

2006 to 2011

CHANGING ATTITUDES ABOUT RETIREMENT INCOME

Tracking the challenges of investors in **The Retirement Red Zone[®]**

SEPTEMBER 2011

ABOUT THE STUDY

Research Objectives

This study explores what American investors in The Retirement Red Zone®—those near or in retirement—perceive to be their challenges with respect to planning for retirement income.

In addition, the study shares data on investors' retirement planning attitudes and concerns, with comparisons to previous Retirement Red Zone studies that Prudential conducted in 2009 and 2006.

Methodology

Prudential's study *Changing Attitudes About Retirement Income* polled 1,001 Americans in an online survey from May 4 to 12, 2011.

The study's participants are a national random sample of mass affluent heads of household selected from panelists in the Research Now U.S. Consumer Panel. Prudential targeted respondents who are considered to be "Retirement Red Zone Investors" based on the following criteria:

- Primary or joint decision maker for household financial decisions
- Age 45-75
- Household income of at least \$100,000 (\$50,000, if retired)
- Household investable assets of at least \$100,000
- Retirement savings of at least \$100,000

The study has a margin of error of ±3.1% at the 95% confidence level.

Tracking Data

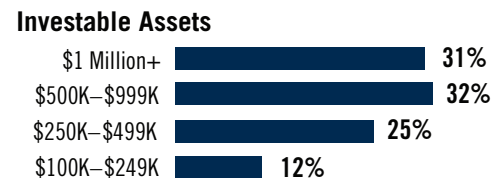
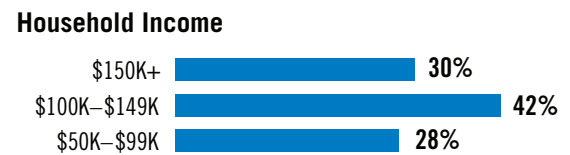
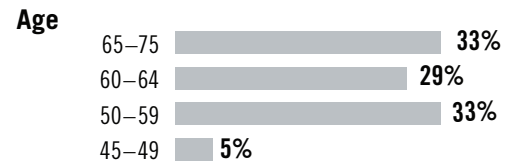
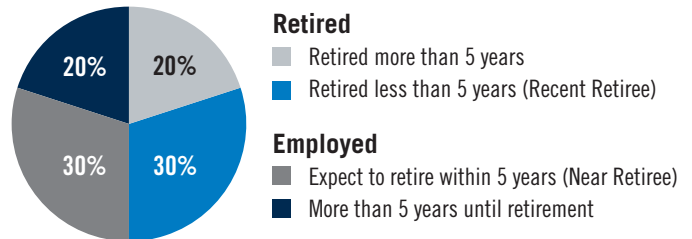
Throughout this study, findings are compared to historic data that were collected in two previous Retirement Red Zone studies, each of which included the same profile of participants:

- *Impact of the Market Crisis on Retirement Preparedness* (September 2009)
- *Are You Ready for The Retirement Red Zone?* (June 2006)

Profile of Respondents

Quotas were set to ensure we had a readable sample size for the Retired and Employed segments within The Retirement Red Zone audience.

Retirement Red Zone Segments



What is The Retirement Red Zone®?

The Retirement Red Zone is what Prudential calls the critical years before and after individuals retire, a time when the financial decisions one makes matter most, and there's less time to make up for mistakes. Securing one's retirement is a top priority in these years; growth is key, as is protecting current or future retirement income against market downturns and losses.

SUMMARY

1. The challenge of investing and planning for a secure retirement is a growing concern

- Retirement Red Zone investors' concerns have grown over the past five years:
 - 59% worry about how much income they really need in retirement (+17).
 - 56% question whether their current investment strategy is right for their retirement needs (+11).
 - 84% are concerned about inflation eroding the value of their retirement savings (+8 points).
- Nearly three-quarters express concern about a significant decline in the stock market immediately before or after their retirement (73%).
- The majority of investors say they are more cautious now than ever before (68%), underscoring a trend toward a more conservative mindset. In fact:
 - 47% hesitate to invest more in the market despite future growth opportunities.
 - Compared to five years ago, 60% feel that investing too aggressively is the greater risk to their retirement security (+9) versus investing too conservatively.

2. Investors recognize significant challenges in planning for retirement income

- Having stable retirement income is a “leading financial concern” (52%) or “top of mind” (38%) for the majority of Retirement Red Zone investors.
- More than half name “maintaining my lifestyle in retirement” (59%), balancing asset growth and protection (57%), and the impact of rising costs (53%) as their most significant challenges related to planning for and having enough income in retirement.
- More than eight in 10 say they are working diligently to plan for retirement income (86%). More than nine in 10 indicate they already feel at least “somewhat” prepared to generate a reliable stream of income for retirement (93%).
- The majority of employed respondents name five or more expected sources of retirement income. Yet most of these sources do not overcome the challenge of not running out of money in retirement.

3. There is a greater awareness and interest in guaranteed retirement income products; these products are more likely to keep investors in the stock market

- Compared to 2006, investors are more aware of guaranteed retirement income products—specifically, products that can guarantee lifetime income from retirement savings (+6), or guarantee to lock in market gains (+8) or provide a minimum annual growth rate (+11) on money intended for use as lifetime income.
- Three-quarters of Retirement Red Zone investors find these types of guarantees appealing.
- 82% believe an investment product with guaranteed features would be a perfect addition or “nice to have” as part of their portfolio, which is an increase from 2009 (+6).
- The majority of survey respondents indicated that if they had a retirement investment product with guaranteed income, they would likely stay in the stock market even if they were to experience short-term losses (84%), and would stay invested for the longer-term horizon (76%). Both of these measures are higher than first reported in 2006 (+10 and +4 points, respectively).

4. Investors want help with retirement income decisions, even as they become more self-reliant

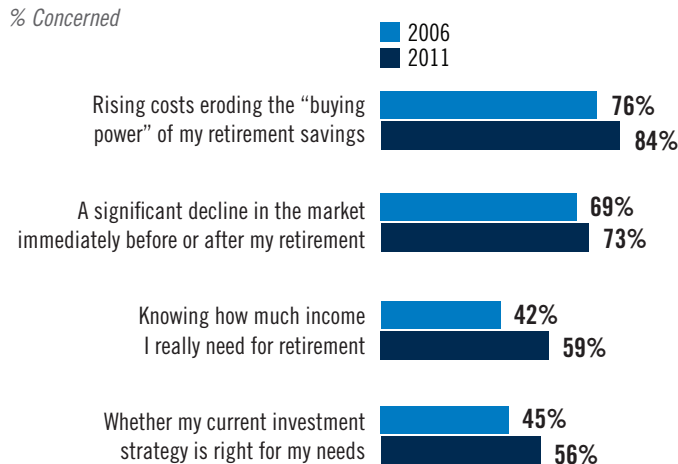
- More than three-quarters report that today, more than ever before, they hold themselves more accountable for investment decisions (78%); half say they are not comfortable relying on an advisor’s advice without doing their own homework first (50%).
- While there are more do-it-yourselfers today compared to two years ago (32% vs. 23%), the majority of investors rely on financial professionals (68%) to lead or help with their investment decisions.
- When asked specifically about the help they need in retirement income planning, half say they need guidance on the financial issues they should be thinking about and the solutions that may be best for their situation (48%). About a third are actively seeking help and want a one-on-one discussion about the options for generating retirement income (31%).
- While investors are concerned and may be open to talking about this important topic, the data reveal they are not necessarily initiating the discussion. The fact that two-thirds want retirement planning advice in general, and that they appreciate the expertise that a financial professional delivers (66%), gives some indication that advisors can successfully engage this audience.

THE CHALLENGE OF INVESTING AND PLANNING FOR A SECURE RETIREMENT IS A GROWING CONCERN

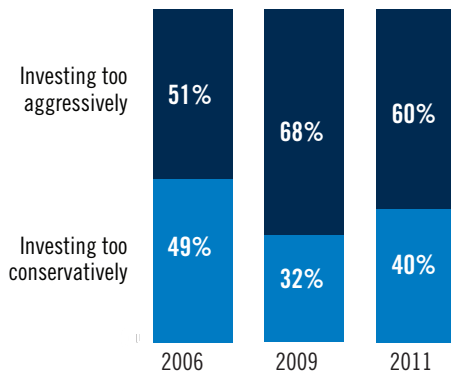
Concerns about investing and retirement planning have increased over the past five years

- One of the most remarkable increases since 2006 is the 59% of investors who are concerned about knowing how much income they will really need for retirement (+17 points).
- Investor concerns about the impact that rising costs will have on the buying power of their retirement savings were already high, and have climbed even higher (+8).
- The experience of the recession and the ensuing market volatility has Retirement Red Zone investors more seriously questioning whether or not their investment strategy is sufficient for their needs (+11).
- Close to three-quarters are concerned about what another significant decline in the market would mean for their retirement savings.

How concerned investors are about specific retirement planning challenges



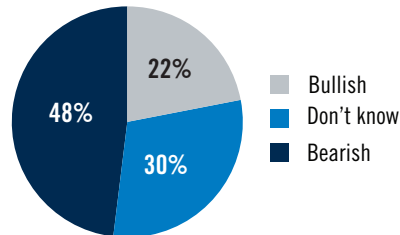
Perception of the greater risk in investing for retirement



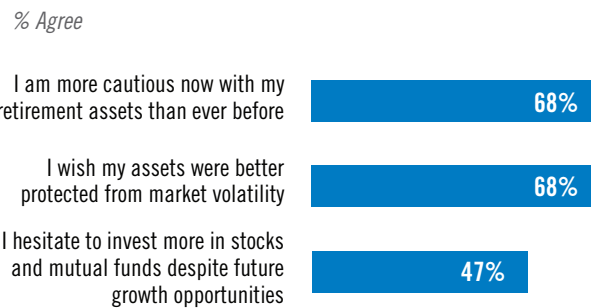
Many have become more conservative in managing their retirement assets

- In planning and managing their retirement assets, many show a more conservative mindset, with about half expecting their investment approach to be "bearish" over the next five years (48%), and close to a third not knowing what to expect (30%).
- In 2006, investing too aggressively or too conservatively were seen as equally risky. Today, however, 60% believe being too aggressive is the greater risk. In 2009, 68% believed this to be the case, revealing how significantly the volatility of the market impacts investor perceptions.
- Almost seven in 10 say they're more cautious than ever before with their investments and wish they were better protected from market volatility. About half say they hesitate to invest more in stocks and mutual funds. Achieving retirement goals must take into account this more careful and cautious approach.

Expected investment approach in the next five years



Views on investing as a result of recession

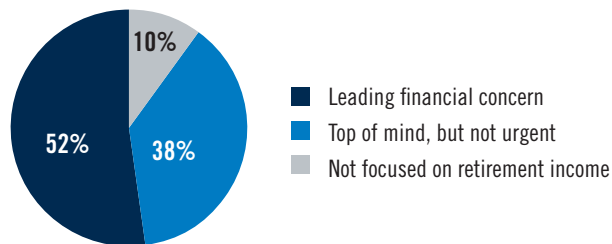


INVESTORS RECOGNIZE SIGNIFICANT CHALLENGES IN PLANNING FOR RETIREMENT INCOME

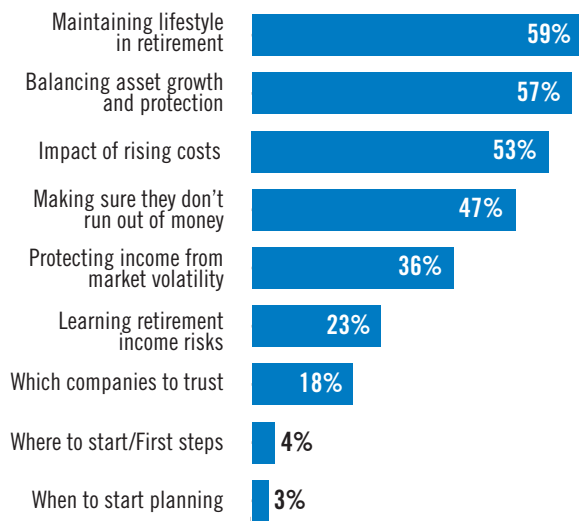
“Maintaining lifestyle” is viewed as the number one retirement income challenge

- The majority of Retirement Red Zone investors report that generating a reliable stream of income for retirement is a “leading financial concern” (52%) or “top of mind” (38%) for them.
- Maintaining lifestyle and making the right trade-offs between growth and protection are the most significant retirement income challenges investors say they face no matter their age, assets or investment style.
- Three-quarters feel confident they will be able to address their retirement income challenges (74%). More than eight in 10 report that they are working diligently to plan for retirement income (86%), and just as many said they are eager to find solutions for generating retirement income beyond Social Security and employer pensions (85%).

Investors’ perspective on planning for retirement income



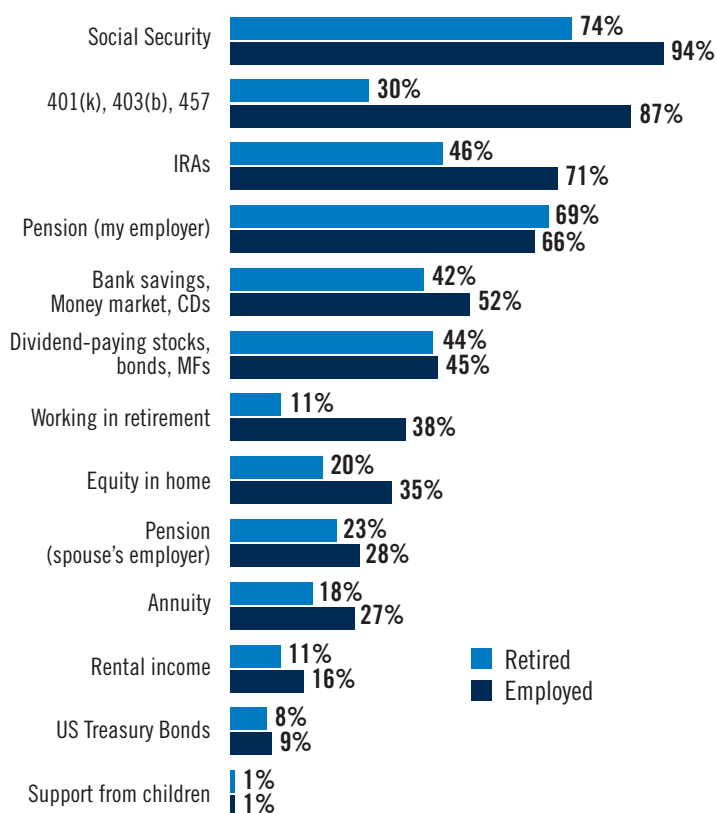
What investors see as their most significant retirement income challenges



Investors appear fairly confident about how they will receive their retirement income

- Most believe they are already prepared to generate a reliable stream of income in retirement—ranging from “completely” (27%) to “very” (37%) to “somewhat” (29%) prepared.
- While investors have several ideas for how they will draw retirement income, most of these sources do not overcome the challenge of not running out of money.
- Employed respondents have broader expectations for retirement income, compared to what retirees currently use. In fact, 73% of employed respondents named five or more expected income sources, while only 36% of retirees actually have five or more sources.
- This breadth may be indicative of individuals becoming more personally responsible for retirement income. In particular, employed respondents recognize that defined contribution plans are integral to their retirement income planning.
- In some cases, realities may not meet expectations. For example, working in retirement is not always an option, due to health challenges or availability of employment.

How investors are currently receiving or expect to receive retirement income



THERE IS GREATER INTEREST IN GUARANTEED RETIREMENT INCOME PRODUCTS; THESE PRODUCTS ARE MORE LIKELY TO KEEP INVESTORS IN THE STOCK MARKET

Three in four investors are aware of investment products that offer guaranteed lifetime income

- Marketing and education efforts across the industry appear to have increased investors' awareness of investment products that offer guaranteed retirement income features.
- Whether it be the market experiences of the past few years or the increase in awareness, investors appear to be more open than ever before to considering guaranteed products as part of their retirement planning.

Appeal of guaranteed investment products is high among those in and near retirement

- When presented with examples of product features that guarantee a regular stream of retirement income, offer flexibility as to how and when you take income, and guarantee that income will never decline, three-quarters of investors found these investment products appealing.
- In fact, 82% believe an investment product with guaranteed features like these would be a perfect addition (18%) or "nice to have" as part of their portfolio (64%), which is an increase from 2009 (+6).
- Among investors who don't already have a product like this, 70% express a likelihood to research these products further now that they've heard about them.

Awareness of guaranteed features on retirement investment products

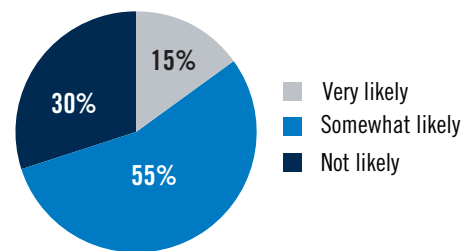
	2006	2011	Change
Guarantee lifetime income from your retirement savings	70%	76%	+6
Guarantee income to a spouse after the retiree's death	74%	75%	+1
Guarantee a minimum annual growth rate on money intended for use as lifetime income	55%	66%	+11
Guarantee to lock in market gains on money used for lifetime income	39%	47%	+8

Guarantees would encourage many investors to stay invested in the market

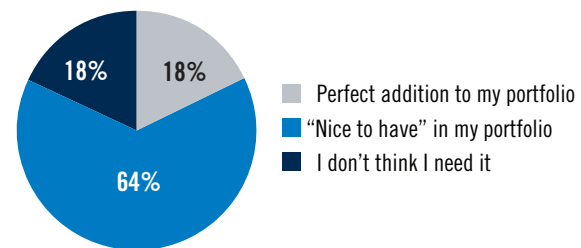
- Most investors indicate that if they had the benefit of a retirement investment product with guarantees such as lifetime income and locking in market gains for future income (both of which provide some protection against market volatility), they would likely stay invested in the stock market, with many even likely to choose more aggressive investments.
- This is especially noteworthy considering the conservative and cautious investment behaviors many Retirement Red Zone investors report (as revealed on previous pages).
- Connecting some of these apprehensive investors to the products that are designed to provide growth and protection—including products with guarantees for lifetime income—could potentially help them come closer to reaching their goals for a secure retirement.

Likelihood to research guaranteed lifetime income products

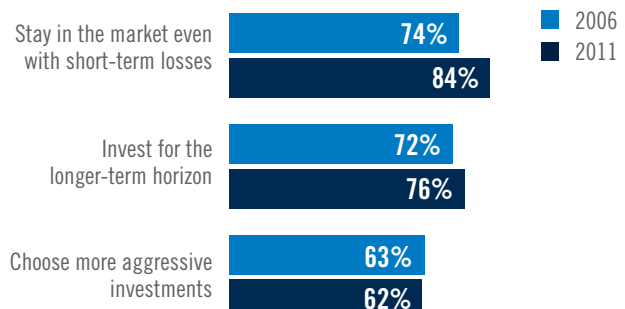
Based on those who don't already own a similar product



Would investment products with these types of guarantees fit in your retirement portfolio?



Impact of owning products with guarantees

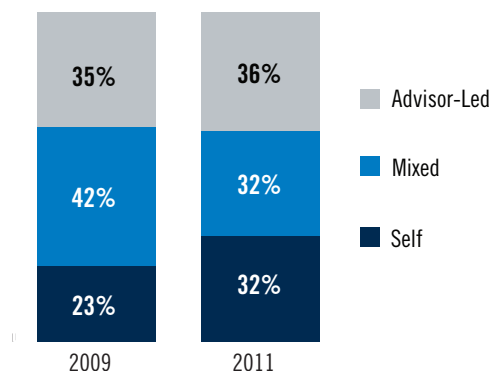


INVESTORS WANT HELP WITH RETIREMENT INCOME DECISIONS, EVEN AS THEY BECOME MORE SELF-RELIANT

Roughly half of investors want help with two or more aspects of retirement income planning

- When asked directly about the help they need in retirement income planning, 48% say they want guidance on the financial issues they need to be thinking about, and the solutions that may be best for their situation.
- About a third want a one-on-one discussion with a financial professional (31%); this varies greatly based on whether or not respondents already work with a financial professional.
- Coinciding with their “do-it-yourself” attitude, those who are self-led show much more interest in online tools and calculators.
- Not surprisingly, those closest to retirement appear to want the most help.

Reliance on financial professionals in approach to investment decisions

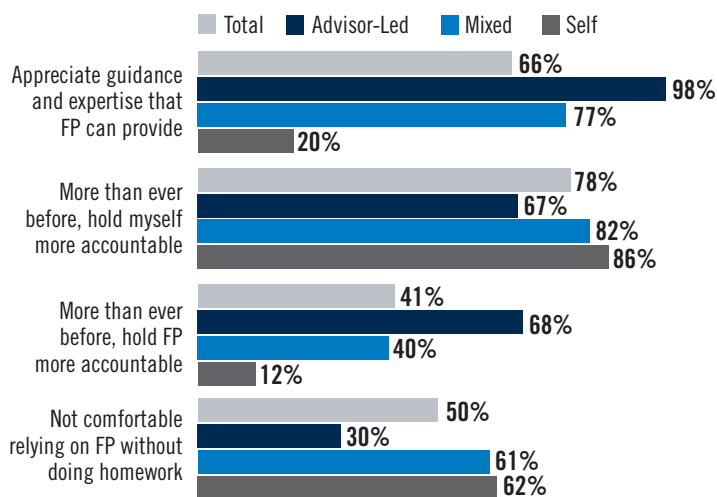


Many value the advice of financial professionals, but are holding themselves more accountable

- Two-thirds say they appreciate the expertise that a financial professional can provide (66%); that same audience appears to be currently working with an advisor—either very closely (36%) or sometimes (32%).
- That said, there has been a remarkable jump in the percentage of do-it-yourself investors over the past two years (+9 points). Also, more than three-quarters of Retirement Red Zone investors report that today, more than ever before, they hold themselves more personally accountable for investment decisions.
- Even those who are “advisor-led” have indicated more initiative and are doing their homework before fully relying on the advice of their financial professional.

Accountability of self and advisor in investment decisions

% Agree



What kind of help do you want or need related to retirement income planning?

	TOTAL %	In the Red Zone		Use of Advisor		
		Recent Retiree	Near Retiree	Advisor-Led	Mixed	Self
Guidance on the financial issues I need to be thinking about and what's best for my situation	48	55	43	56	49	38
More specifics on how to convert my savings into retirement income	34	29	45	25	42	36
One-on-one discussion with financial professional about the options for generating retirement income	31	34	34	48	31	11
Tools and calculators to help set realistic financial retirement goals	27	25	30	21	24	37
Advice on how to prepare and invest for retirement	17	14	22	20	18	12
Figuring out how much more I need to save for retirement	19	9	26	17	21	21
Need to learn the basics of how to generate income from my assets	10	10	12	8	13	10
NET: Want help with two or more aspects	45	45	54	48	51	38

