

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM DROPS SLIGHTLY, ACCORDING TO UBS *INDEX*

Investors Divided Over the Privatization of Social Security

NEW YORK, January 24, 2004 – Optimism dropped slightly this month, with investors expressing some concern over the economy and their personal investments, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 76, the overall index dropped 3 points this month, down from 79 in December. Conducted monthly, the Index had an initial baseline of 124 when it was established in 1996.

The decrease can be attributed to a 3-point decrease in the *Index's* personal dimension, which measures investors' confidence in their ability to reach investment targets and maintain income, all of which scored lower this month. The *Index's* economic dimension, which measures investors' sentiment on economic growth, unemployment, stock market performance and inflation remained the same this month.

According to the Index, 57 percent of those polled consider the economy to be in either a sustained expansion or recovery, while 42 percent see the economy in either a slowdown or recession. Of those who characterize the economy as being in a slowdown or recession, 76 percent say a recovery won't happen for at least two years. This represents a slight increase from last month when 73 percent of investors expected a two-year wait for recovery. Among those polled, 63 percent believe now is a good time to invest in the financial markets.

This month, investors were polled about the privatization of Social Security. When asked if they would prefer to privatize Social Security or continue with the current system, investors were divided. 49 percent reported that they favor putting a portion of their Social Security takes into a personal savings account, and 46 percent preferred to retain the current system. These findings contrast with a similar survey conducted in June 2000, which found that 60 percent of investors polled were in favor of privatizing Social Security and 36 percent wanted to keep the current system.

In addition, investors were asked about their personal expectations of our current Social Security system. When asked if Social Security benefits would be a major source of their retirement income, 19 percent said it would be a major source while 17 percent reported not at all. This differentiates from Investors polled in 1998, when a similar 17 percent said it would be a major source but 30 percent of Investors said not at all. Investors were also asked if they thought they would receive all of their Social Security benefits upon retirement. Only 15 percent reported that they thought they would receive no benefits, compared to 25 percent in 1997.

When those investors saying they favored private accounts were questioned on how important it is for Congress and the President to address the issue of private retirement accounts within the Social Security system, an overwhelming 81 percent reported that it was important. Five years ago, a poll in June 2000 found that only 61 percent of these investors expressed that view.

Despite increased concern about the U.S. government addressing the issue, investors today are somewhat more optimistic than they were five years ago about the state of Social Security. Today, 53 percent of investors say the system needs major changes compared to 2000 when 61 percent held that view.

On the issue of how to fix our current Social Security system, 64 percent of investors reported that it was a bad idea to raise Social Security taxes and 87 percent disapprove of reducing benefits for all recipients. In addition, 70 percent reported that it would be a bad idea to gradually extend the age at which benefits can be received to 70 years old. However, 73 percent of investors reported that it would be a good idea to raise taxes for people with incomes of \$500,000 a year or more in order to ensure that the current social Security System can continue indefinitely.

These findings are part of the 81st *Index of Investor Optimism*, which was conducted January 1 to January 14. To track and measure Index changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobe, research director for Gallup, said the sampling included 801 investors randomly selected from across the country. For this study, the American investor is defined as any person who is head of a household or a spouse in any household with total savings and investments of \$10,000 or more. Nearly 40 percent of American households have at least this amount in savings and investments. The sampling error in the results is plus or minus four percentage points.

For more than 60 years, the Gallup Organization has been a recognized leader in the measurement and analysis of people's attitudes, opinions and behavior. While best known for the Gallup Poll, founded in 1935, Gallup's current activities consist largely of providing marketing and management research, advisory services and education to the world's largest corporations and institutions.

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Additional information about the *Index of Investor Optimism* can be found at www.ubs.com/investoroptimism

UBS Index of Investor Optimism overall trend

	OVERALL INDEX
05 January	76
04 December	79
04 November	69
04 October	62
04 September	74
04 August	77
04 July	88
04 June	95
04 May	71
04 April	73
04 March	85
04 February	97
04 January	108
03 December	104
03 November	93
03 October	69
03 September	54
03 August	61
03 July	54
03 June	77
03 May	42
03 April	66
03 March	5
03 February	9
03 January	38
02 December	52
02 November	41
02 October	29
02 September	60
02 August	52
02 July	46
02 June	72
02 May	90
02 April	89
02 March	121
02 February	92
02 January	115
01 December	88
01 November	84
01 October	86
01 September	50
01 August	76
01 July	74
01 June	85
01 May	90
01 April	81
01 March	82

01 February	77
01 January	96
00 December	106
00 November	130
00 October	132
00 September	147
00 August	160
00 July	143
00 June	149
00 May	155
00 April	140
00 March	150
00 February	168
00 January	178
99 December	174
99 November	148
99 October	139
99 September	160
99 August	149
99 July	166
99 June	146
99 May	163
99 April	168
99 March	151
99 February	167
98 December	141
98 September	147
98 June	160
98 March	161