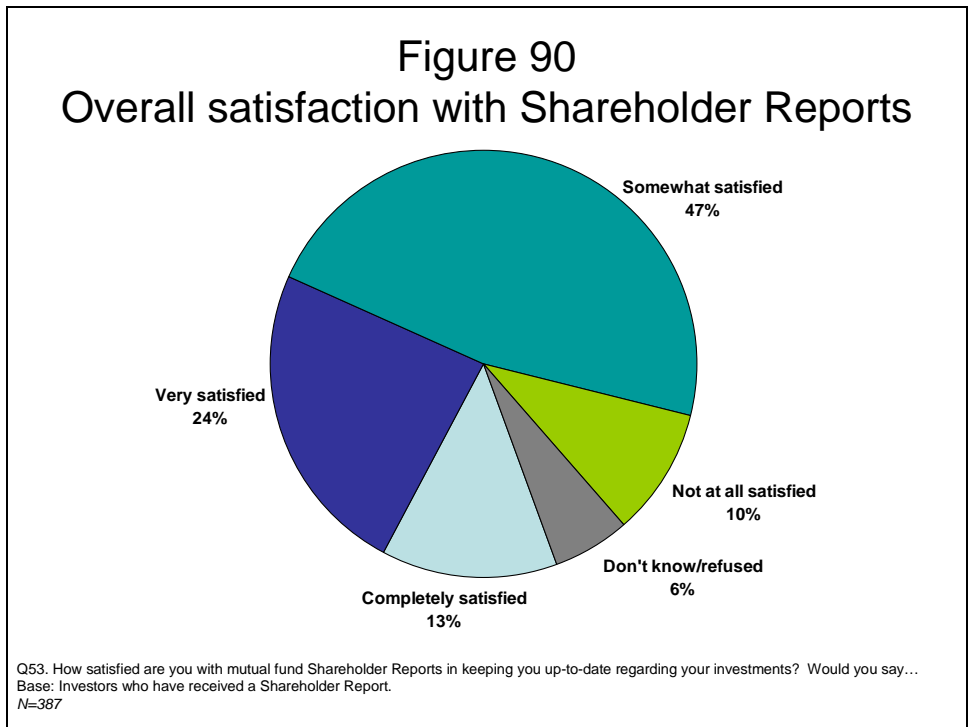
Investors who cited multiple alternative sources for the information missing from mutual fund shareholder reports were asked which, if any, they access via the Internet. Notable responses from these investors were Internet resources (24%), financial advisor (12%), and other sources (18%). A large number of these investors didn't know or refused (35%). It is important to note here that this is based on 17 investors (Figure 89).



### Overall Satisfaction with Mutual Fund Shareholder Reports

Investor satisfaction with mutual fund shareholder reports in keeping them up to date regarding their investments is mixed. When asked how satisfied they were with mutual fund shareholder reports in keeping them up to date regarding their investments, more than one-third of investors were completely (13%) or very satisfied (24%). Nearly one half of investors (47%) report that they are somewhat satisfied with mutual fund shareholder reports. A small number of investors (10%) said they are not at all satisfied with mutual fund shareholder reports in keeping them up to date regarding their investments. (Figure 90).

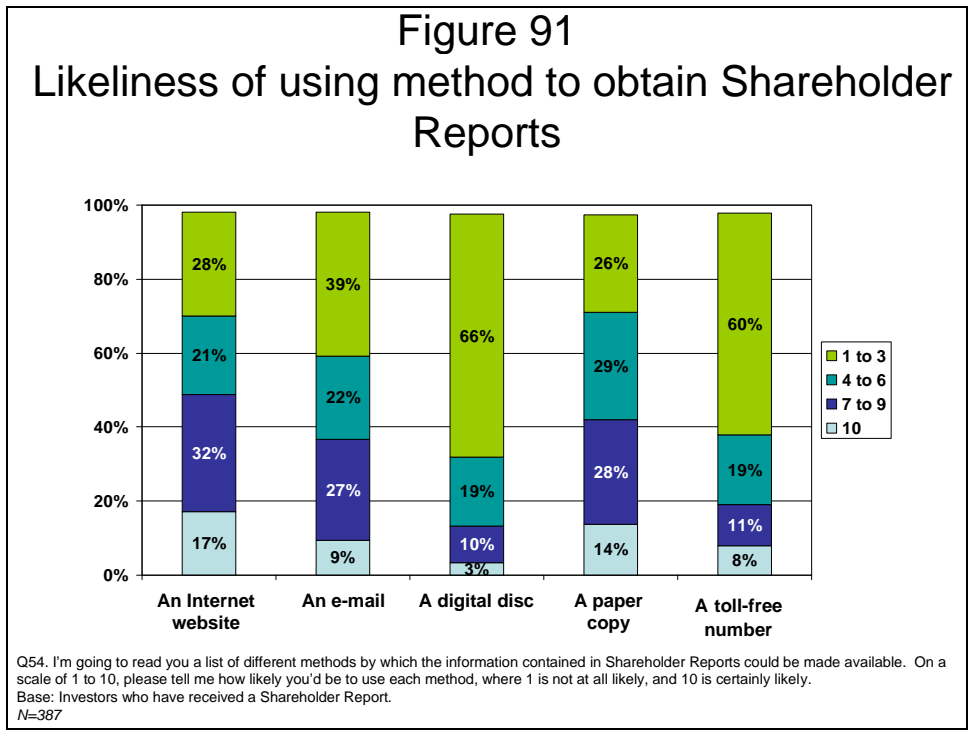
Investors who took graduate classes or have a graduate degree were less likely to be satisfied with mutual fund shareholder reports in keeping them up to date regarding their investments (grad study/degree = 28%, college grad = 40%, some college/assoc degree = 48%, high school or less = 40%). Investors with low levels of investment literacy tended to be more satisfied with mutual fund shareholder reports in keeping them up to date regarding their investments (low = 42%, medium = 37%, high = 32%).



### Likelihood of Using Alternative Modes for Receiving Information Contained in Mutual Fund Shareholder Reports

Investors who had received a mutual fund shareholder report were asked about their preferences for a mode of delivery of the information currently contained in a shareholder report. Of the different delivery methods for the information contained in shareholder reports, an Internet web site received the highest ratings (49% ranking it 7 or above on a 10 point scale). This was followed by a paper copy (42%), and an e-mail (36%). Few seemed to be very supportive of receiving this information by a digital disc (13%) or a toll-free number (19%). (Figure 91)

On average, investors with higher levels of investment literacy, younger investors, those with greater households income, and those with higher education levels are more likely to use mutual fund shareholder report information if provided on an Internet web site, in an email, or on a digital disc. Those with higher investment literacy were also more likely to use the information if provided via paper copy. Female investors, older investors, those with lower education levels and lower levels of investment literacy gave higher ratings to a toll free number.



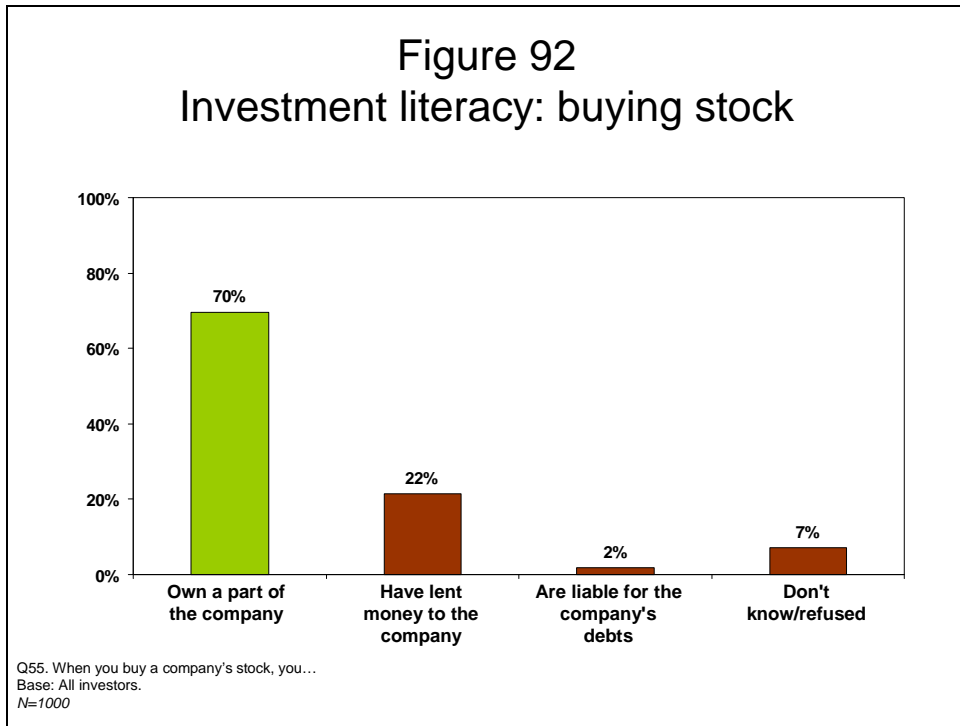
## **SECTION 6: Investment Literacy**



### Investment Literacy: Buying stock

All investors were asked a series of questions to assess their level of knowledge about investments. The first question was when you buy a company's stock do you own a part of the company, have lent money to the company or are liable for the company's debts. A large majority of investors (70%) understood that when you buy a company's stock, you own a part of the company. However, nearly one-quarter (22%) of investors thought they were lending the company money, while 7 percent were not sure (Figure 92).

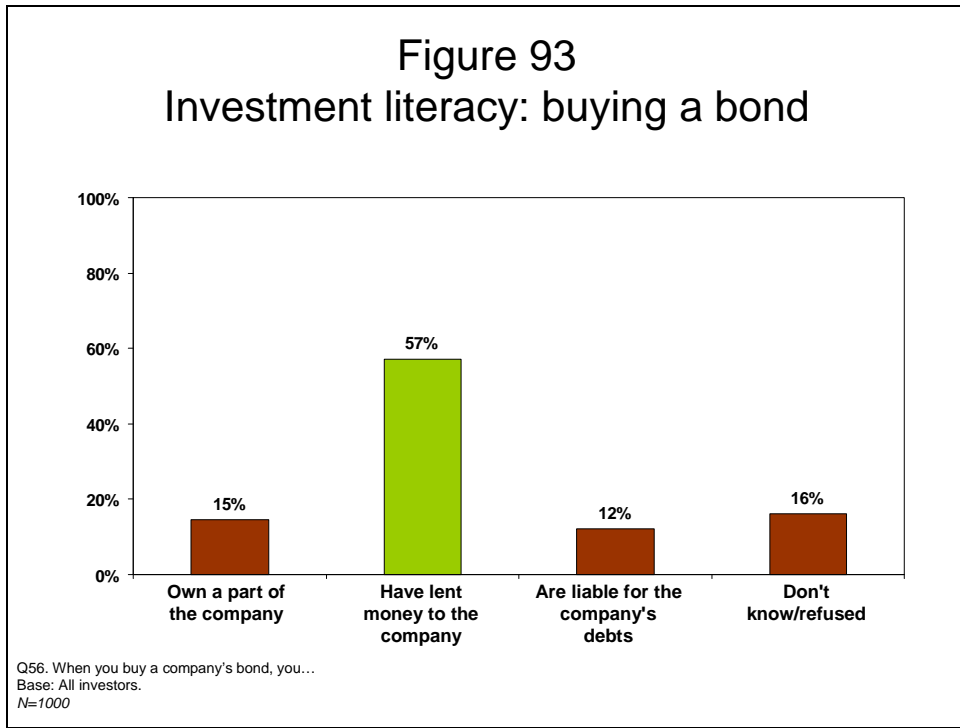
In general, male investors, those in households with 3 or more members, higher levels of education, and income were more likely to have the correct answer.



**Investment Literacy: Buying a bond**

A parallel question was asked of investors about what happens when they buy a company's bond. Over one-half of investors (57%) understood that when you buy a company's bond, you have lent them money. However, fifteen percent of investors thought they owned a part of the company when they bought its bonds, while 12 percent thought they were liable for the company's debts, and 16 percent didn't know or refused (Figure 93).

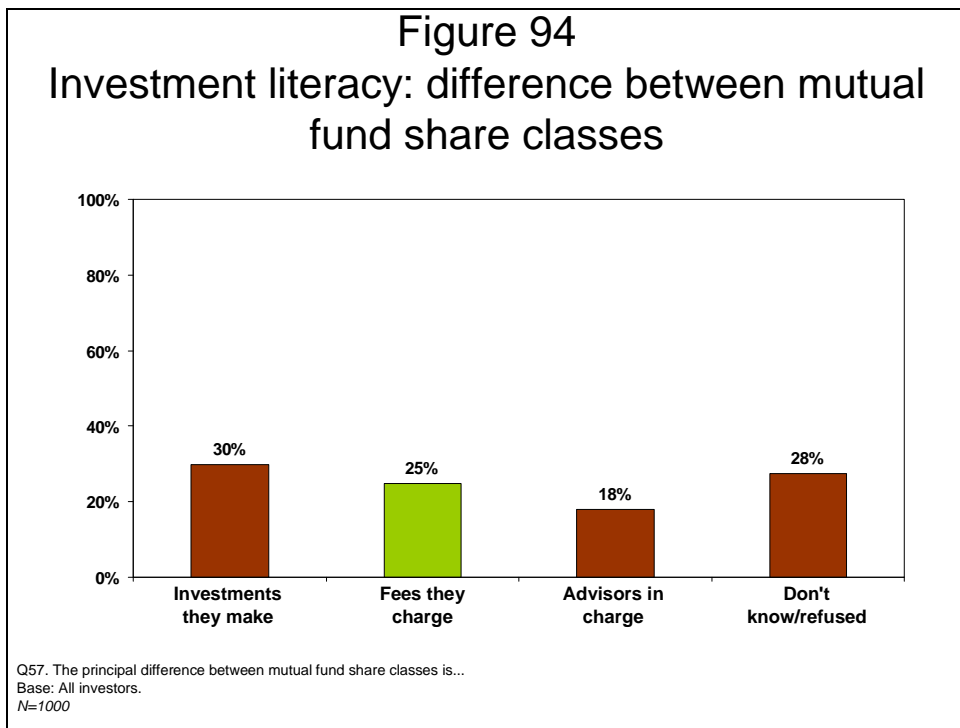
In general, male investors, younger investors, those with higher levels of education, and income were more likely to have the correct answer.



**Investment Literacy: Differences between mutual fund share classes**

Only one-quarter of investors (25%) understood the difference between mutual fund share classes was the fees they charge. Nearly a third (30%) thought the difference was in the investments they make, while 18 percent thought it was the advisors in charge and 28 percent did not know or refused (Figure 94).

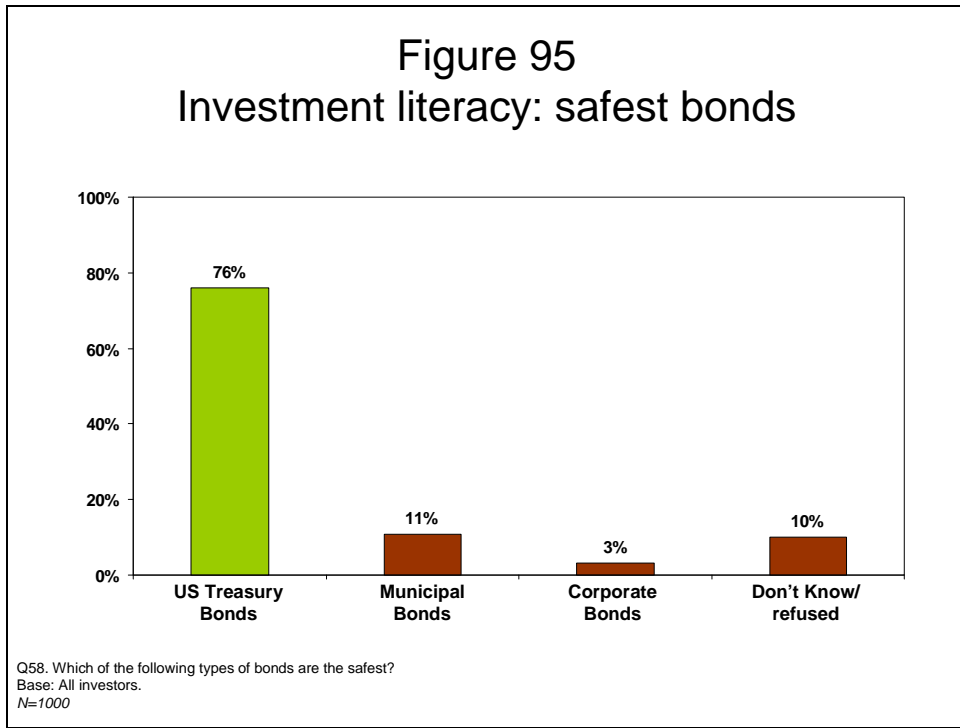
In general, male investors, those in households with 3 or more members, younger investors and those with higher levels of education were more likely to have the correct answer.



**Investment Literacy: Safest bonds**

As a measure of investors' understanding of risk, this national sample of investors was asked which of the following types of investments were safest. About three-quarters of investors (76%) correctly identified U.S. Treasury bonds as the safest on the list. Nonetheless, some investors thought that municipal bonds (11%) or corporate bonds (3%) were safest. Another 10 percent did not know which type of investment was the safest (Figure 95).

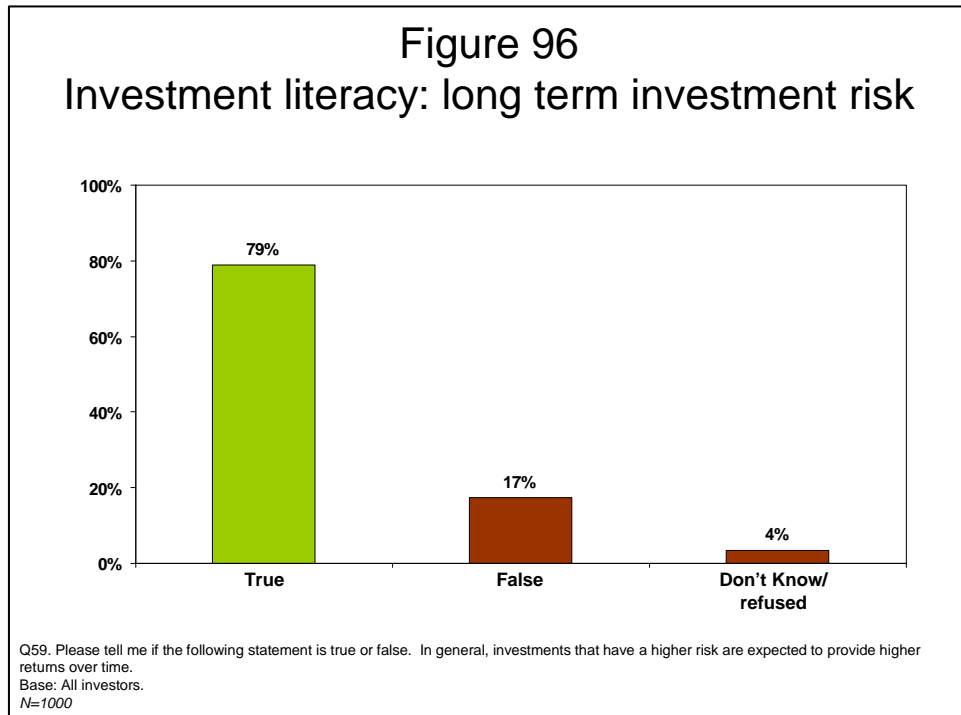
In general, male investors, those in households with 3 or more members, higher levels of education, and income were more likely to have the correct answer.



**Investment Literacy: Long term investment risk**

Most investors (79%) understood that investments with a higher risk provide a higher yield over the long term. Still, a substantial number of investors either said it was false (17%) or could not answer the question (4%). (Figure 96)

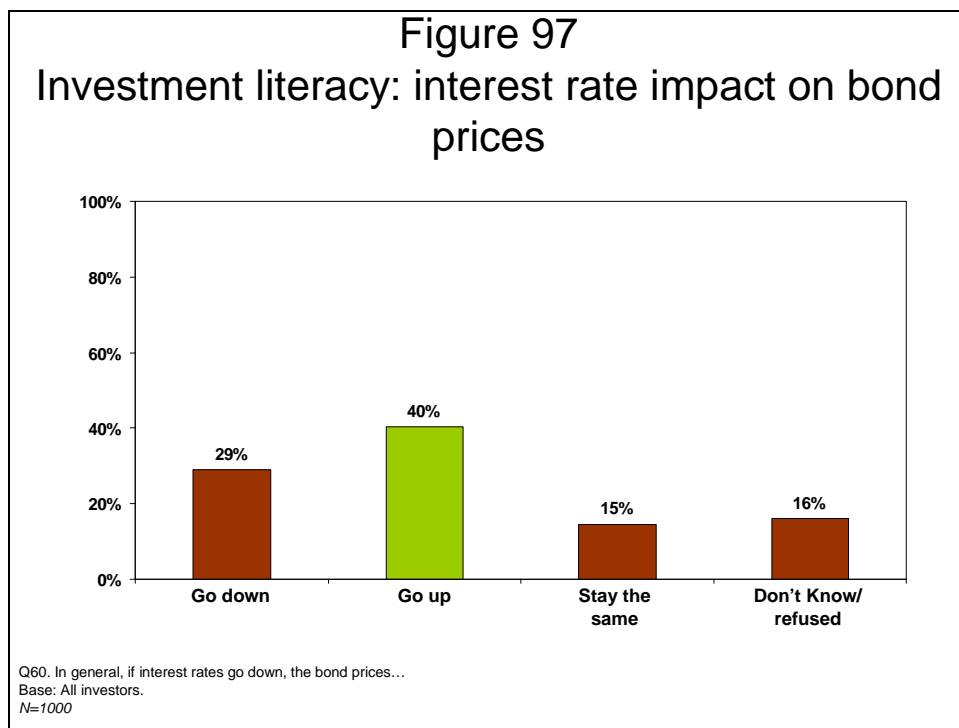
In general, male investors, and those with higher levels of education were more likely to have the correct answer.



**Investment Literacy: Interest rate impact on bond prices**

Investors were asked how bond prices were expected to react if interest rates go down. Less than half of investors (40%) understood that when interest rates go down, bond prices go up. Three out of ten investors (29%) thought that bond prices would also go down if interest rates went up, while 15 percent thought they would stay the same and 16 percent did not know (Figure 97).

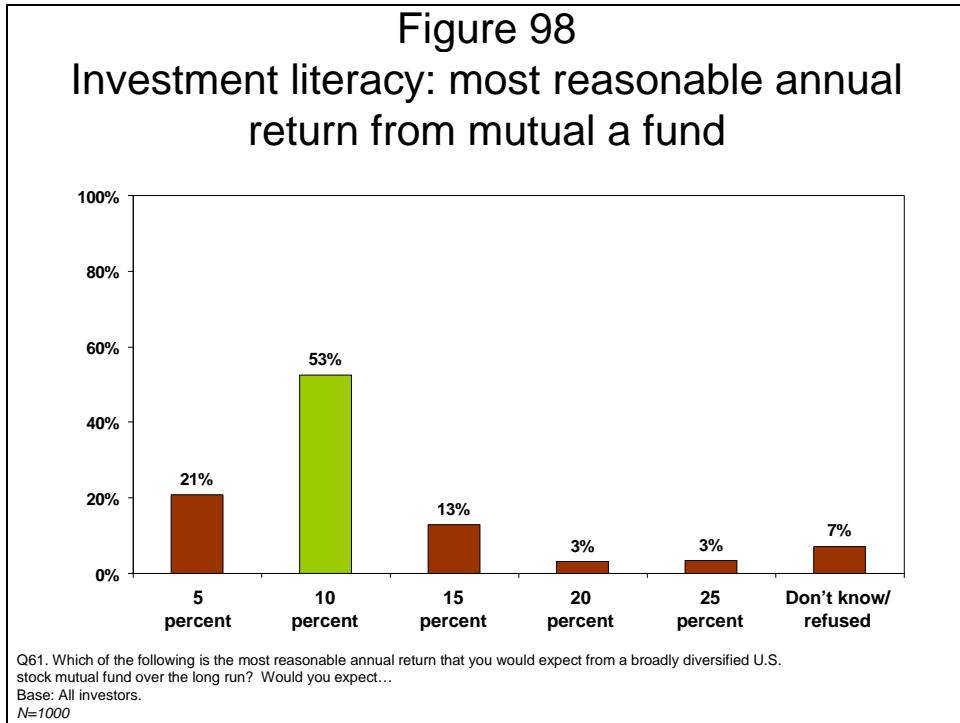
In general, male investors, older investors, those in with higher levels of education, and income were more likely to have the correct answer.



**Investment Literacy: Most reasonable shareholder return from a mutual fund**

Investors were asked the most reasonable shareholder return they could expect over the long run from a broadly diversified stock mutual fund --- 5%, 10%, 15%, 20% or 25%. Just over one-half of investors (53%) had an accurate expectation of a 10% return from a broadly diversified mutual fund over the long run. One in five (21%) expected a long run return of only 5%. At the same time, nearly one in five expected a long term return of 15% or higher from a diversified mutual fund. Seven percent of investors said that they did not know what was the most reasonable long term shareholder return for a mutual fund (Figure 98).

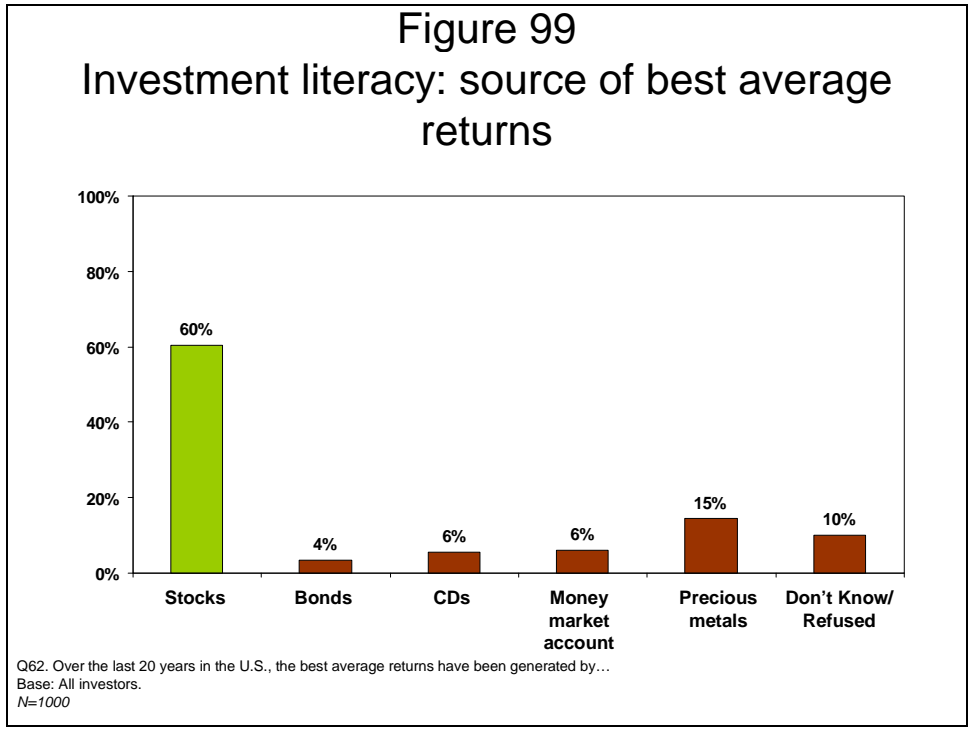
In general, male investors, those in households with 2 or more members, younger investors, those with higher levels of education, and income were more likely to have the correct answer.



**Investment Literacy: Source of best average returns**

As another measure of investment literacy, investors were asked what type of investment vehicle had the best average returns over the past 20 years. The majority of investors (60%) knew that stocks have provided the best average return on investment over the past 20 years. However, a substantial number (15%) believed that precious metals provided the highest return, while 6 percent thought a money market account or thought CDs had the best return, and 4% said that bonds had the best average returns. Ten percent of investors said they did not know which investment type generated the best returns (Figure 99).

In general, male investors, those in households with 2 or more members, younger investors, those with higher levels of education, and income were more likely to have the correct answer.

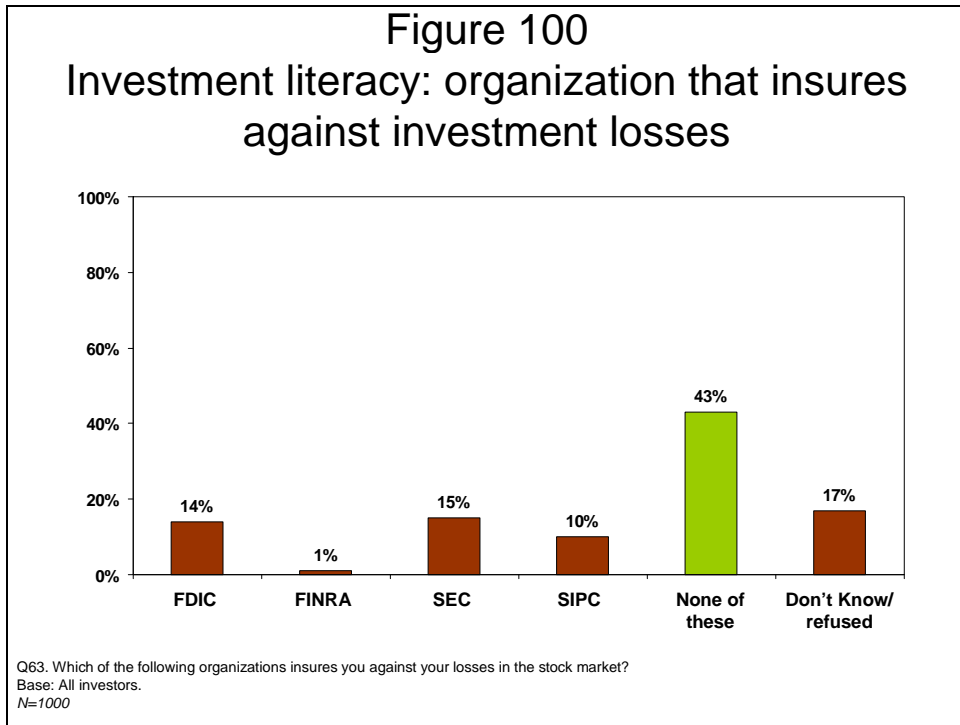




**Investment Literacy: Organization that insures investors against investment losses**

Investors were asked which of four organizations insured them against losses in the stock market. Two out of five investors (40%) identified one of the organizations listed provided protection against investment losses. The SEC was cited by 15 percent of investors as the organization that insures them against losses in the stock market, while the FDIC was cited by 14 percent, the SIPC by 10 percent, and FINRA by 1 percent. A relatively large number of investors said they did not know (17%). Only 43% of investors correctly said that none of these organizations insures you against losses in the stock market (Figure 100).

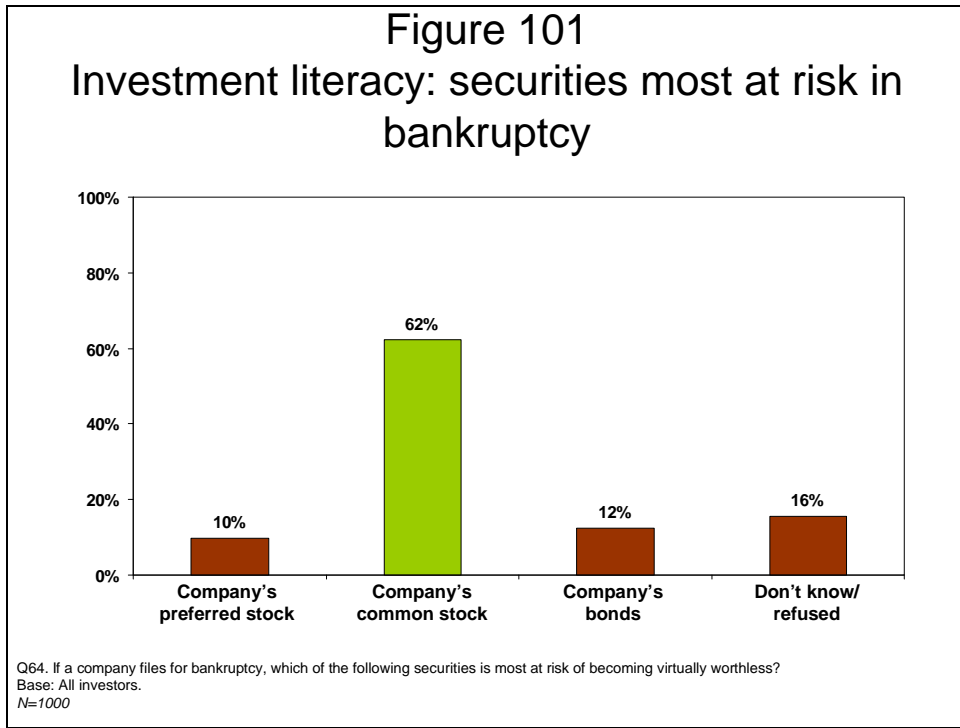
In general, male investors, those with higher levels of education, and income were more likely to have the correct answer.



**Investment Literacy: Securities most at risk in bankruptcy**

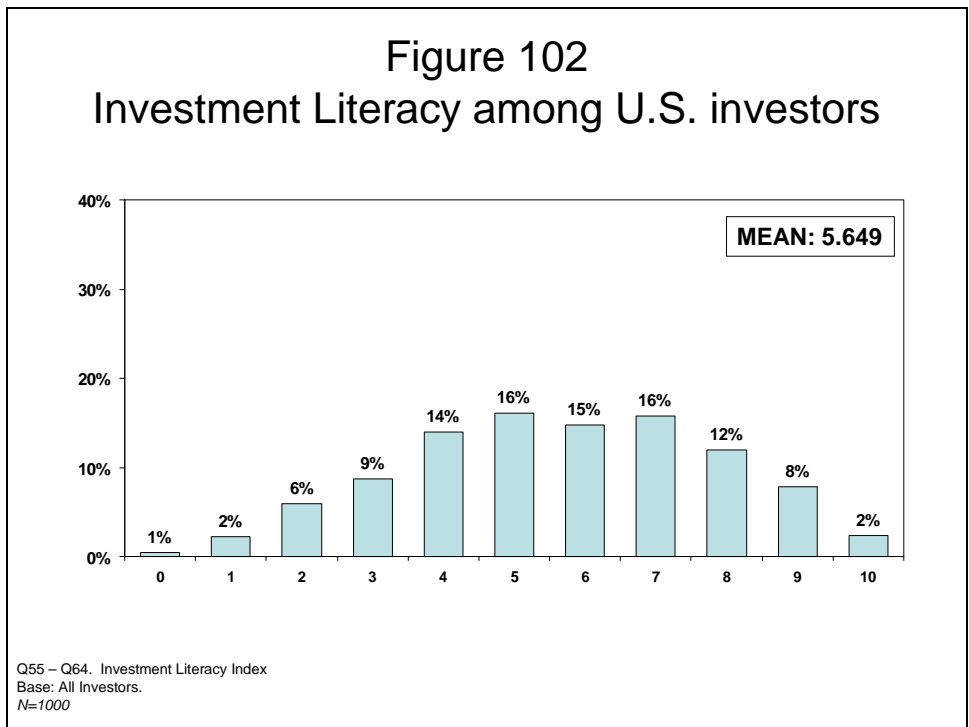
Finally, investors were asked which type of security would be at most risk of becoming worthless if a company files for bankruptcy. Nearly two-thirds of investors (62%) understood that a company’s common stock was most at risk when the company files bankruptcy. However, other investors thought it was the company’s preferred stock (10%), or their bonds (12%). In addition, 16 percent said they did not know what investment was most at risk (Figure 101).

In general, male investors, those with higher levels of education, and income were more likely to have the correct answer.



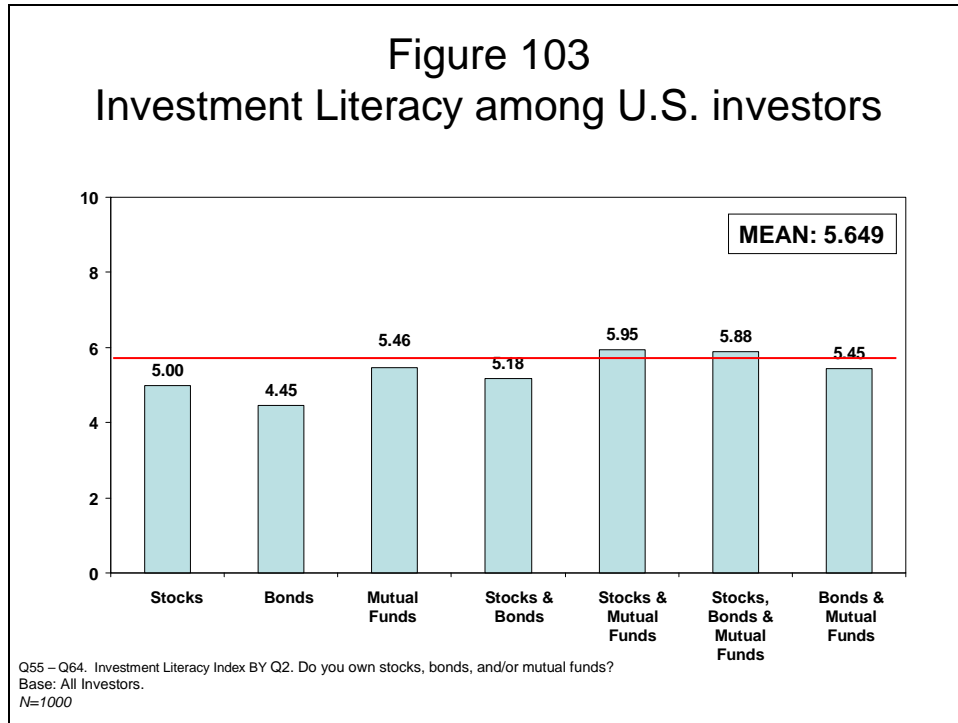
### Overall Investment Literacy

For all investors who completed the telephone survey, an investment literacy score was derived by counting the number of correct answers among the ten investment literacy questions. The average literacy scores were relatively normally distributed about a mean of 5.6 with a standard deviation of 2.2. While the scores had a slight positive skew, the distribution of scores indicates a fairly broad range of literacy levels among investors (95% confidence interval = 1.3 – 9.9). (Figure 102)



### Investment Literacy by Type of Investments Owned

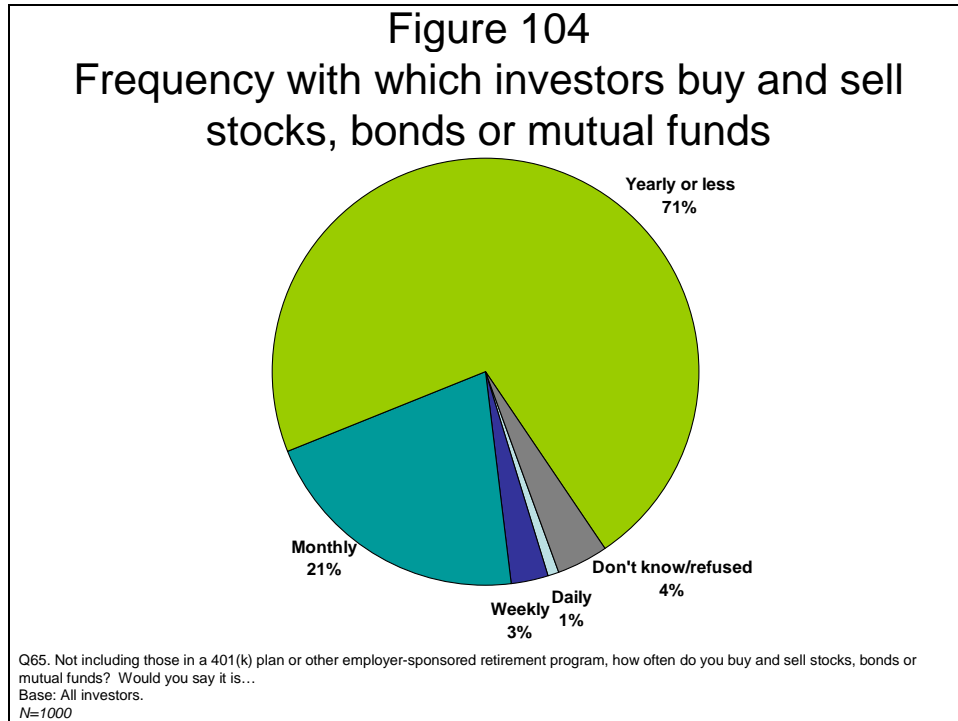
The average investment literacy scores do not vary dramatically based on the nature of investor portfolios. There does however, appear to be a slight trend in that more diversified investment portfolios are associated with higher investment literacy scores (Figure 103).



## **SECTION 7: Investor Characteristics**

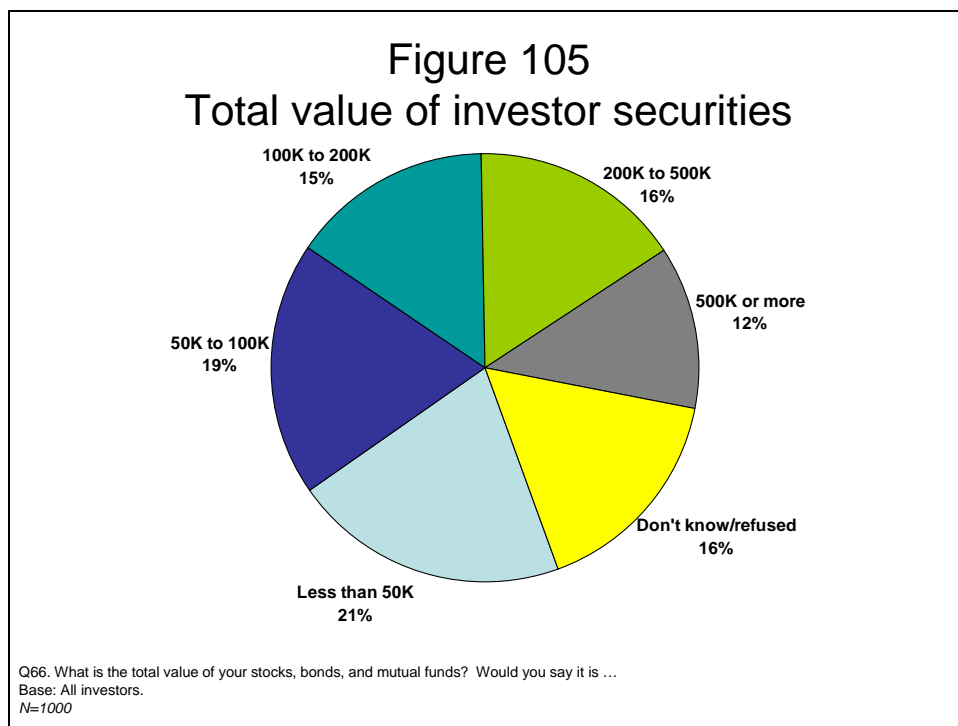
### Frequency with Which Investors Buy Stocks, Bonds or Mutual Funds

All investors were asked how often they purchased stocks, bonds or mutual funds, not including 401(k) plans or other employer-sponsored retirement programs. Approximately one-fifth of investors (21%) said they trade securities on a monthly basis. Most (71%) said they do so yearly or less. A small number of investors said they trade securities on a weekly (3%) or daily basis (1%). (Figure 104)



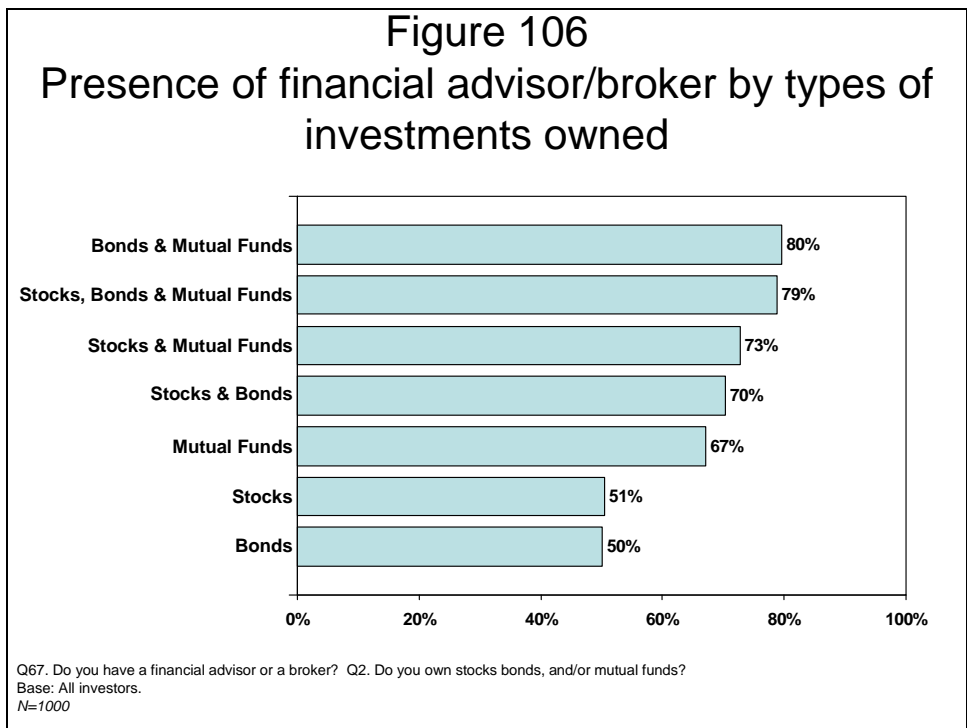
### Total Value of Investor Securities

This national sample of investors were asked about the total value of their stocks, bonds and mutual funds. Approximately one-fifth of investors (21%) reported that the total value of their stocks, bonds and mutual funds was less than 50 thousand dollars. Nearly the same number of investors said the total value of these securities were between 50 and 100 thousand dollars (19%). Slightly less owned securities that had a total value between 100 and 200 thousand dollars (15%), between 200 and 500 thousand dollars (16%), or 500 thousand or more (12%). Only 16% of the sample said they did not know or refused to disclose the total amount of their investments (Figure 105).



### Presence of a Financial Advisor / Broker by Type of Investments Owned

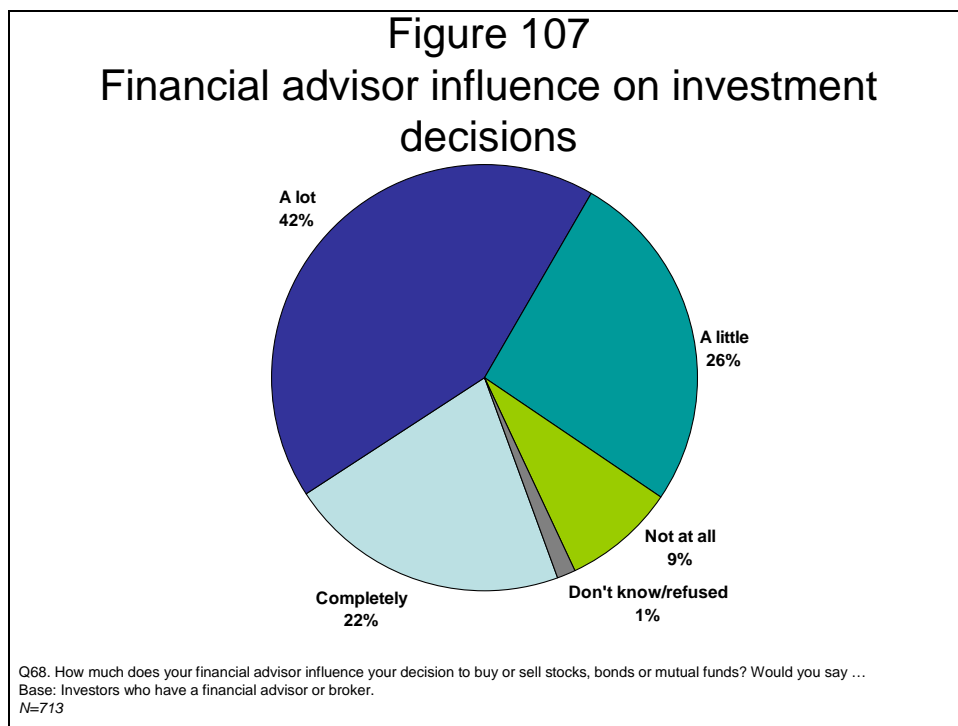
Nearly three-quarters of all investors (71%) report that they have a financial advisor or broker. In general, it seems that the more diversified an investor's portfolio, the more likely he or she is to report having a financial advisor. Approximately 80 percent of investors who owned stocks, bonds and mutual funds or bonds and mutual funds reported having a financial advisor. Slightly less of the investors who owned stocks and mutual funds (73%), or stocks and bonds (70%) had a financial advisor. In contrast, only 67 percent of those who owned only mutual funds, 51 percent of those who owned only stocks, and 50 percent of those who owned only bonds reported having a financial advisor (Figure 106).





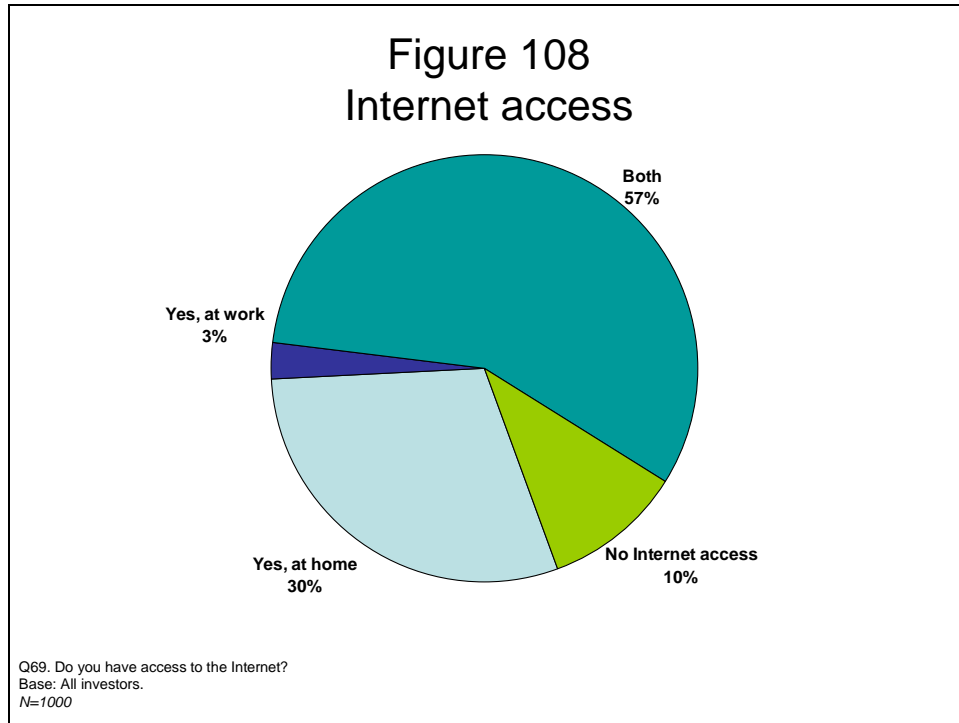
### Financial Advisor Influence on Investment Decisions

Investors with a financial advisor or broker were asked how much influence the financial advisor has in their investment decisions. Approximately one-fifth of investors (22%) reported that their financial advisor has complete influence on their investment decisions. Most commonly, investors (42%) said their financial advisor has a lot of influence. On the other hand, about one-quarter (26%) of investors with a financial advisor or broker said their advisor has a little influence, while another 9 percent said that their broker or advisor has no influence on their decision to buy or sell stocks, bonds or mutual funds (Figure 107).



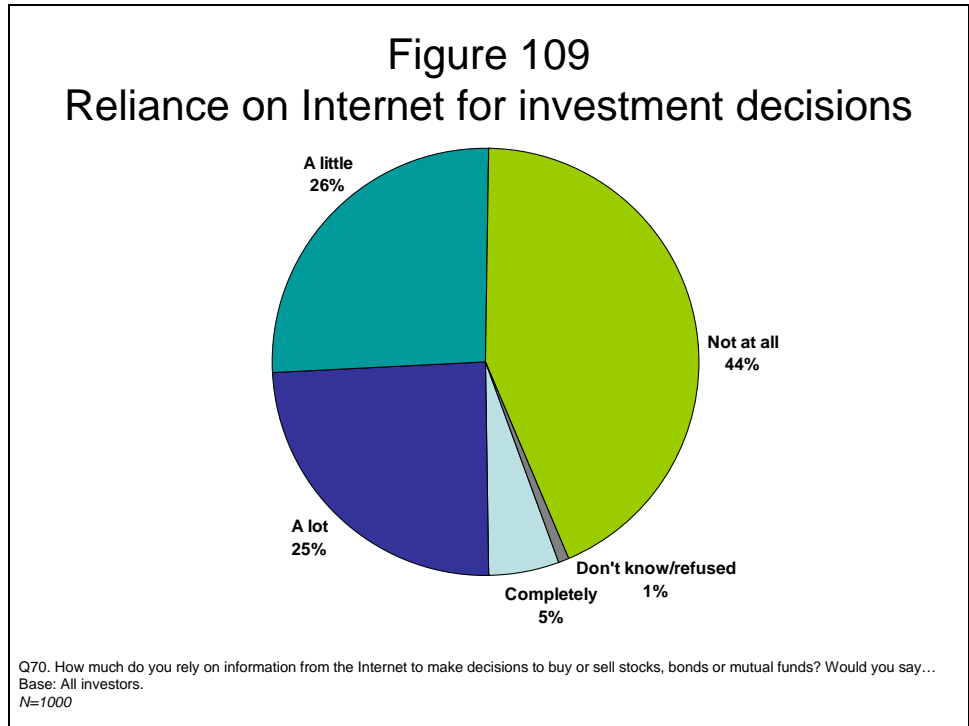
### Internet Access

Approximately all investors (90%) said they had access to the Internet. Most of these investors had Internet access both at home and work (57%), while nearly a third only had access at home (30%), and very few (3%) only had access at work. Only 10 percent of investors did not have Internet access (Figure 108).



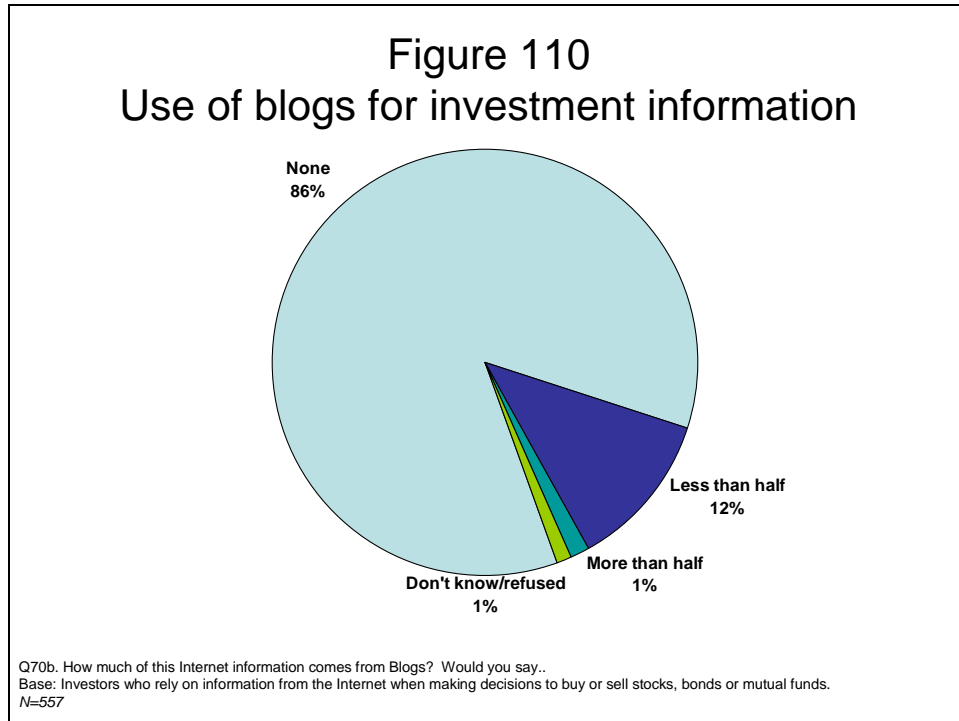
### Reliance on Internet for Investment Decisions

Three in ten investors said they rely on information from Internet completely (5%) or a lot (25%) to guide their investment decisions. Another quarter of investors (26%) said they rely on it a little for their decisions to buy or sell stocks, bonds and mutual funds. Although 90% of investors have Internet access, a significant number of investors (44%) said they do not rely on Internet information at all for investment information (Figure 109).



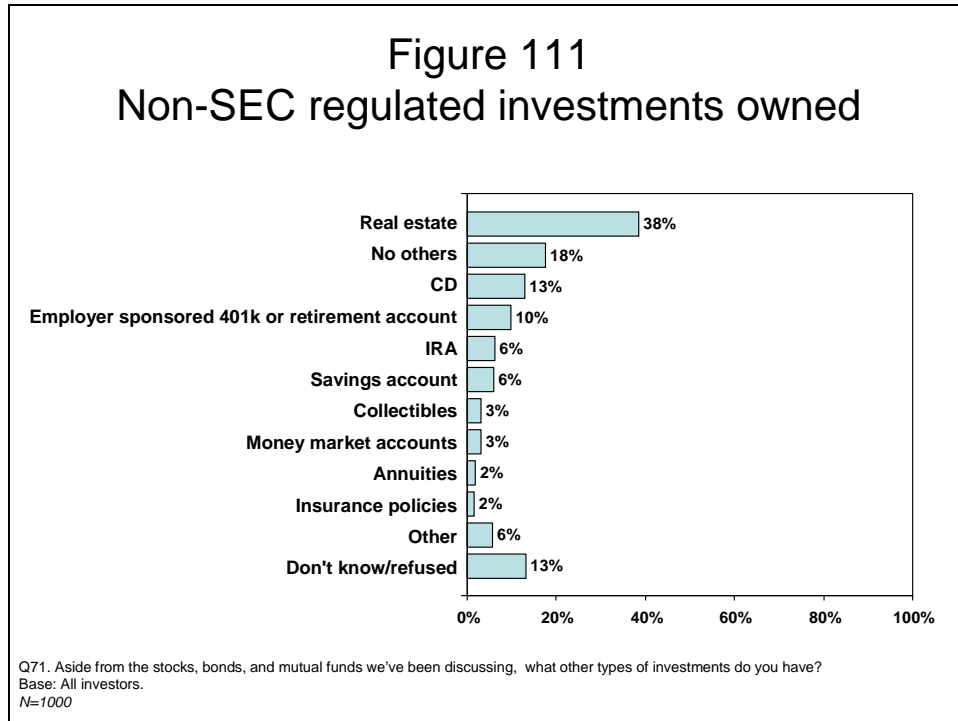
### Use of Blogs for Investment Information

Of those investors who rely on Internet information at least a little to guide their investment decisions, only 13 percent said they use blogs. Most of these investors said they use blogs for less than half of their investment information (12%). Most investors (86%) who utilize Internet information for guiding investment decisions said that they do not use blogs at all (Figure 110).



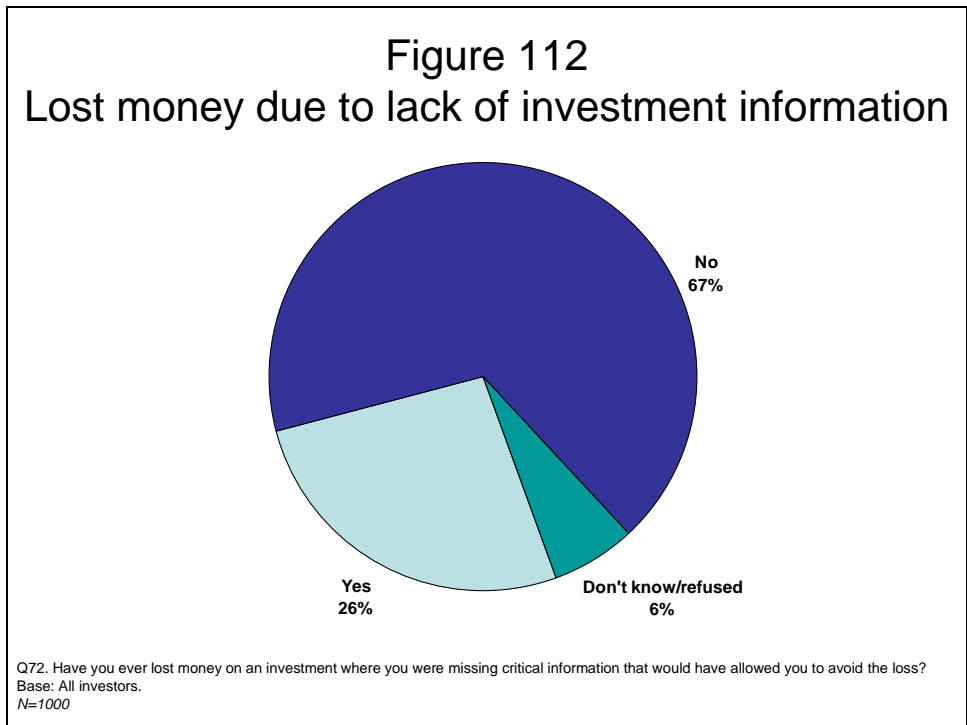
### Non-SEC Regulated Investments Owned

This national sample of investors with stocks, bonds or mutual funds were asked what other types of investment they had. Real estate was cited most often (38%) by these investors. Nearly one in five (18%) said they had no other investments, followed by Certificates of Deposit (13%), and employer-sponsored 401(k) plans or other retirement plans (10%). (Figure 111)



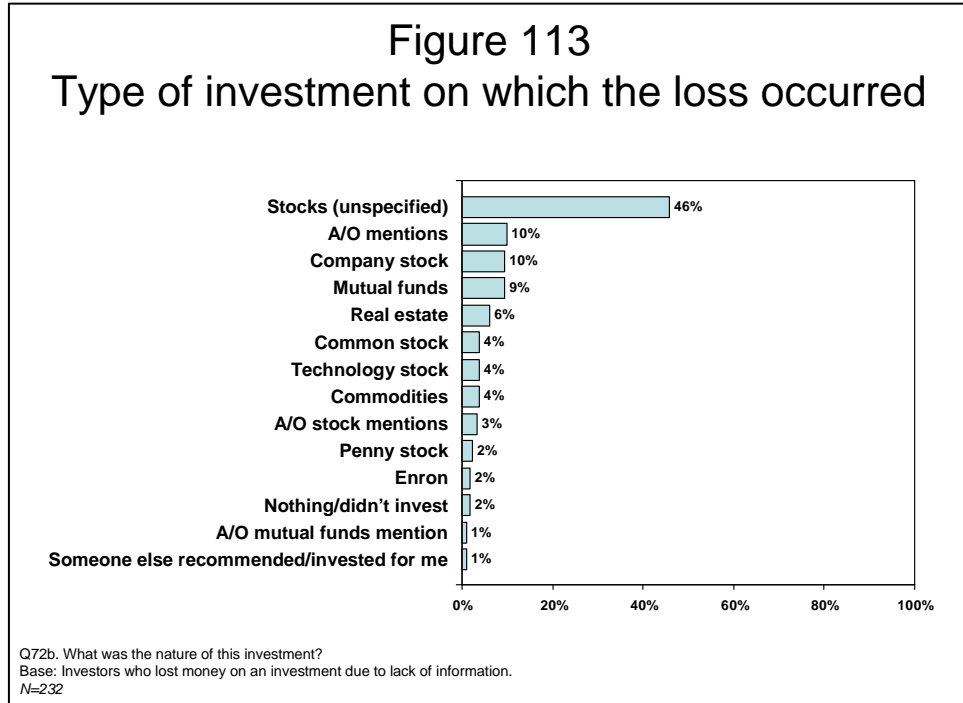
### Lost Money Due to Lack of Investment Information

Understanding financial risk is a key element in investment and in mandatory disclosure policies. Hence, this national sample of investors was asked whether they had ever lost money on an investment where they were missing critical information that would have allowed them to avoid the loss. The majority of investors (67%) said they had not lost money on an investment due to a lack of critical information. However, slightly more than one-quarter of investors (26%) said they had lost money on a investment because they were missing critical information (Figure 112).



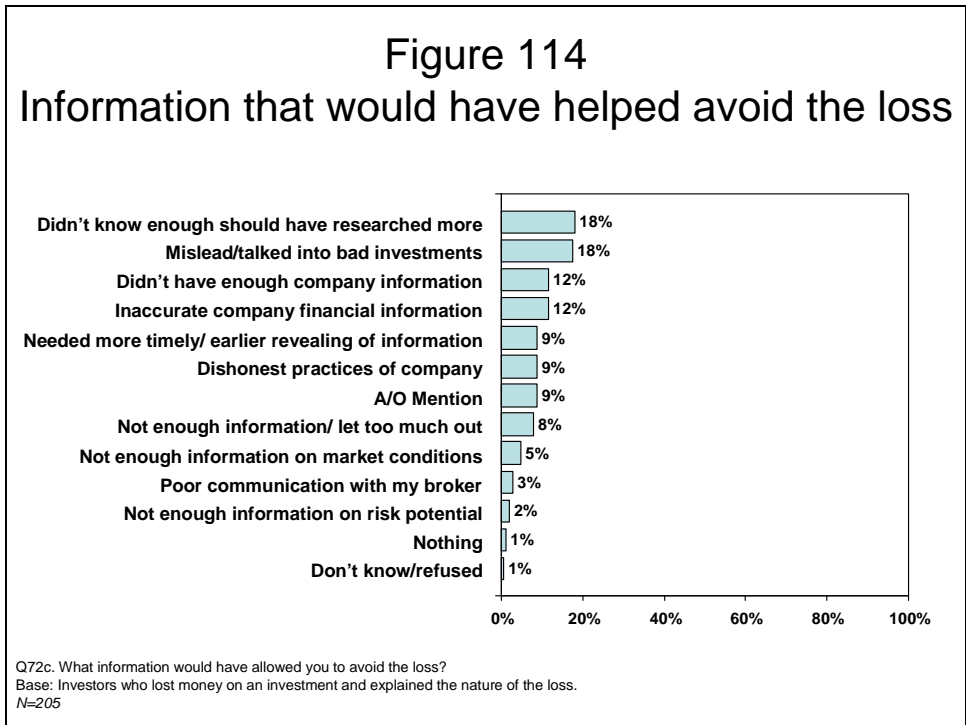
### Type of Investment on Which the Loss Occurred

Those who reported that they had lost money on an investment because critical information was missing were asked the nature of the investment. Stocks were the most frequently cited type of investment upon which investors reported losing money due to a lack of information (72%). Other specific types of investments cited were mutual funds (9%), and real estate (6%). (Figure 113)



### Information That Would Have Helped Avoid the Loss

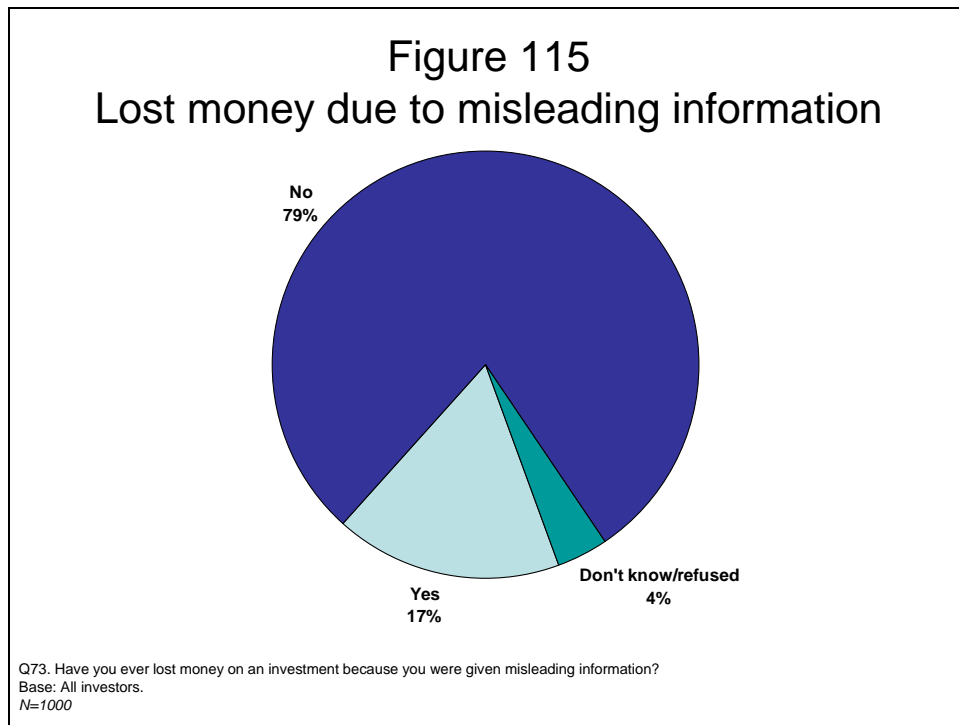
When asked what information, had they had it, would have helped them avoid the loss, most responses were somewhat vague. Most said they should have done more research (18%), or that they were misled or talked into the purchase (18%). Others said they did not have enough company information (12%), had inaccurate information regarding the companies financial statements (12%), or that they information they had was not up to date (9%). (Figure 114)





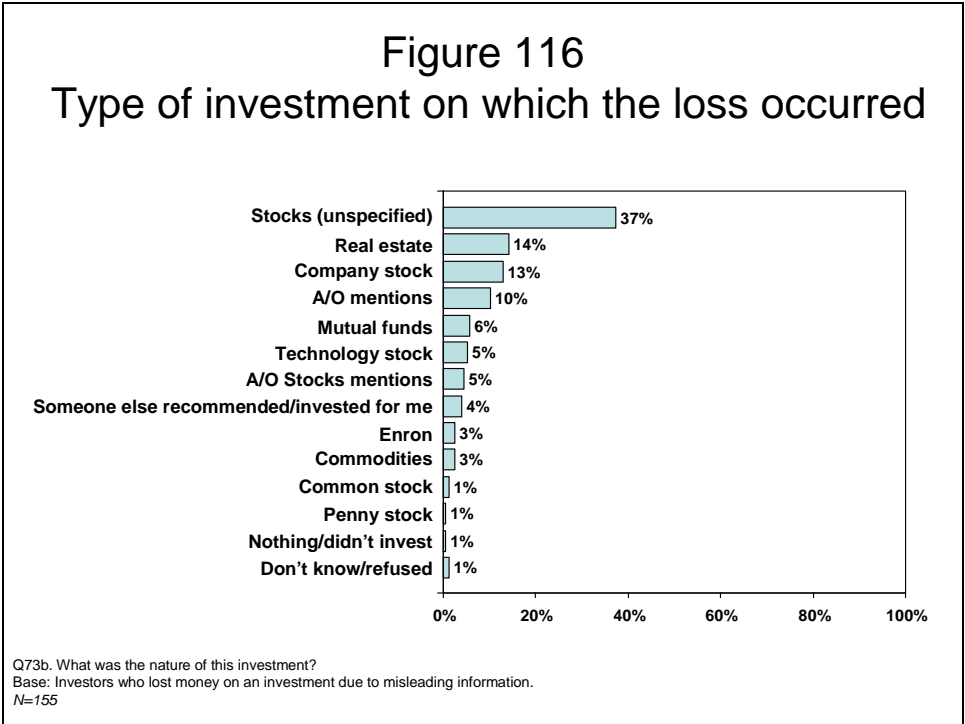
### Lost Money Due to Misleading Information

Aside from missing information that may have led to an investment error, investors were asked whether they had ever lost money on an investment because they were given misleading information. The majority of investors (79%) said they had not lost money on an investment due to misleading information. However, nearly one in five investors (17%) said they had lost money on an investment as a result of misleading information (Figure 115).



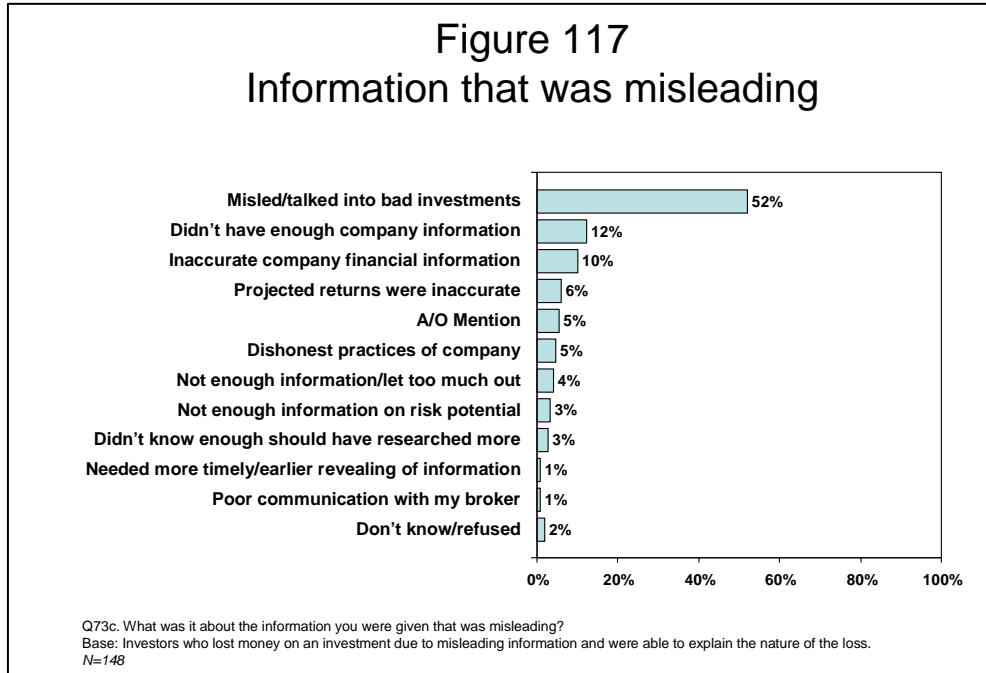
### Type of Investment on Which the Loss Occurred

Among those who reported investment losses as a result of misleading information, stocks were the most frequently cited type of investment upon which investors reported losing money due to misleading information (68%). Other specific types of investments cited by investors as the source of financial loss due to misleading information were real estate (14%), and mutual funds (6%). (Figure 116)



### Information That Was Misleading

When asked what about the information they were given was misleading, most (52%) said they were just talked into bad investments. Others said they did not have enough company information (12%), had inaccurate information regarding the companies financial statements (10%), or that projected returns were inaccurate (6%). (Figure 117)



## CONCLUSIONS

### Plain English

It is clear that many investors do not read disclosure documents for companies and funds in which they invest, and those that do spend relatively little time reviewing these documents considering the breadth of information they contain. A common practice reported by many investors was to simply rely on a financial advisor or broker to steer them in the right direction regarding their investment decision. Nonetheless, it is also clear that many investors who do use disclosure documents are not entirely satisfied with them. This is true throughout various design features of the documents themselves.

There were many aspects of “plain English” that were evaluated in this survey. While there were subtle differences in investor opinion across the different types of disclosures, many of the general patterns appeared to be relatively robust. One of the most notable and consistent trends was investors’ opinion that disclosures contain too much legal jargon. Most investors said the reason they do not read a specific disclosure was because they are too complicated or too difficult to understand, and that they are too long and wordy. Furthermore, many investors expressed a lack of interest or motivation for digesting the contents of mandatory disclosure documents. Common statements investors gave to describe why they do not read disclosure documents were that the documents are boring, they have no interest or time, or they simply rely on someone else to read it for them. A substantial number of investors said they throw them away rather than read them.

In most cases it doesn’t appear that this pattern of investor use of these documents is due to the overall organization or content of the disclosures. Most investors agreed that the documents are well organized, few felt that they were missing key information, and most agreed that they highlight useful information. Aside from the complaints about the degree of legal jargon already mentioned, a significant number of investors did not agree that the disclosures were clear and concise or written in a language that they understand. These three elements of plain English appear to go hand in hand. The more legal jargon a document contains, the less likely it will be perceived as being concise or understandable. This is not to say that improvements cannot be made on the other dimensions, rather that investors are more likely to be most critical of whether the disclosures are clear and concise, written in a language they can understand, and have less legal jargon.

There may be a number of factors that influence the effectiveness of mandatory disclosure documents as tools for educating individual investors. However, it is clear from this survey that investment literacy varies dramatically among those who buy and sell stocks, bonds or mutual funds. This difference in investment literacy affects investor use of disclosure documents:

- Investors who spend less than ten minutes reading operating company annual reports had a higher average investment literacy (mean = 6.0), than those who spent more than ten minutes reading them (mean = 5.7).

## Mandatory Disclosure Documents Telephone Survey

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- Investors who said it was very difficult to find the information they need in an operating company annual report also had lower investment literacy scores (mean = 5.4), than those who said it was somewhat difficult (mean = 5.9) and those who said it was not at all difficult (mean = 5.8).
- Investors who said it was very difficult to understand the language used in operating company annual reports had an overall lower level of investment literacy rate (mean = 5.2), than those who had less difficulty understanding the language used (somewhat difficult = 5.9, not at all difficult = 6.0).

Consequently, the amount of time that investors need to read disclosure documents and the difficulty they have in finding and understanding the information they need is at least partially a function of their basic investor literacy, not the content or layout of the document. This strikes at the very heart of the idea that plain English, in and of itself, is a sufficient means by which to ensure that operating company annual reports will be useful to investors.

More troubling still, it appears that those with lower literacy rates are more likely to report being satisfied with operating company annual reports as a guide to making investment decisions (completely satisfied = 5.2, very satisfied = 5.3, somewhat satisfied = 5.8, not at all satisfied = 5.8). Similar patterns were seen across all the other disclosure documents with the exception of satisfaction with operating company proxy statements. Here the relationship was inverted such that those with lower literacy scores reported being less satisfied. Not surprisingly, we found that investment literacy is higher among investors with higher levels of education and those with a greater total value of investments. However, we also found investors who reported having lost money on an investment due to missing or misleading information tend to have higher investment literacy scores.

### SEC Disclosures

The differences between the different disclosures are centered around the purpose they serve and the content they include. For example, the information that investors look for in an operating company proxy statement is typically centered around voting procedures and the background of the officers or issues being voted upon. Overall, there was some degree of mismatch between what information investors said they needed, and what each document contained. In all four documents, investors reported that they were missing key information to help them in the way the document was intended. Investors' descriptions of what this information might be was vague in many cases and not necessarily reflective of the document's intended purpose. It is likely that this is in part due to investment literacy. There were, however, common pieces of information that investors reported looking for that were specific to the type of document being discussed, whether they found them or not.

Given the similar types of information investors are looking for, efforts should be made to make this information as accessible and understandable as possible. Not only must the language in these documents speak to the least common denominator in terms of literacy, but also in terms of interest or motivation. To that end, there is another factor at play in determining the optimal design. Simply reducing the legal jargon and simplifying

## **Mandatory Disclosure Documents Telephone Survey**

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explanations of key information that currently exists will not be sufficient to maximize the effectiveness of the disclosure documents. Efforts must also be made to ensure the documents do not contain information that is of no use to investors, and that they do contain the information that is critical. Again while a piece of information may be critical to some, others may not think so. It is expected that this is correlated with investment literacy.

In operating company annual reports, most investors look for financial statements, business summaries, performance history, management discussion and analysis, and trends or projections. Among the information investors claimed were missing from annual reports were future strategy and projections, accurate information, financial statements, comparative data performance history, and real time performance updates. The common things investors sought in operating company proxy statements were related to their purpose: background on directors, voting procedures, management discussion and analysis, financial statements and executive compensation. Investors claimed that proxy statements were missing information on candidates' backgrounds, adequate detail on the issues being voted on, a list of pros and cons of the voting decision, and how their vote will affect them. Investors look for performance indicators, investment objectives and strategies, costs, fund managers, portfolio holdings and financial statements when they read mutual fund prospectuses. They claim that they are missing comparison data, future strategies or projections, third party opinions, performance history, and real time updates. Finally, investors look for fund performance information, financial statements, list of holdings, director/officer information, fund expenses, investment advisory contract information and projections and strategies when they read mutual fund shareholder reports. They claim shareholder reports are missing comparison data, third party opinions, strategies and projections, real time data, and performance history.

The information that investors look for in these documents did not appear to differ greatly depending on the amount of time spent reading the reports, or difficulty investors had finding things in them. It may also be that the information they claim is missing actually exists. If the information is not easily identifiable or accessible in the way in which it is presented, this will be a barrier to actually finding and making use of it. The objective becomes one of precisely determining the information that investors require and presenting it in a way that they look to the document to get it. This is no simple task. While the presentation issues are pretty straight forward, it is unlikely that any one document will meet the needs of all investors. It is likely that investors with higher literacy and motivation will want a great deal more information than those with less. Ultimately there will always be a certain number of investors who would rather leave this in the hands of others they trust.

### **Delivery Mode**

Most investors said they access the Internet for investment information that is not contained in an operating company annual report. They do so either directly through the website for a company or fund, or through the site of a financial advisor or other (non-government) financial service web site. Most investors indicated that their preferred mode of obtaining investment information is online. This may coincide with their desire for real time information regarding performance data. The primary advantage of the Internet is exactly that, the ability to transmit data quickly. It also has the advantage of allowing users

## Mandatory Disclosure Documents Telephone Survey

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to interact with the information in ways that they can not in other modes. Given the amount of data attempting to be conveyed via SEC mandated disclosures and the degree of flexibility required to educate a wide array of investors on a very large amount of information, the development of web-based disclosure forms is something that the SEC should strongly consider.

Not only would web-based documents give investors more control over the flow of information, it would also give the SEC more control over the way in which securities information is presented to the public. It is understood that the plain English initiative was not meant to develop templates so that all disclosures appeared the same. There is however, a cognitive advantage to standardization for the end user. If information is always located in the same place and presented in the same way, the amount of time required for the investor to get the information they need is dramatically reduced. If designed properly, online documents and the corresponding infrastructure to support it could also reduce burden on companies and funds required to disclose securities information. Finally such a system would also make an excellent platform for developing other types of resources for investors, such as interactive tools for evaluating historical performance data and possibly modeling future performance.

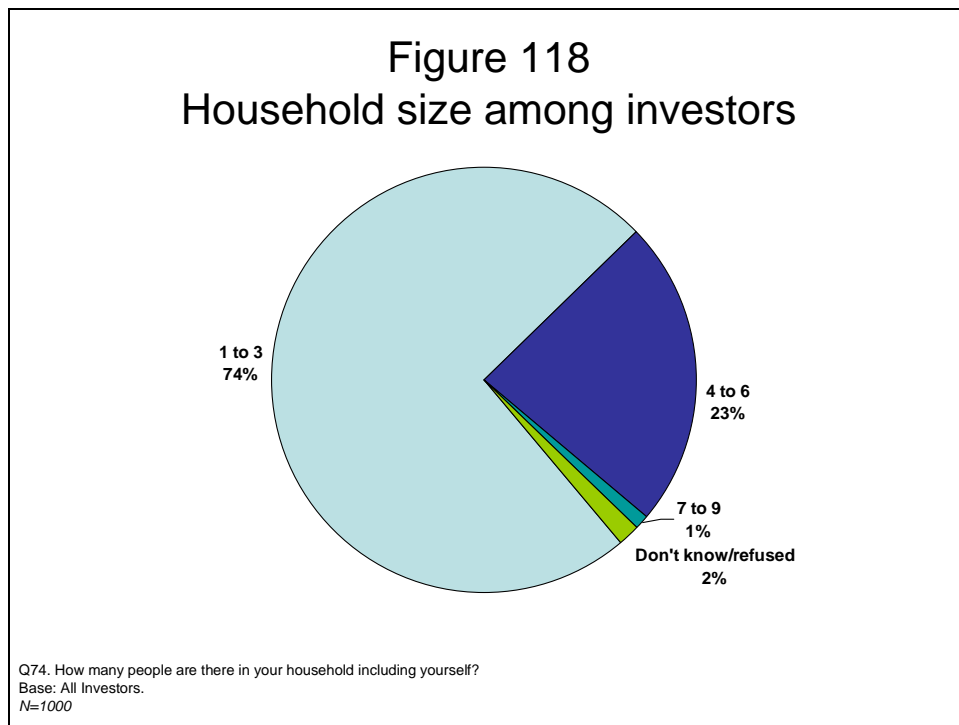
That having been said, it is important to note that a good quality paper copy is also likely to be utilized by investors. While it cannot contain the same bells and whistles as an online application, it has the advantage of being a tried and true (and predictable) format for conveying information. Thus there will always be a great benefit realized by perfecting the paper form for its intended purpose. Some investors indicated that they would like to get the information via email. However this mode would further limit the utility of the communication as it limits the information that could be conveyed. Finally, other modes of delivering disclosure information are not as likely to be used by investors. Ratings of a digital disc and a toll free number were very low.

These findings concerning investor use and opinion concerning disclosure documents is based on a national cross-section of individual investors conducted in 2008. In the absence of comparable baseline information, we cannot assess how much investor use and satisfaction with these documents may have improved since the introduction of the Plain English initiative. However, the findings suggest that the current documents continue to fall short of the goals of the SEC in investment disclosure. Some of this gap is a product of the lack of investment sophistication of many individual investors. Some of the problem may be a result of disclosure documents that are premised on a higher level of sophistication among those investors that they are designed to protect and assist in the investment decisions.

## Appendix A: Demographics

### Household Size Among Investors

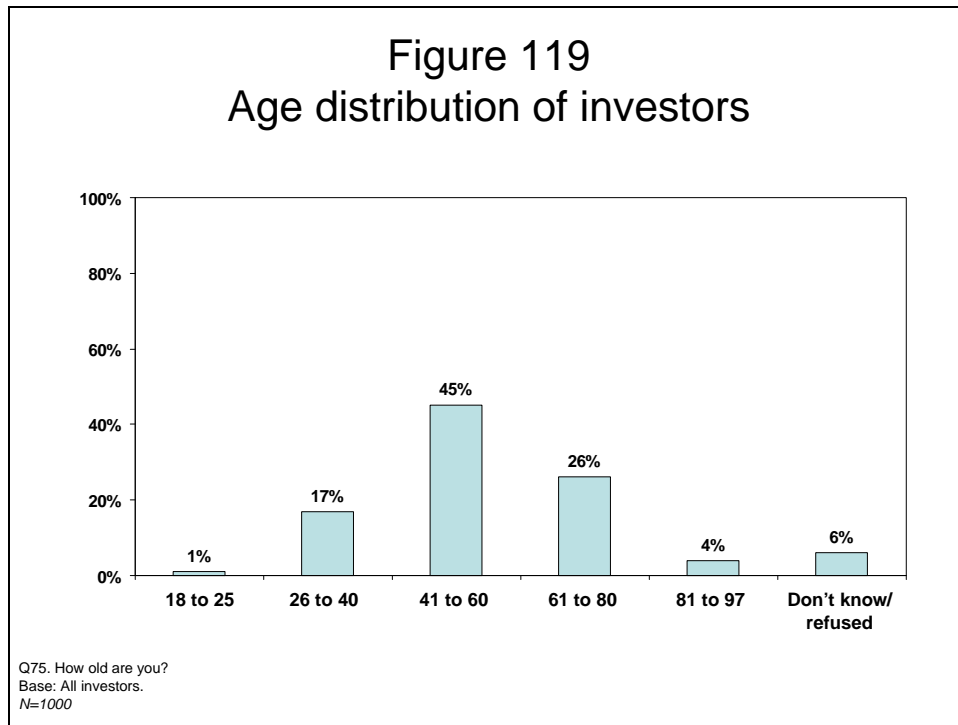
Nearly three-quarters of investors (74%) live in households with 3 people or less. Most of the remaining investors (23%) live in households with 4 to 6 people. A small number live in households with 7 to 9 members (1%) (Figure 118).





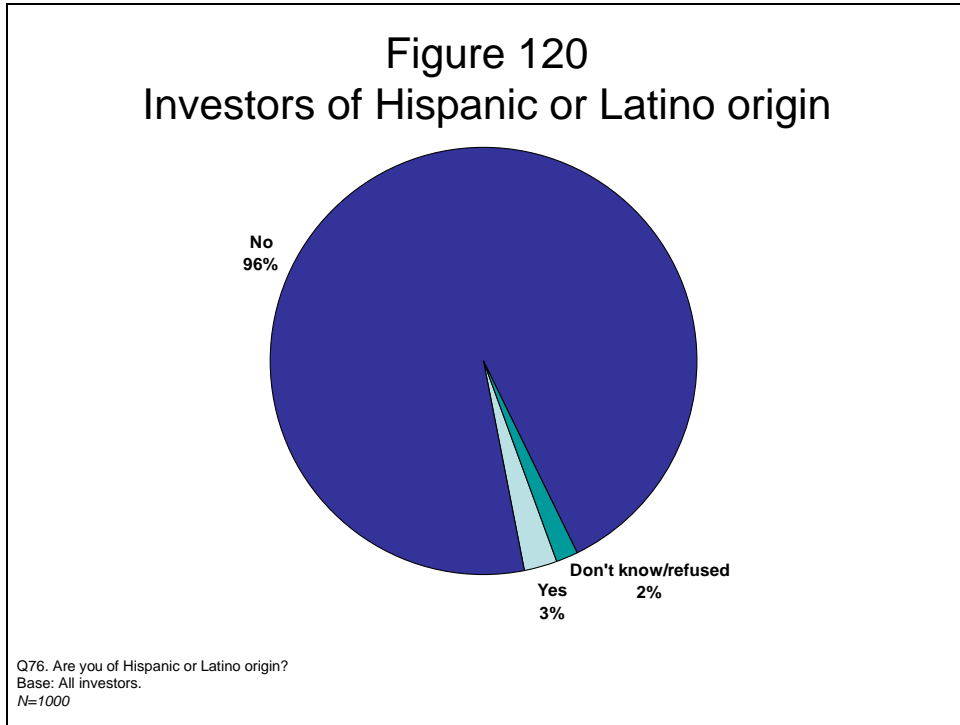
### Age Distribution of Investors

The reported age of investors followed a fairly normal distribution. There were only a small number of investors between the age of 18 and 25 (1%), and between 81 and 97 (4%). A larger amount were between age 26 and 40 (17%), and between 61 and 80 (26%). The majority of investors were between the ages of 41 and 60 (45%) (Figure 119).



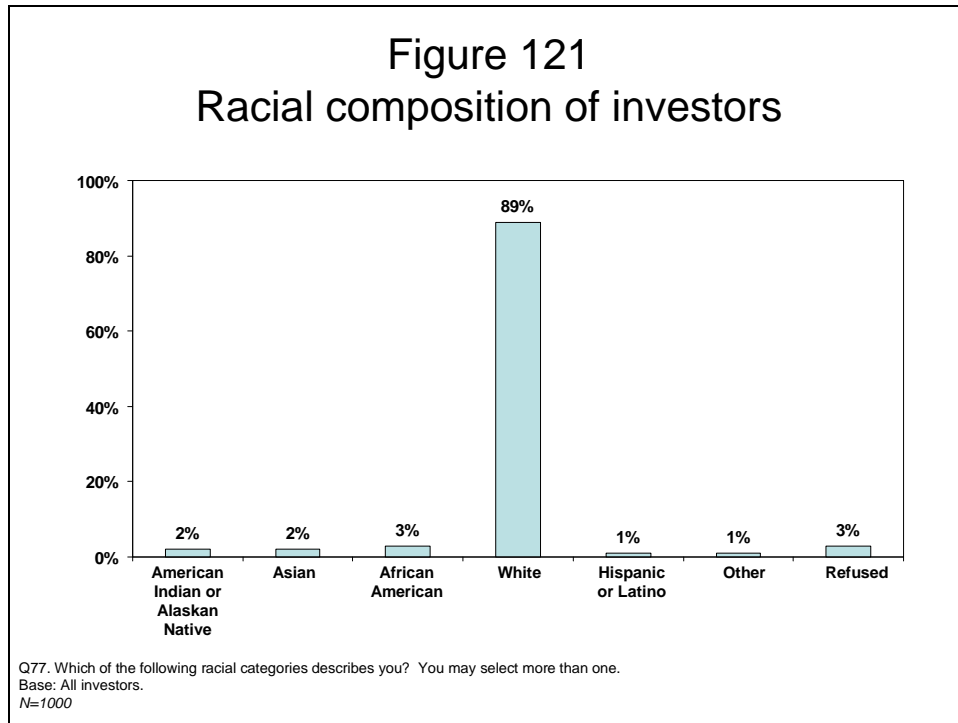
### Investors of Hispanic or Latino Origin

Only a very small number of investors (3%) reported to be of Hispanic or Latino origin (Figure 120).



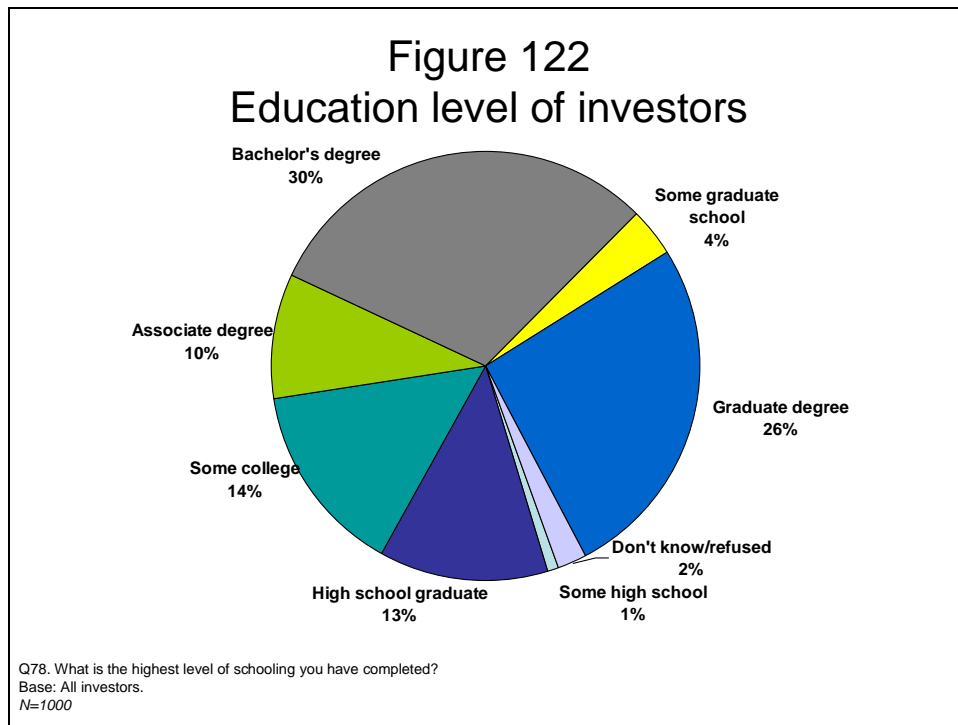
### Racial Composition of Investors

Most investors (89%) reported being of White race. Additionally, 3 percent reported being of Black race, 2 percent reported being Asian, and 2 percent were American Indian or Alaska Native (Figure 121).



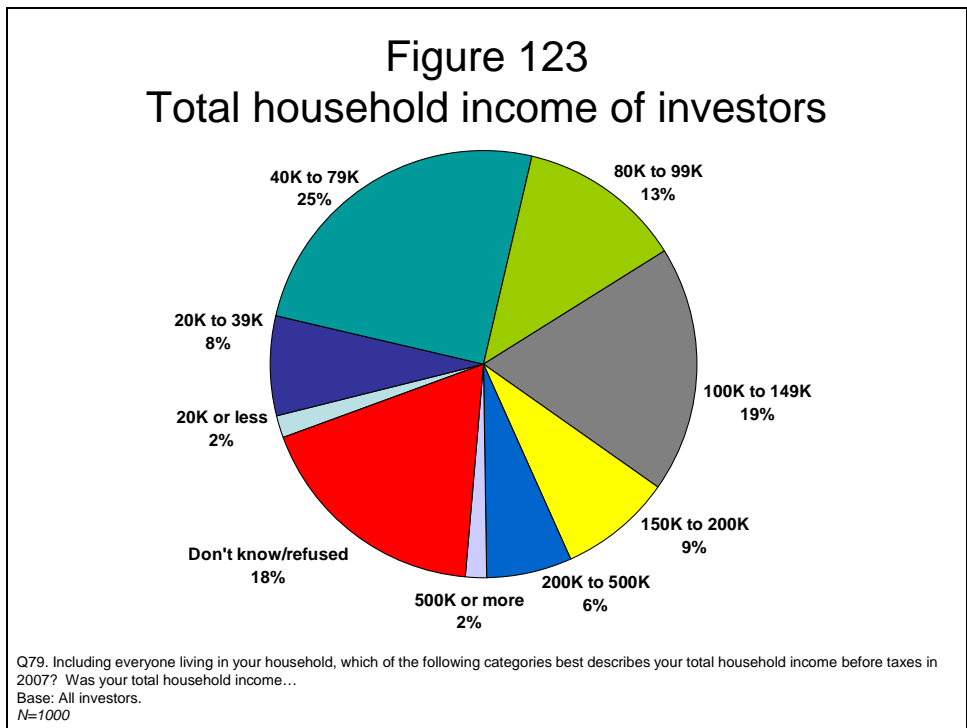
### Education Level of Investors

The education level of investors was fairly diverse. Only a small number (1%) did not have a high school diploma, while 13 percent had only a high school diploma. A similar number reported having some college (14%), while 10 percent had an associate's degree, 30 percent had a bachelor's degree, 4 percent had some graduate training, and 26 percent held a graduate degree (Figure 122).



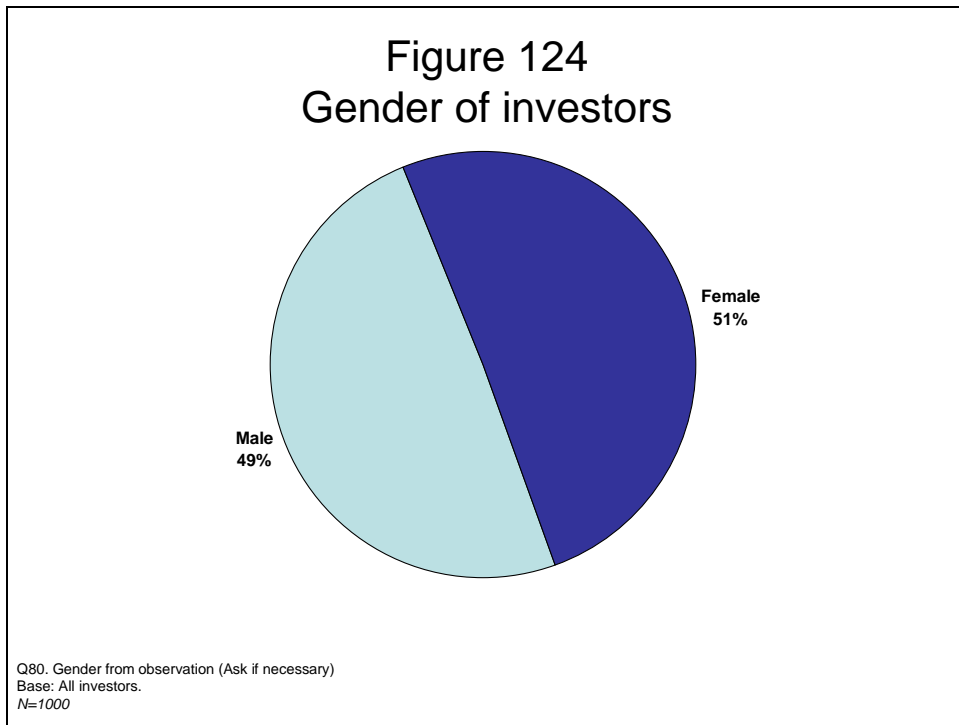
### Total household income of investors

One quarter of all investors (25%) reported having a total household income between 40 and 79 thousand dollars. Only 10 percent reported a lesser total household income. Still 13 percent reported a total household income between 80 and 99 thousand, 19 percent between 100 and 149 thousand, 9 percent between 150 and 200 thousand, and 6 percent between 200 and 500 thousand dollars. A very small number (2%) reported a total household income greater than 500 thousand dollars (Figure 123).



### Gender of Investors

There were no big surprises when it came to the gender break down of investors. At 49 percent male and 51 percent female, they closely resemble the break down among the population as a whole (Figure 124).



## Appendix B: Questionnaire

Abt SRBI, Inc.  
275 7<sup>th</sup> Avenue; Suite 2700  
NEW YORK, NY 10001

STUDY NUMBER: 4218  
March 18, 2008  
Final

### SEC Mandatory Disclosure Forms Survey

DY1 = 0, Random Split, 50% of cases; = 1, Remaining 50% of cases.
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#### INTRODUCTION

Hello, my name is \_\_\_\_\_ calling from SRBI, a national public opinion research organization. We are conducting a short survey for the U.S. Securities and Exchange Commission (SEC) in Washington, DC. We are interested in the experiences of investors of stocks, bonds and /or mutual funds.

*IF ASKED: (EACH INTERVIEWER WILL HAVE THIS INFORMATION)*

If respondents ask how their name was obtained, tell them their phone number was randomly selected from lists of telephone numbers in the local calling area.

*This collection of information has been approved by the U.S. Office of Management and Budget (OMB). The OMB Clearance Number is 3235-0638. If you like, I can give you a name and address where you can send comments and questions regarding this survey.*

*U.S. Securities and Exchange Commission  
Office of Investor Education and Advocacy  
Washington, DC 20549-0213*

S1 Does anyone in this household own stocks, bonds or mutual funds?

- |   |                              |            |
|---|------------------------------|------------|
| 1 | Yes, Designated RSPN on line | SKIP TO Q1 |
| 2 | Yes, Some one else           |            |
| 3 | No                           | SCREEN OUT |
| 4 | Don't know                   | SKIP TO S3 |
| 5 | Refused                      | SKIP TO D0 |

S2 May I speak with (that person / one of those persons)?

- |   |                                      |                   |
|---|--------------------------------------|-------------------|
| 1 | Yes, Designated RSPN called to phone | SKIP TO S4        |
| 2 | No, Designated RSPN unavailable      | SCHEDULE CALLBACK |
| 3 | Refused                              | SKIP TO D0        |

## Mandatory Disclosure Documents Telephone Survey

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S3 Is there someone else in your household who would know about these types of investments?

- |   |                                 |                   |
|---|---------------------------------|-------------------|
| 1 | Yes, other rspn called to phone |                   |
| 2 | No                              | SCREEN OUT        |
| 3 | Don't know                      | SCHEDULE CALLBACK |
| 4 | Refused                         | SKIP TO D0        |

S4 Hello, my name is \_\_\_\_\_ calling from SRBI, a national public opinion research organization. We are conducting a short survey for the U.S. Securities and Exchange Commission (SEC) in Washington, DC. We are interested in the experiences of investors of stocks, bonds and /or mutual funds.

*IF ASKED: (EACH INTERVIEWER WILL HAVE THIS INFORMATION)*

If respondents ask how their name was obtained, tell them their phone number was randomly selected from lists of telephone numbers in the local calling area.

*This collection of information has been approved by the U.S. Office of Management and Budget (OMB). The OMB Clearance Number is 3235-0638. If you like, I can give you a name and address where you can send comments and questions regarding these time estimates or suggestions for making this process simpler.*

*U.S. Securities and Exchange Commission  
Office of Investor Education and Advocacy  
Washington, DC 20549-0213*

Do you own any stocks, bonds or mutual funds that are not part of a 401(k) plan or other employer-sponsored retirement program?

- |   |                              |                   |
|---|------------------------------|-------------------|
| 1 | Yes, Designated RSPN on line |                   |
| 2 | No                           | SCREEN OUT        |
| 3 | Don't know                   | SCHEDULE CALLBACK |
| 4 | Refused                      | SKIP TO D0        |

Q1 We would like to ask you a few questions to learn more about investor's experiences with the disclosure documents they might receive. The interview is voluntary and only takes about 10 minutes or less to complete. Any information you provide will be kept private and will only be reported in aggregate with others who participate. May we begin?

- |   |         |                               |
|---|---------|-------------------------------|
| 1 | Yes     |                               |
| 2 | No time | SCHEDULE CALLBACK             |
| 3 | Refused | THANK AND END, [Soft Refusal] |

Q2 Please tell me which of the following you own. Do you own ... (READ LIST – MULTIPLE RECORD)

		Yes	No	DK	RF
a	Stocks	1	2	3	4
b	Bonds	1	2	3	4
c	Mutual Funds	1	2	3	4



## Mandatory Disclosure Documents Telephone Survey

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DY2	= 1, IF Q2a = 1 AND Q2b > 1 AND Q2c > 1;
	= 2, IF Q2a > 1 AND Q2b = 1 AND Q2c > 1;
	= 3, IF Q2a > 1 AND Q2b > 1 AND Q2c = 1;
	= 4, IF Q2a = 1 AND Q2b = 1 AND Q2c > 1;
	= 5, IF Q2a = 1 AND Q2b > 1 AND Q2c = 1;
	= 6, IF Q2a = 1 AND Q2b = 1 AND Q2c = 1;
	= 7, IF Q2a > 1 AND Q2b = 1 AND Q2c = 1;
	= 8, IF Q2a > 1 AND Q2b > 1 AND Q2c > 1.

Q3 What are the main sources of information that you use to guide decisions to buy stocks, bonds or mutual funds? (DO NOT READ - MULTIPLE RECORD)

Probe: Anything Else?

- |    |                            |                            |
|----|----------------------------|----------------------------|
| 1  | Friends / family           |                            |
| 2  | Financial Advisor / Broker |                            |
| 3  | Shareholder Report         |                            |
| 4  | Prospectus                 |                            |
| 5  | Proxy Statement            |                            |
| 6  | Magazines                  |                            |
| 7  | Newsletters                |                            |
| 8  | Other (SPECIFY)            |                            |
| 9  | Don't know                 | SEE SKIP LOGIC PRIOR TO Q4 |
| 10 | Refused                    | SEE SKIP LOGIC PRIOR TO Q4 |

IF ONLY 1 RESPONSE TO Q3, SKIP TO Q3b;
IF MORE THAN 1 RESPONSE TO Q3, GO TO Q3d;

Q3d Which of these sources is most important to you in making an investment decision? (DO NOT READ – RECORD ONLY ONE)

- |    |                            |
|----|----------------------------|
| 1  | Friends / family           |
| 2  | Financial Advisor / Broker |
| 3  | Shareholder Report         |
| 4  | Prospectus                 |
| 5  | Proxy Statement            |
| 6  | Magazines                  |
| 7  | Newsletters                |
| 8  | Other (SPECIFY)            |
| 9  | Don't know                 |
| 10 | Refused                    |

Q3b Do you access this information via the Internet?

- |   |            |                            |
|---|------------|----------------------------|
| 1 | Yes        |                            |
| 2 | No         | SEE SKIP LOGIC PRIOR TO Q4 |
| 3 | Don't Know | SEE SKIP LOGIC PRIOR TO Q4 |
| 4 | Refuse     | SEE SKIP LOGIC PRIOR TO Q4 |

## Mandatory Disclosure Documents Telephone Survey

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Q3c Where do you go on the Internet for your investment information? (DO NOT READ - MULTIPLE RECORD).

- 1 Individual company website
- 2 Specific Fund or group of Funds website
- 3 SEC website
- 4 Other government agency website
- 5 Private (non-government) financial investment information website
- 6 Other (SPECIFY)
- 7 Don't Know
- 8 Refuse

IF DY2 = 1: GO TO Q4, AFTER Q29 SKIP TO Q55;  
IF DY2 = 2: GO TO Q4, AFTER Q16 SKIP TO Q55;  
IF DY2 = 3: SKIP TO Q30;  
IF DY2 = 4: GO TO Q4, AFTER Q29 SKIP TO Q55;  
IF DY2 = 5 AND DY 1 = 0: GO TO Q4, AFTER Q29 SKIP TO Q55;  
IF DY2 = 5 AND DY 1 = 1: SKIP TO Q30;  
IF DY2 = 6 AND DY 1 = 0: GO TO Q4, AFTER Q29 SKIP TO Q55;  
IF DY2 = 6 AND DY 1 = 1: SKIP TO Q30;  
IF DY2 = 7 AND DY 1 = 0: GO TO Q4, AFTER Q16 SKIP TO Q55;  
IF DY2 = 7 AND DY 1 = 1: SKIP TO Q30;  
IF DY2 = 8: SKIP TO Q55.

### ANNUAL REPORT

Q4 An annual report contains a business summary, risk factors, legal proceedings, financial statements, executive compensation, and management's discussion and analysis of a company. Have you ever received an annual report from a company for which you own stocks or bonds?

- |   |            |   |
|---|------------|---|
| 1 | Yes        | SKIP TO Q5                                    |
| 2 | No         |   |
| 3 | Don't know | IF DY2 = 4 or 6 SKIP TO Q17, ELSE SKIP TO Q55 |
| 4 | Refused    | IF DY2 = 4 or 6 SKIP TO Q17, ELSE SKIP TO Q55 |

Q4b Have you ever obtained an Annual Report for a company in which you were considering investing?

- |   |            |   |
|---|------------|---|
| 1 | Yes        |   |
| 2 | No         | IF DY2 = 4 or 6 SKIP TO Q17, ELSE SKIP TO Q55 |
| 3 | Don't know | IF DY2 = 4 or 6 SKIP TO Q17, ELSE SKIP TO Q55 |
| 4 | Refused    | IF DY2 = 4 or 6 SKIP TO Q17, ELSE SKIP TO Q55 |

Q5 When have you most recently received or obtained an Annual Report? Your best estimate is fine.

- 1 Within 1 year
- 2 Longer than 1 year
- 3 Don't know
- 4 Refused

## Mandatory Disclosure Documents Telephone Survey

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Q6 How often do you read Annual Reports when you receive them? Would it be \* (READ LIST)

- |   |                 |                                      |
|---|-----------------|--------------------------------------|
| 1 | Always          | IF Q5 = 1 GO TO Q6b, ELSE SKIP TO Q7 |
| 2 | Very frequently | IF Q5 = 1 GO TO Q6b, ELSE SKIP TO Q7 |
| 3 | Frequently      | IF Q5 = 1 GO TO Q6b, ELSE SKIP TO Q7 |
| 4 | Rarely          | SKIP TO Q6c                          |
| 5 | Very rarely, or | SKIP TO Q6c                          |
| 6 | Never           | SKIP TO Q6c                          |
| 7 | (VOL) Refused   | SKIP TO Q12                          |

Q6b How many Annual Reports have you read in the last year? Your best estimate is fine.

- |    |                          |            |
|----|--------------------------|------------|
| 0  | None                     | SKIP TO Q7 |
|    | _____ (1 – 20, 20+ = 20) | SKIP TO Q7 |
| 21 | Don't know               | SKIP TO Q7 |
| 22 | Refused                  | SKIP TO Q7 |

Q6c Could you please tell me why you choose not to read Annual Reports? (CAPTURE OPEN END)

- |   |            |
|---|------------|
| 1 | _____      |
| 2 | Don't know |
| 3 | Refused    |

Q6d What do you typically do with Annual Reports when you receive them? (DO NOT READ)

- |   |                            |                        |
|---|----------------------------|------------------------|
| 1 | Retain them for future use | IF Q6 = 6, SKIP TO Q12 |
| 2 | Dispose of them            | IF Q6 = 6, SKIP TO Q12 |
| 3 | Other (SPECIFY)            | IF Q6 = 6, SKIP TO Q12 |
| 4 | Don't know                 | IF Q6 = 6, SKIP TO Q12 |
| 5 | Refused                    | IF Q6 = 6, SKIP TO Q12 |

Q7 On average, how much time do you spend reading Annual Reports when you receive them? (DO NOT READ)

- |   |                               |
|---|-------------------------------|
| 1 | None                          |
| 2 | Some time less than 3 minutes |
| 3 | Between 3 and 9 minutes       |
| 4 | Between 10 and 29 minutes     |
| 5 | Between 30 and 59 minutes     |
| 6 | 1 hour or more                |
| 7 | Don't know                    |
| 8 | Refused                       |

## Mandatory Disclosure Documents Telephone Survey

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Q8 What information do you typically look for when you read an Annual Report? (DO NOT READ - MULTIPLE RESPONSE)

Probe: Anything Else?

- 1 Business Summary
- 2 Executive Compensation
- 3 Financial Statements
- 4 Legal Proceedings
- 5 Management Discussion / Analysis
- 6 Risk Factors
- 7 Other (Specify) \_\_\_\_\_
- 8 Don't know
- 9 Refused

Q9 When you read an Annual Report, how difficult is it to find information you need? In general, would you say it is ... (READ LIST)

- 1 Very difficult
- 2 Somewhat difficult, or
- 3 Not at all difficult
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q10 How difficult is it to understand the language used in Annual Reports? In general, would you say it is ... (READ LIST)

- 1 Very difficult
- 2 Somewhat difficult, or
- 3 Not at all difficult
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q11 With regards to the amount of information contained in an Annual Report, in general, would you say there is ... (READ LIST)

- 1 Too much
- 2 The right amount, or
- 3 Not enough
- 4 (VOL) Don't know
- 5 (VOL) Refused

**Mandatory Disclosure Documents Telephone Survey**

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Q12 I'm going to read a series of phrases about Annual Reports. For each phrase, please tell me the extent to which you agree or disagree with the description of them. Annual reports ... (READ LIST – ROTATE: OPTIONS ARE COMPLETELY AGREE, SOMEWHAT AGREE, NEITHER AGREE NOR DISAGREE, SOMEWHAT DISAGREE, AND COMPLETELY DISAGREE)

	CA	SA	N	SD	CD	DK	RF
are user friendly.	1	2	3	4	5	6	7
highlight important information.	1	2	3	4	5	6	7
are well organized.	1	2	3	4	5	6	7
contain too much legal jargon.	1	2	3	4	5	6	7
are clear and concise.	1	2	3	4	5	6	7
are missing key information.	1	2	3	4	5	6	7
are written in language I understand.	1	2	3	4	5	6	7

Q13 How much of the information that you need to make good investment decisions is usually contained in an Annual Report? Would you say ... (READ LIST)

- 1 All SKIP TO Q15
- 2 Most
- 3 Some
- 4 None
- 5 (VOL) Don't know SKIP TO Q15
- 6 (VOL) Refused SKIP TO Q15

Q14 What critical information is usually missing from the Annual Reports you've read? (RECORD UP TO THREE ANSWERS)

- 1 \_\_\_\_\_
- 2 Nothing SKIP TO Q15
- 3 Don't know SKIP TO Q15
- 4 Refused SKIP TO Q15

Q14b From what source, or sources, do you typically get this information? (DO NOT READ - MULTIPLE RESPONSE)

Probe: Anywhere else?

- 1 Financial Advisor / Broker
- 2 Friends / Family
- 3 Magazines
- 4 Newsletters
- 5 Prospectus
- 6 Proxy Statement
- 7 Other (SPECIFY)
- 8 Nowhere / don't get that information
- 9 Don't know
- 10 Refused

IF ONLY 1 RESPONSE TO Q14b, GO TO Q14c;  
 IF MORE THAN 1 RESPONSE TO Q14b, SKIP TO Q14d;  
 DK / RF SKIP TO Q15.

## Mandatory Disclosure Documents Telephone Survey

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Q14c Do you access this information via the Internet?

- |   |            |          |
|---|------------|----------|
| 1 | Yes        | SKIP Q15 |
| 2 | No         | SKIP Q15 |
| 3 | Don't Know | SKIP Q15 |
| 4 | Refuse     | SKIP Q15 |

Q14d Which of these sources of information, if any, do you access via the Internet? (DO NOT READ – MULTIPLE RECORD)

- 1 Annual Report
- 2 Prospectus
- 3 Proxy Statement
- 4 Magazines
- 5 Newsletters
- 6 Other (SPECIFY)
- 7 None
- 8 Don't know
- 9 Refused

Q15 How satisfied are you with Annual Reports as a guide to making investment decisions? Would you say you are ... (READ LIST)

- 1 Completely satisfied
- 2 Very satisfied
- 3 Somewhat satisfied, or
- 4 Not at all satisfied
- 5 (VOL) Don't know
- 6 (VOL) Refused

Q16 I'm going to read you a list of different methods by which the information contained in an Annual Report could be made available. On a scale of 1 to 10, please tell me how likely you'd be to use each method, where 1 is not at all likely, and 10 is certainly likely. (READ LIST – ROTATE)

- 1 An Internet web site
- 2 An e-mail
- 3 A digital disc
- 4 A paper copy
- 5 A toll free number
- 6 (VOL) Don't know
- 7 (VOL) Refused

**PROXY STATEMENT**

Q17 Proxy Statements contain a summary of voting procedures, company directors, director compensation, and executive compensation. Have you ever received a Proxy Statement from a company in which you own stock?

- 1 Yes
- 2 No SKIP TO Q55
- 3 Don't know SKIP TO Q55
- 4 Refused SKIP TO Q55

Q18 When have you most recently received a Proxy Statement? Your best estimate is fine.

- 1 Within 1 year
- 2 Longer than 1 year
- 3 Don't know
- 4 Refused

Q19 How often do you read Proxy Statements when you receive them? Would it be ... (READ LIST)

- 1 Always IF Q18 = 1 GO TO Q19b, ELSE SKIP TO Q20
- 2 Very frequently IF Q18 = 1 GO TO Q19b, ELSE SKIP TO Q20
- 3 Frequently IF Q18 = 1 GO TO Q19b, ELSE SKIP TO Q20
- 4 Rarely SKIP TO Q19c
- 5 Very rarely SKIP TO Q19c
- 6 Never SKIP TO Q19c
- 7 (VOL) Refused SKIP TO Q25

Q19b How many Proxy Statements have you read in the last year? Your best estimate is fine.

- 0 None SKIP TO Q20
- \_\_\_\_\_ (1 – 20, 20+ = 20) SKIP TO Q20
- 21 Don't know SKIP TO Q20
- 22 Refused SKIP TO Q20

Q19c Could you please tell me why you choose not to read Proxy Statements? (CAPTURE OPEN END)

- 1 \_\_\_\_\_
- 2 Don't Know
- 3 Refused

## Mandatory Disclosure Documents Telephone Survey

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- Q19d What do you typically do with Proxy Statements when you receive them? (DO NOT READ)
- |   |                            |                         |
|---|----------------------------|-------------------------|
| 1 | Retain them for future use | IF Q19 = 6, SKIP TO Q25 |
| 2 | Dispose of them            | IF Q19 = 6, SKIP TO Q25 |
| 3 | Other (SPECIFY)            | IF Q19 = 6, SKIP TO Q25 |
| 4 | Don't know                 | IF Q19 = 6, SKIP TO Q25 |
| 5 | Refuse                     | IF Q19 = 6, SKIP TO Q25 |
- Q20 On average, how much time do you spend reading Proxy Statements when you receive them? (DO NOT READ)
- 1 None
  - 2 Some time less than 3 minutes
  - 3 Between 3 and 9 minutes
  - 4 Between 10 and 29 minutes
  - 5 Between 30 and 59 minutes
  - 6 1 hour or more
  - 7 Don't know
  - 8 Refused
- Q21 What information do you usually look for when you read a Proxy Statement? (DO NOT READ - MULTIPLE RESPONSE)
- Probe: Anything Else?
- 1 Background on Directors
  - 2 Director Compensation
  - 3 Executive Compensation
  - 4 Financial Statements
  - 5 Management Discussion / Analysis
  - 6 Voting Procedures
  - 7 Other (Specify) \_\_\_\_\_
  - 8 Don't know
  - 9 Refused
- Q22 When you read a Proxy Statement, how difficult is it to find information you need? In general, would you say it is ... (READ LIST)
- 1 Very difficult
  - 2 Somewhat difficult, or
  - 3 Not at all difficult
  - 4 (VOL) Don't know
  - 5 (VOL) Refused



## Mandatory Disclosure Documents Telephone Survey

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Q23 How difficult is it to understand the language used in a Proxy Statement? In general, would you say it is ... (READ LIST)

- 1 Very difficult
- 2 Somewhat difficult, or
- 3 Not at all difficult
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q24 With regards to the amount of information contained in a Proxy Statement, in general, would you say there is ... (READ LIST)

- 1 too much information
- 2 the right amount of information, or
- 3 not enough information
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q25 I'm going to read a series of phrases about Proxy Statements. For each phrase, please tell me the extent to which you agree or disagree with the description of them. Proxy statements ... (READ LIST – ROTATE: OPTIONS ARE COMPLETELY AGREE, SOMEWHAT AGREE, NEITHER AGREE NOR DISAGREE, SOMEWHAT DISAGREE, AND COMPLETELY DISAGREE)

	CA	SA	N	SD	CD	DK	RF
are user friendly.	1	2	3	4	5	6	7
highlight important information.	1	2	3	4	5	6	7
are well organized.	1	2	3	4	5	6	7
contain too much legal jargon.	1	2	3	4	5	6	7
are clear and concise.	1	2	3	4	5	6	7
are missing key information.	1	2	3	4	5	6	7
are written in language I understand.	1	2	3	4	5	6	7

Q26 How much of the information that you need to make good voting decisions is usually contained in a Proxy Statement? Would you say ... (READ LIST)

- 1 All SKIP TO Q28
- 2 Most
- 3 Some
- 4 None
- 5 (VOL) Don't know SKIP TO Q28
- 6 (VOL) Refused SKIP TO Q28

Q27 What critical information is usually missing from the Proxy Statements you've read? (RECORD UP TO THREE ANSWERS)

- 1 \_\_\_\_\_
- 2 Nothing SKIP TO Q28
- 3 Don't know SKIP TO Q28
- 4 Refused SKIP TO Q28

## Mandatory Disclosure Documents Telephone Survey

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Q27b From what source do you typically get this information? (DO NOT READ - MULTIPLE RESPONSE)

Probe: Anywhere else?

- 1 Friends / family
- 2 Financial Advisor
- 3 Magazines
- 4 Newsletters
- 5 Prospectus
- 6 Proxy Statement
- 7 Other (SPECIFY)
- 8 Nowhere / don't get that information
- 9 Don't know
- 10 Refused

IF ONLY 1 RESPONSE TO Q27b, GO TO Q27c;  
IF MORE THAN 1 RESPONSE TO Q27b, SKIP TO Q27d;  
IF DK / RF, SKIP TO Q28.

Q27c Do you access this information via the Internet?

- |   |            |             |
|---|------------|-------------|
| 1 | Yes        | SKIP TO Q28 |
| 2 | No         | SKIP TO Q28 |
| 3 | Don't Know | SKIP TO Q28 |
| 4 | Refuse     | SKIP TO Q28 |

Q27d Which of these sources of information, if any, do you access via the Internet? (DO NOT READ – MULTIPLE RECORD)

- 1 Magazines
- 2 Newsletters
- 3 Prospectus
- 4 Proxy Statement
- 5 Other (SPECIFY)
- 6 None
- 7 Don't know
- 8 Refused

Q28 In general, how satisfied are you with Proxy Statements as a guide to making votes by proxy? Would you say you are ... (READ LIST)

- 1 Completely satisfied
- 2 Very satisfied
- 3 Somewhat satisfied, or
- 4 Not at all satisfied
- 5 (VOL) Don't know
- 6 (VOL) Refused

## Mandatory Disclosure Documents Telephone Survey

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Q29 I'm going to read you a list of different methods by which the information contained in Proxy Statements could be made available. On a scale of 1 to 10, please tell me how likely you'd be to use each method, where 1 is not at all likely, and 10 is certainly likely. (READ LIST – ROTATE)

- 1 An Internet web site
- 2 An e-mail
- 3 A digital disc
- 4 A paper copy
- 5 A toll free number
- 6 (VOL) Refused

### PROSPECTUS

Q30 A prospectus is a Mutual Fund's primary selling document and contains information, such as the fund's investment objectives or goals, principal strategies for achieving those goals, principal risks of investing in the fund, fees and expenses, and past performance. The prospectus also identifies the Mutual Fund's managers and advisers and describes its organization and how to purchase and redeem shares. Have you ever received a Prospectus for a Mutual Fund in which you have invested?

- 1 Yes SKIP TO Q31
- 2 No
- 3 Don't know SKIP TO Q42
- 4 Refused SKIP TO Q42

Q30b Have you ever obtained a Prospectus for a Mutual Fund in which you were considering investing?

- 1 Yes
- 2 No SKIP TO Q42
- 3 Don't know SKIP TO Q42
- 4 Refused SKIP TO Q42

Q31 When have you most recently (received / obtained) a Prospectus? Your best estimate is fine.

- 1 Within 1 year
- 2 Longer than 1 year
- 3 Don't know
- 4 Refused

Q32 How often do you read a Prospectus when you receive one? Would it be ... (READ LIST)

- 1 Always IF Q31 = 1 GO TO Q32b, ELSE SKIP TO Q33
- 2 Very frequently IF Q31 = 1 GO TO Q32b, ELSE SKIP TO Q33
- 3 Frequently IF Q31 = 1 GO TO Q32b, ELSE SKIP TO Q33
- 4 Rarely SKIP TO Q32c
- 5 Very rarely SKIP TO Q32c
- 6 Never SKIP TO Q32c
- 7 (VOL) Refused SKIP TO Q38

## Mandatory Disclosure Documents Telephone Survey

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Q32b How many times in the last year have you read a Prospectus? Your best estimate is fine.

- |    |                          |             |
|----|--------------------------|-------------|
| 0  | None                     | SKIP TO Q33 |
|    | _____ (1 – 20, 20+ = 20) | SKIP TO Q33 |
| 21 | Don't know               | SKIP TO Q33 |
| 22 | Refused                  | SKIP TO Q33 |

Q32c Could you please tell me why you do not make more use of Prospectuses? (CAPTURE OPEN END)

- |   |            |
|---|------------|
| 1 | _____      |
| 2 | Don't Know |
| 3 | Refused    |

Q32d What do you typically do with Prospectuses when you receive them? (DO NOT READ)

- |   |                            |                         |
|---|----------------------------|-------------------------|
| 1 | Retain them for future use | IF Q32 = 6, SKIP TO Q38 |
| 2 | Dispose of them            | IF Q32 = 6, SKIP TO Q38 |
| 3 | Other (SPECIFY)            | IF Q32 = 6, SKIP TO Q38 |
| 4 | Don't know                 | IF Q32 = 6, SKIP TO Q38 |
| 5 | Refuse                     | IF Q32 = 6, SKIP TO Q38 |

Q33 On average, how much time do you spend reading a Prospectus when you receive it? (DO NOT READ)

- |   |                               |
|---|-------------------------------|
| 1 | None                          |
| 2 | Some time less than 3 minutes |
| 3 | Between 3 and 9 minutes       |
| 4 | Between 10 and 29 minutes     |
| 5 | Between 30 and 59 minutes     |
| 6 | 1 hour or more                |
| 7 | Don't know                    |
| 8 | Refused                       |

## Mandatory Disclosure Documents Telephone Survey

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Q34 What information do you typically look for when you read a Prospectus? (DO NOT READ - MULTIPLE RESPONSE)

Probe: Anything Else?

- 1 Investment objectives and strategies
- 2 Risks
- 3 Costs
- 4 Performance
- 5 Top ten portfolio holdings
- 6 Fund managers
- 7 How to buy/sell shares
- 8 Tax consequences
- 9 Payments to broker/dealers and other intermediaries
- 10 Other (Specify) \_\_\_\_\_
- 11 Don't know
- 12 Refused

Q35 When you read a Prospectus, how difficult is it to find information you need? In general, would you say it is ... (READ LIST)

- 1 Very difficult
- 2 Somewhat difficult, or
- 3 Not at all difficult
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q36 How difficult is it to understand the language used in a Prospectus? In general, would you say it is ... (READ LIST)

- 1 Very difficult
- 2 Somewhat difficult, or
- 3 Not at all difficult
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q37 With regards to the amount of information contained in a Prospectus, in general would you say there is ... (READ LIST)

- 1 Too much
- 2 The right amount, or
- 3 Not enough
- 4 (VOL) Don't know
- 5 (VOL) Refused

## Mandatory Disclosure Documents Telephone Survey

Q38 I'm going to read a series of phrases about a Prospectus. For each phrase, please tell me the extent to which you agree or disagree with the description of it. Prospectuses ... (READ LIST – ROTATE: OPTIONS ARE COMPLETELY AGREE, SOMEWHAT AGREE, NEITHER AGREE NOR DISAGREE, SOMEWHAT DISAGREE, AND COMPLETELY DISAGREE)

	CA	SA	N	SD	CD	DK	RF
are user friendly.	1	2	3	4	5	6	7
highlight important information.	1	2	3	4	5	6	7
are well organized.	1	2	3	4	5	6	7
contain too much legal jargon.	1	2	3	4	5	6	7
are clear and concise.	1	2	3	4	5	6	7
are missing key information.	1	2	3	4	5	6	7
are written in language I understand.	1	2	3	4	5	6	7

Q39 How much of the information that you need to make good investment decisions is usually contained in a Prospectus? Would you say ... (READ LIST)

- |   |                  |             |
|---|------------------|-------------|
| 1 | All              | SKIP TO Q41 |
| 2 | Most             |             |
| 3 | Some             |             |
| 4 | None             |             |
| 5 | (VOL) Don't know | SKIP TO Q41 |
| 6 | (VOL) Refused    | SKIP TO Q41 |

Q40 What critical information is usually missing from a Prospectus? (RECORD UP TO THREE ANSWERS)

- |   |            |             |
|---|------------|-------------|
| 1 | _____      |             |
| 2 | Nothing    | SKIP TO Q41 |
| 4 | Don't know | SKIP TO Q41 |
| 5 | Refused    | SKIP TO Q41 |

Q40b From what source do you typically obtain this information? (DO NOT READ - MULTIPLE RESPONSE)

Probe: Anywhere else?

- |    |                                      |
|----|--------------------------------------|
| 1  | Shareholder Report                   |
| 2  | Friends / family                     |
| 3  | Financial Advisor / Broker           |
| 4  | Magazines                            |
| 5  | Newsletters                          |
| 6  | Proxy Statement                      |
| 7  | Other (SPECIFY)                      |
| 8  | Nowhere / don't get that information |
| 9  | Don't know                           |
| 10 | Refused                              |

IF ONLY 1 RESPONSE TO Q40b, GO TO Q40c;  
IF MORE THAN 1 RESPONSE TO Q40b, SKIP TO Q40d;  
DK / RF SKIP TO Q41.

## Mandatory Disclosure Documents Telephone Survey

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Q40c Do you access this information via the Internet?

- |   |            |             |
|---|------------|-------------|
| 1 | Yes        | SKIP TO Q41 |
| 2 | No         | SKIP TO Q41 |
| 3 | Don't Know | SKIP TO Q41 |
| 4 | Refuse     | SKIP TO Q41 |

Q40d Which of these sources of information, if any, do you access via the Internet? (DO NOT READ – MULTIPLE RECORD)

- |   |                            |
|---|----------------------------|
| 1 | Friends / family           |
| 2 | Financial Advisor / Broker |
| 3 | Magazines                  |
| 4 | Newsletters                |
| 5 | Prospectus                 |
| 6 | Proxy Statement            |
| 7 | Other (SPECIFY)            |
| 8 | Don't know                 |
| 9 | Refused                    |

Q41 In general, how satisfied are you with a Prospectus as a guide to making investment decisions? Would you say you are ... (READ LIST)

- |   |                        |
|---|------------------------|
| 1 | Completely satisfied   |
| 2 | Very satisfied         |
| 3 | Somewhat satisfied, or |
| 4 | Not at all satisfied   |
| 5 | (VOL) Don't know       |
| 6 | (VOL) Refused          |

### SHARE HOLDER REPORTS

Q42 Mutual fund Shareholder Reports provide investors with periodic information regarding the funds they invest in, including financial statements, fund expenses, and portfolio holdings. Have you ever received a Shareholder Report for a mutual fund in which you have invested?

- |   |            |             |
|---|------------|-------------|
| 1 | Yes        | SKIP TO Q43 |
| 2 | No         |             |
| 3 | Don't know | SKIP TO Q55 |
| 4 | Refused    | SKIP TO Q55 |

Q42b Have you ever obtained a Shareholder Report for a mutual fund in which you were considering investing?

- |   |            |             |
|---|------------|-------------|
| 1 | Yes        |             |
| 2 | No         | SKIP TO Q55 |
| 3 | Don't know | SKIP TO Q55 |
| 4 | Refused    | SKIP TO Q55 |

## Mandatory Disclosure Documents Telephone Survey

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Q43 When have you most recently received or obtained a Shareholder Report from a mutual fund? Your best estimate is fine.

- 1 Within 1 year
- 2 Longer than 1 year
- 3 Don't know
- 4 Refused

Q44 How often do you read Shareholder Reports when you receive them? Would it be ... (READ LIST)

- 1 Always IF Q43 = 1 GO TO Q44b, ELSE SKIP TO Q45
- 2 Very frequently IF Q43 = 1 GO TO Q44b, ELSE SKIP TO Q45
- 3 Frequently IF Q43 = 1 GO TO Q44b, ELSE SKIP TO Q45
- 4 Rarely SKIP TO Q44c
- 5 Very rarely SKIP TO Q44c
- 6 Never SKIP TO Q44c
- 7 (VOL) Refused SKIP TO Q50

Q44b How many Shareholder Reports have you read in the last year? Your best estimate is fine.

- 0 None SKIP TO Q45
- \_\_\_\_\_ (1 – 20, 20+ = 20) SKIP TO Q45
- 21 Don't know SKIP TO Q45
- 22 Refused SKIP TO Q45

Q44c Could you please tell me why you do not make more use of Shareholder Reports? (CAPTURE OPEN END)

- 1 \_\_\_\_\_
- 2 Don't know
- 3 Refused

Q44d What do you typically do with Shareholder Reports when you receive them? (DO NOT READ)

- 1 Retain them for future use IF Q44 = 6, SKIP TO Q50
- 2 Dispose of them IF Q44 = 6, SKIP TO Q50
- 3 Other (SPECIFY) IF Q44 = 6, SKIP TO Q50
- 4 Don't know IF Q44 = 6, SKIP TO Q50
- 5 Refuse IF Q44 = 6, SKIP TO Q50



## Mandatory Disclosure Documents Telephone Survey

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Q45 On average, how much time do you spend reading Shareholder Reports when you receive them? (DO NOT READ)

- 1 None
- 2 Some time less than 3 minutes
- 3 Between 3 and 9 minutes
- 4 Between 10 and 29 minutes
- 5 Between 30 and 59 minutes
- 6 1 hour or more
- 7 Don't know
- 8 Refused

Q46 What information do you typically look for when you read a Shareholder Report? (DO NOT READ - MULTIPLE RESPONSE)

Probe: Anything Else?

- 1 Financial statements
- 2 List of fund holdings
- 3 Director/officer information
- 4 Fund performance information
- 5 Fund expense information
- 6 Information about accountants
- 7 Investment advisory contract information
- 8 Other (Specify)
- 9 Don't know
- 10 Refused

Q47 When you read a Shareholder Report, how difficult is it to find the information that you need? In general, would you say it is ... (READ LIST)

- 1 Very difficult
- 2 Somewhat difficult, or
- 3 Not at all difficult
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q48 How difficult is it to understand the language used in Shareholder Reports? In general, would you say it is ... (READ LIST)

- 1 Very difficult
- 2 Somewhat difficult, or
- 3 Not at all difficult
- 4 (VOL) Don't know
- 5 (VOL) Refused

## Mandatory Disclosure Documents Telephone Survey

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Q49 With regards to the amount of information contained in a Shareholder Report, in general, would you say there is ... (READ LIST)

- 1 Too much
- 2 The right amount, or
- 3 Not enough
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q50 I'm going to read a series of phrases about Shareholder Reports. For each phrase, please tell me the extent to which you agree or disagree with the description of them. Shareholder reports ... (READ LIST – ROTATE: OPTIONS ARE COMPLETELY AGREE, SOMEWHAT AGREE, NEITHER AGREE NOR DISAGREE, SOMEWHAT DISAGREE, AND COMPLETELY DISAGREE)

	CA	SA	N	SD	CD	DK	RF
a. are user friendly.	1	2	3	4	5	6	7
b. highlight important information.	1	2	3	4	5	6	7
c. are well organized.	1	2	3	4	5	6	7
d. contain too much legal jargon.	1	2	3	4	5	6	7
e. are clear and concise.	1	2	3	4	5	6	7
f. are missing key information.	1	2	3	4	5	6	7
g. are written in language I understand.	1	2	3	4	5	6	7

Q51 How much of the information that you need to make good investment decisions is usually contained in a Shareholder Report? Would you say ... (READ LIST)

- 1 All SKIP TO Q53
- 2 Most
- 3 Some
- 4 None
- 5 (VOL) Don't know SKIP TO Q53
- 6 (VOL) Refused SKIP TO Q53

Q52 What critical information is usually missing from the Shareholder Reports you've read? (RECORD UP TO THREE ANSWERS)

- 1 \_\_\_\_\_
- 2 Nothing SKIP TO Q53
- 3 Don't know SKIP TO Q53
- 4 Refused SKIP TO Q53

## Mandatory Disclosure Documents Telephone Survey

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Q52b From what source, or sources, do you typically get this information? (DO NOT READ - MULTIPLE RESPONSE)

Probe: Anywhere else?

- 1 Financial Advisor
- 2 Friends / Family
- 3 Magazines
- 4 Newsletters
- 5 Prospectus
- 6 Proxy Statement
- 7 Other (SPECIFY)
- 8 Nowhere / don't get that information
- 9 Don't know
- 10 Refused

IF ONLY 1 RESPONSE TO Q52b, GO TO Q52c;  
IF MORE THAN 1 RESPONSE TO Q52b, SKIP TO Q52d;  
DK / RF SKIP TO Q53.

Q52c Do you access this information via the Internet?

- |   |            |          |
|---|------------|----------|
| 1 | Yes        | SKIP Q53 |
| 2 | No         | SKIP Q53 |
| 3 | Don't Know | SKIP Q53 |
| 4 | Refuse     | SKIP Q53 |

Q52d Which of these sources of information, if any, do you access via the Internet? (DO NOT READ – MULTIPLE RECORD)

- 1 Shareholder Report
- 2 Prospectus
- 3 Proxy Statement
- 4 Magazines
- 5 Newsletters
- 6 Other (SPECIFY)
- 7 None
- 8 Don't know
- 9 Refused

Q53 How satisfied are you with mutual fund Shareholder Reports in keeping you up-to-date regarding your investments? Would you say you are ... (READ LIST)

- 1 Completely satisfied
- 2 Very satisfied
- 3 Somewhat satisfied, or
- 4 Not at all satisfied
- 5 (VOL) Don't know
- 6 (VOL) Refused

Q54 I'm going to read you a list of different methods by which the information contained in a Shareholder Report could be made available. On a scale of 1 to 10, please tell me how likely you'd be to use each method, where 1 is not at all likely, and 10 is certainly likely. (READ LIST – ROTATE)

- 1 An Internet web site
- 2 An e-mail
- 3 A digital disc
- 4 A paper copy
- 5 A toll free number
- 6 (VOL) Refused

### INVESTMENT LITERACY

Now I would like to ask a few questions about your attitudes toward investments in general. For each of the following statements, please tell me which answer best describes the way that you feel?

Q55 When you buy a company's stock, you ... (READ LIST)

- 1 own a part of the company.
- 2 have lent money to the company, or
- 3 are liable for the company's debts
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q56 When you buy a company's bond, you ... (READ LIST)

- 1 own a part of the company,
- 2 have lent money to the company, or
- 3 can vote on shareholder resolutions.
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q57 The principal difference between mutual fund share classes is ... (READ LIST)

- 1 the investments they make,
- 2 the fees they charge, or
- 3 the advisors in charge.
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q58 Which of the following types of bonds are the safest? (READ LIST)

- 1 a U.S. Treasury bond
- 2 A municipal bond, or
- 3 A corporate bond.
- 4 (VOL) Don't know
- 5 (VOL) Refused

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Q59 Please tell me if the following statement is true or false. In general, investments that have a higher risk are expected to provide higher returns over time.

- 1 True
- 2 False
- 3 Don't know
- 4 Refused

Q60 In general, if interest rates go down, the bond prices ... (READ LIST)

- 1 go down,
- 2 go up, or
- 3 stay the same.
- 4 (VOL) Don't know
- 5 (VOL) Refused

Q61 Which of the following is the most reasonable shareholder return that you would expect from a broadly diversified U.S. stock mutual fund over the long run? Would you expect ... (READ LIST)

- 1 5 percent,
- 2 10 percent,
- 3 15 percent,
- 4 20 percent, or
- 5 25 percent.
- 6 (VOL) Don't know
- 7 (VOL) Refused

Q62 Over the last 20 years in the U.S., the best average returns have been generated by ... (READ LIST)

- 1 stocks,
- 2 bonds,
- 3 CDs,
- 4 money market accounts, or
- 5 precious metals
- 6 (VOL) Don't know
- 7 (VOL) Refused

Q63 Which of the following organizations insures you against your losses in the stock market? (READ LIST)

- 1 The Federal Deposit Insurance Corporation (FDIC),
- 2 The Financial Industry Regulatory Authority (FINRA),
- 3 The Securities and Exchange Commission (SEC), or
- 4 The Securities Investor Protection Corporation (SIPC)
- 5 None of the above
- 5 (VOL) Don't know
- 6 (VOL) Refused

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Q64 If a company files for bankruptcy, which of the following securities is most at risk of becoming virtually worthless? (READ LIST)

- 1 The company's preferred stock,
- 2 the company's common stock, or
- 3 the company's bonds.
- 4 (VOL) Don't know
- 5 (VOL) Refused

### INVESTMENT DEMOGRAPHICS

Q65 Not including those in a 401(k) plan or other employer-sponsored retirement program, how often do you buy and sell stocks, bonds or mutual funds? Would you say it is ... (READ LIST)

- 1 Daily
- 2 Weekly
- 3 Monthly
- 4 Yearly or Less
- 5 (VOL) Don't know
- 6 (VOL) Refused

Q66 What is the total value of your stocks, bonds, and mutual funds? Would you say it is ... (READ LIST)

- 1 Less than \$50,000
- 2 From \$50,000 to \$100,000
- 3 From \$100,000 to \$200,000
- 4 From \$200,000 to \$500,000
- 5 \$500,000 or More
- 6 (VOL) Don't know
- 7 (VOL) Refused

Q67 Do you have a financial advisor or a broker?

- |   |            |             |
|---|------------|-------------|
| 1 | Yes        |             |
| 2 | No         | SKIP TO Q69 |
| 3 | Don't know | SKIP TO Q69 |
| 4 | Refuse     | SKIP TO Q69 |

Q68 How much does your financial advisor influence your decision to buy or sell stocks, bonds or mutual funds? Would you say ... (READ LIST)

- 1 Completely
- 2 A lot
- 3 A little, or
- 4 Not at all
- 5 (VOL) Don't know
- 6 (VOL) Refuse

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Q69 Do you have access to the Internet?

- 1 Yes, at home
- 2 Yes, at work
- 3 Both
- 4 No Internet access
- 5 Refuse

Q70 How much do you rely on information from the Internet to make decisions to buy or sell stocks, bonds, or mutual funds? Would you say ... (READ LIST)

- 1 Completely
  - 2 A lot
  - 3 A little, or
  - 4 Not at all
  - 5 (VOL) Don't know
  - 6 (VOL) Refuse
- SKIP TO Q71  
SKIP TO Q71  
SKIP TO Q71

Q70b How much of this Internet information comes from Blogs? Would you say ... (READ LIST)

(IF NEEDED: A blog is an interactive online journal where people can share thoughts on a topic of interest.)

- 1 none,
- 2 less than half,
- 3 more than half, or
- 4 all.
- 5 (VOL) Don't know
- 6 (VOL) Refuse

Q71 Aside from the stocks bonds and mutual funds we've been discussing, what other types of investments do you have? (DO NOT READ – MULTIPLE RESPONSE)

- 1 Real Estate
- 2 Employer sponsored 401k or retirement account
- 3 IRA
- 4 CD
- 5 Other (SPECIFY)
- 6 Don't know
- 7 Refuse

Q72 Have you ever lost money on an investment where you were missing critical information that would have allowed you to avoid the loss?

- 1 Yes
  - 2 No
  - 3 (VOL) Don't know
  - 4 (VOL) Refused
- SKIP TO Q73  
SKIP TO Q73  
SKIP TO Q73

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Q72b What was the nature of this investment?

- 1 \_\_\_\_\_
- 2 Don't know
- 3 Refused

Q72c What information would have allowed you to avoid the loss?

- 1 \_\_\_\_\_
- 2 Don't know
- 3 Refused

Q73 Have you ever lost money on an investment because you were given misleading information?

- 1 Yes
- 2 No SKIP TO Q74
- 3 (VOL) Don't know SKIP TO Q74
- 4 (VOL) Refused SKIP TO Q74

Q73b What was the nature of this investment?

- 1 \_\_\_\_\_
- 2 Don't know
- 3 Refused

Q73c What was it about the information you were given that was misleading?

- 1 \_\_\_\_\_
- 2 Don't know
- 3 Refused

### HOUSEHOLD DEMOGRAPHICS

D0 May I just ask you two or three questions for statistical purposes, it will take less than a minute?

- 1 Yes SKIP TO Q74
- 2 No THANK AND END
- 3 Hang up Soft Refusal

Now we just have a few more general questions to ask for statistical purposes and then we will be done.

Q74 How many people are there in your household including yourself?

- 1 \_\_\_\_\_ (number 1 to 9, 9=9+)
- 2 Don't know
- 3 Refused



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Q75 How old are you?

- 1 \_\_\_\_\_ (number, 18 to 97, 97=97+)
- 2 Don't know
- 3 Refused

IF D0 = 1 SKIP TO Q81
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Q76 Are you of Hispanic or Latino origin?

- 1 Yes
- 2 No
- 3 Don't know
- 4 Refused

Q77 Which of the following racial categories describes you? You may select more than one.  
(READ LIST – MULTIPLE RECORD)

- 1 American Indian or Alaska Native
- 2 Asian
- 3 Black or African American
- 4 Native Hawaiian or Other Pacific Islander
- 5 White
- 6 (VOL) Hispanic / Latino
- 7 (VOL) Other (SPECIFY)
- 8 (VOL) Refused

Q78 What is the highest level of schooling you have completed? (DO NOT READ)

- 1 Some High School (No Diploma)
- 2 High School Graduate
- 3 Some College (No Degree)
- 4 Associate Degree (AA)
- 5 Bachelor's Degree (BA, AB, BS, etc.)
- 6 Some Graduate or Professional School (No Degree)
- 7 Graduate or Professional School Degree (MA, MS, PHD, etc.)
- 8 Don't know
- 9 Refused

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Q79 Including everyone living in your household, which of the following categories best describes your total household income before taxes in 2007? Was your total household income ... (READ LIST)

- 1 \$20,000 or Less
- 2 Between \$20,000 and \$39,000
- 3 Between \$40,000 and \$79,000
- 4 Between \$80,000 and \$99,000
- 5 Between \$100,000 and \$149,000
- 6 Between \$150,000 and \$200,000
- 7 Between \$200,000 and \$500,000
- 8 \$500,000 or more
- 9 (VOL) Don't know
- 10 (VOL) Refused

Q80 Gender from observation (Ask if necessary)

- 1 Male
- 2 Female

IF D0 = 1 ASK Q81, ELSE SKIP TO THANK YOU
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Q81 Was your total household income in 2007 less than \$40,000?

- 1 Yes
- 2 No SKIP TO Q81c

Q81b Was your total household income in 2007 more than \$20,000?

- 1 Yes SKIP TO THANK YOU
- 2 No SKIP TO THANK YOU

Q81c Was your total household income in 2007, \$100,000 or more?

- 1 Yes
- 2 No

**That completes the survey.  
Thank you very much for your time and cooperation.**