



MOST AMERICANS NOT ON TRACK TO RETIRE DUE TO LOW SAVINGS AND POOR INVESTMENT CHOICES, FINANCIAL ENGINES STUDY SHOWS

Those in Automatic 401(k)s Better Off

PALO ALTO, Calif. October 4, 2010 – Feeling the squeeze of the economic downturn, three out of four 401(k) participants (72 percent) are likely not on track to meet retirement goals based on their current 401(k) balance, plan contributions, and projected Social Security, according to a new report by Financial Engines, America's largest independent registered investment adviser.¹ Of that 72 percent, Financial Engines projects that the typical participant will be able to replace only 45 percent of their pre-retirement income, compared to a 70 percent goal.² On a positive note, however, the report showed that participants in plans with automatic enrollment and Qualified Default Investment Alternatives (QDIAs) are better off than those without.

The 2010 Financial Engines National 401(k) Evaluation analyzed the portfolios of more than 2.8 million 401(k) participants from 272 employer plans. The report estimates the amount of income each participant can expect in retirement from their current 401(k) savings and investments, and evaluates each portfolio on the basis of risk and diversification, company stock and participant contributions. The results show a 401(k) system under pressure from the recent economic crisis but with signs of hope in the form of the automatic 401(k) and plan sponsors designing plans that automatically enroll all participants to get them started on the right track.

"This study is a wake-up call showing that employees continue to make retirement mistakes, which have been compounded by the financial crisis," said Jeff Maggioncalda, president and CEO of Financial Engines. "Employers play a key role in ensuring that participants get the help they clearly need."

Economic Downturn Hurt Contribution Rates, Especially Among Middle Class

The report also found that the economic downturn has had a negative impact on participant savings rates, with 39 percent of participants not saving enough to receive the full employer match, up from 33 percent in 2008. Of participants under age 40, 47 percent failed to save enough to receive the full employer match. In addition, participants earning between \$25,000 and \$75,000 per year had average lower 401(k) savings rates in 2010 than they had two years ago (six percent in 2010 compared to seven percent in 2008), reflecting the serious impact of the economic crisis on middle-class working Americans.

According to the report, while automatic enrollment is helpful in getting participants into the plan, automatic savings escalation (automatically increasing participants' savings rates each year to an upper limit) is key to getting them saving enough for retirement. Sixty-seven percent of participants in plans with automatic escalation save enough to receive the full employer match, compared to just 52 percent of participants in plans without automatic escalation.

Qualified Default Investment Alternatives (QDIAs) Already Having Positive Impact on Participants

Although the U.S. Department of Labor finalized the QDIA regulations as recently as October 2007, the policy is already having a positive impact on newer participants. Younger participants with lower salaries and lower account balances are benefiting the most, as they are more likely automatically enrolled into the plan with an age-appropriate QDIA. For example, 52 percent of participants under age 30 in plans with a QDIA have the appropriate risk and diversification for their age, compared to just 12 percent of participants under 30 in plans without a QDIA. In addition, 50 percent of participants earning less than \$25,000 per year in plans with a QDIA have age-appropriate risk and diversification, compared to just 24 percent in plans without a QDIA.

This report highlights that unless they are re-enrolled in an age-appropriate investment default, existing participants are not yet benefiting from the automatic 401(k). According to the report, after being re-enrolled in managed accounts, existing participants across all age and salary groups are better off, with younger participants with lower salaries and lower account balances benefiting the most. Plans that have re-enrolled all participants in managed accounts have nearly twice as many participants with age-appropriate risk and diversification than plans without (57 percent vs. 31 percent).

"Public policymakers have provided a clear roadmap and incentives for employers to implement automatic 401(k) features," said Maggioncalda. "This study proves that automatic features are working, and the time has come for employers to implement them for all participants."

For more information on the data sets analyzed and to download a copy of the Financial Engines National 401(k) Evaluation 2010, please visit www.financialengines.com.

About Financial Engines, Inc. (NASDAQ: FNGN)

Financial Engines is the largest independent investment advisor committed to providing everyone the trusted retirement help they deserve. The company helps investors with their total retirement picture by offering personalized retirement plans for saving, investment, and retirement income. To meet the needs of different investors, Financial Engines offers both Online Advice and Professional Management. Co-founded in 1996 by Nobel Prize-winning economist Bill Sharpe, Financial Engines works with America's leading employers and retirement plan providers to make retirement help available to millions of American workers. For more information, please visit www.financialengines.com.

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¹ Registered Rep., July 2010.

² The study did not evaluate the impact of defined benefit income sources or previous 401(k) balances, if any, on participant retirement readiness. It analyzes 401(k) plans only, and is not intended to address participant investments outside of the plans offered by these plan sponsors, including IRAs, Roth IRAs, other investment vehicles, or additional 401(k) portfolios and pension plans at other employers not included in the sample set. As a result, the analysis may not represent investing of the total household portfolio.