



The Principal
Global Financial
Well-Being StudySM
2004 Executive Summary

WE UNDERSTAND WHAT YOU'RE WORKING FORSM

125
YEARS
1879-2004

Principal[®]

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Group



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Retirement Crisis Fast Approaching

With economic recovery and improving capital markets occurring around the world, the 2004 Principal Global Financial Well-Being Study, the third annual Principal Financial Group survey of people's financial security, was expected to uncover increased confidence and optimism about the future. That, however, has not happened. Survey results show a deep-seated pessimism about retirement prospects in almost every country. People are concerned their standard of living will be lower after retirement and are afraid they may become a burden to their families. Even more alarming, a significant number of participants are concerned that they won't be able to pay for basic expenses after retirement.

The paradox: although people worldwide say they are concerned about their financial future and recognize that putting money aside for retirement is increasingly important, a surprisingly small number have done anything about it. Many have not even begun planning for retirement, and those that have admit they are way behind schedule. Few have tried to figure out how much money they will need to retire and how many years their nest egg will have to last. This general inertia is reaching crisis proportions.

There is growing awareness among government officials in many countries around the world that their populations are ageing and that the next generation will face difficult problems if unfunded defined benefit systems are not changed. Some governments are trying to move away from these deficit-ridden systems and have enacted tax-favored defined contribution systems that place more of the savings responsibility on individuals (and their employers). However, many developed and newly industrialized countries have yet to enact the necessary reforms, leaving people almost entirely dependent on the state system. Whatever the case, people worldwide remain woefully ill-prepared.

The Study found that this lack of preparedness is closely related to a fundamental deficit in retirement education. People are not doing enough, because most do not know what to do. Expert financial advice can significantly improve this situation by guiding people through the complicated process of planning for retirement, but the study shows that it is often not available. Where available, education and financial advice have made a notable impact. Research by the Employee Benefit Research Institute shows people who have access to these resources are 50% more confident about their retirement than the overall average. And of these people, over one quarter has increased savings earmarked for retirement.

In addition to enacting tax-favored defined contribution systems that motivate workers to save for, and their employers to contribute toward, their retirement, governments must promote education and financial advice. By not only allowing but also encouraging employers and retirement plan administrators to provide education and professional financial advice to workers, governments can make significant strides to remedy the situation and ward off the looming global retirement crisis.

We are pleased to provide the results of the Principal Global Financial Well-Being Study and share our conclusions with you. For additional information please visit our website at www.principal.com.

Norman R. Sorensen
President
Principal International, Inc.

The Research

Retirement should be a period that people look forward to as a rewarding and fulfilling time of life. Yet, as the Principal Global Financial Well-Being Study demonstrates, large proportions of workers in the 12 countries surveyed are viewing their retirement with trepidation. Many in every country have some doubt about even their ability to afford basic expenses once they retire. Despite a great deal of diversity in the retirement systems of these countries, they share several common problems.



In every country surveyed, there is a troubling lack of financial preparation for retirement. Although at least one-fourth of workers in every country believe that they are behind schedule in planning and saving for retirement, only small minorities have attempted the basic step of determining how much they need to save to achieve a comfortable lifestyle in retirement. Even more worrisome is that survey participants do not seem to recognize how ill-prepared they are financially for retirement. A large majority in almost every country reports they are doing a good job to ensure that they will have a financially secure retirement, but their responses to other questions in the survey indicate they are not preparing well.

Workers also believe their employers and governments are not serving them well in their efforts to attain financial security in retirement. A majority in every country are not convinced they will receive the benefits they are entitled to from their employers' retirement or pension funds. Only small minorities—regardless of the type of retirement system—believe they can trust the government to help them save for retirement or maintain their standard of living once they reach retirement.

This is a time of increasing life expectancy around the globe, with retirement becoming longer and more costly. Helping workers to better prepare for retirement should be a priority for governments, policy makers, businesses, and employers. In the absence of new actions, it seems likely that a central finding of this year's study may become a prediction rather than a warning, and the proportion of workers finding their standard of living is worse in retirement than in their working years will increase. This study provides guidance on what steps will be most effective in addressing this global retirement crisis.

*Mathew Greenwald
President
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General Findings and Implications



GENERAL FINDINGS AND IMPLICATIONS

- The majority of survey participants are extremely concerned about their financial future. Many believe their standard of living in retirement will be lower than it is now, and the percentage of participants who give this response is increasing. Few are very confident that their retirement will match their parents' in terms of affluence. Many lack confidence that they will be able to afford basic expenses in retirement. For these survey participants, the three legs of the retirement stool—the individual, the employer, and the government—are faltering.
- While most workers feel that they are doing a good job of preparing for retirement, a comparison with positive retirement planning activities indicates a retirement planning situation at nearly crisis proportions. For example, almost half of survey participants completely or somewhat agree they have not yet planned for their retirement savings/ security and only one-fourth have tried to figure out how much they need to save for retirement. Expert retirement planning advice would help this situation, but many participants say they receive no advice at all. Others receive advice primarily through less reliable sources such as magazines or newspapers, friends or relatives, and television or radio.
- There is a clear need for government action in most of the survey nations to encourage and strengthen employer-based pensions and to allow employers to make monetary contributions to their employees' pension fund as an additional benefit. Many workers currently feel they cannot rely on promised employer benefits as currently structured, but most continue to need the structure and support of an employer-based pension. The government should also allow for financial advice to be provided as part of benefits.



- Few survey participants trust their government either to help them maintain a good standard of living in retirement or to help them save for retirement. This may indicate the massive failure of countries with defined benefit systems to implement solutions to the overwhelming age wave problems they face over the coming years. At the same time, survey participants in countries with defined contribution systems may feel that they can expect no financial help from the government and that the

financial burden has now been entirely placed on the individual. These governments have indeed set in place systems that will eventually provide adequate retirement security for many. But many individuals lack the information and tools that will allow them to correctly plan for the realities of retirement and to manage their money once they do retire. Governments with defined contribution systems have only implemented part of the solution until they have provided these tools.

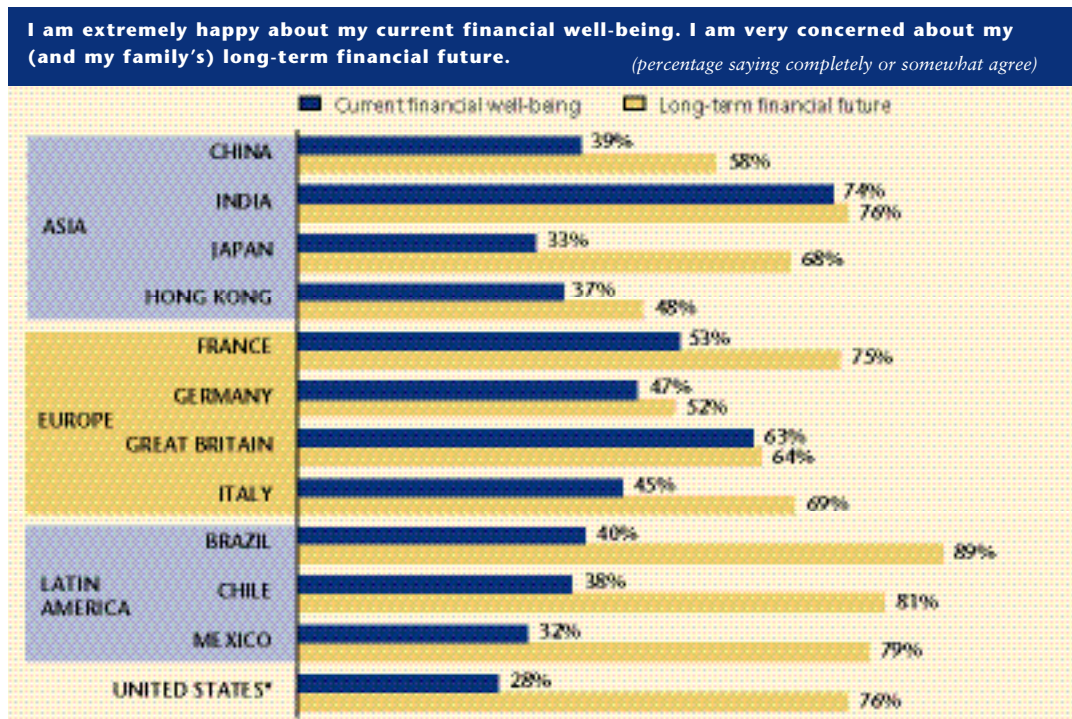
A Gloomy Picture of Future Well-Being



Participants' view of their current financial well-being is often in sharp contrast to their view of the future. In general, four in ten survey participants say they are extremely happy about their current financial well-being, with Indian (74%) and British (63%) participants especially likely to agree. At the

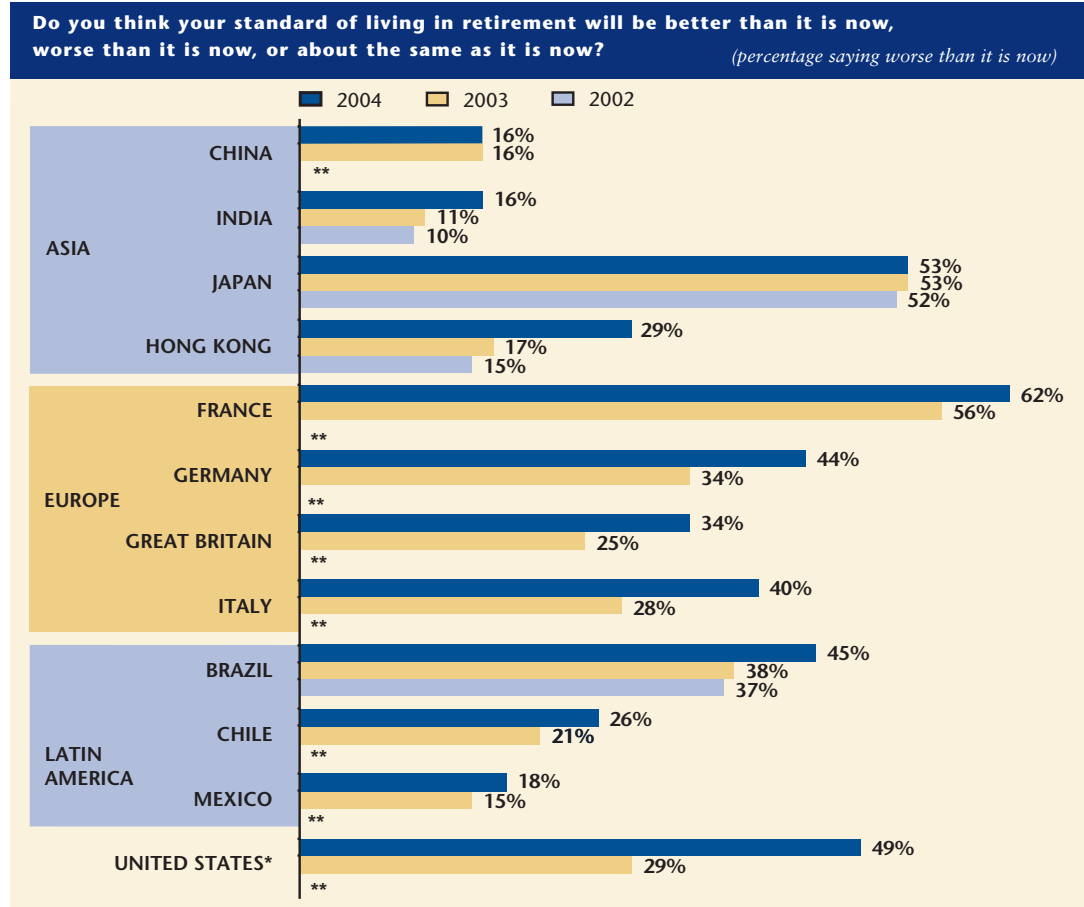
same time, half or more say they are very concerned about their long-term financial future. In six countries, France, India, the United States, Mexico, Chile, and Brazil, at least three-fourths of participants say they are very concerned about their future financial well-being.

LONG- AND SHORT-TERM VIEWS ARE AT ODDS



* 2nd Quarter 2004 Principal Financial Well-Being IndexSM

PARTICIPANTS FORESEE A WORSENING STANDARD OF LIVING DURING RETIREMENT



* 2nd Quarter 2004 Principal Financial Well-Being IndexSM, Telenation Poll May 23-25, 2003
 ** = Not asked

Many are looking toward a retirement that they think will be less prosperous than their current standard of living. At least four in ten participants in Italy, Germany, Brazil, the United States, Japan, and France, and smaller proportions elsewhere, say their standard of living in retirement will be worse than it is now. Moreover, the percentage of respondents giving this response has increased between 2003 and 2004 in eight out of the 12 countries surveyed. In particular, people are more likely to say their standard of living in retirement will be worse in Hong Kong (29% in 2004, up from 17% in 2003), Italy (40%, up from 28%), Germany (44%, up from 34%), and the United States (49%, up

from 29%). Other countries with significant changes in this response include India, Great Britain, Brazil, and France. While the percentage of Chinese participants providing this response did not change, they may still be reducing their expectations about retirement overall; the percentage saying their standard of living will be better in retirement than it is now has decreased from 44% in 2003 to 36% in 2004.

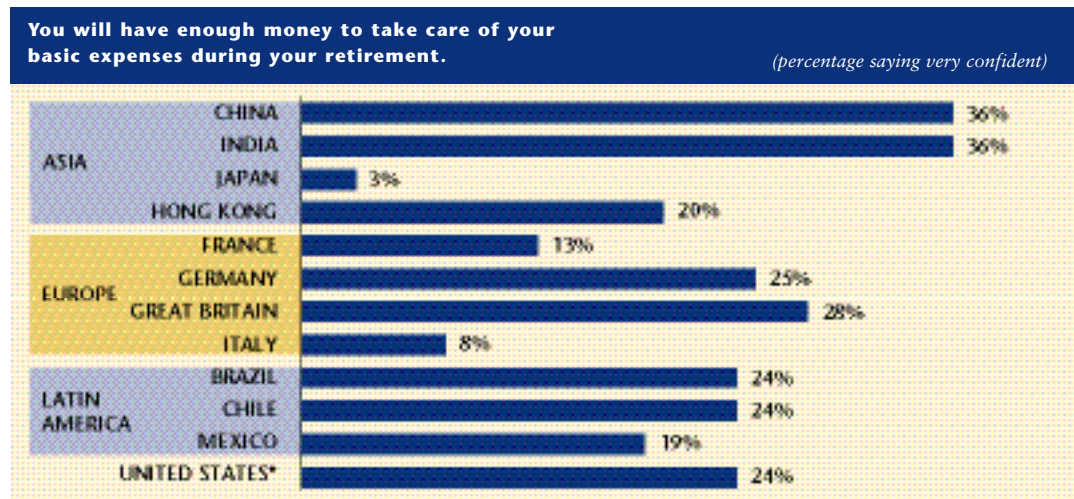
Many participants also believe that their standard of living in retirement will be less affluent than their parents'. In each of the countries surveyed, only a minority of participants say they are very confident that they will have a retirement that is at least as affluent as their parents'.



Chinese (42%), British (36%), and Indian (34%) participants are most likely to say they are very confident they will have a retirement as affluent as their parents'. About one-fourth of participants in Germany (28%), Chile (28%), Brazil

(26%), Hong Kong (25%), and Mexico (23%) are very confident that their retirement will be as affluent as their parents', while those in Italy (15%), France (13%), and Japan (4%) are least likely to be very confident.

MANY HAVE CONCERNS ABOUT NOT EVEN BEING ABLE TO AFFORD BASIC EXPENSES IN RETIREMENT



* 2nd Quarter 2004 Principal Financial Well-Being IndexSM

A disturbing view of participants' future financial well-being is the extent to which they are confident they will be able to afford basic expenses in retirement. Although this is a key measure of an ability to afford an adequate retirement, only a minority of participants in each of the

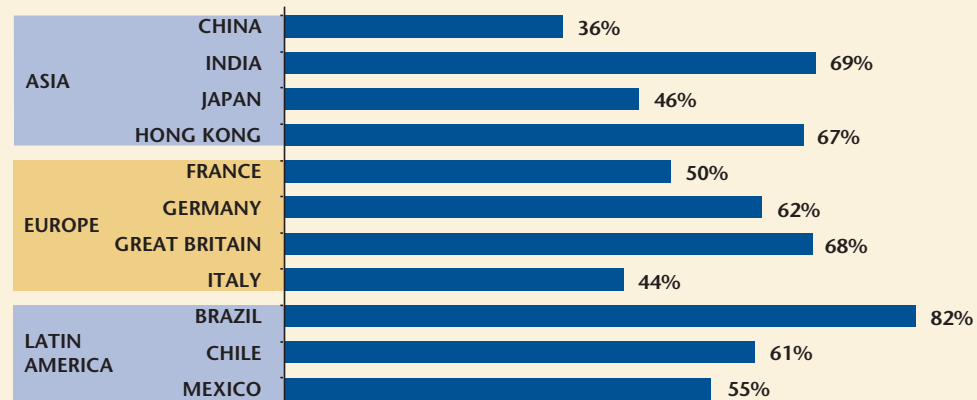
countries surveyed are very confident that they will have enough money to take care of their basic expenses during their retirement. Survey participants are least likely to say they are very confident about being able to afford basic expenses in France (13%), Italy (8%), and Japan (3%).

A Looming Crisis in Retirement Planning



IT IS OUR JOB TO SET MONEY ASIDE FOR RETIREMENT...

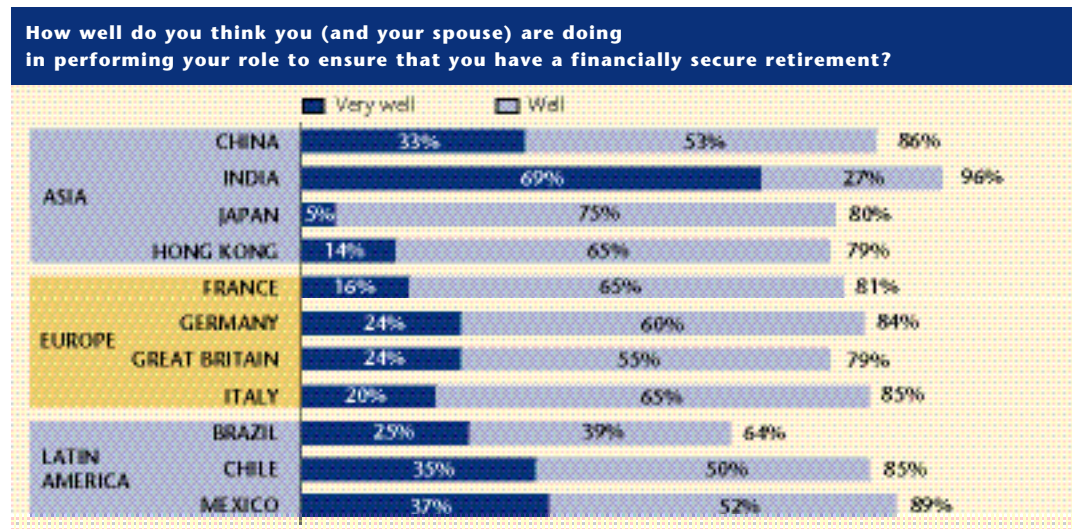
How important do you think it is for you (and your spouse) to put money aside for retirement? *(percentage saying very important)*



Many participants acknowledge that they have a significant responsibility to ensure their financial security in retirement, so it is not surprising that a majority of participants in most countries acknowledge that it is very important to put money aside for retirement. In three of the

four countries where participants are least likely to say it is very important to save for retirement—China, Italy, and France—participants are at least as likely to assign a great deal of responsibility for ensuring financial security in retirement to the government as to themselves.

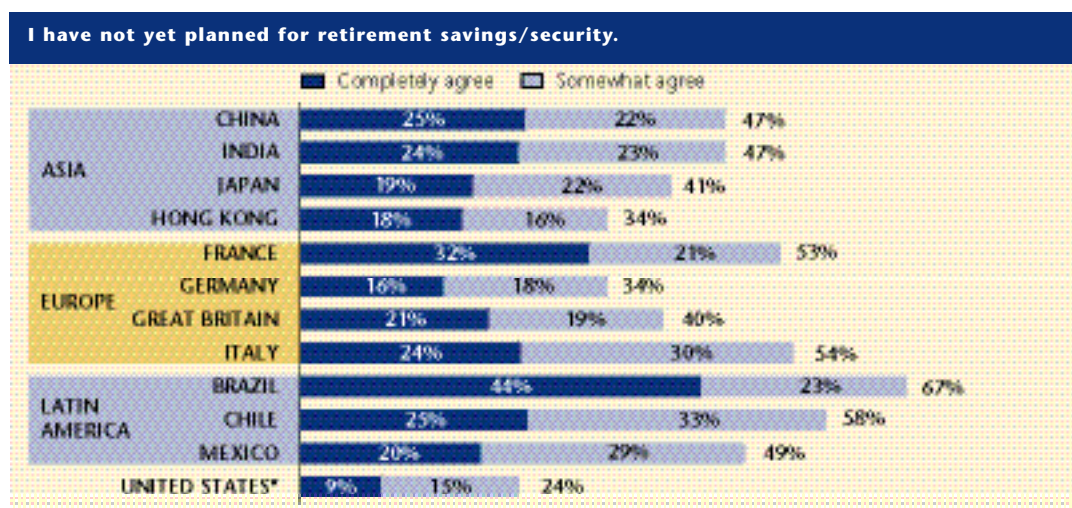
AND RESPONDENTS BELIEVE THEY ARE DOING WHAT IS NEEDED TO HAVE A FINANCIALLY SECURE RETIREMENT...



Participants in the study feel they are doing reasonably well in living up to their responsibilities. At least four in five participants in almost every country surveyed say they are doing very well or well in performing their role to ensure they have a financially secure retirement. (Brazilian participants are slightly less inclined to say they are doing well.) Except in India where seven in ten participants

say they are doing very well, however, most report they are doing this job well rather than very well. This can be a hazardous situation. Thinking they are doing well can give participants enough false confidence to prevent them from correctly evaluating their real retirement planning and saving situation and prevent them from making necessary corrections.

BUT ALMOST HALF HAVE NOT YET PLANNED THOROUGHLY FOR RETIREMENT



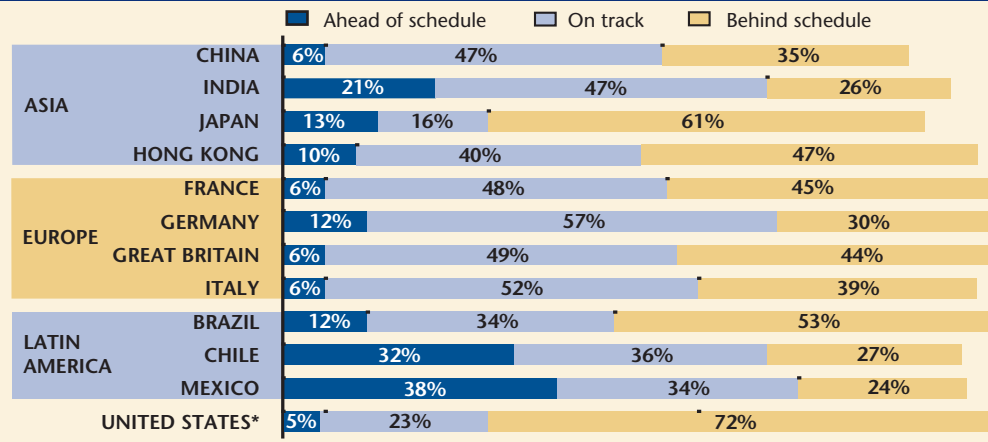
* 2nd Quarter 2004 Principal Financial Well-Being IndexSM

Without having planned for retirement, any estimate of retirement financial security is, at best, a guess. And almost half of study participants completely or somewhat agree that they have not yet planned for their retirement savings/security. Brazilian participants are most likely to say they have

not yet planned for retirement, but more than half of those from Chile, Italy, and France say the same. By comparison, one-third of participants from Hong Kong and Germany and one-fourth from the United States agree they have yet to begin planning for retirement.

ONE-FOURTH OR MORE ARE BEHIND SCHEDULE

When it comes to planning and saving for retirement, would you say that you are on track, ahead of schedule, or behind schedule?



* 2nd Quarter 2004 Principal Financial Well-Being IndexSM

Despite the fact that large majorities think they are doing well in ensuring they will have a financially secure retirement, at least one-fourth of participants in every country surveyed report they are behind schedule when it comes to planning and saving for retirement. In Brazil, the U.S., and Japan, more than half of participants say they are behind schedule. Mexican and Chilean participants are more likely than participants in other countries to say they are ahead of schedule, likely as a result of their governments' defined contribution systems. Indian participants are also more likely to report being ahead of schedule; the strong emphasis that Indians place on family responsibility for retirement security may help some Indians to reach their retirement goals.

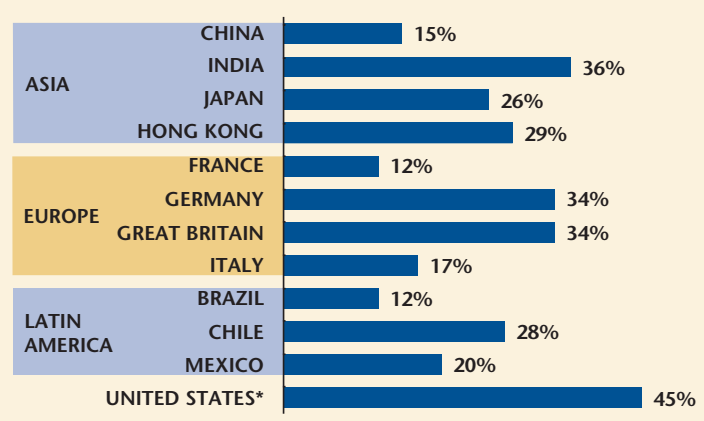
The paradox is that most participants do not really know whether they are ensuring a financially secure retirement for themselves. In the United States, 45% of survey participants have tried to calculate how much they need to save so that they can live comfortably in retirement. More than one-third of Indian, German, and British participants say they know the amount they need to save, but fewer in other countries surveyed know this amount. Only about one in ten

participants in Brazil, France, and China report doing a savings needs calculation.

Many survey participants also lack confidence in their ability to continue employment until their planned retirement age, throwing their ability to accumulate needed savings for retirement into doubt. Half of British and Chinese survey participants are very confident they will find work until they wish to retire, as are almost as many Indians and Germans. But only one-third of participants from Brazil, Hong Kong, and Italy express this level of confidence in their ability to find continued employment, and at best one-fourth of French, Mexican, Japanese, and Chilean participants are very confident they will be able to find work until they wish to retire.

FEW PEOPLE HAVE TRIED TO ESTIMATE RETIREMENT FINANCIAL NEEDS

Have you tried to figure out how much money you will need to have saved by the time you retire so that you can live comfortably in retirement?
(percentage saying yes)



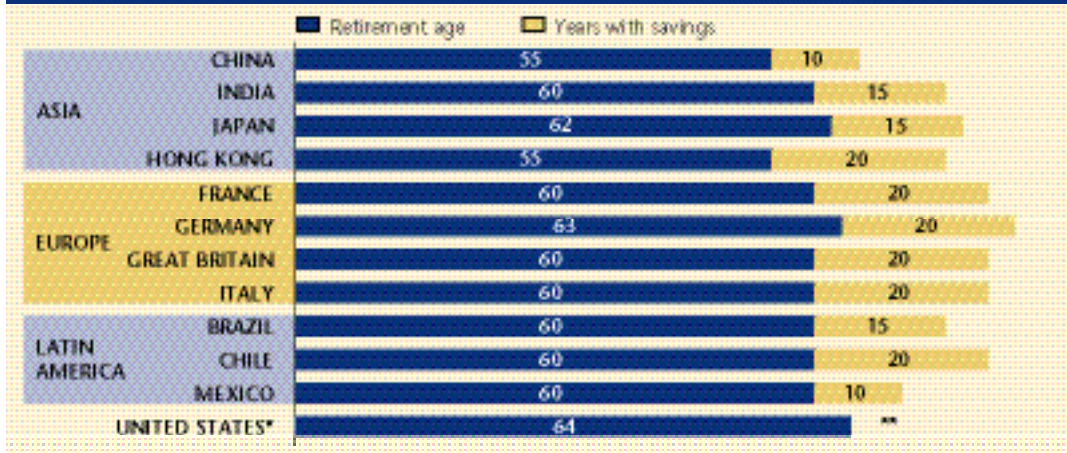
*EBRI/ASEC/Greenwald 2004 Retirement Confidence Surveys



EXPECTATION OF RETIREMENT YEARS DOES NOT MATCH LIFE EXPECTANCY

Realistically, at what age do you expect to retire? About how many years do you think your retirement savings will need to last?

(median years)



* 2nd Quarter 2004 Principal Financial Well-Being IndexSM ** = Not asked

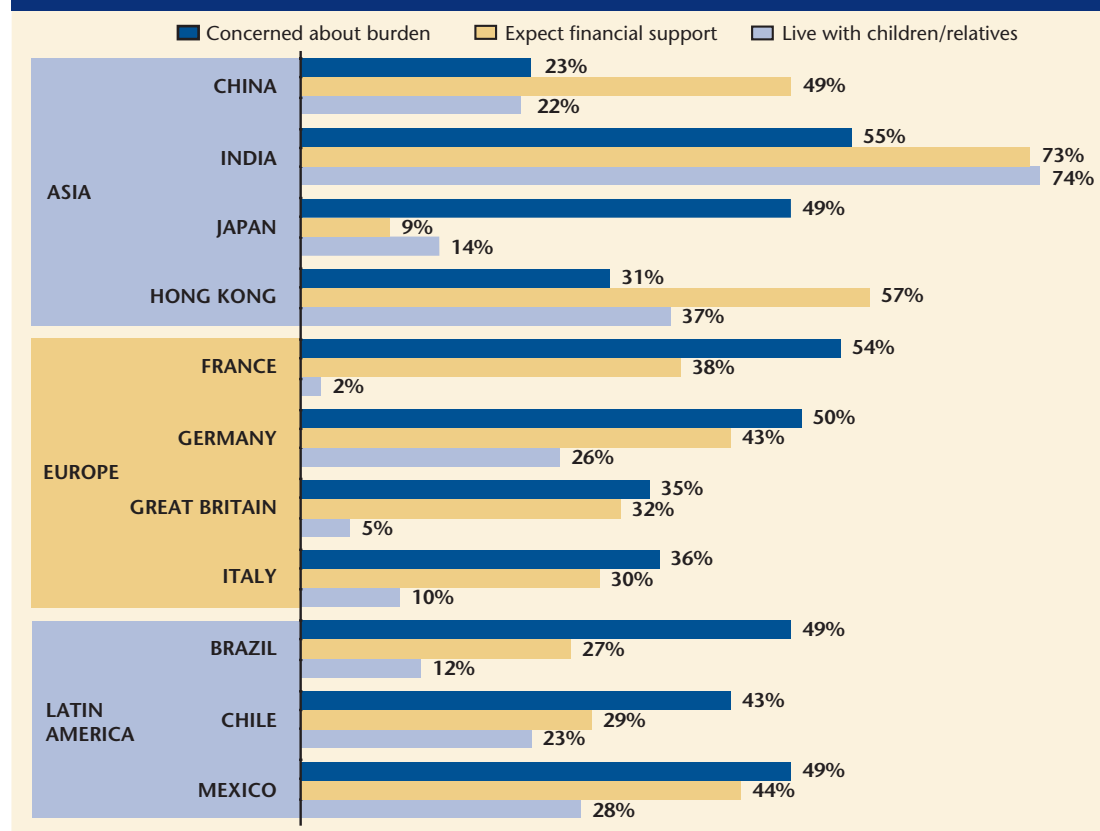
Another indicator of poor retirement planning is that participants in some countries have not done a good job of estimating the length of time that savings will need to last in retirement. Most survey participants plan to retire at about the normal retirement age for their country and spend a median of 10 to 20 years in retirement. This brings participants of many countries, on average, within a few years of life expectancy at retirement. However, participants in China, Mexico, and Japan appear to have significantly underestimated their life expectancy at retirement (by 12 years, 11 years, and 7 years, respectively).¹

Moreover, participants who live to retirement age actually have a 50% chance of living beyond life expectancy. Therefore, even those who have correctly estimated the number of years their savings will need to last based on life expectancy may find themselves short of money. Participants with annuities or living in countries where the government or family has responsibility to provide for retirees may find that their basic needs are met even in those unplanned years; others may find themselves using savings earmarked for inheritances or facing hardship and despair instead.

¹ Unfunded years in retirement calculated from life expectancy at retirement age, World Health Organization, World Mortality 2000 Study.

MANY ARE EXPECTING SUPPORT FROM FAMILY BUT ARE NOT HAPPY ABOUT IT

How concerned are you about becoming a financial burden to your children or family members after you retire?/Do you expect support from children or other family members will be a source of income in your retirement?/When you retire, do you expect to live with your children or with other relatives?



With so many mixed feelings about retirement, it is not surprising that many survey participants are very or somewhat concerned about becoming a financial burden to their children or other family members after they retire. Half of Indian, French, German, Brazilian, Mexican, and Japanese participants share this concern, with Chinese participants (23%) the least likely to say they are concerned. Participants may be right to be concerned about this burden as many expect financial support

from children or other family members in retirement. A strong tradition of family responsibility in India means that almost three-fourths expect financial support from children or other family members. Sizeable percentages in other countries surveyed also expect financial support from their family in retirement, including more than four in ten in Hong Kong, China, Mexico, and Germany. Except in India and Japan, participants are less likely to say they expect to live with family members than they are to say they expect financial support.

One Solution



One of the solutions to this retirement planning confusion is sound financial planning advice, but many participants say they receive no advice at all. Eight in ten participants in Japan and more than half in Italy and Mexico report they do not receive any financial or retirement planning advice. About four in ten Brazilian, British, and Indian participants receive no advice, as do more than one-third of French and Chilean participants. Those from China and Germany are most likely to receive advice—just one-fourth report not receiving any financial planning advice.

Experts play a role in providing advice, and these experts are most likely to be banks and insurance

or pension companies. Yet the percentages of participants in many countries who report receiving advice from these sources are small, and participants are equally likely to rely on advice from less reliable sources such as books, magazines, or newspapers; friends or relatives; and television or radio. In a related question, few survey participants report they currently use any type of professional advisor for financial and retirement planning or investment advice. German (39%), British (37%), and French (30%) participants are more likely than others to indicate they have a professional advisor, and Chinese (2%) and Japanese (1%) participants are least likely to report having one.

PROFESSIONAL FINANCIAL ADVICE MISSES MANY

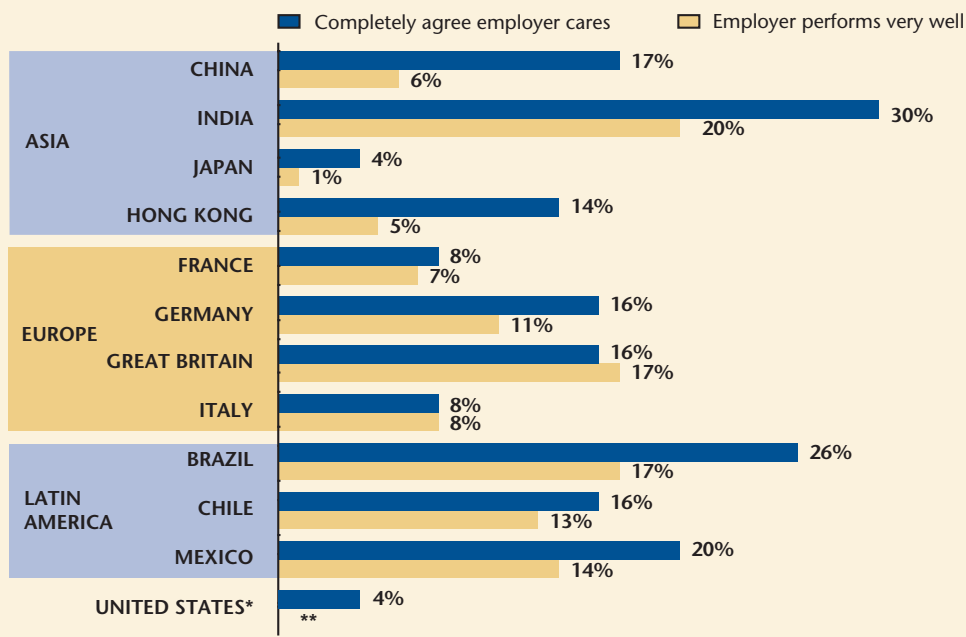
I would like you to think about all the different sources that provide financial and retirement planning for individuals and businesses. From whom do you currently receive any financial or retirement planning advice?

| | Asia | | | | Europe | | | | Latin America | | |
|---------------------------------|------------|------------|------------|------------|------------|------------|---------------|------------|---------------|------------|------------|
| | China | India | Japan | Hong Kong | France | Germany | Great Britain | Italy | Brazil | Chile | Mexico |
| Personal financial advisors | -- | 4% | 1% | 1% | 3% | 12% | 27% | 8% | -- | 3% | 2% |
| Insurance or pension companies | 2% | 14% | 2% | 30% | 15% | 27% | 8% | 6% | 3% | 15% | 9% |
| Banks | 3% | 19% | 2% | 31% | 47% | 27% | 12% | 15% | 29% | 9% | 18% |
| Employer | 18% | 3% | 3% | 2% | 9% | 8% | 14% | 2% | 2% | 5% | 7% |
| Books, magazines, or newspapers | 33% | 11% | 7% | 19% | 6% | 13% | 5% | 8% | 20% | 7% | 1% |
| Television or radio | 28% | 8% | 5% | 12% | 1% | 12% | 3% | 6% | 22% | 4% | 1% |
| Friends or relatives | 17% | 23% | 2% | 10% | 10% | 18% | 5% | 8% | 6% | 18% | 9% |
| Do not receive advice | 28% | 38% | 81% | 28% | 35% | 24% | 40% | 55% | 41% | 36% | 52% |

The Employer's Responsibility

THE EMPLOYER SOLUTION IS NOT PERCEIVED TO BE WORKING

My employer cares about my (and my family's) long-term financial future. How well do you think your employer(s) is doing in performing their role to ensure that you have a financially secure retirement?



* 2nd Quarter 2004 Principal Financial Well-Being IndexSM
 ** = Not asked

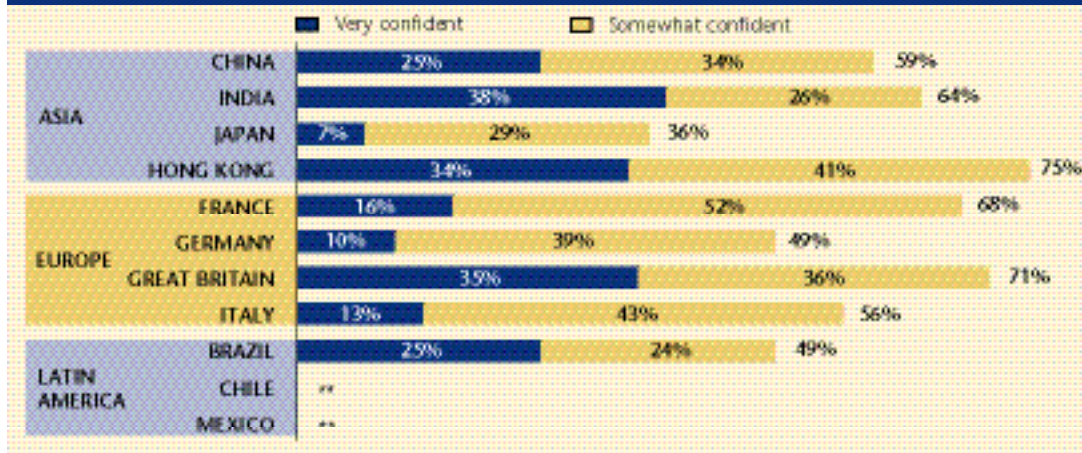
If workers themselves are not doing an adequate job of preparing for their financial security in retirement, they believe their employer has performed even less well to ensure retirement security. In fact, employers in general have not effectively communicated just how much they are doing on their employees' behalf to provide them with benefits that will deliver retirement security. Few workers completely agree with the statement “My employer

cares about my long-term financial future.” Survey participants in Japan (4%), the U.S. (4%), France (8%), and Italy (8%) are least likely to completely agree. But even in India where participants are most likely to agree with this statement, just three in ten say they completely agree. While up to half indicate their employer is performing well in ensuring they have a financially secure retirement, far fewer—two in ten or less—say their employer is performing very well.



PEOPLE DON'T TRUST THEIR EMPLOYERS

How confident are you that you will receive the full benefits you are entitled to from your current and previous employers' (or unions') retirement or pension funds?



**= Not Asked

Participants do not trust their employer to deliver on retirement benefits promised to them as part of their employment bond. This absence of trust is most prevalent in Japan, but even in countries with the highest levels of overall confidence—Hong Kong and Great Britain—just one-third are very confident that they will receive the benefits they are entitled to. Another one-fourth to one-half of survey participants in

each country say they are somewhat confident their employer will deliver the benefits to which they are entitled. Sometimes employer-funded benefits are inadequately funded and employees are correct to lack confidence in receiving promised benefits. In other cases, however, employers may not be doing an adequate job of communicating to employees about the security of their retirement benefits.

The Failure of the Government

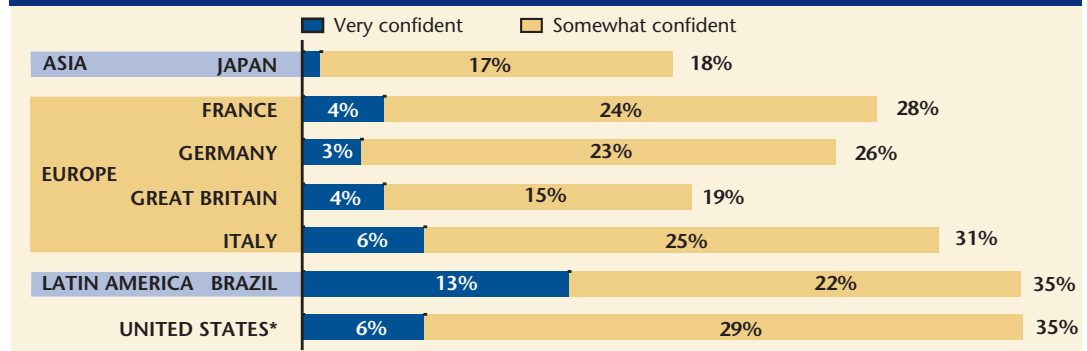


Many survey participants acknowledge their defined benefit government systems are ailing. Few survey participants with these types of systems believe their national old age insurance will provide them with the same benefits in retirement that retirees receive today. Only one-third of survey participants in the United States, Brazil, and Italy are very or somewhat confident that these programs will continue to provide an equal level of benefits to those

received by retirees today. About one-fourth in France and Germany have this level of confidence, while less than two in ten British and Japanese participants report being confident about an equal level of continuing benefits. Participants also lack confidence about receiving health insurance coverage in retirement; similar low proportions of participants express confidence about having the same level of health insurance coverage that retirees have today.

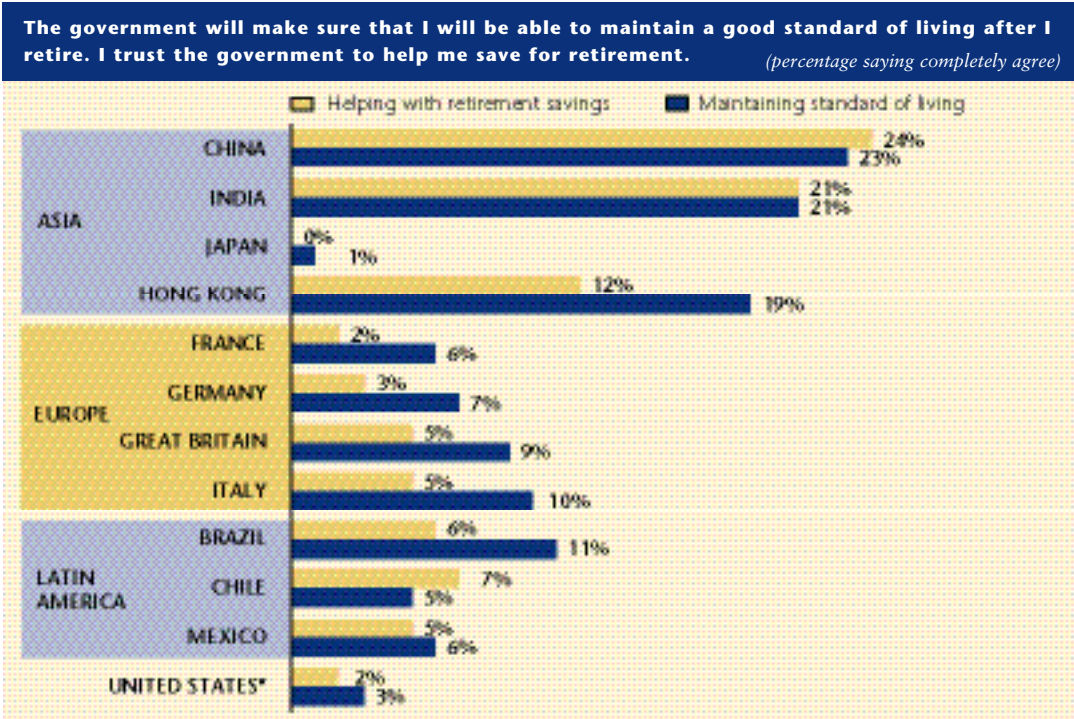
PEOPLE DON'T TRUST THEIR GOVERNMENT, EITHER

(Exact wording varies by country.) How confident are you that [national old age insurance] will continue to provide an equal level of benefits to those received by retirees today?



* EBRI/ASEC/Greenwald 2004 Retirement Confidence Survey

GOVERNMENTS DO NOT HELP IN MAINTAINING STANDARDS OF LIVING OR SAVING FOR RETIREMENT



* 2nd Quarter 2004 Principal Financial Well-Being IndexSM

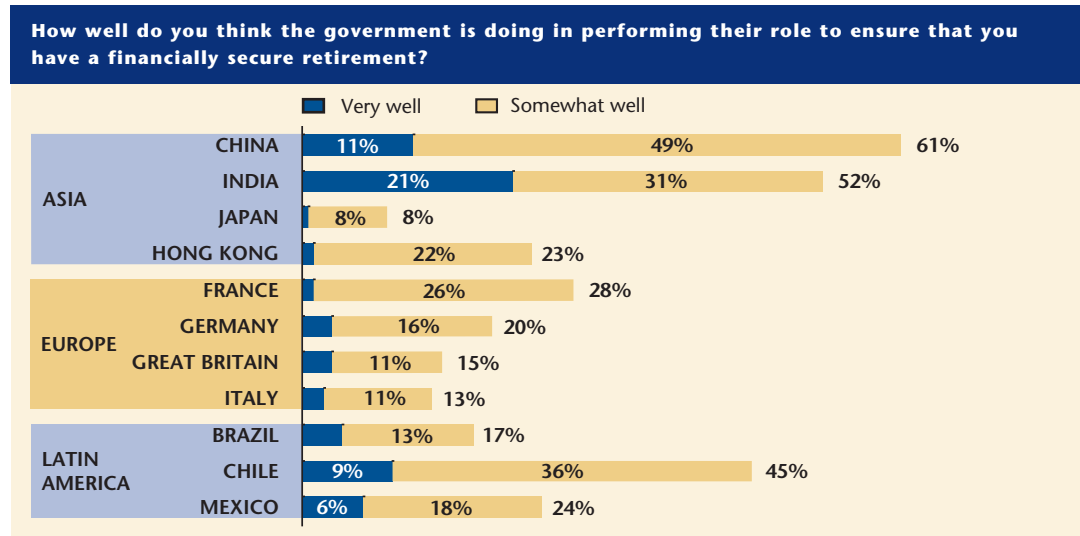
At the same time, few survey participants completely agree that they trust the government to help them maintain a good standard of living in retirement or that their government helps them to save for retirement. More than two in ten participants completely agree with these statements in China and India, but fewer do so elsewhere. In the United States and Japan, at best 3% completely agree. Survey participants in countries with defined benefit systems, perhaps with the exception of China and India, may feel that these systems are failing them and can no longer be relied on. Those with defined contribution systems may feel that they are

doing it all on their own because the government is not providing monetary assistance, even though their government may have set in place a system that will eventually provide adequate retirement security for many.

It's no wonder then that so few survey participants rate their government well in performing their role to ensure they have a financially secure retirement, with generally less than one-fourth of participants rating their government very or somewhat well. However, almost half of Chilean participants feel their government is doing well in performing its role to ensure that they have a financially secure retirement.

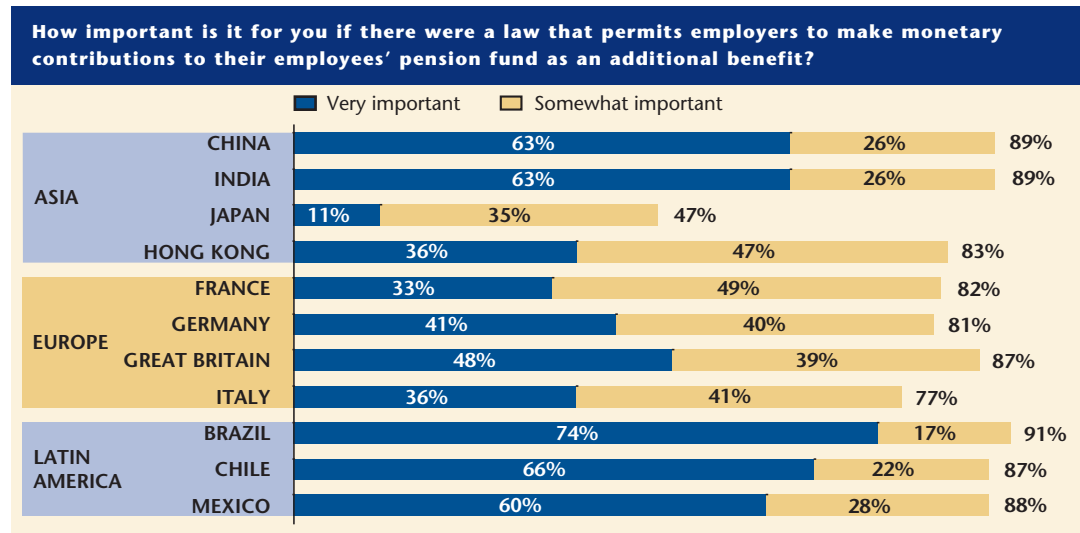
(see chart on next page)

GOVERNMENTS ARE RATED POORLY IN ENSURING A SECURE RETIREMENT



A Second Solution

EMPLOYEES WANT THEIR COMPANIES TO CONTRIBUTE



A second solution to the retirement crisis with overwhelming support from all corners of the world would permit employers to make monetary contributions to their employees' pension fund as an additional benefit. With the introduction of a fiduciary

into the workplace, this would also be an effective distribution method for providing the retirement planning advice that people need. Currently, many people either are not receiving such advice or are not receiving it from reliable sources (see chart on page 14).

Regional Roundup



ASIA

Asian participants have two unique perspectives. The first is the amount of responsibility they place on family support in retirement. This is most marked in India, where participants are more likely to give a higher level of responsibility for ensuring retirement security to the family than to the government, but it also finds expression in China and Hong Kong. Expectations of family support generally are absent only in Japan. The second unique perspective (again absent in Japan) is a higher level of trust that the government will help them to maintain a good standard of living in retirement and that it will help them to save for retirement.

China—With continued economic growth, Chinese participants tend to have a more positive outlook about being financially secure for retirement, but still six in ten are very concerned about their long-term financial future. The majority believe their standard of living in retirement will be the same (43%) or better (36%) than it is now, but only a third are very confident they will be able to afford basic expenses in retirement. Yet this is accompanied by a reduced emphasis on retirement planning. Only 36% of Chinese participants think it is

very important to save money for retirement, and only 15% have attempted to calculate the amount needed for retirement. In addition, survey participants in China tend to underestimate the number of years they will need to fund in retirement by about 12 years.² Some of this poor retirement preparation may be because many Chinese receive advice about financial and retirement planning from magazines and newspapers (33%), television or radio (28%), or friends or relatives (17%), rather than banks (3%) or insurance or pension companies (2%).

Hong Kong—Although Hong Kong has had a mandatory retirement plan system in place for three years, nearly half of participants say they are very concerned about their long-term financial future (48%). While half feel their standard of living in retirement will be about the same as it is now, another three in ten think it will be worse than it is now. Almost half think they are behind schedule in planning and saving for retirement, although only three in ten know how much they need to save in order to live comfortably in retirement. Perhaps because their defined contribution system is so new, 41% expect that savings or investments outside of work will provide the largest source of their retirement income. While

² Ibid

only a minority of participants in Hong Kong are concerned about being a financial burden to children or other family members in retirement (31%), more than half say they expect to receive financial support from family in retirement (57%), and almost four in ten expect to live with family (37%). More so than participants in other Asian countries, participants in Hong Kong receive financial and retirement planning advice from experts. Three in ten report receiving advice from banks (31%) and insurance or pension companies (30%).

India—Most Indian participants have an optimistic attitude toward retirement and seem self-assured in their ability to save for it. The majority expect their standard of living during retirement to be better than (45%) or about the same (32%) as it is now. Seven in ten think they are doing very well in ensuring they will have a financially secure retirement. In fact, almost half think they are on track (47%) and another two in ten believe they are ahead of schedule in their retirement planning and saving. Indian participants may be helped in their retirement planning by the amount of support they feel they can count on from their family. Almost three-fourths each say they will receive financial support from family members or live with family members in retirement, and two in ten completely agree that they can trust their government to help them maintain their standard of living in retirement and to save for retirement.

Japan—Continuing to face intermittent recession, deflation, and a burdened retirement system, most Japanese participants remain very pessimistic about their well-being in retirement. More than half say they expect their standard of living

to decline after they stop working (53%), but other questions suggest that, by itself, this may give a false impression of retirement security. Retirement confidence is so low in Japan that only 3% say they are very confident about having enough money to afford basic expenses in retirement. While only 5% feel they are doing very well in ensuring they have a financially secure retirement, even fewer rate their employers' (1%) and the government's (1%) performance this well. Perhaps they have reason. Seven percent are very confident they will receive the full benefits they are entitled to from their employers' retirement or pension funds, but only 1% is confident that the National Pension Insurance will continue to provide an equal level of benefits to those received by retirees today. Despite this lack of confidence, 45% are counting on an employer-sponsored retirement plan to provide them with their largest source of income in retirement. Six in ten think they are behind schedule when it comes to retirement planning and saving, yet only one-fourth have even tried to calculate how much they need to save for a comfortable retirement. Perhaps this is because the large majority of Japanese participants (81%) must navigate their way through the complicated process of retirement planning without receiving any financial and retirement planning advice.

EUROPE

The failed efforts of the past few years to reform the increasingly problematic retirement systems of Europe have left their mark. Most dramatically, participants in all four of the European countries surveyed are more likely than last year to say they expect their standard of living in retirement to be

worse than it is now. Other indicators have also changed for the worse. Italians are more likely to completely agree that they are very concerned about their long-term financial future (35%, up from 24%), and Germans are less likely to say they are very confident they will have a retirement that is as affluent as their parents (28%, down from 40%).

France—The recent turmoil in France about the Pension system has left the French increasingly troubled about their well-being in retirement but without the initiative to assume self-directed retirement planning. French participants are more likely to believe they are doing very or somewhat well in performing their role to ensure they have a financially secure retirement (81%) than the government is doing so (28%). Nevertheless, the evidence suggests that they are not doing well at all. Half agree they have not yet planned for their retirement savings/security, 45% report they are behind schedule in their retirement planning and saving, and just 12% say they know how much they need to save so that they can live comfortably in retirement. This is borne out by their estimation of required funds: 22% of those that have determined their needs believe they should accumulate less than US\$10,000. There is no other survey country where such a high percentage of respondents believe they need to accumulate so little. No wonder more than six in ten French participants (the highest of any country surveyed) say they expect their standard of living in retirement to be worse than it is now.

Germany—The defeat of pension reforms in Germany has not reassured Germans about their financial well-being in retirement. Only one-fourth of survey

participants are confident the government will continue to pay pension benefits at an equal level to those received by retirees today, and the percentage saying they expect their standard of living to be worse in retirement than it is now has increased from 34% in 2003 to 44% in 2004. Many Germans are willing to assume some personal responsibility for retirement security. More than six in ten indicate it is very important to save for retirement, and seven in ten think they are on track (57%) or ahead of schedule (12%) in their retirement planning and saving. But the reality is that few truly know how they are doing since only one-third have actually calculated how much they need to save for a comfortable retirement. More than other Europeans, Germans expect family members to provide support in retirement. More than four in ten expect to receive financial support from family members, while one-fourth say they will live with children or other family members once they retire.

Great Britain—Despite the fact that the British are among the more upbeat about their financial future, fully one-third of participants in 2004 say their standard of living in retirement will be worse than it is now, compared with one-fourth in 2003. More than one-third are very confident they will have a retirement that is at least as affluent as their parents' retirement, but only three in ten are very confident they will have enough money to pay for basic expenses. Yet British participants are almost as likely to say they are behind schedule (44%) as to say they are on track (49%) in their retirement planning and saving. Moreover, only one-third actually know how much they need to save. Seven in ten are confident they will receive the full



benefits they are entitled to from their employers' retirement or pension funds. They have far less confidence in the government; only two in ten are confident that the government will continue to provide the level of retirement benefits received by retirees today.

Italy—Italians continue to be skeptical about their government's ability to provide them with retirement benefits, but at the same time many remain unwilling to assume personal responsibility for retirement security. Overall, Italian participants are more likely to say their government (75%) has a great deal of responsibility for ensuring that they have a financially comfortable retirement than they themselves (54%) or their employer (44%) do. Only three in ten are very confident the government will continue to provide the same level of benefits received by retirees today. Only 15% of participants are very confident they will have a retirement that is as affluent as their parents', and only 8% are very confident they will have enough money to pay for basic expenses. While more than half think they are on track in their retirement planning and saving, only 44% think it is very important to save for retirement. Compared with other Europeans, Italians are less likely to receive financial and retirement planning advice;

55% say they do not receive any advice. Given all this, it may not be surprising that four in ten say they expect their financial situation to be worse in retirement than it is now (40%, up from 28% in 2003).

LATIN AMERICA

Chile's defined contribution system is clearly a success, both in its ability to help workers save adequately for retirement and its ability to engender confidence in the system. Mexico has modeled its defined contribution system after the Chilean model, and Mexican survey participants are more likely than others to feel that they are doing very well in providing for their retirement security and that they are ahead of schedule in saving for retirement. Despite a ready-built system for delivery of financial and retirement planning information, however, these countries do not do an adequate job of delivering advice. Half of Mexican and more than one-third of Chilean participants say they receive no advice. Four in ten Brazilians also receive no advice, though the delivery mechanism is more complicated in that country as the pension system is still in transition.

Brazil—Recent efforts to reform Brazil's pension system have not reassured most Brazilians about their retirement security.

Brazilians are most apt to feel that several entities each share a great deal of responsibility to ensure they have a financially comfortable retirement: themselves (82%), the government (68%), and employers (68%). Yet, confidence in receiving full benefits from the government and employers is not high, and almost seven in ten Brazilians (67%) have yet to start planning for their retirement. When asked how satisfied they were with recent pension reforms, 73% of Brazilians were not very or not at all satisfied. More than half (53%) feel they are behind schedule in saving for retirement; however, this may be an underestimation since only 12% have actually tried to calculate how much they need to save for retirement. One-third of Brazilians name experts such as banks, insurance, or pension companies when asked where they receive financial or retirement planning advice, but others name less reliable sources, and four in ten say they do not receive any advice. Finally, a majority of Brazilians (62%) are also very concerned about the effect of inflation on their retirement savings. It is not surprising that 45% expect their standard of living during retirement to be worse than now (up from 38% in 2003).

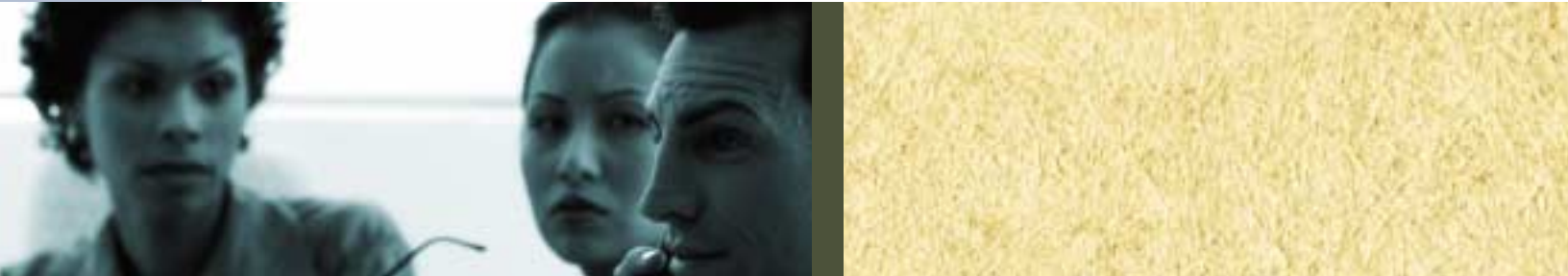
Chile—With a mandatory defined contribution pension system, encouragingly half of Chileans are looking forward to a standard of living in retirement that will be about the same as it is now. An additional one-fourth say they expect their standard of living to be better; one-fourth say they expect it to be worse in retirement. The large majority (85%) believe they are doing well in performing their role to ensure that they have a financially secure retirement,

and two-thirds think they are ahead of schedule (32%) or on track (36%) when it comes to retirement planning and saving. However, most do not know how well they are really doing. Almost six in ten (57%) completely or somewhat agree that they have not yet planned for retirement savings/security, and more than one-third (36%) receive no retirement planning advice. Less than three in ten (28%) have tried to calculate how much they need to save for a comfortable retirement.

Mexico—Seven years into a mandatory defined contribution retirement system, Mexicans are comparatively optimistic about retirement. However, lack of financial preparation, perhaps exacerbated by lack of financial advice, may have left them overly confident about their future well-being. Eight in ten participants believe that their standard of living will be better than (32%) or the same as (49%) it is now, yet eight in ten are also very concerned about their long-term financial future. While more than seven in ten are convinced they are ahead of schedule (38%) or on track (34%) in their retirement planning and saving, just two in ten have tried to figure out how much they need to save in order to achieve a comfortable lifestyle in retirement. Only 53% are confident they will be able to save their estimated amount needed for retirement, the second lowest percentage of all countries surveyed. Equally concerning is the fact that Mexicans, on average, tend to underestimate the number of years they will need to fund for retirement by 11 years.³ Some of this poor retirement planning behavior may be the result of a lack of financial and retirement planning advice; more than half (52%) report they currently receive no advice of this type.

³ Ibid

Methodology



The Principal Global Financial Well-Being Study, now in its third year, covers 12 countries: Brazil, Chile, China, France, Germany, Great Britain, Hong Kong, India, Italy, Japan, Mexico, and the United States. NOP World conducted at least 500 interviews of 20 to 22 minutes in length in each country except the United States, where Harris Interactive captured results. Interviewing was conducted in February and March 2004. Mathew Greenwald & Associates, Inc., provided input into the questionnaire and analyzed the results. U.S. results were obtained from both the 2004 Second Quarter Principal Financial Well-Being Index, conducted by Harris Interactive, and the 2004 Retirement Confidence Survey sponsored by the Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc.

All participants in the survey were age 25 or over, employed or self-employed, and did not consider themselves retired. In Europe and the United States, participants come from households at all income levels. Elsewhere, survey participants were also

screened by household income or socio-economic status so that participants from the different countries would have comparable purchasing power. Participants in Japan are from the top 80% of households with annual income equivalent to US\$27,500 or more. In Hong Kong, participants represent the top 70% of households, with annual household income equivalent to US\$20,500 (or more). Participants in China are from the top 50% of households with annual income equivalent to at least US\$2,800. In Chile and Brazil, participants from the top 50% and 40% of households, respectively, by socio-economic status were included in the survey, representing households with annual income equivalent to US\$11,500 or more (Chile) and US\$3,500 or more (Brazil). Participants in Mexico are from the top 30% of households by socio-economic status, representing households with annual income equivalent to US\$11,500. Finally, Indian participants are from the top 25 percent of households by socio-economic status and have annual household income equivalent to at least US\$1,550.

The margin of error for this study (at the 95% confidence level) is plus or minus approximately four percentage points for each country surveyed. The percentages presented in the tables and charts contained in this report may not total to 100% due to rounding and/or missing categories.

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² CFO Magazine, April/May 2003, based on total plans served in 2002 by banks, mutual fund, and insurance firms.

³ Data as of 12/31/03.

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