

FOR IMMEDIATE RELEASE

Contact: Asma Emneina
Director, Public Relations
650.565.7791
asma@financialengines.com

Mike Jurs
Senior Manager, Public Relations
650.565.7752
mjurs@financialengines.com

NEW ACADEMIC RESEARCH SUGGESTS THAT DIFFERENT ADVISORY SERVICES APPEAL TO DIFFERENT EMPLOYEE SEGMENTS

Offering Advice Through Multiple Channels Reaches Different Types of Investors

PALO ALTO, Calif, March 30, 2006 – Since the creation of the 401(k) plan, employers have been experimenting with new ways to help employees save more and make the right retirement investment decisions. They've offered extensive investment education, online advice and most recently 401(k) managed accounts, in which participants elect to have their 401(k) account professionally managed. But which services are most effective at improving participant asset allocation, and which services appeal to which employee segments?

Those are the questions addressed by a working paper by Professor Julie Agnew just published by the Center for Retirement Research at Boston College. Agnew found distinct differences between online and managed account users, suggesting that different types of advisory services reach different participant populations. According to the research, online advice appeals to higher-salaried, full time workers and slightly more to males, while 401(k) managed accounts tend to have a broader appeal across most demographic groups, including gender, employment tenure and full-time/part-time status.

Agnew examined data from Financial Engines and Hewitt Associates as they related to a Fortune 100 company's 401(k) plan. Her sample of 63,385 individuals consisted of active 401(k) participants who received a personal evaluation letter from Financial Engines. This mailing invited the participants to join the new managed account service. Approximately six months after the personal evaluation mailing, 24 percent of the participants used one of the advisory services. Thirteen percent used online advice and 11 percent had enrolled in managed accounts.

"With 401(k)s becoming the primary retirement vehicle for a growing number of Americans, I felt it was important to examine how participants used different resources for improving their asset allocations," explained Julie Agnew, Professor at the College of William & Mary and author of the

study. “Plan sponsors are concerned about the frequency of their participants’ suboptimal asset allocations, including investment in company stock and the tendency for automatically enrolled participants to anchor their investments to conservative default fund choices. My goal for this project was to investigate what types of individuals take advantage of online advice and/or managed accounts. Given that the initial results suggest that different employee segments prefer different advisory offerings, one type of advisory service may not be sufficient for a plan to meet the diverse interests of their employees. Therefore, plan sponsors may want to consider offering a range of advisory services.”

Another interesting finding from the study is the role that investment in lifestyle funds may play as a proxy for those seeking advice. The preliminary results show that the probability of being a managed account or online user substantially increases if the participant initially invested in lifestyle funds. In addition, although a causal relationship cannot be determined, trading activity is higher for those using the online advice system compared to those who do nothing

“It’s important that we understand the investment behavior of participants in 401(k) plans so that we can continue to refine 401(k) plan designs and offer new resources to improve participants’ investment choices,” continues Julie Agnew. “This research is a first step in understanding who uses different advisory services. Future research will investigate how asset allocations and trading are ultimately effected by the use of these products.”

The working paper is available through the Center for Retirement Research at Boston College and can be downloaded at http://www.bc.edu/centers/crr/wp_2006-9.shtml.

About Financial Engines

Financial Engines is a new breed of investment advisor providing personalized investment advice and portfolio management to 401(k) participants. Founded by Nobel Prize-winning economist, William F. Sharpe, Financial Engines serves millions of employees at many of America's largest corporations. Patented advice technology and institutional-quality investment methodology allow Financial Engines to offer an array of advisory services to meet the needs of all investors. For more information, please visit www.financialengines.com.

###

Financial Engines® is a registered trademark of Financial Engines. Advisory and sub-advisory services are provided by Financial Engines Advisors LLC, a federally registered investment adviser.