

The Principal Financial Well Being Index Trending – Summary 4th Quarter 2008

This Principal Financial Well-Being IndexSM survey was conducted online within the United States by Harris Interactive on behalf of the Principal Financial Group® between October 22nd and October 29th, 2008 among 1,179 employees and 625 retirees. This is one in a series of quarterly studies to identify and track changes in the workplace of small and mid-sized (growing) businesses. The first Principal Financial Well-Being IndexSM survey was conducted in the United States in 2000.

Employees consisted of adults 18+ who work at small and mid-sized (SMB) U.S. businesses (firm size 10-1,000 employees). Retirees consisted of adults age 60+ who reported they are retired or those who are employed part-time or self-employed and have retired from a previous career. Results were weighted as needed for age by gender, education, race/ethnicity, education, region and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Interactive avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Interactive surveys. The data have been weighted to reflect the composition of the entire population of adult employees working for small to mid-sized U.S. businesses and retirees. Because the sample is based on those who agreed to be invited to participate in the Harris Interactive online research panel, no estimates of theoretical sampling error can be calculated.

Featured Key Findings

- Holiday Spending - Employees and retirees were asked about their intentions for spending in the upcoming holiday season. Up significantly from fourth quarter 2007, just about half of the employees (53% versus 29% in 2007) and retirees (49% versus 29% in 2007) plan to spend less money this holiday season than last year. Just about half of employees indicated they would be spending less per gift (52%) or scaling back on the number of people for whom they buy gifts this holiday season (49%). Approximately a third of employees (35%) said they would be traveling less this holiday season while another quarter indicated they would be donating less to charities.
- New Year's Resolutions - Employees and retirees were given a list of potential financial resolutions and asked which they intended to make for 2009. The top two resolutions selected by employees were paying off credit card debt (35%) and putting a set amount of money into savings each month (31%). Retirees were most likely to select pay off credit card debt (17%) or reduce spending by a specific amount each month (17%, up significantly from 11% in 2007).
- Economy - When asked how the current economy has impacted their overall spending in the past two months, over a third of retirees (39%) and nearly as many employees (31%) said their spending has remained about the same. Nearly six out of ten retirees (59%) and two thirds of employees have reduced their overall spending to some degree.
- Monthly Budget - Over six out of ten of employees (64%) and retirees (63%) who have a budget indicated they have made changes to their budget due to fears of the economy, their job stability or rising prices. Those with a monthly budget were also asked if they have cut any specific expenses from their monthly budget. The most common expense cut by both employees (27%) and retirees (31%) was media subscriptions such as newspapers and magazines. Employees were also likely to mention cutting gym memberships (14%), landline telephones (13%), and lawn services (12%).
- Emergency Fund - Approximately seven out of 10 retirees (69%) and over half of the employees (56%) have an emergency fund of money they can immediately access if necessary. Almost one in five employees (17%) and 13% of retirees who have an emergency fund said they have had to tap into their emergency fund recently to cover monthly expenses.

- Financial Well Being - Employees (73%) are significantly more likely to be concerned about their long-term financial future than retirees (62%). The percentage of retirees (62%) who are concerned about their long-term financial future is up significantly from 4th quarter of 2007 (44%). Just over a quarter of both retirees and employees (28%) are extremely happy about their current financial well-being. Significantly fewer retirees this year (28% versus 50% in 2007) are happy about their current financial well-being. Just over a quarter of employees (28%) have not yet planned for retirement savings and security.

Employees Only

- Job Security - Job security continues to top the importance chart when compared to long-term financial future and challenging work. Three out of ten (31%) employees expressed some level of concern over their personal job security. Also, 41% of employees are concerned their company will reduce the number of employees in the next year, up significantly from a quarter of employees in 2007. Just under half of the employees (44%) have no concerns about the future of their company.
- Second Job - Employees were asked if they have taken out a second job, or considered doing so, in order to make ends meet during this time of economic slow down and rising costs. Only 8% of employees have actually done this, but over a third (36%) are considering doing so.
- 401(k) Changes - Employees participating in their employer's defined contribution plan were asked what changes they have made, if any, to their 401(k) account in the past 6 months due to current economic conditions. Ten percent indicated they have made some type of change to their 401(k) – 4% have decreased the amount they are contributing to their 401(k), 5% have taken out a loan from their 401(k) account, 1% have taken out a hardship withdrawal, and 1% have stopped contributing to their 401(k) account (note percentages exceed 10% due to some employees making multiple changes to their 401(k)). Employees who have made changes to their 401(k) account have made these changes most commonly to pay down debt (46%) or to pay daily expenses (34%).
- Benefits - Employees continue to rate health insurance as the most important benefit, followed by defined contribution and dental insurance. Health insurance is the benefit most employees would like to see improved, while defined benefit plans is the benefit most employees would like to see their employer offer.
- Health Plan Options - Forty-two percent of employees have more than one health plan option available. Consistent with 2007, 11% of employees report their employer does not offer health insurance. The larger the firm, the more likely there are multiple health plans available. Firms with 10 to 500 employees are significantly more likely to offer no health options or only one option. In contrast, firms with 501 to 1,000 employees are more likely to offer 3 health plan options or 4 or more health plan options.
- Anticipated Medical Insurance Changes - Employees who are offered health insurance were asked what they anticipate will happen with their insurance in 2009. Sixty-six percent expect their premiums will increase, 43% expect their deductibles will increase, 27% expect a reduction in coverage and 23% expect their medical plan options will change.

Section I-Employee and Retiree Comparison Questions

Financial Well Being

In measuring employees' and retirees' attitudes and perceptions about their financial well-being, a series of different questions were asked. Employees and retirees were asked to identify how much they agreed with some statements relating to how concerned they are about their long-term financial future and how happy they are about their current well-being. As seen in Table 1, employees (73%) are significantly more likely to be concerned about their long-term financial future than retirees (62%). The percentage of retirees (62%) who are concerned about their long-term financial future is up significantly from 4th quarter of 2007 (44%).

Just over a quarter of both retirees and employees (28%) are extremely happy about their current financial well-being. Significantly fewer retirees this year (28% versus 50% in 2007) are happy about their current financial well-being.

Consistent with 2007, just over a quarter of employees (28%) have not yet planned for retirement savings and security.

Table 1

"Please indicate the extent to which you agree or disagree with each of the following statements."

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

(% of respondents agreeing completely or somewhat)	4 th Qtr 2008		4 th Qtr 2007		4 th Qtr 2006		4 th Qtr 2005 EE	4 th Qtr 2004 EE
	Retiree	EE	Retiree	EE	Retiree	EE		
I am very concerned about my long-term financial future.	62%^{sig*}	73%	44%	72%	50%	71%	73%	77%
I am extremely happy about my current financial well-being.	28%*	28%	50%	30%	48%	29%	29%	34%
I have not yet planned for retirement savings/security.	N/A	28%	N/A	27%	N/A	28%	25%	27%
	N=625	N=1,179	N=514	N=1,154	N=630	N=1,197	N=1,213	N=1,736

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from 2007 employee comparison

"**" = varies significantly (95% level) from 2007 retiree comparison

Holiday Spending

Employees and retirees were asked about their intentions for spending in the upcoming holiday season. Respondents were asked what changes they are making to their holiday plans due to current economic conditions. Just about half of employees indicated they would be spending less per gift (52%) or scaling back on the number of people for whom they buy gifts this holiday season (49%). Approximately a third of employees (35%) said they would be traveling less this holiday season while another quarter indicated they would be donating less to charities. At least a third of retirees responded they would either be spending less per gift (41%), traveling less (32%), or scaling back on the number of people for whom they buy gifts (31%). Similar to employees, about a quarter of retirees (27%) said they would be donating less to charities and 21% said they would not be hosting a holiday party. Nearly 2 out of 10 employees (18%) and about a quarter of retirees (24%) said they would not be changing their holiday plans.

Table 2

“Given the current economy, are you making any changes to your holiday plans? Please check all that apply.”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 th Qtr 2008	
	Retiree	EE
Spending less per gift	41%^{sig}	52%
Scaling back on the number of people I buy gifts	31%^{sig}	49%
Traveling less	32%	35%
Donating less to charities	27%	25%
Not be hosting a holiday party	21%	18%
Giving handcrafted gifts instead of purchased	7%^{sig}	12%
No holiday plans	17%^{sig}	8%
No change to holiday plans	24%^{sig}	18%

sig = varies significantly (95% level) from retiree and employee comparison

Respondents were asked how much they plan to spend in the upcoming holiday season. Almost half of both retirees (46%) and employees (49%) plan to spend between \$101 and \$500 this holiday season. Significantly fewer employees (12%) than last year (18%) plan to spend over \$1,000 this holiday season.

Table 3

“How much do you plan to spend in the upcoming holiday season?”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 th Qtr 2008		4 th Qtr 2007	
	Retiree	EE	Retiree	EE
\$100 or less	16%^{sig*}	6%^{SIG}	11%	3%
Between \$101 and \$500	46%	49%	46%	49%
Between \$501 and \$750	11%	15%	9%	14%
Between \$751 and \$1000	9%*	12%	13%	13%
Above \$1000	7%^{sig*}	12%^{SIG}	11%	18%
Decline to Answer	10%^{sig}	5%	10%	4%
	N=625	N=1,179	N=514	N=1,154

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from 2007 employee comparison

“*” = varies significantly (95% level) from 2007 retiree comparison

Up significantly from fourth quarter 2007, just about half of the employees (53% versus 29% in 2007) and retirees (49% versus 29% in 2007) plan to spend less money this holiday season than last year. Nearly six out of ten retirees (57%) and 60% of the employees plan to spend between \$101 and \$500 less than they did in last year’s holiday season. Over four out of ten employees (42%) and retirees (47%) plan to spend about the same amount of money as they did last year.

Table 4

“During the upcoming holiday season, do you intend to...?”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008 Retiree	4 Qtr 2008 EE	4 Qtr 2007 Retiree	4 Qtr 2007 EE	4 Qtr 2006 Retiree	4 Qtr 2006 EE	4 Qtr 2002 EE
Spend less money than last year	49%*	53%SIG	29%	29%	36%	37%	39%
Spend the same amount of money as last year	47%*	42%SIG	64%	59%	60%	54%	52%
Spend more money than last year	4%*	5%SIG	7%	12%	5%	9%	8%
	N=625	N=1,179	N=514	N=1,154	N=630	N=1,197	N=2,056

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from 2007 employee comparison

“*” = varies significantly (95% level) from 2007 retiree comparison

Table 5

“How much more money are you planning on spending in the upcoming holiday season than last year?”

Base: Employees and retirees who plan to spend more this holiday season

	4 th Qtr 2008		4 th Qtr 2007	
	Retiree	EE	Retiree	EE
\$100 or less	17%	11%	22%	13%
Between \$101 and \$500	63%	70%	35%	61%
Between \$501 and \$1000	11%	16%	27%	20%
Above \$1000	8%	4%	6%	4%
Decline to Answer	2%	<1%	8%	<1%
	N=27	N=55	N=36	N=111

Caution: due to small sample sizes data should be used directionally only

Table 6

“How much less money are you planning on spending in the upcoming holiday season than last year?”

Base: Employees and retirees who plan to spend less this holiday season

	4 th Qtr 2008		4 th Qtr 2007	
	Retiree	EE	Retiree	EE
\$100 or less	21%*	16%	36%	14%
Between \$101 and \$500	57%	60%	52%	66%
Between \$501 and \$1000	8%sig	15%	6%	11%
Above \$1000	4%*	5%	0%	6%
Decline to Answer	10%sig	5%	5%	3%
	N=286	N=590	N=136	N=368

sig – varies significantly (95% level) from retiree and employee comparison

“*” = varies significantly (95% level) from 2007 retiree comparison

New Year's Resolutions

Employees and retirees were given a list of potential financial resolutions and asked which, if any, they intended to make as New Year's resolutions in 2009. Half of the retirees responded they don't intend to make resolutions compared to 28% of the employees. The top two resolutions selected by employees were paying off credit card debt (35%) and putting a set amount of money into savings each month (31%). Compared to 2007, significantly fewer employees are making a resolution to pay off credit card debt (35% versus 40% in 2007), fewer are making resolutions to put a set amount of money into savings each month (31% versus 39% in 2007), and fewer are making a resolution to defer more in their defined contribution/401(k) plan (9% versus 16% in 2007).

Retirees were most likely to select pay off credit card debt (17%) or reduce spending by a specific amount each month (17%, up significantly from 11% in 2007).

Table 7

"Which of the following, if any, do you intend to make as New Year's resolutions in 2009? Please select all that apply."
Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008 Retiree	4 Qtr 2008 EE	4 Qtr 2007 Retiree	4 Qtr 2007 EE	4 Qtr 2006 Retiree	4 Qtr 2006 EE
Pay off credit card debt.	17%sig	35%SIG	17%	40%	13%	37%
Put a set amount of money into savings each month.	12%sig	31%SIG	13%	39%	12%	33%
Reduce my spending by a specific amount each month.	17%sig*	26%	11%	23%	15%	20%
Stop using my credit cards.	12%sig	23%	10%	22%	10%	18%
Defer more in my defined contribution/401(k) plan.	0%sig	9%SIG	0%	16%	1%	14%
Work with a financial planner or other financial advisor.	3%sig*	8%	7%	8%	5%	7%
Other	3%sig	6%	2%	6%	4%	6%
None of these	13%sig*	8%	18%	8%	16%	9%
I don't intend to make a resolution.	50%sig	28%SIG	49%	23%	51%	29%
	N=625	N=1,179	N=514	N=1,154	N=630	N=1,197

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from 2007 employee comparison

*** = varies significantly (95% level) from 2007 retiree comparison

Investment Changes

Changing market conditions can spur some individuals to make changes to their investments. To measure what changes are being made, employees and retirees were asked to identify if and how they are moving their retirement savings. Based upon their responses, 82% of employees who have retirement savings are not making changes to their investments while 18% are – 14% to stable and 4% to volatile. These numbers are consistent with those seen in third quarter 2008.

Over three quarters of retirees (77%) have not made any investment changes. Twenty percent of retirees have moved to more stable investments.

Table 8

“Given the current stock market and economic conditions, have you made changes in how you have your retirement savings invested?”

Base: Those with retirement savings

	4 Qtr 2008		3 Qtr 2008		2 Qtr 2008		4 Qtr 2007		4 Qtr 2005
	Retiree	EE	Retiree	EE	Retiree	EE	Retiree	EE	
Yes, I moved from more volatile to more stable investments	20%	14%	22%	13%	19%	22%	18%	15%	15%
Yes, I moved from more stable to more volatile investments.	2%	4%	3%	5%	4%	5%	3%	6%	9%
No, I have not made any changes	77% sig	82%	75%	82%	77%	74%	79%	79%	77%
	N=507	N=999	N=592	N=1186	N=523	N=905	N=401	N=953	N=1,007

sig = varies significantly (95% level) from retiree and employee comparison

Respondents were also asked if they have made changes to where their money is invested in the past 6 months in order to feel more financially secure. The majority of both retirees (83%) and employees (82%) said they have not made changes. Of those who have made changes, the most common places to put their investments are CDs, money market accounts, 401(k)s, and bank accounts. Please see Table 10 for details.

Table 9

“Have you made changes to where your money is invested in the past 6 months in order to feel more financially secure?”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008	
	Retiree	EE
Yes	17%	18%
No	83%	82%

Table 10

“Where have you decided to put your investments?”

Base: 216 employees and 135 retirees who have made changes to their investments

	4 Qtr 2008	
	Retiree	EE
CDs	43%	29%
Money market account	39%	28%
401(k)	N/A	25%
Bank account	23%	23%
Bonds	22%	17%
Stocks	13%	13%
Annuities	24%	13%
IRA	8%	12%
Treasuries	4%	9%
Vault/mattress	3%	5%
Gold	6%	3%
Other	13%	13%

Economy

Employees and retirees were asked how they would reduce their spending due to an economic slow down. The top methods selected by employees were eating fewer meals at restaurants (79%), spending less on clothing and other consumer items (67%), and cutting back on entertainment (64%). Four out of ten employees (41%) also said they would try to save gas money. Please note that significantly fewer employees selected many of these methods for saving money than they did in third quarter 2008.

Retirees' most common methods for reducing spending due to an economic slow down included eating fewer meals at restaurants (60%), spending less on clothing and other consumer goods (63%), and saving gas money by driving less, car pooling or using public transportation (51%). Similar to employees, significantly fewer retirees selected many of these methods for saving money than they did in third quarter 2008.

Table 11

"If you had to reduce your spending due to an economic slow down, which of the following would you be likely to do?"
Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008		3 Qtr 2008		2 Qtr 2008		4 Qtr 2007	
	Retiree	EE	Retiree	EE	Retiree	EE	Retiree	EE
Eat fewer meals at restaurants	60%sig*	79%	68%	81%	66%	79%	49%	76%
Spend less on clothing or other consumer goods	63%	67%SIG	68%	75%	66%	74%	49%	69%
Cut back on entertainment, such as going to movies, concerts or other events	45%sig*	64%SIG	61%	75%	56%	76%	39%	63%
Save gas money by driving my car less, car pooling or using public transportation	51%sig*	41%SIG	68%	59%	56%	52%	38%	36%
Purchase take out coffee less frequently	17%sig*	27%SIG	24%	36%	23%	34%	10%	27%
Lower my retirement plan contribution rate	1%sig	7%	3%	9%	1%	8%	1%	11%
Not pay my credit card bill for at least a month	1%	3%SIG	2%	5%	2%	4%	1%	4%
Not pay my mortgage for at least a month	<1%	1%	1%	2%	<1%	2%	1%	2%
None of these	18%sig*	7%SIG	10%	4%	13%	5%	27%	9%

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from third quarter 2008 employee comparison

“**” = varies significantly (95% level) from third quarter 2008 retiree comparison

When asked how the current economy has impacted their overall spending in the past two months, over a third of retirees (39%) and nearly as many employees (31%) said their spending has remained about the same. Nearly six out of ten retirees (59%) and two thirds of employees have reduced their overall spending to some degree.

Table 12

"Which of the following best describes how the current economy has impacted your overall spending in the past two months?"

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008		3 Qtr 2008		2 Qtr 2008		4 Qtr 2007		1 Qtr 2007	
	Retiree	EE	Retiree	EE	Retiree	EE	Retiree	EE	Retiree	EE
I have greatly increased my overall spending	<1%	<1%	1%	2%	3%	2%	2%	2%	1%	2%
I have increased my overall spending a little	2%*	2%SIG	4%	6%	7%	6%	6%	6%	6%	10%
My overall spending is about the same	39%sig	31%	34%	31%	36%	36%	60%	54%	53%	50%
I have reduced my overall spending a little	38%sig	45%	41%	43%	36%	41%	22%	27%	24%	27%
I have greatly reduced my overall spending	21%	21%	20%	18%	19%	15%	10%	11%	17%	12%
	N=625	N=1,179	N=726	N=1,331	N=673	N=1,117	N=514	N=1,154	N=536	N=1,181

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from third quarter 2008 employee comparison

"*" = varies significantly (95% level) from third quarter 2008 retiree comparison

Respondents were asked if they have been recently turned down for various types of loans or lines of credit. Over half of employees (52%) and significantly more retirees (64%) have not applied for any of these loans or sources of credit. Another third or so of employees (34%) and retirees (32%) have not been turned down. Thus, only about one out of ten employees (14%) and 4% of retirees reported having been turned down for any of these loans or sources of credit. Among those turned down, credit card applications was the most common type of credit that was denied. Please see Table 13 for further detail.

Table 13

"Have you recently been turned down for any of the following? Please select all that apply."

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008	
	Retiree	EE
Credit card application	2%sig	9%
Car loan	2%	4%
Home mortgage	<1%sig	3%
Student loan	0%	1%
Home equity/home improvement loan	1%	1%
I have not applied for any of these	64%sig	52%
I have not been turned down for any of these	32%	34%

sig = varies significantly (95% level) from retiree and employee comparison

Energy Prices

Economists have predicted an increase in energy prices as a result of the hurricanes. Employees and retirees were asked what steps they plan to take, if any, in response to the forecasted energy price increases. Approximately half (49%) of employees and slightly fewer retirees (40%) plan to lower their thermostat this winter. One-third (34%) of employees and nearly a quarter (22%) of retirees are planning to make their homes more energy efficient. Nearly one in five employees (18%) and retirees (17%) will be saving on other expenses in order to pay higher heating bills. Almost half of retirees (46%) and a third of employees (34%) do not intend to make any changes.

Table 14

“Many economists expect the cost of home heating oil and natural gas to rise significantly because of the Gulf Coast hurricanes. Have you or will you take any of the following steps in response to rising home heating costs? Please select all that apply.”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008		4 Qtr 2005
	Retiree	EE	
Planning on lowering the thermostat this winter	40% sig	49%	51%
Making your home more energy efficient	22% sig	34%	33%
Saving more on other expenses to pay for a higher heating bill	17%	18% SIG	22%
Switching to a budget billing plan (a payment plan that lets you even out your payments throughout the year)	9%	10%	11%
Other	3%	5%	N/A
No changes made	46% sig	34%	34%
	N=625	N=1,179	N=1,213

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from 2005 employee comparison

Monthly Budget

Approximately half of both employees (53%) and retirees (49%) have a monthly budget for managing their expenses. Over six out of ten of employees (64%) and retirees (63%) who have a budget indicated they have made changes to their budget due to fears of the economy, their job stability or rising prices. Those with a monthly budget were also asked if they have cut any specific expenses from their monthly budget. The most common expense cut by both employees (27%) and retirees (31%) was media subscriptions such as newspapers and magazines. Employees were also likely to mention cutting gym memberships (14%), landline telephones (13%), and lawn services (12%). Over four out of ten employees (42%) and retirees (43%) indicated they have not cut any of the mentioned monthly expenses from their budgets.

Table 15*"Do you have a monthly budget for managing your expenses?"*

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008	
	Retiree	EE
Yes	49%	53%
No	51%	47%

Table 16*"Have you made changes to your budget due to fears about the economy, your job stability or due to rising prices?"*

Base: Those with a monthly budget

	4 Qtr 2008	
	Retiree	EE
Yes	63%	64%
No	37%	36%
	N=295	N=632

Table 17*"Have you cut out any of the following expenses from your monthly budget? Please check all that reply."*

Base: Those with a monthly budget

	4 Qtr 2008	
	Retiree	EE
Media subscriptions	31%	27%
Gym membership	9%	14%
Landline telephone	6% sig	13%
Lawn service	12%	12%
Cable, satellite dish, or TiVo	3% sig	11%
Cleaning service	8%	10%
Cellular telephone	3%	6%
Internet	1% sig	4%
Other	24%	20%
None	43%	42%
	N=295	N=632

sig = varies significantly (95% level) from retiree and employee comparison

Emergency Fund

Approximately seven out of 10 retirees (69%) and over half of the employees (56%) have an emergency fund of money they can immediately access if necessary. This is a significant increase in the number of employees (50%) who indicated they have an emergency fund in third quarter of 2008.

Over half of retirees (54%) said they could cover over 6 months of living expenses with their emergency fund, compared to only 30% of employees. Most employees said they could cover one to two months of living expenses (24%) or three to four months of living expenses (26%) with their emergency fund.

Those with an emergency fund were asked if they recently have had to tap into their emergency fund to cover monthly expenses. Almost one in five employees (17%) and 13% of retirees said they have had to tap into their emergency fund recently to cover monthly expenses.

Table 18

“Do you have an emergency fund of money that you can immediately access in the event of a job loss or other unanticipated major expense?”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees and 625 retirees

	4 Qtr 2008		3 Qtr 2008		2 Qtr 2008	
	Retiree	EE	Retiree	EE	Retiree	EE
Yes	69%sig	56%SIG	67%	50%	69%	58%
No	31%sig	44%SIG	33%	50%	31%	42%

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from third quarter 2008 employee comparison

Table 19

“How many months of living expenses could you cover with your emergency fund?”

Base: 654 employed U.S. adults in firms of 10-1,000 employees and 475 retirees with an emergency fund

	4 Qtr 2008		3 Qtr 2008		2 Qtr 2008	
	Retiree	EE	Retiree	EE	Retiree	EE
Less than 1 month	1%sig	6%	<1%	6%	2%	4%
1 – 2 months	15%sig*	24%SIG	10%	29%	12%	25%
3 – 4 months	20%	26%	20%	30%	20%	32%
5 – 6 months	10%*	14%	18%	12%	12%	10%
Over 6 months	54%sig	30%SIG	52%	23%	54%	29%

sig = varies significantly (95% level) from retiree and employee comparison

SIG= varies significantly (95% level) from third quarter 2008 employee comparison

“*” = varies significantly (95% level) from third quarter 2008 retiree comparison

Table 20

“Have you had to tap into your emergency fund recently just to cover your monthly expenses?”

Base: 654 employed U.S. adults in firms of 10-1,000 employees and 475 retirees with an emergency fund

	4 Qtr 2008	
	Retiree	EE
Yes	13%	17%
No	87%	83%

Section II-Employee Only Questions

Benefit Programs Offered at Businesses with 10 to 1,000 Employees

The top benefits offered at firms with 10 to 1,000 employees are health insurance (94%), defined contribution retirement plans (73%), dental insurance (73%), life insurance (68%), free parking (60%) and disability insurance (47%).

In Table 21 below, comparisons can be made with the previous year's benefit offerings. There are some significant differences between responses from the current quarter and fourth quarter 2007 – indicated with "SIG" below. There was a significant decline in the percentage of firms offering personal banking services and child care subsidies, while significantly more firms are offering health insurance and executive benefits.

Table 21

"What types of benefit programs (excluding vacation and holidays) does your company currently offer you? Please select all that apply."

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

Benefits	4 th Qtr 2008	4 th Qtr 2007	4 th Qtr 2006	4 th Qtr 2005	4 th Qtr 2004
Health Insurance	94%SIG	91%	93%	88%	89%
Defined Contribution Retirement Plan	73%	75%	73%	64%	72%
Dental Insurance	73%	74%	N/A	N/A	N/A
Life Insurance	68%	70%	71%	65%	63%
Free Parking	60%	58%	62%	57%	59%
Disability Insurance	47%	47%	49%	48%	53%
Tuition Reimbursement	28%	30%	32%	30%	34%
Flex-time	25%	22%	28%	26%	28%
Profit-Sharing/Bonus	22%	20%	23%	26%	28%
Pension - Defined Benefit	18%	20%	19%	22%	20%
Legal Services	8%	6%	7%	7%	8%
Stock Options	7%	8%	7%	11%	10%
Financial Planning	7%	8%	7%	10%	10%
Personal Banking Services	5%SIG	8%	7%	8%	7%
Executive Benefits	4%SIG	2%	1%	4%	5%
Child Care Subsidies	3%SIG	5%	4%	4%	3%
On-site Daycare	1%	2%	2%	3%	2%
Other	7%	7%	5%	5%	4%
	N=1,179	N=1,154	N=1,197	N= 1,213	N=1,736

SIG = varies significantly (95% level) from 2007 employee comparison

Benefit Satisfaction

Upon identifying what benefits they are offered through their employers, employees were asked to rate their satisfaction with some of the major benefits. Employees are most satisfied (rating of 8-10 on a 10 point scale) with their defined benefit plan (68%), profit sharing/bonus (58%), life insurance (55%), and stock options (55%). In comparing this quarter's results with the previous year, satisfaction levels for life insurance, health insurance, and dental insurance have all increased significantly.

Table 22

*"Please indicate how satisfied you are with each benefit program."
(rating of 8, 9 or 10 on a 10 point scale)*

Base: Respondents with each particular benefit

Benefits	Satisfaction Top 3 Box 4 th Qtr 2008	Satisfaction Top 3 Box 4 th Qtr 2007	Satisfaction Top 3 Box 4 th Qtr 2006	Satisfaction Top 3 Box 4 th Qtr 2005	Satisfaction Top 3 Box 4 th Qtr 2004
Pension - Defined Benefit (N=246)	68%	63%	64%	62%	64%
Profit-Sharing/Bonus (N=237)	58%	50%	50%	41%	52%
Life Insurance (N=816)	55%SIG	50%	52%	45%	51%
Stock Options (N=75)	55%	49%	44%	46%	53%
Defined Contribution Retirement Plan (N=866)	54%	58%	54%	54%	55%
Health Insurance (N=1,105)	54%SIG	49%	47%	44%	45%
Disability Insurance (N=565)	49%	53%	51%	48%	50%
Dental Insurance (N=863)	48%SIG	39%	N/A	N/A	N/A

SIG= varies significantly (95% level) from 2007 employee comparison

Benefit Importance

All employee respondents were asked to rate a group of benefits in terms of how important it was to them on a 10-point scale with 10 being "Very Important." As seen in Table 23, health insurance, defined contribution retirement plan, and dental insurance are the top 3 benefits in terms of importance to employees. However, perceived benefit importance among employees dropped significantly from 2007 to 2008 for defined contribution retirement plans, defined benefit plans, life insurance, profit sharing/bonus and stock options.

Table 23

“Please indicate how important each benefit program listed below is to you.”
 (rating of 8, 9 or 10 on a 10 point scale)

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

Benefits	Importance Top 3 Box 4 th Qtr 2008	Importance Top 3 Box 4 th Qtr 2007	Importance Top 3 Box 4 th Qtr 2006	Importance Top 3 Box 4 th Qtr 2005	Importance Top 3 Box 4 th Qtr 2004
Health Insurance	89%	89%	91%	90%	90%
Defined Contribution Retirement Plan	71% SIG	75%	75%	71%	75%
Dental Insurance	70%	68%	N/A	N/A	N/A
Pension - Defined Benefit	51% SIG	57%	53%	55%	51%
Disability Insurance	51%	54%	51%	55%	50%
Life Insurance	47% SIG	53%	50%	51%	46%
Profit-Sharing/Bonus	34% SIG	44%	43%	44%	44%
Stock Options	16% SIG	20%	17%	18%	20%
	N=1,179	N=1,154	N=1,197	N=1,213	N=1,736

SIG= varies significantly (95% level) from 2007 employee comparison

Each employee respondent was asked to identify what benefits they would most like their employers to offer, aside from those already offered. Defined benefit plans top the list with 21%, followed by flex-time (16%) and profit sharing/bonus (13%). Flex-time saw a significant increase since 2007.

Table 24

“Which one employee benefit do you most wish that your company would offer you (excluding vacation and holidays)?”

Base: Employees without certain benefits

Benefits	4 Qtr 2008	4 Qtr 2007	4 Qtr 2006	4 Qtr 2005
Pension - Defined Benefit Plan	21%	21%	25%	18%
Flex-time	16% SIG	13%	14%	11%
Profit-sharing/bonus	13%	15%	14%	12%
Defined Contribution Retirement Plan	7%	7%	6%	9%
Tuition Reimbursement	6%	7%	8%	6%
	N=1,178	N=1,153	N=1,197	N=1,212

SIG= varies significantly (95% level) from 2007 employee comparison

Aside from those benefits employees would like to see added to their employer’s benefit programs, they were also asked to identify what benefits they would like to have improved upon. The top two benefits mentioned were health insurance (43%) and defined contribution retirement plan (16%). A significantly larger percentage of employees this year (43%) mentioned health insurance than last year at this time (39%).

Table 25

"Which one employee benefit (excluding vacation and holidays) do you most wish that your company would improve upon?"

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

Benefits	4 Qtr 2008	4 Qtr 2007	4 Qtr 2006	4 Qtr 2005
Health Insurance	43%SIG	39%	43%	45%
Defined Contribution Retirement Plan	16%	18%	17%	14%
Profit Sharing/Bonus	5%	5%	6%	8%
	N=1,179	N=1,154	N=1,197	N=1,209

SIG= varies significantly (95% level) from 2007 employee comparison

Benefits for Recruit & Retention

Firms with 10 to 1,000 employees offer employee benefits to aid in the recruiting and retaining of quality employees. To measure how employees react to the presence of good employee benefits, a series of agree statements were asked. Just over two-thirds (69%) of employees agree that having a good employee benefits plan encourages them to work harder and perform better. Nearly as many (68%) employees agree that having a good employee benefits plan keeps them working for their current company.

Three in ten (30%) employees agree that their company is concerned about their long-term financial future.

Table 26

"Please indicate the extent to which you agree or disagree with each of the following statements."

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

Trending Comparison (% of respondents agreeing completely or somewhat)	4 th Qtr 2008 EE	4 th Qtr 2007 EE	4 th Qtr 2006 EE	4 th Qtr 2005 EE	4 th Qtr 2004 EE
Having a good employee benefits plan encourages me to work harder and perform better.	69%	69%	67%	65%	70%
Having a good employee benefits plan keeps me working for my current company.	68%	65%	62%	62%	65%
My company is concerned about my long-term financial future.	30%	29%	25%	25%	33%
	N=1,179	N=1,154	N=1,197	N=1,213	N=1,736

Health Plan Options

Employees were asked to indicate how many health plan options they have available at their place of employment. Forty-two percent have more than one option available. Eleven percent of employees report that they have no health plan options available, the same percentage reported last year at this time.

The bigger the firm, the more likely there are multiple health plan options available. Firms with 10 to 500 employees are significantly more likely than firms with 501 to 1,000 employees to offer no health options or just one option. In contrast, firms with 501 to 1,000 employees are more likely than firms with 10 to 500 employees to offer 3 health plan options or 4 or more health plan options to their employees.

Table 27

“How many health plan options do you have available at your place of employment?”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

Health Plan Options	4 th Qtr 2008	4 th Qtr 2007	4 th Qtr 2006	4 th Qtr 2005	4 th Qtr 2008 Employer Firm Size	
					10 to 500 Employees	501 to 1,000 Employees
None	11%	11%	8%	10%	12%^	3%
1 option	35%	36%	38%	36%	37%^	26%
2 options	24%	27%	27%	22%	24%	27%
3 options	14%SIG	10%	13%	13%	13%^	22%
4 or more options	4%	5%	6%	7%	3%^	9%
Not sure	12%	11%	9%	12%	11%	15%
	N=1,179	N=1,154	N=1,197	N=1,213	N=984	N=195

SIG= varies significantly (95% level) from 2007 employee comparison

^ = varies significantly (95% level) from the other employer firm size category

Ranking of What Motivates Your Decision on Which Plan to Choose

As noted above, 42% of employees in firms with 10-1000 have more than one health plan option to choose from. As a follow-up question, they were asked to identify what motivates them to choose a particular plan option. Table 28 shows what percentage of employees ranked each of the items as number one. Monthly paycheck deduction was ranked first by the largest percentage of employees (31%); this was a significant increase from 2007. Care network (doctors and facilities available within the plan) was also ranked first by nearly one in five (19%) of the employees and physician office visit co-pay was ranked first by 14% of employees this year. Deductible(s) was chosen by significantly fewer employees this year (10% versus 18% in 2007).

Table 28

“What motivates your decision on which plan to choose? Please rank your top 3 responses with “1” being the most motivational.”

Base: Employed U.S. adults who have more than option to choose from

	% Ranked #1 2008	% Ranked #1 2007	% Ranked #1 2006
Monthly paycheck deduction	31%SIG	25%	24%
Care network (doctors and facilities available within the plan)	19%	23%	31%
Physician office visit co-pay	14%	11%	11%
Deductible/s	10%SIG	18%	10%
Benefit limitations and/or exclusions	9%	11%	9%
Estimated health care need for coming year	7%	6%	7%
Emergency visit co-pay	<1%	1%	2%
What my colleagues are choosing	<1%	1%	-
None of these-do not have insurance through my employer	9%SIG	-	5%
None of these, I just “pick one”	<1%	-	1%
	N=512	N=499	N=546

SIG = varies significantly (95% level) from 2007 employee comparison

“-“ indicates no responses

Anticipated Medical Insurance Changes

Employees who are offered health insurance through their employer were asked what they anticipate will happen with their insurance in 2009. Two thirds expect their premiums will increase, over four in ten (43%) expect their deductibles will increase, over a quarter (27%) expect a reduction in coverage and 23% expect their plan options will change. When compared to the last time this question was asked in fourth quarter of 2007, significantly more employees expect to see nearly all of these changes.

Table 29

“Which of the following, if any, do you anticipate will happen to your employer-sponsored medical insurance in 2009? Please select all that apply.”

Base: Qualified employees whose employer offers health insurance

	4 Qtr 2008 EE	4 Qtr 2007 EE	4 Qtr 2003 EE
Premiums will increase	66%SIG	60%	70%
Deductibles will increase	43%SIG	38%	45%
Reduction in coverage	27%SIG	21%	34%
Change in medical plan options	23%	21%	42%
Change in medical providers	13%	14%	23%
Employer will drop medical insurance coverage	2%	1%	2%
None of the above	19%SIG	25%	17%
Other	1%	1%	1%
	N=1,105	N=1,048	N=1,344

SIG = varies significantly (95% level) from 2007 employee comparison

Benefit Communication

Employees were asked how comfortable they are with managing their benefit decisions with the amount of direction and education their employer provides. Up significantly from 2005, 55% of employees are either very or somewhat comfortable managing their benefit decisions with the amount of direction and education their employer provides.

Table 30

“How comfortable are you with managing your benefit-related decisions with the amount of direction and education provided by your employer?”

Base: N=1,179 employed U.S. adults in firms of 10-1,000 employees

	4 Qtr 2008	2 Qtr 2005
Very Comfortable	25%SIG	13%
Somewhat Comfortable	30%	29%
Neither Comfortable/Uncomfortable	20%SIG	32%
Somewhat Uncomfortable	11%SIG	16%
Very Uncomfortable	7%SIG	10%
Did not receive benefit information from my employer	6%	N/A

SIG = varies significantly (95% level) from 2005 employee comparison

Retirement Savings

Employees were asked about their effort to save for their own retirement over the past 6 months. Two-thirds of employees said they have not changed the amount they are saving towards retirement in the past six months, a significant increase from third quarter 2008 (62%). Eleven percent of employees have increased the amount they are saving, down significantly from 14% in third quarter 2008, while only 4% have decreased the amount they are saving. Similar to third quarter 2008, 17% of employees indicated they are not currently saving for their retirement.

Table 31

“Which of the following describes your effort to save for your own retirement over the past 6 months?”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

	4 Qtr 2008	3 Qtr 2008	2 Qtr 2008
I have reduced the amount I am saving towards retirement	4% SIG	7%	7%
I have increased the amount I am saving towards retirement	11% SIG	14%	20%
I have not changed the amount I am saving towards retirement	67% SIG	62%	57%
I am not currently saving for retirement	17%	18%	16%

SIG = varies significantly (95% level) from 3rd Quarter 2008 employee comparison

Retirement Date

Employees were asked if they have adjusted when they plan to retire given current economic conditions. Only 9% of employees said they are delaying their planned retirement, while nearly four out of ten (39%) said they have not changed their planned retirement date. Over half (52%) of employees are not sure when they are going to retire. These findings are consistent with those from third quarter 2008.

Table 32

“Due to current economic conditions, have you adjusted when you plan to retire?”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

	4 Qtr 2008	3 Qtr 2008
Yes, I have delayed my planned retirement date	9%	9%
No, I have not made any changes to my planned retirement date	39%	37%
I am not sure when I am going to retire	52%	54%

401(k) Changes

Similar to third quarter of 2008, eighty percent of employees who are eligible to participate in a defined contribution plan say they are currently participating.

Employees participating in their employer’s defined contribution plan were asked what changes they have made, if any, to their 401(k) account in the past 6 months due to current economic conditions. Ten percent indicated they have made some type of change to their 401(k) – 4% have decreased the amount they are contributing to their 401(k), 5% have taken out a loan from their 401(k) account, 1% have taken out a hardship withdrawal, and 1% have stopped contributing to their 401(k) account (note percentages exceed 10% due to some employees making multiple changes to their 401(k)).

Employees who have made changes to their 401(k) account have made these changes most commonly to pay down debt (46%) or to pay daily expenses (34%). Please see Table 35 for details.

Table 33

“Are you currently participating in your defined contribution plan (such as a 401(k) plan, etc.)?”
 Base: 866 employed U.S. adults in firms of 10-1,000 employees who are eligible to participate

	4 Qtr 2008 EE	3 Qtr 2008 EE	3 Qtr 2007 EE
Yes	80%	81%	84%
No	20%	19%	16%
	N=866	N=964	N=911

Table 34

“Due to current economic conditions, have you done any of the following in the past 6 months with your 401(k)? Please select all that apply.”

Base: 697 employed U.S. adults in firms of 10-1,000 employees who participate in their employer's 401(k)

	4 Qtr 2008	3 Qtr 2008
Taken out a loan from my 401(k) account	5%	4%
Decreased the amount I am contributing to my 401(k) account	4%	5%
Taken out a hardship withdrawal from my 401(k) account	1%	3%
Stopped contributing to my 401(k) account	1%	3%
None of the above	90%	87%

Table 35

“Why have you made such change(s) to your 401(k) account? Please select all that apply.”

Base: 71 employed U.S. adults who have made a change to their 401(k)

	4 Qtr 2008	3 Qtr 2008
To pay down debt	46%	40%
To pay daily expenses (gas, groceries, etc.)	34%	38%
To build up my savings account	16%	15%
To pay for education expenses	16%	7%
To pay medical expenses	11%	20%
To pay for home improvements	11%	11%
To purchase a home	4%	8%
To pay funeral and/or burial expenses	2%	3%
Other	11%	20%

Job Security

Job security was ranked number one in terms of importance by more employees (57%), over long-term financial future (34%) and challenging work (10%). Even more employees ranked job security as number one in importance this quarter (57%) compared to third quarter of 2008 (49%).

Table 36

“Please rank the following items in terms of how important it is to you.”

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

Respondent Ranked Item #1	4 Qtr 2008	3 Qtr 2008	2 Qtr 2008	2 Qtr 2007	4 Qtr 2006	4 Qtr 2005
Job Security	57%SIG	49%	47%	39%	45%	52%
Long-Term Financial Future	34%SIG	40%	41%	49%	41%	36%
Challenging Work	10%	11%	12%	12%	14%	12%
	N=1,179	N=1,331	N=1,117	N=1,137	N=1,197	N=1,213

SIG = varies significantly (95% level) from 3rd Quarter 2008 employee comparison

Almost a third (31%) of employees expressed some level of concern over their personal job security when asked. This number is down significantly from the fourth quarter of 2007, when 37% of employees expressed such a concern. Nearly three out of ten employees (29%) are making changes in their career as a result of their job insecurities.

When asked what concerns they have about their company in the next year, the most common concern cited was that their company will reduce the number of employees, mentioned by 41% of employees – a significant increase from fourth quarter of 2007 when only 25% expressed this as a concern. Forty-four percent of the employees said none. This percentage is significantly lower than the percentage (53%) who said none in fourth quarter of 2007.

Table 37

“What is your level of concern with your own, personal job security?”

Base: 1,179 employed U.S. adults

	4 Qtr 2008 EE	4 Qtr 2007 EE	2 Qtr 2007 EE
Not at all concerned	35%SIG	31%	47%
Somewhat unconcerned	35%	32%	31%
Concerned	14%SIG	25%	14%
Very concerned	11%SIG	8%	5%
Extremely concerned	6%SIG	4%	3%
	N=1,179	N=1,154	N=1,137

SIG = varies significantly (95% level) from 2007 employee comparison

Table 38

“Are your feelings about job security causing you to make any changes in your future career?”

Base: 761 employed U.S. adults who are at least somewhat concerned about their job security

	4 Qtr 2008 EE	4 Qtr 2007 EE	2 Qtr 2007 EE
Yes	29%	33%	39%
No	71%	67%	61%
	N=761	N=793	N=649

Table 39

"Which of the following concerns do you have about your company in the next year? Please select all that apply."

Base: 1,179 employed U.S. adults

	4 Qtr 2008 EE	4 Qtr 2007 EE	2 Qtr 2007 EE
My company will reduce the number of employees.	41%SIG	25%	22%
My company will go out of business.	10%SIG	6%	8%
My company will be acquired by or merge with a larger company.	6%SIG	11%	7%
Other	9%SIG	13%	11%
I have no concerns about the future of my company.	44%SIG	53%	61%
	N=1,179	N=1,154	N=1,137

SIG = varies significantly (95% level) from 2007 employee comparison

Second Job

Employees were asked if they have taken out a second job, or considered doing so, in order to make ends meet during this time of economic slow down and rising costs. Only 8% of employees have actually done this, but over a third (36%) are considering doing so.

Table 40

"Have you, or have you considered, taking out a second job in order to make ends meet during this period of economic slow down and rising costs?"

Base: 1,179 employed U.S. adults in firms of 10-1,000 employees

	4 Qtr 2008 EE
Yes, have taken out a second job	8%
No, have not taken out a second job but am considering this	36%
No, have not taken out a second job and am not considering this	55%