



BABY BOOMERS' EMOTIONS THREATEN RETIREMENT SECURITY, FINANCIAL ENGINES ANALYSIS SHOWS

New White Paper Examines the Emotions, Behaviors, and Needs of Baby Boomers Entering Retirement

PALO ALTO, Calif. May 23, 2011 – Near-retirees and retirees are feeling uncertain about the future, fearful of poverty, not confident in their investing abilities, and distrustful of unscrupulous financial services and insurance firms, according to a new white paper issued by Financial Engines (NASDAQ: FNGN), the nation's largest independent registered investment advisor. Those were the four most common emotions expressed by baby boomers in over 300 interviews and surveys that Financial Engines conducted between 2008 and 2011. The white paper entitled, "Understanding the Accidental Investor: Baby Boomers on Retirement," provides insight on the emotions, behaviors, and needs that near-retirees and retirees exhibit around retirement.

According to the Financial Engines white paper:

- More than half of participants interviewed expressed some form of uncertainty in what the future may bring;
- Nearly half had a fear of poverty in retirement;
- Nearly half were distrustful of the motivations or qualifications of financial services and insurance firms; and
- More than a third of near-retirees and retirees said that they did not feel confident or knowledgeable when it came to making important financial decisions.

"With the first Baby Boomers entering retirement in 2011, the retirement income of an entire generation of American workers will be heavily dependent on 401(k) plans—plans that did not even exist when many Baby Boomers started their careers," explained David Ramirez, portfolio manager with Financial Engines responsible for overseeing the management of participant 401(k) portfolios in Financial Engines' retirement income service. "We conducted this analysis to better understand this generation of accidental investors, who now find themselves in the unexpected position of managing their own retirement assets and creating a retirement spending strategy."

The Link Between Emotions and Behavior

Regardless of the primary emotion, the white paper reported that these emotions frequently created barriers that prevented participants from accessing professional help. Many participants that expressed uncertainty about the future, distrust of financial services or were not confident making financial decisions simply avoided thinking about retirement altogether. Meanwhile, participants that made statements that reflected a fear of poverty frequently engaged in “magical thinking” – telling themselves that everything would work out in the end. Finally, those that were distrustful of financial services or unconfident about finances frequently turned to family and friends for advice, regardless of their qualifications or experience.

Reaching Accidental Investors

In addition to highlighting the emotions and corresponding behaviors of near-retirees and retirees, Financial Engines identified five common needs that, if met, could potentially help participants overcome these strong emotional barriers. Those needs include:

- **Flexibility.** Given the uncertainty of retirement, participants expressed a need to have flexibility and control over their retirement investments. Participants had a high reluctance to be locked into an investment vehicle—especially early in retirement when uncertainties are at their highest.
- **Safety.** Due to fear of significant losses right before or in retirement, many participants wanted investments that lowered investment risk or that could provide a steady and reliable source of income over time, and potentially for life. Many participants desired both. In addition, many of the participants also wanted flexibility.
- **Help from an Advisor.** Many participants said that they wanted to work with a financial professional they could trust to help them create a plan and decide on the appropriate course of action. At the same time many said that they found it difficult to know who to trust with their life savings.
- **Sponsor Evaluation.** According to Financial Engines’ white paper, participants said that having their employer select and monitor independent retirement income providers made them more likely to accept professional retirement help.
- **Fee Transparency.** Finally, many participants demanded clear and easily understood fees. They said that they would not act unless they fully understood the fees associated with a given product or service.

“This analysis shows how emotions can create barriers to accessing professional retirement help and highlights the need for improved understanding of participant emotions,” said Shin Inoue, director of retiree services at Financial Engines. “Meeting the retirement income needs of this generation starts with the development of solutions that addresses their emotions. Only then will we be able to help accidental investors achieve the retirement security they seek and deserve.”

Copies of the “Understanding the Accidental Investor: Baby Boomers on Retirement” white paper are available for download free of charge at www.financialengines.com. To better understand the complex relationships between the emotions people felt and the product features they wanted in retirement income solutions, Financial Engines used

thematic coding, a social science technique used frequently to analyze qualitative data.

About Financial Engines

Financial Engines is a leading 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. Cofounded 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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