



CERULLI QUANTITATIVE UPDATE SUBSCRIPTION

RETAIL INVESTOR METRICS 2009

This new subscription-based report, produced in partnership with Phoenix Marketing International, is the **first industry resource that connects distribution-focused research with retail investor trend data**. It illustrates how investor attitudes and behavior, such as risk tolerance, provider selection, and use of advice services, impacts asset managers', distributors', and advisors' businesses. Analysis addressing the current market environment shows how the end investor influences strategy and decision-making for **product developers, marketers, and sales and business development executives**.

This report helps asset managers and product manufacturers:

- Create products that will motivate investors to move back into the market
- Develop solutions for investors given their age, working status, and net worth
- Understand why an investor chooses a provider
- Examine how investor risk tolerance has changed and what this means for product development
- Evaluate what types of investors use various intermediary channels and the factors that influence provider selection

This report helps distributors and advice providers:

- Enhance advice and service offerings and gain walletshare
- Create tools based on investors' propensity to seek advice (self-directed, advisor-assisted, advisor-directed)
- Increase advisor and investor satisfaction

With 241 exhibits and 284 pages, this report includes the following chapters:

1. Retail Distribution Overview
2. Current Market: Investor Relations
3. Addressable Retail Client Market
4. Demographic Trends
5. Understanding Retail Clients
6. Primary Providers
7. Advice Delivery
8. Client Acquisition and Retention
9. Retirement
10. Mutual Funds
11. Annuities and Insurance
12. Other Investment Products
13. Investment Accounts

Table of contents, user examples, order form, and sample exhibits are included in this attachment.

INSIDE LOOK:

Key findings:

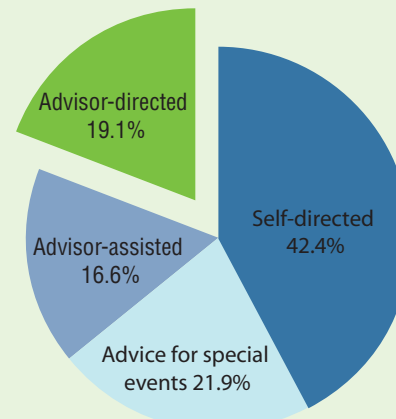
- Financial advisors influenced 58% of retail investable assets in the U.S. at year-end 2007.
- Today's investors are most concerned with, and seek solutions addressing: retirement, wealth protection, and cashflow management.
- Clients view taxes as an important concern, however, advisors rank this low when evaluating what their clients need.
- Cerulli predicts an industry trend toward simplification in annuity product design.

Exclusive data:

- U.S. household investable assets by distribution method (*i.e.*, how they were sold)
- Predictions of investor behavior over the next few months
- Investor product usage by wealth level and age (REITs, hedge funds, funds of hedge funds, ETFs, discretionary managed accounts)

Sample Exhibit: Household Advice Orientation, 2008

Key Implication: Less than 20% of investors give their advisors full discretion over their financial assets, signaling that end-investor research is critical.



Source: Phoenix Marketing International, Cerulli Associates



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See page 3 for more details.



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Phoenix Marketing International

Phoenix Marketing International's *Affluent Marketing Service* is the leading U.S. authority on affluent consumer attitudes and behaviors. Phoenix surveys over 7,800 consumers annually, more than any other firm, tracking changes that households anticipate making to their investment portfolios over the next three months.

MORE INFORMATION:

To learn how to apply this report to your firm's unique needs, please contact:

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USER EXAMPLES:

The following are examples of how this report can be applied to business planning and strategic decision-making:

Scenario 1: A large **asset management firm** is developing value-add programs and sales ideas for its wholesalers to use with advisors. It seeks research that provides insight and interpretation into behaviors and preferences of the end retail investor. The report *Cerulli Quantitative Update: Retail Investor Metrics 2009* provides answers to the following questions:

- What services are investors looking for from their advisors and how does this vary by wealth level and age?
- Are investors reaching out to their advisors more given the recent market volatility?
- How long do investors stay with their primary financial services providers?

Scenario 2: An **insurance firm** believes that the end investor should influence its product and distribution strategy. It conducts its own primary research of retail investors but recognizes that findings are rarely leveraged by these divisions. The report *Cerulli Quantitative Update: Retail Investor Metrics 2009*, which provides a stand-alone resource for investor-focused data and analyses including interpretation for product strategists, sales, and business development executives, answers the following questions:

- How are investors segmented according to their propensity to seek advice (self-directed, advisor-assisted) and how does this affect distribution strategy?
- How important are fees to clients and how can this be used in marketing messages?
- Which channels do investors who own annuities do business with?

Scenario 3: A **broker/dealer** is cutting expenses and wants the same detailed overview of investor behaviors and preferences it has long obtained via focus groups, which can be very costly. The report *Cerulli Quantitative Update: Retail Investor Metrics 2009* provides a turnkey resource for investor data that includes perspective on how firms should incorporate findings into their business planning and strategy development. It provides analyses such as:

- Do investors trust their financial services providers?
- How willing are investors to pay for advice?
- How important is a written financial plan?



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A subscription to *Cerulli Quantitative Update: Retail Investor Metrics 2009* remains active through 8/31/2010 and includes online access to the five related reports below at no cost. See the green Purchase tab on www.cerulli.com for more information on these reports.

- Navigating the Emerging Affluent Marketplace 2006
- Retirement Income: Positioning for Success 2005
- Wealth Transfer: Product and Advice Solutions 2004
- Mass Market Advice: Challenges and Opportunities 2003
- Retirement Income: Impact on Managers and Distributors 2002

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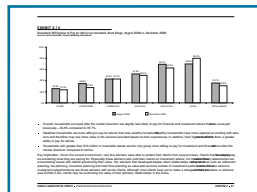
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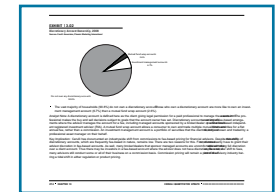
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Page 27

Page 68

Page 106



Page 193

TABLE OF CONTENTS

TABLE OF CONTENTS - OVERVIEW

INTRODUCTION & METHODOLOGY	13
KEY THEMES & PROGNOSIS	16
SECTION I: MARKET SIZING AND CURRENT MARKET ENVIRONMENT	
CHAPTER 1: RETAIL DISTRIBUTION OVERVIEW	22
CHAPTER 2: CURRENT MARKET: INVESTOR REACTIONS	34
CHAPTER 3: ADDRESSABLE RETAIL CLIENT MARKET	65
CHAPTER 4: DEMOGRAPHIC TRENDS	87
SECTION II: ADDRESSING RETAIL CLIENTS	
CHAPTER 5: UNDERSTANDING RETAIL CLIENTS	100
CHAPTER 6: PRIMARY PROVIDERS	127
CHAPTER 7: ADVICE DELIVERY	151
CHAPTER 8: CLIENT ACQUISITION AND RETENTION: SEGMENTATION METHODS AND STRATEGIES ..	173
SECTION III: PRODUCTS	
CHAPTER 9: RETIREMENT	197
CHAPTER 10: MUTUAL FUNDS	220
CHAPTER 11: ANNUITIES AND INSURANCE	233
CHAPTER 12: OTHER INVESTMENT PRODUCTS	253
CHAPTER 13: INVESTMENT ACCOUNTS	270

TABLE OF CONTENTS - EXPANDED

SECTION I: MARKET SIZING AND CURRENT MARKET ENVIRONMENT	
CHAPTER 1: RETAIL DISTRIBUTION OVERVIEW	22
Exhibit 1.01. Distribution Method Overview, 2008	23
Exhibit 1.02. Retail Advisor Matrix, 2008	24
Exhibit 1.03. Retail Client Assets by Distribution Method, 2007	25
Exhibit 1.04. Retail Client Assets by Distribution Method Breakdown, 2007	26
Exhibit 1.05. HNW Advisor-Sold Assets by Channel, 2007	27
Exhibit 1.06. Retail Advisor-Sold Assets by Channel, 2007	28
Exhibit 1.07. Agent/Bank-Sold Insurance Assets by Product, 2007	29
Exhibit 1.08. Defined Contribution Plan Assets, 2007	30
Exhibit 1.09. Third-Party Platform-Sold Mutual Funds, 2007	31

Exhibit 1.10. Direct-Sold Products by Product Type, 2007	32
Exhibit 1.11. Direct-Held Individual Securities, 2007	33
CHAPTER 2: CURRENT MARKET: INVESTOR REACTIONS	34
Exhibit 2.01. Equity Market Returns vs. Equity Fund Net Flows, 1998-February 2009	36
Exhibit 2.02. Household Risk Level, August 2008 vs. December 2008	37
Exhibit 2.03. Household Risk Level Databank, August 2008 vs. December 2008	38
Exhibit 2.04. Percent of Households That Sold Stocks as Result of Recent Financial Events by Household Advice Orientation, December 2008	39
Exhibit 2.05. Percent of Households That Sold Stocks as Result of Recent Financial Events by Household Advice Orientation Databank, December 2008	40
Exhibit 2.06. Households Using Current Market Conditions as Investment Opportunity by Household Advice Orientation, December 2008	41
Exhibit 2.07. Households Using Current Market Conditions as Investment Opportunity Databank, December 2008	42
Exhibit 2.08. Household Confidence That Investments Are on Track For Retirement, May 2008 vs. November 2008	43
Exhibit 2.09. Investors' Personal Concerns, August 2008 vs. December 2008	44
Exhibit 2.10. Investors' Economic Concerns, August 2008 vs. December 2008	45
Exhibit 2.11. Households Contacting Current Advisor in Past Month as Result of Recent Financial Events by Primary Advisor Channel, December 2008	46
Exhibit 2.12. Households Contacting Current Advisor in Past Month as Result of Recent Financial Events Databank, December 2008	47
Exhibit 2.13. Advisor-Reported Change in Client Communication, 4Q 2008	48
Exhibit 2.14. Household Willingness to Pay for Advice by Investable Asset Range, August 2008 vs. December 2008	49
Exhibit 2.15. Advisor Reported Change in Client Sensitivity to Expenses in the Past 12 Months by Advisor Channel, 1Q 2009	50
Exhibit 2.16. Household Need for Additional Advice Based on Current Market Environment by Age Range, December 2008	51
Exhibit 2.17. Household Need for Additional Advice Based on Current Market Environment Databank, December 2008	52
Exhibit 2.18. Importance of Written Financial Plans, August 2008 vs. December 2008	53
Exhibit 2.19. Household Satisfaction with Primary Provider, August 2008 vs. August 2008 vs. December 2008	54
Exhibit 2.20. Household Satisfaction with Primary Provider Databank, August 2008 vs. December 2008	55
Exhibit 2.21. Reason for Satisfaction with Primary Provider, August 2008 vs. December 2008 ..	56
Exhibit 2.22. Likelihood to Recommend Primary Provider, August 2008 vs. December 2008 ..	57
Exhibit 2.23. Percent of Households That Changed Primary Providers in The Past Two Years, August 2008 vs. December 2008	58

Exhibit 2.24. Percent of Households That Changed Primary Provider or Primary Advisor in Past Month, December 2008	.59
Exhibit 2.25. Reason for Switching Primary Provider, August 2008 vs. December 2008	.60
Exhibit 2.26. Advisor-Reported Reasons for Losing Clients, 4Q 2008	.61
Exhibit 2.27. Household Plans to Move Assets from Primary Provider, December 2008	.62
Exhibit 2.28. Households' Trust of Financial Firms by Primary Advisor Channel, December 2008	.63
Exhibit 2.29. Households' Trust of Financial Firms Databank, December 2008	.64
CHAPTER 3: ADDRESSABLE RETAIL CLIENT MARKET	.65
Exhibit 3.01. Cerulli Wealth Tiers, 2008	.66
Exhibit 3.02. Retail Addressable Markets, 2008E	.67
Exhibit 3.03. Retail Addressable Markets by Age Range, 2008E	.68
Exhibit 3.04. Change in Aggregate Household Net Worth, 2007-2008E	.69
Exhibit 3.05. Distribution of U.S. Households by Investable Asset Range, 1989-2008E	.70
Exhibit 3.06. Distribution of U.S. Households by Net Worth Range, 1989-2008E	.71
Exhibit 3.07. Distribution of U.S. Households by Age Range, 1989-2008E	.72
INVESTABLE ASSETS	
Exhibit 3.08. Distribution of Investable Assets by Investable Asset Range, 1989-October 2008E	.73
Exhibit 3.09. Distribution of Investable Assets by Net Worth Range, 1989-2008E	.74
Exhibit 3.10. Distribution of Investable Assets by Age Range, 1989-2008E	.75
Exhibit 3.11. Household Investable Assets by Type of Asset and Investable Asset Range, 2008E	.76
Exhibit 3.12. Household Investable Assets by Type of Asset and Net Worth Range, 2008E	.77
Exhibit 3.13. Household Investable Assets by Type of Asset and Age Range, 2008E	.78
Exhibit 3.14. Mass and Middle Market Investable Assets, 2008E	.79
NON-FINANCIAL ASSETS	
Exhibit 3.15. Household Non-Financial Assets by Type of Asset and Investable Asset Range, 2008E	.80
Exhibit 3.16. Household Non-Financial Assets by Type of Asset and Net Worth Range, 2008E	.81
Exhibit 3.17. Household Non-Financial Assets by Type of Asset and Age Range, 2008E	.82
DEBT	
Exhibit 3.18. Household Liabilities by Type of Liability and Investable Asset Range, 2008E	.83
Exhibit 3.19. Household Liabilities by Type of Liability and Net Worth Range, 2008E	.84
Exhibit 3.20. Household Liabilities by Type of Liability and Age Range, 2008E	.85
NET WORTH	
Exhibit 3.21. Household Net Worth Composition by Investable Asset Range, 2007-2008E	.86
CHAPTER 4: DEMOGRAPHIC TRENDS	.87
Exhibit 4.01. Household Distribution by Geographic Region, 1970-2007	.91
Exhibit 4.02. Mean Household Income by Region, 2002-2007	.92

Exhibit 4.03. Number of Older Americans by Age Range, 1950-2030E93
Exhibit 4.04. Labor Force Participation Among Older Americans by Age and Gender, 1995-200794
Exhibit 4.05. Percent of Older Americans with Moderate or Severe Memory Impairment by Gender, 200295
Exhibit 4.06. Percent of Households Using the Internet to Conduct Business with a Financial Institution by Age Range, 200796
Exhibit 4.07. Percent of Households Using the Internet to Conduct Business with a Financial Institution Databank, 200797
Exhibit 4.08. Percent of Households Using Online Resources to Make Investing Decisions by Age Range and Investable Asset Range, 200798
Exhibit 4.09. Percent of Households Using Online Resources to Make Investing Decisions Databank, 200799

SECTION II: ADDRESSING RETAIL CLIENTS

CHAPTER 5: UNDERSTANDING RETAIL CLIENTS	100
Exhibit 5.01. Investor Advice Orientation	101
Exhibit 5.02. Investor Life Stages	102
Exhibit 5.03. Investors' Personal Concerns, 2008	103
Exhibit 5.04. Personal Concerns by Investable Asset Range, 2008—Part 1	104
Exhibit 5.04. Personal Concerns by Investable Asset Range, 2008—Part 2	105
Exhibit 5.05. Personal Concerns by Age Range, 2008	106
Exhibit 5.06. Investors' Economic Concerns, 2008	107
Exhibit 5.07. Investors' Economic Concerns by Investable Asset Range, 2008	108
Exhibit 5.08. Investors' Economic Concerns by Age Range, 2008	109
Exhibit 5.09. Advisor Concern for Client's Financial Well-Being by Channel, 1Q 2009	110
Exhibit 5.10. Advisor Concern for Client's Financial Well-Being by Advisor Core Market, 1Q 2009	111
Exhibit 5.11. Life Stage by Age Range, 2008	112
Exhibit 5.12. Life Stage by Risk Level, 2008	113
Exhibit 5.13. Investable Assets by Life Stage, 2008	114
Exhibit 5.14. Sources of Wealth by Investor Age Range, 2008	115
Exhibit 5.15. Sources of Wealth by Investable Asset Range, 2008	116
Exhibit 5.16. Investor Sources of Wealth Databank, 2008	117
Exhibit 5.17. Head of Household Profession by Investable Asset Range, 2008	118
Exhibit 5.18. Head of Household Profession Databank, 2008	119
Exhibit 5.19. Household Risk Level by Investable Asset Range, 2008	120
Exhibit 5.20. Household Risk Level by Age Range, 2008	121
Exhibit 5.21. Household Risk Level Databank, 2008	122
Exhibit 5.22. Gender of Primary Decision Maker by Risk Level, 2008	123

Exhibit 5.23. Gender of Primary Decision Maker by Advice Orientation, 2008	124
Exhibit 5.24. Household Marital Status by Investable Asset Range, 2008	125
Exhibit 5.25. Growth of Households by Income and Marital Status, 2008	126
CHAPTER 6: PRIMARY PROVIDERS	127
Exhibit 6.01. Primary Provider Channel by Investable Asset Range, 2008	128
Exhibit 6.02. Primary Provider Channel Databank, 2008	129
Exhibit 6.03. Previous Primary Provider Channel by Current Primary Provider Channel, 2008	130
Exhibit 6.04. Percent of Assets with Primary Provider by Primary Provider Channel, 2008	131
Exhibit 6.05. Percent of Assets with Primary Provider Databank, 2008	132
Exhibit 6.06. Length of Time with Primary Provider by Primary Provider Channel, 2008	133
Exhibit 6.07. Length of Time with Primary Provider Databank, 2008	134
Exhibit 6.08. Primary Reason for Choosing Primary Provider, 2008	135
Exhibit 6.09. Reason for Beginning Relationship with Primary Provider by Advice Orientation, 2008	136
Exhibit 6.10. Reason for Beginning Relationship with Primary Provider Databank, 2008	137
Exhibit 6.11. Services Overview by Distribution Channel, 2008	138
Exhibit 6.12. Services Used with Primary Provider Databank, 2008—Part 1	139
Exhibit 6.12. Services Used with Primary Provider Databank, 2008—Part 2	140
Exhibit 6.13. Secondary Provider Channel by Primary Provider Channel, 2008	141
Exhibit 6.14. Secondary Provider Channel by Investable Asset Range, 2008	142
Exhibit 6.15. Percentage of Assets with Secondary Provider by Investable Asset Range, 2008	143
Exhibit 6.16. Percentage of Assets with Secondary Provider by Life Stage, 2008	144
Exhibit 6.17. Percent of Households Who Do Not Maintain Secondary Provider Relationship by Investable Asset Range, 2008	145
Exhibit 6.18. Percent of Clients Who Do Not Maintain Secondary Provider Relationship by Primary Provider Channel, 2008	146
Exhibit 6.19. Number of Financial Firms Used by Investable Asset Range, 2008	147
Exhibit 6.20. Number of Financial Firms Used Databank, 2008	148
Exhibit 6.21. Consolidation Preference by Investable Asset Range, 2008	149
Exhibit 6.22. Consolidation Preference Databank, 2008	150
CHAPTER 7: ADVICE DELIVERY	151
Exhibit 7.01. Percentage of Self-Directed Investors by Age and Investable Asset Range, 2008	152
Exhibit 7.02. Household Advice Orientation, 2005-2008	153
Exhibit 7.03. Advice Orientation by Investable Asset Range, 2008	154
Exhibit 7.04. Advice Orientation by Investable Asset Range, 2005-2008	155
Exhibit 7.05. Advice Orientation by Gender of Decision Maker, 2008	156
Exhibit 7.06. Advice Orientation Databank, 2008	157
Exhibit 7.07. Household Responsibility for Decision Making by Age Range, 2008	158
Exhibit 7.08. Household Responsibility for Decision Making Databank, 2008	159

Exhibit 7.09. Willingness to Pay for Advice by Investable Asset Range, 2008	160
Exhibit 7.10. Willingness to Pay for Advice Databank, 2008—Part 1	161
Exhibit 7.10. Willingness to Pay for Advice Databank, 2008—Part 2	162
Exhibit 7.11. Desire for Written Financial Plan by Age Range, 2008	163
Exhibit 7.12. Desire for Written Financial Plan by Investable Asset Range, 2008	164
Exhibit 7.13. Desire for Written Financial Plan Databank, 2008	165
Exhibit 7.14. Primary Financial Advisor Channel by Investable Asset Range, 2008	166
Exhibit 7.15. Primary Financial Advisor Channel Databank, 2008	167
Exhibit 7.16. Other Sources of Advice by Investable Asset Range, 2008	168
Exhibit 7.17. Other Sources of Advice by Primary Advisor Channel, 2008	169
Exhibit 7.18. Number of Financial Advisors Used, 2008	170
Exhibit 7.19. Number of Financial Advisors Used by Investable Asset Range, 2008	171
Exhibit 7.20. Number of Financial Advisors Used Databank, 2008	172

CHAPTER 8: CLIENT ACQUISITION AND RETENTION: SEGMENTATION METHODS AND STRATEGIES . . 173

Exhibit 8.01. Advisor Client Segmentation Strategies by Channel, 1Q 2009	174
Exhibit 8.02. Advisor Client Segmentation Strategies by Advisor Core Market, 1Q 2009	175
Exhibit 8.03. Advisor Methods of Segmenting Clients by Channel, 1Q 2009	176
Exhibit 8.04. Advisor Methods of Segmenting Clients by Advisor Core Market, 1Q 2009	177
Exhibit 8.05. Advisor Core Market by Channel, 1Q 2009	178
Exhibit 8.06. Percent of Households Relying on Same Firm as Primary Provider and Primary Advisor by Firm Channel, 2008	179
Exhibit 8.07. Satisfaction with Primary Advisor by Primary Advisor Channel, 2008	180
Exhibit 8.08. Satisfaction with Primary Advisor by Investable Asset Range, 2008	181
Exhibit 8.09. Reason for Satisfaction with Primary Advisor, 2008	182
Exhibit 8.10. Reason for Satisfaction with Primary Advisor by Investable Asset Range, 2008	183
Exhibit 8.11. Reason for Satisfaction with Primary Advisor Databank, 2008	184
Exhibit 8.12. Reasons Client left Advisors' Practices by Advisor Core Market, 1Q 2009	185
Exhibit 8.13. Reasons Client left Advisors' Practices by Channel, 1Q 2009	186
Exhibit 8.14. Reason for Dissatisfaction with Primary Advisor, 2008	187
Exhibit 8.15. Likelihood to Recommend Primary Advisor by Satisfaction with Primary Advisor, 2008	188
Exhibit 8.16. Likelihood to Seek New Products or Services from Primary Provider and Primary Advisor by Channel, 2008	189
Exhibit 8.17. Satisfaction with Primary Provider by Primary Provider Channel, 2008	190
Exhibit 8.18. Satisfaction with Primary Provider by Percentage of Assets with Primary Provider, 2008	191
Exhibit 8.19. Reasons for Satisfaction with Primary Provider by Investable Asset Range, 2008	192
Exhibit 8.20. Reason for Satisfaction with Primary Provider Databank, 2008—Part 1	193
Exhibit 8.20. Reason for Satisfaction with Primary Provider Databank, 2008—Part 2	193

Exhibit 8.21. Percent of Households That Have Changed Primary Providers in the Last Two Years by Age Range, 2008	194
Exhibit 8.22. Percent of Households That Have Changed Primary Providers in the Last Two Years Databank, 2008	195
Exhibit 8.23. Primary Reason for Changing Primary Provider, 2008	196

SECTION III: PRODUCTS

CHAPTER 9: RETIREMENT	197
Exhibit 9.01. Retirement Market Assets by Segment, 1999-2008E	198
Exhibit 9.02. Top 25 DC Providers by Total DC Assets, Plans, Participants Recordkept, Ranked by Assets, 2007	199
Exhibit 9.03. IRA Asset Administration Leaders, 4Q 2006-4Q 2008	200
Exhibit 9.04. Percent of Retirement Provider Target Market Households Owning Retirement Accounts, 4Q 2008	201
Exhibit 9.05. Household Retirement Assets by Investable Asset Range, 2008	202
Exhibit 9.06. Household IRA Balances by Age Range and Investable Asset Range, 2008	203
Exhibit 9.07. Household 401(k) Balances by Age Range and Investable Asset Range, 2008	204
Exhibit 9.08. Retirement Planning Concerns, 2008	205
Exhibit 9.09. Retirement Planning Concerns by Age Range, 2008	206
Exhibit 9.10. Planned Retirement Timeframes by Age Range 2008	207
Exhibit 9.11. Planned Retirement Timeframes Databank, 2008	208
Exhibit 9.12. Household Beliefs on Retirement Preparedness by Investable Asset Range, 4Q 2008	209
Exhibit 9.13. Household Outlook on Retirement Lifestyle by Investable Asset Range, 4Q 2008	210
Exhibit 9.14. Sources of Retirement Planning Information by Investable Asset Range, 4Q 2008	211
Exhibit 9.15. Sources of Retirement Planning Information by Age Range, 4Q 2008	212
Exhibit 9.16. Consulted a Financial Advisor for Retirement Advice by Age Range, 2008	213
Exhibit 9.17. Consulted a Financial Advisor for Retirement Advice Databank, 2008	214
Exhibit 9.18. Investor Plan for Rollover Account at Retirement by Investable Asset Range, 4Q 2008	215
Exhibit 9.19. Investor Plan for Rollover Account at Retirement by Age Range, 4Q 2008	216
Exhibit 9.20. Advisor Assistance in Completing Rollovers, 4Q 2008	217
Exhibit 9.21. Plan to Consolidate Assets (Both Retirement and Non-Retirement) Upon Retirement by Investable Asset Range, 4Q 2008	218
Exhibit 9.22. Plan to Consolidate Assets (Both Retirement and Non-Retirement) Upon Retirement Databank, 4Q 2008	219
CHAPTER 10: MUTUAL FUNDS	220
Exhibit 10.01. Impact of Client Familiarity With Asset Manager by Channel, 1Q 2009	221
Exhibit 10.02. Impact of Client Familiarity With Asset Manager by Advisor Core Market, 1Q 2009	222

Exhibit 10.03. Advisor Product Mix by Channel, 2008	223
Exhibit 10.04. Advisor Product Mix by Advisor Core Market, 2008	224
Exhibit 10.05. Long-Term Mutual Fund Assets and Number of Funds, 1998-February 2009 ..	225
Exhibit 10.06. Long-Term Mutual Fund Net Flows, 1998-February 2009	226
Exhibit 10.07. Mutual Fund Assets by Fund Type, 1998-February 2009	227
Exhibit 10.08. Mutual Fund Net Flows by Fund Type, 1998-February 2009	228
Exhibit 10.09. Household Taxable Mutual Fund Balances by Investable Asset Range, 2008 ..	229
Exhibit 10.10. Household Taxable Mutual Fund Balances Databank, 2008	230
Exhibit 10.11. Household Taxable International Mutual Fund Balances by Investable Asset Range, 2008	231
Exhibit 10.12. Household Taxable Bond Mutual Fund Balances by Investable Asset Range, 2008	232
CHAPTER 11: ANNUITIES AND INSURANCE	233
Exhibit 11.01. Variable Annuity (Including TIAA-CREF) and Fixed Annuity Assets, 1998-2008E	236
Exhibit 11.02. Insurance and Annuity Balances by Risk Level, 2008	237
Exhibit 11.03. Insurance and Annuity Balances Databank, 2008	238
Exhibit 11.04. Annuity Ownership by Primary Advisor Channel, 2008	239
Exhibit 11.05. Annuity Ownership Databank, 2008	240
Exhibit 11.06. Annuity Balances by Primary Advisor Channel, 2008	241
Exhibit 11.07. Annuity Balances Databank, 2008	242
Exhibit 11.08. Fixed Annuity Ownership by Investable Assets and Age Range, 2008	243
Exhibit 11.09. Variable Annuity Ownership by Investable Assets and Age Range, 2008	244
Exhibit 11.10. Life Insurance Ownership by Investable Asset Range and Life Stage, 2008 ...	245
Exhibit 11.11. Whole Life Insurance Ownership by Investable Asset Range, 2008	246
Exhibit 11.12. Whole Life Insurance Balances Databank, 2008	247
Exhibit 11.13. Variable Life Insurance Ownership and Balances, 2008	248
Exhibit 11.14. Universal Life Insurance Ownership and Balances, 2008	249
Exhibit 11.15. Variable Universal Life Insurance Ownership and Balances, 2008	250
Exhibit 11.16. Long-Term Care Insurance Ownership by Life Stage, 2008	251
Exhibit 11.17. Long-Term Care Insurance Ownership Databank, 2008	252
CHAPTER 12: OTHER INVESTMENT PRODUCTS	253
INDIVIDUAL SECURITIES AND STOCK OPTIONS	
Exhibit 12.01. Individual Security Ownership by Investable Asset Range, 2008	254
Exhibit 12.02. Individual Security Ownership by Primary Advisor Channel, 2008	255
Exhibit 12.03. Advisor Usage of Individual Securities in Client Portfolios, 2008	256
Exhibit 12.04. Employer Stock Option Ownership by Investable Asset Range, 2008	257
Exhibit 12.05. Employer Stock Option Ownership by Profession, 2008	258
Exhibit 12.06. Employer Stock Option Balances Databank, 2008	259

REITs	
Exhibit 12.07. Household REIT Ownership by Investable Asset Range, 2008	260
Exhibit 12.08. Household REIT Balances by Investable Asset Range, 2008	261
Exhibit 12.09. Advisor Usage of REITs in Client Portfolios, 2008	262
ETFs	
Exhibit 12.10. Household Exchange-Traded Funds Ownership by Primary Advisor Channel, 2008	263
Exhibit 12.11. Household Exchange-Traded Funds Ownership Databank, 2008	264
Exhibit 12.12. Advisor Usage of ETFs in Client Portfolios, 2008	265
HEDGE FUNDS AND FUND OF HEDGE FUNDS	
Exhibit 12.13. Hedge Fund Ownership by Investable Asset Range, 2008	266
Exhibit 12.14. Hedge Fund Ownership Databank, 2008	267
Exhibit 12.15. Fund of Hedge Funds Ownership by Investable Asset Range, 2008	268
Exhibit 12.16. Fund of Hedge Funds Ownership Databank, 2008	269
CHAPTER 13: INVESTMENT ACCOUNTS	270
MANAGED ACCOUNTS	
Exhibit 13.01. Managed Account Assets by Program Type, 1998-2008	271
Exhibit 13.02. Discretionary Account Ownership, 2008	272
Exhibit 13.03. Discretionary Account Ownership by Investable Asset Range, 2008	273
Exhibit 13.04. Discretionary Account Ownership Databank, 2008	274
Exhibit 13.05. Average Discretionary Account Assets by Investable Asset Range, 2008	275
Exhibit 13.06. Average Discretionary Account Assets Databank, 2008	276
ONLINE TRADING ACCOUNTS	
Exhibit 13.07. Online Trading Account Ownership by Investable Asset Range, 2008	277
Exhibit 13.08. Online Trading Account Ownership Databank, 2008	278
Exhibit 13.09. Online Trading Account Balances by Investable Asset Range, 2008	279
Exhibit 13.10. Percentage of Investable Assets Held in Online Trading Account by Advice Orientation, 2008	280
EDUCATION ACCOUNTS	
Exhibit 13.11. Education Account Ownership by Type of Account and Investable Asset Range, 2008	281
Exhibit 13.12. Education Account Ownership by Type of Account and Age Range, 2008	282
Exhibit 13.13. Education Account Values, 2008	283
HEALTHCARE SAVINGS ACCOUNTS	
Exhibit 13.14. Healthcare Savings Account Ownership, 2008	284

INTRODUCTION & METHODOLOGY

Cerulli Quantitative Update: Retail Investor Metrics 2008 is the first report in an annual series, which is the outcome of a partnership between Cerulli Associates and Phoenix Marketing International.

Cerulli Quantitative Update: Retail Investor Metrics 2008 is designed to help product manufacturers and distributors understand the end investor to better inform product development and distribution initiatives. The report leverages Cerulli's expertise in intermediated retail markets and overlays Phoenix's expertise in end-investor research. Information includes market sizing, investor product usage, investor profiles, and advice delivery—among other topics. Each exhibit contains charts and commentary, including the important tactical ramifications for asset managers, broker/dealers, and advisors. The report is designed as a business planning tool, and additional support leveraging this data—in the form of customized workshops and other presentations—is also available. **Cerulli Quantitative Update: Retail Investor Metrics 2008** includes multiple sources of data which are described in detail below.

Phoenix Marketing International Affluent Study: Phoenix fields the largest affluent study in the United States; completing online surveys of 7,800 households throughout the year. The data which appears in this report comes from the surveys run in six waves between August of 2007 and August of 2008. For comparison, survey responses collected between August of 2008 and December of 2008 are included in the current market section of the report. Phoenix samples affluent and near-affluent households with more than \$50K in annual income or more than \$250K in investable assets. As a result, the respondents are wealthier and slightly younger than the American population overall. This sample should be more informative for most financial firms, as the target market for most firms are households with higher than average wealth. The charts below compare the distribution of households by age and investable assets across U.S. households and across the Phoenix sample.

Age Range	Phoenix Affluent Market Respondents	U.S. Households
<30	9.3%	12.79%
30-39	20.1%	17.93%
40-49	22.0%	21.52%
50-59	24.1%	19.13%
60-69	18.2%	13.34%
70-79	5.5%	8.42%
Over 80	0.7%	6.9%

Investable Asset Range	Phoenix Affluent Market Respondents	U.S. Households
\$100K or less	22.1%	73.92%
>\$100K-\$500K	50.6%	19.25%
>\$500K-\$2m	21.9%	5.39%
>\$2m-\$5m	3.8%	1.01%
>\$5m-\$10m	1.0%	0.30%
>\$10m	0.6%	0.12%

Sources: Cerulli Associates, Phoenix Marketing International, Federal Reserve

Phoenix Marketing International Retirement Services Study: Phoenix also fields a retirement services study which aims to address the target market of retirement providers. The study surveys 1,200 households with more than \$100K in household income who are between the ages of 35 and 64. These charts appear in Chapter 2 and Chapter 9 of the report and can be identified by the sourcing which indicates Phoenix Retirement Services Study.

Cerulli Advisor Surveys: CA surveys over 1,000 financial advisors throughout the year through partnerships with the Financial Planning Association, Investment Management Consultants Association, College of Financial Planning, and Morningstar. This advisor data is meant to underlay and support the investor data and appears throughout the report.

The proprietary data in this report is supplemented with government sources (FDIC, Federal Reserve, Department of Labor, etc.), as well as third-party sources (Strategic Insight, Morningstar, etc.).

In general, CA's opinions and perspective are shaped by a robust methodology that includes:

- 1) **Industry understanding:** All Cerulli analysts come to the firm with a background shaped by relevant experience at leading financial services firms, which contributes to the internal pool of industry knowledge fed by more than 15 years of proprietary research and consulting.
- 2) **Quantitative analysis:** CA maintains an online, password-protected survey engine as part of a voluntary, information-sharing relationship whereby participants complete confidential surveys in exchange for an aggregate summary of key findings. All information is presented in aggregate form, and proprietary survey information is not directly attributed to participants.
- 3) **Qualitative research:** Cerulli analysts annually conduct background research interviews with industry executives and advisors in a confidential manner, which allows for candid commentary regarding the state of the advisor markets and potential future trends.

Other Notes:

- **Scales:** Cerulli and Phoenix employ a top-two box grouping to define satisfaction and other measures asked on a seven point scale. For example, an investor would be considered satisfied if they chose the highest or second highest level on a scale. The middle three rankings are considered neutral, while the bottom two are considered dissatisfied.

-
- **Databank Format:** To give a detailed look at each measure, Cerulli employs a databank format in which a topic is analyzed using multiple segmentations (age, investable assets, risk level etc) which appear on consecutive charts and pages. When databanks are used, analysis of the data and key implications will generally be consolidated on the same page as the primary chart.

SAMPLE SECTION

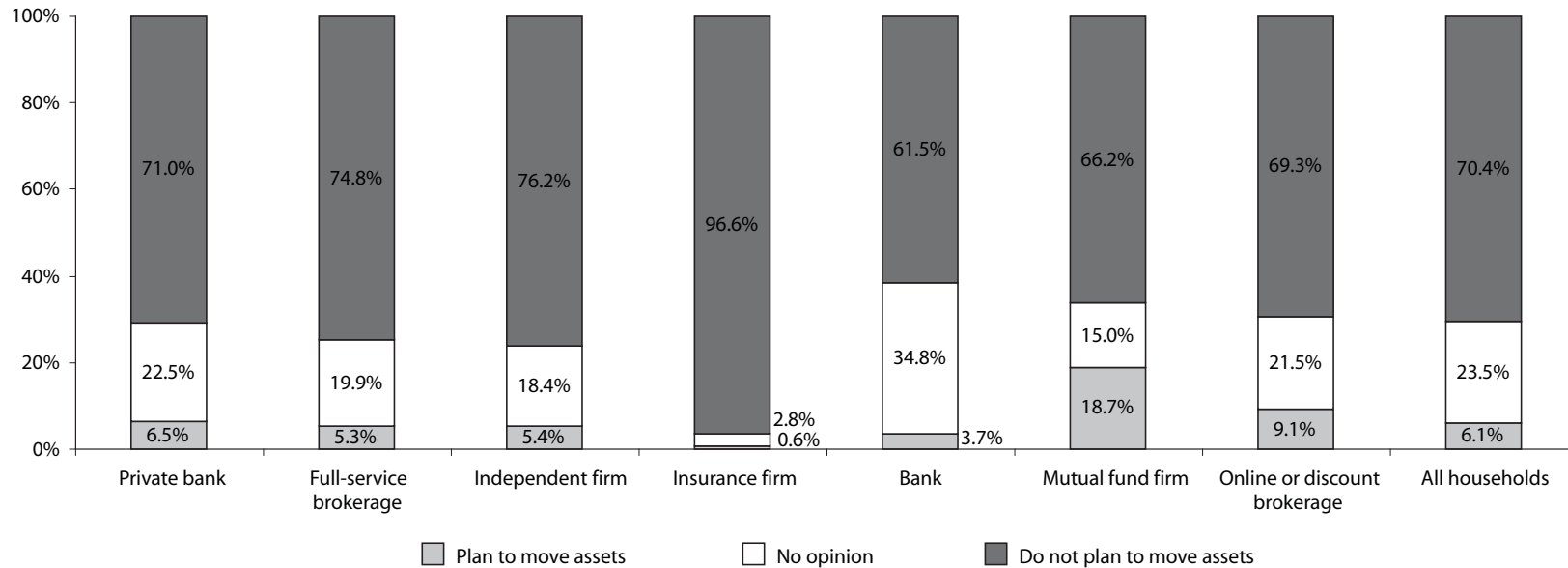
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**CERULLI QUANTITATIVE UPDATE:
RETAIL INVESTOR METRICS 2009**

EXHIBIT 2.27

Household Plans to Move Assets from Primary Provider, December 2008

Sources: Cerulli Associates, Phoenix Marketing International



- **The majority of households (70.4%) do not plan on moving assets from their primary investment provider in the near future.** Households in advice-centric channels are less likely to move assets than households using mutual fund representatives or online or discount brokers.

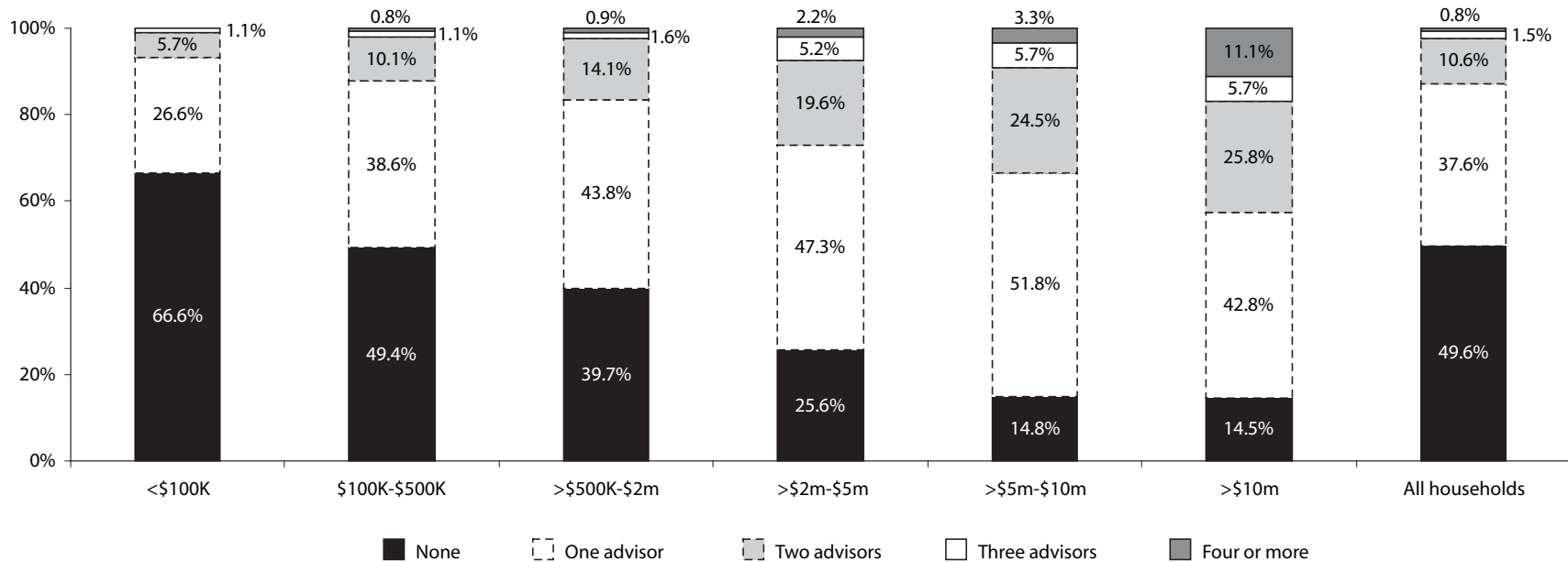
Key Implication: While the majority of households are not planning on switching their primary provider in the near future, more clients are planning to switch (6.1%) than actually reported switching in the past month (see Exhibit 2.24). Clients are upset over poor investment performance and will seek better returns elsewhere if providers do not succeed in reaching out to clients to appease their concerns.

Cross Reference: Exhibit 2.24

EXHIBIT 7.19

Number of Financial Advisors Used by Investable Asset Range, 2008

Sources: Cerulli Associates, Phoenix Marketing International



- **Wealthy households are more likely to employ advisors than their less-wealthy counterparts.** Just less than 15% of households with greater than \$5 million investable assets do not use an advisor, while 66.6% of households with less than \$100K in investable assets do not use an advisor.

Key Implication: When distributing products, asset managers and product providers should be keenly aware of the end client. For example, target-date funds do not have much success with advisors in part because advisors feel they could create similar allocations for their clients without the additional packaging. In addition, clients using advisors tend to be wealthier and will desire a more sophisticated allocation scheme than a target-date fund can offer. However, target-date funds have much greater success appealing to clients at lower levels of wealth who are likely not using an advisor. These may be direct-to-client sales or through a defined contribution platform.