

THE PRINCIPAL FINANCIAL WELL-BEING INDEXSM

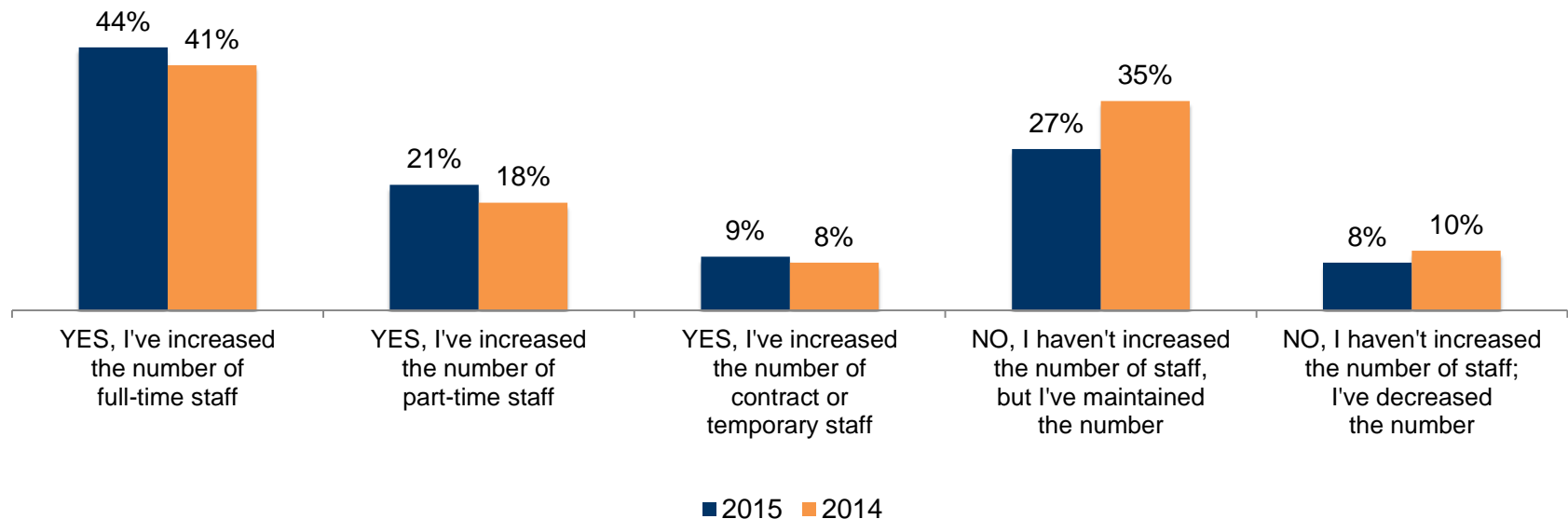
Business Owners

February 2016



Staff Additions in the Past 12 Months

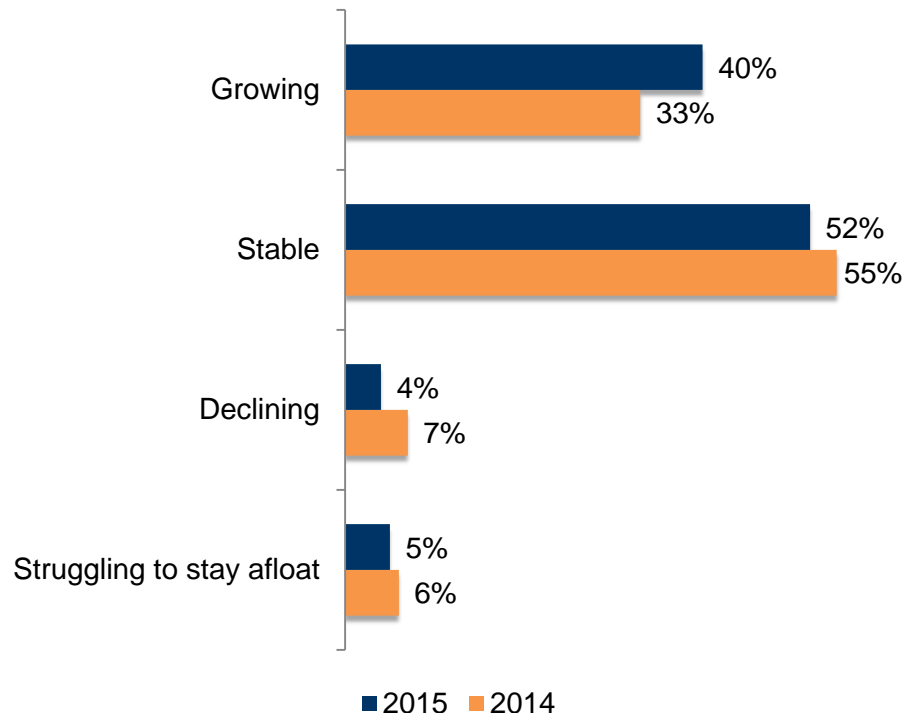
- Almost two out of three (65%) business owners have made staff additions in the past 12 months compared to 55% in 2014. One third (35%) have either maintained or decreased staff in the past 12 months.
 - Significantly more millennial business owners (83%) have added to staff in the past 12 months than Gen X (66%) and baby boomers (49%).
- 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

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.
- Significantly more millennial business owners (51%) describe their business as growing than Gen X business owners (35%).
- Significantly more Gen X (6%) and Baby Boomer (8%) business owners describe their business as struggling to stay afloat than millennial business owners (0%).



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

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. Millennial business owners (54%) are significantly more likely to add to staff than Gen X (36%) and Baby Boomer (38%) business owners.
- 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.

*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?	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%

“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

Benefits Programs Most Likely To Be Added in Next 12 Months

- Only one-third (32%) of business owners do not plan to add a new benefit program in the next 12 months.
- Almost one in five (19%) plan to add a defined contribution plan or life insurance.
- Dental insurance or vision insurance are planned to be added by 17% of business owners.
- Just over half (53%) of Baby Boomer business owners do not plan to add any of the listed benefits in the next 12 months.
- Millennial business owners are significantly more likely to add almost all of the benefits listed than Baby Boomer business owners..

Benefits Likely to be Added	2015	Gen Y A	Gen X B	Baby Boomer C
Defined contribution retirement plan (401k, etc.)	19%	34% BC	16%	11%
Life insurance	19%	30% C	22%	9%
Dental insurance	17%	25% C	19%	11%
Vision	17%	27% C	21% C	7%
Stock options	16%	28% BC	15%	8%
Maternity leave	15%	26% C	17%	6%
Wellness	15%	25% BC	12%	10%
Disability insurance	14%	20% C	16%	7%
Health Insurance	14%	25% BC	13%	6%
Profit sharing/bonus	14%	21% C	15%	7%
Critical illness insurance	13%	21% C	15%	5%
Paternity leave	13%	19%	10%	12%
Accident insurance	11%	20% C	15% C	2%
Cancer insurance	11%	18% C	13%	5%
Executive benefits++	11%	21% C	11%	5%
Pension+++	11%	19% BC	9%	6%
Other	2%	<1%	4%	1%
None	32%	10%	21%	53% AB

++Nonqualified Deferred Compensation Plans, Supplemental Employee Retirement Plans, Executive Bonus Plans, Split Dollar Plans, etc.

+++Defined retirement benefit plan where employer funds plan completely
A/B/C Varies Significantly (95% confidence level)

“What benefits are you most likely to add in the next 12 months?”
Base: 600 Business owners of U.S. firms with 10-500 employees

Perks Currently Offered by Generation

Currently Offered	Overall	Gen Y (A)	Gen X (B)	Baby Boomer (C)
Flex time	44%	47%	47%	40%
Free food	41%	52% C	49% C	28%
No dress code	40%	45%	40%	38%
Access to a financial professional	32%	41%	32%	28%
Telecommuting	31%	47% BC	24%	24%
Shortened work days	26%	39% C	30% C	11%
Legal services	21%	37% C	24% C	8%
Game room with video games, tables for ping pong, foosball, etc.	16%	31% BC	18% C	2%
Onsite daycare	16%	31% BC	11%	5%
College loan repayment	14%	28% BC	15% C	2%
Laundry service	14%	26% C	18% C	3%
Nap rooms	13%	24% C	17% C	3%
Pet insurance	10%	22% BC	11% C	1%
None of the above	18%	10%	19%	22% A

“What perks do you currently offer or plan to offer within the next 12 months? Select all that apply.”

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

A/B/C Varies Significantly (95% confidence level)

Perks Planned to be Offered in the Next 12 Months by Generation

Do Not Currently Offer but Plan to Offer in Next 12 Mos	Overall	Gen Y (A)	Gen X (B)	Baby Boomer (C)
Onsite daycare	25%	33% C	30% C	15%
Pet insurance	24%	33% C	23%	17%
College loan repayment	22%	26%	26%	17%
Laundry service	22%	26%	22%	18%
Legal services	21%	28% C	23%	15%
Game room with video games, tables for ping pong, foosball, etc.	21%	24%	20%	20%
Nap rooms	21%	27%	20%	17%
Shortened work days	20%	23%	21%	19%
Telecommuting	17%	21%	20%	11%
Flex time	16%	21%	14%	14%
Free food	16%	18%	16%	15%
No dress code	15%	21% C	19% C	8%
Access to a financial professional	15%	20%	15%	12%
None of the above	43%	24%	35%	62% AB

“What perks do you currently offer or plan to offer within the next 12 months? Select all that apply.”

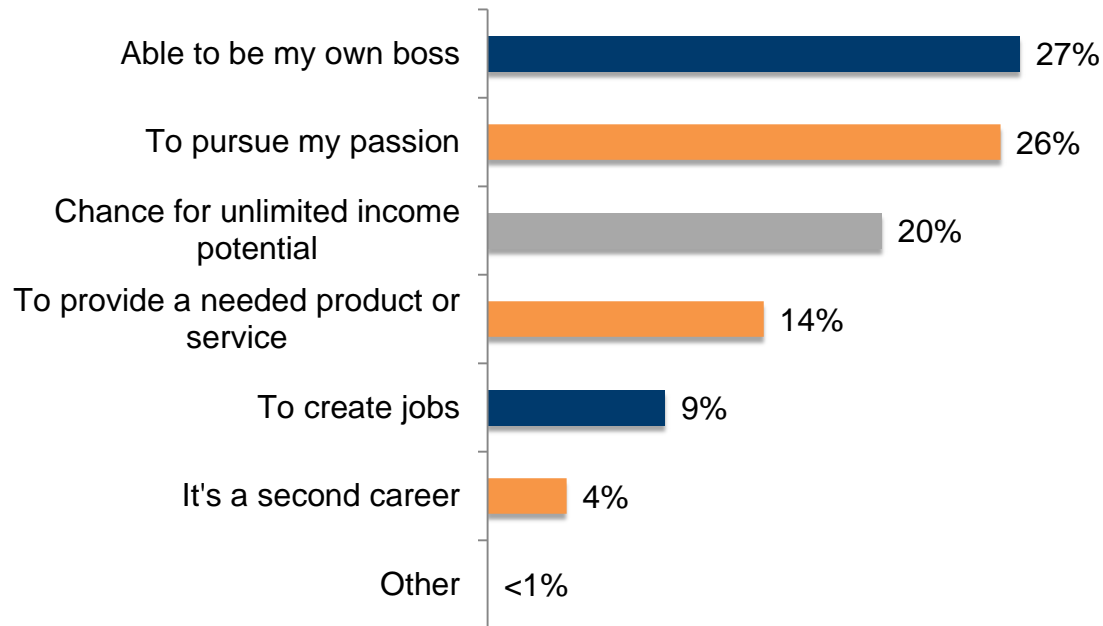
Base: 600 Business owners of U.S. firms with 10-500 employees

A/B/C Varies Significantly (95% confidence level)

The Life of a Business Owner

Reason for Being in Business

- One fourth of business owners are in business so they are able to be their own boss (27%) or to pursue their passion (26%).
- One fifth of business owners are in business for the chance for unlimited income potential.



“Which one of the following best describes your reason for being in business?”
Base: 600 Business owners of U.S. firms with 10-500 employees

Number of Hours Worked Per Week

- Forty-two percent of business owners are working 40 hours or less per week this year compared to 37% last year.
- One third of business owners are working 41-50 hours per week, compared to 40% last year.
- The mean or average hours per week has declined from 45.7 hours last year to 44.7 hours this year.
 - Millennial business owners work significantly fewer hours per week on average (38.8) compared to Gen X (47.8) and Baby Boomer (47.1) business owners.

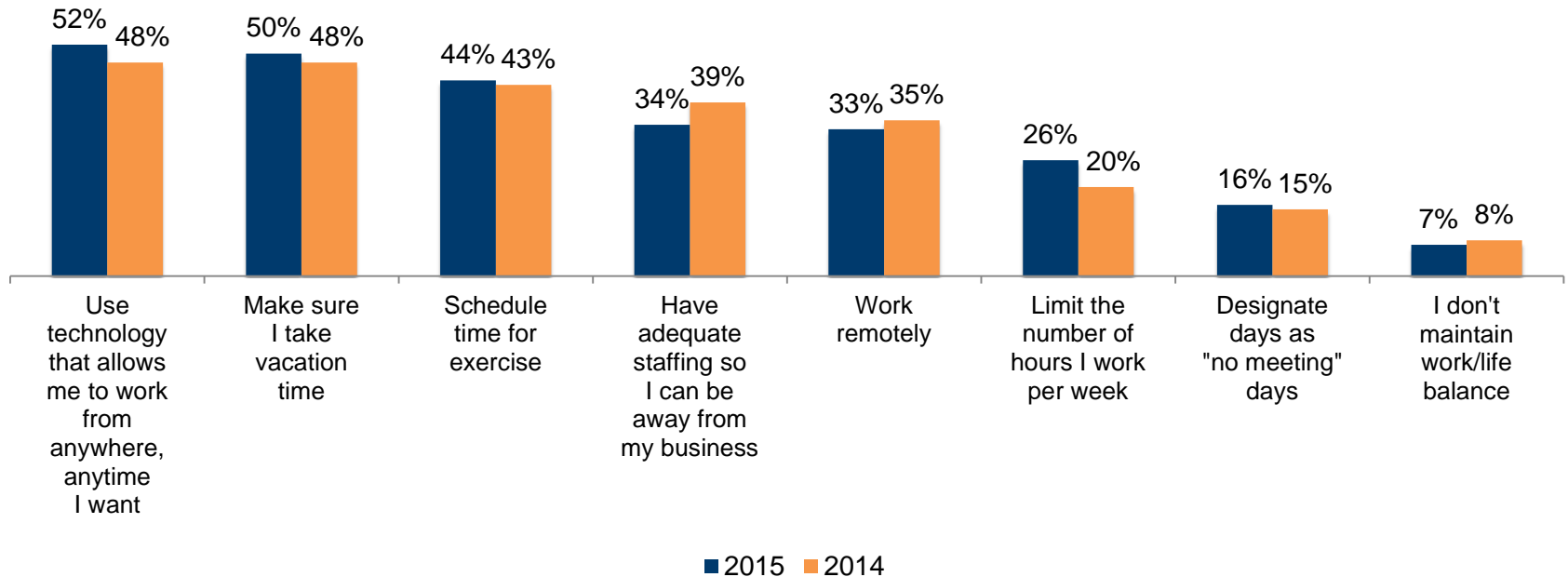
How many hours per week do you personally work on average?	2015	2014	2015 Gen Y A	2015 Gen X B	2015 baby boomers C
20 or less	7%	4%	12%	4%	7%
21-40 hours	35%	33%	47% C	39%	23%
41-50 hours	33%	40%	28%	25%	38%
51-60 hours	18%	16%	10%	17%	28% A
61-75 hours	5%	4%	3%	10%	3%
76 hours or more	2%	3%	<1%	5%	1%
Mean	44.7	45.7	38.8	47.8 A	47.0 A

A/B/C Varies Significantly (95% confidence level)

“How many hours per week do you personally work on average?”
 Base: 600 Business owners of U.S. firms with 10-500 employees

Maintaining Work/Life Balance

- Just over half (52%) use technology that allows them to work from anywhere, anytime.
- Half make sure they take their vacation time.
- Over four in ten (44%) schedule time for exercise.
- Seven percent don't maintain work/life balance.
 - Baby Boomer business owners are significantly more likely (15%) than millennial (2%) and Gen X (3%) business owners to say they don't maintain a work/life balance.



"Which of the following do you do to help you maintain work/life balance? Select all that apply."
 Base: 600 Business owners of U.S. firms with 10-500 employees

Using a Financial Professional

Use of Financial Professionals

- One in five business owners are not using a financial professional, significantly fewer than in 2014 (35%).
 - baby boomers (29%) are most likely to say they do not use a financial professional, compared to only 8% of millennials.
- One-third (32%) of business owners use a financial professional for both personal and business or employee benefits compared to 26% in 2014.
- Twenty-two percent use a financial professional for business or employee benefits only, up from 12% in 2014.

Do you use a financial professional who provides you financial advice, guidance, and/or products for a fee or commission for your personal financial situation and/or business or employee benefits?	2015	2014	2015 Gen Y A	2015 Gen X B	2015 Baby Boomers C
Yes, I use a financial professional for both my personal financial situation and business or employee benefits.	32%	26%	27%	27%	38%
Yes, I use a financial professional for my personal financial situation only.	25%	25%	36% C	29% C	14%
Yes, I use a financial professional for my business or employee benefits only.	22%*	12%	27%	23%	19%
No, I do not use a financial professional.	20%*	35%	8%	18%	29% A
Not sure	1%	2%	1%	2%	--

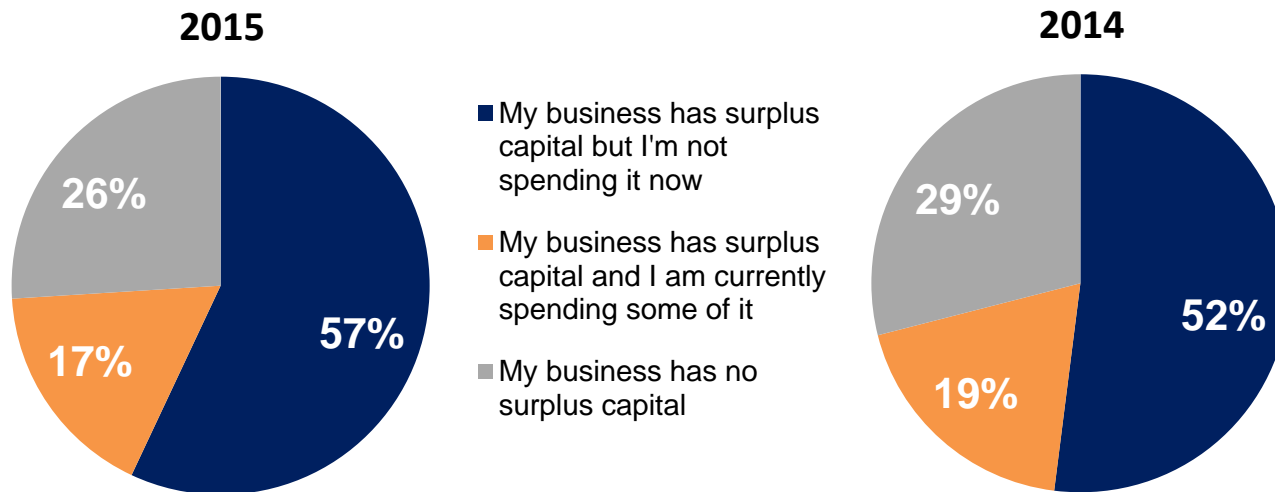
*Varies significantly (95% confidence level) from previous year / A/B/C Varies Significantly (95% confidence level)

“Do you use a financial professional who provides you financial advice, guidance, and/or products for a fee or commission for your personal financial situation and/or business or employee benefits?”

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

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

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.