

Deferral Increases

with Income, Age and Tenure

Not surprisingly, participants who are older, earn more, and have longer tenure are likely to contribute at a higher level of their compensation. They are closer to retirement and have more at stake; plus, they may have more income to direct to savings and investments.

Demographics play an important role:

Gender. Men are more likely to have a higher average salary deferral rate than women. However, it should be noted that women actually increased their average salary deferral rates at a larger total percentage than men in 2004.

■ Male
■ Female

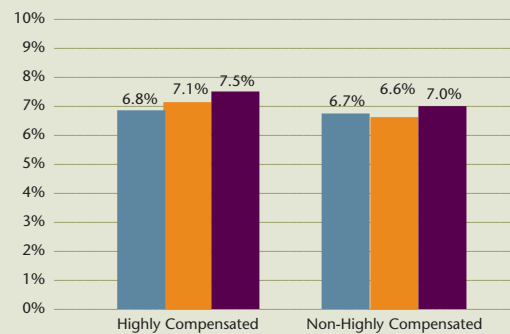
AVERAGE SALARY DEFERRAL RATES by Gender



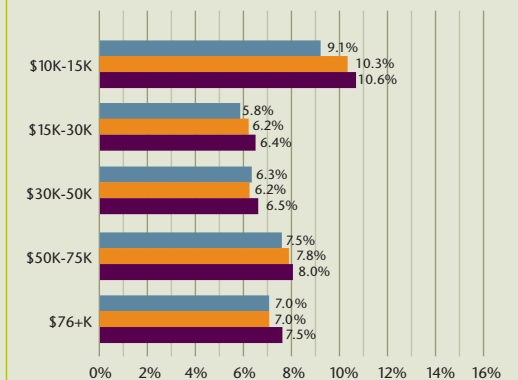
Compensation. Participants with compensation over \$50,000 had larger average salary deferral rates. In 2004, 28% of the participants contributing in plans with plan services provided by The Principal earned more than \$50,000.

■ 2002
■ 2003
■ 2004

AVERAGE SALARY DEFERRAL RATES by Compensation Status

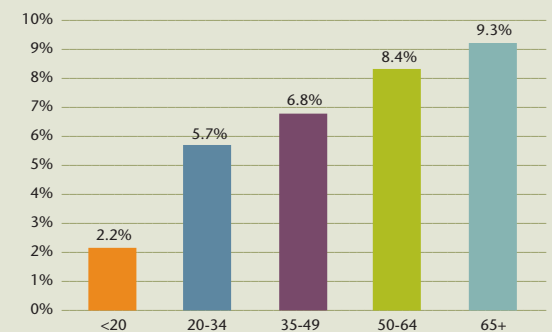


AVERAGE SALARY DEFERRAL RATES by Compensation



Age. Typically, average salary deferral rate increases with the age of the participant.

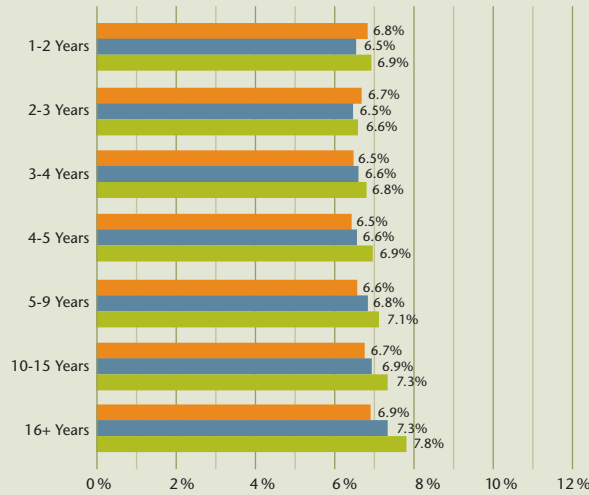
AVERAGE SALARY DEFERRAL RATES by Participant Age



Average salary deferral among employees with 16 or more years of service far exceeds that of relatively new hires.



AVERAGE SALARY DEFERRAL RATES by Years of Service



Overall, the average salary deferral rate in 2004 increased from 6.7 percent to 7 percent. This continues a trend from previous years, likely as a result of a combination of an understanding of their need to save and comparatively strong performance in equity markets.

Solutions

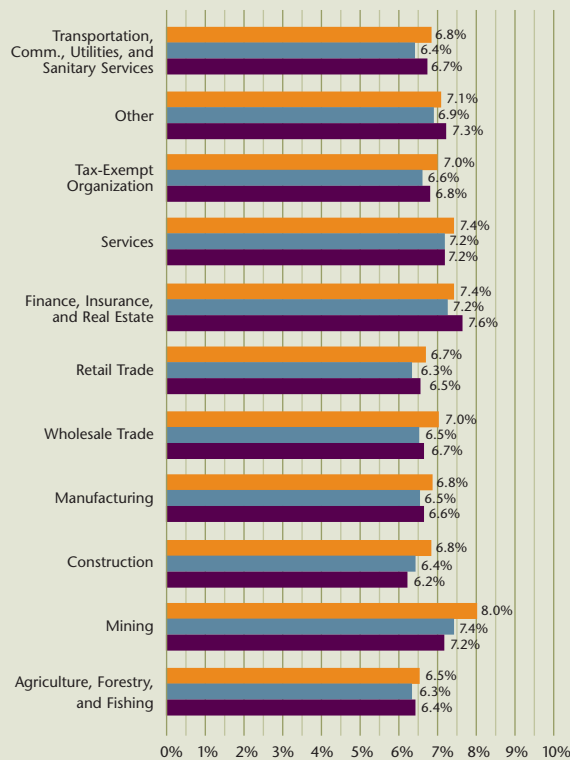
Consider the match. Some match formulas are more effective than others for increasing salary deferrals. As noted in the chart below, a 50 percent match up to 6 percent of pay is more effective than a 100 percent match up to 3 percent of pay.

Plans with match of...	Average Deferral %	Match as a % of Pay
50% up to 6% of pay	6.86%	2.46%
100% up to 3% of pay	5.91%	2.69%

Mining leads all industries for average deferral; agriculture, forestry and fishing have the lowest average salary deferral rates.



AVERAGE SALARY DEFERRAL RATES by Industry Category



Fast Fact

Nationwide, employees participating in retirement plans, defer 6 percent of their salary to their 401(k).

(Source: IOMA Annual Defined Contribution Survey, 2004)