Financial Finesse Reports
research on financial trends

Q2 2010 Research

Executive Summary

In Q2 2010, we saw an increase in financial stress among employees, but rather than retreating in denial, employees seem to have taken this as a wake-up call and are motivated to action. As a result, they are taking control—becoming more proactive with retirement planning as well as other longer term issues and making improvements to their overall financial situation. For instance, here are the top five resources accessed by users of our Financial Learning Center:

1. *Retirement Plan Estimator*
2. *Easy Spending Plan*
3. *Expense Tracker*
4. *How do I create a budget?*
5. *5 Steps to Estate Planning*

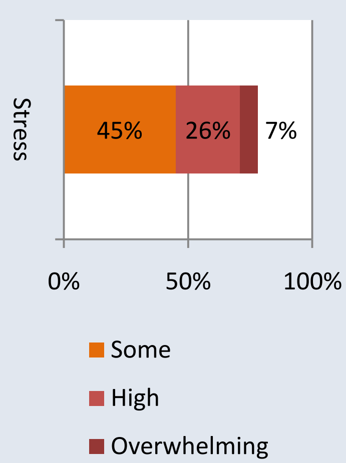
Is this an anomaly, or are we seeing the benefits of targeted efforts to get more employees thinking about their future? Our research suggests that this is a continuing trend, and the momentum seems to be heading in the right direction.

Key Trends

Employees report higher levels of financial stress, giving them a greater sense of urgency about taking control of their finances.

78% of employees report some form of financial stress, with 33% reporting high or overwhelming stress.

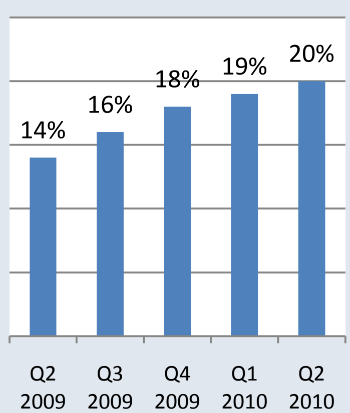
Those Feeling Financial Stress



They are particularly concerned about retirement planning, which increased from 14% of calls in Q2 2009 to 20% of calls in Q2 2010.

Retirement planning related calls topped the list at 20% in Q2 2010.

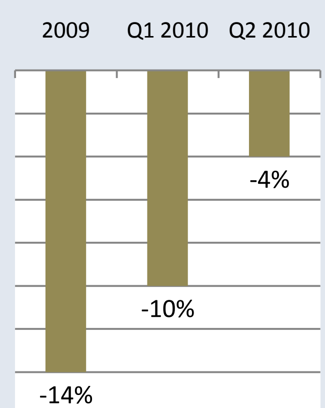
Increase in Retirement Planning Calls



They are also becoming more proactive about other financial planning issues. Employees are focusing on longer term issues.

Long-term financial planning issues are now almost equal to short term issues.

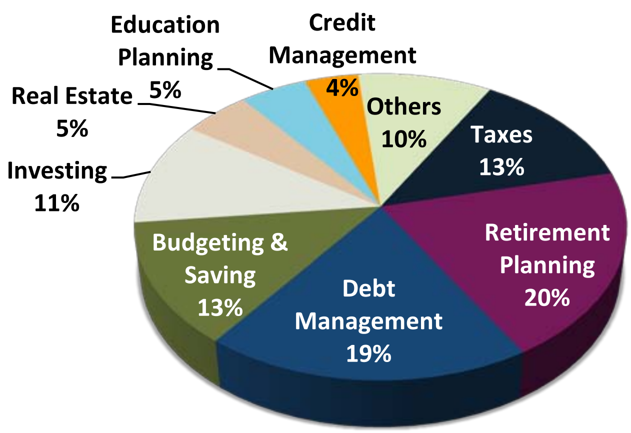
Difference in Long-term Calls vs. Short-term Calls



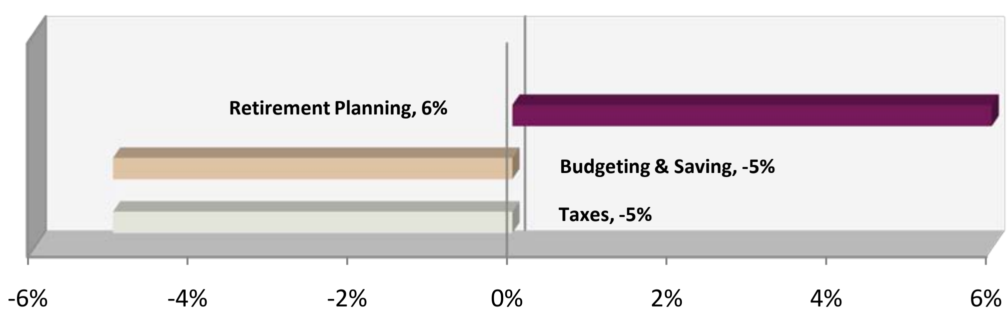
Employee Financial Picture

Despite the lackluster performance of the stock market, interest in retirement planning has remained strong. What is even more encouraging is the increase in total calls related to long-term planning issues. As of this time last year, calls concerning long-term planning issues fell to merely 37% of all calls. As of the second quarter of this year, they rose to 48% of all calls. In fact, retirement planning calls alone accounted for much of this increase, rising from 14% of all calls in the second quarter of last year to 20% of calls in the second quarter of this year. While calls about Debt and Budgeting & Saving came in at a combined 32% of calls, this is down from 38% of calls one year ago. This is the continuation of a trend we began reporting on at the end of last year. There are a number of things that could slow this progress, including a "double dip" recession, but with more and more employees responding proactively to the current financial crisis, the potential for a second recession seems less likely.

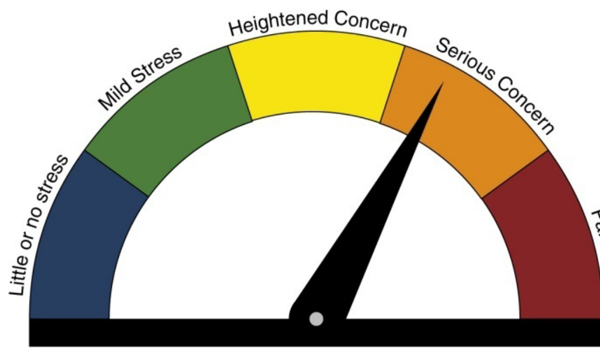
Breakdown of Financial Calls from Employees Q2 2010



Change from Q2 2009 to Q2 2010



Employee Financial Stress



Despite a decrease in stress levels earlier in the year, employees remain seriously concerned about their finances. Stress indicators edged to the right with 22% of respondents reporting feeling “low” or “no” financial stress (down from 24%) and 33% claiming “high” or “overwhelming” levels of stress (up from 30%). This movement to the right could be the result of poor market performance, high unemployment, European debt problems, growing concern over the future of healthcare, and continuing concern over the Gulf oil spill.

On a surprising note, while stress appears to have risen, employees seem to have responded by improving the way they manage their finances. With the exception of investment planning, wellness scores for users of the Financial Learning Center improved in all areas. Improvements were made in the key areas of debt management (4.4 to 5.0), money management (5.1 to 5.5) and retirement planning (4.3 to 4.9). Users continue to score highest in insurance planning (7.4), and lowest in investment planning (2.7).

Since financial wellness is expected to be a leading indicator of employee stress levels, we expect to see a decline in stress levels in the future.

Trend Analysis

With stock market performance in question, employees’ interest in retirement planning has taken on more urgency. Still, a surprisingly low number of employees (less than 18%) indicate that they are on target to reach their income replacement goals in retirement. This means over 82% are not on track to reach their goal, either because they have not saved enough, or they are not sure how much to save. This has caused more employees to focus on retirement planning. The top five retirement planning questions callers were asking this quarter were:

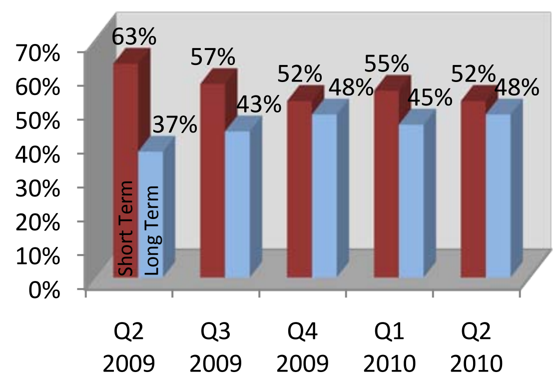
1. How much do I need to save for retirement?
2. What type of retirement account(s) should I contribute to?
3. Should I convert to a Roth IRA?
4. What is a Roth 401(k) and why should I participate?
5. How do I structure my withdrawals from my retirement plan?

In addition to retirement planning, employees are also focusing more on longer term issues like estate planning, insurance planning, and education planning. All combined, long-term planning related calls have risen to almost match short-term planning calls.

As the real estate market continues to struggle, real estate related calls have fallen from 8% of calls this time last year to just 5% of calls for Q2 of this year. The majority of calls are related to financing questions, followed by questions on the benefits of home ownership, and the tax benefits of owning a home. Here are the top five questions related to real estate:

1. What steps are involved with the purchase of a first home?
2. How do I find and evaluate lenders to finance a home?
3. What are the pros and cons of using a retirement plan loan for a down payment on a home?
4. Should I refinance my existing mortgage?
5. What are the benefits of renting vs. buying?

Calls regarding long-term financial goals from Q2 2009-Q2 2010*



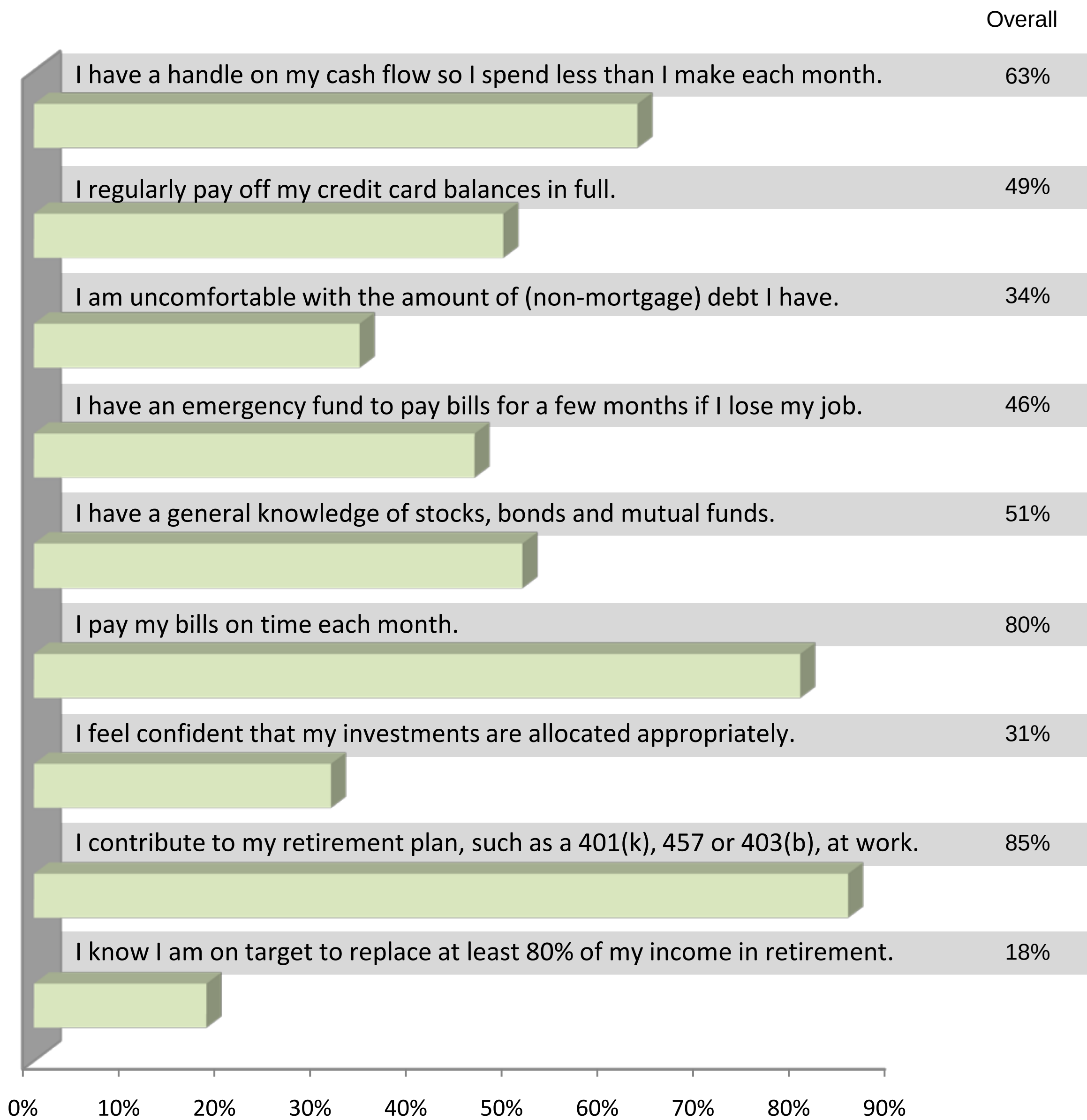
* See **About this Research** on page 16.

On a broader scale, overall employee financial wellness has improved over last quarter:

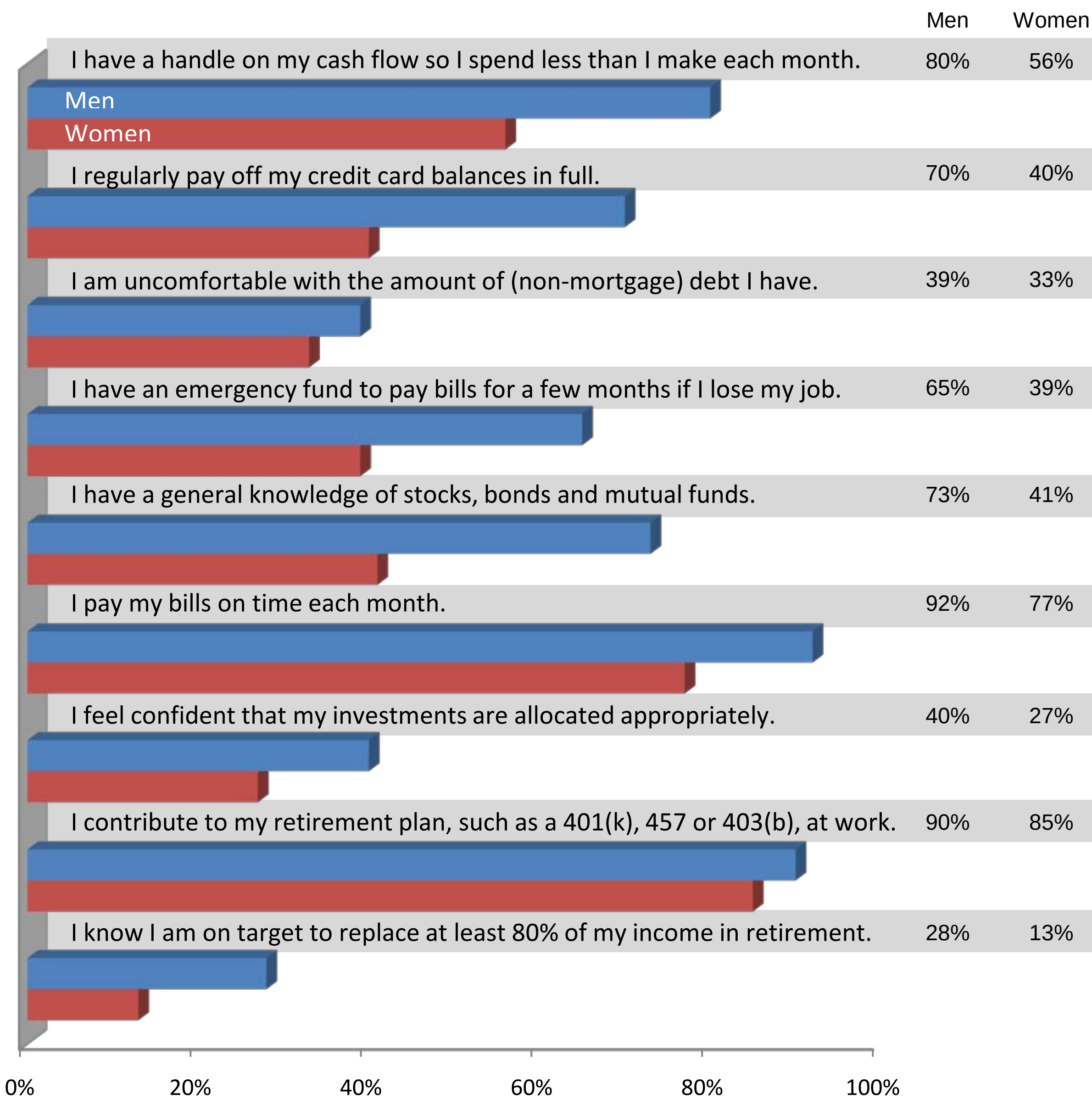
- 63% of employees report having a handle on cash flow (up from 60%).
- 49% of employees report paying off credit card balances in full (up from 42%).
- 46% of employees report having an emergency fund (up from 41%).
- 51% of employees report having a general knowledge of stocks, bonds and mutual funds (up from 48%).
- 80% of employees report paying bills on time (up from 77%).
- 31% of employees report feeling confident about the way they invest (up from 28%).
- 18% of employees report being on track to meet their retirement goals (up from 13%).

Responses to Online Financial Planning Questionnaire

Q2 2010 Overall Response



Q2 2010 Breakdown by Gender



Q2 2010 Breakdown by Age

Age:	Under 30	30-44	45-54	55-64
I have a handle on my cash flow so I spend less than I make each month.	66.5%	55.6%	67.4%	78.2%
I regularly pay off my credit card balances in full.	50.9%	40.7%	51.2%	65.5%
I am uncomfortable with the amount of (non-mortgage) debt I have.	30.3%	33.1%	38.9%	36.8%
I have an emergency fund to pay bills for a few months if I lose my job.	41.7%	38.6%	53.4%	62.1%
I have a general knowledge of stocks, bonds and mutual funds.	45.4%	48.4%	56.2%	55.8%
I pay my bills on time each month.	83.5%	75.4%	85.2%	93.1%
I feel confident that my investments are allocated appropriately.	22.5%	28.9%	34.5%	39.7%
I contribute to my retirement plan, such as a 401(k), 457 or 403(b) at work.	74.3%	86.1%	92.6%	93.1%
I know I am on target to replace at least 80% of my income in retirement.	21.6%	14.4%	14.5%	27.6%

**(From January 1, 2010 through June 30, 2010)*

2010 Breakdown by Income

Income Range:	$20,000-$34,999	$35,000-$59,999	$60,000-$74,999	$75,000-$99,999	$100,000-$149,999	$150,000-$199,999	Over $199,999
I have a handle on my cash flow so I spend less than I make each month.	37.2%	50.7%	57.4%	66.4%	76.1%	80.0%	>95%
I regularly pay off my credit card balances in full.	23.1%	32.3%	37.9%	47.5%	66.2%	70.9%	84.3%
I am uncomfortable with the amount of (non-mortgage) debt I have.	24.0%	32.7%	36.7%	32.1%	40.6%	31.8%	45.7%
I have an emergency fund to pay bills for a few months if I lose my job.	9.9%	29.3%	39.6%	47.9%	63.5%	68.2%	91.4%
I have a general knowledge of stocks, bonds and mutual funds.	26.5%	37.0%	48.5%	47.1%	63.5%	74.6%	88.6%
I pay my bills on time each month.	57.0%	69.7%	77.5%	87.6%	92.5%	>95%	>95%
I feel confident that my investments are allocated appropriately.	14.9%	24.0%	33.1%	33.6%	34.8%	40.0%	38.6%
I contribute to my retirement plan, such as a 401(k), 457 or 403(b) at work.	63.6%	81.0%	87.0%	90.0%	94.2%	>95%	>95%
I know I am on target to replace at least 80% of my income in retirement.	8.3%	13.0%	12.4%	15.4%	22.9%	30.0%	31.4%

Information on the breakdown by location or ethnicity is available upon request, subject to the approval of Financial Finesse's Think Tank. Such information will only be provided if the Think Tank deems it to be statistically significant. All requests should be directed to thinktank@financialfinesse.com.

Overall Financial Planning Priorities

Overall, employees are doing a better job of prioritizing their financial issues. When comparing how employees ranked their financial issues to how their issues would be ranked using a financial planning analysis, we see retirement planning topping both lists. This is the first time we've ever seen users prioritize retirement planning first. In the past, it has lagged money management and debt management, as employees were focused on more short-term financial problems in previous quarters. We consider this to be a very good sign—indicating that employees are finally returning to a long-term mindset and are better prioritizing their overall financial planning. In fact, with the exception of tax planning, employees ranked their financial issues in concert with the rankings generated using a financial planning analysis. We find most users overemphasize the benefits of tax planning in general, and this is even more exaggerated during the Q1 tax preparation season.

2010 Overall Financial Planning Priorities

Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	**Retirement Planning**	1	**Retirement Planning**
2	**Money Management**	2	**Money Management**
3	**Debt Management**	3	**Debt Management**
4	**Investing**	4	**Taxes**
5	**Estate Planning**	5	**Investing**
6	**Insurance**	6	**Estate Planning**
7	**Taxes**	7	**Insurance**

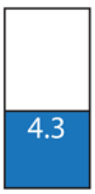
**(From January 1, 2010 through June 30, 2010)*

Detailed Demographic Analysis

Below is a listing of financial priorities by age, income, and gender. The charts below contrast user's self-reported priorities with how a financial planner would prioritize their financial situation based on a financial planning analysis. Notice that retirement planning and tax planning become a bigger priority for users as age and income increase.

2010 Financial Priorities by Age

Age Range: Under 30
Wellness Score

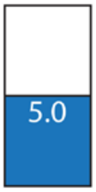


Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	**Retirement Planning**	1	**Money Management**
2	**Money Management**	2	**Debt Management**
3	**Debt Management**	3	**Retirement Planning**
4	**Investing**	4	**Investing**
5	**Estate Planning**	5	**Taxes**
6	**Taxes**	6	**Insurance**
7	**Insurance**	7	**Estate Planning**

Age Range: 30-44
Wellness Score

Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	**Retirement Planning**	1	**Money Management**
2	**Money Management**	2	**Retirement Planning**
3	**Debt Management**	3	**Debt Management**
4	**Investing**	4	**Taxes**
5	**Estate Planning**	5	**Investing**
6	**Insurance**	6	**Estate Planning**
7	**Taxes**	7	**Insurance**

Age Range: 45-54
Wellness Score



Based on Financial Planning Analysis of User's Financial Situations

Rank	Priority
1	**Retirement Planning**
2	**Estate Planning**
3	**Investing**
4	**Money Management**
5	**Debt Management**
6	**Insurance**
7	**Taxes**

As Ranked by Users

Rank	Priority
1	**Retirement Planning**
2	**Money Management**
3	**Taxes**
4	**Debt Management**
5	**Investing**
6	**Estate Planning**
7	**Insurance**

Age Range: 55-64
Wellness Score

Based on Financial Planning Analysis of User's Financial Situations

Rank	Priority
1	**Retirement Planning**
2	**Estate Planning**
3	**Investing**
(tie) 4	**Insurance**
(tie) 4	**Money Management**
6	**Debt Management**
7	**Taxes**

As Ranked by Users

Rank	Priority
1	**Retirement Planning**
2	**Taxes**
3	**Money Management**
4	**Estate Planning**
5	**Investing**
6	**Debt Management**
7	**Insurance**

2010 Financial Priorities by Income

Income Range: $20,000-$34,999
Wellness Score 3.6

Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	Retirement Planning	1	Money Management
2	Money Management	2	Debt Management
3	Debt Management	3	Retirement Planning
4	Investing	4	Investing
5	Estate Planning	5	Taxes
(tie) 6	Insurance	6	Estate Planning
(tie) 6	Taxes	7	Insurance

Income Range: $35,000-$59,999
Wellness Score 4.2

Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	Retirement Planning	1	Money Management
2	Money Management	2	Debt Management
3	Debt Management	3	Retirement Planning
4	Investing	4	Taxes
5	Estate Planning	5	Investing
6	Insurance	6	Estate Planning
7	Taxes	**7**	Insurance

Income Range: $60,000-$74,999
Wellness Score 4.9

Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	Retirement Planning	1	Money Management
2	Money Management	2	Retirement Planning
3	Debt Management	3	Debt Management
4	Investing	4	Taxes
5	Estate Planning	5	Investing
6	Insurance	6	Estate Planning
7	Taxes	7	Insurance

Income Range: $75,000-$99,999

Wellness Score: 4.7

Based on Financial Planning Analysis of User's Financial Situations: Rank	Priority	As Ranked by Users: Rank	Priority
1	Retirement Planning	1	Retirement Planning
2	Money Management	2	Money Management
3	Estate Planning	3	Debt Management
4	Investing	4	Investing
5	Debt Management	5	Taxes
6	Insurance	6	Estate Planning
7	Taxes	7	Insurance

Income Range: $100,000-$149,999

Wellness Score: 5.1

Based on Financial Planning Analysis of User's Financial Situations: Rank	Priority	As Ranked by Users: Rank	Priority
1	Retirement Planning	1	Retirement Planning
2	Estate Planning	2	Money Management
3	Investing	(tie) 3	Taxes
4	Money Management	(tie) 3	Investing
5	Insurance	5	Estate Planning
6	Debt Management	6	Debt Management
7	Taxes	7	Insurance

Income Range: $150,000-$199,999

Wellness Score: 5.7

Based on Financial Planning Analysis of User's Financial Situations: Rank	Priority	As Ranked by Users: Rank	Priority
1	Retirement Planning	1	Retirement Planning
2	Estate Planning	2	Taxes
3	Investing	3	Money Management
4	Insurance	4	Investing
5	Money Management	5	Debt Management
6	Debt Management	6	Estate Planning
7	Taxes	7	Insurance

Income Range:
Over $199,999
Wellness Score

Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	**Retirement Planning**	1	**Retirement Planning**
2	**Estate Planning**	2	**Taxes**
3	**Investing**	3	**Estate Planning**
4	**Taxes**	4	**Investing**
5	**Insurance**	5	**Money Management**
6	**Money Management**	6	**Insurance**
7	**Debt Management**	7	**Debt Management**

2010 Financial Priorities by Gender

Gender: Female
Wellness Score

Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	**Retirement Planning**	1	**Money Management**
2	**Money Management**	2	**Retirement Planning**
3	**Debt Management**	3	**Debt Management**
4	**Investing**	4	**Taxes**
5	**Estate Planning**	5	**Investing**
6	**Insurance**	6	**Estate Planning**
7	**Taxes**	7	**Insurance**

Gender: Male
Wellness Score

Based on Financial Planning Analysis of User's Financial Situations		As Ranked by Users	
Rank	Priority	Rank	Priority
1	**Retirement Planning**	1	**Retirement Planning**
2	**Estate Planning**	2	**Money Management**
3	**Investing**	3	**Taxes**
4	**Money Management**	4	**Investing**
5	**Debt Management**	5	**Debt Management**
6	**Insurance**	6	**Estate Planning**
7	**Taxes**	7	**Insurance**

About this Research

All of Financial Finesse's research is primary—based on tracking employees' most pressing financial concerns through their usage of our financial education services.

Trend analysis research is compiled by tracking calls into Financial Finesse's Financial Helpline service, which is available to over 500,000 employees from more than 300 organizations. Financial Wellness and Retirement Preparedness data is compiled by tracking employees' usage of Financial Finesse's Online Financial Learning Center which provides employees with a personalized financial education plan and analysis of their current financial wellness.

Employers and employees are located across the country—in similar proportion to the demographics of the national population.

*Starting on 1/1/2010, Financial Finesse has expanded its research to include a larger number of clients. As a result, some figures may be different from those previously reported under the original 10-year research study.

About the Financial Wellness Scale

The Financial Wellness Scale is a proprietary tool designed and developed by our Think Tank of CERTIFIED FINANCIAL PLANNER™ professionals in order to measure employees' financial wellness. To get a realistic assessment of Wellness in each category, planners determined the most important criteria for achieving financial success in that specific category. By asking key questions that determine employees' progress on these different actions, we are able to approximate their financial wellness in this area. Wellness scores are on a scale of 1-10, with 10 representing optimal wellness. A score of 8 or higher means that the employee is likely to achieve their financial goals in that area. A score of 6-7 means employees are at risk of not achieving their goals, while a score of 5 or lower means that employees definitely need to make major changes in order to meet their goals.

About Financial Finesse

Financial Finesse was founded in 1999 with a single mission: To provide people with the information and guidance they need to become financially secure and independent. Today, we are the leading provider of unbiased financial education programs to corporations, municipalities and credit unions. We deliver content on all financial topics, from serious debt issues to advanced estate planning, through a wide variety of formats (in person, online, over the phone, through workshops and webcasts, and through print materials). All education is developed and delivered by on-staff CERTIFIED FINANCIAL PLANNER™ professionals. We accept less than 2% of applicants who apply to be a Resident Financial Planner with Financial Finesse. For more information on the company, please go to www.financialfinesse.com.