

THE PRINCIPAL FINANCIAL WELL-BEING INDEXSM

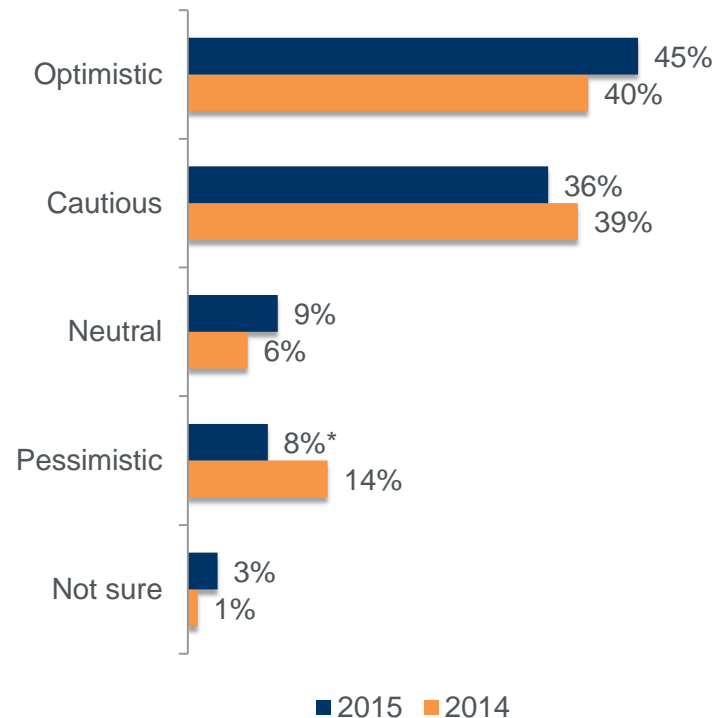
Business Owners

October 2015



Economic Outlook for 2016

- Forty-five percent of business owners are optimistic about the economic outlook for 2016, an increase from 40% last year.
- The percentage of business owners who are cautious has declined from 39% to 36% for 2015.
- There has been a significant decline in business owners who are pessimistic about the economic outlook for the coming year, going from 14% in 2014 to 8% in 2015.



* Varies significantly (95% confidence level) from previous year

“How would you describe your sentiment regarding the economic outlook for 2016? Please select one.”
Base: 600 Business owners of U.S. firms with 10-500 employees

Confidence in Business Financials

Comparing this year to last year

- Almost one quarter (24%) of business owners feel their business financials have improved significantly from last year. A significant increase from 15% the year before.
- Sixty-four percent feel their financials have improved significantly or somewhat from last year.

| How have your business financials changed for this year compared to last year at this time? | 2015 | 2014 |
|---|------|------|
| Improved significantly | 24%* | 15% |
| Improved somewhat | 40% | 39% |
| Stayed the same | 29% | 30% |
| Worsened somewhat | 6%* | 14% |
| Worsened significantly | 1% | 2% |

* Varies significantly (95% confidence level) from previous year

“How have your business financials changed for this year compared to last year at this time?”

“How do you think your business financials will change in 12 months from now?”

Base: 600 Business owners of U.S. firms with 10-500 employees

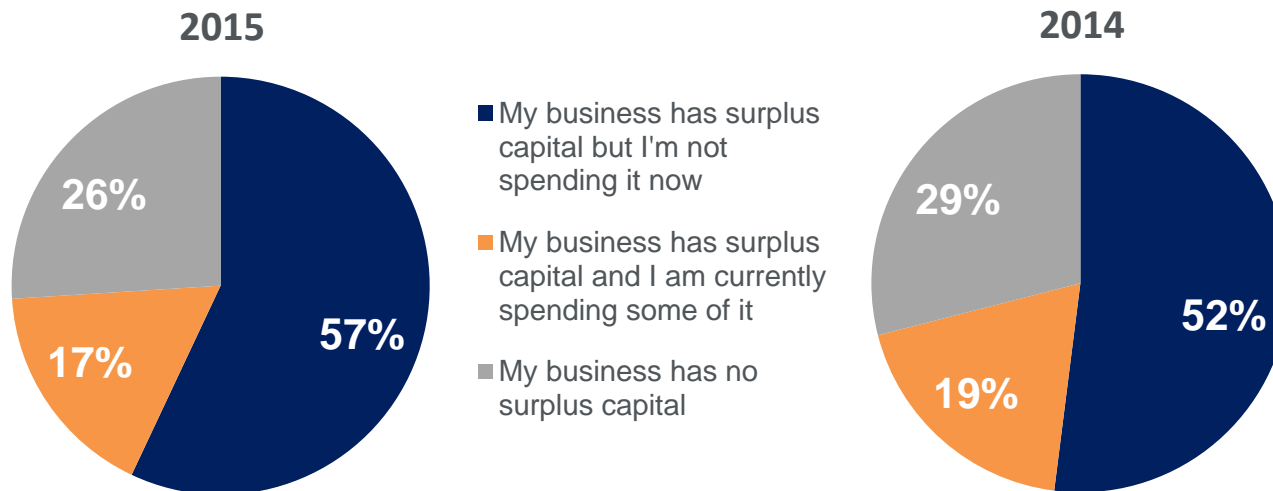
How business financials will change 12 months from now

- Almost two-thirds (66%) of business owners believe their business financials will improve in the next 12 months.

| How do you think your business financials will change in 12 months from now? | 2015 | 2014 |
|--|------|------|
| Improve significantly | 25% | 18% |
| Improve somewhat | 41% | 37% |
| Stay the same | 31% | 37% |
| Worsen somewhat | 3% | 6% |
| Worsen significantly | 1% | 2% |

Plans for Surplus Capital

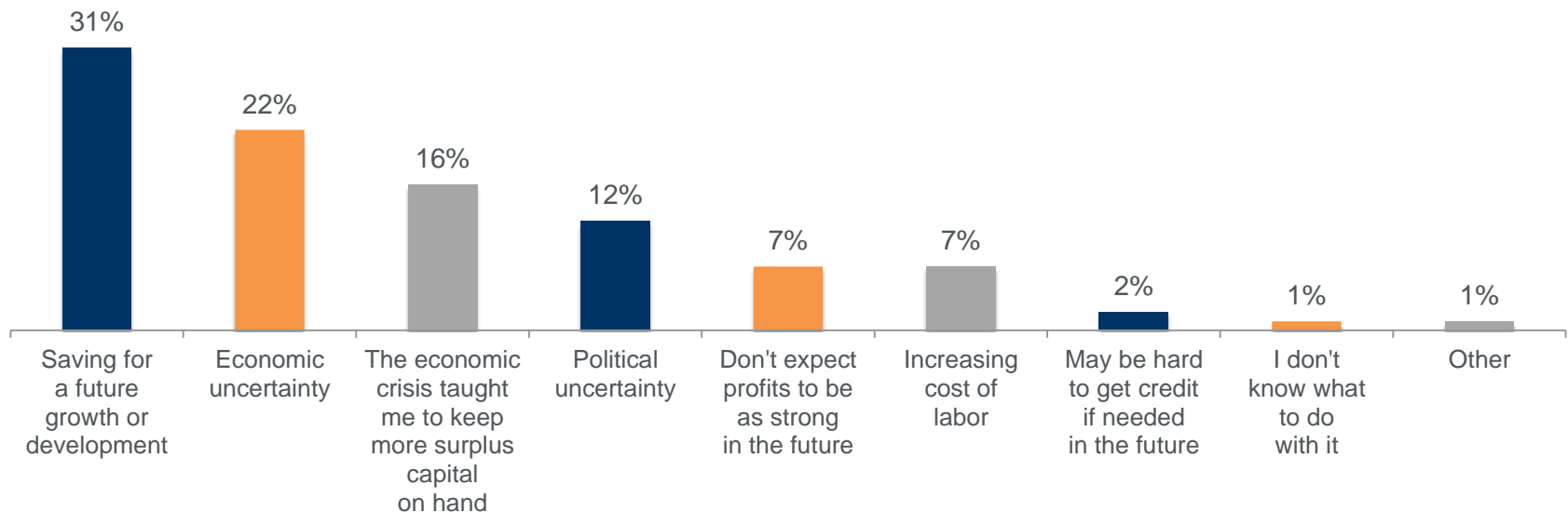
- Almost three-fourths (74%) of business owners say their business has surplus capital.
- Business owners who use a financial professional for their business are significantly more likely to have surplus capital (87%) than those who don't use a financial professional (59%).
- When looking at only the business owners who have surplus capital, 77% aren't spending any of it.



"Which of the following best describes how your business is currently handling surplus capital?"
Base: 600 Business owners of U.S. firms with 10-500 employees

Reasons for Not Spending Surplus Capital

- Almost one-third (31%) of business owners who aren't spending surplus capital are saving it for future growth or development.
- One in five (22%) aren't spending surplus capital due to economic uncertainty.

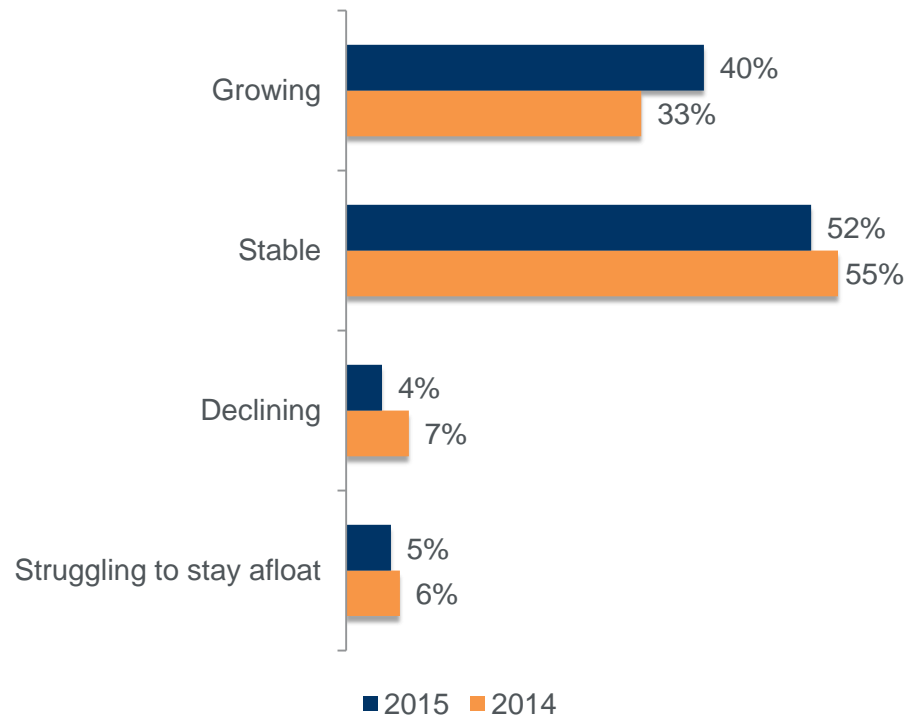


“You mentioned your business has surplus capital but you aren't currently spending any of it. Which of the following reasons best describes why you aren't currently spending any of it? (Select one).”

Base: 333 Business owners of U.S. firms with 10-500 employees who have surplus capital but are not currently spending it

Financial Health of Business

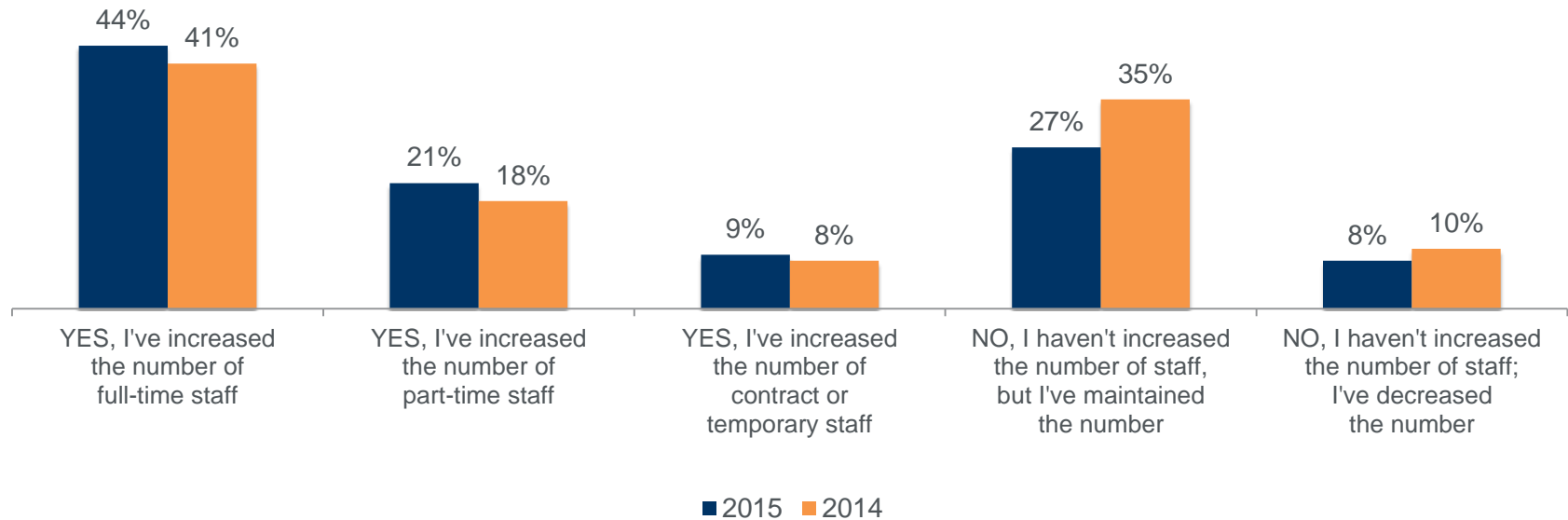
- Nine in ten (92%) business owners rate the financial health of their business as growing or stable.
- The percentage rating their business financial health as growing has increased from 33% in 2014 to 40% in 2015.



“Which of the following best describes the financial health of your business?”
Base: 600 Business owners of U.S. firms with 10-500 employees

Staff Additions in the Past 12 Months

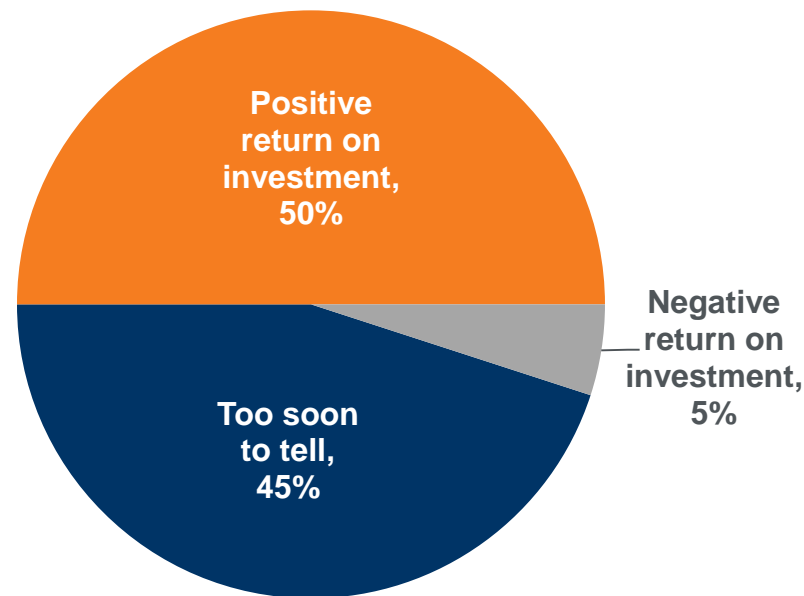
- Almost two out of three (65%) business owners have made staff additions in the past 12 months compared to 55% in 2014. One third (35%) have either maintained or decreased staff in the past 12 months.
- Forty-four percent have increased their full-time staff, while 21% have increased their part-time staff.
- Eight percent have decreased their staff in the past 12 months.



"Have you added to your staff in the past 12 months? Select all that apply."
Base: 600 Business owners of U.S. firms with 10-500 employees

Impact of Staff Additions on Bottom Line

- Half of the business owners who added to staff in the past 12 months have seen a positive return on their investment.
- Forty-five percent feel it is too soon to tell the impact on the bottom line.



“How did your staff addition(s) within the past 12 months impact your bottom line?”
Base: 453 Business owners of U.S. firms with 10-500 employees who have added staff

Changes to Business in Next 12 Months

Business owners plan to make the following changes to their businesses in the next 12 months:

- Similar to last year, approximately four in ten (42%) of business owners plan to add to staff, while 10% plan to reduce staff.
- Significantly more business owners plan to add employee benefits this year than last year (32% vs 22%). Millennial business owners (48%) are significantly more likely to add employee benefits than Gen X (31%) and Baby Boomer (23%) business owners.
- Approximately one third (32%) of business owners plan to increase employee wages in the next 12 months.
- Thirty percent plan to expand business operations in the U.S. and 12% plan to expand business operations internationally.

| Which of the following changes will you make to your business in the next 12 months? | 2015 | 2014 |
|--|------|------|
| Add staff | 42% | 41% |
| Add employee benefits | 32%* | 22% |
| Increase employee wages+ | 32% | NA |
| Expand business operations in the U.S. | 30% | 23% |
| Increase employee paid portion for benefits premiums | 19% | 17% |
| Expand business operations internationally | 12% | 11% |
| Reduce staff | 10% | 8% |
| Reduce employee benefits | 7% | 12% |
| Reduce business operations in the U.S. | 4% | 4% |
| Reduce business operations internationally | 4% | 2% |
| Decrease employee wages+ | 3% | NA |
| Reduce employee paid portion for benefits premiums | 2% | 3% |
| No changes are planned | 19%* | 28% |

*Varies significantly (95% confidence level) from previous year

+ Not offered as an option in 2014

"Which of the following changes will you make to your business in the next 12 months?"

Base: 600 Business owners of U.S. firms with 10-500 employees

Impact of Economic Factors on Business Decisions

Economic Concerns That Have Greatest Impact on Business Decisions

- One in five business owners selected economic growth as the top economic concern impacting business decisions. It was ranked in the top three by 39%.
- Health care costs and Affordable Care Act were also ranked as top economic concerns impacting business decisions.

| Economic Concerns That Have Greatest Impact on Business Decisions | #1 choice | Top 3 choice |
|---|-----------|--------------|
| Economic growth | 20% | 39% |
| Health care costs | 13% | 32% |
| Affordable Care Act (health care reform) | 11% | 25% |
| Inflation | 7% | 20% |
| Uncertainty of taxes | 7% | 22% |
| Stock market | 6% | 14% |
| Gas prices | 5% | 16% |
| Global economy | 5% | 18% |
| Minimum wage | 5% | 17% |
| 2016 Presidential election | 4% | 13% |
| Interest rates | 4% | 21% |
| Regulatory climate | 3% | 15% |
| Immigration policy | 3% | 9% |
| Unemployment | 3% | 10% |
| National debt | 2% | 13% |
| The effect of foreign conflict on business | 2% | 9% |
| Other | <1% | 1% |
| None of these | 2% | 2% |

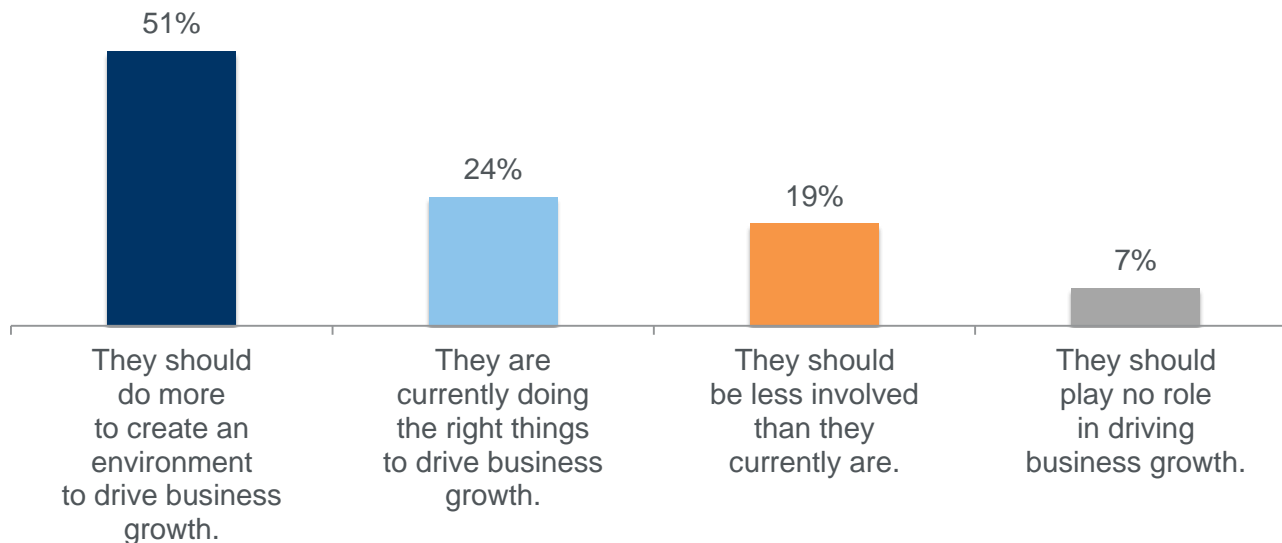
“In thinking about the current economic state of our country, please rank the top three items that have the greatest impact on your business decisions.”

Base: 600 Business owners of U.S. firms with 10-500 employees



Level of Involvement Expected of Government in Driving Business Growth

- Half (51%) of business owners feel the government should be doing more to create an environment to drive business growth.
- Almost one fourth (24%) feel the government is currently doing the right things to drive business growth.
- One in four (26%) feel the government should be less involved or play no role in driving business growth.



“What level of involvement do you expect your local, state or federal government to have in driving business growth?”
Base: 600 Business owners of U.S. firms with 10-500 employees

Financial Issue That Will Have Greatest Impact on Vote in 2016 Presidential Election

- The financial issue that will have the greatest impact on business owners' voting decision in 2016 is varied. The issue chosen by the largest percentage (14%) was "state of the economy".
- Affordable Care Act (10%) and health care costs (7%) were in the top four issues selected.

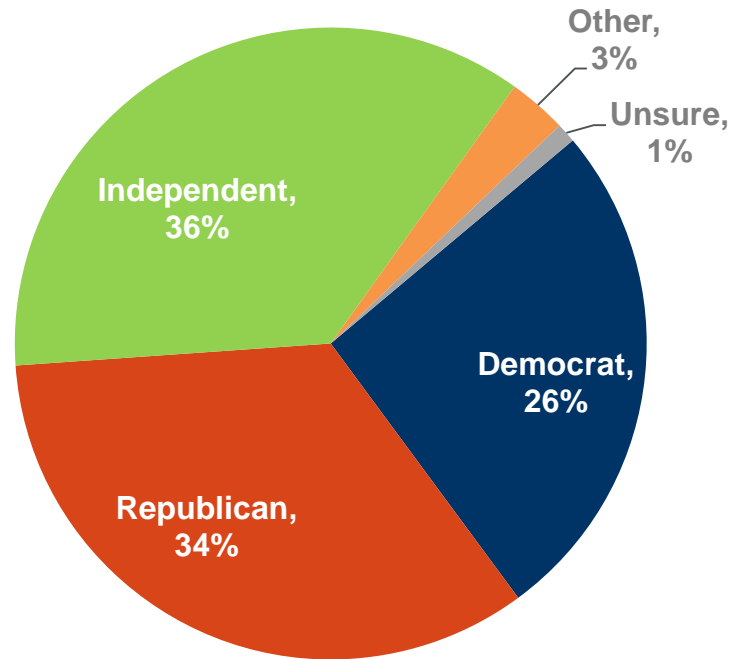
| Financial issue that will have greatest impact on vote in 2016 presidential election | 2015 |
|--|------|
| State of the economy | 14% |
| Affordable Care Act (health care reform) | 10% |
| Economic growth | 8% |
| Health care costs | 7% |
| Minimum wage | 6% |
| National debt | 6% |
| Global economy | 5% |
| Immigration policy | 5% |
| Regulatory climate | 5% |
| Uncertainty of taxes | 5% |

| (continued) | 2015 |
|--|------|
| Federal budget | 4% |
| Interest rates | 4% |
| Inflation | 3% |
| Stock market | 3% |
| Unemployment | 3% |
| Gas prices | 2% |
| The effect of foreign conflict on business | 2% |
| Other | 1% |
| None | 5% |

"Which financial issue will have the most impact on your voting decision in the 2016 presidential election?"
 Base: 600 Business owners of U.S. firms with 10-500 employees

Political Party Affiliation

- Thirty-six percent of business owners consider themselves to be an Independent.
- Thirty-four percent consider themselves to be a Republican. Significantly more Baby Boomer (48%) business owners consider themselves Republicans than Millennial (28%) and Gen X (23%) business owners.
- Approximately one in four (26%) consider themselves to be a Democrat.



“Which of the following do you consider yourself to be?”
Base: 600 Business owners of U.S. firms with 10-500 employees

Methodology

The Principal Financial Well-Being IndexSM : Business Owners survey was conducted online within the United States by Harris Poll on behalf of the Principal Financial Group® between July 29 and August 25 among 600 business owners in companies of 10-500 employees.

Business Owners consisted of adults 21+ who own at least 5 percent of the company and are actively involved in making decisions for the business and managing the business in small and mid-sized (SMB) U.S. businesses (firm size 10-500 employees). Results were weighted as needed for representation of the SMB firms.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Poll avoids the words “margin of error” as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100 percent response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Poll surveys. The data have been weighted to reflect the composition of the small to mid-sized U.S. businesses (10-500 employees). Because the sample is based on those who agreed to be invited to participate in the Harris Poll online research panel, no estimates of theoretical sampling error can be calculated.