

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTORS DEMONSTRATE CHANGING VIEWS ABOUT RETIREMENT

Optimism Reading Drops 13 Points

NEW YORK, February 27, 2006 – Investor optimism took a hit this month, dropping 13 points since January to its current reading of 80, according to the latest *UBS/Gallup Index of Investor Optimism*. While this is a significant decline since January, optimism remains higher than it was during most of last year. The February decline is due to falling investor confidence in the performance of the stock market (the Dow Jones Industrial Average dropped 4 percent just prior to the survey period, falling from its January breach of the 11,000 barrier). Special this month is the *Index's* focus on retirement. Interestingly, the findings suggest that sources of retirement income are expanding, that fewer investors expect their pensions to be their major source of retirement income and that the retirement age is slowly creeping upward.

“Attitudes about retirement savings are gradually changing as life expectancy increases and investors deal with the reality of needing multiple sources of income to last them over a longer retirement period,” said Robin Miranda, Associate Strategist, UBS Wealth Management Research.

The survey finds that 28 percent of investors expect that when they retire, they will not have enough money to last them for the rest of their lives. About half, 51 percent, expect to have just about enough, while another 20 percent say they will have more than enough money.

Investors who expect a shortfall are most likely to make up the deficit by tightening their belts and spending less during retirement than they had hoped (65 percent are “very” likely to follow this approach) working longer before they actually retire (63 percent) and doing more part-time work once they do retire (51 percent). They are much less likely to pursue a more aggressive investment strategy to make up the deficit (only 29 percent) or increase the amount of money they save (just 31 percent). Only 18 percent are “very” likely to do nothing differently.

The sources of investors’ retirement income continue to expand. Fewer and fewer investors will rely primarily upon a company pension for retirement, or even on personal savings. More investors expect to rely on part-time work, and a substantial number plan to earn money in retirement from a hobby or starting a business.

In 1998, shortly before the peak of the stock market, 61 percent of investors said they expected personal savings and additional investments, such as an IRA, to be a major source of retirement income. Today, just 41 percent cite these as potentially major sources of retirement income.

The percentage of investors saying they will rely on company pensions has also declined in the past decade. In the late 1990s, 40 percent of investors expected pensions to be a major source of retirement income, compared with just 29 percent today. In part, this change reflects the tendency of businesses to offer 401K retirement packages, rather than pensions. But there has been no significant change in the percentage of investors citing such personal investment plans as a major source of retirement income – today 55 percent cite a 401k plan as a major source, compared with 56 percent in 2002 and 54 percent in 1997.

Other major sources of retirement income include Social Security (21 percent) money from a business or hobby (19 percent) part-time work while retired (18 percent) and an inheritance (9 percent). The percentage relying on part-time work is double what it was in 2001 and 2002.

Just over half of all investors, 51 percent, expect that an inheritance will be either a major or minor source of retirement income. Still, just 36 percent say that leaving money to their families is an explicit part of their own investment strategy.

Twenty-three percent of investors expect to work past the normal retirement age of 65, not much different from the percentage with that expectation four years ago, but greater than the 15 percent in 2001 who expected to work that late in life. On average, investors polled expect to retire at age 63. Only 11 percent expect to retire by age 55, down from 15 percent who held that expectation in 2002, and 24 percent in 2001.

Investors' expectations for return on their portfolio have improved with expectations averaging 11.6 percent, up from 9.4 percent last month. The number of investors who think now is a good time to invest in the financial markets (62 percent) has not changed significantly since last month (63 percent).

These findings are part of the 95th *Index of Investor Optimism*, which was conducted February 1 to February 16. 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.

UBS is one of the world's leading financial firms, serving a discerning global client base. As an organization, it combines financial strength with an international culture that embraces change. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses.

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UBS is present in all major financial centers worldwide. It has offices in 50 countries, with about 39% of its employees working in the Americas, 37% in Switzerland, 16% in the rest of Europe and 8% in Asia Pacific. UBS's financial businesses employ more than 69,500 people around the world. Its shares are listed on the SWX Swiss Stock Exchange, the New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE).

Additional information about the *Index of Investor Optimism* can be found at

www.ubs.com/investoroptimism

UBS *Index of Investor Optimism* overall trend



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	Overall Index
06 February	80
06 January	93
05 December	79
05 November	50
05 October	47
05 September	34
05 August	61
05 July	58
05 June	54
05 May	50
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
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



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98 September	147
98 June	160
98 March	161
97 December	151
97 September	151
97 June	152
97 February	128
96 November	125
96 October	124

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