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**THE AMERICAN DREAM IS JUST A DREAM FOR VAST MAJORITY OF
AMERICAN WORKERS, SAYS PRINCIPAL FINANCIAL
WELL-BEING INDEX**

*U.S. Workers Say the American Dream Harder to Financially Achieve Than Their
Parents' Generation; Index Also Reveals Financial Concerns Keeping Workers
Awake at Night*

Des Moines, IA, September 7, 2005 – The vast majority of American workers (70%) think “The American Dream” has been or will be harder for them to financially achieve than it was for their parents’ generation, according to the latest Principal Financial Well-Being IndexSM. The notion of the American Dream was defined in the Index as holding a good job, owning a home, living in a secure community, and sending the children to a good school. The index surveys U.S. employees at small and medium sized businesses (firms with 10-1,000 employees) and is released quarterly by the Principal Financial Group® and conducted by Harris Interactive®.

Keep Dreaming

The Index also revealed that workers have serious concerns about their financial well-being during retirement, some concerns powerful enough to keep them awake at night. Among respondents who said they spent sleepless nights worrying about financial well-being in retirement, 32 percent said their number one worry is being able to afford even the basic necessities in retirement. Top concerns about financial well-being in retirement keeping others up at night include: ability to maintain their current quality of life (25%), ability to afford good medical care (22%), followed by outliving their savings (11%). Women especially have financial insomnia, with a higher percentage of women than men expressing concern about affording basic necessities during retirement (38% women verses 26% men); yet higher percentages of men than women are most concerned about maintaining their same quality of life in retirement (30% men verses 19% women).

“For this generation of American workers, the American Dream has the potential to become a nightmare,” said Dan Houston, senior vice president, Retirement and Investor Services, The Principal®. “But our message to Americans is much more optimistic...with just a little preparation and planning, Americans can still make their financial dreams a reality.”

Knowing What the Dream Costs

The first step to turning retirement dreams into reality is knowing how much to save. Yet almost half of American workers (49%) said they lacked information to effectively plan and save for retirement. In fact, American workers had a much easier time identifying how much money they'd need to make other major purchases or plan for life events other than retirement. Specifically, most respondents said they knew how much money they would need to buy a computer (94%) and a car (90%); 77% said they knew how much they'd need for a down payment on a house, or to buy a plasma TV (77% each), go on a weeklong cruise vacation (73%), provide a college education (63%) or pay for a new kitchen for their home (57%). But when it comes to retirement, it was last on the list. Only 36% of respondents said they knew how much money they would need for retirement.

“Despite the fact American workers can access financial news and information 24/7 on television, radio, in the newspaper, online and through their employers, many of them say they still don't have enough to determine what they need for retirement,” Houston said. “Clearly people are crying for help when it comes to making critical, long-term and complex decisions.”

More workers continue to throw in the towel when it comes to planning for retirement by themselves. One-third of respondents (33%) said they had not yet planned for retirement savings and security, up from 27% in the third quarter of 2004. Houston continued, “This is part of the retirement conundrum. Workers know they need more information in order to plan for a financially secure retirement, but increasingly more people are delaying the planning and savings process.”

“Do It for Me, or Else”

The Labor Department has recently disclosed it will propose measures to encourage companies to automatically enroll their workers in 401(k) plans. The move toward automatic enrollment is an idea that almost half (49%) of workers now embrace, compared to a year ago, when only 37% of workers supported the idea of automatic enrollment, according to the latest Principal Financial Well-Being Index. Yet currently, only 18% of workers surveyed said they had access to 401(k) automatic enrollment.

For the 41% of employees who are enrolled in a company-sponsored retirement plan and responded they would prefer to have someone manage their investments for them, more than half (55%) said they would select lifestyle/target date funds that are handled by a fund manager based upon their estimated retirement year. Employees are also open to seeking help with managing their portfolios. Just over a third (36%) indicated they would select professionally managed accounts with a fee-based financial advisor making investment choices on their behalf, which is up from a year ago according to the Index when only 27% said they would work with an advisor.

“The do-it-yourself trend might be well and good when it comes to home remodeling, but when it comes to retirement, many Americans are saying loud and clear that they want help,” Houston said. “Financial advisors, providers and plan sponsors are great sources of these tools and services, if only employees will take advantage of them.”

Gas Prices Soar and Americans Changing Behavior as a Result

Another area impacting Americans’ financial well-being today is the escalating cost of fuel, which according to the survey is taking a growing chunk of workers’ wallets. As a result, workers are changing how and where they drive, according to the Index. Nearly half (43%) of workers said their weekly fuel expenses have risen by \$26-\$50. Another 13% estimated they’re paying \$51-75 more per week on fuel. Workers are also indulging less in leisure pursuits and big ticket consumer purchases, with 41% saying that the rising cost of fuel has influenced their vacation plans, automobile purchasing decisions (32%), grade of fuel used (19%), and the decision to carpool or use other means of transportation (17%).

Not only are employees paying more at the pump, they are also seeing increases in their health insurance costs, as 41% saw an increase in co-pays and 37% saw an increase in employee deductibles over the past year. As a result, workers are feeling more squeezed financially. When asked about their financial well-being, more than three quarters of workers (77%) were concerned about their long-term financial future, while slightly under a quarter (22%) are pleased about their current financial well-being.

Methodology: The Principal Financial Group, the nation's 401(k) leader, commissioned Harris Interactive® to conduct an online study of 1,147 full- and part-time employees (ages 18+) of small and mid-sized U.S. businesses (firm size 10 – 1,000) between July 11-18, 2005, about their attitudes and perceptions regarding their financial well being and their current employee benefits. Data were weighted to be representative of the entire population of adult employees working for small to mid-sized U.S. businesses. Propensity score weighting was used to adjust for respondents' propensity to be online. In theory, with a probability sample of this size, one can say with 95% certainty that the results have a sampling error of ± 3 percentage points for the overall sample. Sampling error for the various sub-samples is higher and varies. This online sample was not a probability sample. 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.

About The Principal Financial Group

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About Harris Interactive

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² As of June 30, 2005.