

# Participants Offered More Investment Options, Flexibility



The number of investment options offered to plan participants continues to increase, according to the 2004 PSCA Annual Survey. On average, 401(k) plans with The Principal have money invested in nearly 17 investment options. This compares to 15.3 investment options used by plans in 2003. Only 12 percent of participants have their retirement account balances invested in one investment option.

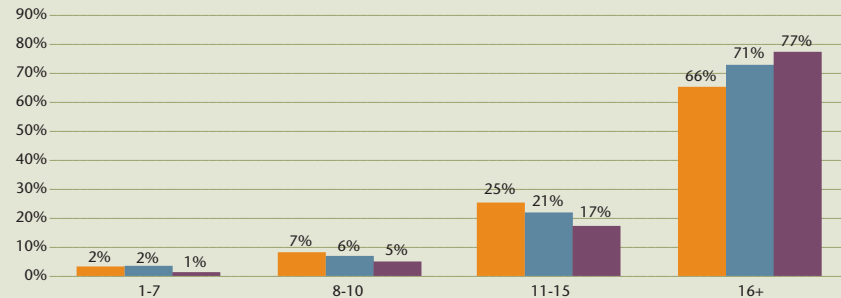
On average, over 80 percent of plans served by the Principal Financial Group offer 11 or more investment options for new contributions. Principal Global Investors, LLC and several well-known sub-advisors manage these options.

Of the plans that offer company stock as an investment option, approximately one-quarter of average plan assets are invested in company stock, which is below the industry average of 34 percent. *(Source: PSCA 2004)*

On average, nearly 17 investment options are used in plans with The Principal.

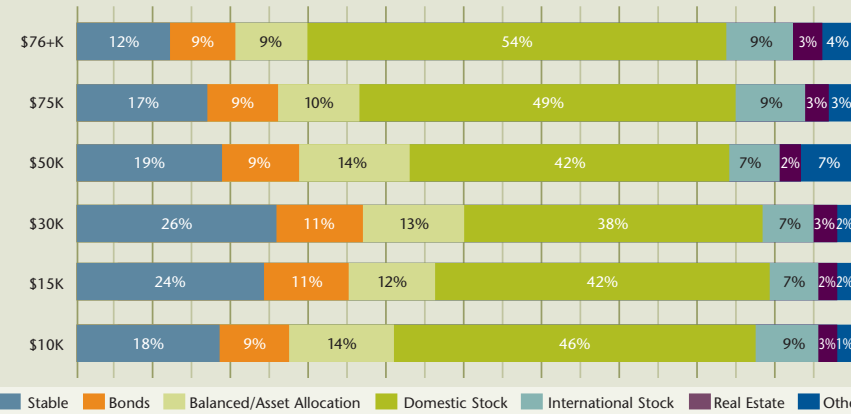


401(K) PLANS by Number of Investment Options Used



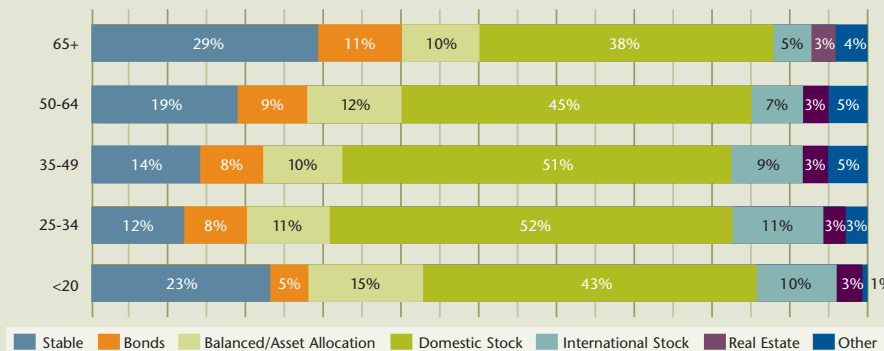
Highly compensated employees have a greater percentage of assets invested in domestic and international stock investment options. Non highly-compensated employees invest more in stable investment options and balanced/asset allocation investment options.

2004 INVESTMENT SELECTION by Compensation



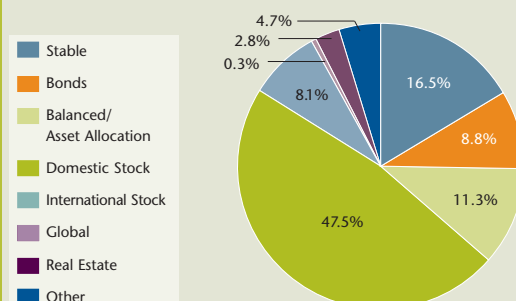
As participants age, the percentage of retirement funds invested in stable investment options increases. However, participants still see the value in diversification. In 2004, the amount invested in balanced/asset allocation investment options increased for participants of all ages, with the largest increase for participants under 25.

2004 INVESTMENT SELECTION by Participant Age



Consistent with the industry, a majority of the 401(k) assets invested with The Principal are in equities. The domestic and international stock investment options represent over half of the 401(k) plan assets of plan sponsors with The Principal.

2004 PRINCIPAL 401(K) ASSETS by Asset Class



## Fast Facts

The average retirement plan has a majority of assets (63%) invested in equities.

(Source: PSCA, 47th Annual Survey of Profit Sharing and 401(k) Plans, 2004)

Participants contributing to plans with services provided by The Principal elect an average of four investment options for their new contributions.

# More Participants

## Seek Help with Asset Allocation

Many retirement plan participants need help with asset allocation decisions. As such, many financial services companies, including The Principal, offer services designed to simplify the process.

Asset allocation services are generally free and available to participants through an employer's plan. The participant completes a questionnaire to determine their investment profile and risk tolerance. The investor profile is then matched with one of five pre-determined investment mixes, on which the participant can base their investment allocations.

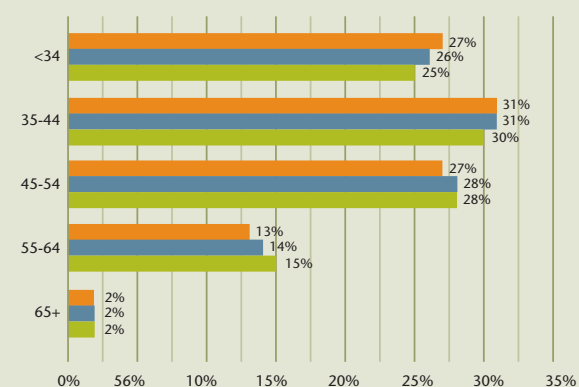
Life cycle investment options are becoming more popular and vary by service provider. Some life cycle investment options are managed toward a particular target or retirement date. The investment mix changes as the portfolio approaches the target date. Other life cycle investment options are managed at a certain risk level, which remains constant over time. Since 2002, the percentage of 401(k) assets invested in life cycle investment options has more than tripled.

As the need for investment assistance and advice grows, financial services companies are helping plan sponsors take new and innovative approaches to helping participants.

**Asset allocation services are most popular among participants age 35-44.**



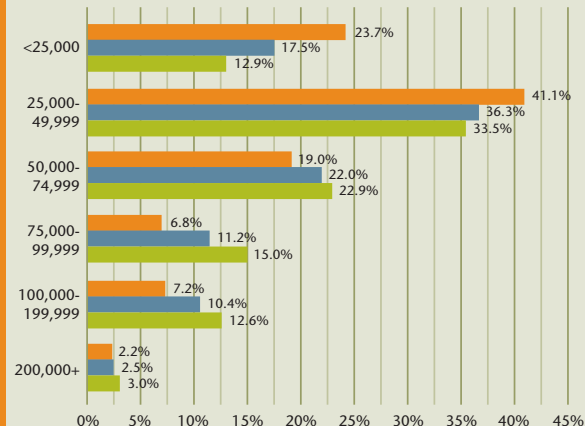
**ASSET ALLOCATION SERVICES**  
by Participant Age Percent of Total Participants



**Participants with retirement plan account balances of \$25,000 to \$50,000 are the heaviest users of asset allocation services.**



**ASSET ALLOCATION SERVICES**  
by Participant Account Balance Percent of Assets





## Solutions

**Consider Life Cycle Portfolios.** These investment options generally include a variety of lifestyle investment portfolios managed with a specific retirement year. Portfolios for those close to retirement hold more conservative investments; portfolios for participants with a longer time horizon include a more aggressive investment mix.

**Offer Managed Accounts.** The Principal Managed Account Program<sup>SM</sup> is a more customized solution, through which retirement investors receive personalized advice that is affordable, easy to use, and unbiased. This includes a quarterly rebalance and an annual investment plan review. Access is provided to participants through enrollment meetings, financial professionals through the telephone, and Internet. The service is provided at no cost to plan sponsors and for a competitive asset-based fee to participants who elect the service.

**Embrace new products/services.** New programs, like **Principal Retire Secure<sup>SM</sup>**, may actually change the savings and investing behavior of plan participants. The program provides one-on-one planning by a dedicated team of financial professionals who meet with employees in the workplace. That guidance is offered in concert with other key do-it-for-me tools which include Easy Enrollment, a streamlined enrollment process; Smart Start, a default contribution rate for new employees that typically matches or exceeds the employer match rate; and Principal Step Ahead Retirement Option<sup>SM</sup>, a program to encourage participants to automatically increase savings each year. One-on-one planning is also made available by a dedicated team of financial professionals who meet with employees in the workplace.

*Investment advice provided through the Principal Managed Account Program is provided by Ibbotson Associates. Access to the advice and securities and advisory products are offered through Princor Financial Services Corporation, 800-247-4123, member SIPC. Princor and Principal Life are members of the Principal Financial Group, Des Moines, Iowa, 50392.*

## Fast Facts

*Seventy-seven percent of employees say their top personal concern right now is their long-term financial security, yet only four in 10 workers received retirement educational materials through an employer in the past 12 months.*

*(Sources: Principal Financial Well Being Index<sup>SM</sup> - Third Quarter 2005; 2005 EBRI Retirement Confidence Survey)*

*Thirty-five percent of workers not participating in a company retirement plan say they would be more likely to contribute if they were offered an option where a professional financial manager makes investment decisions for them.*

*(Source: 2005 EBRI Retirement Confidence Survey)*