FRANKLIN TEMPLETON INVESTMENTS

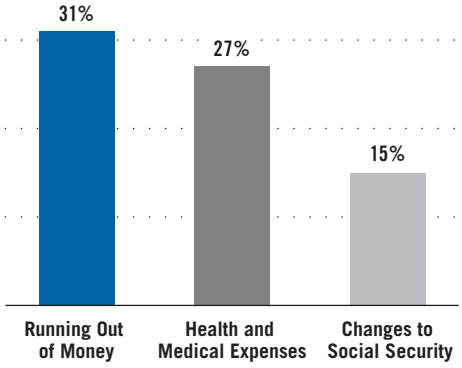
Retirement Income Strategies and Expectations (RISE) Survey Summary

Retirement Planning: Concerns Present Opportunities for Advisors

Converting a lifetime of savings into a potential income stream for life after retirement can be challenging for both advisors and their clients.

In September 2011, Franklin Templeton conducted the Retirement Income Strategies and Expectations (RISE) survey, which revealed significant insights about various views of retirement. While those views differ according to age, gender, and income levels, the overall results indicate a broad opportunity for financial advisors to differentiate themselves by addressing clients' retirement attitudes effectively.

TOP THREE CONCERNS DURING RETIREMENT



1] Concerns

As a whole, people are worried about health expenses, Social Security and simply running out of money.

- 31% agree that running out of money during retirement is their top concern.
- 27% are most concerned about health and medical expenses.
- 15% are most concerned about changes to Social Security that could lead to a reduction or delay in benefits.

Top concerns, however, varied by age range and income level:

- The older age brackets (45–65 and over), are most concerned about paying health and medical expenses.
- 78% of 35- to 44-year-olds are concerned about managing their retirement income to meet retirement expenses; this percentage decreases for younger age groups: 25- to 34-year-olds at 68% and 18- to 24-year-olds at 59%.
- Lowest income brackets (less than $50,000 annually) are more concerned with running out of money than higher income groups.
- Highest income brackets ($50,000–$75,000 and more than $75,000 annually) are more concerned about health and medical expenses.

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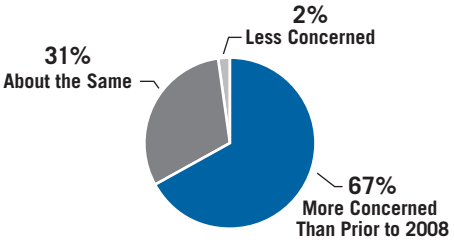
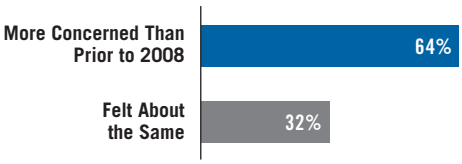
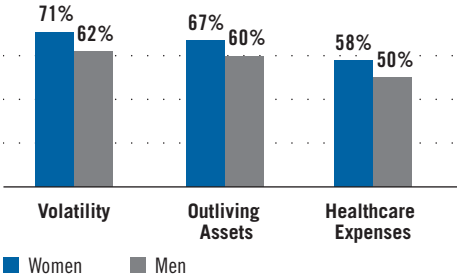
VOLATILITY CONCERNS POST 2008



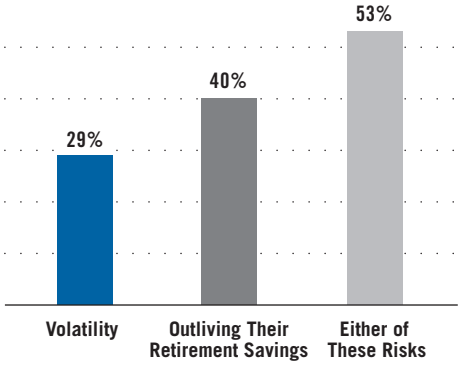
CONCERNS ABOUT OUTLIVING ASSETS OR MAKING MAJOR SACRIFICES POST 2008



VOLATILITY, OUTLIVING ASSETS AND HEALTHCARE EXPENSES TOP CONCERNS FOR WOMEN POST 2008



PEOPLE ARE WILLING TO PAY FOR PROTECTION FROM EITHER VOLATILITY AND/OR OUTLIVING SAVINGS



People are concerned about volatility and outliving their assets.

- 67% are more concerned about investment volatility now than they were prior to the recession that began in 2008; 31% felt about the same; and 2% were less concerned.
  - The highest income bracket (more than $75,000 annually) was "more concerned" than other income groups.
- 64% are more concerned about outliving their assets or having to make major sacrifices to their retirement plan now compared to how they felt prior to the recession; approximately 32% felt about the same.
  - The middle-aged demographic (35–54) is the most concerned (73%).

Women are more concerned now than they were prior to the recession that began in 2008 about:

- Volatility (women 71% vs. men 62%).
- Outliving their assets (women 67% vs. men 60%).
- Paying for healthcare expenses in retirement (women 58% vs. men 50%).

While people are concerned about volatility and outliving their assets, they are willing to pay to protect themselves from these risks.

- 29% are willing to pay to protect their retirement assets from volatility.
- 40% are willing to pay to protect themselves from outliving their retirement savings.
- 53% are willing to pay to protect themselves from either of these risks.

Willingness, however, varied by income level and age:

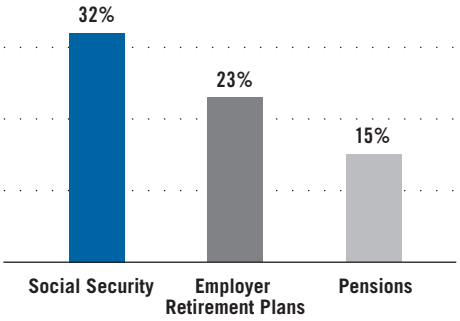
- 61% of those in households with income over $75,000 are willing to pay for protection against these risks.
- 35% of those over age 65 are willing to pay to protect themselves from either volatility or outliving their savings.

2] Income and Expenses

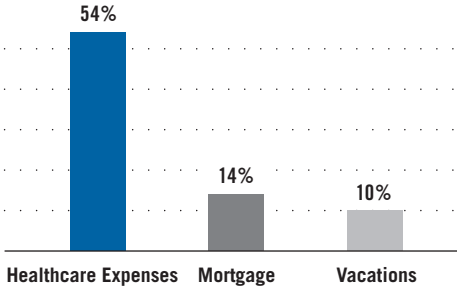
Many people expect that retirement income will come from a variety of sources and are concerned about managing them to meet retirement expenses.

- 32% expect that Social Security will provide most of their income during retirement, followed by employer retirement plans (23%), and pensions (15%).
  - Results were different based on income level. More of those in the lowest income brackets (less than $25,000 and $25,000–$40,000 annually) expected Social Security to provide more of their income (51% and 47%, respectively).
  - The highest income bracket of $75,000 or more annually answered "workplace retirement funds" and "pension" more than other groups (31% and 21%, respectively). Only 14% answered Social Security.
  - Answers also varied significantly by age group. 51% of the 65 and over demographic answered Social Security, and 21% answered "pension."
  - Lower age groups (18–24, 25–34, 35–44) answered "workplace retirement funds" more than other groups (26%, 36% and 27%, respectively).
- When it comes to managing retirement expenses, of those surveyed, 54% were most concerned about paying healthcare expenses, followed by mortgage (14%), and vacations (10%).
  - 65% of those in the higher age group (55–65 and over) were more concerned about healthcare costs than other age groups.
  - Lowest age groups were more concerned about vacations and hobbies.
  - Those who make more than $75,000 annually are more concerned with healthcare expenses than other groups (59%).

TOP SOURCES EXPECTED FOR RETIREMENT INCOME



TOP EXPECTED RETIREMENT EXPENSE CONCERNS



3] The Role of Advisors

Generating income, paying expenses and market volatility are all prevalent issues, and present exceptional opportunities for financial advisors.

- 69% said that they are concerned about managing their retirement income to meet their retirement needs.
- 60% responded that a financial advisor was very/somewhat important for their retirement planning and generating income in retirement.
  - For those earning over $75,000, the percentage increased to 70%.
- Only 21% of respondents currently work with an advisor.
- 47% would consider switching to another advisor, or actually begin using one for the first time, if they developed a written retirement income strategy with them.
  - 22% of those 65 and older said they would consider switching.
  - 52% of those with over $75,000 in income annually said they would consider switching.

Methodology: The Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey was conducted online among a sample of 2,046 adults comprising 1,020 men and 1,026 women 18 years of age or older. The survey was administered between September 15–18 and 19–21, 2011 by ORC International's Online CARAVAN®.

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1. As of 3/31/14.

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