

New Retirement Mindscape[®]

2011 City Pulse index

An annual look at retirement preparation
and confidence in America's 30 largest
metropolitan areas

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Abstract

In 2010, Ameriprise Financial polled Americans in the country's 30 largest metropolitan areas to determine where people were the most prepared for and confident about retirement. The study formed the basis of a retirement readiness index which measured consumers' likelihood to have determined the amount of money they needed to save for retirement and their actual saving habits. It also took into account if people had planned for a variety of activities during retirement and expressed confidence about achieving their retirement goals.

Now in its second year, the *New Retirement Mindscape*® 2011 City Pulse index also tracks national and local retirement trends over time, providing an annual look at how people across the U.S. are preparing for and feeling about retirement, and how the area where they live may influence both of these factors.

Understanding the impact of local events and economic conditions may help people better prepare themselves financially and emotionally — ultimately leading to a more confident and fulfilling retirement experience.

Introduction

Within the last year, the American public has faced numerous events which may have caused them to question the country's financial stability, and as a result, their own. When our 2011 study was fielded (August 4–12), the situation was especially bleak:

- After a lengthy and heated debate, Congress announced an agreement to raise the nation's debt ceiling on July 31, but not before the people began to seriously contemplate what a default would mean for their financial security.
- On August 5, just days after the legislation was passed and signed into law, the S&P cut America's AAA credit rating to an AA+, the first such downgrade in the country's history.
- And on August 8, the first day of trading after the downgrade, the Dow closed down more than 600 points, its steepest single day drop since December 2008. The bite out of investors' stock portfolios — and in many cases retirement savings — was severe.

While the cumulative effect of these events on Americans' psyches is hard to measure, the news obviously isn't positive. Reuters and the University of Michigan reported that U.S. consumer sentiment hit its lowest point since 1980 this August, and while slight rebounds were noted in both September and October, these can only be considered minor improvements.¹

The *New Retirement Mindscape 2011* City Pulse index reveals similar trends. In fact, while the number of Americans who claim to be preparing financially for retirement has remained relatively steady over the past 12 months, consumers in many of the nation's largest metros report feeling significantly less confident than they did a year ago.

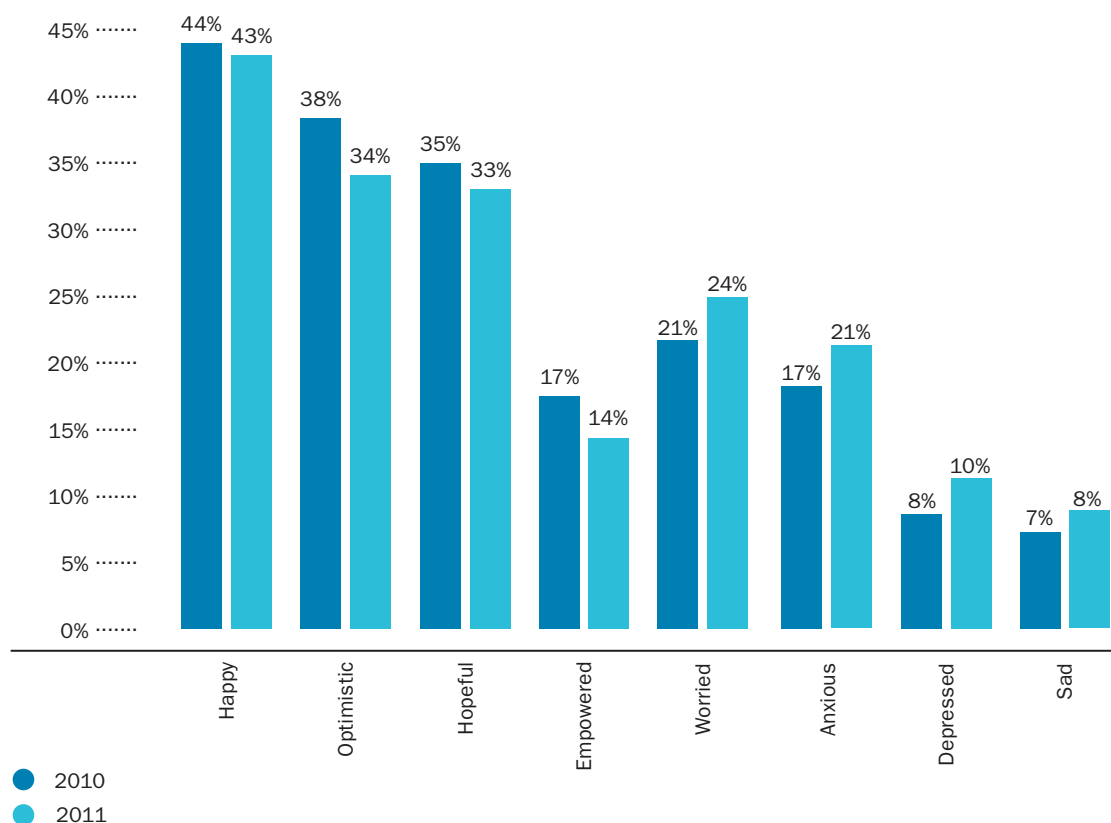
¹ Reuters/University of Michigan Surveys of Consumers; Aug., Sept., Oct. 2011

Skepticism increases nationwide

While three quarters (75%) of Americans say they've taken steps to prepare financially for retirement, the economic uncertainty that has persisted over the past year appears to be taking a toll on people's emotions. A mere 18% of consumers surveyed across the U.S. say they believe they'll achieve their dreams in retirement, down significantly from 21% who shared this sentiment in 2010. Likewise, when asked how they feel about this stage of life, fewer Americans express positive feelings than did so last year, including the number who say they feel "optimistic" (34% vs. 38%) and "empowered" (14% vs. 17%) when they think about retirement. The number who expressed negative emotions, including "worried" (24% vs. 21%), "anxious" (21% vs. 17%) and "depressed" (10% vs. 8%) also increased significantly.

These increasing levels of skepticism may help explain why fewer people report planning for the activities they'll pursue during retirement. With rising healthcare costs and the continuing national debate around the topic, it is surprising that the number of Americans who are making plans to ensure they remain healthy has declined (51% vs. 55%). The number who report planning to spend more time with family (37% vs. 41%), travel (23% vs. 26%), decide which hobbies to pursue (19% vs. 21%), volunteer (13% vs. 15%) and continue their education (10% vs. 13%) has also dropped significantly.

Thinking about retirement makes me feel...



Base: 11611 (4873 not retired, 6738 retired)

Question: Not retired: "Do you think that in retirement you will feel...?"

Question: Retired: "Reflecting on your current retirement lifestyle, do you feel...?"

California bucks national trends

California metros claimed the top three rankings on this year's index, demonstrating a bit more resilience than West coast neighbors like Seattle (#14) and Denver (#16) where confidence took a measurable hit.

Residents of San Francisco report a relatively bright outlook on the years ahead – a factor that helped propel the metro to its #1 ranking. The number of people who say they feel “happy” (51%), “optimistic” (42%) and “empowered” (19%) when they think about retirement are all significantly higher than the national average. Likewise, a third (33%) of locals say they're very confident their retirement will work out the way they planned, compared to approximately two in 10 retirees (22%) nationwide.

While people in Sacramento (#2) and San Diego (#3) are more likely than their San Francisco neighbors to share the somewhat mixed sentiments of people across the U.S., they report being more proactive about planning for retirement than other Americans. Nearly a third (31%) of Sacramento residents and 35% of San Diego locals say they have determined the amount of income needed in retirement compared to only a quarter (25%) of people surveyed nationwide. Likewise, 81% of people in California's capital city say they've thought a lot about the activities they'll pursue during their retirement years – far more than the national average (72%).

Los Angeles (#8) may not have ranked in the top three, but it did make an impressive leap to the top third of the index after ranking last in 2010. What helped propel Los Angeles so dramatically? More than three quarters (78%) of locals say they are preparing financially for retirement – a significant increase from 2010 when only 63% reported doing so. This extra preparation has also changed locals' views on retirement – or maybe positive attitudes have made people more willing to focus on the future. Whatever the case, 70% of L.A. residents report positive feelings about retirement, compared to only 60% last year.

Metro	Composite Index	
	2011	2010
San Francisco-Oakland-San Jose	1	12
Sacramento-Stockton-Modesto	2	4
San Diego	3	6
St. Louis	4	17
Portland	5	24
Hartford-New Haven	6	7
Dallas-Fort Worth	7	11
Los Angeles	8	30
Orlando-Daytona Beach Melbourne	9	28
Philadelphia	10	22
Chicago	11	13
Pittsburgh	12	18
Tampa-St Pete	13	19
Seattle-Tacoma	14	5
Houston	15	14
Denver	16	8
Phoenix	17	16
Minneapolis-St. Paul	18	1
Raleigh-Durham	19	2
Detroit	20	21
Baltimore	21	9
Charlotte	22	27
Boston	23	10
Miami-Ft. Lauderdale	24	20
Washington D.C.	25	23
Nashville	26	3
Cleveland-Akron	27	25
Atlanta	28	15
New York	29	26
Indianapolis	30	29

Confidence lacking in lowest ranked metros

Consumers in the nation's lowest ranked metros, Indianapolis (#30), New York City (#29) and Atlanta (#28), could definitely be doing more to prepare for retirement. But locals' negative outlook on retirement is the primary reason these metros appear at the bottom of the index.

Just over a quarter (27%) of Indianapolis residents report they feel "hopeful" about retirement, compared to a third (33%) of those surveyed nationwide. Likewise, a mere 13% say they believe they will be able to achieve their dreams in retirement — and some of those dreams may also be taking a backseat to more pressing needs. For example, the number of people in

Indianapolis who say they are planning to continue their education during retirement dropped to a mere 5%, down from 11% in 2010.

Significantly fewer New York City (30%) and Atlanta (31%) residents say they feel on track for retirement than do so across the U.S. (37%). Low numbers of New Yorkers also report feeling very confident about their financial future (17%) or in their ability to reach their retirement goals (20%) — although some doubt is understandable. Nearly one quarter (24%) of those surveyed in the New York report experiencing a layoff or career setback in the last 18 months, compared to 19% nationwide.

Significant shifts since 2010

Minneapolis-St. Paul (#18), Raleigh-Durham (#19) and Nashville (#26) all tumbled dramatically from their top three ranks in 2010. While it is difficult to cite a specific reason for these metros' dramatic falls, the Twin Cities area faced rapidly declining home prices, tornados and a state government shutdown in the past 12 months. Similarly, Raleigh-Durham was plagued by both tornados and flooding – suggesting that more pressing financial obligations may be taking precedence over retirement planning in these cities.

Nashville's slide was the most dramatic, driven down by both a lack of preparation and confidence among Music City residents. Only slightly more than a third (35%) of locals report feeling on track for retirement compared to half (50%) of those surveyed in 2010, and residents' attitudes about retirement also seem to be hitting a sour note. Just over one third (36%) say they feel "happy" about retirement, down from more than half (54%) of those surveyed in 2010. The number who report feeling "anxious" (24%) and "depressed" (13%) has also risen dramatically in just one year.

The story is more positive in Portland (#5) and Orlando (#9) which climbed the index almost as dramatically as L.A. The number of Portland residents who say they feel "optimistic" (46%), "empowered" (22%) and "on track" for retirement (45%) are significantly higher than the national average. Positive feelings also abound in Orlando, where locals are putting their positive energy toward planning for the activities they'll pursue during retirement. Four out of five (81%) say they've taken this important action – significantly more than the 72% of people across the U.S. who report doing the same.

San Francisco also moved up 11 spots in order to claim the top ranking on the composite index, and Atlanta slid 13 places to its #28 finish. Midwestern metros, including Chicago (#11), Detroit (#19), Indianapolis and Cleveland (#27) were among the most stable, moving less than two ranks since 2010 – however neighboring St. Louis (#4) and Minneapolis made dramatic moves up and down the index, respectively.

Retirement destinations and expectations

Choosing where to live during retirement can have a significant impact on people’s lifestyle and pocketbook – but it appears the latter is driving the majority of decisions. Americans rate a city’s overall cost of living as the leading factor to consider when deciding where they’ll spend their retirement years, and 42% say it is very important. Nearly one quarter (24%) share the same sentiment about state and local tax rates.

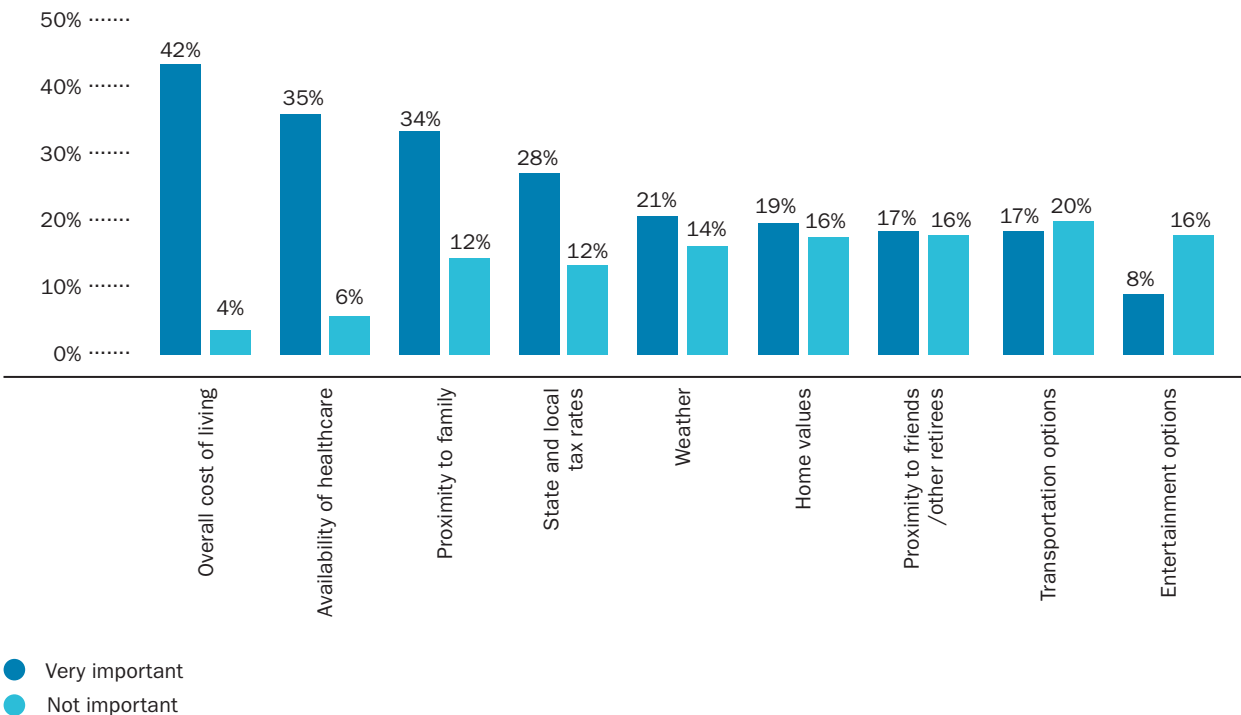
People may not be spending as much time planning for how they’ll stay healthy as they did a year ago, but 35% rate an area’s availability of healthcare options and facilities as very important. Other amenities like transportation and entertainment options were significantly less likely to be cited.

While a third (34%) of Americans say proximity to family is a very important feature of the metro they choose to reside in during retirement, the number

who feel the same about being close to friends and other retirees is surprising low (17%). This may be a significant oversight as nearly one in five (19%) retirees struggle with a loss of social connections once they leave the workforce. In fact, the only factor more likely to be rated as the worst thing about retirement is the loss of income from their primary career (37%). Those who haven’t reached retirement are definitely overlooking the emotional impact of losing social connections, with a mere 7% anticipating that this will be the worst thing about retirement.

One area both those who are working and retired agree on is the best thing about reaching this milestone. Having more control over their time and the opportunity to just relax are cited by a vast majority of both groups.

How important are the following factors in determining where you’ll live in retirement



Base: 11611

Question: Not retired: “When thinking about where you’ll live in retirement, how important do you think each of the following factors will be?”

Question: Retired: “When deciding where you’d live in retirement, how important were each of the following factors?”

Conclusion

Americans' confidence regarding retirement has taken a significant hit in the past year, most likely driven by factors many feel are out of their immediate control. While this isn't good news for individuals or our country, there are glimmers of hope when you examine metros such as Los Angeles where positive feelings have taken a significant upswing and people are beginning to feel more on track financially. And while levels of preparation and positive sentiment in places like Minneapolis-St. Paul have gone in the opposite direction, this may

simply be an effect of a distressed housing market, which hit the West coast early on before rippling inward to America's heartland. It's reasonable to assume that if consumers in California can begin to see their retirement prospects more positively – and take proactive steps to counteract the same risks to their retirement security that many Americans face — so can people across the nation.

Methodology

The *New Retirement Mindscape 2011 City Pulse* index was created by Ameriprise Financial utilizing responses to an online study conducted by Harris Interactive from August 4–12, 2011.

- The 2011 City Pulse index followed an identical methodology to the prior year's index, published in December 2010.
- The survey sampled 11,611 U.S. adults ages 40–75, including approximately 300 consumers in each of the 30 metropolitan areas and an additional 1000 consumers nationwide.
- The national average sample and the 30 U.S. metropolitan areas were each weighted independently to best represent each area.
- Propensity score weighting was also used to adjust for respondents' likelihood to be online.

About Ameriprise Financial

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²Source: Ameriprise Financial Second Quarter 2011 Statistical Supplement, June 30, 2011

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