CFA

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Congressional Update:

Anti-consumer Financial Services Bill Passes

After months of stalemate, Congress passed financial services overhaul legislation in November that 'benefits special interests at the expense of the general public,' according to CFA Legislative Director Travis Plunkett.

The bill accomplishes what Congress has been attempting to do for more than 20 years – it tears down the Depression era restrictions that have limited the ability of banks, insurance companies, and securities firms to enter one another's businesses.

In the process, it opens the way for the resulting financial supermarkets to collect an enormous amount of financial information about their clients. Unfortunately, the bill does not adequately protect consumer privacy.

Repeated efforts by Sen. Richard Bryan (D-NV), Sen. Richard Shelby (R-AL), and Rep. Edward Markey (D-MA) to add reasonable privacy protections to the bill were turned aside during conference committee.

Instead, conferees stuck with the weak privacy language included in the bill as it passed the House. (The Senate bill did not include any privacy provisions.)

That language: fails to provide adequate notice to consumers about information collection and use; fails to give consumers access to determine the accuracy of personally identifiable information and to correct erroneous information; and fails to give customers control over the sharing of their private information with affiliates or even, in many cases, with outside parties.

'The bill allows financial services companies to share a shocking amount of sensitive financial information without consumers' permission, including bank account numbers, savings record, checkwriting history, loan activity, and insurance coverage, not to mention detailed information about their investment choices,' Plunkett said.

'This bill is going to greatly accelerate the ability of these companies to collect this information, to share it, and – in some cases – to misuse it,' he said.

The one bright spot for consumers was the inclusion of an amendment by Sen. Paul Sarbanes (D-MD) that preserves the ability of states to adopt stronger privacy protections.

Anti-consumer Insurance Demutualization Language Included

The final bill also includes an anti-consumer provision that makes it easier for mutual insurance companies to covert to stockholder-owned companies without providing fair compensation to policy holders.

In recent years, the mutual insurance industry has succeeded in winning passage in a number of states of laws that allow a mutual insurance company to reorganize as a stockholder-owned insurer that is a subsidiary of a mutual holding company. The subsidiary can go public, but with the holding company retaining control of a majority of the stock.

'These laws essentially allow management to rob control of the company from policy holders without providing them with fair compensation,' said CFA Insurance Director J. Robert Hunter.

The bill allows mutual insurance companies to switch states without permission of state insurance regulators in order to take advantage of another state's mutual holding company law.

Finally, the bill also preempts states' ability to regulate the myriad financial activities allowed by the legislation, even where no federal law exists to protect consumers.

'Already, national banks routinely ignore state low-cost lifeline checking laws, seek to overturn ATM surcharge bans, and even form affiliations with predatory payday lenders,' Plunkett said. 'With its sweeping state law preemption provisions, this bill will only make that situation worse.'

The president signed the bill. In doing so, however, he pledged that the administration would 'continue to press' for greater privacy protections and would monitor the situation surrounding insurance demutualizations, 'returning to the Congress, if necessary.'

House Approves Pro-Consumer HMO Bill

The House approved pro-consumer patients' rights legislation in October, but substantial obstacles remain in the way of final enactment.

The bipartisan bill sponsored by Rep. John D. Dingell (D-MI) and Rep. Charles Norwood (R-GA) garnered 68 Republican votes, despite opposition from the House Republican leadership, to pass 275-151.

'Unlike the legislation adopted earlier in the Senate, H.R. 2723 sets forth a comprehensive set of patient rights,' Plunkett said.

The House bill would:

• require a timely and independent

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Broadband Campaign Launched

Working with its state and local member organizations, CFA launched a national campaign in October to educate consumers on the importance of open access to the high-speed Internet.

Equitable and open access to broadband wires is threatened as cable television companies, such as AT&T, and the local Bell telephone companies seek to expand their monopoly status to the high-speed Internet, said CFA Research Director Mark Cooper.

The Internet has become a dynamic tool for discourse and commerce precisely because of its open, public nature,' he added. 'Allowing a few companies to monopolize the high-speed on-ramps will kill the Internet as we know it.'

As part of the campaign, CFA has established a website and published a 'white paper' on the issue.

The website, www.consumerfed.org/internetaccess/, will serve as a clearinghouse of reliable information for consumers seeking to learn more about broadband issues.

The site contains tools and tips for consumer advocates on how to become involved in the broadband debate. In addition, browsers may link directly to local, state, and federal legislators and regulators to voice their opinion on the need to preserve open access to the Internet.

'Policy makers are being bombarded by aggressive lobbying from cable companies, telephone companies, and ISPs battling for control of the high-speed Internet,' Cooper said. 'It's time for consumers to fight for what's in their best interests – open access.'

Local Groups Join Fight

The key to preserving open access is convincing local governments to exercise their rights as franchising authorities to require non-discriminatory access to cable systems, as they have done in Portland, Oregon, Broward County, Florida, and Fairfax, Virginia, Cooper said.

'If open access at the local level is required in enough cities and counties, eventually AT&T will have to change its corporate policy,' Cooper said. 'If we make AT&T open its network, we may be able to convince the FCC to prevent the Baby Bells from closing theirs.'

Consumer groups in eleven states have already joined the campaign, including seven that have testified on the issue at the local level.

In California, Washington, Vermont, Virginia, and Massachusetts, groups have written to local franchising authorities urging them to order AT&T to provide open, non-discriminatory access to the cable network as a condition of the transfer of cable TV licenses to AT&T.

Meanwhile, CFA continues to press for progress at the federal level, by urging federal regulators to require cable companies to lease their new high-speed Internet connections to unaffiliated Internet service providers in a non-discriminatory manner and by insisting that regulators hold the local Bell operating companies to the open network requirements of the Telecommunications Act of 1996.

Report Documents Importance of Open Access

The importance of open access is documented in a 16-page white paper released at the time of the campaign's launch and in a more detailed public policy report issued by CFA and Consumer Action in September.

Both reports demonstrate that open access to the high-speed broadband Internet is essential to preserve the Internet as a vibrant medium for communications and commerce.

'This analysis makes it clear that neither the cable companies nor the telephone companies should be allowed to pick and choose which Internet service providers may provide consumers access to high-speed Internet connections,' said Consumer Action Executive Director and CFA President Ken McEldowney.

'The effort to impose private regulation on the Internet in the form of exclusive, discriminatory access is a dagger pointed at the heart of the Internet, which has thrived by allowing all content providers to have equal access to the wires that connect people to the network,' he added.

According to the 100-page report, *Transforming the Information Highway into a Private Toll Road*, efforts to close the on-ramps to the nation's information superhighway would harm consumers by:

• preventing competition for cable TV programming;

• reducing competition for broadband Internet services;

• enabling abusive pricing and bundling of cable TV and Internet services;

• diminishing creativity, innovation, and diversity of content; and

• restricting universal service.

'AT&T has set out to amass a monopoly over U.S. cable TV systems and to

(Continued on Page 3)

Consumer Involvement in Utility Issues Urged

Technology and competition policy are driving changes in the 'network industries' – telecommunications, electricity, and natural gas -- that have serious implications for consumers and regulators, Montana Public Service Commissioner Bob Rowe said in the keynote address at CFA's eleventh annual utility conference.

'Technology has the potential to change everything,' Rowe said. Often, however, it is up to consumer advocates 'to point out the gap between the research lab and deployment' and 'to view markets as they are, not only as we want them to become,' he added.

Rowe cited the CFA-Consumers Union 'Digital Divide' report as an example of consumer groups' delivering the 'sober message' that 'telecom markets are highly segmented' and that 'not all customers have access to, or even want, the same things.'

Competition policy is also driving changes, Rowe said, noting that there is general agreement 'across the political spectrum' that 'workable competition is good where it can be achieved.'

These changes are also transforming the relationship between federal and state regulators, he said.

'The challenge is to agree on general goals ... construct an overall framework for working together, and develop specific cooperative federalist practices that capture the strengths of federal and state entities,' he said.

Montana Public Service Commissioner Bob Rowe

Although he acknowledged that there are areas of disagreement between state and federal regulators, he expressed confidence that this goal could be achieved.

He concluded by calling on consumer advocates to get involved with their state commissions 'on the many telecom, energy, and consumer issues' they are working through and, in particular, to help 'develop new approaches to affordable technology access.'

In addition to Rowe's speech, the conference included sessions on the consumer impacts of electricity restructuring, consumer views on utility issues, the consumer impacts of telecommunications restructuring, universal access to new communications technology, communicating new utility options to consumers, and the potential of new utility technologies to meet consumer needs.

Congressional Update *(Continued from page 1)*

external grievance and appeals system;

- hold managed care organizations legally accountable for negligence;
- allow health care providers to prescribe the right drug for their patients, even it that drug is not on the plan's formulary;
- guarantee patients a period of continuity of care with their physicians if the physician leaves the plan;
- require comprehensive disclosure of information to enrollees;
- allow patients to have direct access to specialists in some cases; and
- protect the doctor-patient relationship, by ensuring that physician decisions prevail over plan objections if upheld by an external review and by eliminating improper physician incentive plans.

'We're especially pleased with the section requiring access to prescription drugs – an important, but often overlooked, part of health care delivery,' Plunkett said. 'These requirements are essential if we are to avoid protracted and costly battles by patients to get access to promising drugs.'

The Senate bill falls short of the House bill in a number of ways.

Most notably, most of its protections apply only to the 48 million patients in health plans that are exempt from state regulations, while the House bill's protections apply to all 161 million Americans enrolled in private insurance plans.

Also, the Senate bill does not: guarantee access to specialists; ban gag clauses and financial incentives to deny care; ensure that doctors, not health plans, have the final say over what is medically necessary for the patient; or hold plans legally liable when they make medical decisions that result in harm to the patient.

A conference committee will attempt to work out differences between the two versions.

Complicating that process is the fact that all but one of the Republican conferees appointed by House Republican leaders voted against the bill on the House floor. Neither of the lead Republican sponsors, Rep. Charlie Norwood (R-GA) or Rep. Greg Ganske (R-IA), was appointed to serve on the conference committee.

"This is just the kind of political game playing that the American people have become tired of,' Plunkett said. 'The House passed the bill by a large margin; their representatives on the conference committee should reflect that support.'

Meanwhile, the president has threatened to veto the bill over insurance access provisions attached in the House by Republicans.

Farm Aid Fails To Target Small Farmers

Congress passed an agriculture appropriations bill in October that includes an $8.7 billion farm aid package.

The president signed the bill, despite the fact that Congress failed to adopt the changes to the farm aid provisions advocated by the administration to ensure that the aid would go to those small farmers most in need of assistance.

The centerpiece of the assistance package – with a $5.5 billion price tag -- is a provision doubling annual 'transition payments' already going to producers under the 1996 farm bill.

But those transition payments, which have until now been limited to $80,000 per farm, do not distinguish between farmers who are suffering losses this year and those who are not, said CFA Assistant Director Arthur Jaeger.

"Doubling transition payments puts many well-off producers, and some who haven't even planted crops this year, in line for hefty government checks," he said.

Congress also doubled the limit on so-called 'loan deficiency payments' designed to compensate farmers for low commodity prices.

The new limit of $150,000 per farm will allow larger farms to receive greater subsidies, and a provision allowing farmers to accept their payments in commodities rather than cash may allow some producers to circumvent even the $150,000 limit, Jaeger said.

'Instead of targeting aid where it is needed most -- on small farmers suffering from drought, low prices, and reduced exports -- this bill provides huge subsidies to some of the nation's biggest, richest farmers,' Jaeger said.

Congress is expected to take a fresh look at all government farm subsidies next year.

Electric Bill Advances

The House Energy and Power Subcommittee approved an electricity deregulation bill in October, but without resolving the contentious issues that have doomed similar bills in the past.

The bill, H.R. 2944, was approved 17-11 after votes on a number of issues were deferred to full committee consideration.

'With well over half the electricity in the nation sold in states that have restructured their industries, consumers have been hurt by the failure of the interstate market to support effective competition,' said CFA Research Director Mark Cooper, who testified before the Energy and Power Subcommittee in October.

In many instances, regulation has been removed before market competition exists, resulting in abuse of market power, he said. Specifically, he said:

- electricity has been withheld from markets to inflate prices;
- electricity has been hampered from flowing across state borders by self-interested foreclosure of transmission facilities;
- manipulation of financial transactions and speculative deals have driven prices far above reasonable levels at critical moments; and
- barriers have been erected by some states that prevent consumers from effectively expressing their demands in the marketplace.

'Federal legislation is critically necessary to correct this series of dramatic failures,' Cooper said.

That legislation should reflect: a commitment to universal service; elimination of market power in generation; a reliable national grid operated on principles of non-discrimination; meaningful choice for residential consumers; equal opportunity for all consumers to benefit from competition; sound financial transactions; and environmental preservation, he said.

H.R. 2944, however, is 'a huge step in the wrong direction,' Cooper said. 'It will protect incumbent utilities from competition and cost consumers dearly, because it does nothing to reduce the market power of vertically integrated utilities in the generation and transmission markets.'

Power of Saving *(Continued from page 4)*

annual yield would produce, the median response was $239,400, less than a quarter of the actual accumulation of $1,026,853.

'If Americans understood that their chances of winning a big lottery jackpot were 10 to 20 million to one, but that they could accumulate hundreds of thousands of dollars through regular saving, more families would put the $50 away, rather than spending it on gambling or unneeded consumption,' Plumeri said.

The young, the poor, and the least educated are less likely than other demographic groups to understand the power of saving.

For each of four scenarios included in the survey, the estimates of young adults of how much savings they would accumulate were more than 20 percent less than the estimates of older Americans, although they too underestimated savings.

Only eight percent of respondents from households with incomes under $15,000 know that $25 invested weekly for 40 years at a five percent annual yield would accumulate to more than $150,000, compared with 28 percent of those from households with incomes of $50,000 or more.

Only 30 percent of high school dropouts know that saving and investing is the best route to a big retirement nest egg, compared with 61 percent of college graduates.

Survey data also revealed a gender gap noted by most other research. Only 40 percent of women believe that saving and investing is the most effective strategy for wealth-building, compared with 54 percent of men.

Moreover, women were twice as likely as men (47 percent to 20 percent) to offer no answer to the question of how much $25 a week saved would yield. When they did guess, they were more likely than men to underestimate the accumulation.

Free Pamphlet, Website Savings Calculator Offered

To help convince Americans that they can build wealth, and to educate them about strategies for doing so, CFA and Primerica are making available a free pamphlet and website savings calculator.

The pamphlet, 'Six Steps to Six-Figure Savings,' recommends six basic wealth-building strategies, each with a specific action step. It also shows the power of saving over time and suggests a number of 'easy ways to save.'

A free copy is available by sending a self-addressed stamped envelope to: CFA's 6 Steps to Savings, P.O. Box 12099, Washington, D.C. 20005. The pamphlet is also available at CFA's website at www.consumerfed.org.

The website calculator allows users to estimate savings, over various time periods at different rates of return, for ten specific ways to save (e.g., brewing your own coffee, eating out one night less per week, paying off a credit card balance).

To use the calculator, visit www.consumerfed.org.

The research, the pamphlet, and the website savings calculator will also be used by a new AMERICA SAVES wealth-building campaign directed at low- and moderate-income households, which CFA is organizing.

Investor Protection Update:

Congress Considers Securities Law Rewrite

After passing three bills in four years to reduce investor safeguards, Congress is once again looking at drafting legislation 'to bolster the efficiency of U.S. securities and debt markets.'

Both the Senate Banking Committee and the House Commerce Committee are reportedly drafting bills.

'Unfortunately, bolstering the efficiency of the securities markets seems to be code for undermining investor protections, at least in the minds of many industry members who submitted proposals for inclusion in the legislation,' said CFA Director of Investor Protection Barbara Roper.

CFA, Consumers Union, Consumer Action, and U.S. Public Interest Research Group submitted comments to the Senate Banking Committee in July and to the House Commerce Committee in October on a number of the proposals that have so far been put forward.

In their letters, the consumer groups called on those drafting the legislation to 'take into account the new investor protection challenges posed by a growing investor population made up largely of financially unsophisticated, middle income Americans.'

In addition to commenting on dozens of specific legislative suggestions, the groups outlined their opposition to proposals in four areas of greatest significance to consumers:

- restricting states' ability to protect their citizens against unethical or dishonest stockbrokers;
- diluting protections against self-dealing in the mutual fund industry;
- limiting the ability of states to impose appropriate licensing qualifications on investment advisers and their representatives; and
- tying the hands of the Securities and Exchange Commission in their efforts to impose appropriate investor protections.

While acknowledging that investors benefit when securities laws operate as efficiently as possible, the groups urged the committees to remember that 'the fairness of a marketplace is of equal importance to, and in fact contributes to, its efficiency.'

Groups Support Broker Compensation Reforms

The same four consumer groups also submitted comments to the National Association of Securities Dealers in October in support of proposed rules to reform broker compensation practices.

The NASD has proposed rules to:

- prohibit higher payments to sales representatives for the sale of mutual funds owned or operated by the brokerage firm;
- ban sales contests that promote a single investment product; and
- require disclosure of higher commission payouts offered sales representatives when they transfer to a new firm.

'The practices targeted by these rules pose some of the greatest threats to investors, by creating enormous incentives for sales reps to make recommendations that are not in their clients' best interests,' Roper said.

The proposed rules 'offer modest, but significant progress toward pro-investor compensation reform' and should be adopted, the groups wrote in their comment letter.

The groups also suggested additional reforms that are needed 'to create a compensation system in which the worst practices are eliminated, and the remaining conflicts are fully disclosed,' including:

- banning all financial incentives to encourage the sale of products in which a brokerage firm has a proprietary interest;
- banning all product-specific sales contests;
- requiring disclosure of accelerated payouts in all cases, not just when a registered representative transfers to a new firm, and supplementing disclosure with a requirement for enhanced supervision during the period when the payments are in effect;
- adopting comprehensive improvements in compensation disclosure; and
- studying ways to minimize the conflicts of interest created when branch managers receive a portion of their income based on the branch's success in generating commission income.

CFTC Proposed Rule Would Undermine Disclosure

In September, CFA submitted comments to the Commodity Futures Trading Commission opposing a proposed rule to change the way in which past performance information is calculated and disclosed to investors for trading programs offered to the public by commodity trading advisors.

'This proposed rule would mute the appearance of volatility and thus allow the industry to sell these highly risky investments to individuals who might have been deterred by a more accurate picture of the investment risks,' Roper said.

Under the proposed rule, rates of return would no longer be based on the level of cash funding provided by the client. Instead, nominal account size would be used, despite the fact that nominal account size often bears no relation to investors' actual cash exposure.

'In return for easing industry's calculations, the proposed rule would diminish the value of performance data in supplying information to investors about investment risks and in allowing investors to make meaningful comparisons among various investment options,' Roper said.

Roper also wrote to Securities and Exchange Commission Chairman Arthur Levitt and key members of Congress seeking their intervention on behalf of investors to prevent the proposed rule from being adopted.

End To Long Distance Price Discrimination Urged

Consumers Union, CFA, and the Texas Office of Public Utility Counsel have called on the Federal Communications Commission to stop price discrimination against residential consumers who make few long distance calls.

The groups filed formal comments with the agency in September noting that over half of all residential long distance users are paying more than they were two years ago for interstate long distance service.

For those making less than 50 minutes of long distance calls per month, the net annual increase is estimated to be approximately $2 billion.

'These rate increases are hurting those consumers who can least afford paying higher prices,' said CFA Research Director Mark Cooper. That is because moderate- and lower-income households are most likely to be low-volume users, he said.

In 1997, the FCC reduced the access charges paid by long distance carriers by $1.7 billion and required long distance companies to cut basic long distance rates by about seven percent.

This reduction has since been erased by the imposition of monthly minimum fees and the pass through of pre-subscribed inter-exchange carrier charges and universal service costs.

Low-volume users have not benefited from competition, because 'there is no competition, and there is very little prospect of competition, for this segment of the market,' said Laurie Pappas, Deputy Public Counsel in the Texas Office of Public Utility Counsel.

'This administration has devoted much attention to the Digital Divide, but the FCC's stewardship of the long distance industry has deepened the economic divide between lower income, low-volume users and high-volume users,' said Gene Kimmelman, Co-director of CU's Washington office.

Broadband Campaign *(Continued from page 1)*

extend the cable TV business model to the Internet,' said Cooper, principal author of the study.

'That model includes price increases over three times the rate of inflation, denial of consumer choice through forced bundling of programming, and restriction of innovation through preferential treatment of affiliated programming,' he said.

Local telephone companies, meanwhile, have used the efforts of cable companies to close off their broadband 'pipe' to unaffiliated ISPs as an excuse to push policy makers to eliminate telephone company obligations to run an open network.

'The potential end result would be a disaster for consumers– two private toll roads and no open access lanes on the information superhighway,' McEldowney said.

Discriminatory Practices Detailed

The report details the technological and economic mechanisms that are already being used to restrict competition in a closed, discriminatory cable network.

Specifically, the study:

- documents the technological capability to discriminate against unaffiliated ISPs;
- enumerates the current anti-competitive and anti-consumer practices of cable TV and local telephone companies;
- identifies key elements of the closed access business model planned for the broadband Internet;
- reviews the extremely negative experience of consumers in the 15 years that the cable TV industry has operated as a closed access network; and
- analyzes the failure of cross-technology competition to break the cable monopoly.

The full text of the report is available on-line at www.consumerfed.org/broadbandaccess.pdf. To receive a print copy, send $10 prepaid to Broadband Access Report, CFA, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

The white paper is available on-line at www.consumerfed.org/internetaccess/-whitepaper1099.pdf. To receive a print copy, send $10 prepaid to Broadband White Paper at the above address.

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Middle Income Households Save Little

Despite the economic boom of recent years, half of American households have accumulated less than $1,000 in net financial assets and modest or no wealth, according to a new Census-based economic analysis released in October by CFA and Primerica.

Furthermore, most Americans grossly overestimate the wealth of others, and greatly underestimate their ability to accumulate wealth through saving and investing, according to a CFA-Primerica public opinion survey released along with the economic analysis.

'Most Americans are now aware of the consumer debt trap and the need to build wealth, but they don't believe they can do so,' said CFA Executive Director Stephen Brobeck.

'In fact, through a modest reduction in expenditures and a modest increase in monthly savings, millions of Americans can achieve financial peace of mind,' he added.

Primerica and CFA released the research, along with a free pamphlet, 'Six Steps to Six-Figure Savings,' to help inform Americans on their ability to accumulate wealth and on how they can do so. They also introduced a related website, that includes a savings calculator, at www.consumerfed.org.

'Simply by building equity through home ownership, taking advantage of an employer's retirement options, and saving monthly, most families can build assets of several hundred thousand dollars during their lifetimes,' said Primerica Chairman Joseph Plumeri.

Typical Household Has Few Assets, Little Wealth

In research commissioned by CFA and Primerica, however, economist Joseph M. Anderson of Capital Research Associates found that the typical American household has few net financial assets ($1,000) and only modest net wealth ($35,000).

Anderson used 1995 data collected by the U.S. Bureau of the Census in the Survey of Income and Program Participation, the most recent available government data on household assets and wealth.

Assets in IRA and Keogh accounts are included in the data, but not assets in defined contribution pension plans, such as 401(k) plans. (According to the Fed's 1995 Survey of Consumer Finances, only 27 percent of households were covered under a 401(k) plan.)

An important reason for the low net financial assets, according to Anderson, is consumer debt.

The typical household held consumer debts that totaled well over half of gross financial assets. Moreover, the fifth of households with the lowest net assets held by far the highest consumer debts, most of that unsecured debt such as credit card debt.

'What is especially striking is that the one-fifth with the lowest level of financial assets typically had middle incomes, not low incomes,' Brobeck noted.

The median income of the quintile with the lowest financial assets was $31,700, compared to $13,100 and $25,500 respectively for the next two quintiles.

'The main reason for this apparent anomaly was consumer debt,' Brobeck said. 'The typical member of this quintile held $4,700 more in unsecured debt than in gross financial assets.'

Brobeck also noted that 'the majority of working Americans have not benefited directly from the rise in stock prices,' since more than half of all households hold no stock.

Finally, Anderson's research found a strong relation between age and assets/wealth. Those 65 to 74 years of age – the wealthiest – held median net financial assets of $12,500 and net wealth of $97,474, most of which was in the form of home equity.

'However, no 10-year age cohort had large asset levels,' Brobeck noted.

Americans Overestimate Wealth of Others

In a public opinion survey commissioned by CFA and Primerica, the Opinion Research Corporation International found that Americans overestimate the wealth of others and underestimate their personal ability to build wealth.

When respondents were asked to estimate the net financial assets held by the typical American household, only seven percent correctly answered 'under $2,500.' Nearly half (49 percent) estimated that these assets exceeded $10,000, while another 36 percent said they did not know.

When asked to estimate the net wealth of the typical household, only 20 percent correctly answered 'under $50,000. Nearly half (45 percent) estimated wealth higher than this, and 34 percent said they did not know.

Many Erroneously See Lottery As Best "Savings Plan"

Furthermore, low and moderate income Americans believe they have a better chance of accumulating $500,000 through winning the lottery or sweepstakes than through saving or investing a portion of their incomes.

When asked, what is your 'best chance to obtain half a million dollars or more in your lifetime,' 27 percent overall said 'win a lottery or sweepstakes,' while 47 percent said 'save and invest a portion of your income.'

For those with incomes between $25,000 and $35,000, 41 percent chose a lottery, while only 33 percent selected saving. For those with incomes between $15,000 and $25,000, 45 percent chose a lottery, while only 31 percent selected saving.

"One reason for this is that most Americans dramatically under-value the 'time value of money' – the extent to which regular savings will accumulate over time,' Brobeck said.

When asked how much $25 invested weekly for 40 years at a seven percent annual yield would produce, the median response was $122,500, less than half the actual accumulation of $286,640.

When asked how much $50 invested weekly for 40 years at a nine percent

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Consumers Left Out Of Vitamin Settlement

In September, a U.S. District Court announced a proposed settlement of the so-called Vitamin Anti-Trust Class Actions that would provide millions to corporations and nothing to consumers. Under the proposed settlement, the largest ever paid in an anti-trust lawsuit, vitamin manufacturers would pay a reported $1.1 billion to the corporations who were the direct purchasers of their products.

'The corporate beneficiaries of this settlement long ago passed on the increased costs that are the subject of this action to the consumers who bought their products,' said CFA Chairman Sen. Howard Metzenbaum (Ret.). 'The sad fact is, under the proposed settlement, these consumers are in no way being reimbursed for the additional expenses they paid because of the overpriced vitamin costs,' he said.

Sen. Metzenbaum appeared before the court to urge that a substantial portion of the settlement -- at least 20 percent -- be made available directly to anti-hunger programs. Since there are separate pending actions on behalf of consumers in 16 states and the District of Columbia, he suggested that any settlement amount set aside for hunger programs be allocated only to programs in the other 35 states in which no avenue is available for consumers to be reimbursed.

'It shocks one's conscience that the consumers who have paid billions of dollars in additional costs as a result of the vitamin companies' actions will not share in this settlement,' he said. 'Shouldn't some of these overcharges be allotted to feed millions who go hungry every day in our country instead of to the businesses who suffered little or no loss because they passed along the higher costs?'

This is not the first time the interests of consumers have been overlooked in the settlement of a highly publicized case involving overcharges for food products, Sen. Metzenbaum noted. In 1996, a lengthy price-fixing investigation of Archer Daniels Midland Co. ended with a settlement under which ADM was to pay a record $190 million in civil and criminal penalties, but nothing to the consumers harmed by its actions.

'Although the activities that were the subject of the investigation had been adding to consumers' grocery bills for years, this group most affected by ADM's actions -- consumers -- did not share in the settlement,' the senator said. 'It is time that the interests of those most affected in these cases be addressed in some way.'

Although the judge denied CFA's standing to intercede in the case, a final decision on the settlement had not been announced as this issue of *CFAnews* went to press.

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