



Voluntary Savings: Reinvented in the Digital Age

Observations & Insights from the Frontline

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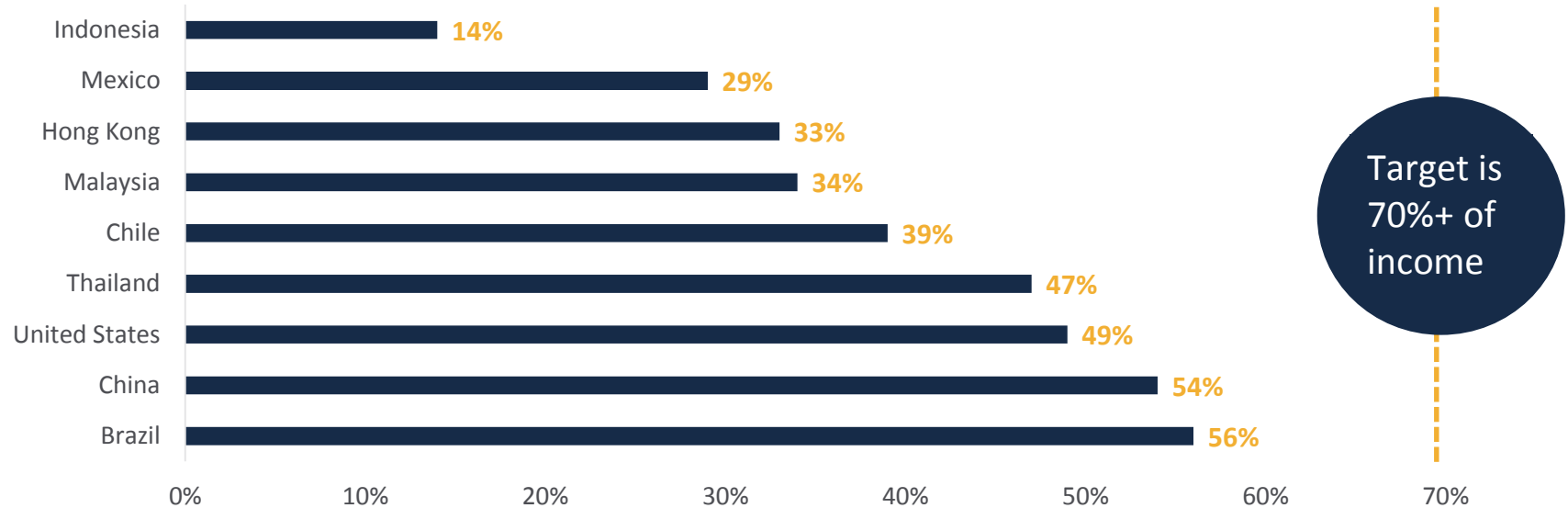
Principal Financial Group

Principal U.S. and international retirement and long-term savings



Voluntary savings play a key role in financial security

Individuals cannot depend on government-sponsored systems for adequate retirement income



* Pension systems are predominantly comprised of fully-funded personal accounts. All others are predominantly funded through PAYGO. Note: The projections are for average-earning workers entering the labor force today at age 20 and retiring at their state pension system's normal retirement age. For Brazil, the projections refer to the RGPS; for Chile, the AFP System; for China, the Basic Pension System for Urban Employees; for Hong Kong, the MPF; for India, the EPF and EPS; for Indonesia, Old Age Security; for Malaysia, the EPF; for Mexico, SAR; for South Korea, the National Pension System; and for Thailand, the Old Age Pension System. Source: For Brazil, Chile, and Mexico, Pensions at a Glance: Latin America and the Caribbean; for China, GAI calculations; for India, Indonesia, Hong Kong, Malaysia, and Thailand, Pensions at a Glance: Asia/Pacific 2013; and for South Korea, Neil Howe, Richard Jackson, and Keisuke Nakashima, The Aging of Korea: Demographics and Retirement Policy in the Land of the Morning Calm (Washington, DC: CSIS, 2007); U.S. net replacement rate from OECD

A global challenge:

How do we **engage** people
to participate in voluntary savings

Occupational retirement plans

Workplace retirement plans are most effective...

- at reaching the middle class
- optimizing retirement savings outcomes
 - *Automatic enrollment*
 - *Automatic escalation*
 - *Target date fund*

But what if individuals **do not have access** to an occupational retirement savings plan?

Encouraging voluntary savings using digital advice and sales

- *Simple*
- *Convenient*
- *Cost effective*
- *Personalized advice*



Digital advice & sales

Education

- Financial literacy
- Budgeting
- Goal Setting

Advice

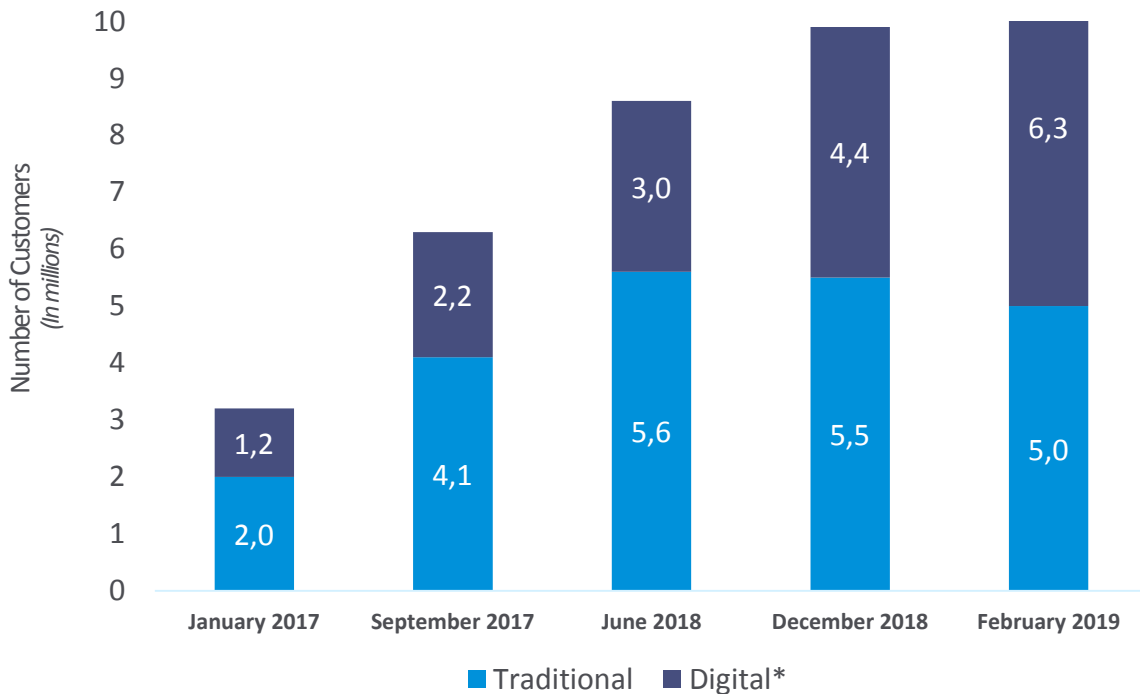
- Financial
- Investment
- Asset Allocation

Sales & Service

- Trades
- Rebalancing
- Reports
- Engagement

Digital transformation in China

CCBPAM's revolutionary growth of personal digital investments



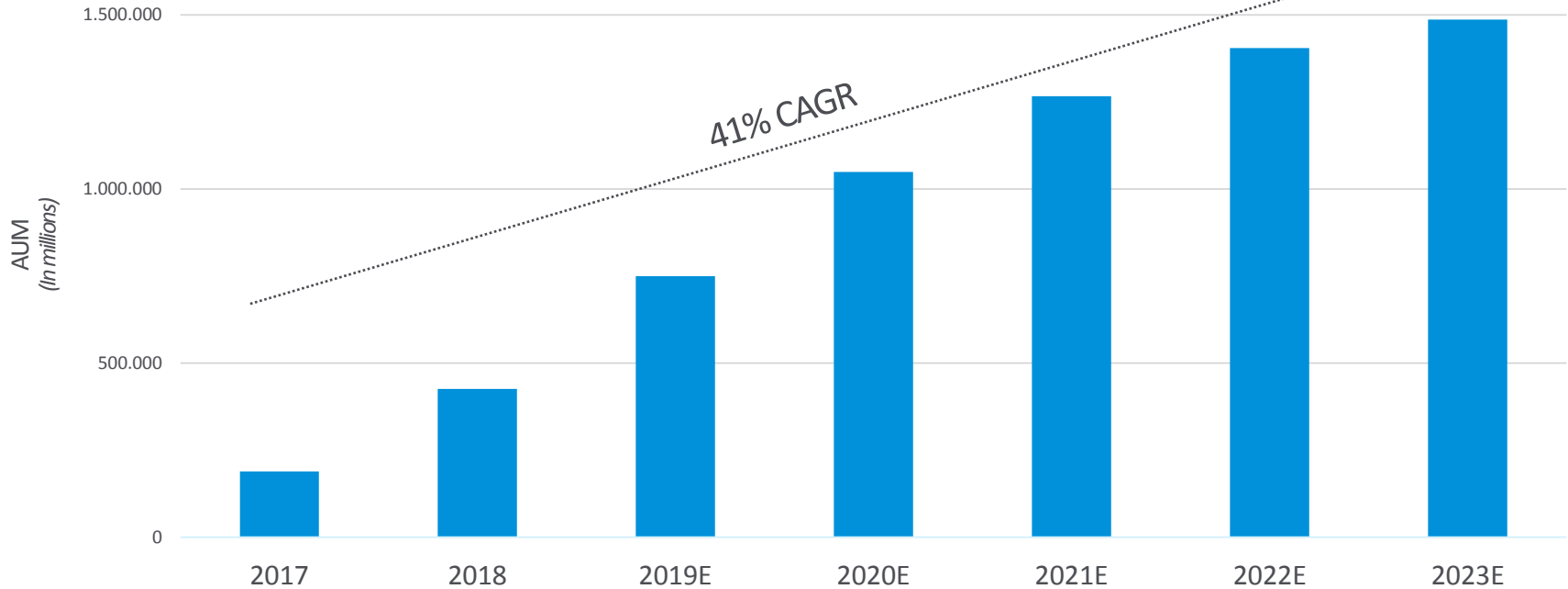
Early observations from China:

- Customers are younger; 55% under the age of 35
- Approximately 35% of investors use systematic savings plans
- 24% improvement in lapse rates

U.S. digital advice & sales

A story of growth...

Robo-advisor AUM in the U.S.



Targeted Use of Managed Accounts

Turning 401(k)
savings into
personal savings
upon retirement

Engaging & interactive

Simple & targeted

Digital with access to human
expertise

Case study: Principal SimpleInvest

Early results:
8 weeks after
soft launch

120 accounts

\$7 million of AUM

Happy clients!

Observations & insights from the frontline

When it comes to voluntary savings...

digital is a game changer

Thank you!