The Principal Financial Well Being Index 2015
Indian Households

Retirement Advisors
Introduction

• The **Principal Financial Well-Being Index** is a very important initiative of the **Principal Financial Group (PFG)** in the US and is currently in its 14th year running.

• The objective of the study is to keep a finger on the pulse of the financial well-being of American households/workers and gauge their concerns, attitudes and behaviors as related to the topic of financial security.

• **Principal Retirement Advisors**, part of the Principal Financial Group, introduced **The Financial Well Being Index study in India** in 2013, with an aim to gauge the financial well being of Indian households/employees.

• This study is the **Third Edition** of the annual Financial Well Being Index for Indian Household’s/Employee’s and it attempts to understand the progress/movements on their concerns, attitudes and behavior.

• The study has been conducted with our research partner – **Nielsen & Company** during the last quarter of 2015.
Featured Key Information Areas

- Perceptions & Concerns about Economy in General
- Household Spending Trends and Expectations
- Household Finances, Savings & Investments Trends
- Perceptions & Attitude towards Retirement Planning
- Availing services of Financial Advisors
Respondent Profile
## Respondent Profile

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Center V/S Age | Center V/S SEC
## Respondent Profile

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<th>Household Composition</th>
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<td>Non-Salaried</td>
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<td>Full time working - Government</td>
<td>Full time working - Private Companies</td>
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<td>Mumbai</td>
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<td>Bangalore</td>
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<td>Chennai</td>
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<tr>
<td>Hyderabad</td>
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<td>18</td>
<td>99</td>
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<tr>
<td>Chandigarh</td>
<td>103</td>
<td>40</td>
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<td>Jaipur</td>
<td>111</td>
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<tr>
<td>Lucknow</td>
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<td>12</td>
<td>62</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1491</td>
<td>175</td>
<td>868</td>
</tr>
</tbody>
</table>

# What best describes your current employment status?
- **Salaried**: Full time working - Government, Full time working - Private Companies
- **Non-Salaried**: Self Employed, Business

# What would best describe the composition of this household?
- **1 Adult**
- **Couple**
- **Couple with children**
- **Couple with parents**
- **Couple with parents and children**
- **Others**
General Economic Outlook
General Economic Outlook

- Optimism about the overall state of the economy has come down as compared to 2014 but is not as pessimistic as it was in 2013
- Optimism about economy was seen to be highest amongst SEC A1 and lowest amongst SEC B2

# Could you please tell me what do you think will happen to the economy?
### Concerns About the Economy

 Majority of respondents (~78%), are concerned about the health of economy

Thinking about the economy, could you please tell me how worried are you about the health of the economy?

<table>
<thead>
<tr>
<th></th>
<th>Delhi</th>
<th>Mumbai</th>
<th>Bangluru</th>
<th>Chennai</th>
<th>Kolkata</th>
<th>Pune</th>
<th>Ahm’bad</th>
<th>Hyd’bad</th>
<th>Chandgrh</th>
<th>Jaipur</th>
<th>Lucknow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all worried</td>
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<td>10</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>34</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Somewhat worried</td>
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<td>13</td>
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<td>17</td>
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<td>0</td>
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<tr>
<td>Worried</td>
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<td>56</td>
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<td>40</td>
<td>17</td>
<td>48</td>
<td>20</td>
<td>8</td>
<td>48</td>
<td>0</td>
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<tr>
<td>Very worried</td>
<td>53</td>
<td>48</td>
<td>19</td>
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<td>26</td>
<td>38</td>
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<tr>
<td>Extremely worried</td>
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<td>17</td>
<td>1</td>
<td>2</td>
<td>13</td>
<td>13</td>
<td>4</td>
<td>13</td>
<td>27</td>
<td>16</td>
<td>19</td>
</tr>
</tbody>
</table>

Base: 1491

All Fig. in %

# Thinking about economy, could you please tell me how worried are you about the health of economy?
Unemployment, rising inflation and rising fuel prices continue to be the top concern areas.

Corruption, economic uncertainty and political uncertainty are seen as an increasing concerns for 2016.

According to you what are the issues/concern areas for the economy in the next 1 year?
Concerns About the Home Loan Interest Rates

- 36% of the respondents say that they are extremely/very worried about home loan interest rates while only 11% are not at all worried.

# In the next one year, how worried are you with the rise in home loan interest rates?

Change from 2014

- Extremely worried: -3
- Very worried: 6
- Worried: 1
- Somewhat worried: -4
- Not at all worried: 2

Base: 1491
Concerns About Inflation & Prices of Household Items

Opinion is equally divided with respect to increase or decrease of inflation

However, 69% respondents feel that prices for household items would go up in the coming year

# Could you please tell me what do you think will happen to the inflation in the coming year?
# Could you please share your view about prices of groceries, fuel & other household items in next one year: will go up or down?
Expectations on Rupee Vs US$ in 2016

A slightly negative perception about the INR V/s US$ with 16% of respondents believing that the INR will gain verses the US$ as compared to 35% in 2014

# Thinking about economy, where do you see rupee moving vis-à-vis US$ in the next one year?
Focus Areas for Government in Coming Year

# According to you, what issues should the government focus in the coming year?

Jobs, Education and Electricity are the Top 3 Areas where people want Government to focus in the coming year.

- Jobs: 74%
- Education: 67%
- Electricity: 52%
- National security: 45%
- Food: 44%
- Water supplies: 43%
- Corruption: 42%
- Fuel: 42%
- Housing needs: 42%
- Social Security: 42%
- Environment: 40%
- Roads and sanitation: 39%
- Health/Medicare care: 39%
- Debt and deficit: 38%
- Taxes: 37%

Base: 1491
Household (HH) spending trends & expectations
Allocating Overall Household Income

- Household expenditure accounts for 43% of the total income earned
- Savings and Investments account for 40% of the income

# Thinking about your Overall income, could you please tell me how will you allocate your income
Could you please tell me if your spending is expected to increase/decrease next year as compared to this year?

43% Households expect their spending to increase in Next 1 Year

43% Households expect their spending to increase in Next 1 Year

Increase Significantly, 9%
Increase Slightly, 34%
Remains the Same, 26%
Decrease Slightly, 26%
Decrease Significantly, 5%

Base: 1491
## Reasons for Decreased Spending Next Year

<table>
<thead>
<tr>
<th>Reasons for Decreased Spending</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>I want to save more</td>
<td>58</td>
</tr>
<tr>
<td>I want to invest more</td>
<td>43</td>
</tr>
<tr>
<td>I expect to have less access to credit (home equity loans, credit cards etc.)</td>
<td>41</td>
</tr>
<tr>
<td>I need to pay off existing credit lines/debit (e.g. mortgage, credit cards, loans etc.)</td>
<td>40</td>
</tr>
<tr>
<td>I am generally more concerned about the future and I feel I need to save more</td>
<td>39</td>
</tr>
<tr>
<td>I expect to be earning less salary</td>
<td>39</td>
</tr>
<tr>
<td>I am worried that I/any other household member might lose the job</td>
<td>37</td>
</tr>
<tr>
<td>I expect to be earning less in dividends and capital gains (stock market gains, interest on savings, etc.)</td>
<td>35</td>
</tr>
<tr>
<td>I will have to take care financial care of elders or adult children</td>
<td>33</td>
</tr>
<tr>
<td>We expect to be adding to our family with the birth, adoption, guardianship of a child (children)</td>
<td>25</td>
</tr>
<tr>
<td>I expect to be making a big purchase (children education, down payment of a home, car, wedding etc.)</td>
<td>18</td>
</tr>
</tbody>
</table>

Savings & Investment, followed by loan/credit concerns and future concerns and top reasons for decreased spending

# You mentioned that your spending is expected to decrease in the next 1 year, could you please state the reasons for the same?
## Reasons for Increased Spending Next Year

<table>
<thead>
<tr>
<th>Reasons for Increased Spending</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>I expect to be earning more salary</td>
<td>62</td>
</tr>
<tr>
<td>I want to invest less</td>
<td>36</td>
</tr>
<tr>
<td>I expect to receive bonus</td>
<td>36</td>
</tr>
<tr>
<td>I want to save less</td>
<td>35</td>
</tr>
<tr>
<td>I am less worried than I was about the future</td>
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</tr>
<tr>
<td>I expect to be earning more in dividends or capital gains (stock market gains, interest on savings etc.)</td>
<td>32</td>
</tr>
<tr>
<td>I expect to receive inheritance</td>
<td>30</td>
</tr>
<tr>
<td>I am expecting a big ticket purchase (house/property, vehicle, wedding etc.)</td>
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<tr>
<td>I expect to have more or easier access to credit (home equity loans, credit cards etc.)</td>
<td>26</td>
</tr>
<tr>
<td>I paid off my existing credit/debt history (mortgage, credit card etc.)</td>
<td>24</td>
</tr>
<tr>
<td>I expect financial care of elders/children to stop or decrease</td>
<td>23</td>
</tr>
<tr>
<td>I am tired enough of not spending in downturn</td>
<td>19</td>
</tr>
</tbody>
</table>

Positive outlook about increased salary and bonus are top reasons for increased spending expectations followed by the desire to spend and invest less in the next year.

# You mentioned that your spending is expected to increase in next 1 year, could you please state the reasons for the same?
Children’s education continues to be the main big ticket expense foreseen by respondents.

Buying a vehicle and Foreign Holidays are the emerging big ticket spends vis-à-vis 2014.

# Out of these, could you please tell me how confident are you about your preparation to meet these financial goals?
63% respondents are not planning a holiday in next year – slightly more than 2014.

# Now thinking about your holiday plans, could you please tell me if you are planning for a holiday in the next 1 year?

Festive spending trends are almost expected to be same as 2014. 71% respondents will either spend the same or less vis-a-vis last year on festivities.

# Could you please tell me in the upcoming holidays, you intend to __________?
Household (HH) Finances, Savings & Investments trends
A majority of respondents have a positive outlook towards their personal finances with most stating that they have good insurance coverage, are in control of their financial situation and are making good progress towards long-term financial goals.

# I am now going to read statements representing attitudes different people have towards various financial situations. Please indicate how much do you agree/disagree with each statement considering yourself and your own attitude towards financial situations?
Life insurance, FDs & Gold are the most preferred investment options currently. However, fewer respondents are planning on investing through FDs and Life Insurance in the coming year with more interest in Mutual Funds.

# Out of these could you please tell me the name of the products in which you are currently invested? # Could you please tell me in which all products are you planning to invest in the next 1 year?
What are your reasons for investing in these financial products?

Safety is the topmost criteria for selection of investment products followed by Returns.
Most people feel that they have adequate amount of life insurance coverage

# Do you feel the amount of life coverage you have is adequate?
75% of the respondents claim to be extremely / somewhat satisfied with their current level of savings.

# How satisfied are you with your current level of savings?

35% of the respondents claim their savings have decreased over the last 2 years while 58% say they have remained the same.

# Has your level of savings changed in the past 1 – 2 years?
Household Investments Satisfaction Levels

Satisfaction with Current Investment Levels

- Extremely satisfied; 16
- Somewhat satisfied; 57
- Neither satisfied nor dissatisfied; 20
- Somewhat dissatisfied; 6
- Extremely dissatisfied; 1

73% of the respondents claim to be extremely / somewhat satisfied with their current level of investments

# How satisfied are you with your current level of investments?

Age when started Investing

- 25 - 34 years: 83
- 35 - 44 years: 16
- 45 - 60 years: 1

Most respondents said they have started investing before the age of 34

# Could you please tell me the age when you started investing?
Retirement Planning attitude & perceptions
Majority of respondents plan to retire at the age between 56-60 years

# What is the age you are planning to retire?
I want to be happy and stress free post retirement

I have never thought about it truly speaking

I want to save enough for my retirement

I have already started investing for my retirement

I have enough family wealth that will take care of my needs during retirement

I expect my children to partially help me at the time of retirement

I expect my children to take care of my retirement

49% of respondents disclosed that they have never given real thought to the possible state of their finances post retirement

46% indicate that they have already started saving/investing for their retirement

# Could you please tell me what do you think of post retirement finances?
Perceptions of Preparedness for Post Retirement Finances

Know much money will be available at time of retirement
- Yes: 55%
- No: 45%

45% of respondents don't know how much money will be available to them post retirement

Planned Retirement fund keeping Inflation in mind
- Yes: 56%
- No: 44%

44% of respondents have not factored in the impact of Inflation for their retirement fund

Made Investments for Retirement
- Yes: 62%
- No: 38%

62% of respondents have already started investing for their retirement

# Could you please tell me what do you think of post retirement finances?

# Have you planned for the retirement fund keeping inflation/price rise in mind?

# Thinking about your post retirement needs, have you made any investments for your retirement?
The need to secure their futures and a lack of existing support are the main reasons cited for starting investments.
Expenses that are expected to increase after Retirement

- Higher education of children: 65%
- Daily household expenditures: 64%
- Medical expenses: 60%
- Children's marriage: 59%
- Expenses for travel: 46%

People expect children’s education expenses and household expenditures will increase once they retire. Medical and children's marriage are also considered as heavy expenses after retirement.

# Considering all your expenses, which of your expenses do you think will increase after you retire?
Availing services of Financial Advisors
• 68% of respondents are confident of their ability to make important financial decisions
• 54% also rely on help from financial professionals when making important decisions

# Please rate your level of agreement with the following statements: “I feel confident in my abilities to make important financial decisions.”
Desirable Attributes in Financial Advisors

- **Reputation of the financial advisor:** 58%
- **Qualification of the financial advisor:** 56%
- **Trust on the financial advisor:** 50%
- **Experience of the financial advisor:** 42%
- **Previous experience with the financial advisor:** 31%

**2014** | 42 | 51 | 44 | 57 | 29

- Reputation and Qualifications of the financial advisor are the most important drivers in selecting an advisor.
- Only 31% of respondents rely on previous experience with the advisor.

# While consulting a financial advisor for investment decisions, what attributes you look for in an advisor?
85% of respondents select a financial advisor based on references given by friends, family, co-workers or through the workplace

# How did you find your financial advisor?
68% of respondents feel that Financial Advisor plays an important role in their financial decisions

Do you feel financial advisor plays an important role in your financial decisions or is he/she just a facilitator?

- Plays an Important Role; 48
- Just a Facilitator; 32
- Both important and facilitator; 20

Financial advisors are expected to help mainly with investment planning, setting financial goals and aiding in tax saving

Could you please tell me in what areas does your financial advisor helps you or what areas would like you him/her to help you?

- Completing financial transaction related… 9
- Invest for children's education, marriage etc. 29
- Increase returns on investments 37
- Gain market knowledge 43
- Filing Tax Returns 47
- Retirement planning 49
- Tax saving 52
- Setting financial goals 52
- Investment Planning/for investment tips 55

All figures in %
Base: 1055
A majority of respondents state that they are knowledgeable enough to be able to manage their own investments.

48% also state that they do not have enough savings and investments to need a financial advisor.

# You mentioned that you make your own investment decision, could you please share the top 3 reasons for not consulting a financial advisor?
Willingness to Pay a Fee for Financial Advice

Almost 60% of respondents state that they would be willing to pay a fee for the services of a financial advisor.

What if you decide to consult a financial advisor, will you be willing to pay a fee for the financial advice?

Variable Fee on Income Generated and One time fixed fee are the most preferred fee structures.

You mentioned that you are willing to pay a fee for taking a financial advice, could you please tell me what type of fee structure would you prefer?
Research Methodology & Design

• **The Principal Financial Well Being Index: Indian Households** has been conducted with Nielsen & Company during the last quarter of 2015.

• The study was conducted in 11 cities – Mumbai, Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, Pune, Chandigarh, Lucknow & Jaipur and a total of 1491 Indian households were interviewed.

• The respondent profile is:
  - Age 25 to 60 years,
  - SEC A & B, Annual household income of INR 5 lac+ 
  - Salaried or self-employed professionals & employed full time/part time with either a small*/medium*/large* sized company

• Quantitative research conducted using a structured questionnaire in a CAPI (Computer Aided Personal Interview) format.

• Interviews conducted at respondents’ home. In a given household, only one member was interviewed.

• A given market has been divided into several zones and these have been further split by different starting points, in order to ensure sufficient randomness in the sample

• Quotas maintained for demographic parameters namely Age, SEC, Gender & Employment Status
About Principal Retirement Advisors

- India’s first dedicated retirement solutions specialist
- Licensed Investment Advisor under SEBI’s Investment Advisory Regulations
- Offering full range of financial planning, retirement planning, investments and other value added services
- Commenced Operations in October 2012
- A dedicated team of qualified Principal Retirement Planners supported by Principal Advisory Suite
About the Principal Financial Group

- Offices in 18 countries throughout Asia, Australia, Europe, Latin America and North America
- 14,800 employees worldwide
- 20.6 million customers
- One of the Fortune 500 companies on FORTUNE magazine’s list of the Largest 500 Corporations based on revenues*
- Principal Financial Group Inc. – Listed on NYSE, constituent of S&P 500 since July 2002

Assets Under Management by Source
$516.2 billion as of September 30, 2015

- Principal International, 22%
- Principal Global Investors, 23%
- Retirement and Investor Services Accumulation, 47%
- US Insurance Solutions, 4%
- Corporate, 1%
- Ris Guarenteed, 3%
Disclaimer

The above presentation has been compiled by Principal Retirement Advisors Pvt. Ltd. (PRA) by extracting relevant data from the research work done by its independent research consultant – Nielsen & Company in last quarter of 2015. The numbers reflect the situation at the time the survey was done by the research consultant and the same is likely to change with passage of time. PRA assumes no responsibility for any contents herein. PRA will not entertain any kind of claims made by any person for any losses suffered by use of the information provided herewith.