

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

SHARP DECLINE IN INVESTOR OPTIMISM, ACCORDING TO UBS *INDEX*

Decline on Economic Dimension Caused by Lower Stock Market, Fears of Inflation

Decline on Personal Dimension Caused by Worries About Meeting Short-Term Investment Goals and Maintaining Income

Proposal for Social Security Personal Retirement Accounts Loses Favor

NEW YORK, April 25, 2005 – Investor optimism declined sharply this month, with the UBS/Gallup Index of Investor Optimism now at 52, down from 74 last month. The personal and economic dimensions each experienced an 11-point drop.

This is the first time the Index has fallen below 60 since September 2003, when the overall Index was at 54, the personal at 52 and the economic at 2 – all figures that are similar to the current measures. Conducted monthly, the Index had an initial baseline of 124 when it was established in 1996.

The economic decline was fueled primarily by the recent drop in the stock market, but also by increasing concerns about inflation. Investors remain more optimistic than pessimistic about the performance of the stock market, with 41 percent optimistic and 33 percent pessimistic. But that 8-point net positive optimism is down from a 20-point net positive feeling measured last month, when 47 percent were optimistic about the stock market and just 27 percent pessimistic.

Increased concerns among investors about meeting their short-term investment goals and about maintaining their income fueled the decline on the personal dimension.

Despite the *Index's* decline, the survey shows little change in investors' expectations for return on their investments over the next year. The average expected return is 9.9 percent, little changed from last month's 10.3 percent.

The percentage of investors who say that now is a good time to invest in the markets continues its slow decline. Fifty-seven percent express that view, down from 60 percent last month and 64 percent in December.

This month, investors were also polled about Social Security and a proposal to divert part of Social Security taxes into a personal retirement fund. The poll shows that over the past five years, there has been a significant erosion in support for such a plan.

Today, 50 percent of investors want to continue with the Social Security system as it is, with all Social Security taxes paid into the system. Another 47 percent opt for taking a portion of their Social Security taxes and putting them into a personal savings account for retirement.

When the question was first asked in June 2000, investors preferred the personal retirement account proposal by a substantial majority, 60 percent to 36 percent. A year later, support had eroded somewhat, with 54 percent in favor and 42 percent opposed. This past January, investors were more divided, with 49 percent supporting the personal retirement accounts, and 46 percent the status quo. This is the first time the Index has shown more investors preferring the status quo over the personal retirement proposal.

At the same time that investors have become less supportive of privatizing Social Security, they have become more concerned that Congress and the president do something to address the solvency of the system. Fifty-percent of investors say it is “extremely” important that something be done, compared with 36 percent who felt that way last January. Only 28 percent expressed that opinion when the issue was first addressed in June 2000.

Still, large majorities of investors oppose some of the most commonly proposed steps to ensure the solvency of Social Security. Eighty-nine percent say it is a bad idea to reduce benefits for all recipients, 68 percent say that about extending full retirement age to 70, and 63 percent don’t like the idea of raising Social Security taxes.

The only proposal in the survey supported by investors is to raise taxes on people with incomes of \$500,000 a year or more – 75 percent of investors think that is a good idea, 23 percent a bad idea.

Support for raising Social Security taxes has increased somewhat over the past five years, from only 19 percent in 1997 to 34 percent now. Other polls suggest that most Americans would support an increase in the limit at which Social Security taxes currently apply – so that higher income people would essentially pay more taxes than they do now.

Only about four in ten investors expect to receive all or most of the Social Security benefits they would be entitled to if they retired today. But that view is highly related to age. Just 20 percent of investors under age 40 expect to receive those benefits, compared with 63 percent of investors in the pre-retirement age group (50-64).

These results reinforce the findings that the closer investors are to retirement, the more likely they are to say that Social Security will be either a “major” source of retirement income – 30 percent say that among the 50-64 age group, compared with 19 percent in the 40-49 age group, and just 5 percent among investors under 40. Only 3 percent of the pre-retirement group say Social Security will not be a source of retirement income at all, compared with 34 percent who say that among investors under 40.

These findings are part of the 83rd *Index of Investor Optimism*, which was conducted April 1 to April 17. 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 802 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 April | 52 |
| 05 March | 74 |
| 05 February | 82 |
| 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 |

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|--------------|-----|
| 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 |