

“Do-it-for-me” Solutions

When it comes to saving for retirement, **many employees are so worried about making the wrong decisions that they make no decisions at all.** As a result, employers and employees alike are turning to “do-it-for-me” options including automatic enrollment, Easy Enrollment, automatic deferral increases, and investment tools.

By the end of 2005, more than 3,500 employers had signed up to offer their employees one or more of the many “do-it-for-me” options from The Principal. The resulting data proves that **automatic solutions deliver results.**

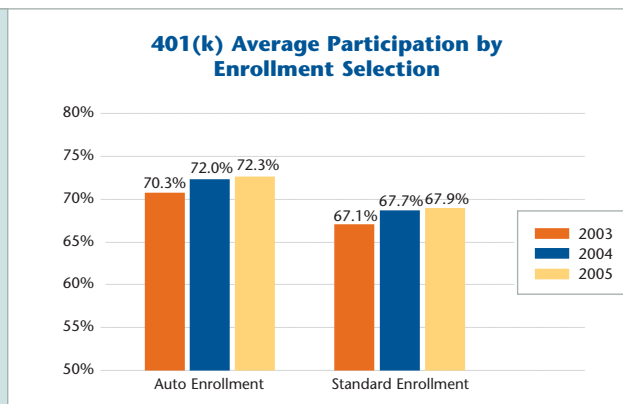
Automatic enrollment

Participation rates are 6 percent higher in plans that offer automatic enrollment.

The Principal has seen a 66 percent increase from 2004 in the number of plan sponsors offering this feature. Industry-wide, more than 12 percent of 401(k) plans offer automatic enrollment.⁴

More and more employees are open to the idea of automatic enrollment. According to The Principal Financial Well-Being IndexSM from the second quarter of 2006, a significantly higher percentage of employees (59 percent) agree with automatic enrollment compared to 2002, when only 35 percent agreed. Even in 2004, only 36 percent of employees agreed with automatic enrollment. In fact, two in three non-participating workers indicate they would be likely to stay in the retirement plan if their employer automatically enrolled them.⁵ Passage of the Pension Protection Act will undoubtedly increase automatic enrollment acceptance in 2007.

Automatic enrollment is an increasingly popular way to boost participation. Automatic enrollment generally applies to new hires.



⁴Profit Sharing Council of America's 48th Annual Survey

⁵2005 EBRI/Greenwald Retirement Confidence Survey

“Do-it-for-me” Fast Facts

Over 3,500 employers have signed up to offer one or more “do-it-for-me” options to their employees.

Plans offering automatic enrollment have seen a 6% higher participation rate.

Plans utilizing Easy Enrollment have seen a 3% increase in participation.

The number of employers that use the Principal LifeTime and Russell LifePoints portfolios as their default investment option has nearly tripled.

More than 2,000 employers and 10,000 employees elect automatic deferral increases through the Principal Step Ahead Retirement OptionSM.

Easy Enrollment

Available on paper or online, Easy Enrollment offers another “do-it-for-me” approach for participants. Rather than automatically enrolling employees in the retirement plan, Easy Enrollment allows them to sign up — in just three simple steps. This gives employees an easy way to get started, increase their contributions automatically over time, and elect an asset allocation investment option. In 2005, **plans that used Easy Enrollment increased participation by 3 percent.**

With Easy Enrollment, employees can:

1. **Enroll in the plan with Smart Start**, which allows employees to choose the salary deferral rate pre-set by their employer (typically set to coincide with the employer match). More than 1,500 clients of The Principal have elected to use the Smart Start option, giving them a 6 percent higher participation rate than average. The average Smart Start deferral rate is 5 percent.
2. **Automatically increase their deferrals with Step Ahead**. This feature allows employees to select a percentage increase each year for a set number of years. More than 2,000 employers — and 10,000 employees — use this option. The average annual increase for these participants is 1.5 percent for an average of just over four years.
3. **Allocate their investment options — or leave it to the professionals**. Employees who don’t feel comfortable selecting their own investment mix can opt for a “do-it-for-me” investment option like the Principal LifeTime portfolios, the Russell LifePoints portfolios, or the Principal Managed Account ProgramSM.

Investment Options Fast Fact

More than 600,000 participants have retirement funds invested in Principal LifeTime or Russell LifePoints® investment options offered through The Principal.

“We really push the lifecycle investment options, because the biggest reason people don’t participate is they don’t know about investing, and it scares them.”

— Wayne Wood, president, Michigan Farm Bureau, one of The Principal 10 Best Companies for Employee Financial Security — 2006

Lifecycle Investment Options and Managed Accounts

Just as participants can elect “do-it-for-me” options to help increase their retirement savings, they can choose “do-it-for-me” lifecycle investment options to help simplify investing. Lifecycle investment options are considered either target-date or target-risk. Target-date investment options, like the Principal LifeTime portfolios, are managed according to a specific target retirement year. Target-risk investment options, such as the Russell LifePoints portfolios, are based on various risk profiles.

Lifecycle options help take some of the worry about asset allocation out of investing, which is why more than 600,000 participants have elected to contribute to the Principal LifeTime portfolios or Russell LifePoints portfolios. Seventy percent of plan sponsors with plan services through The Principal offer a lifecycle investment option — a significant increase from 2004, when less than 40 percent of sponsors offered this type of option.

In 2006, **an increasing number of plan sponsors — nearly triple the number from 2004 — have selected Principal LifeTime or Russell LifePoints portfolios as their default investment option**. Not surprisingly, Principal LifeTime investment options have replaced money market investment options as the option of choice for the 15 percent of employees with all retirement funds invested in a single account.

The Principal Managed Account ProgramSM, which offers professional third-party advice, is also growing in popularity. Since its introduction in 2005, more than 400 plan sponsors have added the Principal Managed Account ProgramSM to their plans.