Ameriprise Financial®

New Retirement Mindscape®

2012 City Pulse index

Abstract

Since 2010, Ameriprise Financial has polled Americans in the 30 largest U.S. metropolitan areas to determine where people feel the most prepared for and confident about retirement. The findings of the study form the basis of the *New Retirement Mindscape®* City Pulse index, an annual snapshot of retirement readiness.

The index measures consumers' likelihood to have determined the amount of money they need to save for retirement and their actual saving habits. It also takes into account if people have planned for a variety of activities during retirement and express confidence about achieving their retirement goals.

Now in its third year, the 2012 City Pulse index demonstrates changes over time, both on a national and metro level. Understanding the impact of local events and economic conditions may help consumers better prepare themselves financially and emotionally — ultimately leading to a more confident and fulfilling retirement.

Table of Contents

Introduction

Within the last year, Americans faced numerous events that may have impacted the way they prepare for and feel about retirement. When we fielded our 2012 study (June 13 – 25), the following consumer and economic news was — or had recently been — in the headlines:

- The Dow Jones Industrial Average and S&P 500 dropped more than 6% in May, booking only five positive days during the month — something that hadn't happened since January 1968.
- Escalating concerns about the Eurozone debt crisis, with Spain and Greece at the forefront, were causing many U.S. investors to be apprehensive.
- The employment picture, a key indicator of consumer sentiment, remained muddy. The government reported a rise in the unemployment rate to 8.2% and the creation of just 69,000 jobs in May.

The cumulative effect of these events on Americans' psyches is hard to measure. Findings from the 2012 City Pulse index suggest that while consumer sentiment has stabilized, investors are still weary of the market and are failing to prepare adequately for retirement.

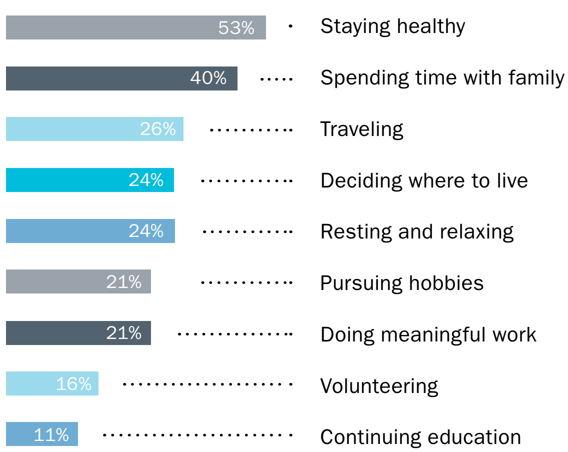
Financial preparation slips to the lowest level in three years

Mixed messages from the financial markets do not appear to have spurred Americans to plan more proactively for retirement. In fact, the number of people who say they are making financial preparations has dropped to 70% — the lowest point in three years and down significantly from 75% in 2011. The most notable declines are in the number of people who report setting aside money in an employer-sponsored plan (47%) or into their own savings and investments (47%), both of which dropped below 50% for the first time in the history of our study.

Despite this discouraging trend, consumers don't appear to be disregarding retirement planning altogether as many are taking steps to prepare for the activities they'd like to pursue during their non-working years. Three-quarters (75%) of Americans say they have planned for at least one activity, a significant increase since last year (72%). More than half (53%) say they have given a lot of thought to how they'll remain healthy in retirement, followed by spending more time with family (40%) and traveling (26%).

And while some are taking very little action, it appears that many Americans realize they're unprepared. Only one-third of retirees say they feel very prepared for the remainder of their retirement. Even more daunting, this feeling is expressed by a mere 9% of those who haven't yet reached this milestone. Despite this, nearly two-thirds (64%) of retirees and one-quarter (25%) of non-retired consumers say they feel on track for the years ahead.

Lifestyle factors Americans are thinking about as they plan for retirement



Question: To what extent are you currently making/did you make plans for the following activities during your retirement?

% responding "a lot"

Sample: 10,063 U.S. adults ages 40–75

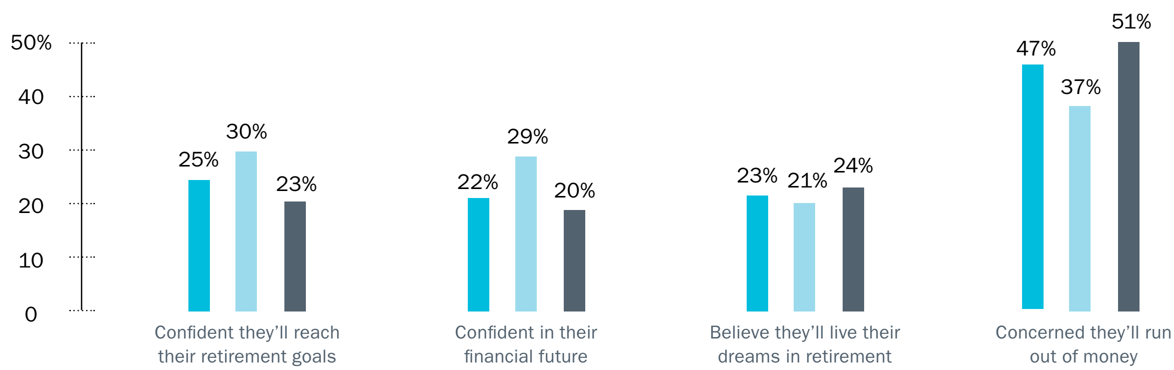
Overall sentiment is positive but confidence remains low

Consumers continue to express more positive (64%) than negative (31%) sentiments when they think about retirement. At least one-third report feeling happy (42%), optimistic (34%) and hopeful (32%); the number who say they feel worried (21%) and anxious (18%) has declined significantly since last year. Retirees (81%) remain much more likely than those who haven't retired (57%) to express positive feelings — but are also more apt to say they feel depressed. This underscores the need for both financial and emotional preparation for retirement.

The number of Americans who express confidence has increased significantly since last year, but the overall findings remain quite bleak. Only 30% of retirees are very confident their retirement will work out the way they planned — and a mere 29% express the same sentiment about their overall financial future. When asked if they're living their dreams in retirement, only 21% agree — compared to 27% who disagree. More than one-third (37%) say they are concerned that they'll outlive their savings.

This lack of confidence is even more pronounced among those who haven't retired. Responding to similar questions, 23% say they are very confident they'll reach their retirement goals and 20% express the same about their overall financial future. Slightly more (24%) believe they'll live their dreams in retirement — but more than half (51%) express concern about outliving their savings.

Confidence especially low among non-retired Americans



- U.S. Consumers
- Retired
- Not retired

% responding "very likely"

Sample: 10,063 U.S. adults ages 40–75; 3,572 retired/6,491 not retired

Top ranked metros demonstrate significantly higher levels of financial preparation

Hartford-New Haven climbed to the top of this year's index after consistently ranking in the top 10. The metro area is joined by San Diego, which moved up one spot to rank second on the index, and Minneapolis-St. Paul, which rebounded nicely after falling from first to 18th last year.

Several things set apart the top ranked metros. Residents of these areas are significantly more likely to be making financial preparations, including setting aside money for retirement, determining how much they need to save and consulting with a professional financial advisor. Perhaps as a result, they are also much more likely to feel on track and financially prepared for retirement.

However, despite the efforts they've made from a financial standpoint, people in the top three metros are only on par with the rest of the nation with regard to planning for the activities they hope to pursue – a fact which may leave them less prepared than they actually feel.

While the story isn't positive for the bottom three metros, it may not be as negative as it initially seems. Indianapolis (28) is on par with the national average with regard to financial preparation, while Charlotte (29) and Washington D.C. (30) score just slightly below. However, the residents of these metros report a significant lack of confidence in their ability to reach their retirement goals, which ultimately contributes to their low rankings.

Composite index

Metro	2012	2011	2010
Hartford-New Haven	1	6	7
San Diego	2	3	6
Minneapolis-St. Paul	3	18	1
San Francisco-Oakland-San Jose	4	1	12
Philadelphia	5	10	22
Raleigh-Durham	6	19	2
Nashville	7	26	3
Denver	8	16	8
Pittsburgh	9	12	18
Atlanta	10	28	15
Phoenix	11	17	16
Boston	12	23	10
Seattle-Tacoma	13	14	5
Dallas-Fort Worth	14	7	11
St. Louis	15	4	17

Metro	2012	2011	2010
Houston	16	15	14
Detroit	17	20	21
Sacramento-Stockton-Modesto	18	2	4
Portland	19	5	24
Miami Ft.-Lauderdale	20	24	20
Los Angeles	21	8	30
Orlando-Daytona Beach-Melbourne	22	9	28
Tampa-St. Petersburg	23	13	19
Cleveland-Akron	24	27	25
Baltimore	25	21	9
New York	26	29	26
Chicago	27	11	13
Indianapolis	28	30	29
Charlotte	29	22	27
Washington D.C.	30	25	23

Significant differences noted across the 30 largest metros

While some metros made significant climbs up this year's index, others experienced dramatic falls. Nashville (7), Atlanta (10) and Minneapolis-St. Paul (3) ranked at least 15 spots higher on the 2012 index than they did in 2011, while Sacramento-Stockton-Modesto (18), Chicago (27) and Portland (19) dropped at least 14 positions.

Nashville made the largest climb to 7th, after falling to 26th in 2011, down from 3rd in 2010. Residents of this southern city are only somewhat more likely than consumers across the U.S. to be preparing financially for retirement (74% vs. 70%), but they are significantly more likely to have thought a lot about the activities they would like to pursue during this life stage (82% vs. 75%) – a dramatic change since 2011 when 69% of locals said the same. Nashville consumers also demonstrate a significant increase in positive sentiment with one-third (32%) expressing that they're very confident they'll achieve their retirement goals compared to 24% last year and one-quarter (25%) nationwide.

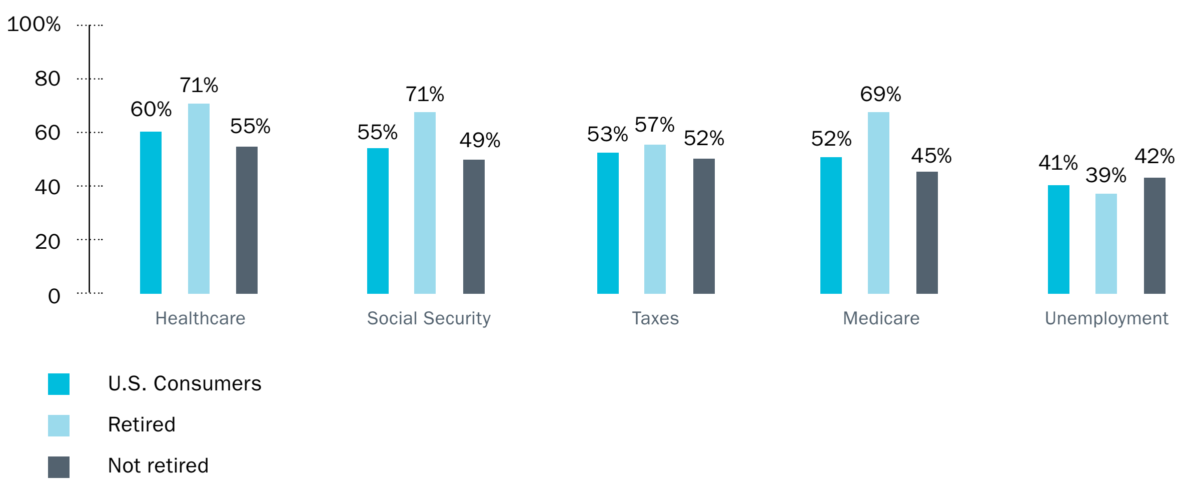
The Sacramento metro experienced the most significant decline, falling to 18th, down from 2nd in 2011 and 4th in 2010. Locals are less likely to report making both financial and lifestyle preparations than they were in either of the previous two years, but their sentiment regarding retirement remains positive overall. Sacramento residents (20%) are significantly more likely than people in other metros (14%) to say student loan debt has taken a toll on their finances – and of those affected, approximately one-third (38%) admit to reducing the amount they're saving for retirement while 15% say they've withdrawn money from a retirement account to cover loan payments.

Study also reveals insights into the upcoming election

With the 2012 presidential and congressional elections in the headlines, Americans were also asked if a candidate's position on certain financial issues will impact their vote. A majority of consumers say positions on healthcare (60%), Social Security (55%), taxes (53%) and Medicare (52%) are very likely to influence their decision — while 41% note unemployment.

Retirement status appears to impact how strongly people feel about these issues. While healthcare is one of the primary issues cited by both retired and non-retired Americans, significantly more retirees say candidates' positions on this topic are very likely to impact their vote (71% vs. 55%). An equal number of retirees (71%) mention Social Security, compared to 49% of those who haven't retired — while this group is more likely to express this sentiment about taxes (52%).

Issues very likely to impact Americans' votes



Question: As you think about the upcoming presidential and congressional elections, how likely are candidates' positions on the following issues to determine who receives your vote?

% responding "very likely"

Sample: 10,063 U.S. adults ages 40–75; 3,572 retired/6,491 not retired

Conclusion

While it is encouraging to see Americans' confidence in achieving their financial goals begin to rebound, the decline in preparation is a significant concern. With further changes to entitlement and workplace programs looming, the responsibility for establishing a secure retirement may fall even more directly on consumers. Americans appear to understand what's at stake — in fact, approximately half express concern that they'll outlive their retirement savings. While this is a difficult realization, we can be hopeful that it will also motivate some to plan more proactively for the years ahead. Only time will tell.

Methodology

The *New Retirement Mindscape* 2012 City Pulse index was created by Ameriprise Financial utilizing responses to an online study conducted by Harris Interactive from June 13-25, 2012.

- The 2012 City Pulse index followed an identical methodology to the previous two years' indices published in November 2011 and December 2010.
- The survey sampled 10,063 U.S. adults ages 40–75, including approximately 300 consumers in each of the 30 metropolitan areas and an additional 1,000 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

At Ameriprise Financial, we have been helping people feel confident about their financial future for more than 115 years. With outstanding asset management, advisory and insurance capabilities and a nationwide network of approximately 10,000 financial advisors, we have the strength and expertise to serve the full range of individual and institutional investors' financial needs. For more information, or to find an Ameriprise financial advisor, visit ameriprise.com.

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The Dow Jones Industrial Average is an unmanaged index that follows the returns of 30 well-established American companies, and is frequently used as a general measure of market performance. The index reflects reinvestment of all distributions and changes in the market prices, but excludes brokerage commissions and other fees. It is not possible to invest directly in an index.

The Standard & Poor's 500 Index (S&P 500® Index), an unmanaged index of common stocks, is frequently used as a general measure of market performance. The index reflects reinvestment of all distributions and changes in market prices, but excludes brokerage commissions or other fees. It is not possible to invest directly in an index.

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