News For Investors

Your Portfolio: Concentrated On A Single Stock?

(NAPSA)—According to a recent national survey commissioned by Eaton Vance and conducted by Penn, Schoen & Berland Associates, Inc., compared to a year ago, investors are more concerned about the risk of having a concentration of their assets in a single stock. Of investors owning stock of their current or former employer, more than 6 in 10 (61 percent) say they are concerned about their outsized exposure to the company's stock. This is a significant increase over last year, when 39 percent of investors polled said they were concerned about the risk of financial exposure to the stock of their current or former employer.

More than 9 in 10 investors (94 percent) agree that it is too risky to have a large percentage exposure to a single stock. Half of all investors (50 percent) say that the risks of investing heavily in a single company stock have increased in the past year due to corporate governance and accounting concerns.

Most investors who work for a company with publicly traded stock have received some employee stock compensation. Nearly seven in 10 of such investors (69 percent) say they have received stock options or some other type of stock compensation from their employers. More than four in 10 investors (43 percent) receiving stock-based compensation say that the value of stocks and stock options as a percentage of their total financial assets has increased, rather than decreased (31 percent), over the past five years.

Evident in this year's study is investors' heightened sensitivity to risk: 87 percent of investors said that minimizing risk is important when making investment decisions. Sixty-four percent of investors said that recent stock market trends have reduced their appetite for investment risk, compared to only 14 percent of investors who are now inclined to take more risks with their investment portfolios.

Some 42 percent of investors reported that they have increased the diversification of their investments in the past year in response to equity market declines. Of those who did not diversify, nearly a quarter (24 percent) said they wished they had done so.

"Given the losses stock investors have incurred in recent years, it should come as no surprise that many have grown more sensitive to the risk side of the equation. Losing money is usually a sobering experience," observed William M. Gillen, senior vice president and national sales director, Eaton Vance Distributors, Inc.

Nearly nine in 10 investors (88 percent) who use a professional financial advisor report that they are satisfied with their advisor relationship, with 54 percent very satisfied and 34 percent somewhat satisfied. Fifty-nine percent of investors who use a professional advisor report having the same satisfaction level as three years ago and 11 percent increased satisfaction vs. three years ago. Given the losses experienced since the stock market peak in early 2000, it seems remarkable that only a quarter (26 percent) of investors report that they are less satisfied with their advisory relationship than they were three years ago.

Among "do-it-yourself" investors who do not now utilize a professional financial advisor, 33 percent report that they are likely to seek the advice of a financial professional within the next year. In the prior two annual surveys, 30 percent (January 2002) and 22 percent (February 2001) of independent investors reported that they were likely to begin working with a financial professional in the next year.

"It is heartening that most investors who use financial advisors continue to report a high level of satisfaction with their advisors. Investors seem to understand that, as bad as the experience of the last three years has been, it could have been a lot worse if they had not received sound investment advice," commented Gillen. "At the same time, it is telling that independent investors seem more inclined to seek advice than was true in the past. A bear market can be particularly unkind to amateurs."

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

Eaton Vance Corp. is a Boston-based investment management firm with $57 billion in assets under management.