Understanding Our Economy

Asset Preferences Of American Investors Are Varied Across Generations

(NAPSA)—A recent investor study released by Boston-based investment manager Eaton Vance revealed that the generation "gap" among investors is most apparent in investment asset preferences. When asked which categories of investments were of greatest interest to them, GenXers showed a two to one preference over seniors for assets that primarily provide growth of capital (64 percent versus 32 percent). Most boomers (57 percent) are focused primarily on investments that provide growth of capital, whereas more than half of seniors favored investments with either a purely income orientation (23 percent) or mixed growth and income (35 percent).

The survey, conducted by Penn, Schoen & Berland Associates, Inc., also revealed that senior investors and baby boomers think of stocks first for income generation while GenXers say real estate.

The results of Eaton Vance's study show that investors' perception of real estate as a reliable return generator persists, despite the fact that the housing market has slowed dramatically.

Nearly as many investors predicted real estate would offer the best after-tax returns among major investment categories over the next five years as picked stocks (30 percent versus 35 percent).

The investment allocations American investors expect to have after they retire sometimes differ dramatically from current allocations. The percentage of investors who expect to have more post-retirement assets invested in stocks than anything else is far below the percentage now reporting a higher allocation to stocks than other categories. On the other hand, expectations for portfolios dominated by cash and bonds once retirement is reached far exceed current usage of these categories.

Younger generations of investors in particular are least likely to expect to emphasize stocks in retirement. GenXers portrayed the most dramatic swing, with only 8 percent expecting to emphasize stocks, 19 percent predicting their retirement portfolio would be cash heavy and 19 percent saying real estate would be the largest component of their retirement asset allocation.

"We believe those who have a greater emphasis on stocks right now and anticipate keeping a healthy exposure to stocks in retirement have it right," said Duncan W. Richardson, Senior Vice President, Chief Equity Investment Officer of Eaton Vance Management and manager of the Tax-Managed Growth Portfolio. "Large-cap, blue-chip domestic dividend-paying stocks are very attractive and may be the best performing asset for the next three to five years. Due to lower returns anticipated from real estate and bonds, we also think the asset allocation models that have been used for the last 30 years may be wrong. People need to maintain equity exposure as they retire to help ensure they don't outlive their assets."

Eaton Vance Corp. is a Boston-based investment management firm whose stock trades on the New York Stock Exchange under the symbol EV. Eaton Vance and its affiliates managed over $133.1 billion in assets as of December 31, 2006, for more than 100 investment companies, as well as individual and institutional accounts, including those of corporations, hospitals, retirement plans, universities, foundations and trusts.

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