

A Message from the President of The Principal

For generations, Americans were able to fund their retirements with Social Security and traditional defined benefit pension benefits. Today, millions of workers must rely on other benefits, such as 401(k) plans, as well as other personal savings and investments to save for the future and to enjoy a more comfortable retirement.



Despite these changes, it is clear that Americans are still not saving enough because national savings rates continue to be critically low. Combined with the uncertainty of Social Security, increasing longevity, inflation, and rising health care costs, American workers will likely continue to struggle to save for their retirement years.

That is why at The Principal, we feel it is more important than ever that we come together to focus on the savings trends of today's workers. As one of the nation's 401(k) leaders¹ and total retirement solutions innovator, The Principal is pleased to present *The Total View*, one of the most comprehensive reports in the industry on retirement plan trends. Based on data for the 2006 calendar year, this study encompasses more than 38,600 retirement plan sponsors and 3.5 million participants served by The Principal. It is the only report of its kind that covers the four core retirement plan designs: defined contribution, including 401(k) and 403(b); defined benefit; nonqualified; and Employee Stock Ownership Plans (ESOP).

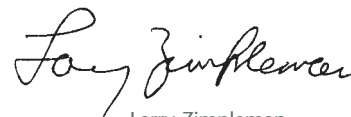
While our report shows encouraging developments in savings behavior, challenges are still on the horizon for the country's retirement picture. With the changes to the way workers save for retirement and the improvements to the regulatory landscape thanks to the Pension Protection Act of 2006, employers continue to search for additional avenues to save time and resources in administering their retirement programs, as well as promote saving among valuable employees. *The Total View* data illustrates the growing trend toward employers choosing a total integrated retirement solutions approach: multiple plans using a single service provider to help achieve cost savings and reduce resources needed

to administer their benefits. Additionally, we've found that a multiple-plan approach has a real impact on participation, deferral rates, and average account balance.

Our data indicates that employers are becoming more proactive in helping their employees plan for retirement by implementing innovative tools and services, such as "do-it-for-me" choices for investment options, easy enrollment options, as well as automated salary deferral step-up programs so employees have to make fewer decisions to get started – and easily increase their retirement contributions over time.

It is through tools and services like these that The Principal is working hard to not only increase employee retirement savings rates, but to simplify the plan sponsor's administration of retirement plans. We want to help employers and employees discover that when it comes to the future, we can make a difference in helping them take steps to achieve a more successful retirement.

Whether you use the *The Total View* as a comprehensive benchmarking tool or simply want to keep up with the trends of the changing retirement landscape, we at The Principal along with your financial professional, invite you to review some of the solid solutions we can provide to help address real industry challenges.



Larry Zimpleman

President and Chief Operating Officer
The Principal Financial Group

¹ The Principal ranks number one in total plans for all asset sizes among fully bundled 401(k) providers - 2006 Spectrem Group analysis of fully-bundled 401(k) providers (companies that provide both administrative and investment services).