

# Investors Need More Education On Managing Their Investments, Financial Experts Say <sup>Ⓟ</sup>

(NAPSA)—Investors' general lack of knowledge was one of many topics discussed recently by a panel hosted by Boston-based asset manager Eaton Vance. The panel of behavioral finance, economic, tax and capital markets experts discussed a range of issues facing investors, including tax reform, social security, the national deficit, single stock concentration, capital markets performance, inflation, retirement readiness and other personal finance issues. The panelists addressed leaders in the investment management industry who attended the event.

According to the sixth annual investor survey commissioned by Eaton Vance, investors say that the tax implications of their investments are important to them; however, investors' actual level of knowledge about the subject is low. Nearly one in four surveyed are unaware of current tax rates, more than half (53%) are unfamiliar with the Alternative Minimum Tax and less than one third (31%) know about tax-managed investing. This lack of investor knowledge has repeatedly shown up in Eaton Vance's investor surveys.

"With the growth of defined contribution pension plans, and now with the President's proposal to create private Social Security accounts, the American worker is being increasingly required to make investment decisions that are going to determine his or her standard of living in retirement. I think a lot of Americans are neither psychologically nor educationally well prepared to make these decisions," stated Terry Odean, a member of the panel and an associ-

ate professor of finance at the Haas School of Business at the University of California, Berkeley.

In addition, many investors are making investment choices that may not be the wisest decisions. Citing the survey as an example, Odean advises against preferring to hold municipal bonds in a qualified plan rather than in a taxable account, such as 39% of respondents said they currently do.

"I think we need to provide a basic level of education about investments for Americans. Individual Americans are going to have to make these very critical decisions on their own, whereas the previous generations had many of these decisions made for them. Most people were in defined benefit plans and the corporate treasurer was making investment decisions. Things are different for investors today," Odean affirmed.

Duncan W. Richardson, senior vice president and chief equity investment officer of Eaton Vance Management, as well as portfolio manager of Eaton Vance Tax-Managed Portfolio, believes that education on investing should start in the early years. "24/7 availability of financial news, several years of improved disclosure and new regulations have done little to save typical investors from themselves. If given to our children before they enter the work force, a "No Investor Left Behind" course that covers some basic principles to follow and potholes to avoid could improve each investor's chance of lifetime success," said Richardson.

The dialogue was based on the results and implications of Eaton

Vance's sixth annual survey, a detailed study of attitudes and practices about investing. The poll was conducted among 1,000 U.S. residents who have invested in both qualified retirement plans and investments outside of qualified retirement plans (stock mutual funds, bond mutual funds, individual stocks, individual bonds, variable annuities and money market funds). This study was conducted by Penn, Schoen & Berland Associates, Inc. for Eaton Vance Corp. during the third week of November 2004.

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Penn, Schoen & Berland Associates, Inc. is a Washington, D.C.-based full-service strategic polling and market research firm.

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