

2004 - 2005

Prudential Financial's Study on the Financial Experience and Behaviors Among Women



Acknowledgement

Research has shown that, during the past four years, women have made some positive progress toward understanding financial issues and securing their financial independence. This study—the third in a series about the financial experience and behaviors of women—indicates continued progress. But it also reveals just how much more work needs to be done.

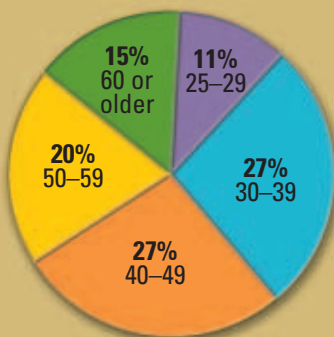
Prudential Financial is committed to understanding the unique financial needs and issues of women, and the company is resolute about creating the solutions to help women grow and protect their wealth.

Please take time to learn from this study and, more importantly, take action.

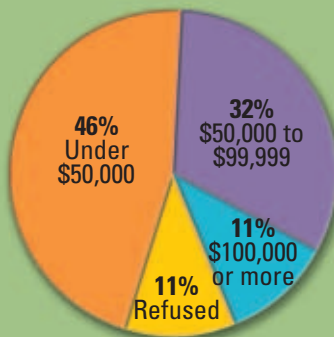
American Women Face Their Financial Challenges

Profile of Study Participants

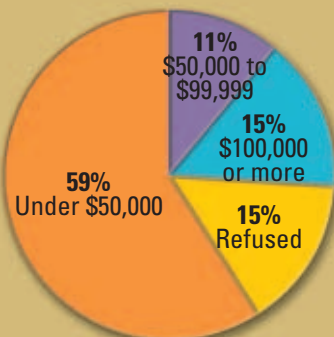
Age



Household Income



Investable Assets



American women are taking on more personal and household financial responsibilities. Nearly 1 in 3 find themselves more involved in financial decisions than they were five years ago. In addition, the majority feel these financial decisions are more complex decisions than in the past.

American women have clear priorities relating to their financial goals. Women want financial security during retirement and want to avoid becoming a potential burden to others. Yet their outlook for achieving these goals is shrouded in uncertainty.

Prudential Financial's study on the *Financial Experience and Behaviors Among Women* is the third in a series. The study reveals women are prepared to take action, possibly corrective action, to achieve financial security during their later years.

About the Study

Prudential Financial's study on the *Financial Experience and Behaviors Among Women* polled 1,134 American women about their financial knowledge, goals, actions taken and confidence in attaining financial goals. The survey was administered from February 5 to 16, 2004. The margin of error is $\pm 2.9\%$ at a 95% confidence level.

Respondents are panelists in the Harris Interactive Poll Online. Known characteristics of panel members (such as gender, age, income) were used to select individuals to participate in this online survey.

The study of participants is a national sample of female sole and joint heads of households born between 1936 and 1979 (ages 25 to 68) and who use the Internet. This age criterion is broader than the age requirement for the 2000 and 2002 samples. The prior studies sampled "Baby Boom" women born between 1946 and 1965. Where indicated, comparison data from the 2004 sample was narrowed to match the age group of the previous years' samples.

At the Doorstep of Change

Since the first study in 2000, American women's involvement in financial decisions has grown greatly.

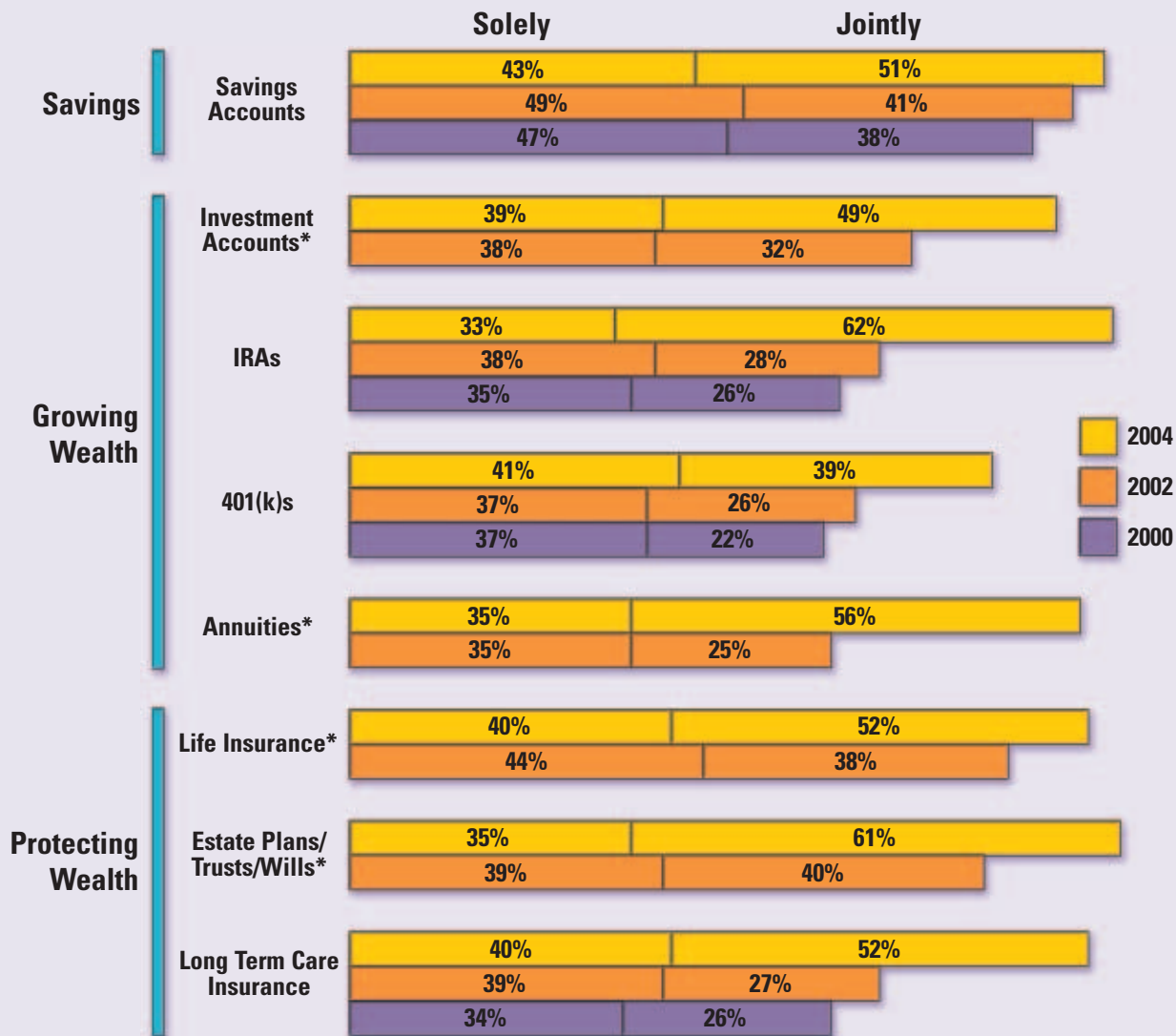
In traditional households a generation ago, women managed budgets and savings accounts. Today, women provide input to an expanded array of financial products and services that include more complex issues such as long term care and estate planning.

Women are involved in multiple facets of their household's financial well-being. Their involvement has grown in areas that pertain to longer term asset

accumulation—specifically for retirement products such as IRAs, 401(k) and annuities. This year's study revealed that about 9 in 10 women participate in decisions that could affect their household's retirement and investment accounts.

Women also influence household decisions regarding estate plans, trusts, wills and long term care insurance—products designed to protect the wealth accumulated over the years.

% of Baby Boom Women Who Are Solely or Jointly Responsible for...



Note: For comparison consistency, these questions were asked of women ages 39 to 58 which is equivalent to the 2002 Women's "Baby Boomer" sample.

*Not asked in the 2000 Study.

Financial Independence and Security Lead the List

Baby Boom women allocate 47 out of 100 points to specific goals that are related to their retirement security.

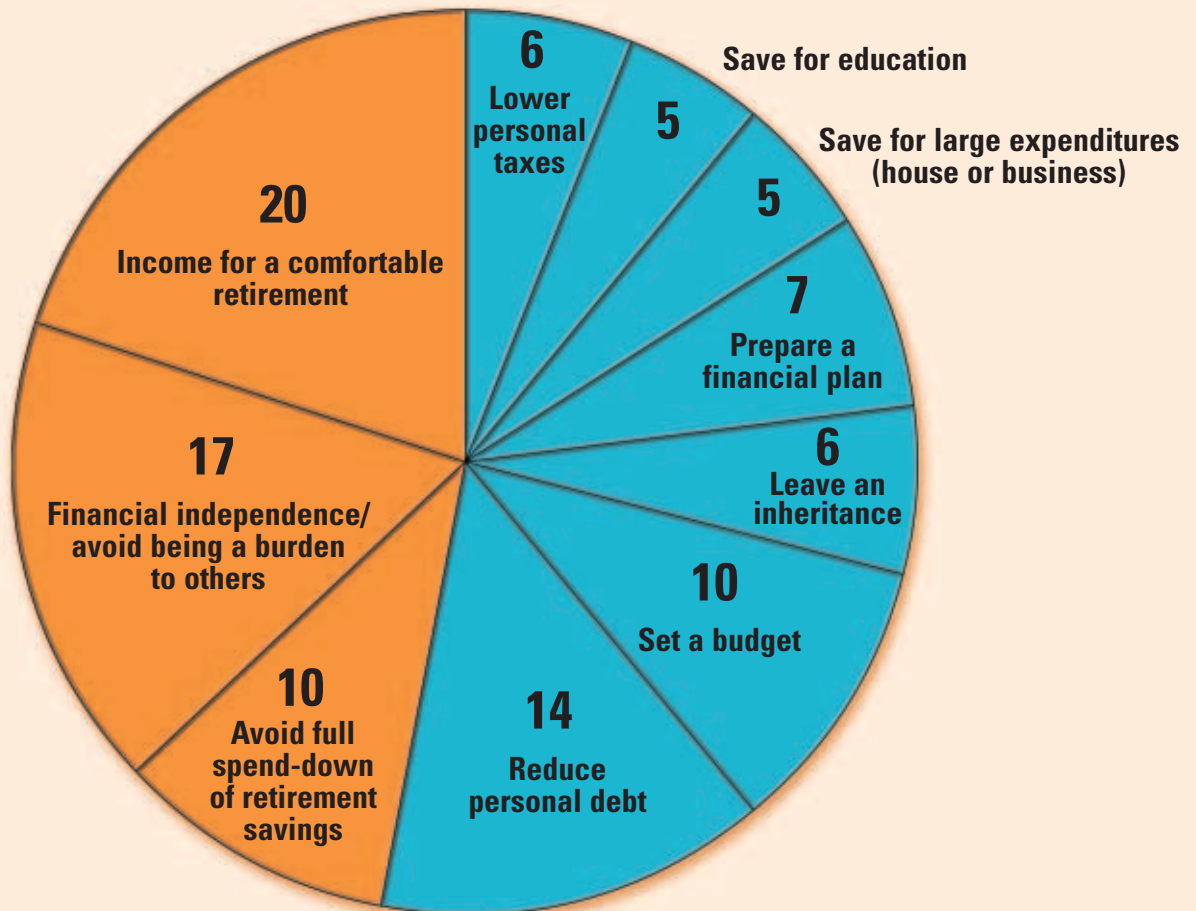
Having enough income for a comfortable retirement, not spending all the savings and avoiding becoming a burden to others are all important retirement goals.

We are living in an era of increased longevity, higher healthcare costs (particularly assisted living) and a weakening Social Security system.

As a result, women recognize they will bear a greater financial responsibility for securing their retirement than did the generations before them.

However, in addition to retirement, there are several other financial goals that are important to women. Controlling expenses (30 points) by reducing debt, lowering personal taxes, and setting a budget are additional priorities for women currently.

Importance of Financial Goals to Baby Boom Women 100-Point Allocation¹



¹Respondents allocated 100 points across 10 financial goals to indicate the relative importance of each one. More points were assigned to relatively more important issues, and fewer or no points to less important issues. The chart above displays the average number of points assigned to each financial goal.

Golden Years: a Financial Challenge

The Retirement Gap Must Be Closed.

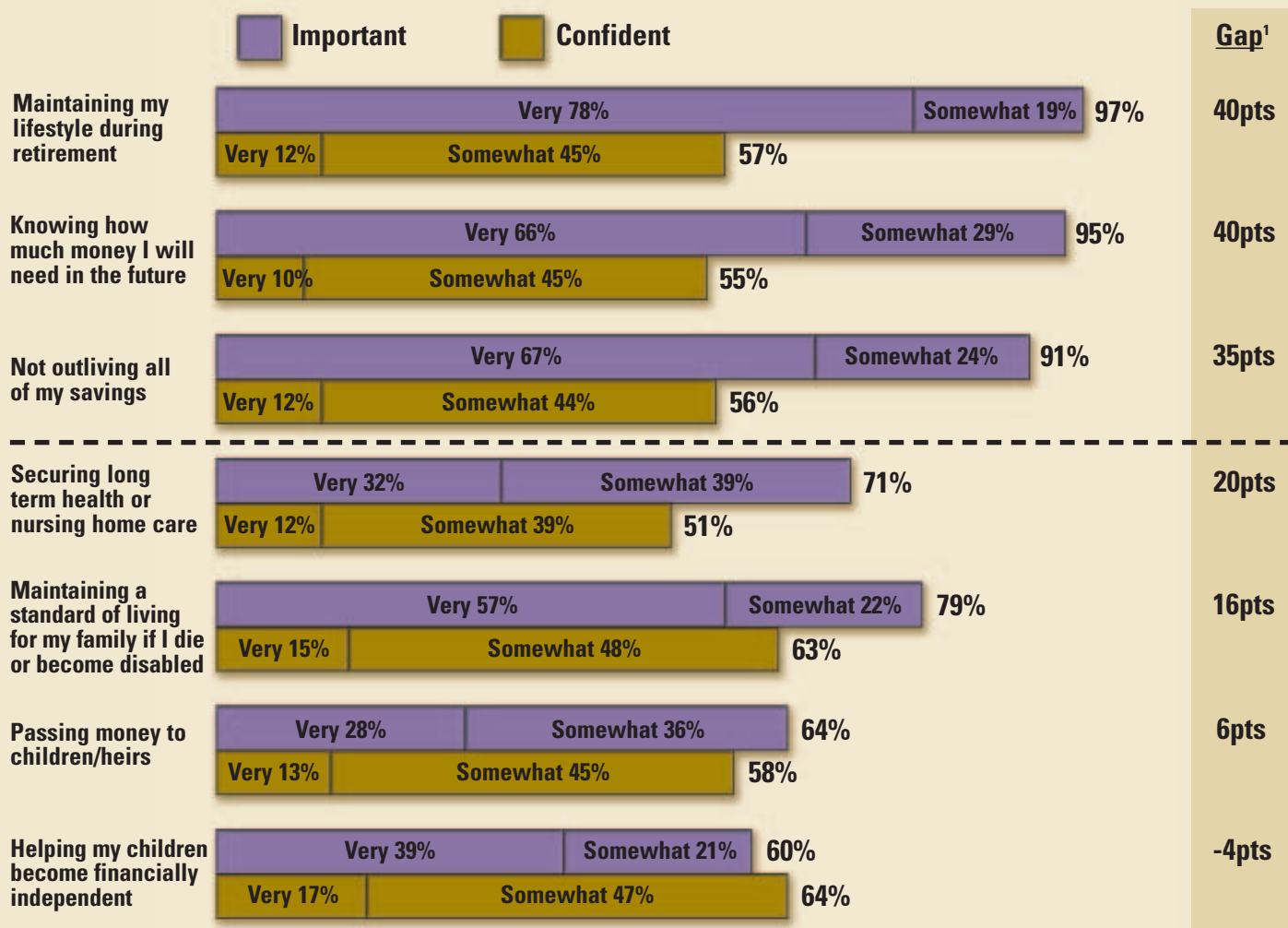
For retirement-related goals, women’s “Confidence Gap” is large. More than 90% feel a comfortable retirement is important, yet many are not confident they are prepared to meet their goals.

A 66-point gap reveals how insecure women are about achieving their “very important” (78%) goal of “maintaining my lifestyle during retirement.” That so few feel “very confident” is alarming.

40% to 50% Are Not Confident at All!

Among the seven major financial goals, 40% to 50% of women are *not* confident they have sufficiently prepared to meet their objectives. As we all age, taking control of our financial future is very important to both the success of individual families, but also the economic well-being of the country, overall.

Importance of and Confidence in Achieving Financial Goals



¹Gap – represents the percentage point difference between the importance (“very/somewhat”) of a financial goal and the confidence (“very/somewhat”) women have for achieving the goal.

Note: This chart is based on the total sample of women ages 25 to 68.

Unsure How Much Money It Will Take

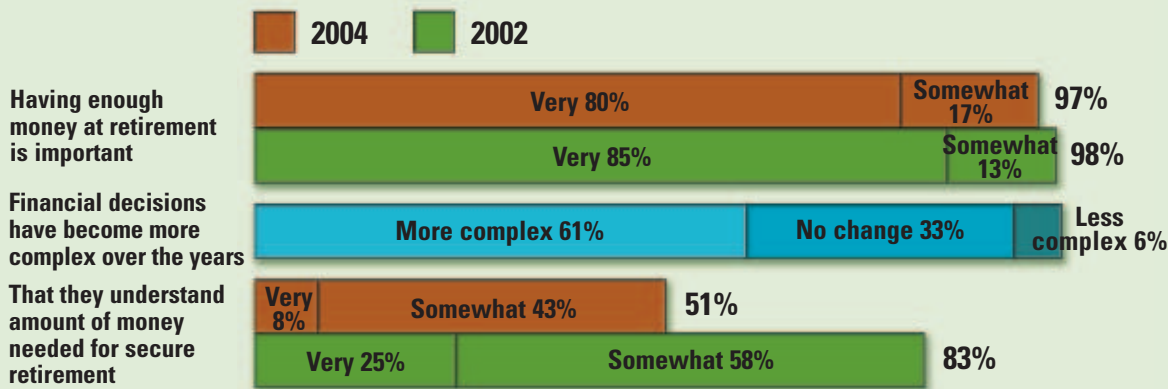
“Having enough money at retirement” continues to be a top financial goal for virtually all Baby Boom women. Yet incredibly, only 8% are “very” sure of how much money they will need in retirement! And almost half, 49%, do not even have estimates.

Sixty-one percent report financial decisions have become more complex. Several factors contribute to this rise in complexity—the recent volatile and uncertain stock market, decisions in the workplace involving family benefits and retirement savings, helping children or parents manage their own financial challenges, and managing the rising cost of healthcare and nursing care.

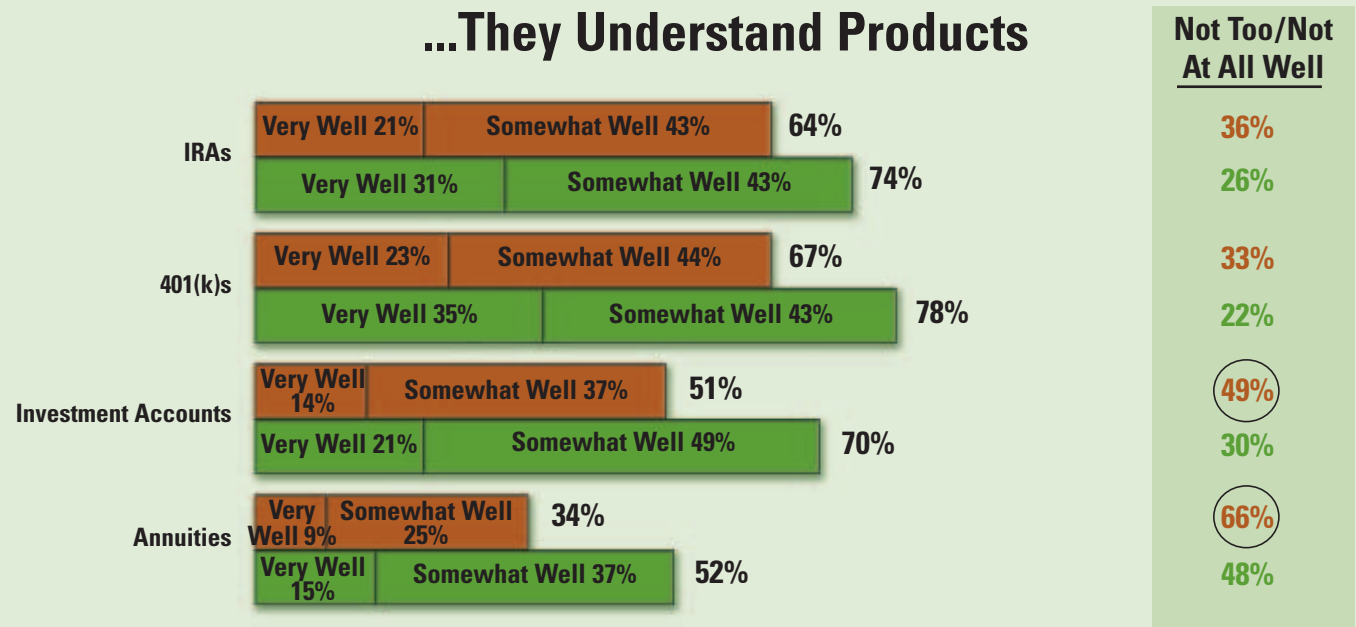
Bear market conditions prevailed during 2002 and the first half of 2003. Undoubtedly, many Baby Boom women saw their retirement assets decline during this period. The jolt these women experienced in their retirement portfolios may have shaken some of their confidence and called into question their understanding of financial products.

Compared to the 2002 study, fewer Baby Boom women in 2004 say they understand retirement products “very” or “somewhat well.” With half not understanding investments and two-thirds not understanding annuities, important educational and informational work is needed.

% of Baby Boom Women Who Said...



...They Understand Products



Note: For comparison consistency, these questions were asked of women ages 39 to 58 which is equivalent to the 2002 Women’s “Baby Boomer” sample.

Help Wanted: Women Want Education

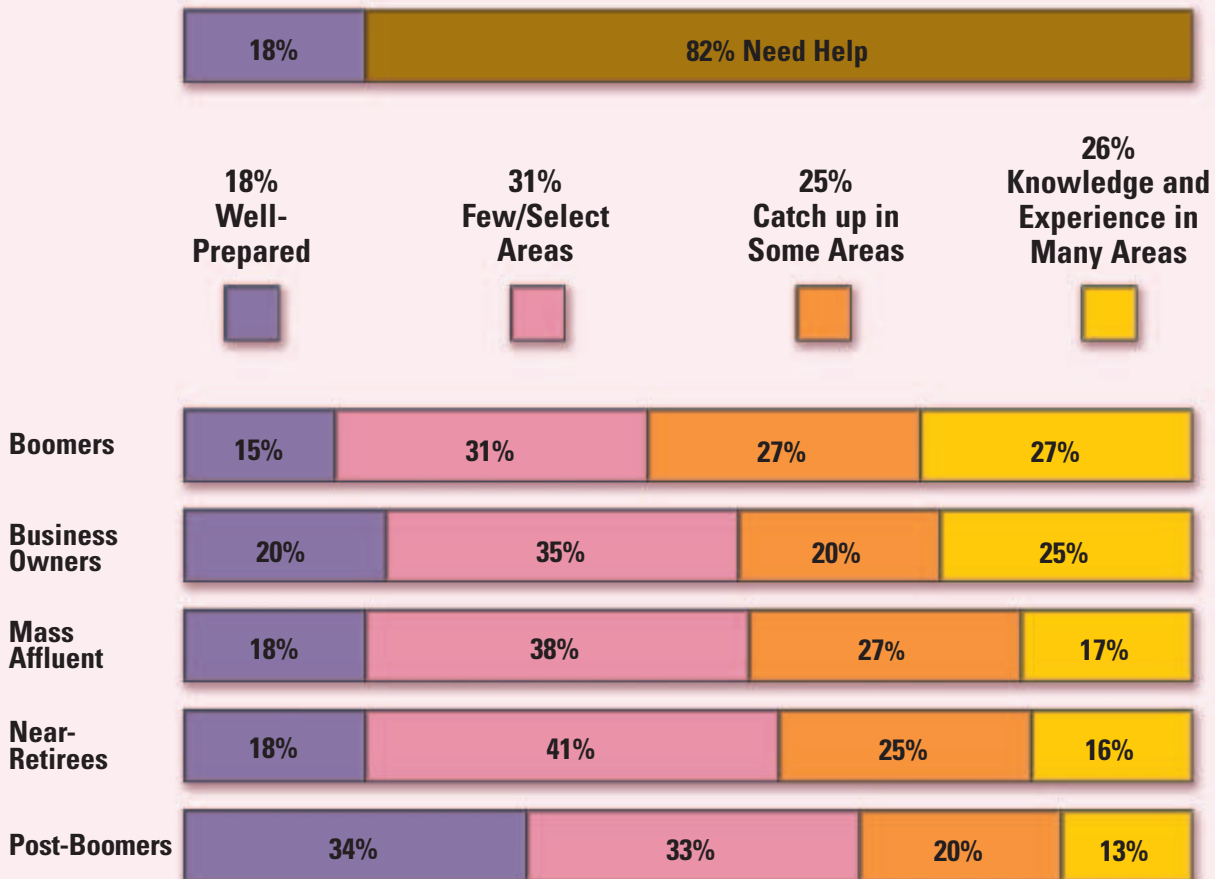
Overall, 8 in 10 women (82%) acknowledge they could potentially improve their financial outlook by seeking guidance and counsel. Twenty-six percent need help in almost all areas of financial education, including products and issues.

By their own assessment, women believe they should acquire or refresh their knowledge of personal financial issues. This is a common sentiment across all economic and generational strata.

About 1 in 4 Baby Boom women and women business owners believe they would benefit from exposure to an educational program or to a financial advisory relationship. Preparing for a secure financial tomorrow has taken a backseat to the demands of managing careers, families and running their own businesses.

A slightly higher percentage (34%) of Post-Baby Boom women, age 25 to 38 years, however, are confident in their abilities to manage their financial affairs.

% of Women Feeling Prepared to Handle Their Financial Decisions



Segment Definitions

Boomers: Born between 1946 and 1965. Ages 39 to 58 years.

Business Owners: Self-employed or own 50%+ stake in a public or private business.

Mass Affluent: Report \$100,000+ household income, or \$100,000+ investable assets.

Near-Retirees: Plan to retire within 5 years.

Post-Boomers: Born between 1966 and 1979. Ages 25 to 38 years.

Women Want Financial Guidance From Professional Advisors

Women are in agreement that it is good judgment to review financial plans and decisions with a financial professional. In fact, almost 1 in 3 women (32%) are likely to seek outside counsel from an advisor during the upcoming 12 months.

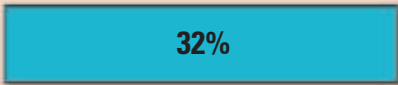
For investing decisions that affect the longer term, half of the women indicated they prefer an advisor over other channels or informational sources.

Long term care insurance is a relatively newer financial product that many women find challenging.

More women prefer to read about long term care insurance and obtain a basic understanding of it before discussing this product with an advisor or sales professional.

Intentions Over the Next 12 Months “Will Definitely/Probably”

Meet with a
Financial Advisor



Sources for Learning More About Financial Topics

How would you prefer to learn about each of the following financial products and topics?

Topics of interest

Preferred Sources

Topics of interest	Preferred Sources		
	Advisors	Brochure/Newsletter	Internet
Selecting investments to help meet financial goals	56%	29%	28%
Planning for retirement	51%	34%	28%
Knowing how much income needed during retirement	50%	31%	28%
IRAs	49%	33%	27%
Estate plans/trusts or wills	46%	32%	29%
Long term care insurance	36%	40%	30%

Respondents could choose multiple Preferred Sources.

Baby Steps Toward Financial Security

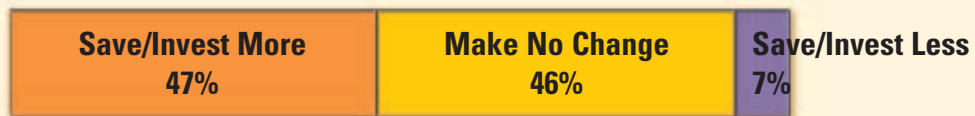
Nearly half of the women polled (47%) expect to boost their savings or invest more money over the next 12 months.

More than 4 in 10 women (45%) expect to prepare a will or an estate plan in the next 12 months. It is likely that many women have experienced the predicament of their parents' estates lingering in probate courts because a will did not exist.

Also in the next 12 months, almost 1 in 3 women (32%) anticipate meeting with an advisor to develop a financial plan. A comparable number of women expect to reallocate their portfolios during this period.

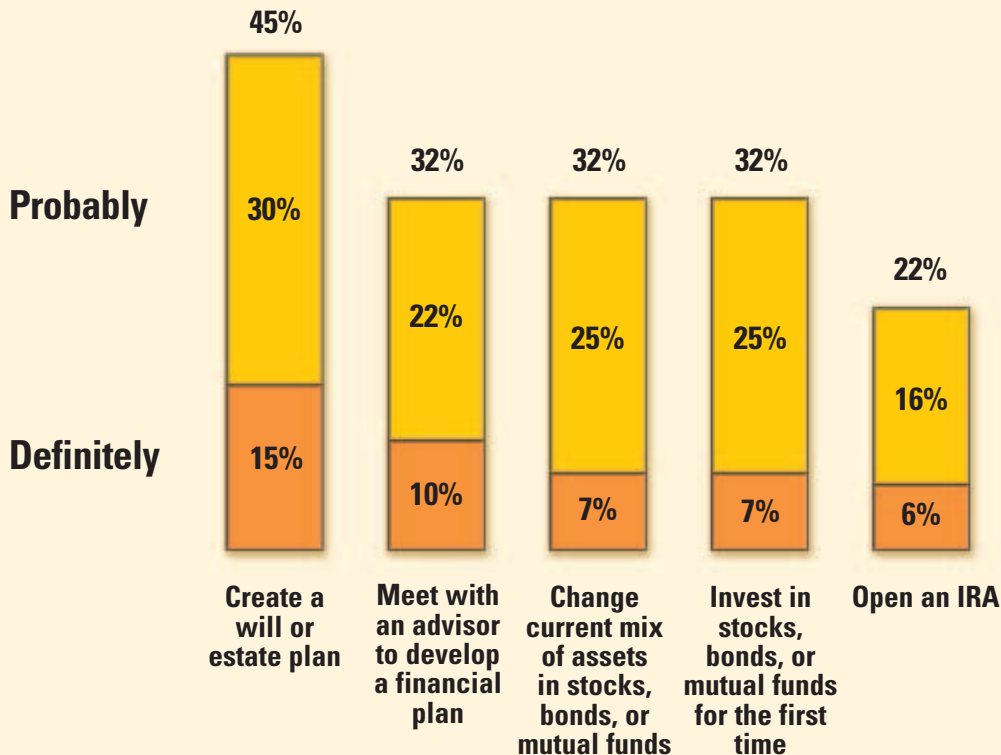
Despite the intent to improve their financial security, few women are likely to act. Only 10% indicated they will “definitely” develop a formal financial plan.

Anticipated Change to Savings and Investments Over Next 12 Months % of Women Expecting To...



Actions Likely to Take Over Next 12 Months

3 in 4 women are considering at least one financial activity during the next 12 months



Women's commitment wavers. 10% or less indicated they “Definitely” intend to follow through with actions that could lead to their own financial security.

Women are becoming empowered and taking more control of their personal and household financial affairs.

Three studies on women over a four-year period conclude that women have a more significant role in managing all aspects of their household finance issues than ever before. About 9 in 10 women have sole or joint responsibility for managing their household's financial well-being.

1. Women are facing more complex issues in their expanded roles as financial decision makers.

- Women are more absorbed with personal and household financial affairs than they were five years ago. In 2004, 29% of women state they have become more active participants in financial decisions affecting their families.
- 9 in 10 women exert influence on decisions that affect the outcome of their households consideration of investment, retirement, insurance and estate planning products and services.
- Overall, 61% of women across generational and economic strata feel that financial issues and decisions have become more complex compared to a few years ago.

2. Baby Boom women want to improve their chances for financial success.

- Baby Boom women allocate 47 out of 100 points to having financial security and independence during retirement—making these aspirations their most important ones.
- 82% of women state they need at least some guidance and counsel to secure their financial future. They want to know how much income will be needed, how to invest and what type of retirement or estate plans to own.

3. Despite expanded financial responsibilities and the importance of a secure retirement, many Baby Boom women have not prepared adequately for their most important goal.

- Nearly 4 in 10 Baby Boom women (36%) claim they do not understand basic retirement products such as IRAs or 401(k)s. An additional 40% to 50% do not understand investment accounts or annuities.
- Women want to make up for this deficiency, and half stated they prefer to learn about retirement-related issues from an advisor. They would also rely on other sources such as the Internet, brochures, and newsletters.

4. Women have a wide “Confidence Gap.” Many are apprehensive about their long term financial outlook.

- The “Confidence Gap” measures the spread between the importance of a financial goal and women's confidence in achieving that goal. More than 90% of women stated having sufficient income during retirement, maintaining a lifestyle, and not outliving savings, are highly important goals. Yet only 50% to 60% of them are confident they will attain this security.
- Women do not want to be a financial burden to others, yet 40% to 50% of them admit they do not understand the products such as long term care or estate plans that can help them avoid this predicament.

5. Women show their resolve and intend to act and bolster their financial security.

- Almost half (47%) of the women surveyed hope to save more money during the upcoming 12 months.
- 1 in 3 plan to meet with an advisor in the near future to prepare a financial plan, reallocate assets or invest for the first time.
- Women's commitment to act, however, is not as serious as it could be. No more than 10% of women stated they “definitely” intend to follow through with the actions that could lead to more personal financial security.

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