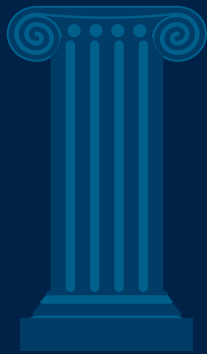


June 2011



THE NEXT CHAPTER

Meeting Investment and Retirement Challenges

2011 Study of Americans' Current Financial Perspectives



Prudential
Bring Your ChallengesSM

THE NEXT CHAPTER: MEETING INVESTMENT AND RETIREMENT CHALLENGES

Research Objectives

This study looks at the recent financial experiences of Americans and the challenges ahead. Specifically, the objectives of the study were to:

1. Gauge the financial and emotional impact of the 2008-2009 market crisis
2. Reveal consumers' intentions and behaviors to improve their financial situation
3. Assess Americans' outlook for their near-term and long-term financial prospects, which includes the role of financial products and trust in the financial services industry

About the Study

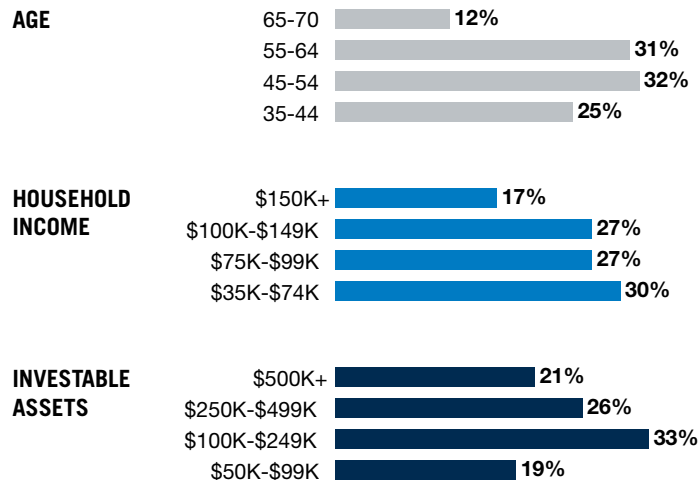
Prudential's study "The Next Chapter: Meeting Investment and Retirement Challenges" polled 1,274 Americans in an online survey from December 17, 2010 through January 5, 2011.

The study's participants are a national sample of heads of household selected from panelists in the TNS Online Access Panel. Each respondent met the following criteria:

- Primary or joint decision-maker on household financial decisions
- Age 35-70
- Household income of at least \$50,000 (\$35,000, if retired)
- Household investable assets of at least \$50,000 (\$100,000, if retired)
- If retired, less than five years into retirement

The study has a margin of error of $\pm 3.1\%$ at the 95% confidence level.

Profile of Respondents



SUMMARY

1. Americans are focused on the road ahead.

- The financial crisis and the ensuing recession created significant financial and retirement challenges for Americans. Two-thirds agree that the events of the past few years were different than anything they've ever experienced.
- Today, however, seven in 10 really want to move beyond their current financial situation and focus on the road to recovery.
- Close to six in 10 feel "it's the American way" to face challenges like these head-on, and the same amount say they've already taken steps in the past year to improve their financial prospects.

2. There has been a fundamental change in investor behaviors.

- In the aftermath of the recession, many investors are rethinking investing in the stock market—58% say they've lost faith altogether, with some stating the risks just are not worth it. Moreover, 44% say they are not likely to ever put more money into the stock market.
- Adding to this new reality is that 61% believe the principles of investment diversification and asset allocation have changed, with implications for how investors approach the construction of their portfolios.
- Respondents reported a considerable shift in portfolio allocations. Prior to the recession, 46% described their portfolios as aggressive, but today 37% do (-9 points). Conversely, 33% said they had a conservative portfolio pre-recession, versus 40% today (+7 points).
- Two-thirds of survey respondents (66%) are nevertheless concerned that they will miss out on the stock market recovery based on their current portfolio mix.

3. Americans acknowledge a need for a new approach to their retirement planning.

- Most investors believe that the investments they have today are not earning enough to make up for the losses they've experienced over the past few years (73%).
- Approximately three in four Americans (72%) agree that they need to think differently about saving and planning for retirement.
- While they want and know they need growth, protection is at the forefront like never before. In fact, 60% say they want as many guarantees on their financial future as they can get.
- Investors are realizing that they need to do something smarter about planning for retirement income, which is highlighted by the close to seven in 10 survey respondents who found guaranteed lifetime income products appealing.

4. Investors want a better way, but confusion and distrust may impede progress.

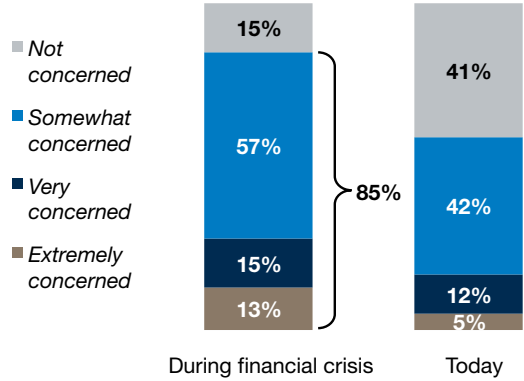
- Six in 10 (58%) say they want to feel less pressured, less threatened, and less overwhelmed by the prospect of making financial decisions. However, 40% are going it alone with no help from an advisor; in fact, 53% don't believe an advisor is helpful even in extreme market conditions.
- More than half (54%) do not feel well prepared to take on the task of rebuilding their portfolios, and three-quarters (73%) point to challenges that span from deciphering confusing product information to navigating an overwhelming amount of options to overcoming distrust of advisors and firms.
- Nearly seven in 10 believe there are few financial services firms that are trustworthy. Americans' lack of trust in the financial services industry is a significant issue. Overcoming this issue will not be easy for financial services companies, but doing so is essential to helping Americans better protect and secure their financial futures.

AMERICANS ARE OPTIMISTIC ABOUT OVERCOMING THEIR FINANCIAL CHALLENGES

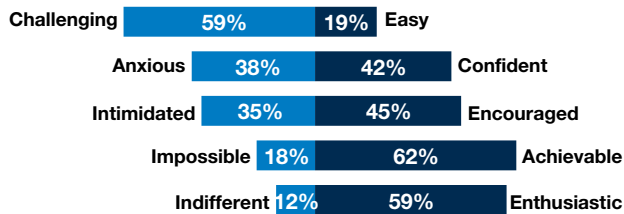
Many are ready to move on and show positive attitudes about their financial prospects

- The vast majority of Americans (85%) remember feeling some level of concern about their financial future during the market crisis. Today, however, many reveal remarkable optimism about their financial futures—41% say they are not concerned at all.
- In fact, close to seven in 10 say they really want to move beyond the financial adversities of the past few years, and that they are willing to work hard to make it happen (67%). About half view it as a learning experience, as a springboard to a better future (48%).
- Despite some lingering fears and concerns, six in 10 respondents reported feeling “enthusiastic” about the prospect of improving their financial situation (59%). Likewise, more than four in 10 feel “confident” (42%) and “encouraged” (45%) that they will be able to rebuild. These attitudes show amazing resilience and signal that consumers are looking ahead to brighter days.

Concern about financial future



Americans' feelings about the prospects for improving their financial situations



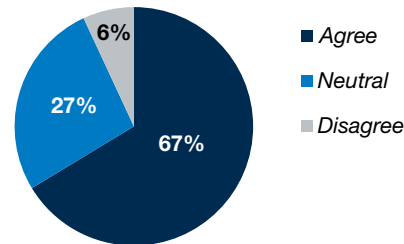
Note: Scores do not equal 100% because “neutral” responses are not charted

The majority of investors say they're already taking steps and are facing challenges head-on

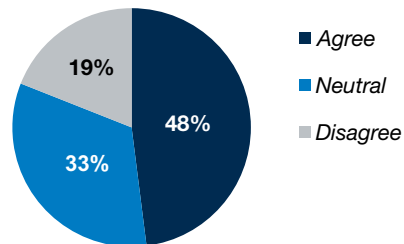
- In thinking about the prospects for personal recovery from the financial crisis and improving one’s situation, close to two-thirds believe it is “achievable” (62%). This determination was spread across all age segments.
- Further underscoring this determination is the attitude that “it’s the American way to meet challenges like these head-on” (58%).
- In fact, roughly seven in 10 Americans say that in the past year they have taken steps to improve their financial situation—ranging from paying off debt and curtailing expenses, to increasing and reallocating investments in workplace retirement plans, to putting the right insurance in place to protect their family’s well-being (not charted).

Attitude toward financial challenges

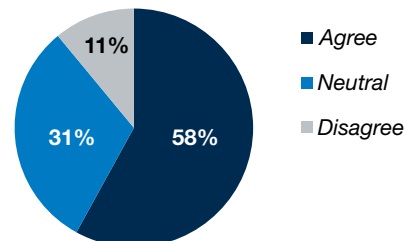
“I really want to move beyond my current financial situation, and am willing to work hard to make it happen”



“I see these challenges as a springboard toward a better financial future”



“It’s the American way to meet challenges like these head-on – it’s what makes us great”



YET, THERE IS A FUNDAMENTAL SHIFT IN INVESTOR ATTITUDES AND PERCEPTIONS

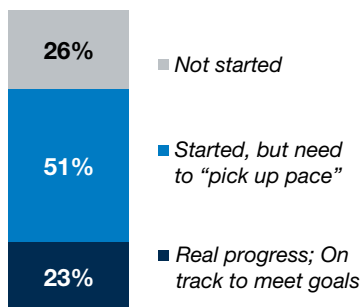
Saving and planning for retirement may require a new approach

- Despite the positive attitudes and some preliminary steps, only a quarter feel they've made real progress working toward their financial goals. Half have started, but admit they need to "pick up the pace".
- In the aftermath of the recession, 72% of Americans acknowledge that they need to think differently about how they save, invest, and plan for retirement—a recognition perhaps that "the rules have changed".
- Close to two-thirds believe the principles of investment diversification and asset allocation have changed (61%), and more than half now realize that a diversified portfolio is not a sure fix, as it needs to be actively watched and managed (52%).

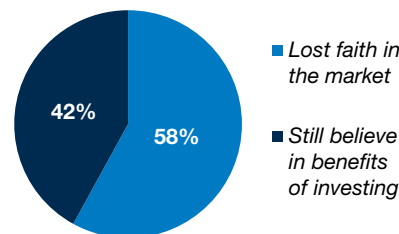
Many are rethinking participation in the stock market

- Many are reducing or avoiding exposure to equities, with 44% showing a reluctance to ever put more of their money into the stock market. In fact, 58% say their perspective on the benefits of the stock market have been forever changed, with some believing the risks are just not worth it.
- Respondents reported a shift to more conservative investment behaviors:
 - ♦ One in four (24%) say that in the past year they have invested more conservatively in order to try to improve their financial situation (not charted).
 - ♦ In terms of total portfolio allocation, prior to the recession, 46% described their portfolios as aggressive, but today 37% do (-9 points). Conversely, 33% said they had a conservative portfolio pre-recession, versus 40% today (+7 points).

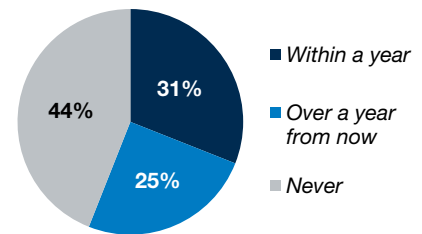
Progress toward financial goals



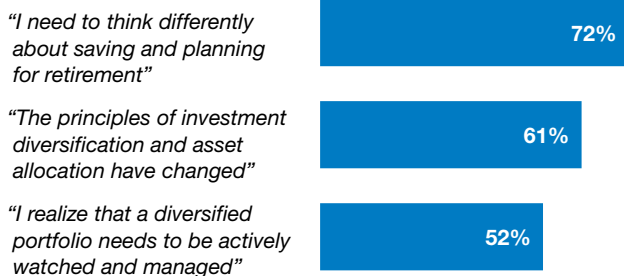
Perceptions of stock market



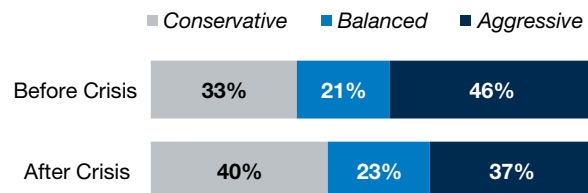
Likelihood to put more money into the stock market



Shift in perspectives on investing



Shift in portfolio allocation



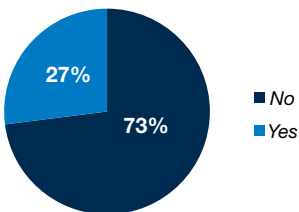
RETHINKING RETIREMENT PLANNING LEADS MANY INVESTORS TO CONSIDER GUARANTEED INCOME PRODUCTS

Investors are looking for more protection, but do not want to miss out on the opportunity for growth

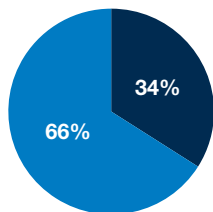
- Partly due to the economic environment and partly due to the conservative shifts in portfolio allocations, 73% of investors feel their savings and investments are not earning as much interest and investment returns as they need to make up for investment losses they experienced over the past few years.
- Based on their current mix of investments, two-thirds of Americans feel they are missing out on the stock market recovery. This sentiment is even stronger among baby boomers (71%). For many near retirement, it is not only about catching up, it is about the need for growth and retirement income.
- Yet the desire for protection wins out over growth. Investors are realizing like never before that they need to expect the unexpected. As a result, the majority (60%) say they want as many guarantees on their financial futures as they can get.

Feelings about current investment portfolio

Earning enough interest and returns to make up for losses of past few years?



Based on current portfolio, concerned about missing out on stock market recovery?



Guaranteed retirement income is emerging as a leading financial issue for investors

- In the aftermath of the crisis, many have come to realize that they need to do something smarter about planning for a secure retirement and, more specifically, planning for retirement *income*.
- Investors of all ages find guaranteed products appealing—41% are “very” interested in investment products that can provide guaranteed lifetime income. Such solutions are available today both to individual investors as well as through workplace retirement plans.
- What’s more, survey respondents showed a genuine appreciation for the value of the guarantees—nearly two-thirds (65%) agree that purchasing a guarantee is not all about the cost, but rather the value received for the price paid.

There are still some hurdles to the adoption of guaranteed products

- To the average investor, guaranteed products are still new and complicated to understand. Only one in five near-retirees have even started to plan for guaranteed retirement income or market volatility.
- More than half (54%) of consumers are suspicious of the word “guarantee” with respect to financial products and investments.
- Even so, the overall data suggest that investors are more open to, and interested in, guarantees. The market crisis awakened investors to a need that previously had not been fully realized.

Agreement about guaranteed products...	Agree
I want as many guarantees on my financial future as I can get	60%
It’s not all about cost, but rather the value received for the price paid	65%
The word “guarantee,” in the context of investments, makes me uneasy	54%

Appeal of investment product that...	Very Appealing/ Appealing	Very Appealing
Provides a regular stream of income that is guaranteed for life	67%	41%
Generates positive investment returns in all market conditions	68%	38%
Provides a regular stream of income that will never decline, but may increase based on market performance	67%	37%
Protects investments from market losses, but also participates in market growth	62%	30%

INVESTORS WANT TO EXPLORE A NEW AND BETTER WAY, BUT CONFUSION AND DISTRUST MAY IMPEDE PROGRESS

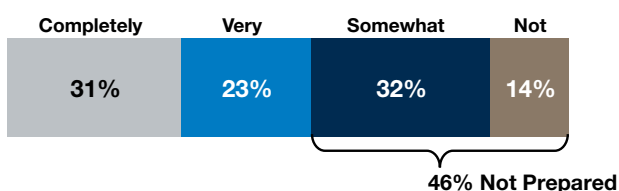
Americans want a better, easier way

- About half feel well prepared to take on the task of rebuilding their portfolios. Still, in making financial decisions, 73% say they face challenges that range from confusing product information, to an overwhelming number of options, to distrust of advisors and firms (not charted).
- Adding to their confusion is the media—57% feel that so many “talking heads” providing conflicting opinions makes it harder for them to make good financial decisions. Meanwhile, 45% use the Internet to find help, which can add to the confusion (not charted).
- As a result, close to six in 10 say they want to find a way to feel less pressured, less threatened, and less overwhelmed in making financial decisions.

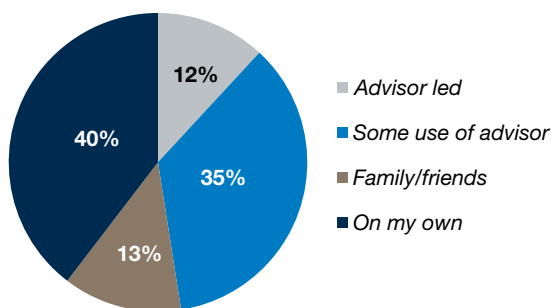
The quiet trend of “do it yourself” investing

- In working toward financial goals in today’s environment, 53% are not using an advisor at all—with 40% actually going it alone, and 13% using only the advice of family and friends.
- Unfortunately, adequately providing for things like protection from market volatility and guaranteed retirement income is a challenge that many investors may not be able to meet on their own.

Feel prepared to rebuild portfolio



Approach to financial planning



A pervasive lack of trust hampers progress

- Investors are being more thoughtful and selective about the financial services firms they will choose. Exploration of new products will be limited if investors don’t know which firms or advisors they can trust. Discerning the good from the bad presents a challenge for many investors (not charted):
 - ♦ 69% believe few firms are trustworthy.
 - ♦ 62% cannot even think of any firms in the financial services industry that they would trust.
 - ♦ Only 12% believe that financial services firms are abiding by good fundamentals.
- The irony is that half of Americans really do want a financial professional to lead the discussion on how to take a more thoughtful approach to retirement and financial planning. More than half (54%) want to work with a company that can help them find a better way to manage their investments.
- Americans are calling for a better way to protect and secure their financial futures. Winning their trust is the challenge. Financial services firms must make a concerted effort to win trust and inspire confidence if they are to effectively help Americans achieve financial and retirement security.

Need for help and professional guidance



