



Financial Realities: Changing Timeframes

**“How Americans are Responding
to the Economic Landscape”**

Objective and Methodology

Objective:

- **Northwestern Mutual sponsored “Financial Realities: Changing Timeframes” to help provide insight into how Americans are responding to the current economic landscape, and to explore how attitudes and priorities may be changing regarding the way people approach their finances.**

Methodology:

- **Independent research firm Harris Interactive conducted the online survey of 1,057 Americans aged 25 or older between March 23 and April 26, 2010.**
- **Results were weighted as needed to reflect the total American population by age, gender, education, race/ethnicity, region and household income.**
 - **Propensity score weighting was also used to adjust for respondents’ propensity to be online.**
 - **No estimates of theoretical sampling error can be calculated; a full methodology is available.**

Executive Summary

Distinct Shift in Financial Expectations

- It appears that Americans have shifted their time horizons. Among those with financial goals, 75% say the financial crisis has impacted the timeframe in which they had originally planned to meet their financial goals.
 - This shift is felt most strongly by those 35 and older, where 8 in 10 say it will now take them longer to achieve their financial goals.
- Even with a recognition of the shift to a longer time horizon, people have accepted short-term realities they are facing.
 - 65% of Americans report having experienced a serious financial challenge in the past 18 months.
 - People expect they will need to save more and spend less in the next 12 months.
 - Emergency savings accounts are likely experiencing balance fluctuations as people have to tap into and then try to rebuild this vehicle.
- Despite these short-term realities, Americans recognize the value in financial products that reflect a long-term view.

Highly Conservative Attitudes Toward Money Take Hold

- People feel that the most attractive financial products are conservative, yet flexible. Those that are safe, steady and secure, are flexible and guaranteed are preferred by the majority.
- Americans are most satisfied with the value their life insurance has retained over time when comparing it to the value of their home, 401k and investments.
 - They do not however consider it flexible, tax-friendly or clearly understand the growth it generates in the future.

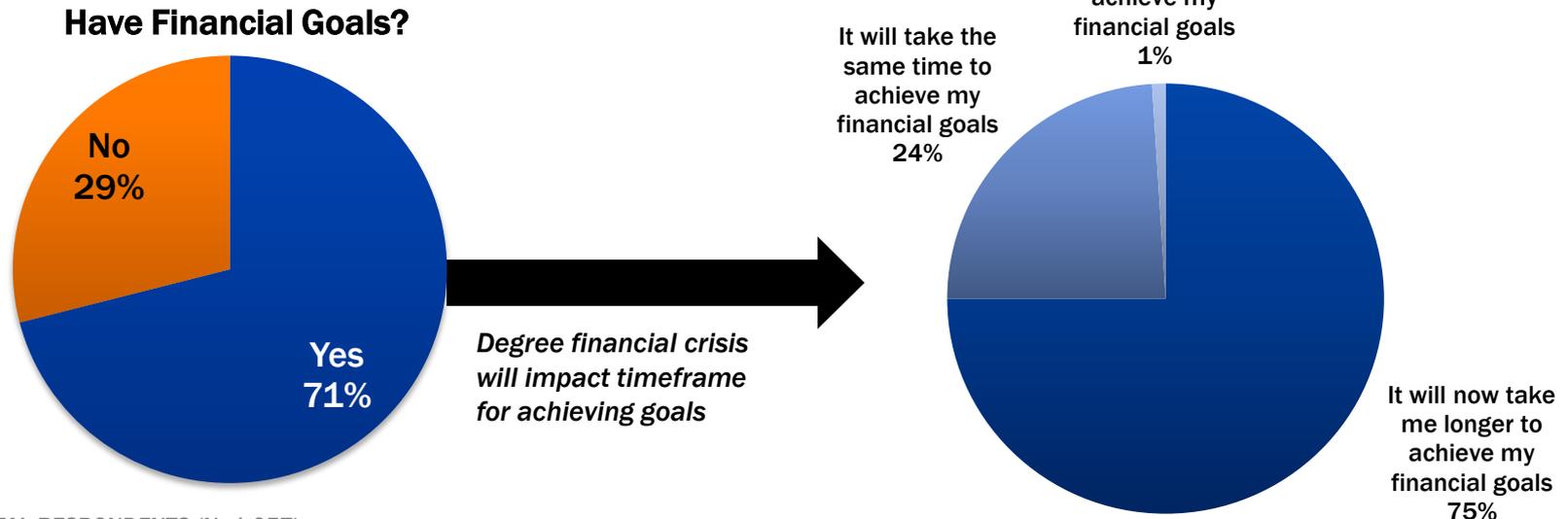


Detailed Findings

Time Frames

Seven in ten have financial goals; three-quarters of these say the crisis has lengthened the timeline of meeting these goals.

- Financial goals are seen more among full time employees and college graduates:
 - Employment status (full time 80%, part time 68%, retired 71%, other 56%)
 - Education (college education 84%, no college education 59%)
- 25-34 year olds do not express as much shift in timeframe as do those who are 35 and older:
 - It will now take me longer: 25-34 61%, 34-54 78%, 55+ 81%
 - It will take me the same amount of time: 25-34 37%, 35-54 21%, 55+ 19%
- Financial goals are more common among those with household incomes of at least \$75K rather than less (83% vs. 62%).



BASE: TOTAL RESPONDENTS (N=1,057)

Q731 Do you have financial goals?

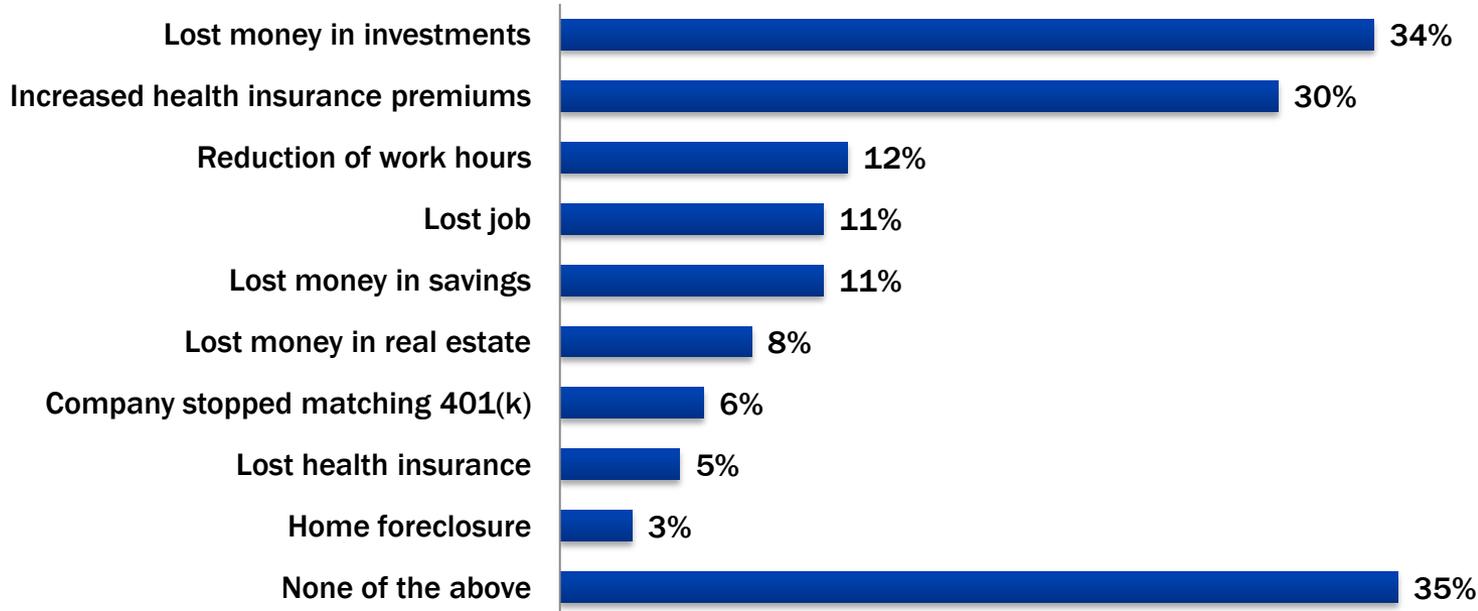
BASE: HAVE FINANCIAL GOALS (N=753)

Q732(a) How has the financial crisis impacted the timeframe in which you plan to achieve your financial goals?

65% of Americans report having experienced a serious financial challenge in the past 18 months.

- 25-54 year olds are more likely than those older to have experienced a reduction in work hours and lost their health insurance.
 - Reduction of work hours (16% of 25-34 year olds, 14% of 35-54 year olds, 6% of those 55+)
 - Loss of health insurance (8% of 25-34 year olds, 7% of 35-54 year olds, 2% of those 55+)
- Those 35 and older mention investment loss more often than 25-34 year olds (18% among 25-34 year olds, 33% among 35-54 year olds and 44% among those 55 and older).
- Among Americans with household income of \$75K-<\$100K, reduction of work hours, loss of health insurance and home foreclosure is more common than it is among those with higher incomes. Job loss is higher among those making less than \$75K (15% vs. 6%). Americans making \$150K a year or more cite losing money in real estate at significantly higher levels.

Experienced in the Past 18 Months

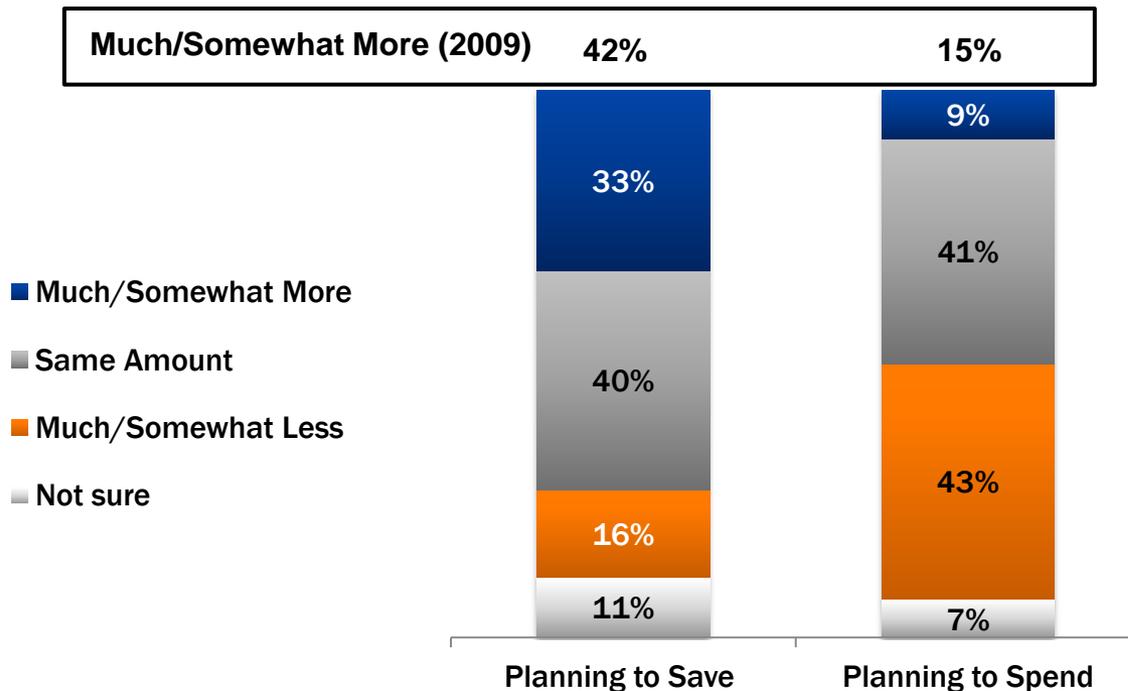


BASE: TOTAL RESPONDENTS (N=1,057)

Q710 (1B) Which, if any, of the following have occurred in the past 18 months? Please select all that apply.

Saving will be more popular than spending over the next 12 months.

- The intent to save more money in the next 12 months has, however, decreased compared to 2009 (Top 2 box responses are: 2009 42%, 2010 33%).
- Bulking up savings in the next year is more popular among 25-34 year olds than those 55 and older. Top 2 box responses are: 25-34 year olds 40%, 35-54 year olds 38%, 55+ 23%.
- Delegators will be saving less compared to the other segments (Bottom 2 box: Independent Investors 15%, Advice Seekers 10%, Delegators 22%).
- Americans with household incomes over \$75K are more likely than those with lower incomes to say they will save AND spend the same amount of money over the next 12 months (save: 48% vs. 34%; spend 52% vs. 35%).



BASE: TOTAL RESPONDENTS (N=1,057)

Q855 (24a) In the next 12 months, how much more money do you plan to save, compared to your current savings habits?

Q865 (26a) In the next 12 months, how much more money do you plan to spend, compared to your current spending habits?

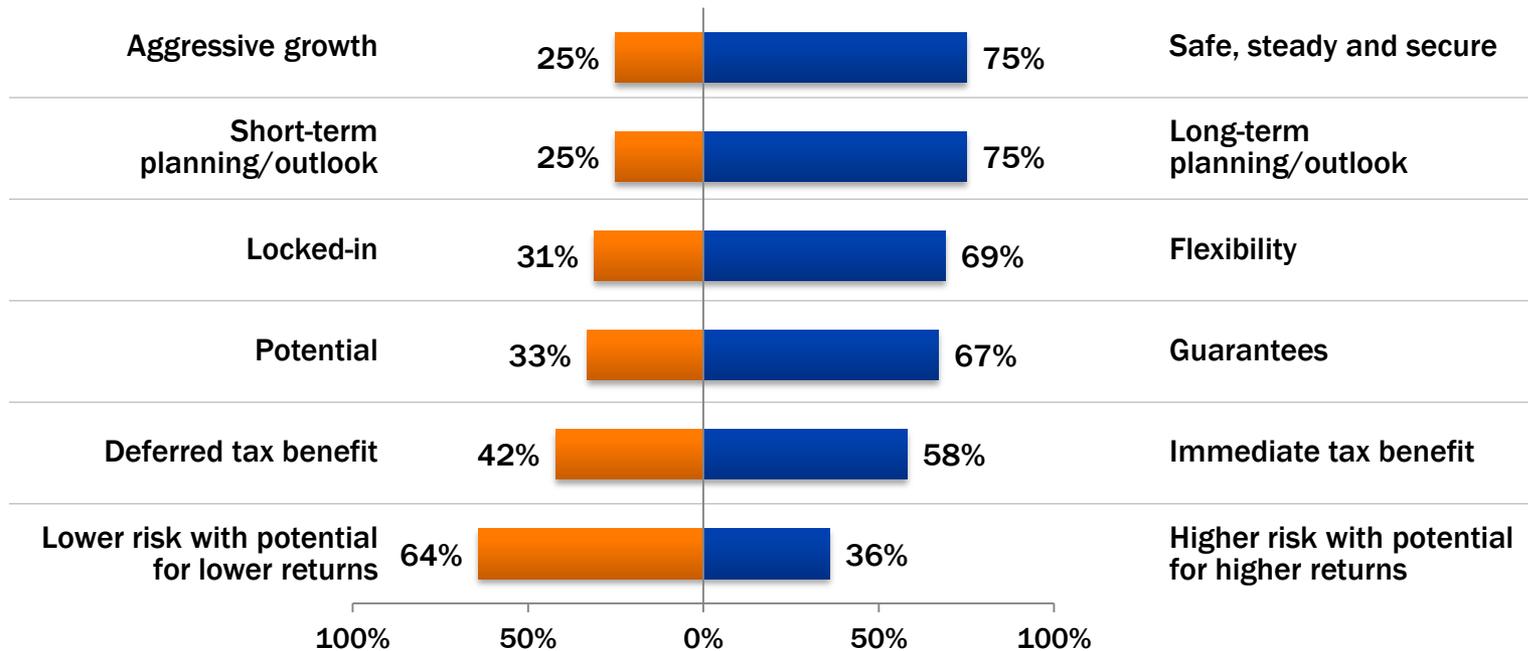


Detailed Findings

Consumer Sentiment

Among financial products, conservative (yet flexible) offerings are most attractive.

- There are gender differences with regard to financial products. While both genders prefer safe products with guarantees, men show more willingness to take on products with risk:
 - Safe, steady and secure (67% men vs. 82% women)
 - Guarantees (63% men vs. 71% women)
 - Lower risk (56% men vs. 72% women)
 - Higher risk (44% men vs. 28% women)
 - Potential (37% men vs. 29% women)
 - Aggressive growth (33% men vs. 18% women)

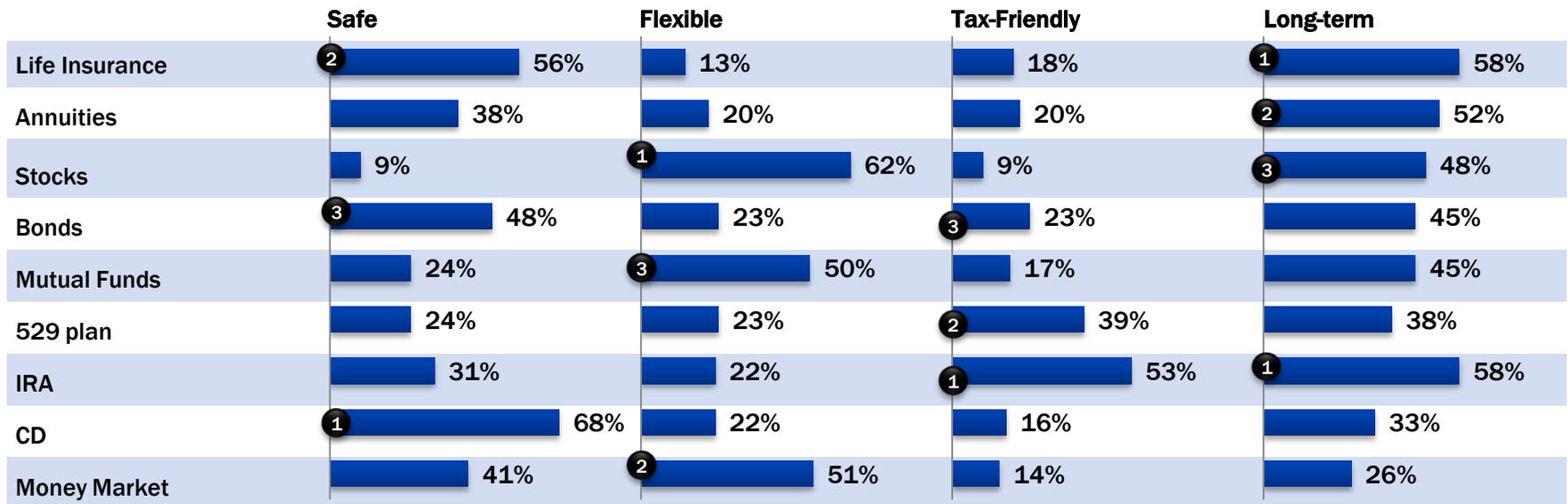


BASE: TOTAL RESPONDENTS (N=1,057)

Q745 (10c) When considering financial products (e.g., investments, insurance) today, which product quality is most attractive to you in each of the following pairings?

Life insurance is viewed as long-term and safe but not as flexible or tax-friendly.

- Safe=CDs, life insurance and bonds
- Flexible=stocks, money market accounts and mutual funds
- Tax friendly=529 plans, IRA
- Long-term=Life insurance, IRAs, annuities and stocks
- Life insurance is viewed as tax friendly among more men than women (24% vs. 11%) and those without a college education (23% vs. 13%).

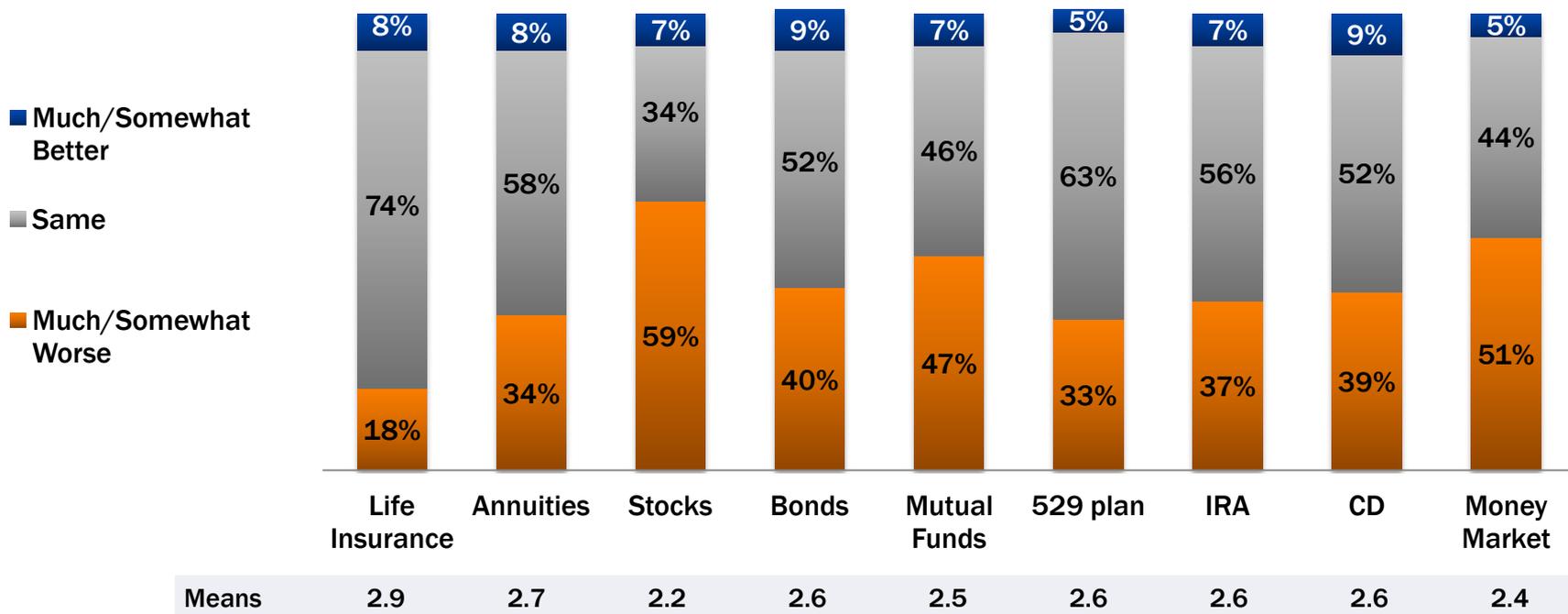


BASE: RESPONDENTS GIVING AN ANSWER

Q750 (11c) Which financial product(s) do you feel match the adjectives below? Please select all that apply for each product.

The financial crisis has worsened opinions about stocks and money market accounts; attitudes toward life insurance remain the same.

- As a result of the financial crisis, Americans 35 and older have significantly more negative opinions than those younger than 35 about all products tested except for life insurance.
- Compared to those with household incomes over \$100K, Americans making less than \$100K say their opinions of stocks, bonds, 529 plans, IRAs and Money Market accounts have gotten worse since the financial crisis.

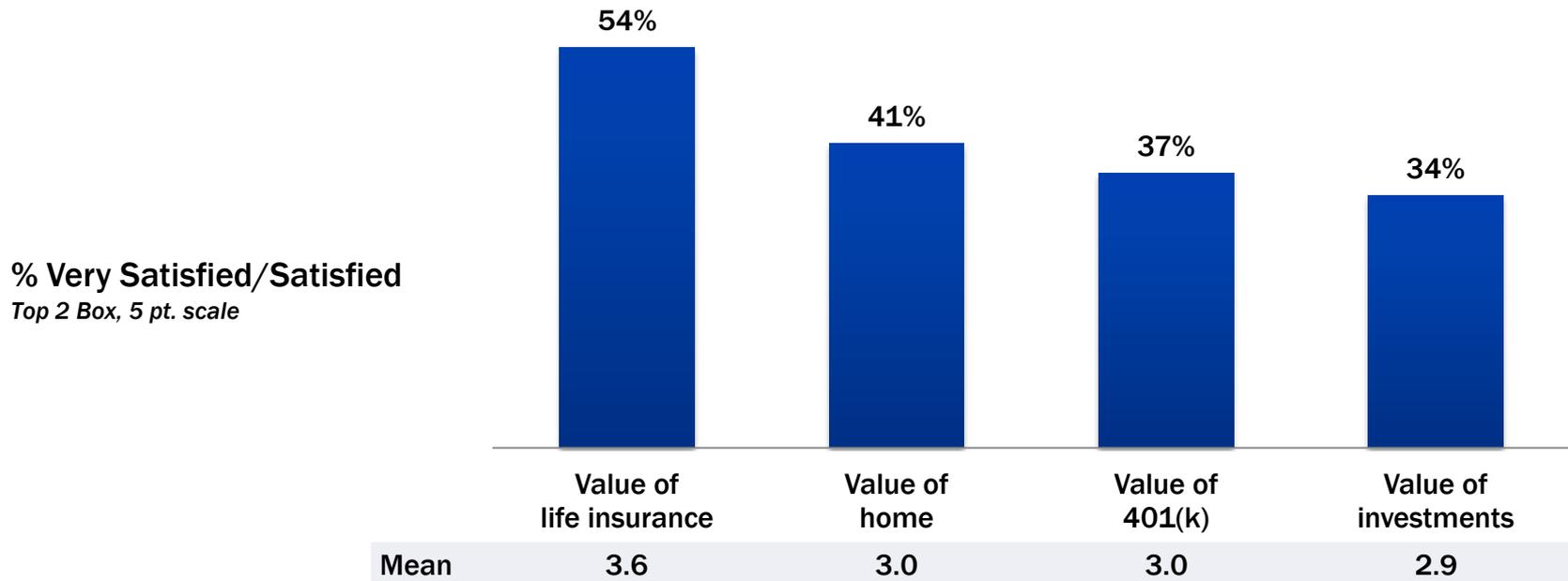


BASE: TOTAL RESPONDENTS (N=1,057)

Q755 (12) Compared to your opinion of the product prior to the financial crisis, today do you feel this product is:

When considering the value each has retained over time, Americans are most satisfied with their life insurance.

- Younger Americans are more satisfied than older Americans with the value of their investments (most likely because they haven't lost as much as older Americans):
 - Top 2 box satisfaction with investment value is 50% among 25-34 year olds, 27% among 35-54 year olds and 35% among those 55+.
- Americans with household incomes of \$150K-<\$200K are significantly more satisfied with the value of their 401(k)s than those with other incomes.

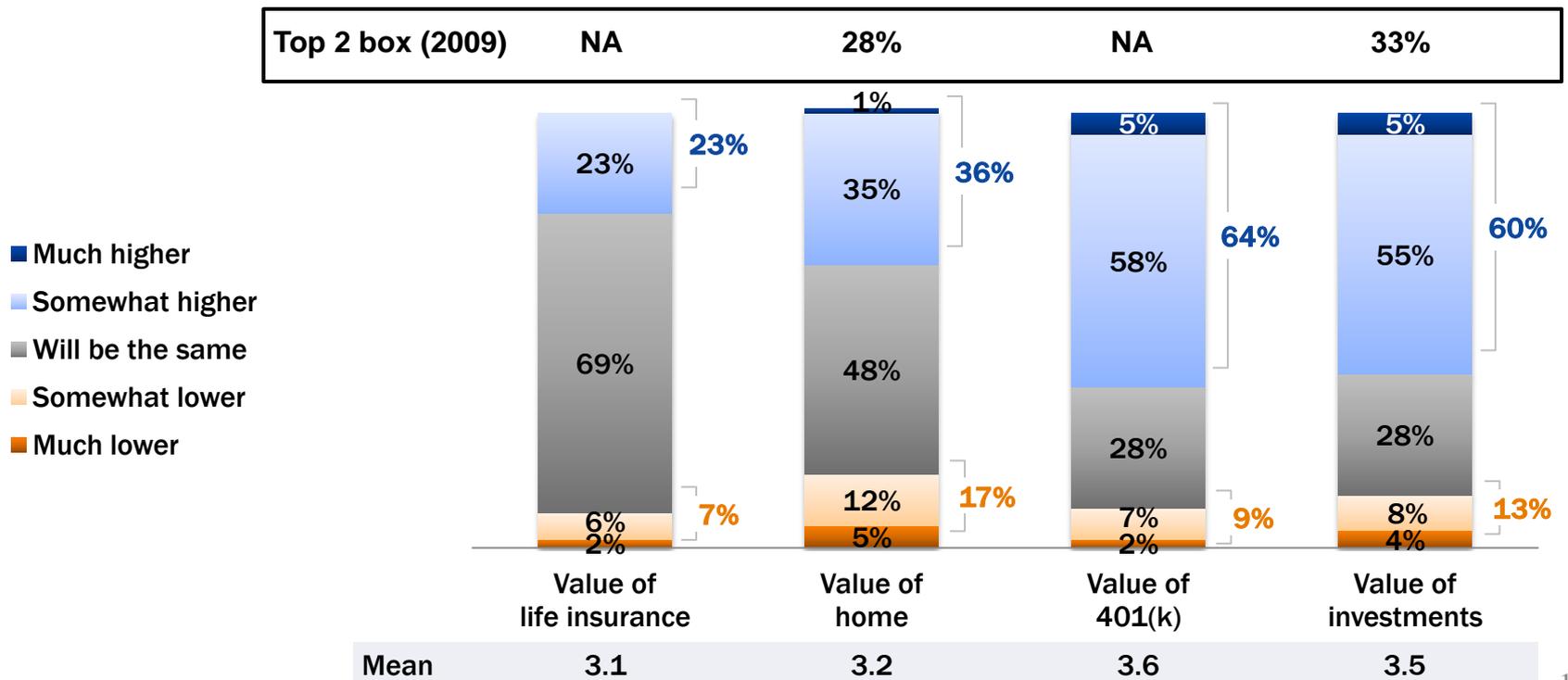


BASE: RESPONDENTS THAT OWN EQUITY (N=862)

Q715 (4C) Considering the value each has retained over time, please rate your satisfaction with each of the following.
Use 5 point scale, where 1 = Very dissatisfied and 5 = Very satisfied

More than six in ten believe the value of their investments and 401(k) will be higher in 12 months, while insurance will stay the same.

- Compared to 2009, Americans are somewhat more optimistic about home values (top 2 box: 2009 28%, 2010, 36%) and much more optimistic about the value of the investments (top 2 box: 2009 33%, 2010 60%)
- Those with a college education are more optimistic about the value of their homes and 401(k)s compared to those with lower education (top 2 box: 43% vs. 28% for home and 67% vs. 47% for investments).
- Americans with a household income of at least \$75K significantly more likely than those with less incomes to anticipate the value of their homes, investments and 401(k)s will be higher in the next 12 months.
 - Those with incomes below \$150K and above \$200K are more pessimistic when thinking about the value of their homes over the next 12 months.

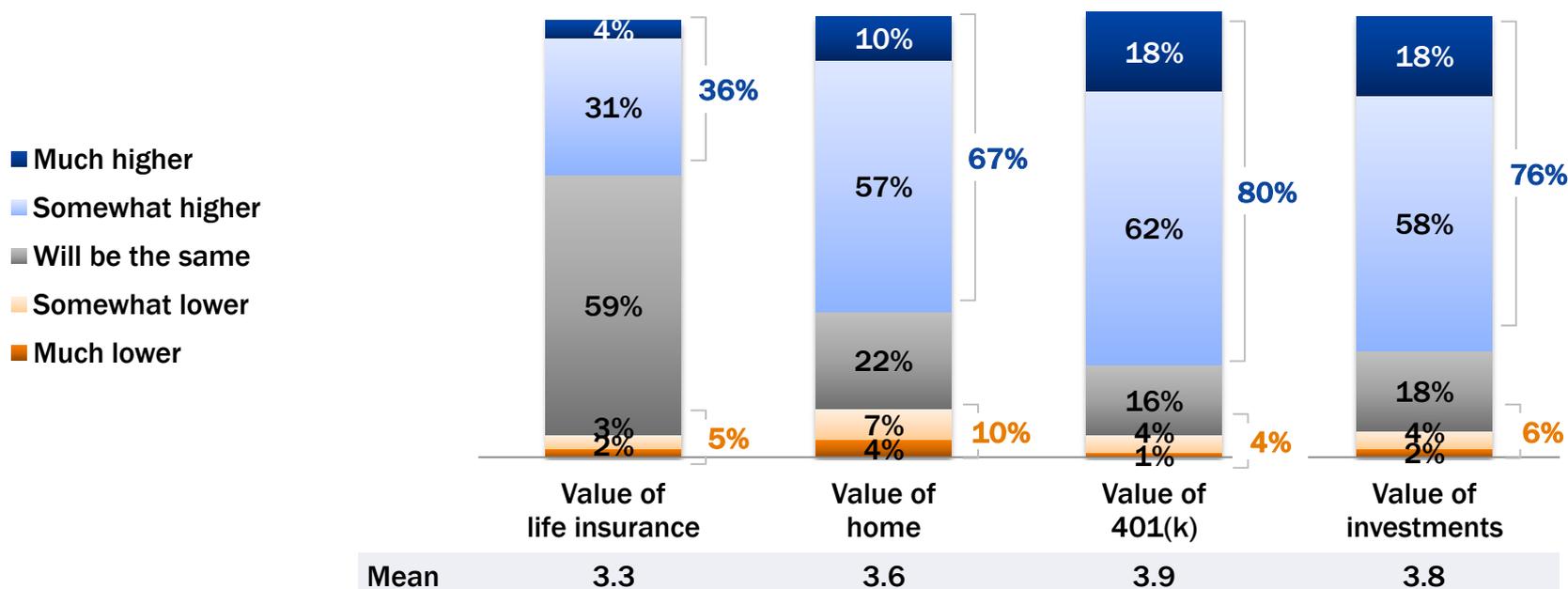


BASE: RESPONDENTS THAT OWN EACH ITEM

Q720 (5) In the next 12 months, do you anticipate that each of the following will be higher or lower than it is right now?

Large increases are expected in the next 5 years for the value of homes, 401(k)s and investments. Once again, life insurance is viewed as static.

- Once again we see optimistic attitudes among those with a college education – they are significantly more likely to expect increases in all four areas in the next five years. Top 2 box differences among those with and without a college education are as follows:
 - Life Insurance 46% vs. 24%
 - Home 79% vs. 54%
 - 401(k) 84% vs. 73%
 - Investments 83% vs. 63%



BASE: RESPONDENTS THAT OWN EACH ITEM

Q725 (6) In the next 5 years, do you anticipate that each of the following will be higher or lower than it is right now?

In terms of expectations for the next 12 months vs. next 5 years, we see the biggest gains are expected to occur in home values (although gains are expected across all four items tested, just at lower levels than home values).

% difference - 12 months to 5 years	Home	401(k)	Investments	Life Insurance
TOTAL HIGHER	+31%	+16%	+16%	+13%
Much higher	+9%	+13	+13%	+4%
Somewhat higher	+22%	+4	+3%	+8%
SAME	-26%	-12%	-10%	-10%
Somewhat lower	-5%	-3%	-4%	-3%
Much lower	-1%	-1%	-2%	-0%
TOTAL LOWER	-7%	-4%	-7%	-2%

BASE: RESPONDENTS THAT OWN EACH ITEM

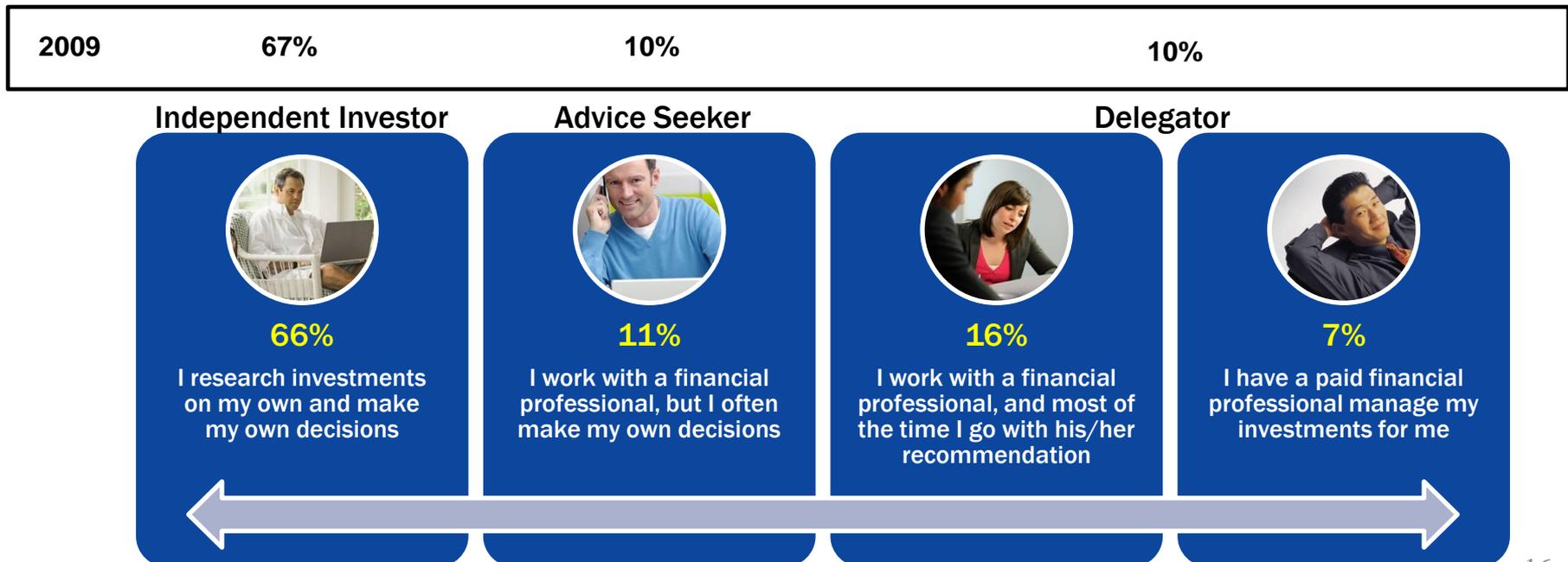
Q720 (5) In the next 12 months, do you anticipate that each of the following will be higher or lower than it is right now?

BASE: RESPONDENTS THAT OWN EACH ITEM

Q725 (6) In the next 5 years, do you anticipate that each of the following will be higher or lower than it is right now?

Two-thirds of respondents consider themselves Independent Investors.

- All numbers are consistent with those determined in 2009.
- 25-54 year olds tend to be Independent Investors (74% of 25-34 year olds and 69% of 35-54 year olds compared to only 57% of those 55+). Those 55 and older are more likely to be Delegators (22% Delegators vs. only 10% of 2-34 year olds and 15% of 35-54 year olds).
- Compared to single Americans, married Americans show a stronger tendency toward being Independent Investors (79% among those who are married and 65% among those who are single).
- Those with a college education are significantly more likely than those without to be Advice Seekers (16% vs. 6%).
- Advice seekers are more likely to have household incomes in the \$75K+ range, with the \$150K+ range having many Advice seekers (<\$75K 7%, \$75K-<\$100K 14%, \$100K-<\$150K 13%, \$150K-<\$200K 27%, \$200K+ 21%). Delegators tend to be Americans making <\$150K or >\$200K (\$75K-<\$100K 25%, \$100k-<\$150K 34%, \$150K-<\$200K 16%, \$200K+ 34%). Those making <\$75K tend to be Independent Investors at higher levels than those making more (74% vs. 55%).



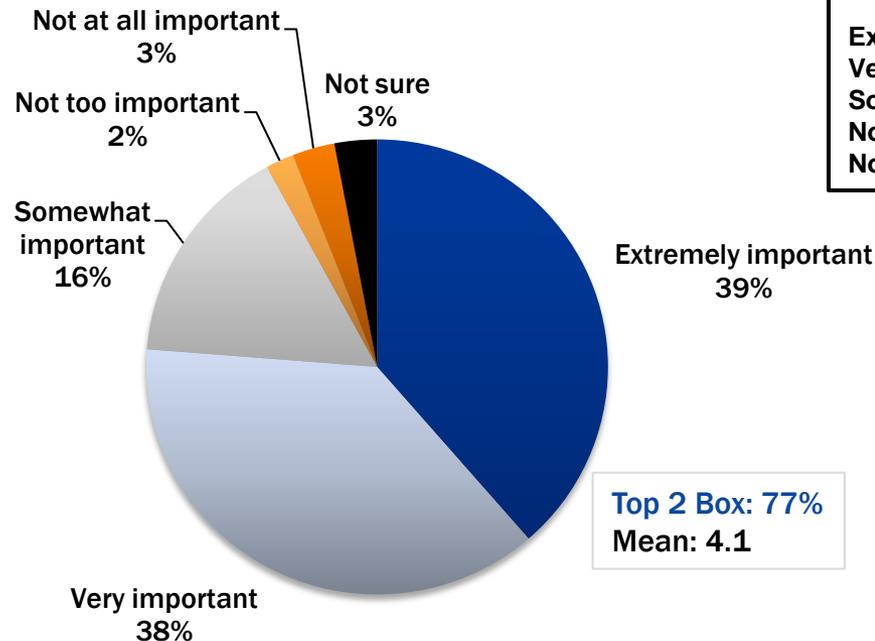
BASE: TOTAL RESPONDENTS (N=1,057)

Q730 (7) Which of the following statements best describes your personal approach to managing your money?

The vast majority have a strong desire to feel financially secure.

- The importance of financial security has not changed in the past year (top 2 box: 2009, 74%, 2010, 77%)
- Financial security is more important to those 55 and older than to younger Americans (top 2 box=72% among 25-34 year olds, 75% among 35-54 year olds and 82% among those 55+).
- College educated Americans desire financial security significantly more than those with lesser education (81% vs. 73% top 2 box).
- Those who say financial security is extremely/very important are more likely to have financial goals than those who say financial security is only somewhat or not at all important.
- Americans with household incomes greater than \$75K are more likely than those with lower incomes to say financial security is highly important.

Importance of Feeling Financially Secure



<u>2009</u>	
Extremely important	32%
Very important	42%
Somewhat important	20%
Not important	5%
Not sure	3%

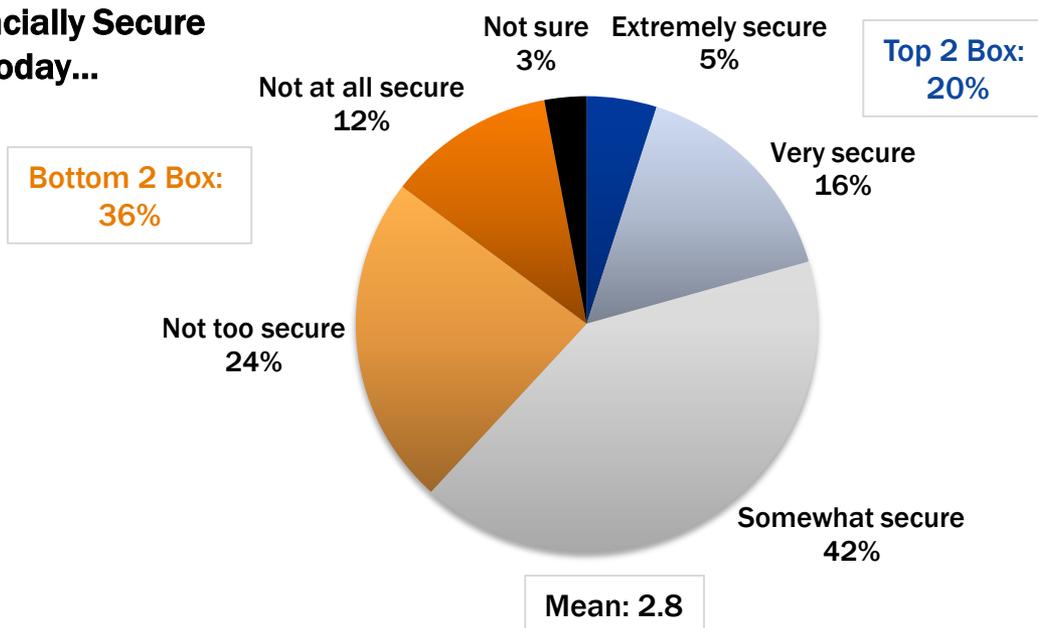
BASE: TOTAL RESPONDENTS (N=1,057)

Q735 (8) Financial security can be described as “a feeling of confidence that you will achieve the financial goals you have through the actions you are currently taking.” How important is it to you that you feel financially secure?

However, only 1 in 5 feel extremely/very financially secure.

- Compared to 2009, feelings of financial security are on the rise.
- Those with a college education feel more financially secure (top 2 box=24% among those with a college education and 17% among those without).
- Feelings of financial security increase with income (top 2 box=<\$75K 17%, \$75K-<\$100K 21%, \$100K-<\$150K 22%, \$150K-<\$200K 33%, \$200K+ 40%).

How Financially Secure You Feel Today...



<u>2009</u>	
Extremely/very secure	12%
Somewhat secure	36%
Not too/at all secure	49%
Not sure	5%

BASE: TOTAL RESPONDENTS (N=1,057)

Q740 (9) Still thinking of financial security as "a feeling of confidence that you will achieve the financial goals you have through the actions you are currently taking." How financially secure do you feel today?