



Profiles in The Retirement Red Zone®: Recent Retirees

Recent Retirees are doubting their retirement security

Prudential conducted a study in April 2009 called the **Impact of the Market Crisis on Retirement Preparedness**.

This study aimed to reveal how Americans are:

1. Reacting to the impact of the market crisis on their retirement prospects
2. Planning to rebuild their retirement
3. Reconsidering tools and assistance required to be successful

The study polled 1,001 Americans and included a targeted segment of **300 Recent Retirees** who met the following criteria:

- Age 45 – 75
- Retired five years or less
- Fully retired or working less than 20 hours per week
- Participated in a defined contribution plan with a previous employer
- Retirement savings of \$100,000 or more
- Primary or joint decision-maker on household financial decisions

Americans are failing to meet their retirement expectations

More than eight in 10 Americans feel the emotional and financial impact of the market crisis. Recent retirees were hit particularly hard, with 62% feeling disappointed, regretful, or panicked by these events.

About half of Recent Retirees say they're trying to remain optimistic about their future in retirement, but for many the reality falls short of expectations:

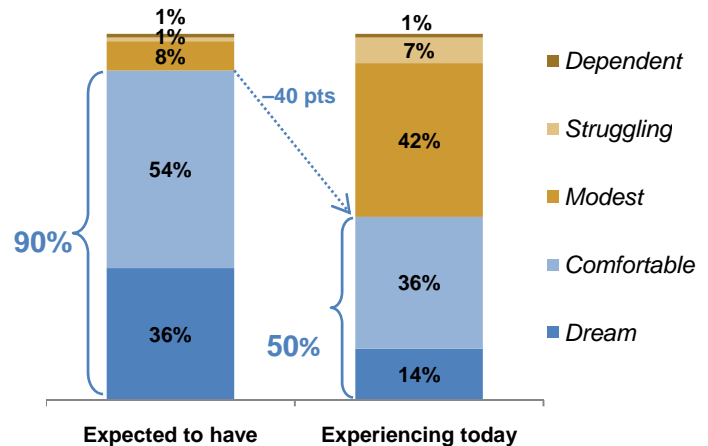
- 90% of Recent Retirees expected to have at least a "comfortable" retirement, yet only 50% are experiencing that today.
- A majority are living modestly "on a tight budget" whereas hardly anyone expected to be doing so.

At the time of retirement, more than half were "very" confident they would have enough money to last throughout retirement (56%). Today, only 21% remain "very" confident.

Additionally, about a quarter think they should have worked longer, and a third of Recent Retirees say they actually may have to consider going back to work.

Retirement Lifestyle

Based on Recent Retirees

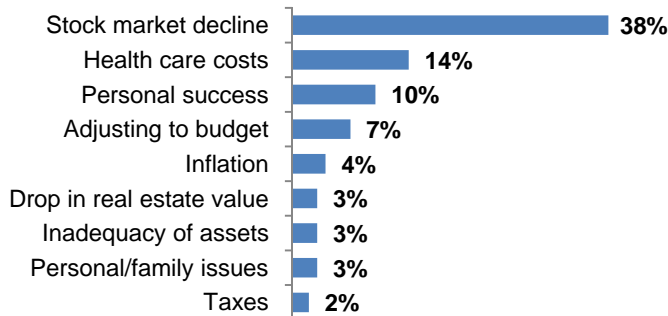


The culture shock of retirement

Recent retirees are changing their lifestyle to adapt to economic realities. The stock market collapse has been the biggest surprise of their retirement.

What would you say is the biggest surprise financially in your retirement?

Based on Recent Retirees (Unaided)



One in 10 say their biggest surprise is how well they're doing. But most others face challenges they did not anticipate. To cope with the crisis, two-thirds have reduced their living expenses overall. Plus:

- 80% are dining out less frequently
- 73% have cut back on entertainment/hobbies
- 60% have altered or cancelled travel plans

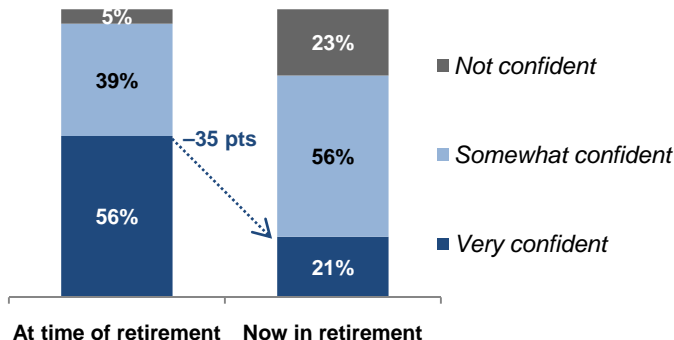
Given the market upheaval, many are doubting their current stability

Just half of Recent Retirees say their current sources of income are "definitely" enough to support their basic needs in retirement, and less than a third say this income is "definitely" enough to maintain their desired lifestyle.

Having met these and other surprises, many have lost confidence in their ability to sustain their lifestyle in retirement. For example, at the time of retirement more than half of Recent Retirees were "very" confident they had enough savings to last through retirement. Now in retirement, this confidence level has plummeted to 21%.

Confidence that assets will last through retirement

Based on Recent Retirees



Many reveal a lack of confidence in retirement decisions

Many aren't sure that they're making the right decisions about generating retirement income and making it last for life. One quarter report being "very" confident they've taken the right steps. The balance really falls into a gray area—confidence is weak (61% "somewhat" and 14% "not").

Consistent with this fact:

- Only one in four "know for sure" how much income they can draw from their savings to be able to fund and sustain their lifestyle in retirement; and
- One in three describe themselves as "well informed" about how to create a steady stream of income in retirement using their 401(k) savings.

So there appears to be a lack of confidence tied to a lack of knowledge. Such low levels could make it difficult to achieve a successful and secure retirement.

Focus is on preservation which aligns with guaranteed investment products

To cope with the stress of the financial markets, there have been sweeping changes in investment behaviors—61% "pay more diligent attention" to their portfolio than ever before and 40% have shifted assets to conservative investments.

As Recent Retirees realize their sources of income are not enough, half of Recent Retirees say their most important focus right now is asset preservation. Still, 73% indicated that they are looking for new ways to grow their assets, and many are open to new investment solutions and intrigued by the idea of guaranteed products.

In fact, more than half said they would be likely to seriously consider purchasing guaranteed features as part of an annuity (59%) or as an option on a 401(k) savings plan (52%).