

Release: On receipt, September 12, 2007
Contact: Susan Houser, The Principal Financial Group, 515-248-2268,
houser.susan@principal.com
Brian Blaser, Fleishman-Hillard Inc., 212-453-2475,
brian.blaser@fleishman.com

As Housing Market Tumbles, Americans Plan to Hang Onto Their Homes During Retirement — at Least at First

Thoughts About Long-Term Financial Future Keep Americans Awake at Night

DES MOINES, Iowa, Sept. 12, 2007 — Against the backdrop of the current rocky housing market, the majority of American retirees (73 percent) say they'll hang onto what may be one of their biggest assets -- their homes -- rather than sell or downsize. This according to the latest Principal Financial Well-Being IndexSM, which also shows that 21 percent of working Americans who are five years from retirement also plan to keep their homes during retirement...at least at first.

The index, which surveys American working adults at growing businesses with 10 to 1,000 employees, is released each quarter by The Principal Financial Group[®] and conducted by Harris Interactive[®]. It also surveys retired Americans in acknowledgment of the retiring baby boom generation.

The survey also indicates that of the nearly two-thirds of workers (65 percent) who own their primary residences, 36 percent have less than 20 percent equity built up in their homes. The majority of retirees, on the other hand, have their homes completely paid off (60 percent). While the concept of reverse mortgages to fund retirement appears to be catching on somewhat, the majority of retirees and working American homeowners surveyed say they have not considered taking out a reverse mortgage or selling their home to help fund retirement (78 percent of retirees and 76 percent of workers).

“The current home mortgage instability is a critical issue for Americans’ sense of financial well-being and long-term security,” said Dan Houston, executive vice president of Retirement and Investor Services, The Principal[®]. “Those with inadequate savings during retirement might be forced to consider home equity as a source of retirement income. Yet despite the anxiety Americans may have, it’s reassuring that most workers

and retirees do not plan to tap into home equity, or consider a reverse mortgage, to help fund expenses during retirement. Instead, it is crucial that retirees and workers develop and implement an adequate retirement savings plan that will allow them to maintain their lifestyles throughout retirement.”

Actions Speak Louder Than Words

As the summer comes to a close, an unstable housing market is not the only thing weighing on Americans’ minds. The index revealed that more than two-thirds of workers (67 percent) and more than half of retirees (52 percent) are concerned about their long-term financial future.

Respondents in the survey were asked to indicate what financial concerns “keep them awake at night”. American workers and retirees differed on the issues causing their financial insomnia. More than one-third of workers (39 percent) responded that being able to enjoy the same quality of life during retirement keeps them awake. Equally concerning is the ability to afford good medical care (39 percent). Workers also said that outliving their savings is a concern (32 percent), and the rising cost of inflation reducing their purchasing power (28 percent). As for retirees, the ability to afford good medical care (29 percent) also was their chief concern, followed by outliving savings (24 percent), and ability to pay for basic necessities (21 percent).

Houston noted that despite these concerns, nearly half of workers (45 percent) and significantly more retirees (61 percent) have not received any financial planning assistance. And while 42 percent of workers think they should save 11 percent or more of their pretax salary for retirement, only a minority (11 percent) actually do.

“Americans clearly are concerned that they might fall short of the savings they’ll need to maintain their current lifestyles in retirement. With a growing number of resources available — such as automatic retirement savings vehicles at the workplace and financial planning assistance— the tools are in place to put Americans on track for a financially secure retirement.”

Looking Ahead to Election 2008

Given increased attention surrounding the upcoming primaries for the 2008 Presidential election, Americans were asked about the issues most concerning to them. The number one issue concerning both working Americans and retirees is the war in Iraq (63 percent workers and 65 percent retirees), followed closely by health care (60 percent workers and 63 percent retirees). Workers and retirees were also concerned about other issues (to different degrees), including the economy and jobs (52 percent workers; 42 percent retirees), Social Security (50 percent workers; 58 percent retirees), immigration (43 percent workers; 54 percent retirees), homeland security (38 percent workers; 49 percent retirees) and education (35 percent workers; 20 percent retirees).

Methodology. The Principal Financial Group®, the nation's 401(k) leader, commissioned Harris Interactive® to conduct online research with employees (ages 18+) of small and mid-sized (SMB) U.S. businesses (firm size 10 – 1,000 employees) about their attitudes and perceptions regarding their financial well-being and their current employee benefits. To compare responses, Harris Interactive also interviewed a group of retirees. Harris Interactive conducted The Principal Financial Well-Being Index survey online among 1,214 employees and 554 retirees from Aug. 1 – 7, 2007. Data were weighted to be representative of the entire population of adult employees working for small to mid-sized U.S. businesses and retirees on the basis of age by gender, age, education, race/ethnicity, region, income and propensity to be online. With a probability sample of this size, one can say with 95 percent certainty that the results have a statistical precision of plus or minus 3 percentage points for employees and plus or minus 4 percentage points for retirees; however, 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. The Principal Financial Group® (The Principal®)¹ is a leader in offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement and investment services, life and health insurance, and banking through its diverse family of financial services companies and national network of financial professionals. A member of the Fortune 500, the Principal Financial Group has \$282.1 billion in assets under management² and serves some 18.1 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States. Principal Financial Group, Inc. is traded on the New York Stock Exchange under the ticker symbol PFG. For more information, visit www.principal.com.

About Harris Interactive. Harris Interactive is the 13th largest and one of the fastest-growing market research firms in the world. The company provides innovative research, insights and strategic advice to help its clients make more confident decisions which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for The Harris Poll, one of the longest running, independent opinion polls and for pioneering online market research methods. The company has built what it believes to be the world's largest panel of survey respondents, the Harris Poll Online. Harris Interactive serves clients worldwide through its North American, European and Asian offices, and through a global network of independent market research firms. More information about Harris Interactive may be obtained at www.harrisinteractive.com.

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² As of June 30, 2007.