Media Contact:
Robyn Tice–617.672.8940
rtice@eatonvance.com

Eaton Vance's 2009 Investor Survey
Shows Investors are Pessimistic, Looking for Tax Relief Strategies, and Concerned about Retirement Income

BOSTON, MA, January 8, 2010 — According to Eaton Vance's 11th annual survey of Americans, most investors are pessimistic about the economy, concerned about rising taxes, and worried about retirement. In particular, American investors are looking for ways to better protect their investments from higher taxes in large part to ensure they have sufficient retirement income.

Pessimistic mood; many investors still waiting on sidelines, missing stock gains

Eight in ten (82%) American investors say the economy is either in recession or stagnant. Among the pessimistic majority, three in four (74%) say economic growth and job recovery won't begin for at least another year. In the last three years, the number of investors nationally who say they are worse off than where they expected to be at this point in their life has almost quadrupled from 13% to 51%.

Investors have also grown more risk averse in the last year, allocating more to cash and bonds than they did in 2008. The percent of investors who moved more into cash and bonds has doubled since 2008 from 11% to 23%.

"Investors who emotionally reacted to the downturn last year are not pursuing a winning investment strategy," says Duncan W. Richardson, chief equity investment officer at Eaton Vance. "Many investors missed the biggest annual percentage gain in stock prices since 2003 as well as the opportunity to recoup much of their 2008 losses. Last year demonstrated the importance of having both an asset allocation plan and the discipline to systematically rebalance, regardless of market volatility and our moods."

The survey results are supported by recent ICI data that show for year to date through November 2009 a net negative flow out of equity funds of $4B and a net positive flow of $284B into taxable bonds.

Looking for ways to protect themselves from impact of higher taxes

Another concern driving investment pessimism is rising taxes on income as well as dividends and capital gains. Investors are eight times more likely (49%) to say taxes are going to move higher rather than lower (6%). Among those with household incomes of $150,000 or more annually, a 59% majority anticipate rising taxes.

Investors of all types are changing or considering changing their investment plans in anticipation of higher taxes. Interest in active tax management is increasing. If investors had a reasonable expectation of realizing 2% more per year after taxes in stock mutual funds over the next 10 years by using active tax management, 58% of investors say they would consider this type of investing. This is an increase from 50% in 2006.

Not surprisingly, given concerns about taxes, tax-exempt municipal bonds are becoming a feature of many portfolios, especially among investors with more than $1 million in the market. A 54% majority of investors with $1 million plus portfolios own tax-exempt municipal bonds compared with 43% of all other investors. A majority of investors (53%) were also interested in the new “taxable” Build America bonds.

“The prospect of higher individual tax rates in 2010-11 should drive demand for municipal bonds,” said Payson Swaffield, chief income investment officer at Eaton Vance. “The continuing issuance of a new asset class-Build America Bonds-represents a win-win form of financing, with the issuer gaining access to a broader market at attractive borrowing rates, and the investor gaining access to a new attractive asset class- allowing for greater diversification of taxable investments.”

Concerns about retirement income needs rising; shift to IRAs and Roth IRAs

Most investors (79%) say ensuring a comfortable retirement is their most challenging financial concern. And fear that a comfortable retirement might be out of reach is growing among investors. Since the 2008 Eaton Vance national study of investors, the number of investors who are not yet retired who say they will need as much money in retirement as when they are working has doubled to 42%. Of investors who are fully retired, nearly two in three (63%) are concerned they will outlive their retirement savings compared to about one in four (27%) in the 2008 Eaton Vance study.

Investors are looking for better ways to save for retirement. There has been a sharp decline in those who say their 401(k) is their primary investment vehicle, with interest in IRAs and Roth IRAs growing especially among high earners. Among those with traditional IRAs (57%), 41% have considered switching to a Roth IRA. High earners are especially interested in switching, 50% compared to 38% in households making less than $150,000 annually.

Today nearly one in three (31%) investors say the 401(k) is their primary retirement account. Last year close to half (45%) viewed 401(k) as the primary vehicle and 55% as recently as 2006. Now 18% of American investors say an IRA is their primary investment vehicle – up from 12% in 2008 and only 3% as recently as 2003.

“Seeking advice from a financial advisor especially during periods of market volatility can be very helpful” said Matthew J. Witkos, President of Eaton Vance Distributors, Inc. “Advisors monitor the markets and their client’s portfolio to ensure that the investment mix and the asset allocation strategies are in place to meet individual long-term financial goals.”

Eaton Vance Investor Survey Methodology

The survey was conducted from November 13 through November 20, 2009 among 1201 Americans between the ages of 40 and 70 years old, 401(k) investors who have $50,000 or more in mutual funds, stocks, bonds, annuities and money market funds including an oversampling of those with an annual household income at or above $150,000.

The margin of error for this study is +/- 2.82% at the 95% confidence level, with larger margins for subgroups. Penn, Schoen & Berland Associates, Inc. is a Washington, D.C.-based strategic polling and market research firm. Other surveys may produce different results.

Eaton Vance is one of the oldest investment management firms in the United States, with a history dating to 1924. In the 1960s, Eaton Vance pioneered the first equity funds designed to minimize the impact of taxes on investment returns. Eaton Vance and its affiliates managed $154.9 billion in assets as of October 31, 2009, offering individuals and institutions a broad array of investment products and wealth management solutions. The Company's long record of providing exemplary service and attractive returns through a variety of market conditions has made Eaton Vance the investment manager of choice for many of today's most discerning investors. For more information about Eaton Vance, visit www.eatonvance.com.

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