

Glimmers of Hope Emerge, Signaling Economic Recovery in Sight

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Americans shift focus to savings, brown bag lunches on the rise

New research released from the Principal Financial Well-Being IndexSM indicates American workers see glimmers of hope that the economy is headed in a more positive direction.

In the meantime, workers and retirees are demonstrating smart habits to preserve their financial well-being.

American workers are showing signs of optimism, as expectations the economy will get worse by the end of 2009 dropped significantly from the first quarter to the second quarter— from 24 percent to 18 percent.

More than one-third of workers (37 percent) and 31 percent of retirees expect the current economic crisis to be better by the end of 2009.

Renewed confidence has emerged with 41 percent of workers saying it will take only two to five years to recover the retirement balances they had at the beginning of January 2008.

While 15 percent think it will take six to 10 years, only 3 percent of workers think they will never recover their account balance.

“American workers are beginning to see signs of hope in a very difficult economic cycle,” said Dan Houston, president of retirement and investor services at the Principal Financial Group[®]. “They[™]re not expecting an overnight turnaround, but when it comes to rebuilding their retirement portfolios, Americans are hopeful they will recoup losses within a reasonable amount of time.”

The Principal Financial Well-Being Index, which surveys both American workers at growing businesses with 10 to 1,000 workers as well as retired Americans, is released quarterly by The Principal[®] and commissioned by Harris Interactive[®].

Saving for Hard Times Before Recovery

When it comes to saving for their long-term financial well-being, 14 percent of workers have increased the amount they are saving for retirement over the past six months, and the number of workers not saving for retirement has dropped from 20 percent in the first quarter this year to 16 percent.

Houston says Americans are wisely recognizing the importance of an emergency fund as a backstop if faced with a sudden loss of income or another unforeseen circumstance.

More than half of workers (59 percent) and two-thirds of retirees (67 percent) have an emergency fund they can immediately access if necessary.

Sixty-six percent of retirees and 36 percent of workers said they could cover more than six months of living expenses, both up significantly from the fourth quarter 2008.

While workers are saving more, nearly nine out of 10 retirees and workers say they haven[™]t tapped into these funds.

“The numbers speak for themselves. Americans are taking to heart the importance of long-term savings,” Houston said.

“The unexpected has happened, causing them to shift their focus from instant gratification to long-term financial planning.

While hope is on the rise, Americans are still proceeding with caution, as they should.”

Other Key Survey Findings:

1.Reining in spending on food, activities and clothing:

- Because of current economic conditions, half of retirees and six of 10 workers are preparing more meals at home instead of eating out.
- Three of 10 workers indicate they have started bringing their lunch to work.
- More than a quarter of both retirees and workers have started to “shop” in their own closets instead of making new purchases.
- Twenty-one percent of workers with children have cut back on the number of activities their children are involved in

because of financial constraints.

2.Cash is king:

- Forty-eight percent of workers and 42 percent of retirees say they paid more often with cash than with credit cards in the past six months. Houston anticipates this is due to avoiding credit card fees.

3.Simplified summer vacation:

- With concerns over financial stability, more Americans are cutting back on extravagant travel plans. Thirty-six percent of workers and 24 percent of retirees have altered their vacation plans to save money.

4.Rethinking retirement:

- Thirteen percent of workers said they are delaying their planned retirement date because of current economic conditions, an increase from 10 percent of workers in first quarter of this year. Thirty-five percent of workers said they have not changed their planned retirement date.

See the full report and past results at www.principal.com/wellbeing .

Methodology

This Principal Financial Well-Being IndexSM survey was conducted online within the United States by Harris Interactive on behalf of the Principal Financial Group[®] between April 27 to May 6, 2009 among 1,189 employees and 509 retirees.

Results were weighted as needed for age by gender, education, race/ethnicity, region and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online.

No estimates of theoretical sampling error can be calculated; a full methodology is available. This is one in a series of quarterly studies to identify and track changes in the workplace of small and midsize (growing) businesses.

The first Principal Financial Well-Being IndexSM survey was conducted in the United States in 2000.

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A member of the Fortune 500, the Principal Financial Group has \$236.6 billion in assets under management² and serves some 18.8 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States.

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