

March 2008

Prudential's Four Pillars of Retirement Series



Hispanic Americans On the Road to Retirement



Prudential

Growing and Protecting Your Wealth®

Background and Objectives

Hispanic Americans are the fastest growing market in the United States, and currently represent the largest minority segment in the country—approximately 14.8% of the total U.S. population.

Many studies in the past several years have focused on the financial concerns of the Hispanic community. Nearly all of these discussions include Hispanic Americans from lower-income profiles, which often reveal vulnerabilities related to lack of earnings and savings opportunities.

The intent of this study, however, is to focus on a sub-segment of the Hispanic population. Specifically, those age 25 through 65 who fall within the middle class* or above—which happens to represent 12% of the Hispanic population in the United States, according to the U.S. Census Bureau. This segment is composed of individuals whose level of financial progress and independence lead to more optimistic futures and the need for more careful planning to reach retirement goals.

There is considerable diversity among Hispanic members of the middle class based on education, occupation, income, and cultural integration. For example, over 40% of these Hispanic Americans are foreign born, meaning they came to the U.S. with a pre-existing culture—different values, expectations, language, and behavior. Many are caring for families or sending their earnings back to extended family in their home countries. All of these attributes and behaviors have implications for savings, college planning, financial security, and retirement preparation.

Retirement is very much on Hispanic Americans’ radar screen when it comes to

saving and thinking about the future. Prudential’s study reveals a community who recognizes the challenge, acknowledges responsibility, and confirms retirement aspirations reflective of the American values of independence and financial freedom.

Research Objectives

The purpose of the study is to better understand Hispanic Americans’ retirement attitudes and behaviors:

1. Assess retirement savings importance and progress
2. Measure retirement expectations, and gauge confidence in achieving those goals
3. Examine the role of 401(k) savings and IRAs in retirement preparation
4. Understand the role played by financial advisors in retirement preparation

Survey Size Projection Estimates

Total U.S. Population	301.0M	
Total Hispanic Population (including children)	44.0M	
Hispanic Population age 25 through 65 with a Household Income of \$35K+	5.2M	100%
– Have Retirement Savings	3.3M	64%
– Participate in a DC Plan	2.8M	54%
– Retirement Savings of \$100K+	1.2M	23%

Estimates (in millions) based on U.S. Census Bureau data and percentiles collected in this study.

*Annual household income of \$35,000 or more.



Profile of Study Participants

Participant Criteria

Considering the research objectives, it was recognized early on that not all Hispanics are likely to be fully engaged in the American retirement model due to economics, financial provider relationships, language barriers, and non-U.S. retirement destinations. As such, the study was designed to target Hispanic Americans who met the following criteria:

- Minimum household income of \$35,000
- Age range of 25 – 65
- Sole or shared financial decision-maker

Participants also must have self-identified themselves as “Hispanic” in order to participate in the study.

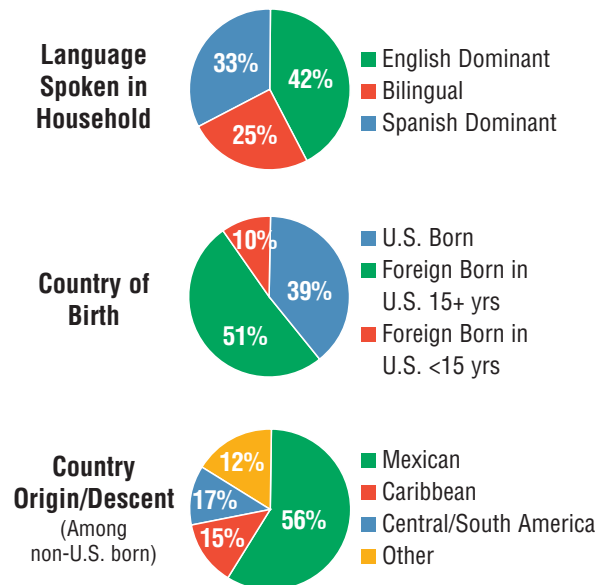
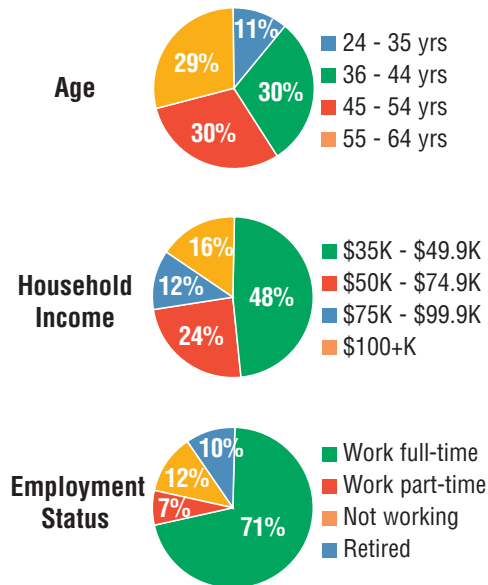
The sample was further defined by using socio-economic screening, such as employment status, country of birth, U.S. tenure, and language fluency. These factors also allowed for analyzing the data by acculturation—that is, the extent to which a population has adopted the cultural traits or social patterns of another group.*

About the Study

503 telephone interviews were completed during August/September 2007 among Hispanic Americans who met the sample criteria. The margin of error is $\pm 4.4\%$, at the 95% confidence level.

Two sample sources were used to complete the study:

- 217 interviews (43%) were completed by members of Synovate’s Global Opinion Panel, which targeted the top 50% of Hispanics in America by socio-economic status. They are more likely to be U.S. born, English-speaking and earn above-average income.
- 286 interviews (57%) were completed using a purchased sample based heavily on Hispanic census tracks with above-average income levels. Target phone numbers were generated and matched for Hispanic-origin surnames.



*Dictionary.com Unabridged (v 1.1) Based on the Random House Unabridged Dictionary. © Random House, Inc. 2006.

Language is a predictor of cultural and financial integration

Comfort and fluency with the English language impacts personal financial progress in the U.S.

Language is key for the dissemination of values, ideas, behaviors and commerce. While language alone is not the sole indicator for how acculturated an individual may feel, it certainly is a clue to how comfortable and successful they might be in society.

While the following pages reveal the retirement attitudes and behaviors of Hispanic Americans, it is important to recognize that for some, the English language barrier is a cultural obstacle that has had a significant impact on their financial ambitions.

Success—as measured by earned income, financial assessment, and confidence in meeting retirement goals—is greater among Hispanics who live in predominantly English-speaking households.

Spanish-speaking households face challenges in establishing financial status

The data below illustrates a sharp divide in the Hispanic population in terms of income and financial planning.

- English-speaking households were almost four times as likely as Spanish-speaking ones to have annual incomes of \$100,000 or more (26% vs. 7%).
- As such, English-speaking households feel much more “comfortable” or “ahead” in saving (41% vs. 28%). Conversely, Spanish-speaking households are twice as likely to be struggling or behind.
- English-speaking households are also three times more likely than Spanish-speaking ones to have a formal financial plan (50% vs. 16%).

Profile of Key Characteristics by Primary Language Spoken in Household

Based on:	Among TOTAL	42% English Dominant	25% Bilingual	33% Spanish Dominant
Country of Birth	%	%	%	%
U.S.	39	66	32	9
Foreign	61	34	68	91
Comfortable with American culture				
Agree	49	63	50	25
Mixed	19	17	27	45
Disagree	32	20	23	30
				75%
Household Income				
\$35K – \$49.9K	48	32	46	70
\$50K – \$99.9K	36	42	40	23
\$100K+	16	26	14	7
Have a formal financial plan	36	50	41	16
Self-assessment of financial situation				
<i>Choose one statement to describe self</i>				
Ahead and secure with my financial future	20	22	18	19
Feeling comfortable, saving for long term	16	19	18	9
Enough money to care for family, saving a little	30	37	33	19
Paying my bills, but not getting ahead	22	17	19	31
Struggling day to day, rising debt, not saving	12	5	12	22
	36%	41%		53%



Hispanic Americans aspire to a successful retirement

Approximately 8 in 10 value a comfortable and secure retirement

Securing adequate healthcare is the number one goal for Hispanic Americans—9 in 10 consider it “very” important. As an issue under constant scrutiny in the U.S., this need should come as no surprise.

Retirement concerns are also major priorities. The majority concur that not outliving their savings and maintaining their lifestyle in retirement are “very” important to Hispanic Americans. The importance placed on these goals adds further credence to the idea that a successful retirement is an aspiration fully ingrained in the American cultural mindset.

Goals for retirement are consistent across diverse segments of the Hispanic community

The importance of retirement goals is no less significant among the younger generations than the near-retiree population. In fact, those below the age of 55 are slightly more likely to rate these issues as “very” important.

There are some distinctions based on preferred language and income, which again signal the influence of acculturation on financial goals. However, it is very clear that even those who may be less fluent or confident with English understand the basic principles and aspire to a comfortable retirement.

Family values are certainly important to Hispanic Americans, and the data confirms that caring and providing for one’s family remains equally important across age, household income, and preferred language.

Hispanic Americans’ Perception of Financial Goals

% Very Important

	Among TOTAL %	By Age		By Preferred Language*		By Household Income	
		25-54 %	55-64 %	Spanish %	English %	<\$50K %	\$50K+ %
Secure adequate healthcare insurance	88	90	85	84	92	87	92
Make sure you do not outlive savings	80	81	77	76	83	77	83
Have enough money to achieve your desired lifestyle in retirement	76	78	72	68	83	71	84
Help parents, children, family if needed	76	77	76	80	73	78	75
Pass money on to children, heirs	55	58	49	59	53	59	51

*The language in which the participant proceeded with the survey.

Confidence falls short in achieving goals

Retirement security is a goal that comes with shared anxieties

Reported levels of confidence do not match the levels of importance. Significant gaps emerge when assessing one's ability to achieve each specific financial objective, including retirement security.

For example, there is a 30-point differential between the "very" important goal of not outliving one's savings and the "very" confident feeling that one can achieve that goal.

Despite some variations in the level of importance among the various demographic sub-segments, these confidence gaps are consistent across the population, regardless of age, earnings, savings status, U.S. tenure, or language fluency.

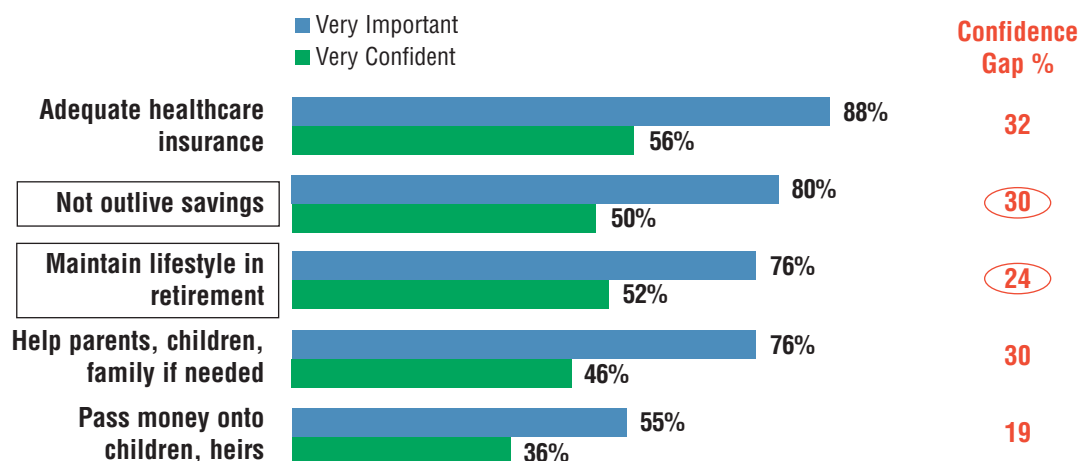
Confidence gaps require attention

The Hispanic population surveyed have the means to begin the planning necessary to reach their retirement goals. About half report high confidence in achieving certain goals. Still, there are many who are not yet sure or confident in their abilities to do so.

As they continue to emerge in affluence, the need for careful planning will become increasingly more important. The anxiety revealed in these confidence gaps highlights a potential need for more proactive involvement and education to aid them in their quest for financial preparation and comfort.

Importance and Confidence in Achieving Financial Goals

Among Total





Most have “reasonable” expectations

Few aspire to a lavish retirement

Only 1 in 5 of the U.S.-born Hispanic Americans say they hope to “do whatever I want” in retirement. These are the sentiments of relatively successful, culturally integrated, upper-middle-class Hispanic Americans hoping to achieve their dream of a rich and secure retirement.

Four in 10 are striving for a “comfortable” retirement, while another 4 in 10 would be happy just being able to pay the bills and remain independent.

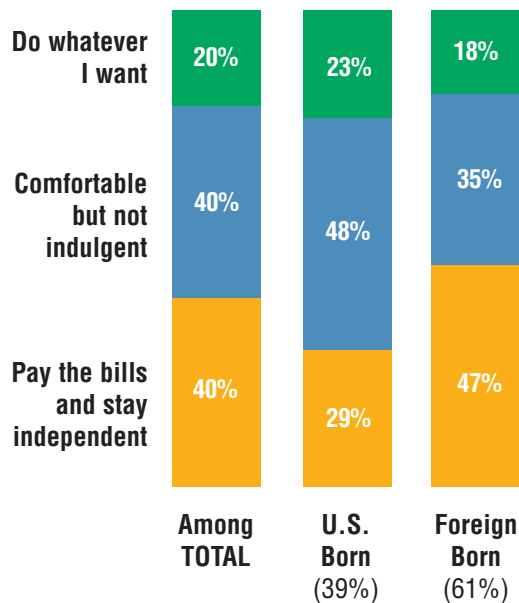
Country of origin is a stronger determinant of retirement aspirations than demographics such as age, gender or income—Hispanic immigrants are far more likely to have modest retirement goals compared to their American-born peers.

Close to half dream of an early retirement, but not if it sacrifices financial security

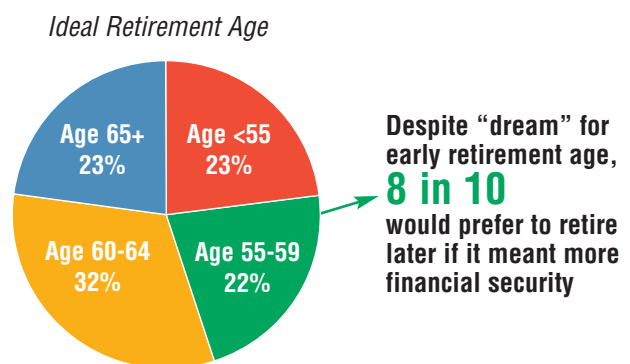
The Hispanic Americans surveyed appear to have very realistic expectations for retirement. In addition to conservative lifestyle expectations, retirement target dates are not overly ambitious.

Slightly more than half expect to retire between the ages of 60 to 64, or later—a common time period for retirement. The balance of the population hopes to retire before the age of 60. But even so, most of these individuals admit they would work longer if they needed to attain more financial security, rather than retire earlier with less.

Retirement Lifestyle Expectation



Retirement Date Expectation



Two-thirds are saving for retirement

Savings habits come with emerging affluence

Two-thirds of Hispanic Americans, middle class and above, have savings earmarked for retirement (64%). Keep in mind that survey participants represent a select segment—Hispanic Americans age 25 through 65 with an annual household income of \$35,000 or more, which represents just 12% of the Hispanic population according to the U.S. Census Bureau.

Among this total, 4 in 10 save for retirement through an IRA, while 3 in 10 say they have some other kind of savings account for retirement.

More than half use a defined contribution plan as their savings vehicle (54%). One in 5 say they have access to a workplace retirement plan (19%), but they choose not to participate. The balance don't have access to, don't know about, or are not eligible for a workplace retirement plan.

Non-savers seem limited by economic factors

The profile of respondents who reported they are *not* saving for retirement confirms that household income has a great impact on saving habits, but also that cultural factors, such as language and background, come into play. For example:

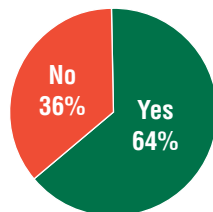
- About half of the non-savers live in predominantly Spanish-speaking households compared to a quarter of savers.
- Among non-savers, 72% were born outside the U.S.; among savers, 55% are foreign born.

The unavailability of a workplace retirement plan appears to be a less significant issue—among those not saving, a quarter say that their employer does not offer a defined contribution or defined benefit plan.

Efforts Toward Retirement Savings

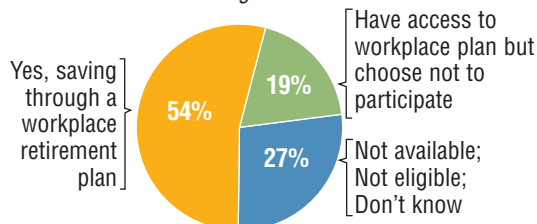
Do you have any kind of retirement savings account?

Among Total



Contributing to retirement savings plan at work?

Among Total



Cultural and Economic Differences Between Savers and Non-Savers

% Who...	Non-Savers (36%)	Savers (64%)
Have a household income less than \$50K	70	36
Feel they are struggling or can't get ahead	54	24
Are working either full-time or part-time	65	80
Say employer does not offer a retirement savings plan	25	15
Are foreign born	72	55
Live in Spanish-speaking household	48	24
Were raised exclusively in the U.S.	48	65



Socio-economics influence savings patterns

Boasting impressive retirement savings rates

Among Hispanic Americans who are middle class and above, many have made concerted efforts to save for retirement. As one might expect, annual income has a great influence on whether or not (and how much) households are contributing to any kind of retirement savings. Within this middle-class and above segment:

- 81% of households with annual income *greater than* \$50,000 are saving for retirement.
- 52% of households with annual income *less than* \$50,000 are saving for retirement.

Overall, the level of savings already accumulated suggests positive prospects for the future, as survey respondents are middle aged (average age 47) with nearly 20 years more yet to save for retirement.

Financial stability is more at risk among less acculturated households

Synovate Diversity’s acculturation model categorizes respondents by the following profiles:

- “Mostly acculturated” respondents reflect the highest socio-economic achievement levels, tend to be U.S. born, and are fluent in English.
- “Partially acculturated” represent lower socio-economic status, including less tenure in the U.S.
- “Unacculturated” are the lowest socio-economic status and are most often foreign born and not fluent in English.

Using this model to analyze the data further highlights the fact that country of origin, English fluency, and U.S. tenure do have an impact on financial achievement. For example, only a third of those unacculturated are saving for retirement, and among that group, roughly 8 in 10 have less than \$30,000 saved.

Progress in Retirement Savings

	Based on TOTAL	Based on Age		Based on HH Income		Based on Acculturation		
		25-54	55-64	<\$50K	\$50K+	Mostly	Partially	Not
% Saving for retirement:	64%	65%	63%	52%	81%	83%	61%	33%
% Who have saved:								
\$100,000 or more	37%	30%	54%	20%	45%	43%	37%	23%
\$30,000 to \$99,999	35%	37%	29%	34%	36%	35%	35%	77%
Less than \$30,000	28%	33%	17%	46%	19%	22%	28%	

Product features and relationships are highly valued

Most look toward tangible decision points

Hispanic Americans hold high standards for the quality of financial services, products, and relationships. More than 7 in 10 rate product performance and dependability as “very” important to them.

There is less weight put on “low cost” appeals or targeted advertising. However, cost is much more of a concern among unacculturated households, which makes sense given the lower socio-economic factors associated with this population.

The order of importance of these product and brand attributes remains rather consistent across the segments within the survey population.

Multicultural efforts may appeal more to less-acculturated households

When individuals are less fluent in English, they may be more isolated from the widespread financial advice and guidance available from media, online, public and paid professional sources.

Given this group is much more likely to rate advertising directed to “people like me” as “very” important, it stands to reason that multicultural targeted marketing could be more effective among the less-acculturated households. Supplying culture-friendly, objective financial guidance may lay the foundation to be a provider of choice as this segment matures to hit its full economic stride.

What's Most Important to Hispanic Americans in Selection of Financial Firms, Products, and Advisors

% Very Important

		Based on Acculturation		
		Mostly %	Partially %	Not %
Top Performance	78%	69	81	86
Time-tested/ Dependable	73%	61	79	76
Independent Ratings	54%	45	57	61
Very low cost	43%	28	46	61
Advertises to people like me	33%	19	35	57
Friend's recommendation	30%	24	31	37



The family network is not a retirement plan

The government and family networks are not the answer for retirement planning

Many of the cultural origins making up the Hispanic community embrace strong family networks that heavily care for and rely on each other financially. As such, one might assume retirement is included in this way of life. Yet, only a third agree that they would rely on their family as retirement security.

Hispanic Americans also express little hope of tapping into Social Security for their own retirement, reflecting the concerns of the general U.S. population.

Both of the above factors demonstrate that individuals do recognize retirement as a responsibility that they must own.

Four in 5 Hispanic Americans show a high level of individual accountability

In evaluating general retirement approaches, respondents largely agreed that “a successful retirement depends on my ability to plan well and build my financial resources.”

Regardless of U.S. tenure and language, this belief rings true for many Hispanic Americans. And this sentiment is even higher among those who have taken some of the important steps toward securing a successful retirement:

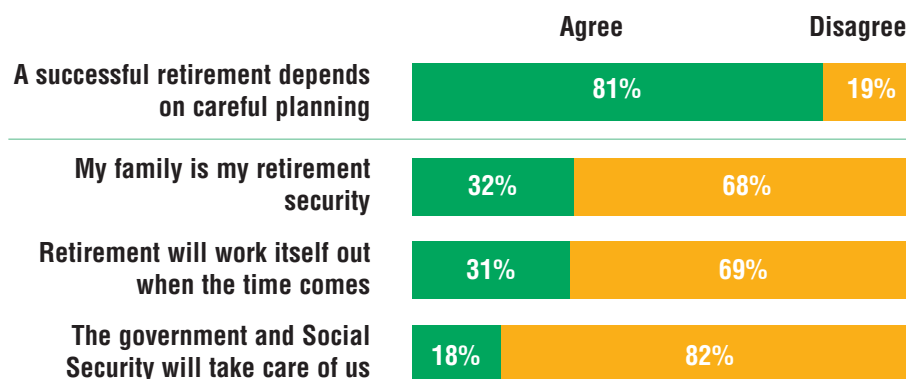
Agreement among those who...

- Have a retirement account: 86%
- Use a financial advisor: 88%

Less than a third believe strongly in a matter of fate when it comes to retirement. Only among less-tenured, foreign-born Hispanic citizens does a “trust in fate” attitude surface where 53% agree retirement will work itself out.

Approach to Retirement Preparation

Among Total—Respondents rated their level of agreement with each approach



Many are without the help of an advisor

More than two-thirds don't use professional guidance for financial planning

As this segment of the population continues to grow its earnings and savings, the need for professional guidance increases. Hispanic Americans do not appear to dismiss or underestimate the importance of their financial and retirement goals. Yet, many are treading the waters without a trusted advisor.

Even Hispanic Americans with incomes above \$50,000 typically don't have a professional financial advisor relationship—only 35% report having one.

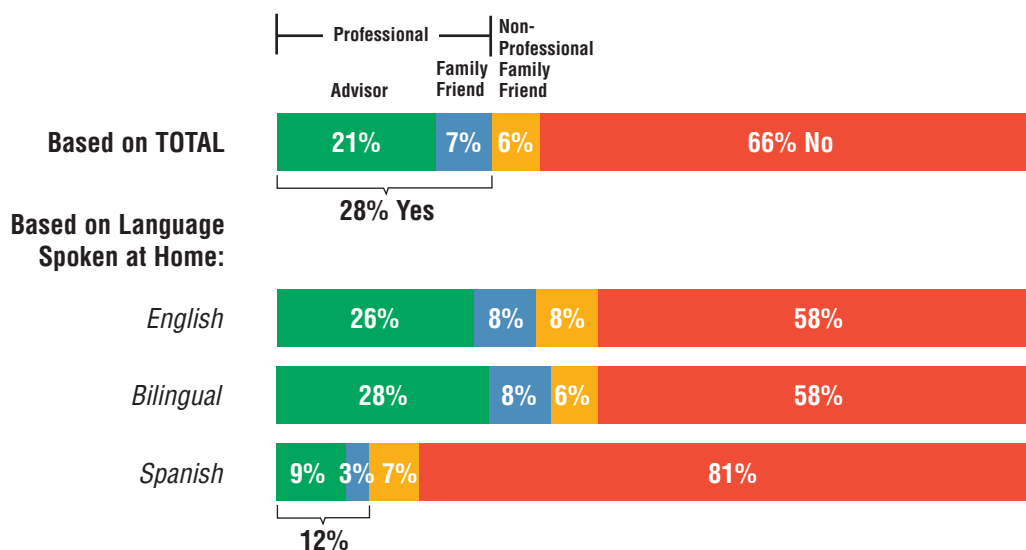
Hispanic Americans living in Spanish-speaking households are far less likely to seek financial guidance—only 12% use a professional advisor vs. 34% of those in English-speaking households.

Some rely on friends or family

Many of the advisors described are friends or family members (some of whom are financial professionals). This proportion increases among Hispanic Spanish-speaking households and those who are foreign born, where more than half say they are relying on “family/friend” advisors. In a sense, this tendency reveals a preference for relying on fellow members of the Hispanic community.

This also suggests that some may be receiving retirement planning advice that is non-traditional or outside mainstream financial protocols.

Relationship With a Financial Advisor





Advisors can help spark relevant—and essential—retirement discussions

About 4 in 10 are strongly focused on the critical retirement issues

Across demographics and degree of acculturation, retirement has people’s attention. Given a laundry list of tasks related to proper planning, approximately two-thirds of Hispanic Americans reported having thought about these issues.

- Half say they’ve thought “a lot” about how much savings they’ll need for retirement.
- Hispanic women appear slightly more concerned than their male counterparts, but the numbers are high for both genders.
- Of course, near-retirees (age 55 – 64) are thinking more about retirement issues, but not by much more than individuals less than 55 years of age.

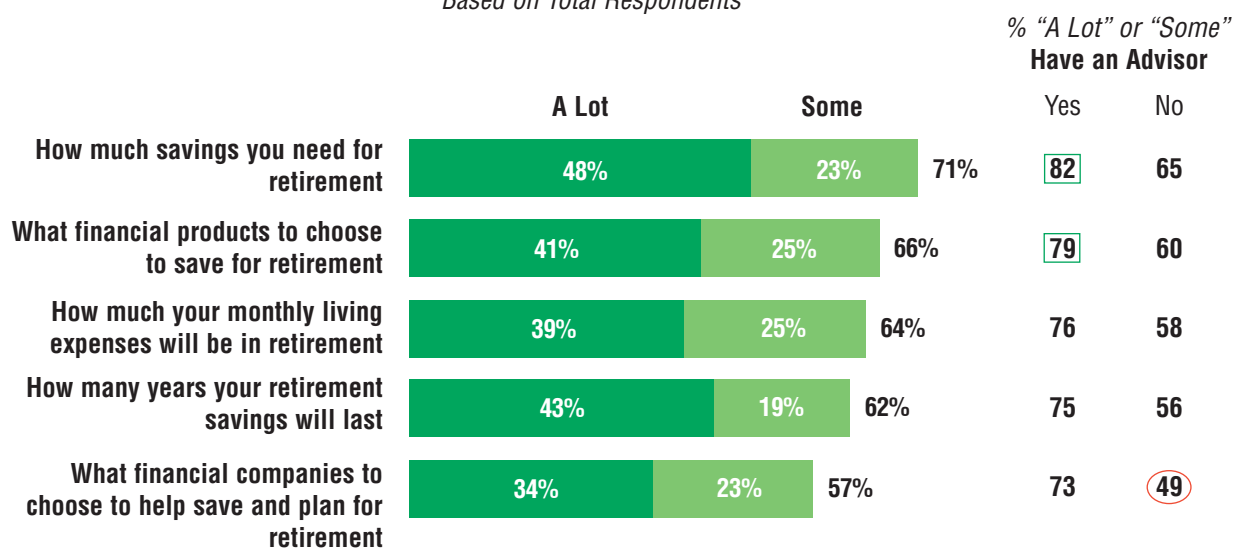
Advisors can bring important issues to surface

While not all investors need or want the help of professional advisors, it is clear that those without that help are much less likely to have contemplated some of the basic and important steps toward planning for a successful retirement.

Thinking of language as a key indicator of acculturation, it is fair to say that Hispanics living in households where English is the dominant language may have a more concrete understanding of what is needed to pursue their retirement aspirations. As such, they have given decidedly more attention to retirement preparation topics compared to Spanish-speaking households, averaging roughly 15 points higher across topics.

Hispanic Americans Are Thinking About Retirement

Based on Total Respondents



Banks can fill an important role

Relationships are valued

Among those who are saving for retirement, 76% indicated that they are using a savings vehicle other than or in addition to a workplace retirement plan. Procuring these investment products often requires that an individual proactively seek a relationship with an advisor or financial institution.

Such relationships appear to be important to this community, as fewer than 1 in 10 made their most recent product purchase directly online or over the phone.

This purchase pattern suggests that a local brick-and-mortar presence may be necessary to effectively penetrate this market.

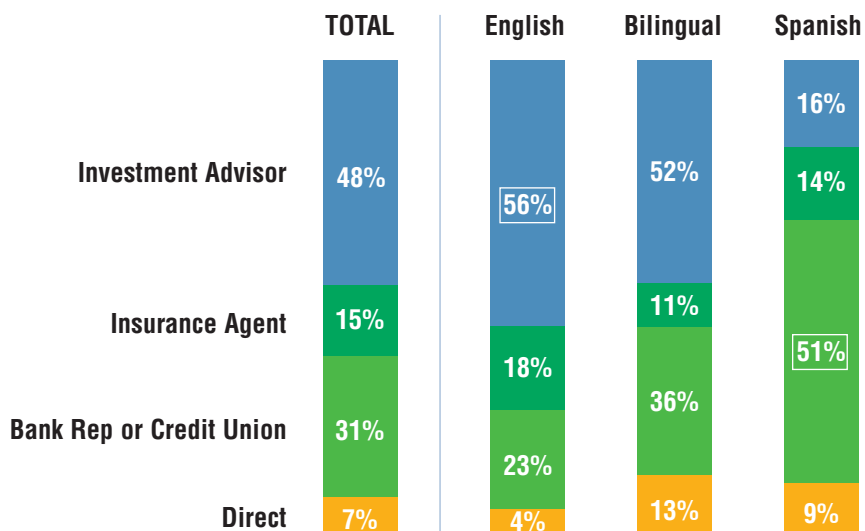
Banks for Spanish speakers

Banks and credit unions play a major role in retirement product purchase among Hispanic Americans, accounting for 3 in 10 recent purchases overall, and half among individuals living in Spanish-speaking households.

Savings institutions are well positioned to serve the financial/retirement needs of the Hispanic community as they are often the first financial relationship established by immigrants, have neighborhood branches with Spanish-speaking staff, and offer financial consultation without up-front fees.

Advisor/Channel for Most-Recent Retirement Savings Product

Base: Those who contribute to a non-workplace retirement savings account



Note: Multiple answers accepted.



Financial advisors provide momentum

Only 1 in 5 who are “self-directed” have a written financial plan

Having a formal financial plan is often the best first step in financial/retirement success, and the data below helps demonstrate that advisor relationships play a huge role in that process.

All Hispanic Americans who have professional advisor relationships are significantly more likely to have a financial plan than those without.

Even those working with non-professional advisors such as family and friends, are more than twice as likely to have a plan compared to those using no outside guidance at all.

Establishing a retirement plan is a vital output of advisor relationships

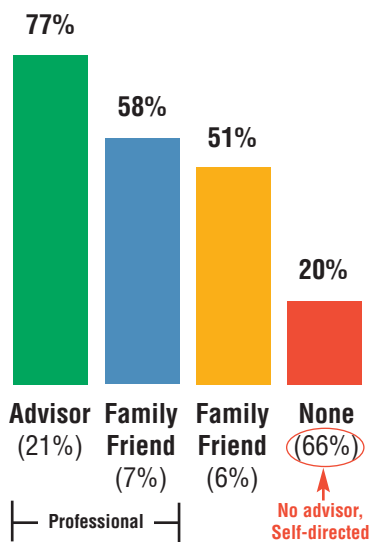
The positive influence of professional advisors is evident in retirement savings behavior as well as planning. In reality, *any* advisor relationship increases the odds of retirement savings activity.

A professional advisor appears to make the biggest difference. Individuals using non-family/friend advisors are much more likely to have established some kind of retirement savings account compared to those without an advisor: 88% versus 54%.

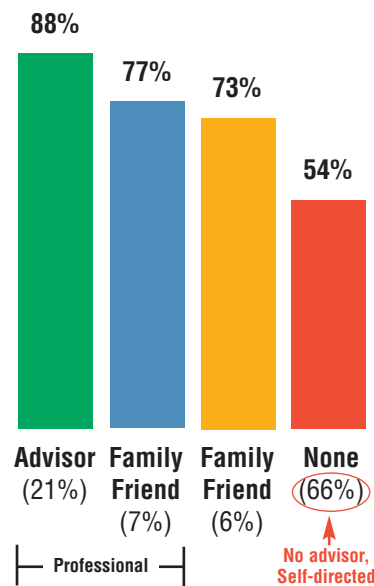
Those with advisors also tend to have higher savings balances, possibly because they started earlier, have greater ability to save, or have had the benefit of better investment guidance.

The Impact Advisors Have on Retirement Preparations

Have a formal financial plan
(36% of Total Respondents)



Contribute to a retirement savings plan
(64% of Total Respondents)



Summation

1. Hispanic Americans aspire to a successful retirement

- More than 5 million Hispanic Americans are middle class and above, demonstrating a level of financial progress and independence that results in a better chance of reaching their retirement goals.
- Nearly all of this sub-segment of the U.S. Hispanic population acknowledge retirement security is an important goal (90%).
- Most have very reasonable aspirations, aiming to be “comfortable” (40%) or at the least “independent” (39%).
- While about half hope to retire before the age of 60, more than 8 in 10 would work longer and postpone retirement in order to gain greater financial security.

2. Despite dreams, overall confidence falls short in achieving goals

- Significant gaps emerge when assessing retirement goals against confidence levels.
- Differentials exist between confidence and the “very” important goals of not outliving one’s savings (–30) and having enough money to maintain lifestyle in retirement (–24).
- Part of this anxiety comes from one’s current financial situation; despite the “middle-class” label, many are still trying to establish themselves—a third are “struggling” or just “can’t get ahead.”

3. Financial progress and preparation can be linked to acculturation factors

- Social and financial acculturation patterns appear to be linked; as one advances, so does the other.
- For example, 83% of “mostly” acculturated Hispanic Americans (U.S.-born, fluent in English) have some kind of retirement savings versus only 33% of those who are “not” acculturated (foreign-born, not fluent in English, less tenure in the U.S.).
- Hispanics living in Spanish-speaking households are more than twice as likely as English-speaking ones to have income less than \$50,000 (70% vs. 32%) and feel they are struggling or behind in saving (53% vs. 22%).

4. Two-thirds are saving for retirement

- Among Hispanic Americans age 25 through 65 with a household income of \$35,000 or more, 64% have some kind of retirement savings.
- More than half are saving through a workplace retirement plan (54%). Perhaps reflective of the systematic nature of this method, many have done well—over a third of “savers” have reached \$100,000 in retirement savings.
- About a quarter of all respondents do not have access to a workplace retirement savings plan.

5. Most believe in careful planning, yet lack a formal plan or the help of an advisor

- Two-thirds do not have a written financial plan that could ultimately help them reach their goals, and only one-third seek the guidance of an advisor.
- Less-acculturated households are most often without any guidance at all, or rely more often on family/friends instead of a professional. This group could benefit from face-to-face in-language consultation.
- Eight in 10 believe that careful planning is the way to a successful retirement, and many have given “a lot” of thought to specific retirement planning issues.

6. Financial advisors provide momentum

- When Hispanic Americans have the support and guidance of a professional advisor, they are much more likely to have contemplated and addressed important retirement topics.
- Those relying on an advisor also have higher tendencies to be contributing to some kind of retirement savings account (85% vs. 54%).
- As this portion of the population continues to emerge in affluence, the need for careful preparation and professional guidance becomes all the more important.